

2016 Northfield Mutual Holding Company and Northfield Savings Bank

ANNUAL REPORT TO THE COMMUNITY



Northfield
SAVINGS BANK

March 2017



DEAR FRIENDS,

Northfield Savings Bank (NSB) moved well forward in 2016. We fulfilled the objectives we set for our 2014-2016 plan with a third year of progress fueled by gains in all business lines. We settled into our new operations center, advancing our systems and processes. We created fresh branding to fully reflect the strength of our organization and offerings. And we built a new three-year plan, centered on five strategic themes that will establish us as Vermont's leading independent bank.

Total assets and equity capital at year-end were \$904.9 million and \$108.5 million, rising \$43.4 million and \$4.3 million, respectively, over prior year levels. Our balance sheet remains well capitalized and provides sufficient liquidity. Net income for the year exceeded our objective, finishing above \$4.8 million as we continued to absorb the costs of planned initiatives focusing on facilities, technology, people, and customer programs. We again met our community dividend commitment by returning 10% of our earnings to an impressive range of entities performing vital work.

Loans at year-end of \$682.9 million were supported by \$639.4 million of deposits, rising \$57.1 million and \$45.2 million, respectively, over prior year levels. Asset growth was further supported by repurchase agreements securing additional commercial deposits of \$57.1 million at year-end, a rise of \$6.0 million compared to 2015. Sturdy growth in mortgage and commercial loan balances pointed again to the efforts of our skilled lending and operations teams that support an expanding portfolio. Asset quality remains in the upper quartile of national and regional peers.

Through Infinex Investments, Inc.*; the broker/dealer offering securities on the premises of the Bank, Northfield Investment Services (NIS) continued to gain new wealth management relationships. Financial assets under management finished at \$194.1 million, rising \$39.1 million over the prior year. Our NIS team now serves more than 2,000 clients with investment programs that provide responsible solutions to a spectrum of personal objectives.

* See disclaimer on page 7

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NSB 2020 SETS THE FOCUS

We engaged in a thoughtful strategic planning process throughout the year. We examined national and regional banking trends, conducted primary and secondary local market research, and sought input from a range of NSB stakeholders. Deliberating about themes and initiatives, we tested our ideas with a nationally respected strategy consultant and charted a road map that points us to 2020.

We are upgrading our historic Northfield home and building initiatives among our Central Vermont communities aimed at securing and expanding our leading presence in the region. We are climbing in Chittenden County, with experienced NSB commercial lenders, community banking officers, mortgage originators and investment representatives equipped to play an important role. In Berlin, cross-functional teams are tackling touch points and engineering efficient work flows to assure the customer experience is central. Our digital platform is continuing to advance, meeting the test of providing 24/7 access supported by high standards of cybersecurity vigilance.

BRAND DEFINED BY COMMUNITY MISSION

NSB chooses to be a catalyst for the financial capability and financial well-being of the individuals, households, businesses, and community institutions we serve. Our NSB Foundation is midway through a major three-year investment in financial literacy initiatives being delivered by our regional community action partners. Our sustained record of charitable giving enriches educational, health care, cultural, and social wellness nonprofits that are among the many with whom we share our progress.

NSB people are the real deal. From cities, towns, and villages of the Green Mountains and Champlain Valley, we are linked to the common good of our state. A new look reflecting our historic spirit is being embraced and will gain visibility in the year ahead. Creative messaging across the media spectrum is underscoring our promise as we remain true to our commitments.

NSB CHAMPIONS

BRIAN HARWOOD AND CHARLES HAYNES

The Northfield Savings Bank Board of Trustees is comprised of outstanding Vermonters that support our company's governance until term limitations apply. We are blessed by the devotion of two men who have nearly 40 years of combined service. Brian Harwood and Chuck Haynes each served as Chair during his tenure, and each has left an indelible stamp on our enterprise. Their sage stewardship ushered us into a new millennium on a healthy path. Brian contributed unique talents with his rich background in marketing, media, the arts, and history. Chuck's business, entrepreneurial, and community engagement gave us an advocate that will be hard to replicate. We are forever grateful to these rare leaders and true gentlemen. Their legacy will be fondly embraced as we welcome their successors at our annual meeting in April.

