

2017 Northfield Mutual Holding Company and Northfield Savings Bank

ANNUAL REPORT TO THE COMMUNITY



Northfield
SAVINGS BANK



March 2018

DEAR FRIENDS,

Our 150th year in business was one in which Northfield Savings Bank confidently advanced our NSB 2020 strategic initiatives. Our 2017 results speak to our effectiveness as we continue to embrace the opportunities and challenges in front of us.

Total assets and equity capital at year-end were \$959.4 million and \$111.4 million, rising \$54.5 million and \$2.8 million, respectively, over prior year levels. Our balance sheet remains well capitalized and provides sufficient liquidity. Net income for the year of \$3.3 million was negatively impacted by the December 2017 passage of the Tax Cuts and Jobs Act of 2017 (Tax Act). While the Tax Act reduces federal corporate income tax rates going forward, it resulted in \$1.2 million of additional income tax expense in the fourth quarter as deferred tax assets were revalued at the lower federal tax rate. Without the one-time charge, net income for 2017 would have been \$4.5 million, exceeding our budgeted level. Major renovations at our historic Northfield office and our significant rebranding effort were planned new expense commitments. We extended our ongoing community dividend with significant contributions across a wide array of non-profit organizations.

Loans at year-end of \$752.6 million were supported by \$722.8 million of deposits, rising \$69.7 million and \$83.4 million, respectively, over prior year levels. This growth is the strongest indicator of the Bank's progress in building relationships among individuals, households, enterprises, and community institutions—with an important uptick in attracting commercial balances in Chittenden County. Mortgage loan originations were slightly below 2016 levels as our portfolio rose with the majority of activity in the home purchase market, including good demand for our first-time homebuyer product. Asset quality remains sturdy, tracking favorably relative to 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

**See disclosure on page 6*

CONTENTS

- 2 Letter from the President
- 4 Financial Overview
- 6 Lines of Business
- 7 Celebrating 150 Years
- 8 2017 Donations
- 9 2017 Community Giving
- 10 Northfield Mutual Holding Company
- 11 Northfield Savings Bank

relationships. Financial assets under management finished at \$229.9 million, rising \$35.8 million over the prior year. Our NIS team now serves more than 2,250 clients, a rise of just over 10% in 2017, with investment programs addressing a broad spectrum of personal and enterprise objectives.

STRATEGY IN ACTION

Five strategic themes and seven core principles shape dozens of vital initiatives. By early summer, we will be completing construction and opening a new banking center in our historic home office in Northfield. New exterior and interior upgrades support our branding in Chittenden County banking centers, with more in the queue. Digital banking is strengthened with new features across device platforms. We are a third of the way through our business process engineering projects, with several large projects forthcoming designed to enhance efficiency and customer experience.

Business lines are strong, supported by an organization committed to professional development. As we emphasize growth, operational execution, and risk management, we have team members empowered and accountable for delivering performance. Our culture is one that supports responsive local service.

MUTUALITY: WHY IT MATTERS

Northfield Savings Bank issues no stock and is beholden to no shareholder other than our mutual holding company. Our Corporators and Trustees, along with management, determine the direction of the company. We remain committed to being a catalyst for the financial well-being of those we serve. When a depositor places her hard-earned money with us, she can expect that it will be secure, valued, and used to help others finance homes and businesses not far away. When a borrower comes to us for a loan, he can expect that he will get a responsive review from decision-makers nearby. When a non-profit makes its case, it will be heard.

ROBIN C. NICHOLSON—MODEL CITIZEN

This April, a Vermonter we have been proud to call one of our own concludes her 18 years of service on our Board. Robin Nicholson of Barre was raised in a Montpelier family that made service its hallmark. As a successful businessperson, Robin exemplifies a strong Central Vermont work ethic. As a community stalwart, she is a major asset to the organizations she has helped lead. As a friend, she is always supportive while providing sage counsel. It would be hard to find anyone that has better embodied the spirit of Northfield Savings Bank over these past two decades. Though she will be missed as a Trustee, we take comfort in knowing Robin will be among her fellow Corporators as we continue to enjoy her wisdom.

THE ROAD AHEAD

Our course is well established, but still requires sound navigation. An economy that will be in the second longest recovery on record as of April, a central bank overseeing rising interest rates, state demographics testing work force strength, dynamic regulatory conditions, and cybersecurity vigilance are all factors that have our strong attention.

