

**2020** *Northfield Mutual Holding Company  
and Northfield Savings Bank*

# ANNUAL REPORT TO THE COMMUNITY





March 23, 2021

## DEAR FRIENDS,

Last year in this space, we were looking into the teeth of the pandemic as I shared how our company was adapting in real time. I expressed hope that in the next letter we would be “returning to a more celebratory message” and writing an “epilogue to the epic” that we have been living through.

As we enter the spring of 2021, there certainly are reasons to be hopeful. Though celebrations and epilogues remain elusive, our nation and our state are making progress on multiple fronts. Economic relief efforts have provided a measure of stability and spared additional millions from job dislocation. Vaccinations have been rolling out. And schools are making strides forward to begin the repair of a year lost.

Challenges remain. The virus has not yet been “assigned to infamy.” The human toll and long-term effects of the suffering will be with us for a generation. Medical systems continue to bear intense operational and financial burdens. And we all continue to adjust to both temporary and permanent shifts in how we attempt to go about our lives and run our businesses.

As we move fully into a year that will bring one plan to its culmination and launch another earnestly ahead, we take a look in this report at an eventful 2020. We share our operating results and just a few of the many highlights as our team responded to adversity on behalf of those we serve.

## 2020 FINANCIAL SUMMARY

The company achieved 14.7% growth in assets, rising to \$1.214 billion at year-end. Net loans grew 8.9% to \$912.1 million. Deposits grew 20.3% to \$992.4 million. Federal and state coronavirus relief programs contributed to balance sheet growth as NSB participated actively in the Paycheck Protection Program and experienced an influx of deposits. Strong mortgage production also contributed.

Earnings were above budget at \$5.8 million and below the \$6.6 million of 2019. Net interest income was up \$4.5 million despite margin compression in a sustained low rate environment. The provision for loan losses was up more than \$2.1 million, as a one-time unbudgeted addition was made in the second quarter to reflect pandemic-related deterioration in the national and Vermont economies. Non-interest expense was up \$2.6 million related to staffing, pandemic support benefits, resumption of core processing system conversion preparations, occupancy costs, health safety measures, and equipping the organization as it adapted to mobile and remote work.

Asset quality remained solid throughout the year, despite the initial sharp reductions in Vermont employment and measures to accommodate NSB customer loan modifications that led to a larger provision expense.

Inclusive of other comprehensive income related to unrealized gains in the investment portfolio, the company’s capital rose 7.3% to \$135.2 million.

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## ORGANIZATIONAL RESILIENCE

From mid-March to mid-May, NSB operated in business continuity response mode. That meant a range of emergency measures that our team was asked to carry out with little advance notice. They did so with a spirit that flexed the company beyond capacity and delivered for our customers and communities.

From mid-May through year-end, we undertook what we called NSB 2020 Redirect. This was a four-phased effort to guide the company and our customers through transition of services and resumption of several key initiatives.

Our Human Resources and Facilities teams have led the company through a comprehensive health safety program, with protocols regularly updated. The company navigated community outbreaks of the virus and employee positive cases without serious medical consequence or sustained issues.

Our Core Team mobilized to take up the major system upgrade in earnest. This is a company-wide initiative that will provide a stronger technological backbone to our growing enterprise. There have been many inspirational demonstrations of commitment to colleagues and to seeing through a once-in-a-generation project toward a go-live date of May 24, 2021.

## LOOKING FORWARD

In order to see through our full program of work, we extended our current strategic plan to June 30, 2021. Our new strategic plan will take us through 2023. This condensed window envisions us fully leveraging the investments made during a productive 2017 – 2020 execution of NSB 2020. Themes of serving enterprise, advancing efficiency, fostering equity, managing risk, mobilizing technology, and sustaining community mission are guiding the planning process. We take this on while observing core principles that speak to our deep roots in Vermont and our commitments to customers, communities, and one another.

