



2015 ANNUAL REPORT TO THE COMMUNITY

NORTHFIELD MUTUAL HOLDING COMPANY AND NORTHFIELD SAVINGS BANK

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Thomas S. Leavitt, President & CEO

March 2016

Dear Friends,

Northfield Savings Bank advanced on a number of fronts in 2015. We grew all facets of our business as we served the financial services needs of our communities. As a highly regarded mutual bank, we continued to build value with a determined focus on delivering solutions that matter to individuals, households, enterprises, and community institutions.

Total assets and equity capital at year-end were \$861.4 million and \$104.3 million, rising \$66.7 million and \$4.4 million, respectively, over prior year levels. Our balance sheet is well capitalized and provides sufficient liquidity. Net income for the year met our objective, finishing above \$4.3 million on the strength of solid net interest income. Earnings, respectable as they were, reflected the absorption of costs associated with our ongoing investment in facilities, technology, and people. We sustained our commitment to supporting Vermont non-profit organizations by distributing 10% of our earnings as our “community dividend.”

Loans at year-end of \$625.8 million were supported by \$594.3 million of deposits, rising \$69.3 million and \$34.5 million, respectively, over prior year levels. Asset growth was further supported by repurchase agreements securing additional commercial deposits of \$51.1 million at year-end, a rise of \$10.3 million vs. 2014. We saw impressive mortgage and commercial loan origination volume during the year. Asset quality remained strong, with loan delinquency performance among the best in a comparison of regional and national peers.

Through Infinex Investments, Inc.*, the broker/dealer offering securities on the premises of the Bank, Northfield Investment Services (NIS) built upon its record of responsible, accessible wealth stewardship. Financial assets under management finished at \$155.0 million, rising \$12.4 million over the prior year. Our NIS team now serves more than 1,800 clients with a comprehensive range of investment programs.

We completed the construction of our beautiful, technologically advanced new Operations Center during the second half of the year. Our general contractor, E.F. Wall of Barre, and architect, Gossens Bachman of Montpelier, earned the honor of “Best Builder Award – Specialty New Construction” from the Associated General Contractors of Vermont. We transitioned our staff to the new Berlin quarters early in the fourth quarter and are now fully operational with a state-of-the-art data center that is reinforced by a duplicate center at a separate location. We are equipped to scale our support to meet the healthy demand for our expanding array of financial services.

We perform in a highly regulated industry. We do not resist that oversight. We work closely with our examiners and auditors to assure the ongoing safety, soundness, and compliance for which we have been respected. We do so while maintaining a faithful commitment to our communities. We were awarded an “Outstanding” rating in our 2015 Community Reinvestment Act examination. This was in the same year that our Northfield Savings Bank Foundation entered into a three-year investment to advance financial literacy in our state in partnership with Capstone Community Action and Champlain Valley Office of Economic Opportunity.

2016 will be another year of building something special here at NSB. We will construct a new strategic plan, refresh our look and feel, and fully tap the new capabilities we have labored hard to deliver. From Bethel to Burlington and Waitsfield to Waterbury, we will work every day to make sure Vermonters have a local community banking resource that embodies the rich diversity and sensibilities of the Green Mountain State. We live here, we work here, we play here, and we are proud of the trust you all place in us.

Sincerely,

Thomas S. Leavitt
President & CEO

**See disclosure page 6.*

FINANCIAL OVERVIEW

BALANCE SHEETS

As of December 31
(Dollars in thousands)

Assets

		2015	2014
Cash and Cash Equivalents	\$	8,770	10,076
Investment Securities		171,780	181,646
Federal Home Loan Bank Stock		6,121	5,527
Residential Loans		300,396	261,826
Commercial Loans		267,549	238,592
Consumer Loans		57,838	56,024
Allowance for Loan Losses		(7,001)	(6,459)
Bank Premises and Equipment		18,001	13,208
Other Assets		37,924	34,260