We are equipped to capitalize on our investments as we traverse an ever-evolving landscape. Thank you for your abiding trust and support.

Sincerely,



Thomas S. Leavitt
President & CEO

BALANCE SHEETS

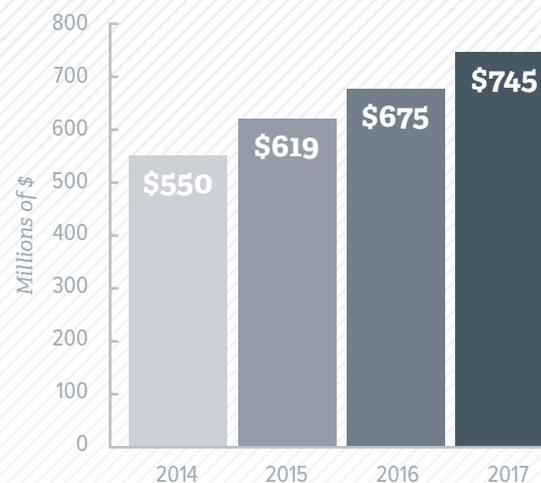
As of December 31 (Dollars in thousands)

ASSETS	2017	2016
Cash and Cash Equivalents	\$ 19,007	\$ 10,472
Investment Securities	132,317	156,233
Federal Home Loan Bank Stock	4,910	5,959
Residential Loans	370,481	340,860
Commercial Loans	322,883	284,544
Consumer Loans	59,217	57,494
Allowance for Loan Losses	(8,012)	(7,571)
Bank Premises and Equipment	17,124	17,099
Other Assets	41,430	39,795
Total Assets	\$959,357	\$904,885

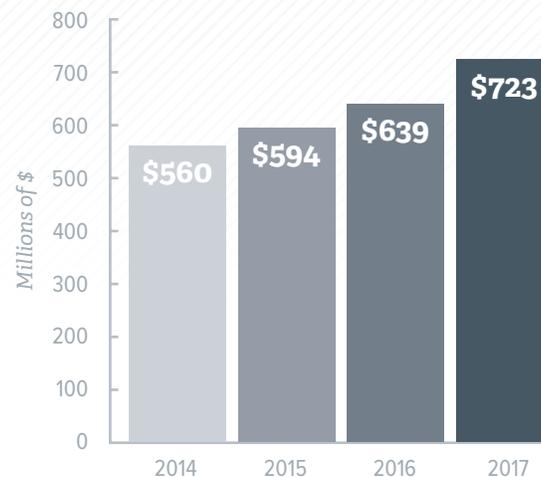
LIABILITIES & CAPITAL	2017	2016
Deposits	\$ 722,842	\$ 639,413
Customer Repurchase Agreements	51,457	57,102
Federal Home Loan Bank Borrowings	63,511	91,977
Other Liabilities	10,190	7,860
Equity Capital	111,357	108,533
Total Liabilities & Capital	\$959,357	\$904,885

The Bank had outstanding standby letters of credit of \$2,328,000 as of December 31, 2017 and \$2,080,000 as of December 31, 2016. Standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party.