As of this writing, our branch service model remains in a pandemic posture. We have been disciplined in observing State of Vermont guidance. Our lobbies are accessible, but our doors are secured

to ensure protocols are managed at the point of entry. Our other access points – drive-up, online, mobile, phone, ATMs – remain very active. We continue to evaluate the important role that branches play for customers in a post-pandemic world. We look forward to adding a new Richmond office as our 14th branch this year.

## CONCLUDING NOTE

We hope we shall not see a year like 2020 come along again. It has been tough for so many, while also producing indelible moments that have spoken to the better instincts of humanity. We have had the good fortune at NSB to be governed by a Board of Trustees made up of Vermonters that truly care about our company and communities. For the past three years, I have benefited immeasurably from a partnership with Board Chair Tim Burke and Board Vice Chair Mary Alice McKenzie, and have valued the wisdom and friendship of our other eight independent Trustees.

As Tim concludes his term as Chair and turns the gavel over to Mary Alice, we thank him for his steadfast example, skilled administration, and human qualities. We wish Mary Alice all the best as she leads us forward with incoming Vice Chair John Lyon.

Being your bank is a privilege we hold dear. We look forward to seeing you again. *Stay well.*

Sincerely,



Thomas S. Leavitt  
*President & CEO*

## BALANCE SHEET

As of December 31 (Dollars in thousands)

### ASSETS

2020

Cash and Cash Equivalents	\$ 21,111
Investment Securities	215,372
Federal Home Loan Bank Stock	1,616
Residential Loans	447,245
Commercial Loans	425,931
Consumer Loans	50,204
Allowance for Loan Losses	(11,270)
Bank Premises and Equipment	19,408
Other Assets	44,643

**Total Assets** \$ 1,214,260

### LIABILITIES & CAPITAL

2020

Deposits	\$ 992,469
Customer Repurchase Agreements	72,797
Federal Home Loan Bank Borrowings	3,846
Other Liabilities	9,992
Equity Capital	135,156

**Total Liabilities & Capital** \$ 1,214,260



14.7%  
GROWTH IN ASSETS

## STATEMENT OF EARNINGS

For Year Ended December 31 (Dollars in thousands)

	2020
Interest on Loans	\$37,163
Interest on Investments	3,459
<b>Total Interest Income</b>	<b>40,622</b>
Interest Paid on Deposits	4,964
Interest Paid on Borrowings	952
<b>Total Interest Expense</b>	<b>5,916</b>
<b>Net Interest Income</b>	<b>\$34,706</b>
Provision for Loan Losses	(2,578)
Other Operating Income	4,669
Security Gains	—
Operating Expenses	(29,853)
Earnings before Income Taxes	6,944
Income Taxes	1,121
<b>Net Income</b>	<b>\$ 5,823</b>

  
**\$4.5 MILLION**  
 INCREASE IN NET  
 INTEREST INCOME

## COMMERCIAL BANKING

As the pandemic emergency was declared last spring, our Commercial Banking team got busy with the U.S. Small Business Administration Paycheck Protection Program (PPP). We closed and funded more than 1,000 PPP loans, representing nearly \$90 million of financing. Enterprises utilized these funds for payroll and other permitted use. This vital funding – much of which is eligible for SBA forgiveness – has kept people on the payroll and helped see our communities and local economies to a better place.

Our commercial customers have demonstrated resilience overall. In addition to being active with PPP, NSB made payment accommodations during the early months of the pandemic. These modifications served to further buffer borrowers temporarily and ran their course before summer's end. Challenges remain in some sectors that have been most heavily impacted by loss of revenue; some of these businesses have been able to tap subsequent PPP funding, State of Vermont grant assistance, and other pandemic relief.

Conventional loan demand was more subdued as borrowers took in other economic relief and carefully weighed plans for additional debt. As the economic outlook began to improve longer-term, activity began to pick up. Some loan payoffs occurred during the year with some businesses able to retire debt early and one large participation being fully paid.

During our NSB 2020 strategic plan, the company has built a strong array of commercial products and services. This capability played an important role in deposit growth during 2020, as more enterprises turned to NSB for a primary banking relationship. We remain well-positioned as we prepare for additional growth coming into our new plan.



