Mascoma Mutual Financial Services Corporation & Mascoma Savings Bank

2013 STATEMENT OF CONDITION
While 2013 started somewhat benignly and uneventfully for the Bank, it soon became one of the most active and fruitful years in our history. The Board and management had anticipated that it would be another year of challenges because of the slow economy and the low interest rate environment, and budgeted accordingly. Nationally, recovery from the “Great Recession” has been less than robust as growth in Gross Domestic Productivity (GDP) has averaged just a whisker over 2 percent for the past five years, with three of the five years below that number.

Historically low interest rates have persisted during this time as well. These low rates continue to place earnings pressures on most community banks, particularly those that depend upon net interest margin as their primary source of income. While the Upper Connecticut River Valley was spared the worst of the recent economic calamity, economic growth locally would not be described as vigorous. Be that as it may, New Hampshire and Vermont have continued to slowly make progress with fairly stable economies and this has been of great benefit to Mascoma Savings Bank.
Before the year was out, however, 2013 became one of the more remarkable periods in the Bank’s history, when a number of significant events occurred that put the Bank on much stronger footing as we move forward. I encourage you to take a few moments to read more about these changes on the pages that follow. I cannot tell you how proud I am of our Board of Directors and the entire staff of Mascoma Savings Bank. Each member has worked extremely hard under the economic circumstances outlined above, in an increasingly complex regulatory environment.

All of us are very thankful to each of our clients for their ongoing support. I am confident that mutually owned Mascoma Financial Services Corporation, including the Bank, the Insurance Agency, and the Wealth Management Division, will continue to earn the trust and business of the communities that we collectively serve.

Stephen F. Christy
President and CEO, Mascoma Savings Bank
Mascoma Savings Bank Foundation

A Commitment to Giving

Mutual savings banks have their roots in philanthropy. The first mutual savings bank was organized by The Reverend Henry Duncan in Ruthwell, Scotland, over 200 years ago. Mascoma Savings Bank was organized in 1899 by a group of individuals who “invested” small sums of money to capitalize the Bank with no expectation of any personal financial return.

Mascoma Savings Bank was the first mutual bank in either New Hampshire or Vermont to organize and fund a charitable foundation. Each year Mascoma Savings Bank contributes a portion of its earnings to the Foundation for distribution in the community. Since its establishment in 1988, the Mascoma Savings Bank Foundation has contributed over $3 million to local non-profit organizations.

But Mascoma Savings Bank’s commitment to the community extends even further as the Bank continues to directly support local non-profits every year. When taken together with the Foundation’s contributions, Mascoma Savings Bank was the source of over $900,000 in direct support for New Hampshire and Vermont-based community organizations in 2013.
2013 was a year of growth, change, and great accomplishments.

In April the Investment Advisory Division of Mascoma Wealth Management opened in the Mascoma Building at 80 South Main Street in Hanover, after having received trust powers from the OCC. Under the direction of Bob Boon, the new investment advisory division would end the year with $84.5 million under management. The wealth management area as a whole ended the year with $219 million under management.

In March the Mascoma Insurance Agency opened its doors in a bricks and mortar office in Lebanon under the leadership of Phil Latvis, with a team of industry veterans and energetic newcomers.
After extensive planning, Mascoma Savings Bank completed a beautiful new office in Hartland, Vermont. Mike Tolaro and his staff endured the temporary trailer and kept our customers happy throughout the five-month construction period. The project not only exceeded expectations, but actually came in ahead of schedule and below budget.

Norm Frates joined the Bank in September, giving Mascoma Savings Bank its first loan production office in Woodstock, Vermont. Norm brings a significant market presence in East Central Vermont, but primarily in the greater Woodstock/Quechee area.
Meanwhile, our team of commercial lenders put together a spectacular year of loan growth. In total they closed $118.5 million in new loans, by far the largest one-year total in Mascoma Savings Bank’s history. Dick Jennings and his New Market Tax Credit team, as leaders in this field, continued to develop new projects throughout Northern New England. Even with this growth, total commercial loan delinquency was only 70 basis points at year-end.