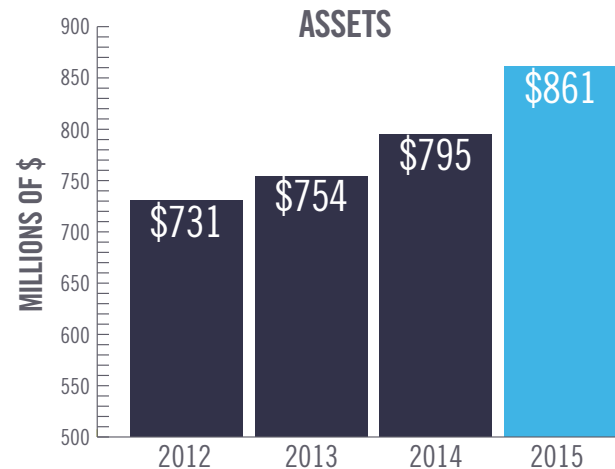
Total Assets	\$	861,378	\$ 794,700
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Liabilities & Capital

Deposits	\$	594,257	559,801
Customer Repurchase Agreements		51,145	40,873
Federal Home Loan Bank Borrowings		102,222	86,976
Other Liabilities		9,498	7,221
Equity Capital		104,256	99,829

Total Liabilities & Capital	\$	861,378	\$ 794,700
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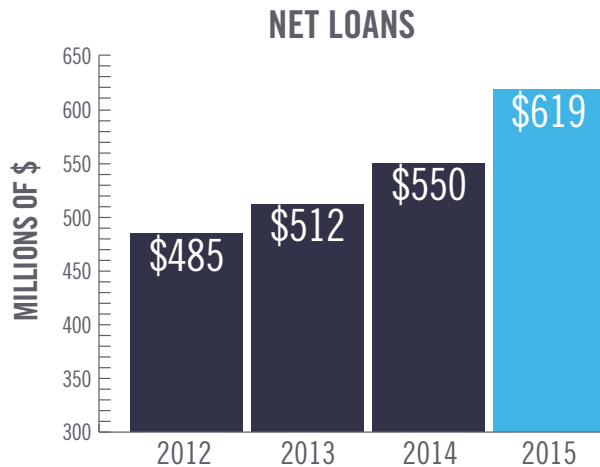
The Bank had outstanding standby letters of credit of \$1,958,000 as of December 31, 2015 and \$1,655,000 as of December 31, 2014. Standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party.



STATEMENTS OF EARNINGS

For Years Ended December 31

(Dollars in thousands)



	2015	2014
Interest on Loans	\$ 24,274	\$22,847
Interest on Investments	3,760	3,706
Total Interest Income	28,034	26,553
Interest Paid on Deposits	2,995	2,877
Interest Paid on Borrowings	762	486
Total Interest Expense	3,757	3,363
Net Interest Income	24,277	23,190
Provision for Loan Losses	(675)	(560)
Other Operating Income	4,901	4,575
Security Gains	288	83
Operating Expenses	(22,886)	(20,840)
Earnings Before Income Taxes	5,905	6,448
Income Taxes	1,579	1,626
Net Income	\$ 4,326	\$ 4,822

Community Banking

NSB full service offices provide a strong set of deposit solutions, including checking, savings, money market, CD, IRA, and health savings accounts.

NSB community bankers are well-trained and supported, annually receiving high marks from independent reviewers for the quality of their customer care. They have the pulse of their communities and are actively engaged.

Community bankers also provide consumer and home equity loans for a range of customer needs. NSB is responsive in attending to the application, approval, and funding process. Borrowers deal directly with people they know close to home.

NSB successfully introduced a powerful new electronic banking platform in 2015. With our best-in-class technology partner, we offer robust features in a secure environment. We continue to build capability as we invest in a digital experience that mirrors the high level of satisfaction customers enjoy face-to-face.



The Waterbury Branch Community Banking Team. Left to right: Lindsay Holt, Christina Rumery, Resma Towne, Dixie Kenyon, Wendy Kellett and Jessie DeFreest.

