Together we grow.

Passumpsic Bancorp

2019 Annual Report

PASSUMPSIC BANCORP, INC.

President's Message

James A. Kisch
President & CEO

Another rewarding and adventurous year is behind us. For all the right reasons, 2019 is a year that I won't soon forget: a year in which Passumpsic Bank fired on all cylinders! Our diversified business units of banking, wealth management, and home mortgage lending all had strong performance years. The members of our team at Passumpsic Bank seized both market and innovation opportunities to assemble a year that we are all very proud of.

Financial Fitness

Passumpsic Bank's 2019 financial performance was strong. We finished with higher earnings than we have experienced in many years. In addition to modest growth, Passumpsic Bank's net income and key performance indicators ended the year higher than 2018 and beyond our budget expectations. Additionally, the Bank has further enhanced our well-capitalized position and credit quality remains secure. The Bank plans to build on our years of strong results to elevate our performance to even greater heights in 2020!

Team News

During 2019, two long-term employees retired from the Bank: **Danny Lane**, Vice President/Commercial Lender, after 30 years of service, and **Carmen Menard**, Assistant Vice President/Littleton Branch Manager, after 33 years of service. We truly appreciate and value the dedication and commitment these two individuals made to our organization and our communities.

There were several promotions last year I would like to share with you. **Dawn Shatney**, Loan Operations Manager, was promoted to ***Assistant Vice President***. Dawn has served as Loan Operations Manager since 2016 and is responsible for overseeing all loan operations, including Loan Servicing, Consumer Loan Processors and Commercial Assistants. **Carol Starr**, Newport Branch Manager, was promoted to ***Assistant Vice President***. She joined our team in 2018, bringing 20 years of Branch Manager experience with her to our Bank. **Richard Lyon**, Chief Financial Officer, was promoted to ***Executive Vice President***. He joined Passumpsic three years ago and has led major, lasting improvements since he joined our organization. **Roena Whitehill**, Head of Lending, was promoted to ***Executive Vice President***. She has excelled in her leadership role over the past four years. Executive Vice President **Elaine Bixby's** title has changed to better reflect the range of duties her role at the bank encompasses. She is now the Bank's ***Chief Operations Officer***.

Throughout the course of the year we created opportunities for staff to grow and take on new roles. **Alycia Vosinek** was promoted to ***Assistant Vice President***/Consumer Loan Manager, responsible for the management and oversight of all consumer, indirect and residential loans. We also reinvented the role of Mortgage Loan Specialist into what is now known as Universal Banker III. The UBIIIs have the ability to process both mortgage and consumer loan requests as well as open deposit accounts. By making this change, a mortgage client is able to establish one point of contact who can more broadly serve and assess all of their needs.

Year of the Brand

The brand was central to 2019 marketing strategies. It is important to measure our success by answering the question, "Is our brand truly great?" Our goal was to further mature and live up to our new brand, and early indicators are that we are on the right course! Feedback from our community has been positive in response to our message that, while our logo and colors may have changed, our commitment has not. The new brand and logo were first introduced to the public with the opening of our Berlin Vermont Outpost in Fall 2018. Since then, exterior and interior signage have been updated across our entire branch network; we produced our first television commercial; all digital banking platforms were rebranded; and our website had a total makeover reflecting the new look.
More brand initiatives are on the horizon!

In closing, I would like to thank you for placing your trust with us and allowing Team Passumpsic and our Board of Trustees to be a vital supporter of your financial and community success. You have our commitment that we are going to be here for you as long as you need us. Wherever you're at in life, Passumpsic Bank is right there with you.

Sincerely,

Jim Kisch

Passumpsic Bancorp, Inc. & Subsidiaries

Years Ended December 31, 2019 and December 31, 2018

CONSOLIDATED BALANCE SHEETS	2019	2018*
ASSETS		
Cash and due from banks	$ 27,646,445	$ 27,776,200
Investment securities	63,533,329	59,908,429
Mortgage loans held for sale	20,920,853	6,736,089
Loans, net	495,630,353	506,323,456
Premises and equipment	12,324,536	11,763,123
Other assets	38,751,004	38,026,542
Total assets	$ 658,806,520	$ 650,533,839
LIABILITIES AND EQUITY		
LIABILITIES		
Deposits	$ 520,926,986	$ 537,448,168
Other borrowings	36,814,442	24,016,686
Accrued interest and other liabilities	13,600,175	11,675,136
Total liabilities	$ 571,341,603	$ 573,139,990
EQUITY		
Retained earnings and other equity	$ 87,464,917	$ 77,393,849
Total liabilities & equity	$ 658,806,520	$ 650,533,839
Off balance sheet standby letters of credit	$ 446,500	$ 561,000