In November, the Bank announced its intention to open a commercial and retail loan production office in Burlington, Vermont. This will give the Bank a physical presence in one of the more dynamic markets in Northern New England, a market where we have already been very successful without a physical presence.

2013 became one of the more remarkable periods in the Bank’s history.
At the end of 2013, the Bank formed a Community Development Entity and applied for a 2014 allocation of New Market Tax Credits. This shows our further commitment to the market area and allows us to be an even more active catalyst for job creation and economic development in Vermont and New Hampshire.

On December 9, the Bank announced that it had entered into an agreement to acquire Connecticut River Bank, NA, and merge it into Mascoma Savings Bank. If the Bank is successful in this endeavor, Mascoma Savings Bank will add approximately $285 million in assets, 11 offices, and almost 70 employees. The Bank's market will extend from Lancaster and the Great North Woods, down the Connecticut River Valley to Keene and the Massachusetts border.
Mascoma Savings Bank is a mutually owned bank, which means it is chartered to serve the community and is not owned by stockholders.

Today, only 8 percent of banks in the United States are mutually owned, yet mutual banks are some of the best stewards of community prosperity and among the most stable financial institutions. By comparison, on average, mutual financial institutions exhibit greater capital strength, with better risk-based capital and leverage ratios.

Mutual banks serve their customers better by paying higher interest on deposits and charging less on loans, and are more efficient providers of financial services.

Mascoma Savings Bank’s organizational structure further underlines its commitment to respond to the needs our community. The Bank’s Board of Directors is elected by the Mascoma Savings Bank Corporation members who reflect the make-up and needs of the area where we live, and our 267 employees are integral parts of the communities we serve.

After 114 years serving our neighbors, it is more true than ever when we say, “Our bank is your bank.”

5 YEARS: Liza McSwain, Jessica Duncklee, Taryn Stoddard, Sarah Glick, Kayla Smith, Nathan Rivers, Brenda Curtis
10 YEARS: Lindsey Gardner, Shelley Best, Sherri Mason, Meagan Bocash, Gary Dixon, Maureen LaBonte, Sherry Jones
We are pleased to honor the following employees for nearly four centuries of collective service to the Bank and our customers.

15 YEARS: Sadie Wells, Nancy Kendall, Michael Vanasse, Marcy Schaal, Elden Dube, Christina Rogers
20 YEARS: Catherine Ells, Heidi Chapman, Patti Jordan
25 YEARS: Christine Morin, Carol Cone
35 YEARS: Karen Slayton
40 YEARS: Linda Vincent
19 locations
18 ATMs
13 drive-ups
Countless friends!
### Consolidated Statement of Condition

