



2019

Northfield Mutual Holding Company and Northfield Savings Bank

ANNUAL REPORT TO THE COMMUNITY



Thomas S. Leavitt
President & CEO

April 6, 2020

DEAR FRIENDS,

We are in a moment unlike any we have known. This 2019 Annual Report respects the sobriety of our time. We are grateful about what we achieved together last year and look forward to returning to a more celebratory message in this space a year from now.

The pandemic is taking lives. It is fundamentally altering the existence of those that carry on. Heroes in essential frontline roles risk their safety providing critical life care. We in the financial services sector are coming to work to sustain economic care. Every American is in the fight.

Before devoting the balance of this letter to how our present and future is being shaped during this historic spring, I offer a few comments about the progress NSB made in 2019. Our annual financial summary follows my letter.

2019

We undertook our four-year strategic plan, NSB 2020, at the beginning of 2017. We have taken on initiatives each of the 12 quarters, finishing 2019 in a good place. A few notable markers in year three:

- ▶ Sound balance sheet growth fueled by an expanding base of relationships
- ▶ Earnings at a new threshold of \$6.6 million net of 10% community giving
- ▶ Asset quality strong, reflecting borrowers that keep commitments
- ▶ Branch facilities upgrades keeping NSB fresh for communities and staff
- ▶ Technology assets expanded in anticipation of core system upgrade
- ▶ Digital service lineup reached a new level of direct banking performance
- ▶ Talent, training, and compensation programs advanced the organization
- ▶ Governance and risk management fortified in first full year as a \$1 billion bank

This is a selective sample. Our team took care of business across the company. NSB customers rewarded us with another fulfilling year.

2020

We activated our Business Continuity Planning – Pandemic Response on March 17. With staff, customer, and public health at the center, we have 14 lanes of action. They involve sustaining operations, safety protocols, tracking and managing Vermont coronavirus impacts, travel restrictions, social distancing and staffing assignments, remote work tools, direct banking mobilization, customer relief (including CARES Act programs), business line support, communications, command center decision-making, and business continuity risk assessment. This is seven days per week while our pandemic response remains in effect. With each challenge, selfless team members are rising to the call.

We are learning and recalibrating in compressed time as our region, state, nation, and globe adjust to accelerating developments. Things previously studied over months and quarters are broken down in hours and days. People that were at 90% capacity are finding they have a reserve allowing them to hit 150% and keep going. Ultimately unsustainable, it is today's week-after-week reality not just for NSB, but for legions in multiple sectors. We need look no further than our friends in medicine for inspiration.

2021 & BEYOND

Over a single centenarian's lifetime ... WW-I, 1918 Flu, Great Depression, WW-II, Korean War, Vietnam War, Civil Rights Movement, 1960s assassinations, hyper-inflation, Gulf War, 9/11, Global War on Terrorism, Great Recession, and predecessor 21st century pandemics ... all compelled national sacrifice. In that same span Vermont faced adversity, enduring a similar breadth of local and regional crises. The novel coronavirus pandemic of 2020 will run its destructive course of societal upheaval, heart-wrenching loss, and economic dislocation. COVID-19 will be extinguished and assigned to infamy.

This past week we suspended our major strategic initiative for 2020. We were approaching a four-day virtual meeting with our core processing system vendor to prepare for a scheduled major conversion in October. As we looked at the vital NSB staff that would be focused on the project, we concluded that they are more critical to our pandemic response. We will keep the project moving on a more gradual track and resume the intensive effort next year.

One benefit of a delayed core system initiative is our ability to pause and ask an essential question: What designs underpinning bank operating systems pre-March 2020 need reexamining? What if banks and our customers are not going back to the way things were in February 2020? What is the business model of 2021? 2024? Looking beyond is presumptuous. We must train our lens on the shift happening in front of our eyes.

NSB has been building our bank of the future to serve the present, beginning with the opening of new operations and data centers in late 2015. We made business process engineering and digital delivery two of five key strategic commitments in NSB 2020. We are now asked to envision a post-pandemic world. What assets will we direct to remaking our company in an image respectful of our past and answering our time? What will enterprises and individuals require of a financial institution? How do we serve customers and communities that have most trusted a bank in its physical form? How will our people be supported as each one of us makes a meaningful professional pivot?

We have prepared some groundwork. We are poised to do more. Our biennial Corporator Summer Roundtable series was a key touchpoint in 2019. Some of the most thoughtful and talented leaders across a spectrum of Vermont life engaged in a rich exchange. Our Trustees, Corporators, employees, customers, and communities are all stakeholders that have a real say in determining NSB's outcomes.

CONCLUDING NOTE

Next year we can write an epilogue to the epic we are living today. We will have new initiatives to share. We will be here. Stronger, wiser, better, shaping a Northfield Savings Bank built to follow our esteemed neighbors at Norwich University in pursuit of a 200th birthday this century.