NEW BEGINNINGS

150TH ANNIVERSARY

In 1867, a Norwich University professor and future president mobilized fellow Northfield citizens to charter a mutual savings institution to advance the welfare of the community. Over the ensuing 150 years, that modest beginning served to anchor our sensibilities and independence. We enter 2017 with firm purpose and direction. Our sesquicentennial observances in Central Vermont and Chittenden County will celebrate the hard-earned longevity underpinning today's vitality. As we set out on the next 150 years, we thank you for joining us in this chapter of our compelling history. We are honored by your trust.

Sincerely,



Thomas S. Leavitt
President & CEO

BALANCE SHEETS

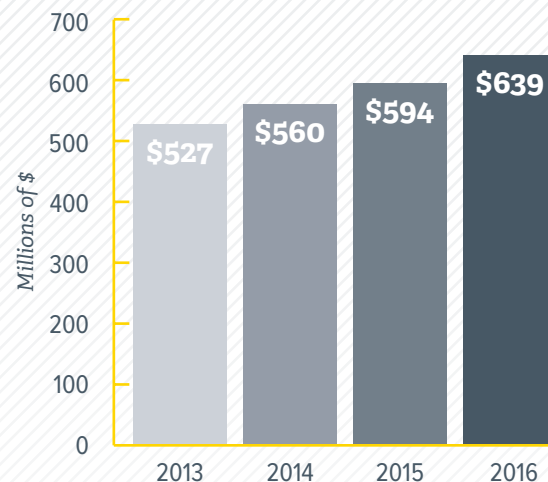
As of December 31 (Dollars in thousands)

ASSETS	2016	2015
Cash and Cash Equivalents	\$ 10,472	\$ 8,770
Investment Securities	156,233	171,780
Federal Home Loan Bank Stock	5,959	6,121
Residential Loans	340,860	300,396
Commercial Loans	284,544	267,549
Consumer Loans	57,494	57,838
Allowance for Loan Losses	(7,571)	(7,001)
Bank Premises and Equipment	17,099	18,001
Other Assets	39,795	38,025
Total Assets	\$904,885	\$861,479

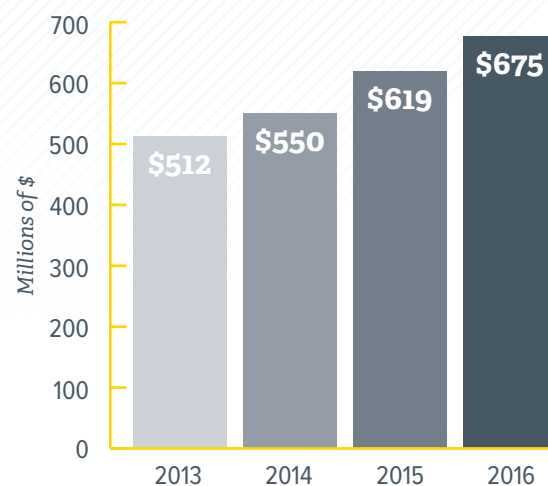
LIABILITIES & CAPITAL	2016	2015
Deposits	\$ 639,413	\$ 594,257
Customer Repurchase Agreements	57,102	51,145
Federal Home Loan Bank Borrowings	91,977	102,222
Other Liabilities	7,860	9,599
Equity Capital	108,533	104,256
Total Liabilities & Capital	\$904,885	\$861,479

The Bank had outstanding standby letters of credit of \$2,080,000 as of December 31, 2016 and \$1,958,000 as of December 31, 2015. Standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party.