NET LOANS



DEPOSITS

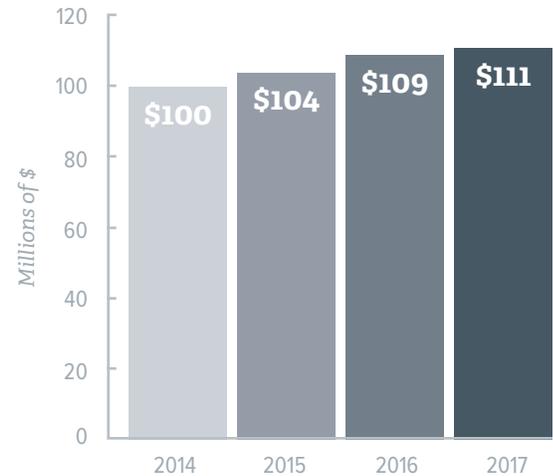


STATEMENTS OF EARNINGS

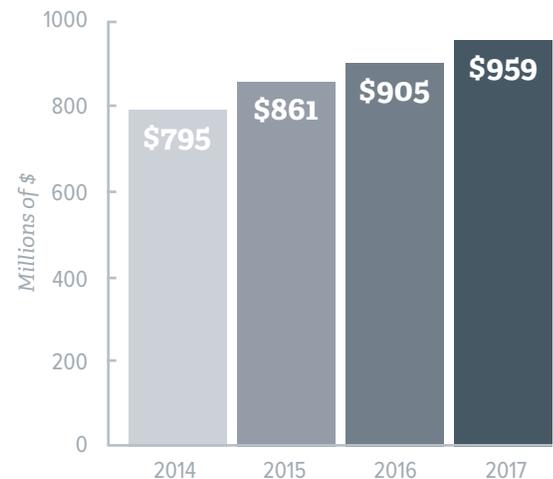
For Years Ended December 31 (Dollars in thousands)

	2017	2016
Interest on Loans	\$ 29,282	\$ 26,536
Interest on Investments	3,388	3,635
Total Interest Income	32,670	30,171
Interest Paid on Deposits	3,632	3,041
Interest Paid on Borrowings	1,147	1,015
Total Interest Expense	4,779	4,056
Net Interest Income	\$27,891	\$26,115
Provision for Loan Losses	(700)	(750)
Other Operating Income	4,963	5,307
Security Gains	37	392
Operating Expenses	(26,256)	(25,055)
Earnings Before Income Taxes	5,935	6,009
Income Taxes	2,683	1,194
Net Income	\$3,252	\$4,815

CAPITAL



ASSETS



FOUR PILLARS THAT CONTINUE TO DRIVE OUR BUSINESS FORWARD



COMMUNITY BANKING OUR NUMBERS REFLECT OUR COMMITMENT

Our customers expect a high level of service and we continue to meet those expectations. This dedication is revealed in our robust deposit growth, as well as high marks in the Bank's annual customer satisfaction survey. Local deposits across both markets grew \$83.4 million—while the Bank's Net Promoter Score (NPS) remains hugely positive, with the clear majority of customers responding as promoters of the brand. This strong NPS indicates a high level of loyalty.

Throughout our 150 years of business, we have warmly welcomed customers in our branches. As we re-introduced the Northfield Savings Bank brand, our Chittenden County offices were infused with our new and updated look, featuring our rich gold and gray color scheme.



BUSINESS BANKING FUELING THE ENGINE OF VERMONT'S ECONOMY

New housing construction, commercial development, and renewable energy projects highlighted a year of continued momentum—further proof of our growing reputation as a trusted partner for Vermont businesses. With 11 experienced commercial lenders serving Central Vermont and the Champlain Valley, our commercial loan portfolio experienced double-digit growth thanks to new relationships and nurturing support of existing ones.

Chittenden County remains a key growth area for us and our expanding presence is gaining considerable traction as we bring a full complement of financial services and high caliber support to large and small business owners.



MORTGAGES THE PATH TO HOMEOWNERSHIP STARTS RIGHT HERE

As homebuyers responded to a generally stagnant real estate market, many individuals and families turned to NSB for trusted guidance and competitive financing. Purchases represented two-thirds of NSB's residential mortgage volume in 2017, while refinance and construction activity comprised the balance.

NSB's first time homebuyer program, Pathway Mortgage, provided attractive financing to residents just beginning their home ownership journey. To further support this market segment, we collaborated with affordable housing agencies to help new borrowers be well prepared for their new financial responsibilities.



NORTHFIELD INVESTMENT SERVICES* CONFIDENCE IS EARNED OVER TIME

By the end of 2017, more than 2,250 clients entrusted Northfield Investment Services with their accumulated savings. The continuous growth is a tribute to the confidence each customer places in us to manage their complex financial needs. During the year, assets under management grew 18 percent, for an overall increase of \$35.8 million.

* 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.

CELEBRATING 150 YEARS

A LONG HISTORY OF SERVICE TO OUR COMMUNITIES

150 YEARS: CELEBRATING OUR PAST WITH A FOCUS ON THE FUTURE

True, Tried and Trusted Shall It Stand. For seven generations, Northfield Savings Bank has embodied the spirit of these words. First used on the occasion of the bank's 50th anniversary, these sentiments have proven their durability over the past century and provide a crucial touchstone as we renew our drive for the next 150 years. To that end, this phrase will be chiseled in granite and featured in the lobby of our renovated historic Northfield home.

