



# Reaching New Heights

  
LIBERTY  
BANK

2016 Annual Report



Chandler J. Howard, President and CEO

# Aiming High & Going Beyond.

I've had the great pleasure of leading Liberty Bank during what some might say have been the toughest ten years in banking. Regardless of the obstacles, our team continues to deliver. Every year we set an ambitious plan for ourselves and work hard to meet or exceed expectations.

In 2016, we went well beyond meeting expectations! Financial results, across the board, were outstanding. Our net income exceeded \$39 million, nearly double our projections; deposits soared, growing 18 percent; and lending spiked to all-time highs. At the same time, we launched our tuition-free Academy for Small Business and the Liberty Bank Foundation crossed the \$10 million mark in giving since its inception in 1997.

We successfully assimilated the front office and back office of Naugatuck Valley Savings and Loan and retained well over 90 percent of the customers acquired in our acquisition. And, we made great strides growing both our Raymond James Financial Services and Small Business portfolios.

Liberty Bank has also emerged as the state's fourth largest bank, we achieved top ratings for our commitment to the Community Reinvestment Act, and, for the fifth consecutive year, our employees voted us a Top Workplace.

This remarkable success enables us to continue making strategic investments in our future, take customer service to the next level and strengthen local ties... keeping You, our customers, top of mind every step of the way.

As we move through 2017, the sky's our blank canvas and we're reaching for more. We're undertaking one of the biggest initiatives in our history – to elevate how You, our employees, and our communities interact with us in the digital world. We are working with some of the most innovative technology partners in the industry to deliver a digital ecosystem that allows you to 'Find your [confident] place' by giving you more control of your accounts, debit cards, and providing new and innovative financial management tools.

We're also bringing to life dozens of ideas our employees submitted to make it more convenient for You to do business with us, to be more efficient behind the scenes, and to discover new ways to be even better stewards of our operating environment.

Finally, as we continue to strive to attain our vision: to be the most admired company in Connecticut...I want to thank you for trusting Liberty Bank as your financial partner and we look forward to serving you in the years ahead.

A handwritten signature in dark ink, reading "Chandler J. Howard". The signature is fluid and cursive, written in a professional style.

Every year brings an uphill climb...

Despite many challenges, 2016 was a banner year to say the least. We celebrated 191 years, remained the state's oldest bank and experienced record-breaking profitability.

The operating environment – with low interest rates and continued regulation – did not hold us back. We aimed high and pushed straight ahead. Integrity, determination and an outstanding team of dedicated Liberty Bankers allowed us to fly alongside, and in many cases, above our competitors. Our Executive Management Team is proud of the organization's accomplishments and stands committed to embrace the challenges and the opportunities that 2017 will bring.



Thank you to our one-of-a-kind staff for leading the way to even greater heights and helping us build for the future.

Employees celebrating at the Hartford 2016 Top Workplace event in September.





## Sharing the Spotlight

Two Liberty Bankers, Cara Ehlers, Branch Manager, Cromwell, Cobblestone Branch, and Kari Jonikas, First Vice President, Human Resources, were named as *New Leaders in Banking* in 2016 by The Connecticut Bankers Association and Connecticut Banking magazine.

(L to R): Cara Ehlers; President & CEO, Chandler J. Howard; and Kari Jonikas



## Taking Small Business to the Next Level

We received Preferred Lender status from the Connecticut District Office of the U.S. Small Business Administration (SBA), marking Liberty Bank as a trusted partner. This effort streamlines the procedures that are needed to provide financial support to small businesses.

(L to R): Patrick Kelley, Commercial Lending Manager; Donna Flynn, Business Solutions Manager; Mark Vickery, Small Business Loan Center Manager; Anne Rice Hunt and William Tierney from the SBA's CT District Office; and Gene Shugrue, Chief Lending Officer



## Mortgaging with the Stars

Professionals recognized for their exceptional client satisfaction and customer service. When you're ready to purchase or refinance the home of your dreams, we've got some of the best people to help!

(L to R): Loan Originators Gail Bartoli, Peter Ganci, Debbie Miller, Matt Nawrocki, Tracey Perry, Jerry Polzella and Faith Wilson



## High Honors

Liberty Bank was presented with two very prestigious financing awards from the Home Builders and Remodelers Association of Connecticut (HBRA) in 2016: Best Custom Home Loan and Best End Loan Package for a Community.

(L to R): Chip Poehnert, Mortgage Loan Officer, and Kurt Johnson, Residential Sales Manager, from Residential Lending



## An Extraordinary Leader

President and CEO, Chandler J. Howard, leads by example. He walks the walk, demonstrating day in and day out what it means to give back and support the individuals, organizations and communities we serve. His efforts don't go unnoticed. In recognition of his many contributions, he received the Hartford Business Journal's 2016 *Lifetime Achievement Award* and the Middlesex Chamber of Commerce's 2016 *Distinguished Citizen* award.

