Communities come alive.

Passumpsic Bancorp

2021 Annual Report

PASSUMPSIC BANCORP, INC.

President's Message

James A. Kisch
President & CEO

Two Thousand Twenty One was another remarkably memorable year for all of us. Our team, known as Team Passumpsic, embraced our fondness for adventure during the second year of the pandemic. Adventure meant the creative focus on both personally and professionally rewarding activities to help folks who needed us, and the exploration of uncharted territory as we navigated the COVID-19 recovery strategies with our fellow community members. Our commitment to our customers was exemplified by our recognition on Forbes' annual list of America's Best-In-State Banks 2021 for the fourth consecutive year. Of the 4,978 FDIC-insured banks in America, just 135 banks, or 2.7%, made the Forbes list.

Financial Fitness

The Bank's assets grew by over 6%, rising to $886.45 million at year-end. Loans grew by over 7% even with nearly 90% of the bank's outstanding PPP loans being fully forgiven. A substantial portion of our loan growth was the retention and purchase of residential loans which grew approximately $112 million for the year. The Bank's deposits increased significantly in 2020 and into early 2021, reflecting increases due to precautionary saving by families and businesses in response to the ongoing pandemic. Despite some slowing in 2021 as precautionary savings leveled, deposits grew by over 8%.

The Bank had strong earnings in excess of $9.4 million for 2021. The Bank's 2021 financial performance was bolstered by its diversification. Our mortgage origination subsidiary – Northeast Home Loan (NEHL), and our investment management group – Passumpsic Financial Advisors (PFA) – allowed us to leverage hardy mortgage demand, management revenue, and equity markets. Residential markets were not as robust as 2020 but remained ahead of expectations. In 2021, housing rates remained low continuing to drive housing demand and refinance activity; however the lack of inventory across our region served to put downward pressure on mortgage growth opportunities. NEHL closed over $454M in total production which remained above historical averages but not as robust as 2020's historic high-volume level.

The Bank's solid earnings continue to strengthen our robust capital position. The Bank maintains conservative reserves and a well-capitalized rating in order to continue to soundly grow to serve your and our communities' ever-evolving needs.

Team News

The remarkable dedication to serving our customers and communities is sustained by our dedicated Team. Now let me honor our retirees and those team members who moved up in our bank: **Dirk Elston**, Financial Consultant for PFA, retired from the bank, after more than 8 years of service. Dirk worked in PFA as a Financial Consultant during his tenure at the Bank. **Cindi Hovey**, Core System Specialist, retired from the Bank after working for 28 years in our Information Technology Department. **Laurie Olszowy**, AVP/Trust Administrator for PFA, retired from the bank in December after 35 years of service. She started her career in Retail and joined our Trust Department (now Passumpsic Financial Advisors) in 1998. Each of these team members provided a great deal of knowledge and expertise throughout their banking careers and we wish them well.

Commitment and a thirst to expand their financial acumen describes the team members who were promoted in 2021. **Holly Ingerson** was promoted to Assistant Vice President/Commercial Loan Administrator. She's been with the Bank for over nine years working in Retail Banking and Commercial Loans. Holly is responsible for the management, supervision and development of the credit analysts and the commercial loan/credit administration area and supports the lending function by managing credit and portfolio risk and ensuring compliance with laws, regulations and loan policy. **Angela "Anjo" Roy** was promoted to Assistant Treasurer/ Investment Analyst and is responsible for assisting the Chief Investment Officer in the management of PFA's stocks and bond portfolios; performs research analysis of publicly traded companies for stock selection, securities trading and economic research. **Daphne Bullock** (CTFA) was promoted to Assistant Treasurer/Trust Administrative Officer at PFA managing the operations function for our fiduciary services, managing trusts, settling estates, tax processing and working with clients and beneficiaries, accountants and attorneys to address all client needs.

In closing, I'd like to thank you for placing your trust with us and allowing Team Passumpsic and our Board of Trustees to be a backbone of your financial and community's success. You have our commitment that we're here for as long as you need us. We'll be right by your side for your life's great adventures.

