

At the  
[Heart]  
of it

Our vision is to be the

**[most admired]**

company in Connecticut

It's not often that you see the words "bank" and "heart" together, but that's what we're all about – a bank with heart for those we serve and a passion for delivering our very best every day.

We've been around since 1825, and we've seen good times and bad, and this heart and passion keeps us going. It's earned us industry and community honors ... like a five-star rating from *bauerfinancial.com*, and a business of the year award from the Middlesex Chamber ... and the esteem of customers and employees ... with 4.7 (out of five) stars for customer service and our fourth Top Workplace award.

I'm delighted to report that 2015 was another outstanding year for Liberty Bank. Once again, earnings headlined our performance, significantly outdistancing our projections and our Connecticut peers' results.

We've been in growth mode for almost a decade and last year we took an unprecedented jump forward. Our acquisition of Naugatuck Valley Savings and Loan introduced our brand of banking to thousands of new Connecticut residents, right along with our commitment to being strong community contributors through grant making and active participation in local affairs.

The Liberty Bank Foundation hit a milestone in its 19-year existence, surpassing the \$9.5 million mark in grants to local nonprofits. We've pledged ourselves to not simply giving money, but to offering our time and talents to truly make a difference in availability of affordable housing, youth education and employment, and collaborative grant making.

What kind of vision drives us forward, year after year? At the very heart of it, Liberty Bank's vision is to be Connecticut's most admired company ... not just for customer service or financial performance, but for delivering a compelling experience, no matter who we serve or what we touch. It's also a vision that challenges us every day and has no finish line. And that's a good thing. Shooting to be most admired inspires us to never settle for the status quo.

So please know that Liberty Bank will keep raising the bar in the best interest of safety, responsiveness, supportiveness, convenience, and friendliness ... for every constituent, every time.

Sincerely,



Chandler J. Howard, President and CEO, and Janet Yellen, Chair of the Board of Governors of the Federal Reserve.

Our mission is to build lasting

**[relationships]**

and enrich  
financial

**[futures]**

Our purpose for being all comes down to two things: relationships and financial confidence.

Do customers want to come back? Not to cash a check or use the ATM, but because they consider Liberty Bankers their go-to resource for financial guidance. Did we offer options? Make them feel more secure? Help solve a problem? Give them new insight? Did we earn their trust? When everything centers on honoring relationships, the rest falls into place.

In 2015 Liberty Bankers deployed new technology to protect debit cards; retrained our branch staff to all be equally prepared to assist anyone; helped more customers than ever find long-term financial solutions; streamlined our mortgage application process; and virtually shut down check fraud in the making. This helped us achieve an industry-high 15-year customer retention rate and an overall 4.7 out of 5 stars customer approval rating.

Employees are integral to forming and sustaining these heart-felt customer relationships. It's their knowledge, enthusiasm, and genuine concern that make it happen. Over the course of 2015, Liberty Bank employees across the organization received a collective 28,000 hours of training to help sharpen their skills; 11 percent of employees advanced in their careers; and an employee team also helped remodel our annual awards program to recognize those who best embody our mission.

The concern for relationships and financial futures also extends to our communities, with a focus on long-term solutions for affordable housing and youth employment, as well as a commitment to financial literacy. Check out our milestones for the year just past.



^ **Plastic fantastic.** Debit card security is stronger than ever thanks to our introduction of new embedded microchip technology. Now each transaction conducted at a chip-enabled terminal is unique, so even if data is intercepted, it cannot be reused. The chips also make cards virtually impossible to counterfeit.

∨ **Tops x 4.** For the fourth year in a row, Liberty employees voted the bank a top workplace, placing us in the top ten of large employers in the Hartford Courant/Fox61 survey. For the first time, we were also honored with a Hearst Publications Southwestern CT Top Workplace award as well.



∨ **We rate!** Last year independent survey results showed that customers were highly and consistently pleased with Liberty Bank service. Customers rated us on nine factors on a scale of one to five. Our overall rating has remained a strong and steady 4.7 stars out of five.



^ **Bench Strength:** Liberty's Executive Management Team brings an excess of 250 years of experience to all decision making.

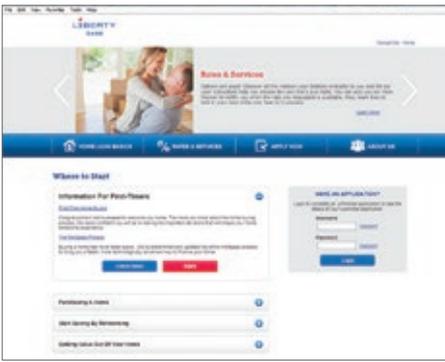
*Back row l to r: Barry Abramowitz, Executive Vice President, Chief Information Officer; Eugene Shugrue, Senior Executive Vice President, Chief Risk & Credit Officer; Chandler J. Howard, President & CEO; Minnie Saleh, Executive Vice President, Retail Banking; and Robert Parry, Executive Vice President, Chief Human Resources Officer.*

*Front row l to r: Patricia Jatkevicius, Executive Vice President, Chief Marketing Officer; Gerard Kusinski, Executive Vice President, Chief Lending Officer; Thomas Pastorello, Executive Vice President, Chief Financial Officer; and Thomas Hylinski, Executive Vice President, Retail Lending.*

∨ **Joining forces.** We announced our intended merger with Naugatuck Valley Savings and Loan in 2015. When complete, it brought us 29,000 new accounts, over 80 new employees and eight new locations, strengthening our infrastructure in New Haven County and introducing us in Fairfield County.



^ **Find your [confident] place.** The bank launched a new advertising campaign designed to strike a chord with those seeking financial empowerment. Rather than product-centric, it invites customers to seek us out for financial partnership, weighing benefits and risks, and sound planning for the future.