I sign off thanking my dear friend, NU President Richard Schneider, for his steadfast leadership and example over these past 28 years. He has transformed his institution and become a national treasure. The Norwich motto has never been more relevant to our world ... *I Will Try*.

Sincerely,



Thomas S. Leavitt
President & CEO

BALANCE SHEET

AS OF DECEMBER 31, 2019

ASSETS

| | |
|---|---------------|
| Cash on Hand and Due from Banks | \$ 10,541,000 |
| Securities Available for Sale | 146,277,000 |
| Federal Home Loan Bank Stock | 3,555,000 |
| Loans | 846,325,000 |
| Less Allowances for Loan Losses | 8,731,000 |
| Net Loans | 837,594,000 |
| Accrued Interest Receivable | 2,333,000 |
| Premise and Equipment, Net | 18,430,000 |
| Cash Surrender Value of Bank-owned Life Insurance | 27,534,000 |
| Other Assets | 11,953,000 |

| | |
|---------------------|------------------------|
| TOTAL ASSETS | \$1,058,217,000 |
|---------------------|------------------------|

LIABILITIES

| | |
|--------------------------------|----------------|
| Deposit Accounts | |
| Interest Bearing Checking | \$ 127,423,000 |
| Demand Deposits | 170,398,000 |
| Savings | 206,245,000 |
| Certificates of Deposit | 320,666,000 |
| Total Deposit Accounts | 824,732,000 |
| Borrowed Funds | 60,425,000 |
| Customer Repurchase Agreements | 39,218,000 |
| Other Liabilities | 7,871,000 |

| | |
|--------------------------|-----------------------|
| TOTAL LIABILITIES | \$ 932,246,000 |
|--------------------------|-----------------------|

NET WORTH

| | |
|--|----------------|
| Undivided Profits | \$ 124,241,000 |
| Accumulated Other Comprehensive Income | 1,730,000 |
| Total Retained Income | 125,971,000 |

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|--|------------------------|
| TOTAL LIABILITIES AND NET WORTH | \$1,058,217,000 |
|--|------------------------|

STATEMENT OF EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 2019

INTEREST INCOME AND EXPENSE

| | |
|--|--------------|
| Interest and Fees on Loans | \$35,828,000 |
| Interest on Securities | 3,329,000 |
| Interest on Deposits with Banks | 354,000 |
| Total Interest Income | 39,511,000 |
| Interest on Deposits | 7,842,000 |
| Interest on Borrowed Funds | 1,465,000 |
| Total Interest Expense | 9,307,000 |
| Net Interest Income | 30,204,000 |
| Non-Interest Income | 5,130,000 |
| Income Before Operating Expenses and Taxes | 35,334,000 |

OTHER EXPENSES

| | |
|-----------------------------|--------------|
| Salaries and Benefits | \$14,667,000 |
| Occupancy and Equipment | 6,170,000 |
| Provision for Loan Losses | 420,000 |
| Other Non-Interest Expenses | 6,438,000 |
| Total Other Expenses | 27,695,000 |
| Income Before Taxes | 7,639,000 |
| Income Taxes | 1,062,000 |

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|-------------------|---------------------|
| NET INCOME | \$ 6,577,000 |
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DIRECTORS

J. Timothy Burke
 Nicole Carignan
 Laura Carlsmith
 Kyle Dodson
 Brian Eagan
 Jonathan Jamieson
 Thomas Leavitt
 John Lyon
 Mary Alice McKenzie
 Thomas Robbins
 Mark Saba

OFFICERS

Thomas Leavitt
President

Cory Richardson
Treasurer

Cheryl LaFrance
Corporate Secretary

CORPORATORS

Perry Armstrong
 Kim Bolduc
 J. Timothy Burke
 Brian Button
 Lilli Cain
 Paul Carbonneau
 Nicole Carignan
 Laura Carlsmith
 H. Wright Caswell
 Stephanie Clarke
 Hal Colston
 Edward Corrigan
 Jon Cunningham
 Richard Darby
 Sarah DeFelice
 Michael Diender
 Kyle Dodson
 Robert Dostis
 Brian Eagan
 Ted Elzey
 Jennifer Emens-Butler
 Dolly Fleming
 Yael Friedman
 Karen Gillespie Korrow
 John Grenier
 John Handy
 Jeffrey Harkness
 Brian Harwood

Timothy Heney
 James Hermanowski
 Robert Holden
 Jonathan Jamieson
 Scott Johnstone
 F. Brian Joslin
 Lisa Keysar
 Travis Kingsbury
 Susan Klein
 Robert Korrow
 Jeffrey LaBonte
 Michael Lajeunesse
 Jeffrey Larkin
 Thomas Leavitt
 Kevin Lord
 Betty Lord
 Steve Loyer
 Pietro Lynn
 John Lyon
 Mary Alice McKenzie
 Thomas Mehuron
 Mary Miller
 Rick Milliken
 Sue Minter
 Nadia Mitchell
 Eva Morse
 Allyson Myers
 Robin Nicholson