(L to R): Vincent G. Capece, Jr., President and CEO, Middlesex Hospital, and Chairman, Middlesex Chamber with Chandler J. Howard

# All-time High

Every year, it's tougher than ever to succeed in the banking business, especially due to today's low interest margins, strong competition and increased regulation. We didn't let any of that stop us on the way to the bank's best year yet, delivering \$39 million in net income, up nearly 45 percent over 2015, resulting from opportunities including the Naugatuck Valley Savings and Loan merger. Assets grew by \$578 million as loan outstandings and total deposits rose by \$512 million and \$536 million, respectively. Seems like just about anything's in reach!

## Consolidated Statements of Income

For the years ended December 31

(dollars in thousands)	2016	2015
Net interest income	\$ 133,665	\$ 118,982
Fee income	34,029	28,218
Operating expense	(126,277)	(114,272)
Loan loss provision	(3,000)	2,000
<b>Net Operating Income</b>	<b>38,417</b>	<b>34,928</b>
Capital gains	20,854	6,207
Provision for income taxes	(19,897)	(13,841)
<b>Net Income</b>	<b>\$ 39,374</b>	<b>\$ 27,294</b>

## Consolidated Balance Sheets

At December 31

(dollars in thousands)

	2016	2015
<b>Assets</b>		
Cash and investments	\$ 917,049	\$ 905,541
Loans:		
Consumer residential	878,666	686,326
Consumer	369,071	363,651
Commercial mortgages	1,751,879	1,500,341
Commercial	466,241	403,286
Gross loans	3,465,857	2,953,604
Loan loss reserves	(33,204)	(32,616)
Loans, net	3,432,653	2,920,988
Other assets	215,900	160,954
<b>Total Assets</b>	<b>\$4,565,602</b>	<b>\$3,987,483</b>
<b>Liabilities and Capital</b>		
Liabilities:		
Deposits	\$3,491,729	\$2,955,409
Federal Home Loan		
Bank borrowings	302,823	309,521
Other liabilities	119,746	107,776
Total liabilities	3,914,298	3,372,706
Capital	651,304	614,777
<b>Total Liabilities and Capital</b>	<b>\$4,565,602</b>	<b>\$3,987,483</b>

## Four-Year Comparisons

For the years ended December 31

(dollars in thousands)

	2016	2015	2014	2013
Net operating income	\$ 38,417	\$ 34,928	\$ 35,463	\$ 34,347
Net income	39,374	27,294	32,499	30,237
Total assets	4,565,602	3,987,483	3,817,654	3,576,895
Loan loss reserves	33,204	32,616	37,437	38,208
Net loans	3,432,653	2,920,988	2,840,904	2,632,673
Deposits	3,491,729	2,955,409	2,800,403	2,761,280
Capital	651,304	614,777	592,235	576,747
Ratios:				
Return on assets	0.89%	0.71%	0.88%	0.84%
Net interest income	3.03%	3.01%	3.34%	3.30%
Capital to assets	14.3%	15.4%	15.5%	16.1%
Non-performing assets to total assets	0.43%	0.55%	0.70%	0.94%
Loan loss reserves to non-performing loans	168%	152%	142%	115%

# \$4.5

BILLION IN  
ASSET GROWTH

# 700

EMPLOYEES

# 55

BRANCH OFFICES

## 2016 Achievements

### Investing in Our Future

Our Liberty Bank Investment Services (LBIS) team reached new heights in 2016 with income of \$3.6 million – a 20 percent increase from 2015! The icing on that cake: Financial Advisor's Brian McLaughlin and Dwayne Stallings were recognized by Bank Investment Consultant Magazine as top Financial Advisors among leading firms in the country.

### Skyrocketing Loan and Portfolio Growth

The Naugatuck Valley Savings and Loan merger contributed in a big way – adding first mortgages that totaled \$173.9 million, home equity outstandings of \$34.4 million and other consumer loans of \$6.5 million. The origination team then worked flawlessly together to build relationships that added another \$285 million in first mortgages and \$73.2 million in Home Equity Credit Lines. Our CRA loan purchases brought an additional \$7.6 million to the bottom line as well.

### Boosting Our Economy Through Commercial Lending

Onward and upward – this describes the type of year our commercial lending department had. They financed more than \$88 million to local businesses and CT commercial real estate; a huge jump compared to \$20 million in 2015! Striving for even more, \$19 million plus was originated in Community Development loans. Our Small Business lending group reported record results originating nearly \$27 million in new Small Business loans compared to just over \$14 million in 2015.



# 11,000+

New Households

# 245K

CUSTOMERS

# \$512

MILLION IN  
LOAN GROWTH

# \$536

MILLION IN  
DEPOSIT GROWTH

## Training on the Incline

Investing in our employees is critical. Last year, our employees each averaged 51 hours of training, totaling more than 35,000 hours! Online courses, instructor led courses and external conferences (or seminars) all contributed to a more skilled and highly developed workforce. And providing exceptional customer experience is one of their countless talents!