In 2017, we honored the Bank's 150-year heritage with celebrations at the ECHO Leahy Center for Lake Champlain, Norwich University, our Berlin Operations Center and with customers at all 13 branch offices. Family members of presidents past and present gathered in Northfield with local friends and fans to reflect fondly on a shared history of community building.

Last year, the Bank's management team developed NSB2020, a strategic roadmap to guide our key focus areas over three years. These include a continued dedication to achieving steady growth in Chittenden County, advancing our leadership in Central Vermont, evolving our brand to communicate key messages, and ongoing support of our community mission. Additionally, we will continue to improve efficiency and digital capabilities with an aim to always be enhancing the customer experience.



2017 DONATIONS

Every year, we pay a “community dividend” through our commitment to donate **10% of our annual earnings** to local non-profits. In 2017, we supported*:

Aldrich Public Library
All Breed Rescue
Alzheimer's Association of Vermont
American Cancer Society Vermont
ANew Place
Barre Community Baseball & Softball
Barre Opera House
Berlin Elementary School
Bethel Community Forward Festival
Bethel Food Shelf
Bethel Revitalization Initiative
Boy Scouts
Boys & Girls Club of Burlington
Brownell Library Foundation, Inc.
Burlington Choral Society
Burlington City Arts
Camp Ta-Kum-Ta
Capstone Community Action
Central Vermont Basic Education, Inc.
Central Vermont Chamber of Commerce
Central Vermont Economic
Development Corporation
Central Vermont Home Health & Hospice
Central Vermont Humane Society
Central Vermont Memorial Civic Center
Champlain Community Services, Inc.
Champlain Valley Office of
Economic Opportunity
Chandler Center for the Arts
Cheryl Jennings Reading Program
Children's Literacy Foundation
Clara Martin Center
Clyde Whittemore Little League
Committee on Temporary Shelter (COTS)
Community Emergency Relief
Volunteers (CERV)
Community Health Centers of Burlington
Conquer The Day
Double H Ranch
Earthwalk Vermont
Echo Lake Aquarium and Science Center
Elm Place
Epilepsy Foundation of Vermont

Eric Hutchins Memorial Scholarship
Essex Chips
Essex Community Historical Society
Everybody Wins! Vermont
Far Post Soccer Club
Flynn Center for the Performing Arts
Friends of Alumni Field
Friends of the Brown Public Library
Gifford Health Care Last Mile Ride
Gifford Medical Center
Girl Scouts
Girls on the Run Vermont
Good Beginnings of Central Vermont
Good Samaritan Haven
Governor's Institutes of Vermont
Green Mountain Film Festival
Green Mountain Habitat for Humanity
Green Mountain United Way
Harwood Union High School
Healing Winds Vermont
High School Basketball
High School Golf
High School Hockey
Home Share Now
HomeShare Vermont
Humane Society of Chittenden County
Intervale Center
Joint Urban Ministry Project
King Street Youth Center
Kiwanis Clubs
Lake Champlain Committee
Lions Clubs
Little Leagues
Local Motion
Lost Nation Theater
Mad River Neighborhood Association
Mad River Valley Ambulance Service
Mad River Valley Chamber of Commerce
Make a Wish Vermont
Mayo Healthcare
Mercy Connections
Montpelier Alive
MUSIC-COMP

Never Give Up Ever
Norris Cotton Cancer Center
Northfield Amateur Hockey Association
Northfield Community
Development Network
Northfield Historical Society
Northfield Junior Rifle Club
Northfield Observances Inc.
O.M. Fisher Home, Inc.
Odyssey of the Mind
Old Spokes Home
Orange County Parent Child Center
Partners in Adventure
People's Health & Wellness Clinic
Preservation Trust of Vermont
Prevent Child Abuse Vermont
Puppets in Education
Quin-Town Senior Center
Randolph Garden Club
Revitalizing Waterbury
Richmond Land Trust
Rochester Public Library
Ronald McDonald House Charities
Rotary Clubs
SafeArt
Safeline
Samaritan's Purse
South Burlington Community Housing
South End Arts & Business Association
South Royalton Fire Department
Special Olympics Vermont
SteAmfest
Stern Center for Language and Learning
Stockbridge Central School
Studio Place Arts
The Children's Early Learning Space
The Children's Room
The Greater Barre Community
Justice Center
The Turning Point Center of
Chittenden County
The Veterans' Place, Inc.
The Waitsfield Children's Center