Jeffrey Nick
 W. Dan Noyes
 Adam Osha
 Nancy Owens
 Marissa Parisi
 Keith Paxman
 Deborah Phillips
 David Pocius
 Nancy Pope
 Kesha Ram
 Sarah Richards
 Thomas Robbins
 Sandra Rouse
 Mark Saba
 Leslie Sanborn
 Liz Schlegel
 Steven Shea
 Heather Shouldice
 Fran Stoddard
 Philip Susmann
 B. Thomas Sweet
 Wallace Tapia
 David Whaley
 James Wick
 Lauren Wobby
 Karen Zecchinelli
 Nancy Zorn

OFFICERS

| | | | |
|---------------------|--|------------------------|---|
| Charles H. Abare | <i>Community Banking Officer</i> | Thomas S. Leavitt | <i>President & Chief Executive Officer</i> |
| Jeanne B. Albertson | <i>Senior Community Banking Officer</i> | Stephanie E. MacAskill | <i>Vice President, Direct Banking</i> |
| M. Kelly Andrews | <i>Senior Community Banker</i> | Christine E. Martin | <i>Security Officer</i> |
| Ian T. Arnold | <i>Vice President, Consumer Credit</i> | W. Mark Mast | <i>Vice President, Marketing</i> |
| Donna Austin-Hawley | <i>Senior Vice President & Chief Human Resources Officer</i> | Anthony J. Matz | <i>Community Banking Officer</i> |
| Chad A. Bell | <i>Vice President, Investment Consultant</i> | Del'Rae L. Merrill | <i>Community Banking Officer</i> |
| Clay E. Bell | <i>Vice President, Investment Consultant</i> | Stephen P. Mucha | <i>Vice President, Commercial Credit</i> |
| Lori A. Bussiere | <i>Deposit Operations Manager</i> | Richard B. Nelson | <i>Vice President, Information Technology</i> |
| Megan L. Cicio | <i>Vice President, Commercial Services</i> | Melissa A. Neun | <i>Vice President, Risk Management</i> |
| Tracy L. Davis | <i>Senior Community Banking Officer</i> | Karen C. Norris | <i>Senior Community Banking Officer</i> |
| Bradford Doane | <i>IT Project Manager</i> | Stephen J. Page | <i>Cash Management Specialist</i> |
| Sherry L. Doane | <i>Vice President, Operations</i> | Roger P. Pinan | <i>Mortgage Banking Officer</i> |
| Alfred J. Flory | <i>Senior Vice President & Chief Lending Officer</i> | Wright C. Preston | <i>Vice President, Commercial Banking</i> |
| Nubia Z. Fuller | <i>Mortgage Banking Officer</i> | John P. Ravaschiere | <i>Vice President, Commercial Banking</i> |
| Donna M. Gerdes | <i>Collections Manager</i> | Wendy S. Rea | <i>Senior Community Banking Officer</i> |
| Mary E. Gleason | <i>Senior Community Banking Officer</i> | Cory B. Richardson | <i>Senior Vice President & Chief Financial Officer</i> |
| Billi J. Higgins | <i>Loan Operations Manager</i> | Gina R. Sargent | <i>Consumer Credit Manager</i> |
| Chad T. Hutchins | <i>Vice President, Commercial Banking</i> | Timothy D. Sargent | <i>IT Infrastructure & Operations Manager</i> |
| Chris H. Jarvis | <i>Vice President, Community Banking</i> | Edward T. Sulva | <i>Vice President, Controller</i> |
| Timothy P. Kane | <i>Bank Compliance Officer</i> | Michael R. Tuttle | <i>Senior Policy Officer</i> |
| Wendy C. Kellett | <i>Senior Community Banking Officer</i> | Paul H. Watson | <i>Vice President, Commercial Banking</i> |
| Kerry Keown | <i>Community Banking Officer</i> | Robert B. Wheeler | <i>Vice President, Commercial Banking</i> |
| Debra L. Kerin | <i>Vice President, Community Banking</i> | Ava I. Whitcomb | <i>Mortgage Banking Officer</i> |
| Kathleen M. LaCross | <i>Vice President, Commercial Services</i> | Rosemarie A. White | <i>Vice President, Commercial Banking</i> |
| Cheryl A. LaFrance | <i>Senior Vice President & Chief Operating Officer</i> | Debra L. Williams | <i>Vice President HR Operations, Training & Development</i> |
| MaryEllen LaPerle | <i>Vice President, Mortgage Banking Officer</i> | Marsha D. Wimble | <i>Vice President, Commercial Banking</i> |



Northfield
SAVINGS BANK



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