## 'A Health-Savings High'

Partnering with local businesses to offer Health Savings Accounts (HSAs) to their employees was a very successful program at Naugatuck Valley Savings and Loan. And once introduced to the entire Liberty Bank franchise things really took off. Last year, we opened more than 900 new HSAs and by year end we were just shy of 5,000 HSAs representing over \$10 million in balances.

## Rising Above Cash Criminals

Our Fraud Intelligence Unit heightened their protection efforts and continued to keep customer funds from ending up in criminals' hands.

## Elevated Education

Last year, we sent nine online security education emails to 80,000 customers each, plus three alert emails specific to current fraud issues.

## Helping Families Hit New Heights

In 2016, Liberty Bank as a whole was recognized once again for its generous support of Middlesex United Way's annual campaign. Donations from employees and the Liberty Bank Foundation totaled \$261,000 – 104 percent of our goal! We received two awards one for overall campaign achievement and one for reaching more than 50 percent employee participation.

## Finding Your [Stand Tall, Stand Proud] Place

The Bank launched a Community Reinvestment Act (CRA) Online Lending Initiative to reach potential homebuyers in lower-to-moderate income tracts within its Assessment Area. Targeting individuals in Waterbury, New Haven, New London, New Britain, Middletown, Meriden, Willimantic, Norwich, Hartford, and East Hartford, this initiative was a strong contributor, helping the Bank reach 97 percent of our CRA loan origination goal!

# Extending Our Reach

Liberty Bank Foundation, formed in 1997, is a proud community supporter, awarding \$711,687 in grants in 2016. But, we think the true measure of success is how many lives we're able to touch. Last year was a banner year for giving, volunteerism, and community leadership.



## ENDING CHRONIC HOMELESSNESS

Ten years ago, chronic homelessness seemed like an insurmountable problem nationwide. But, as of 2016, it had been conquered in Connecticut. Liberty Bank Foundation is proud to have been part

of that solution. It took the long-term commitment of state and local leaders, the statewide Reaching Home campaign, and local groups like the Middlesex County Coalition on Housing and Homelessness to form productive partnerships, find smarter solutions, and implement them. The result? Today, a call to 211 can connect people without housing to a "coordinated access network" designed to efficiently match needs with suitable shelter and services. We pledge our continued leadership as the state works to resolve youth and family homelessness by 2020.

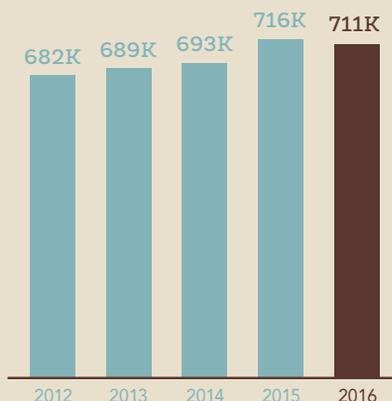
*Photographed: Tony, formerly homeless for six years, turns the key on his one-bedroom apartment in Middletown.*



## LEVERAGING PEOPLE POWER

On top of our year-round grantmaking, the foundation helped the bank launch a new tradition in 2016: We dedicated the month of June to our Liberty Lends a Hand campaign. Employees were

invited to volunteer for a day of service or to collect goods for local nonprofits. By month's end, our colleagues contributed over 900 hours assisting causes such as shelters, food banks, and animal rescue, and collected nearly 7,000 items of clothing, books, toiletries, and more. *Photographed: Marzena Bukowski, Branch Manager, New Britain, volunteering at Prudence Crandall Center, Inc.*



## DONATION GROWTH

# 14K

## VOLUNTEER HOURS

# \$282K

## THANKSGIVING DRIVE DONATIONS

# \$5K

## HOLIDAY DONATION TO ST. VINCENT DE PAUL MIDDLETOWN

# Banking Beyond Boundaries

Goal: help consumers and businesses find their [I bank wherever, whenever] place.

The digital world is moving at warp speed and remains one of our key priorities. That's why we assembled a team of our most out of the box, push the envelope, forward thinkers on the task. We spent 2016 redefining our functionality requirements and operational must-haves and then we went searching for the most out of the box, push the envelope, forward thinking business partners – and we found them!

Today, we're deep into the process of marrying multiple new technologies into a single, uninterrupted digital experience for our consumer and business banking customers. This one of a kind digital ecosystem will introduce new capabilities including personal and small business financial management tools, state of the art customer driven debit card management technology, personalized consumer lending portals, streamlined bill payment services, and full scale mobile capabilities.

We're rolling out a more user-friendly website with full functionality across all devices including many new opportunities to interact with customers and site visitors as they visit and traverse our site. This digital world we live in will continue to evolve, moving faster and faster and faster. What used to take days now takes minutes and before long, will take only seconds.

What used to happen with the click of a key now can be triggered with the blink of an eye. Liberty Bank is committed to staying relevant in the digital space by providing our customers with the tools they need to simplify their personal and business lives and confidently build a safe, sound financial future.





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