Tires for Troops
Twin Valley Senior Center
United Way of Northwest Vermont
University of Vermont College of Nursing
and Health Sciences
Upendo Mmoja
Valley Players Theater
Vermont American Legions
Vermont Association for the Blind and
Visually Impaired
Vermont Council on Rural Development
Vermont DeMolay
Vermont Employee Ownership Center
Vermont Farm Bureau
Vermont Foodbank
Vermont Historical Society
Vermont International Film Festival
Vermont Jump\$tart Coalition
Vermont National Guard
Vermont National Guard Charitable
Foundation
Vermont PBS
Vermont Philharmonic
Vermont Quilt Festival
Vermont Search and Rescue Canine
Vermont Senior Games
Vermont Symphony Orchestra
Vermont Works for Women
Vermont Youth Conservation Corps
Visiting Nurse Association
VSA Vermont
VT-CAN!
Washington County Mental Health
Services, Inc.
Waterbury Ambulance Service, Inc.
Waterbury Fire Fighters Association
Waterbury Winterfest
White River Valley Chamber
of Commerce

* This list is not all-inclusive

2017 COMMUNITY GIVING

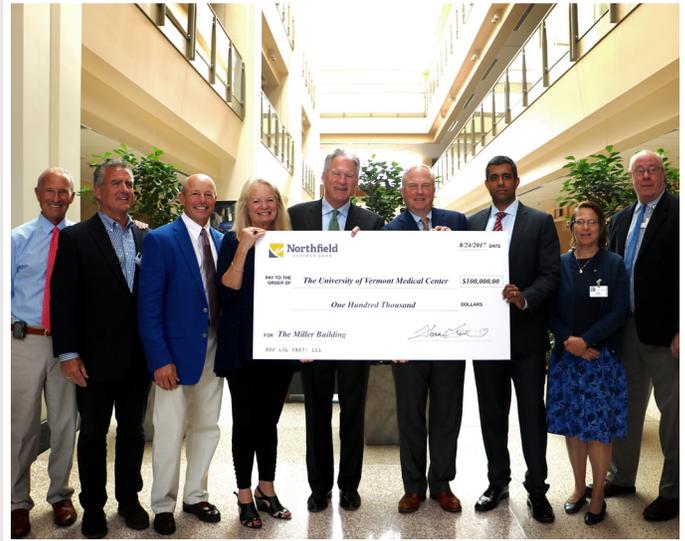
ROOTED IN COMMUNITY

As an institution rooted in the communities it serves, Northfield Savings Bank continued to fulfill its long-standing commitment to give back to Vermont in 2017.

Throughout the year, the Bank announced three individual donations totaling \$325,000: A \$100,000 gift to the University of Vermont Medical Center to support construction of 128 new single-patient rooms; a \$75,000 gift to the Greater Burlington YMCA in support of a new facility; and a \$150,000 donation to Norwich University's *Forging the Future* campaign, a five-year fundraiser to modernize campus buildings.

Northfield Savings Bank also fulfilled its pledge to give 10 percent of profits back to the community, donating over \$300,000 to more than 200 Vermont organizations like Healing Winds—a sailing respite for those affected by cancer—and Green Mountain Habitat for Humanity, to help the non-profit build four new homes. NSB employees donated a collective 5,100 volunteer hours to local non-profits, including Vermont Special Olympics through the Penguin Plunge in Burlington for the 11th year in a row.

The NSB Foundation continued its three-year, \$450,000 commitment to invest in two of Vermont's largest community action agencies: Champlain Valley Office of Economic Opportunity and Capstone Community Action, both of which direct the funds to help people build or restore their financial stability. The assistance allowed each program to expand resources, staff and tools to bolster existing curriculums.