Mascoma Mutual Holding Corporation and Mascoma Savings Bank

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>12 months ending</th>
<th>12 months ending</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>12-31-2012</td>
<td>12-31-2013</td>
</tr>
<tr>
<td><strong>Cash and Cash Equivalents</strong></td>
<td>$14,894,916</td>
<td>$11,860,181</td>
</tr>
<tr>
<td><strong>U.S. Government Securities and Obligations</strong></td>
<td>174,983,988</td>
<td>153,653,044</td>
</tr>
<tr>
<td><strong>Other Investments</strong></td>
<td>40,103,488</td>
<td>30,222,422</td>
</tr>
<tr>
<td><strong>Real Estate Mortgage Loans</strong></td>
<td>675,068,344</td>
<td>738,719,333</td>
</tr>
<tr>
<td><strong>Consumer and Other Loans</strong></td>
<td>117,686,400</td>
<td>133,875,302</td>
</tr>
<tr>
<td><strong>Total Loans</strong></td>
<td>792,754,744</td>
<td>872,594,635</td>
</tr>
<tr>
<td><strong>Less: Allowance for Loan Losses</strong></td>
<td>(10,146,285)</td>
<td>(11,323,432)</td>
</tr>
<tr>
<td><strong>Net Loans</strong></td>
<td>782,608,459</td>
<td>861,271,202</td>
</tr>
<tr>
<td><strong>Bank Building and Equipment</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Other Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>$1,068,592,287</td>
<td>$1,118,248,318</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>12 months ending</td>
<td>12 months ending</td>
</tr>
<tr>
<td><strong>Demand and NOW Deposits</strong></td>
<td>$267,668,238</td>
<td>$271,470,441</td>
</tr>
<tr>
<td><strong>Savings, Time and Other Deposits</strong></td>
<td>504,384,219</td>
<td>504,296,929</td>
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<tr>
<td><strong>Total Deposits</strong></td>
<td>772,052,457</td>
<td>775,767,370</td>
</tr>
<tr>
<td><strong>Sweep Accounts</strong></td>
<td>122,616,955</td>
<td>123,088,373</td>
</tr>
<tr>
<td><strong>FHLB Borrowings</strong></td>
<td>53,040,597</td>
<td>98,322,687</td>
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<tr>
<td><strong>Total Borrowings</strong></td>
<td>175,657,552</td>
<td>221,411,060</td>
</tr>
<tr>
<td><strong>Other Liabilities</strong></td>
<td>12,757,605</td>
<td>8,377,779</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td>$960,467,614</td>
<td>$1,005,556,210</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>CAPITAL</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>12 months ending</td>
<td>12 months ending</td>
</tr>
<tr>
<td><strong>Retained Earnings/Surplus</strong></td>
<td>$109,500,047</td>
<td>$113,334,168</td>
</tr>
<tr>
<td><strong>Unrealized Gain/Loss on Investments/Pension, Net</strong></td>
<td>(1,375,374)</td>
<td>(642,060)</td>
</tr>
<tr>
<td><strong>TOTAL CAPITAL</strong></td>
<td>108,124,673</td>
<td>112,692,108</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES AND CAPITAL FUNDS</strong></td>
<td>$1,068,592,287</td>
<td>$1,118,248,318</td>
</tr>
</tbody>
</table>

Mascoma Savings Bank closed $118,500,000 in new commercial loans in 2013, infusing capital into the twin state economy.
## Consolidated Income Statement

**Mascoma Mutual Holding Corporation and Mascoma Savings Bank**

<table>
<thead>
<tr>
<th></th>
<th>12 months ending 12-31-2012</th>
<th>12 months ending 12-31-2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INCOME</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest Income on Loans &amp; Investments</td>
<td>$39,179,408</td>
<td>$37,188,275</td>
</tr>
<tr>
<td>Interest Expense on Deposits &amp; Borrowings</td>
<td>7,046,275</td>
<td>5,262,564</td>
</tr>
<tr>
<td>Net Interest Income</td>
<td>32,133,133</td>
<td>31,925,711</td>
</tr>
<tr>
<td>Provision for Loan Losses</td>
<td>975,000</td>
<td>2,650,000</td>
</tr>
<tr>
<td>Net Income After Provision for Loan Losses</td>
<td>31,158,133</td>
<td>29,275,711</td>
</tr>
<tr>
<td>Other Non-interest Income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>misc fees, overdrafts, service charges</td>
<td>7,649,080</td>
<td>6,928,458</td>
</tr>
<tr>
<td>Gains/Losses on Sales of Securities</td>
<td>184,154</td>
<td>322,508</td>
</tr>
<tr>
<td>Other Non-interest Expenses</td>
<td>30,920,129</td>
<td>32,874,785</td>
</tr>
<tr>
<td>Income Before Income Taxes</td>
<td>8,071,238</td>
<td>3,651,892</td>
</tr>
<tr>
<td>Applicable Income Taxes</td>
<td>1,267,262</td>
<td>(182,229)</td>
</tr>
<tr>
<td><strong>NET INCOME</strong></td>
<td>$6,803,976</td>
<td>$3,834,121</td>
</tr>
</tbody>
</table>