^ **Buyer friendly.** Our new processing platform gives mortgage customers a private landing page, which allows them to check loan status, send and receive messages, and upload documents. Behind the scenes tasks that were once manual now happen automatically, speeding processing.

< **Better tomorrows:** Liberty Bank Foundation was involved in a wide array of projects last year, from a record-breaking Thanksgiving Drive to a new employment program for homeless families. But no photo sums it up like this little guy. Last year, 4,826 children attended programs that support literacy, school success, and college and career preparation, thanks to our grant-making. Why? Because he really is holding the future in his hands.



∨ **Supporting small business.**

We'd like to introduce you to Opticom, Inc. and the Rivendell Institute ... each with decades in business ... just two of the small businesses we helped grow last year. Overall, we closed \$14.4 million in small business loans and funded \$886.4 million in advances and loans overall to help keep the economy humming.



^ **Reinvesting in communities.**

Liberty was a \$25,000 funding partner on a Habitat for Humanity home for U.S. Army veteran Cheryl Eberg, and 23 of our employees volunteered on the build, including most of our executive team. We also closed \$17.3 million in housing loans for low- and moderate-income families, and were recognized by the Federal Home Loan Bank of Boston as a leading supporter of affordable housing development.



^ **Battling fraud.** Check fraud never stops it just morphs into a new scam. Well, our Fraud Intelligence Unit doesn't stop, either. This tireless team stopped the vast majority of check fraud in the making last year, preventing \$1.6 million from falling into criminal hands.



**Vital Signs.** 2015 was another solid year for Liberty Bank. Net income (the bottom-line measure) came in at \$27.3 million, returning 71 bps on average assets and surpassing Connecticut peers' and our own projections by a wide margin. That says a lot, considering an unprecedented eighth year of very low interest rates and compressed interest margins.

Nowadays, banks face ever more risk. However, when it comes to the four primary banking risks – leverage, credit, liquidity and interest rate, Liberty remains superior. Thanks to prudent management and a highly successful investment strategy, Liberty Bank maintains its stance as a strong, stable force in Connecticut banking.

With the mid-year announcement of Liberty's planned merger with Naugatuck Valley Savings and Loan, management prepared the balance sheet to accommodate this very important, strategic acquisition. By year-end 2015, thanks to the superior performance of team members, all plans were on target.

With the consummation of our merger (in January, 2016) Liberty Bank achieved a significant milestone, now holding \$4.5 billion in assets.

## Four-Year Comparisons

For the years ended December 31

(dollars in thousands)

	2015	2014	2013	2012
Net operating income	\$ 34,928	\$ 35,463	\$ 34,347	\$ 42,574
Net income	27,294	32,499	30,237	28,210
Total assets	3,987,483	3,817,654	3,576,895	3,537,735
Loan loss reserves	32,616	37,437	38,208	37,617
Net loans	2,920,988	2,840,904	2,632,673	2,426,146
Deposits	2,955,409	2,800,403	2,761,280	2,834,152
Capital	614,777	592,235	576,747	515,997
<i>Ratios:</i>				
Return on assets	0.71%	0.88%	0.84%	0.81%
Net interest income	3.01%	3.34%	3.30%	3.41%
Capital to assets	15.4%	15.5%	16.1%	14.6%
Non-performing assets to total assets	0.55%	0.70%	0.94%	0.69%
Loan loss reserves to non-performing loans	152%	142%	115%	160%

## Consolidated Statements of Income

For the years ended December 31

(dollars in thousands)

	2015	2014
Net interest income	\$ 118,982	\$ 122,990
Fee income	28,218	26,374
Operating expense	(114,272)	(111,701)
Loan loss provision	2,000	(2,200)
<b>Net Operating Income</b>	<b>34,928</b>	<b>35,463</b>
Capital gains	6,207	12,329
Provision for income taxes	(13,841)	(15,293)
<b>Net Income</b>	<b>\$ 27,294</b>	<b>\$ 32,499</b>

## Consolidated Balance Sheets

At December 31

(dollars in thousands)

	2015	2014
<b>Assets</b>		
Cash and investments	\$ 905,541	\$ 819,631
Loans:		
Consumer residential	686,326	588,343
Consumer	363,651	355,848
Commercial mortgages	1,500,341	1,559,088
Commercial	403,286	375,062
Gross loans	2,953,604	2,878,341
Loan loss reserves	(32,616)	(37,437)
Loans, net	2,920,988	2,840,904
Other assets	160,954	157,119
<b>Total Assets</b>	<b>\$ 3,987,483</b>	<b>\$ 3,817,654</b>
<b>Liabilities and Capital</b>		
<i>Liabilities:</i>		
Deposits	\$ 2,955,409	\$ 2,800,403
Federal Home Loan		
Bank borrowings	309,521	314,026
Other liabilities	107,776	110,990
Total liabilities	3,372,706	3,225,419
Capital	614,777	592,235
<b>Total Liabilities and Capital</b>	<b>\$ 3,987,483</b>	<b>\$ 3,817,654</b>



# \$2B+

In Consumer Loans



# \$1.06 Million

Potential Fraud Stopped



**TOP WORK PLACES 2015**  
Hartford Courant  
FOX CT

## 4th [Top Workplace] Award



# The [pride]

we take in our work and our passion for service produces results.



The real test of the value of having a vision and a mission is its ultimate impact. I'm proud to report that Liberty Bank's ideals have resonated with customers and employees, and have touched our local communities.

# 11,748

New Households



# \$9.5 Million

In Foundation Grants Since 1997



# 28,000

Hours of Training



# 8

New Locations