Commercial Banking



NSB Customer Jack Glaser, President, MBF BioScience

NSB commercial bankers are active throughout our markets, serving businesses and community organizations with lending and deposit programs. Whether financing real estate, operations, vehicles, or plant and equipment, clients have come to expect personalized, professional service from experienced lenders based in their home regions of Central Vermont and the Champlain Valley. These decision makers are accessible and right here in the marketplace, with strong direct support from executive leadership. NSB's strong and growing capital base allows us to lend to a full spectrum of enterprises.

Commercial bankers facilitate the cash management and deposit needs of a wide range of clients, whether or not they are NSB borrowers. With easy access to NSB via our branch network, electronic banking, and remote deposit capture resources, clients enjoy local security and knowing that their funds will be put to important work in supporting the broader community.

Mortgage Banking

NSB mortgage originators had one of their busiest years in 2015. Our well-skilled team provides fixed, adjustable, jumbo, and first-time homebuyer mortgage programs, along with affordable housing agency and government supported options. We work the process through and stay close to borrowers until their home purchase or refinancing is complete. We are committed to competitive rates and terms in full compliance with consumer protection regulations.

Our nsbvt.com website provides borrowers with a place to go to get a sense of mortgage rates and monthly payment expectations under various scenarios. Our philosophy is to guide customers to their best outcomes, regardless of whether that ends up being an NSB solution.



Left: Roger Pinan, NSB Mortgage Originator, reviews closing documents with mortgage customers.

Northfield Investment Services



The NIS Team: Left to right: Investment Representatives Clay Bell, Kyle Nicholls and Chad Bell. Front: Terry Schroeder, NIS Office Assistant

Through Infinex Investments, Inc.*, the broker/dealer offering securities on the premises of the Bank, Northfield Investment Services (NIS) brings an important dimension to supporting the financial objectives of our customers. NIS diligently engages with potential investors up front in a no cost consultation to appropriately assess individual goals, risk awareness, and investing horizon. This “client first” approach assures that investors understand their investment options, vehicles, and management process before bringing assets to NIS.

Our NIS Investment Consultants assist a wide variety of clients in managing their assets, including individuals, trusts, corporations, non-profits, pension plans, profit sharing plans, and 401(k) plans. NIS provides access to an extensive range of investment options, including traditional stocks, bonds, mutual funds, annuities, and insurance and long-term care solutions, as well as low-risk and FDIC-insured products.

*Securities, advisory services and insurance products are offered by, and Investment Consultants are registered with, INFINEX INVESTMENTS, INC., member FINRA/SIPC, and a Registered Investment Advisor. Investment Consultants are dual employees of Northfield Savings Bank, a financial institution, and registered with INFINEX INVESTMENTS, INC., a registered broker dealer. Northfield Investment Services is a trade name of Northfield Savings Bank. Northfield Savings Bank is not a broker dealer. Infinex and Northfield Savings Bank are independent entities. Investment Products are: Not A Deposit; Not FDIC Insured; Not Insured By Any Federal Government Agency; Not Guaranteed By The Bank; May Go Down In Value

COMMITMENT TO COMMUNITY

As one of just three dozen mutual institutions in Northern New England, Northfield Savings Bank does not pay a dividend to shareholders. Instead, NSB elects to pay a “community dividend” by distributing 10% of annual earnings to area non-profit organizations. To honor this commitment, NSB provides community support through its Community Giving Program, the NSB Foundation, a Northfield Savings Bank Scholarship (available through VSAC), and an internal employee matching program.

In 2015, donations totaled \$440,000 and assisted over 220 local non-profits. Additionally, employees dedicated more than 2,240 personal volunteer hours to organizations within the following areas of need:

- Human Services
- Programs for At-Risk Youth and Low/Moderate Income Families
- Education
- Arts and Culture
- Environmental
- Economic and Job Development
- Animal Welfare

\$440,000+
Community Giving Donations

220+
Organizations Benefited

2,240+
Employee Volunteer Hours



Employees volunteer at the WCAX Made in Vermont weekend, sponsored by NSB.



NSB presented The Burlington Discover Jazz Festival for the ninth year in 2015.



Employees attend Spectrum's Empty Bowl Dinner, sponsored by NSB.