DEPOSITS



NET LOANS

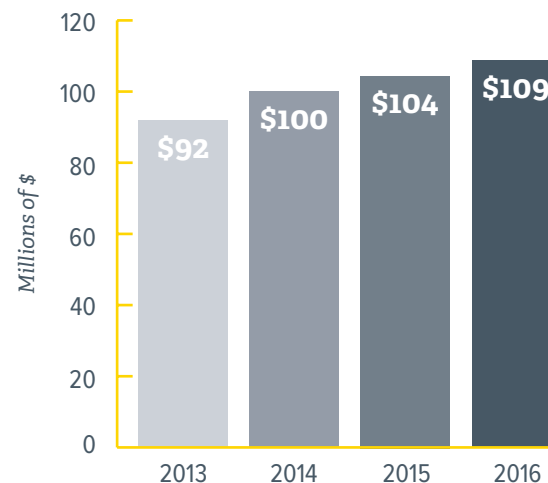


STATEMENTS OF EARNINGS

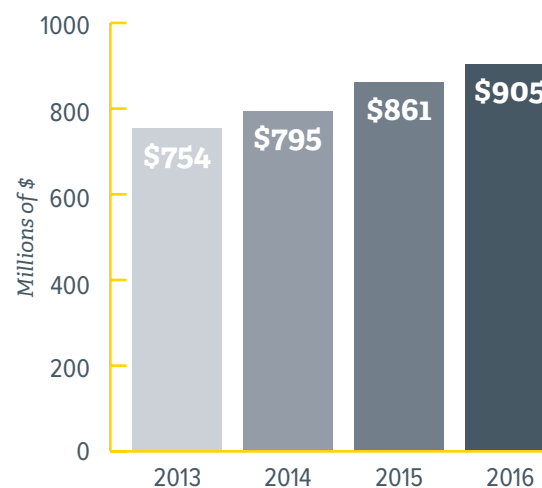
For Years Ended December 31 (Dollars in thousands)

	2016	2015
Interest on Loans	\$ 26,536	\$ 24,274
Interest on Investments	3,635	3,760
Total Interest Income	30,171	28,034
Interest Paid on Deposits	3,041	2,995
Interest Paid on Borrowings	1,015	762
Total Interest Expense	4,056	3,757
Net Interest Income	\$26,115	\$24,277
Provision for Loan Losses	(750)	(675)
Other Operating Income	5,307	4,901
Security Gains	392	288
Operating Expenses	(25,055)	(22,886)
Earnings Before Income Taxes	6,009	5,905
Income Taxes	1,194	1,579
Net Income	\$4,815	\$4,326

CAPITAL



ASSETS



FOUR PILLARS THAT CONTINUE TO DRIVE OUR BUSINESS FORWARD

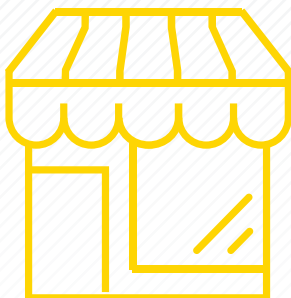


COMMUNITY BANKING DEEPENING OUR CUSTOMER CONNECTIONS

We never take our collective eye off the communities, individuals and families we serve. Making life a bit easier for our customers and prospective customers is a focal point for Community Banking. One goal we established and achieved in service to this objective was a customer-focused overhaul of our complete deposit product lineup.

With an eye toward simplification and transparency, we streamlined personal and business deposit account offerings. Active outreach was also a cornerstone of 2016 efforts—with invitations to a series of casual, engaging events in Central Vermont and Chittenden County aimed at sparking personal connections outside the branch.

These initiatives, coupled with our continual commitment to providing outstanding customer service delivered at the local level, contributed to deposit growth of \$45 million.



BUSINESS BANKING STEPPING UP AND STANDING OUT

In 2016, impact was evident at every turn. We bolstered businesses of all sizes and across multiple industries including alternative energy, hospitality, healthcare, construction, and retail. Considerable depth was added to our Business Banking team—with new team members serving both established and new commercial customers.

A few highlights reflect how our business banking efforts have a broader influence on our communities. In Chittenden County, families have a new option for purchasing fresh, local products from an independent grocery store. And those looking to live in a downtown setting now have access to a new residential option. In Central Vermont, our financing drove the expansion of a specialty beverage business and the creation of independent living opportunities for elderly residents.

Beyond over \$75 million in financing for Vermont businesses, the bigger story is our ability to carve out a solid reputation as a “go-to” resource for many of Vermont’s most trusted and respected businesses.



MORTGAGES

BIG BELIEVERS IN “HOME SWEET HOME”

Local, regional and national competition for mortgage business is fierce. As a testament to the dedication of our mortgage team, overall dollar volume in 2016 was the second largest in our storied 150-year history. Our borrowers tell a consistent story when asked why they chose to work with Northfield Savings Bank.

Overwhelmingly, our customers value the opportunity to work with a local lender who understands the market and is responsive throughout the process. The breakout of numbers reveal that purchase mortgages represented 50% of our overall mortgage business, refinance transactions nearly 43% and construction loans were 7%. In total volume, our mortgage lenders generated \$87 million in new loans. Of that, nearly \$16 million assisted first-time homebuyers through our Pathway Mortgage program.