*Certain amounts in the 2018 consolidated financial statements have been reclassified to conform to the 2019 consolidated financial statement presentation (mortgage loans held for sale).

Let's grow together

The theme of our annual report is how organizations can cultivate a culture that is high in psychological safety and accountability, and in doing so foster greater employee engagement, motivation, and a mindset focused on growth. These cultural shifts encourage appropriate risk taking, professional development, and continuous improvement, which ultimately drives better organizational performance and lower turnover. These concepts are equally applicable to organizations large and small, startups and established companies. We have embarked on cultivating these cultural traits in Passumpsic Bank.

A video was recently created showcasing employees sharing their viewpoint on why it is important to connect with the communities we serve. Following are a few quotes from the video. The video can be watched on Passumpsic Bank's YouTube channel.

Preparing for the trek forward

You have probably noticed our new look and renewed energy. You know what the best part of it is? the people you know and trust are the ones behind it. Passumpsic Bank leverages the strengths, talent, and commitment of each member of our Team to help enhance the prosperity of all the communities we call home. Our home is the Northeast Kingdom and Central Vermont, and North Country New Hampshire. Our team is continually growing, learning, and transforming to address the continual changes in the demographics of our communities, the fast pace of innovation, and our high expectations for serving you.

"Passumpsic Bank is supportive of our communities; we want to help our communities thrive and be economically prosperous."

– Carol Starr –
Newport Branch Manager

"Passumpsic is a local community bank. We are only as successful as the communities we serve."

– Mary Cote –
St. Johnsbury Commercial Banker

We understand that our bold plans to serve you require an exceptionally trained team. Nothing is more important to us as an organization than our customers, so we take great care to prepare our team to get to know you, our customers and your unique needs, so that we can provide you with the appropriate products, services and advice to help you achieve all of your financial goals.

The Bank has partnered with an organization which specializes in customized educational programs. An incredible series of in-house sessions has been developed to further enhance staff skill sets and help prepare them for the next step in their careers. Sessions cover a wide range of topics tailored to develop our team's leadership and professional skills. Our objective is to develop and maintain the strongest leadership team and staff in the region to best serve you for years to come.

"It is important that Passumpsic Bank supports our volunteering. It puts us out there and shows that we want to do good things for the community."

– Donna Hamilton –
Compliance Officer

"There are not so many community banks today which are focused on the community they are part of. Working at Passumpsic has opened so many doors for me and provided so many different opportunities that I would not have been able to do otherwise."

– Denelle Noyes –
Railroad Street, St. Johnsbury
Universal Banker

Community Prosperity

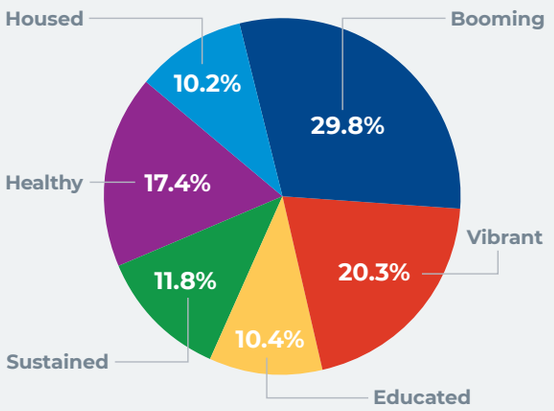
As a community bank, Passumpsic has made a commitment to serve the financial needs of customers as well as taking an active role in supporting all the communities we serve.

We take an active role by making financial contributions bank-wide through a thoughtful and organized way. All charitable donations are tracked and charted as shown in the pie chart illustration.