Financial literacy has long been a cornerstone of Northfield Savings Bank. Financial literacy is the ability of an individual or family to navigate important money choices. Education, vocation, housing, transportation, and a healthy lifestyle require a good understanding of what it takes in managing personal finance to achieve basic independence by means of budgeting, saving, and appropriate use of credit.

As part of our continued commitment to improving financial literacy, in July of 2015 the Northfield Savings Bank Foundation announced a three-year, \$450,000 investment to support Vermont's two largest community action agencies: Champlain Valley Office of Economic Opportunity (CVOEO) and Capstone Community Action (Capstone) in their efforts to help members of our communities establish financial well-being.

Through this partnership, the NSB Foundation is giving CVOEO and Capstone resources to bring on more dedicated staff and tools to bolster CVOEO's "Growing Money" program and Capstone's "Savings & Credit" program. Both focus on the essential elements of building or restoring financial stability. Participants are provided with:

- Workshops
- Personal financial counseling
- Budgeting
- Credit coaching

Plus, participants acquire the necessary tools for understanding investing, retirement, tax planning, and insurance. They are also offered incentives that provide matched savings accounts for the purpose of obtaining housing, starting a small business, or continuing education and training.



The NSB Foundation is proud to partner with Capstone Community Action and Champlain Valley Office of Economic Opportunity to improve the financial literacy of Vermonters in Central Vermont and Chittenden County.

NSB NORTHFIELD SAVINGS BANK

CAPSTONE
COMMUNITY ACTION

CVOEO
CHAMPLAIN VALLEY OFFICE
OF ECONOMIC OPPORTUNITY
Bridging gaps, building futures.

Directors

Brian C. Eagan, Chair	Thomas S. Leavitt
J. Timothy Burke	John W. Lyon
Laura Carlsmith	Mary Alice McKenzie
Brian C. Harwood	Robin C. Nicholson
Charles E. Haynes	Lauren D. Wobby
Jonathan M. Jamieson	

Corporators

Jon T. Anderson
Meredith T. Augustoni
Schuyler Barsch
Kim Bolduc
J. Timothy Burke
Brian A. Button
Lilli B. Cain
Paul J. Carbonneau
Nicole M. Carignan
Laura Carlsmith
H. Wright Caswell
Edward J. Corrigan
Jon P. Cunningham
Richard W. Darby
Michael Diender
Robert Dostis
Brian C. Eagan
Ted Elzey
Jennifer Emens-Butler
Samuel C. FitzPatrick
Yael Friedman
Karen Gillespie Korrow
Anne L. Gould
L. Stephen Hackett
Stephanie T. Hainley
John J. Handy
Brian C. Harwood
Charles E. Haynes
Timothy M. Heney
James Hermanowski
Stephen W. Hill

Robert J. Holden
Jonathan M. Jamieson
F. Brian (Ted) Joslin
Lisa L. Keysar
Travis J. Kingsbury
Susan M. Klein
Leo C. Laferriere
Michael R. Lajeunesse
Jeffrey Larkin
Thomas S. Leavitt
Betty T. Lord
Kevin B. Lord
John W. Lyon
Mary Alice McKenzie
Thomas Mehuron
Lawrence Michaels
Mary P. Miller
Sue M. Minter
Eva M. Morse
Allyson H. Myers
Robin C. Nicholson
Jeffrey R. Nick
Mary Hegarty Nowlan
W. Dan Noyes
Adam C. Osha
Nancy Owens
Marissa Parisi
Deborah A. Phillips
Jeffrey M. Phillips
David M. Pocius
Nancy F. Pope

Officers

Thomas S. Leavitt	<i>President</i>
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Janet R. Kinney	<i>Secretary</i>
Charlotte E. Magurn	<i>Acting Secretary</i>

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Thomas Robbins
Sandra A. Rousse
Paula Routly
Mark W. Saba
Leslie A. Sanborn
Liz Schlegel
Philip B. Scott
Steven M. Shea
Marc E. Sherman
Heather F. Shouldice
Fran Stoddard
B. Thomas Sweet
Wallace W. Tapia
Judith C. Tartaglia
Charles W. Welch
Donald E. Wells
David J. Whaley
James H. Wick
Lauren D. Wobby
Joseph L. Woodin
Karen A. Zecchinelli
Nancy Zorn