DIRECTORS

J. Timothy Burke
Nicole M. Carignan
Laura Carlsmith
Brian C. Eagan
Jonathan M. Jamieson
Thomas S. Leavitt
John W. Lyon
Mary Alice McKenzie
Robin C. Nicholson
Thomas Robbins
Lauren D. Wobby

OFFICERS

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

CORPORATORS

Jon Anderson
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 Gillespie Korow
Stephanie Hainley
John Handy
Jeffrey Harkness
Brian Harwood
Timothy Heney
James Hermanowski
Stephen Hill
Robert Holden
Jonathan Jamieson
Scott Johnstone
F. Brian Joslin
Lisa Keysar
Travis Kingsbury
Susan Klein
Jeffrey LaBonte
Leo Laferriere
Michael Lajeunesse
Jeffrey Larkin
Thomas Leavitt
Betty Lord
Kevin Lord
Steve Loyer
John Lyon
Mary Alice McKenzie
Thomas Mehuron
Lawrence Michaels
Mary Miller
Sue Minter
Eva Morse
Allyson Myers
Robin Nicholson
Jeffrey Nick
Mary Hegarty 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
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>	Kathleen M. LaCross	<i>VP Community Banking</i>
Charles H. Abare	<i>Community Banking Officer</i>	Cheryl A. LaFrance	<i>Senior Vice President & Chief Operating Officer</i>
Jeanne B. Albertson	<i>Senior Community Banking Officer</i>	Maryellen LaPerle	<i>Senior Mortgage Banking Officer</i>
Madeline K. Andrews	<i>Senior Community Banker</i>	Christine E. Martin	<i>Security Officer</i>
Ian T. Arnold	<i>VP Consumer Credit</i>	W. Mark Mast	<i>VP Marketing</i>
Donna A. Austin-Hawley	<i>Senior Vice President, Chief Human Resources Officer</i>	Stephen P. Mucha	<i>VP Commercial Credit</i>
Lori H. Belding	<i>Product Development & CRA Officer</i>	Richard B. Nelson	<i>VP Information Technology</i>
Chad A. Bell	<i>VP Investment Consultant</i>	Melissa A. Neun	<i>VP Compliance & Bank Secrecy Officer</i>
Clay E. Bell	<i>VP Investment Consultant</i>	Karen C. Norris	<i>Senior Community Banking Officer</i>
Lori A. Bussiere	<i>Deposit Operations Manager</i>	Stephen J. Page	<i>Cash Management Specialist</i>
David A. Chevalier	<i>VP Commercial Services</i>	Roger P. Pinan	<i>Mortgage Originator</i>
Megan L. Cicio	<i>VP Commercial Services</i>	Wright C. Preston	<i>VP Commercial Banking</i>
Tracy L. Davis	<i>Senior Community Banking Officer</i>	John P. Ravaschiere	<i>VP Commercial Banking</i>
Sherry L. Doane	<i>VP Operations</i>	Wendy S. Rea	<i>Senior Community Banking Officer</i>
Joel E. Dube	<i>VP Commercial Banking</i>	Peter M. Reed	<i>Senior Community Banking Officer</i>
Clayton J. Feiler	<i>Mortgage Originator</i>	Cory B. Richardson	<i>Senior Vice President & Chief Financial Officer</i>
Alfred J. Flory	<i>Senior Vice President & Chief Lending Officer</i>	Gina R. Sargent	<i>Consumer Credit Manager</i>
Nubia Z. Fuller	<i>Community Banking Officer</i>	Timothy D. Sargent	<i>Network Administrator</i>
Donna M. Gerdes	<i>Collections Manager</i>	Edward T. Sulva	<i>VP Controller</i>
Mary E. Gleason	<i>Community Banking Officer</i>	Paul H. Watson	<i>VP Commercial Banking</i>
Billi J. Higgins	<i>Loan Operations Manager</i>	Robert B. Wheeler	<i>VP Commercial Banking</i>
Chad T. Hutchins	<i>Commercial Banking Officer</i>	Ava I. Whitcomb	<i>Mortgage Originator</i>
Christopher H. Jarvis	<i>Senior Community Banking Officer</i>	Rosemarie A. White	<i>VP Commercial Banking</i>
Wendy C. Kellett	<i>Senior Community Banking Officer</i>	Debra L. Williams	<i>VP HR Operations, Training & Development Manager</i>
Debra L. Kerin	<i>Senior Community Banking Officer</i>	Marsha D. Wimble	<i>VP Commercial Banking</i>



CELEBRATING
150 Years

NSBVT.COM
(800) NSB-CASH