Sincerely,

Jim Kisch

Passumpsic Bancorp, Inc. & Subsidiaries

Years Ended December 31, 2021 and December 31, 2020

CONSOLIDATED BALANCE SHEETS	2021	2020
ASSETS		
Cash and due from banks	$ 113,867,798	$ 143,449,874
Investment securities	130,221,504	76,682,504
Loans, net	583,744,567	540,529,878
Premises and fixed assets	11,563,709	12,190,430
Other assets	41,232,948	41,137,427
Total assets	$ 880,630,526	$ 813,990,113
LIABILITIES AND EQUITY		
LIABILITIES		
Deposits	$ 739,721,223	$ 682,293,381
Other borrowings	17,539,843	17,488,220
Accrued interest and other liabilities	14,995,979	14,055,876
Total liabilities	$ 772,257,045	$ 713,837,477
EQUITY		
Retained earnings and other equity	$ 108,373,481	$ 100,152,636
Total liabilities & equity	$ 880,630,526	$ 813,990,113
Off balance sheet standby letters of credit	$ 406,000	$ 406,500

Resilient Spirit

As our communities started coming alive again in 2021, the resilient spirit of the Northeast Kingdom, Central Vermont and New Hampshire's North Country had never been stronger.

Passumpsic Bank was there... for our customers, for our community, and for anyone who had banking needs. Whatever their financial goals were, whatever their next adventure might have been, we were ready to work together to make it happen. A video was produced, ***"Communities Come Alive,"*** which captured the resilience and outlook from our communities.

A second round of the Small Business Administration Paycheck Protection Program (PPP) loans was offered and our Commercial Lending team assisted business customers bank-wide to apply for these much needed funds. Two hundred and six PPP loans closed for a total of $15.0M. The average number of employees employed by these businesses was 11.

Community Prosperity

Through donations, support and volunteer efforts, we can all bring about change.

Our ongoing commitment to serving our communities continued throughout the year, as we increased outreach through volunteer efforts and provided exciting, new financial education tools and resources.

In 2021, staff and board members volunteered 4,881 hours to a variety of organizations throughout the Bank's footprint from civic clubs, chambers of commerce, town select boards and committees, churches, youth sports programs, historical societies, hospitals, and many more.

As part of Passumpsic Bank's ongoing Financial Education effort for youth and adults, we partnered with Banzai, an interactive content platform that teaches real-world finance. This provided participants with access to educational videos covering practical financial literacy

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This loan program enabled me to retain my employees and did not significantly impact my future payroll costs. Everyone I came into contact with at the Bank went above and beyond, from my Commercial Banker to the frontline staff, making the entire process extremely easy and painless.

Scott Bijolle, Owner
Gold Crown Lanes & Lamplighter Lounge,
St. Johnsbury, VT

This loan program set us up for success, allowing us to retain all employees so we would be ready when it was time to re-open. Plus it gave us the ability to create a new takeout business and online ordering platform. We couldn't have done this without our Commercial Lender at Passumpsic who created a smooth and seamless partnership.

Ian Dowling, Co-owner
Rek-Lis Brewery,
Bethlehem, NH

PPP loan funding was crucial to us. Not only did it enable us to keep our businesses open, since we could only offer takeout and drive-through, it enabled us to meet payroll, which would have been challenging, if not impossible, without this loan. Our Commercial Banker also worked tirelessly to assist us through the entire process.

Cathy Paris, Co-owner
Carmen's Ice Cream/Mosaic,
Lyndonville, VT

"

"how-to's", as well as tutorials on digital tools. Throughout the year, 18 teachers from eight school systems presented the interactive materials to over 750 students.

Non-profit organizations also partnered with us through the Banzai platform to provide their staff and clientele with access to the extensive library of digital financial learning tools. Another exciting initiative was the creation of a three-part video series on Passumpsic Bank's YouTube channel, providing useful information on how to navigate the mortgage lending process.

> **Thank you so much for sponsoring our class's financial literacy program! The students have enjoyed what we have done so far and beg me to do more every day! We are so appreciative of your help in making a difference in their lives!**
>
> ***Kailey S – Newport Elementary***

> **Thank you so very much for sponsoring this program for our 6th, 7th, and 8th graders! The quote from the week was "I never knew how hard it was to be an adult!"**
>
> ***Caroline A – Barnet School***

Community Impact

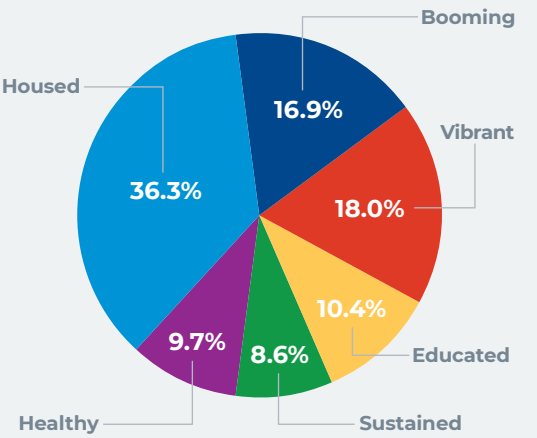
At Passumpsic Bank, we work hard to have an impact by supporting the amazing efforts of the not-for-profit and non-profit organizations in the communities we serve throughout Vermont's Northeast Kingdom, Central Vermont and New Hampshire's North Country.