Officers

Thomas S. Leavitt	<i>President and Chief Executive Officer</i>	Wendy S. Rea	<i>Community Banking Officer/Northfield</i>
Charles H. Abare	<i>Senior Community Banker/Waitsfield</i>	Peter M. Reed	<i>Community Banking Officer/Randolph</i>
M. Kelly Andrews	<i>Community Banking Officer/Waitsfield</i>	Cory B. Richardson	<i>Senior Vice President, Chief Financial Officer</i>
Ian T. Arnold	<i>Vice President, Mortgage Banking</i>	Gina R. Sargent	<i>Consumer Credit Manager</i>
Donna Austin-Hawley	<i>Senior Vice President, Chief Human Resources Officer</i>	Timothy D. Sargent	<i>Network Administrator</i>
Lori H. Belding	<i>Product Development Manager and CRA Officer</i>	Edward T. Sulva	<i>Vice President, Controller</i>
Chad A. Bell	<i>Vice President, Investment Consultant</i>	Paul H. Watson	<i>Vice President, Commercial Banking</i>
Clay E. Bell	<i>Vice President, Investment Consultant</i>	Ava I. Whitcomb	<i>Electronic Banking Manager</i>
Donna M. Bohannon	<i>Community Banking Officer/Bethel</i>	Rosemarie White	<i>Vice President, Commercial Banking</i>
Lori A. Bussiere	<i>Deposit Operations Manager</i>	Debra L. Williams	<i>Training and Development Manager</i>
Megan L. Cicio	<i>Vice President, Commercial Services</i>	Marsha D. Wimble	<i>Vice President, Commercial Banking</i>
Tracy L. Davis	<i>Senior Community Banking Officer/College Street</i>		
Sherry L. Doane	<i>Vice President, Operations</i>		
Joel E. Dubé	<i>Vice President, Commercial Banking</i>		
Alfred J. Flory	<i>Senior Vice President, Chief Lending Officer</i>		
Nubia Z. Fuller	<i>Community Banking Officer/Montpelier</i>		
Donna M. Gerdes	<i>Collection Manager</i>		
Mary E. Gleason	<i>Community Banking Officer/Shelburne Road</i>		
Peter W. Goodell	<i>Vice President, Consumer Credit</i>		
Nicole B. Hayes	<i>Mortgage Originator</i>		
Billi J. Higgins	<i>Loan Operations Manager</i>		
Jill E. Hoffman	<i>Marketing Manager</i>		
Wendy C. Kellett	<i>Community Banking Officer/Waterbury</i>		
Debra L. Kerin	<i>Senior Community Banking Officer/Barre</i>		
Janet R. Kinney	<i>Corporate Secretary</i>		
Kathleen M. LaCross	<i>Vice President, Community Banking</i>		
Cheryl A. LaFrance	<i>Senior Vice President, Chief Operating Officer</i>		
Maryellen LaPerle	<i>Mortgage Originator</i>		
Charlotte E. Magurn	<i>Acting Corporate Secretary</i>		
Christine E. Martin	<i>Security Officer</i>		
Stephen P. Mucha	<i>Vice President, Commercial Credit</i>		
Richard B. Nelson	<i>Vice President, Information Technology</i>		
Melissa A. Neun	<i>Vice President, Compliance and Bank Secrecy Officer</i>		
Karen L. Norris	<i>Community Banking Officer/Essex</i>		
Stephen J. Page	<i>Cash Management Specialist</i>		
Heather M. Parizo	<i>Community Banking Officer/Williston Road</i>		
Kalinda M. Philibert	<i>Senior Community Banking Officer/Call Center</i>		
Roger P. Pinan	<i>Mortgage Originator</i>		
Wright C. Preston	<i>Vice President, Commercial Banking</i>		
John P. Ravaschiere	<i>Vice President, Commercial Banking</i>		



EQUAL HOUSING
LENDER