NORTHFIELD INVESTMENT SERVICES

THE BENEFITS OF LOOKING AT THE BIG PICTURE

The long-term financial health of an individual, family or business is a team effort—with meaningful participation coming from a host of trusted and proven resources. As the investment arm of Northfield Savings Bank and through Infinex Investments Inc.*, Northfield Investment Services (NIS) has steadily demonstrated an ability to partner with clients to help them reach their financial objectives.

Our momentum has picked up speed in recent years, reflected by an increase of \$39 million in assets under management and a roster of more than 2,000 clients. This ongoing growth and success is attributed to a combination of critical factors, including clients taking advantage of a broader range of services offered and the focused efforts of the NIS team in cultivating new relationships throughout the community.

* 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 FDIC insured, not guaranteed by the bank, may go down in value, not insured by any federal government agency, not a deposit.

2016 CASH DONATIONS

Every year, we pay a “community dividend” through our commitment to donate **10% of our annual earnings** to local nonprofits. In 2016, we supported:

Aldrich Public Library
Alzheimer's Association
American Cancer Society
American Heart Association
American Legion Post 9
ANEW Place
Barre Historical Society
Barre Lions Club
Barre Opera House
Bethel Business Association
Bethel Community Forward Festival
Bethel Council on the Arts
Bethel Food Shelf
Boy Scouts
Boys and Girls Club of Burlington
Brookfield Community Partnership
Brownell Library
Burlington Book Festival
Burlington Business Association
Burlington Choral Society
Burlington City Arts
Camp TA-KUM-TA
Capital City Concerts
Capital City Soccer Club, Inc.
Capstone Community Action
Catamount Trail Association
Central Vermont Community Response
Central Vermont Humane Society
Central Vermont Adult Basic Education
Central Vermont Habitat for Humanity, Inc.
Central Vermont Home Health & Hospice
Community Emergency Relief Volunteers (CERV)
Champlain Community Services
Chandler Center for the Arts
Chelsea Senior Center
Children's Literacy Foundation
Chittenden County Humane Society
Chittenden Emergency Food Shelf
Clara Martin Center
Clyde Whittemore Little League
Committee on Temporary Shelter (COTS)
Community Capital of Vermont
Community Friends Mentoring

Community Harvest of Central Vermont
Community Health Center of Burlington
Conquer the Day
Champlain Valley Office of Economic Opportunity (CVOEO)
Cystic Fibrosis Foundation
Double H Ranch
Earthwalk Vermont
Epilepsy Foundation of Vermont
Eric Hutchins Memorial Scholarship Fund
Essex CHIPS
Essex Junction Little League
Family Creates Unity
First Branch Wolves AAU
Flynn Center for the Performing Arts
Friends of Waterbury Parks & Recreation
Friends of CVU Hockey
Friends of the Mad River
Generator, Inc.
Gifford Last Mile Ride
Girl Scouts
Girls on the Run
Girls/Boys First Mentoring
Good Beginnings of Central Vermont
Good Samaritan Haven
Greater Barre Community Justice
Greater Burlington YMCA
Green Mountain Film Festival
Green Mountain Habitat for Humanity
Green Mountain United Way
Green Up Vermont
Harwood Union High School
Haunted Hill Forest Fest
Home Share Now
HOPE Works
Howard Center
Hunger Free Vermont
Intervale Center
Jaquith Public Library
Just Basics
Kids Safe Vermont
King Street Center
Kiwans Club of Montpelier
Lake Champlain Community Sailing Center