Passumpsic Bank's funding priorities are:

- **Affordable housing**
- **Cultural and performing arts**
- **Healthcare, education and human services**
- **Environmental and preservation programs**
- **Small business and job development programs**
- **Services targeted primarily to low and moderate income individuals and families**

All charitable donations are tracked and charted as shown in the pie chart illustration with an emphasis on a balanced approach of giving following the prosperous communities definitions.

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
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Elaine S. Bixby
Executive Vice President, Chief Operations Officer

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

Daniel J. Kimbell
Executive Vice President, Passumpsic Financial Advisors

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Corporate Secretary

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Senior Vice President, Human Resources

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Vice President, Information Security

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Vice President, Marketing

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Vice President, Accounting, Treasurer

Donna M. Hamilton
Vice President, Compliance/BSA

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Vice President, Retail Banking

Jeffrey Pierpoint
Vice President, Asset Recovery

Joyce A. Schartner
Vice President, Customer Support/ Operations

Chris Bechanan
Vice President, Head of Innovation & IT

Dawn C. Shatney
Vice President, Loan Operations Manager

Ryan J. Stewart
Vice President, Passumpsic Financial Advisors

Mary A. Cote
Vice President/Senior Retail Banking & Operations Officer

Kristina McLaughlin
Assistant Treasurer, HR/ Employee Engagement

OFFICERS / BRANCH MANAGERS

ST. JOHNSBURY
Angela Payeur
Assistant Vice President, Branch Manager

Jacquelyn Greaves
Assistant Vice President, Commercial Banking

Holly Ingerson
Assistant Vice President, Commercial Loan Administrator

BERLIN
Joshua LaFrance
Branch Manager

DANVILLE
Tonya Mundinger
Branch Manager

LYNDONVILLE
Amy M. South
Assistant Vice President, Branch Manager

Heather S. Tanner
Assistant Vice President, Commercial Banking

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

WILLISTON
Loan Production Office
Maureen Golden
Vice President, Commercial Banking

LITTLETON
Renee Powers
Branch Manager

Alycia Vosinek
Vice President, Commercial Banking

WHITEFIELD
Holly Fortin
Assistant Vice President, Branch Manager

LANCASTER
Holly Fortin
Assistant Vice President, Branch Manager

Julie Aldrich
Assistant Vice President, Commercial Banker

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)*
Angela "Anjo" Roy, *Assistant Treasurer/Investment Analyst*
Daphne Bullock, *Assistant Treasurer/Trust Administrative Officer*
Lyn N. Tober,* *Financial Consultant*
Michael J. Worden,* *Financial Consultant*

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

Information Accurate as of April 8, 2022.

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
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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*
James A. Wilson
Gregory W. Vilardo
Roena D. Whitehill
Richard F. Lyon

OFFICERS

James A. Wilson, *President & Chief Executive Officer*
Gregory W. Vilardo, *Senior Vice President, Chief Administrative Officer*
Tina Johnson, *Senior Vice President/Assistant Secretary/Secondary Market Officer*
Lisa Damian, *Senior Vice President/Support Services Officer*
Jay Ebbighausen, *Senior Vice President/Compliance Officer*
Cindy Castine, *Senior Vice President/Processing and Underwriting Manager*
Sherry Snow, *Vice President/Assistant Treasurer/Controller*
David P. Johndrow, *Vice President, Business Development & Account Management*
Kathleen C. Zita, *Secretary*

Information Accurate as of April 8, 2022.

Passumpsic Bank | Start your adventure.℠

12 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
(800) 370-3196

Berlin
282 Berlin Mall Road
(800) 370-3196

Danville
53 Route 2 West
(800) 370-3196

Lyndonville
62 Broad Street
(800) 370-3196

Island Pond
49 Mill Street Ext.
(800) 370-3196

Newport
1 Gardner Street
(800) 370-3196

Williston
Loan Production Office
300 Cornerstone Drive
Suite #110
(800) 370-3196

NEW HAMPSHIRE

Littleton
81 Meadow Street
(800) 370-3196

Whitefield
20 Jefferson Road
(800) 370-3196

Lancaster
117 Main Street
(800) 370-3196

Groveton
40 State Street
(800) 370-3196

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

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