## COMMUNITY BANKING

Throughout 2020 our staff demonstrated exceptional commitment as essential frontline service providers. We mobilized early to implement health safety measures in all facilities to protect employees and customers. Branch staff answered the call and maintained service levels as the company provided additional benefits to recognize the added burdens brought on by the pandemic.

New account activity was steady and deposit account balances increased, partly as a result of federal relief programs. Branches remained secure with modified customer access for much of the year. Drive-up lanes became a primary means for transactional activity. Our lobby appointment system was efficient, with curbside service offered for added customer convenience and safety. Adoption of online and mobile banking grew as individuals embraced direct banking channels as an alternative to coming to the branch.

Following an initial surge in call volume, we have settled into what is now a new normal for NSB Call Center activity. We have matched the greater demand by doubling the number of Call Center Representatives available to assist with customer inquiries. We will continue to support strong direct banking delivery while returning the branch service model to greater accessibility as vaccinations take hold and the Governor gradually reopens the state to full commercial footing.



## MORTGAGE BANKING

2020 started with a rise in mortgage interest rates in the first quarter pre-pandemic. As the health emergency arrived, NSB's mortgage team shifted rapidly to a remote service and processing model. Rates declined and activity picked up. Most mortgage and home equity originations were conducted online and via phone as volume continued to accelerate, resulting in record production for the year.

The mortgage team closed \$109.7 million in full documentation transactions to go along with another \$43.5 million in NSB streamlined modification refinances, totaling \$153.2 million. We closed \$21.8 million in home equity loans. In total, the consumer credit group handled over 1,300 applications in 2020 across a breadth of products.

NSB provides a complete range of mortgage and home equity options, originated by seasoned mortgage professionals and supported by a veteran processing department. Customers have access at all times to decision makers close to where they live and work.



## NORTHFIELD INVESTMENT SERVICES\*

Northfield Investment Services pivoted to a largely remote service model as the pandemic dictated a more flexible approach to client engagement. Despite limited face-to-face opportunities, the N.I.S. team effectively met client needs during a time of market volatility and uncertainty. After initially falling with general market trends in the first quarter of 2020, assets under management recovered to \$353.3 million at year-end, a rise of 11.3% year-over-year.

The team continued to bring in new relationships throughout the year, with the majority coming from existing client referrals.



\*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 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. Infonex 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.

## COMMUNITY IMPACT

The Northfield Savings Bank Foundation announced six grants in 2020.

Two-year partnerships totaling \$300,000 were established with the Community College of Vermont and Vermont Afterschool. The initiatives led by these organizations aim to increase the opportunity for the unemployed and underemployed in our state, as well as strengthen outcomes for youth in our communities.

The Foundation distributed a total of \$250,000 in NSB Equity Grant funding. This round of community investment was conducted to advance diversity, equity, and inclusion consistent with the NSB Equity Framework authorized by the Board of Trustees in June 2020. Four Vermont organizations were awarded funding: National Association for the Advancement of Colored People – Vermont; Vermont Professionals of Color Network; Voices for Vermont’s Children; and Migrant Justice.

Partnerships initiated in 2018 concluded their funding terms in 2020. The Champlain College Center for Financial Literacy used funds to

help Vermont educators implement new financial literacy standards. Vermont Afterschool used a grant to help afterschool and out-of-school programs build resiliency and social-emotional learning skills in youth.

Outside of the Foundation’s important contributions, the Bank continued to lean into the needs of its served communities with a wide range of support. We addressed food insecurity in a creative partnership with the Vermont Foodbank. We pivoted with partners in the arts community by bringing virtual events to Vermonters. We participated in the Governor’s Economic Recovery and Mitigation Task Force, contributing directly to the Employer Financial and Technical Support Action Team. We provided grants to organizations serving at-risk populations. Throughout the crisis that enveloped our state and nation, NSB came to work every day to dive into the challenges and work toward solutions that helped stabilize our communities.