Volunteerism is another way to make a difference. In 2019, staff and board members volunteered over 6,300 hours to a wide variety of organizations that they really care about. The year started off with over 90 employees participating in a community service day on Martin Luther King Jr. Day, assisting 20 organizations bank-wide.

The results were amazing with employees giving of their time and talent while receiving the purest form of pride and satisfaction in seeing their service through the eyes of those they helped.

FINANCIAL INVESTMENTS:



PROSPEROUS COMMUNITIES ARE:

Booming: promoting an increase in the activity in our local economy.

Vibrant: promoting a well-rounded, cultured, supportive place for community members.

Educated: promoting scholarly, cultivated and enlightened communities.

Sustained: supporting basic welfare and safety of all of our community members.

Healthy: supporting organizations, programs and systems which support the health of people in our communities.

Housed: supporting housing for all demographic groups in our communities.

Passumpsic Bank

TRUSTEES

Bradley J. Gebbie, *Chair*
Steven E. Larrabee
Peter F. Crosby
Robert W. Snowman
Jeffrey A. Gilman
Gregory C. Eastman
Bruce C. Palmer
James A. Kisch
Eva M. Hayes
Tracy A. P. Zschau
Shawn P. Tester

OFFICERS

James A. Kisch
President & Chief Executive Officer

Richard F. Lyon
Executive Vice President, Chief Financial Officer, Assistant Secretary

Elaine S. Bixby
Executive Vice President, Chief Operations Officer

Roena D. Whitehill
Executive Vice President, Lending & Commercial Services

Kathleen C. Zita
Corporate Secretary

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Senior Vice President, Human Resources

Abbie W. Ruffner
Vice President, Information Security

Barbara A. Schoolcraft
Vice President, Marketing

Brenda M. Wilkins
Vice President, Accounting, Treasurer

Donna M. Hamilton
Vice President, Compliance/BSA

Pamela A. Sanderson
Vice President, Retail Banking

Jeffrey Pierpoint
Vice President, Asset Recovery

Joyce A. Schartner
Assistant Vice President, Customer Support/ Operations

Chris Bechanan
Assistant Vice President, Head of Innovation & IT

OFFICERS / BRANCH MANAGERS

ST. JOHNSBURY

Angela Payeur
Assistant Vice President, Branch Manager

Mary A. Cote
Vice President, Commercial Banking

Dawn C. Shatney
Assistant Vice President, Loan Operations Manager

Alycia Vosinek
Assistant Vice President, Consumer Loan Manger

Jacquelyn Greaves
Commercial Banking

Andrew DeMasi
Universal Banker III

ST. JOHNSBURY CENTER

Renee Powers
Assistant Branch Manager

BERLIN

Joshua LaFrance
Branch Manager

DANVILLE

Dianne M. Lambert
Assistant Vice President, Branch Manager

LYNDONVILLE

Amy M. South
Assistant Vice President, Branch Manager

Heather S. Tanner
Commercial Banking

Amanda J. Brooks
Universal Banker III

ISLAND POND

Amy M. South
Assistant Vice President, Branch Manager

NEWPORT

Carol Starr
Assistant Vice President, Branch Manager

Ellen V. Stanley
Vice President, Commercial Banking

Nikki Provencher
Universal Banker III

LITTLETON

Allison Jackson
Branch Manager

Peter T. Minich
Vice President, Commercial Banking

Kimberly Doolan
Universal Banker III

WHITEFIELD

Holly Fortin
Assistant Vice President, Branch Manager

LANCASTER

Julie Aldrich
Assistant Vice President, Branch Manager

Sarah Desrochers
Vice President, Commercial Banking

Karen M. Covill
Universal Banker III

GROVETON

Rose Gonyer
Assistant Treasurer, Branch Manager

PASSUMPSIC FINANCIAL ADVISORS

Daniel J. Kimbell,* *Executive Vice President/Managing Director*
Ryan J. Stewart, *Vice President/Chief Investment Officer (CIO)*
Thomas E. Couture, *Assistant Vice President/Investment Officer*
Laurie C. Olszowy, *Assistant Vice President/Administrative Officer*
Dirk Elston,* *Financial Consultant*
Lyn N. Tober,* *Financial Consultant*
Michael J. Worden,* *Financial Consultant*

**Infinex registered representative. See disclosure on back cover.*

Passumpsic Bancorp, Inc.