### Growth in Capital Over Five Years

<table>
<thead>
<tr>
<th>Year</th>
<th>Capital (in $)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>$0</td>
</tr>
<tr>
<td>2010</td>
<td>$120,000,000</td>
</tr>
<tr>
<td>2011</td>
<td>$100,000,000</td>
</tr>
<tr>
<td>2012</td>
<td>$80,000,000</td>
</tr>
<tr>
<td>2013</td>
<td>$60,000,000</td>
</tr>
</tbody>
</table>

Mascoma Savings Bank is empowered to allocate up to $15,000 to new homeowners in the form of an Equity Builder’s Grant from the Federal Home Loan Bank. Since 2006, $440,000 has helped local families buy their first home.
“To me Mascoma Savings Bank represents the marriage of small town courtesy and friendliness with the highest level of banking sophistication and financial expertise.”
—Bob Bowers, Chair, Board of Directors
2013 Corporators

Clayton R. Adams
Norwich, VT

Pamela B. Bean
Lebanon, NH

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Enfield, NH

Robert E. Bowers Jr.
New London, NH

Richard S. Bridgman Jr.
Hanover, NH

Timothy C. Briglin
Thetford Center, VT

Gretchen E. Cherington
Meriden, NH

Stephen F. Christy
Lebanon, NH

Stuart T. Close
Norwich, VT

Susan E. Coburn
South Strafford, VT

Doug Cooley
Windsor, VT

Philip N. Cronenwett
Enfield, NH

Carol Ann Cunningham
Woodstock, VT

James L. Damren
West Lebanon, NH

Lang Durfee
Bethel, VT

Patti E. Friedman
White River Junction, VT

Paul B. Gardent
Enfield, NH

Deirdre B. Goodrich
Norwich, VT

Judy L. Hayward
South Royalton, VT

Allen J. Hinkle
Lebanon, NH

John A. Hochreiter*†
Enfield, NH

Katharyn R. Hoke
New London, NH

Ralph Degnan Hough
Grantham, NH

Kathleen C. Hoyt*†
Norwich, VT

Joy L. Hutchins
Plainfield, NH

Daniel P. Jantzen
Etna, NH

Meredith M. Johnson
Lebanon, NH

Jean E. Kennedy*†
Plainfield, NH

Edward T. Kerrigan
Hanover, NH

Sara L. Kobylenski
North Hartland, VT

Patricia A. Ladd
Chelsea, VT

David P. Laurin
White River Junction, VT

Teresa J. LeBlanc
New London, NH

Frank J. Leibly III
Taftsville, VT

Jennifer F. Levy
Norwich, VT

Joseph M. Longacre*†
Lyme, NH

Ann E. Marchewka
Lebanon, NH

Peter A. Mason
Lebanon, NH

Barry E. McCabe
West Hartford, VT

Sally A. McEwen
Lebanon, NH

Daniel B. McGee
Lebanon, NH

Edward D. McGee Jr.*†
Canaan, NH

Deborah Field McGrath
Grantham, NH

Virginia L. McGrody
Enfield, NH

Robert L. Meyers
Woodstock, VT

Katherine J. Milligan
Thetford, VT

Margaret N. (Peggy) Mitchell*†
Canaan, NH

Susan E. Mooney
Grantham, NH

Gary R. Neil
Quechee, VT

Sonia O. O’Bannon
White River Junction, VT

Patricia O’Neill
Windsor, VT

Hildegard Ojibway
White River Junction, VT

Patricia A. Palmiotto
Hanover, NH

Chester R. Pasco
Hartland, VT

Rebecca S. Powell
Enfield, NH

Scott W. Putney*†
Bethel, VT

Susan A. Reeves
New London, NH

Catherine Richmond
Norwich, VT

Robert N. Ricker
Lebanon, NH

Shelley M. Seward
Brownsville, VT

Anne M. Sprague
Plainfield, NH

Thomas F. Terry*†
White River Junction, VT

Tami J. Weeks
Windsor, VT

Todd P. Winslow
Wilder, VT

†Former Chair, *Former Director

Daniel P. Jantzen
Etna, NH

Edward T. Kerrigan
Hanover, NH

Sara L. Kobylenski
North Hartland, VT

Barry E. McCabe
West Hartford, VT

Patricia A. Palmiotto
Hanover, NH

Catherine Richmond
Norwich, VT
Stephen F. Christy  
President, Chief Executive Officer