## **DIRECTORS**

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

## **OFFICERS**

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

## **CORPORATORS**

Indra Acharya  
Belan Antensaye  
Perry Armstrong  
Kim Bolduc  
J. Timothy Burke  
Brian Button—*Emeritus*  
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  
Wanda Heading-Grant

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  
Betty Lord  
Kevin Lord  
Steve Loyer  
Pietro Lynn  
John Lyon  
Owiso Makuku  
Mary Alice McKenzie  
Thomas Mehuron  
Rick Milliken  
Sue Minter  
Nadia Mitchell  
Eva Morse  
Allyson Myers  
Skyler Nash  
Bob Nelson  
Robin Nicholson  
Jeffrey Nick

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

## NORTHFIELD SAVINGS BANK

### OFFICERS

Charles H. Abare	<i>Community Banking Officer</i>	Thomas S. Leavitt	<i>President and Chief Executive Officer</i>
Jeanne B. Albertson	<i>Senior Community Banking Officer</i>	Stephanie E. MacAskill	<i>VP Direct Banking &amp; Deposit Operations</i>
M. Kelly 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>SVP &amp; Chief Human Resources Officer</i>	Anthony J. Matz	<i>Community Banking Officer</i>
Chad A. Bell	<i>VP Investment Consultant Manager</i>	Del'Rae L.M. Merrill	<i>Community Banking Officer</i>
Clay E. Bell	<i>VP Investment Consultant</i>	Richard B. Nelson	<i>VP Information Security</i>
Lori A. Bussiere	<i>Deposit Operations Manager</i>	Melissa A. Neun	<i>VP Risk Management</i>
Justin J. Cadoret	<i>Human Resources Operations Manager</i>	Stephen J. Page	<i>Cash Management Administrator</i>
Megan L. Cicio	<i>VP Commercial Services</i>	Roger P. Pinan	<i>Mortgage Banking Officer</i>
Tracy L. Davis	<i>Senior Community Banking Officer</i>	Wright C. Preston	<i>VP Commercial Banking</i>
Bradford S. Doane	<i>Bank Project Manager</i>	John P. Ravaschiere	<i>VP Commercial Banking</i>
Sherry L. Doane	<i>VP Operations</i>	Wendy S. Rea	<i>Branch Operations Officer</i>
Douglas P. Emery	<i>Community Banking Officer</i>	Cory B. Richardson	<i>SVP &amp; Chief Financial &amp; Credit Officer</i>
Alfred J. Flory	<i>SVP &amp; Chief Lending Officer</i>	Kirstin L. Rogers	<i>Community Banking Officer</i>
Nubia Z. Fuller	<i>Mortgage Banking Officer</i>	Gina R. Sargent	<i>Consumer Credit Manager</i>
Donna M. Gerdes	<i>Collections Manager</i>	Timothy D. Sargent	<i>VP Information Technology</i>
Mary E. Gleason	<i>Senior Community Banking Officer</i>	David W. Seaver	<i>VP Commercial Banking</i>
Billi J. Higgins	<i>Loan Operations Manager</i>	Edward T. Sulva	<i>VP Controller</i>
Chad T. Hutchins	<i>VP Commercial Banking</i>	Michael R. Tuttle	<i>Senior Policy Advisor</i>
Christopher C. Jarvis	<i>VP Community Banking</i>	Paul H. Watson	<i>VP Commercial Banking</i>
Timothy P. Kane	<i>Bank Compliance Officer</i>	Robert B. Wheeler	<i>VP Commercial Credit</i>
Wendy C. Kellett	<i>Senior Community Banking Officer</i>	Ava I. Whitcomb	<i>Mortgage Banking Officer</i>
Kerry K. Keown	<i>Community Banking Officer</i>	Rosemarie A. White	<i>VP Commercial Banking</i>
Debra L. Kerin	<i>VP Community Banking</i>	Marsha D. Wimble	<i>VP Commercial Banking</i>
Kathleen M. LaCross	<i>VP Commercial Services</i>		
Cheryl A. LaFrance	<i>SVP &amp; Chief Operating Officer</i>		
Maryellen LaPerle	<i>VP Mortgage Banking</i>		



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