DIRECTORS

Bradley J. Gebbie, *Chair*
Steven E. Larrabee
Peter F. Crosby
Robert W. Snowman
Jeffrey A. Gilman
Gregory C. Eastman
Bruce C. Palmer
James A. Kisch
Eva M. Hayes
Tracy A. P. Zschau
Shawn P. Tester

OFFICERS

Bradley J. Gebbie
Chair

James A. Kisch
President & Chief Executive Officer

Richard F. Lyon
Treasurer, Assistant Secretary

Elaine S. Bixby
Vice President

Roena D. Whitehill
Vice President

Daniel J. Kimbell
Vice President

Kathleen C. Zita
Corporate Secretary

CORPORATORS

Suzanne L. Batchelder
Mark G. Bertolini
Jill Lanman Broderick
Gregory Brown
Maurice E. Chaloux
Joseph L. Choquette
Michael C. Claflin
Brian G. Cook
Michael F. Coyle
Peter F. Crosby
Denise Deschenes
Mark Desrochers
Gregory C. Eastman
Elijah Emerson
Robert L. Fotter
Wendy Franklin
Jody Fried
Christian Gainer
Bradley J. Gebbie
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Stuart Guy
Andrew J. Hadden
Zachariah G. Hatch
Eva M. Hayes
Robert N. Hersey
Erin Quatrini-Hill
Charles C. Horvath
Meagan Howard
James A. Kisch
Keith Kopp
Jesse Laflamme
Craig O. Lantagne
Jason Larrabee
Steven E. Larrabee
Charles R. Lawrence
Michael D. Lee
Shannon K. Lenzini
Daniel P. Lussier
Carol Lyon
Nicholas Maclure
Peter McAlenney
John P. Monette
Peter J. Morrissette
James Murphy
Benjamin Gaetjens-Oleson
Steven J. O'Rourke
Bruce C. Palmer
Andrew G. Pepin
Joshua Poulin
L. Arthur Rainville
Elizabeth L. Raymond
John L. Riff
David Rochefort
Laural Ruggles
Charles J. Schmidt
Bradley M. Shattuck
Samuel P. Shippee
Kyle Sipples
Robert W. Snowman
Douglas B. Spates
John Spicer
D. Neil Stafford
Debra Harris Stinehour
Shawn P. Tester
W. Thomas Turek
R. Gerald Webber
Mike Welch
Lisa Whitney
Tiffany Lussier Young
Tracy A. P. Zschau

Northeast Home Loan, LLC

BOARD

James A. Kisch, *Chair*
Andrew J. Hadden
Dawn Loring
Roena D. Whitehill
Richard F. Lyon

OFFICERS

Andrew J. Hadden, *President & Chief Executive Officer*
Dawn Loring, *Senior Vice President/Chief Operations Officer (COO)*
Kathleen C. Zita, *Secretary*
Tina Anyan, *Senior Vice President/Assistant Secretary/Secondary Market Officer*
Sherry Snow, *Vice President/Assistant Treasurer/Controller*
Lisa Damian, *Senior Vice President/Support Services Officer*
Jay Ebbighausen, *Vice President/Compliance Officer*
Cindy Castine, *Vice President/Processing and Underwriting Manager*
Heidi Johnson-Clement, *Vice President/Support Services Manager*

Passumpsic Bank | Start your adventure.

11 Locations in the Northeast Kingdom of VT, Central VT and Northern NH.

VERMONT

St. Johnsbury
497 Railroad Street
(802) 748-3196

St. Johnsbury Center
1242 Memorial Drive
(802) 748-3196

Berlin
282 Berlin Mall Road
(800) 370-3196

Danville
53 Route 2 West
(802) 684-8100

Lyndonville
62 Broad Street
(802) 626-9211

Island Pond
49 Mill Street Ext.
(802) 723-4100

Newport
1 Gardner Street
(802) 334-6529

NEW HAMPSHIRE

Littleton
81 Meadow Street
(603) 444-1730

Whitefield
20 Jefferson Road
(603) 837-9591

Lancaster
117 Main Street
(603) 788-4715

Groveton
40 State Street
(603) 636-1223

Visit us online at **www.passumpsicbank.com**

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