Barry E. McCabe  
Executive Vice President, Chief Operating Officer

Kevin P. Beauregard  
Senior Vice President, Program Manager, Mascoma Financial Advisors

Robert T. Boon  
Senior Vice President, Wealth Management

Debra L. Carter  
Senior Vice President, Retail Services

Doreé A. Clifford  
Senior Vice President, Retail Operations

Carolyn A. Coker  
Senior Vice President, Municipal and Cash Management Services

Kevin J. Raleigh  
Senior Vice President, Commercial Loan Officer

Donald N. Thompson  
Senior Vice President, Chief Financial Officer

Carol A. Cone  
Senior Vice President, Operations

Gregory F. Kennedy  
Senior Vice President, Commercial Services

Kenneth D. Wells  
Senior Vice President, Retail Lending and CRA Officer

W. Grant MacEwan  
Senior Vice President, Commercial Lender

Beverly A. Widger  
Senior Vice President, Human Resources

Christine E. Morin  
Senior Vice President, Loan Administration

Arlene F. Adams  
Vice President, Commercial Loan Officer

Laura T. Curt  
Vice President, Senior Underwriter

Samantha L. Pause  
Senior Vice President, Marketing, Sales and Service

Terrie M. Donnell  
Vice President, Compliance

Richard F. Kozlowski  
Vice President, Residential Mortgage Lending Manager

Philip S. Latvis  
Vice President, Mascoma Insurance Agency Manager

Norman J. Frates  
Vice President, Mortgage Loan Officer

Evelyn M. Jaros  
Vice President, Retail Operations and BSA Officer

Richard S. Jennings  
Vice President, Commercial Loan Officer

Bruce G. McLaren  
Vice President, Senior Portfolio Manager, Mascoma Investment Management

Kimberley M. Robinson  
Vice President, Senior Portfolio Manager, Mascoma Investment Management

Catherine A. Ells  
Vice President, Controller

Richard F. Kozlowski  
Vice President, Residential Mortgage Lending Manager

Peter E. Begin  
Vice President, Security and Fraud Prevention Officer

Martha P. Candon  
Vice President, Mortgage Loan Officer

Evelyn M. Jaros  
Vice President, Retail Operations and BSA Officer

Terrie M. Donnell  
Vice President, Loan Administration

Shirley A. Mower-Fenoff  
Vice President, Retail Operations Officer

James E. Larrick  
Vice President, Commercial Loan Officer

William P. Dunn  
Vice President, Commercial Loan Officer

Heidi L. Chapman  
Vice President, Operations Officer

Heidi L. Chapman  
Vice President, Operations Officer

Laura T. Curt  
Vice President, Senior Underwriter

Terrie M. Donnell  
Vice President, Loan Administration

Shirley A. Mower-Fenoff  
Vice President, Retail Operations Officer

Kimberley M. Robinson  
Vice President, Senior Portfolio Manager, Mascoma Investment Management
“Community Bank is a term that is hard to define, but you know it when you see it and feel it. As a longtime resident of this area, it couldn’t be clearer to me that Mascoma Savings Bank is a fundamental part of the fabric of our community.”

—Bill Blaiklock, Assistant Vice President, Branch Manager
OUR VISION is to remain a mutually owned financial services company committed to exceeding the expectations of our customers, community, and employees.

OUR MISSION is to profitably provide, with knowledgeable service and convenient access, a broad array of financial products and services designed to meet the changing needs of our consumer and business customers.

OUR PURPOSE is to deliver exceptional customer service while improving our community and customers’ lives.

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