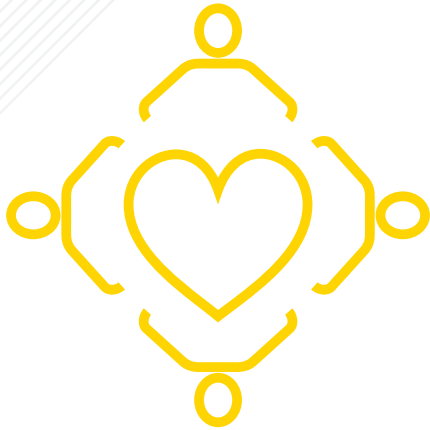
Laura Kate Winterbottom Memorial Fund
Little Bellas
Lost Nation Theater
Mad River Valley Community Fund
Mad River Path
Mad River Valley Ambulance
Mad River Valley Chamber of Commerce
Main Street Alliance of Vermont
Mayo Residential Care Activity Fund
ME2 Orchestra, Inc.
Mercy Connections
National Alliance on Mental Illness (NAMI) Vermont
New England Father & Children Unite
New England Multiple Sclerosis
Northfield Amateur Hockey Association
Northfield Historical Society
Northfield Junior Rifle Club
Northfield Observances
Norwich University
Onion River Chorus
Onion River Food Shelf
Partners in Adventure
PAWSitive Pantry
People's Health & Wellness Clinic
Prevent Child Abuse Vermont
Race to Read
Randolph Food Shelf
Randolph Village Fire Department
Rebuilding Together Greater Burlington
Revitalizing Waterbury
River of Light Parade
Ronald McDonald House
Rotary Clubs
Royalton Memorial Library
Safeline
Sara Holbrook Community Center
Sexual Assault Crisis Team
Spaulding High School
School of Cinema and Performing Arts (SOCAPA)
South End Arts & Business Association
Special Olympics Vermont

Spectrum Youth and Family Services
Stern Center for Language
Studio Place Arts
Team BIDMC
The Barre Partnership
The Galley Senior Meals on Wheels
The Governor's Institute of Vermont
The Lost Shul Mural
Therapeutic Intervention Program
Travis Roy Foundation
Turning Point Center of Chittenden County
United Way of Northwest Vermont
UVM Medical Center
Valley Players
Vermont Adaptive Ski & Sports
Vermont Community Loan Fund
Vermont Council on Rural Development
Vermont Creativity Quest
Vermont Energy Education Program
Vermont Food Bank
Vermont Granite Museum
Vermont Housing Finance Agency
Vermont National Guard Fallen Heroes
Vermont Philharmonic
Vermont Public Television
Vermont Scholarship Fund
Vermont Senior Games Association
Vermont Works for Women
Vermont Young Professionals
Vermont Symphony Orchestra
VSA Vermont
VT Gas and Steam Engine Association
VT National Guard Charitable Foundation
Washington County Diversion
Washington County Mental Health
Washington County Youth Services
Waterbury Area Senior Citizens Association
White River Craft Center
Wings Over Washington
Women Helping Battered Women

Note: This list is not all-inclusive

2016 COMMUNITY GIVING

In 2016, Northfield Savings Bank contributed approximately **\$500,000** to more than 220 nonprofit organizations in Vermont.



Employees dedicated more than **2,240** personal volunteer hours to organizations within the following areas of need:

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

In 2016, the Northfield Savings Bank Foundation continued its **\$450,000 commitment** to financial literacy initiatives in Central Vermont and Chittenden County with support of Capstone Community Action and Champlain Valley Office of Economic Opportunity.

NORTHFIELD MUTUAL HOLDING COMPANY

DIRECTORS

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

OFFICERS

Thomas S. Leavitt
President
Cory B. Richardson
Treasurer
Cheryl A. LaFrance
Corporate Secretary

CORPORATORS

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Kim Bolduc
J. Timothy Burke
Brian Button
Lilli Cain
Paul Carbonneau
Nicole Carignan
Laura Carlsmith
H. Wright Caswell
Edward Corrigan
Jon Cunningham
Richard Darby
Michael Diender
Kyle Dodson
Robert Dostis
Brian Eagan
Ted Elzey
Jennifer Emens-Butler
Samuel FitzPatrick
Yael Friedman
Karen Korrow
Stephanie Hainley
John Handy
Jeffrey Harkness
Brian Harwood
Charles Haynes
Timothy Heney
James Hermanowski

Stephen Hill
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Jonathan Jamieson
Scott Johnstone
F. Brian Joslin
Lisa Keysar
Travis Kingsbury
Susan Klein
Jeff LaBonte
Leo Laferriere
Michael Lajeunesse
Jeffrey Larkin
Thomas Leavitt
Betty Lord
Kevin Lord
Steve Loyer
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Mary Alice McKenzie
Thomas Mehuron
Lawrence Michaels
Mary Miller
Sue Minter
Eva Morse
Allyson Myers
Robin Nicholson
Jeffrey Nick
Mary Nowlan
W. Dan Noyes

Adam Osha
Nancy Owens
Marissa Parisi
Deborah Phillips
David Pocius
Nancy Pope
Barbara Quealy
Keshia Ram
Sarah Richards
Thomas Robbins
Sandra Rousse
Paula Routly
Mark Saba
Leslie Sanborn
Liz Schlegel
Steven Shea
Heather Shouldice
Fran Stoddard
Phil Susmann
B. Thomas Sweet
Wallace Tapia
David Whaley
James Wick
Lauren Wobby
Karen Zecchinelli
Nancy Zorn

NORTHFIELD SAVINGS BANK

OFFICERS

Thomas S. Leavitt	<i>President and Chief Executive Officer</i>	Kathy M. LaCross	<i>Vice President, Community Banking</i>
Charles H. Abare	<i>Senior Community Banker/Waitsfield</i>	Cheryl A. LaFrance	<i>Senior Vice President, Chief Operating Officer</i>
M. Kelly Andrews	<i>Community Banking Officer/Waitsfield</i>	Maryellen LaPerle	<i>Mortgage Originator</i>
Ian T. Arnold	<i>Vice President, Mortgage Banking</i>	Christine E. Martin	<i>Security Officer</i>
Donna Austin-Hawley	<i>Senior Vice President, Chief Human Resources Officer</i>	Stephen P. Mucha	<i>Vice President, Commercial Credit</i>
Lori H. Belding	<i>Product Development Manager and CRA Officer</i>	Richard B. Nelson	<i>Vice President, Information Technology</i>
Chad A. Bell	<i>Vice President, Investment Consultant</i>	Melissa A. Neun	<i>Vice President, Compliance and Bank Secrecy Officer</i>
Clay E. Bell	<i>Vice President, Investment Consultant</i>	Karen C. Norris	<i>Community Banking Officer/Essex</i>
Lori A. Bussiere	<i>Deposit Operations Manager</i>	Shaun M. O'Leary	<i>Senior Community Banking Officer/Taft Corners</i>
David A. Chevalier	<i>Vice President, Commercial Services</i>	Stephen J. Page	<i>Cash Management Specialist</i>
Megan L. Cicio	<i>Vice President, Commercial Services</i>	Roger P. Pinan	<i>Mortgage Originator</i>
Tracy L. Davis	<i>Senior Community Banking Officer/Williston Road</i>	Wright C. Preston	<i>Vice President, Commercial Banking</i>
Sherry L. Doane	<i>Vice President, Operations</i>	John P. Ravaschiere	<i>Vice President, Commercial Banking</i>
Joel E. Dubé	<i>Vice President, Commercial Banking</i>	Wendy S. Rea	<i>Community Banking Officer/Northfield</i>
Clayton J. Feiler	<i>Mortgage Originator</i>	Peter M. Reed	<i>Senior Community Banking Officer/ Randolph & Bethel</i>
Alfred J. Flory	<i>Senior Vice President, Chief Lending Officer</i>	Cory B. Richardson	<i>Senior Vice President, Chief Financial Officer</i>
Nubia Z. Fuller	<i>Community Banking Officer/Montpelier</i>	Gina R. Sargent	<i>Consumer Credit Manager</i>
Donna M. Gerdes	<i>Collection Manager</i>	Timothy D. Sargent	<i>Network Administrator</i>
Mary E. Gleason	<i>Community Banking Officer/Shelburne Road</i>	Edward T. Sulva	<i>Vice President, Controller</i>
Peter W. Goodell	<i>Vice President, Consumer Credit</i>	Paul H. Watson	<i>Vice President, Commercial Banking</i>
Billi J. Higgins	<i>Loan Operations Manager</i>	Ava I. Whitcomb	<i>Electronic Banking Manager</i>
Chad T. Hutchins	<i>Commercial Banking Officer</i>	Rosemarie A. White	<i>Vice President, Commercial Banking</i>
Chris H. Jarvis	<i>Senior Community Banking Officer/College Street</i>	Debra L. Williams	<i>Training and Development Manager</i>
Wendy C. Kellett	<i>Senior Community Banking Officer/Waterbury</i>	Marsha D. Wimble	<i>Vice President, Commercial Banking</i>
Debra L. Kerin	<i>Senior Community Banking Officer/Barre</i>		



Northfield
SAVINGS BANK

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LENDER