

NEW HAMPSHIRE MUTUAL BANCORP AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS and SUPPLEMENTARY INFORMATION

December 31, 2021 and 2020

With Independent Auditor's Report



INDEPENDENT AUDITOR'S REPORT

Audit Committee
New Hampshire Mutual Bancorp and Subsidiaries

Opinion

We have audited the accompanying financial statements of New Hampshire Mutual Bancorp and Subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of income, comprehensive income, changes in surplus, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of their operations and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with U.S. generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with U.S. generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating balance sheets and statements of income are presented for purposes of additional analysis, rather than to present the financial positions and results of operations of the individual entities, and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Berry Dunn McNeil & Parker, LLC

Manchester, New Hampshire
March 16, 2022

NEW HAMPSHIRE MUTUAL BANCORP AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2021 and 2020

ASSETS

	<u>2021</u>	<u>2020</u>
	(In thousands)	
Cash and due from banks	\$ 25,332	\$ 31,879
Deposits with Federal Reserve Bank and Federal Home Loan Bank	<u>128,333</u>	<u>73,154</u>
Total cash and cash equivalents	153,665	105,033
Available-for-sale securities, at fair value	357,931	264,404
Federal Home Loan Bank of Boston stock, at cost	3,765	3,758
Loans held for sale	1,270	1,032
Loans, net of allowance for loan losses of \$22,462 and \$19,527, respectively	2,493,430	2,251,920
Premises and equipment, net	44,822	44,352
Goodwill	3,513	3,513
Amortizing intangible assets from acquisitions	8,756	10,746
Accrued interest receivable	5,658	6,806
Cash surrender value of life insurance policies	39,181	38,161
Other assets	<u>20,941</u>	<u>13,330</u>
Total assets	\$ <u>3,132,932</u>	\$ <u>2,743,055</u>

LIABILITIES AND SURPLUS

Deposits		
Noninterest-bearing	\$ 458,031	\$ 397,504
Interest-bearing	<u>2,228,305</u>	<u>1,963,518</u>
Total deposits	2,686,336	2,361,022
Securities sold under agreements to repurchase	103,733	71,238
Advances from Federal Home Loan Bank of Boston	15,465	16,110
Subordinated debentures	24,510	5,155
Interest rate swap liability	63	198
Other liabilities	<u>20,179</u>	<u>19,628</u>
Total liabilities	<u>2,850,286</u>	<u>2,473,351</u>
Surplus		
Undivided profits	286,231	265,162
Accumulated other comprehensive (loss) income	<u>(3,585)</u>	<u>4,542</u>
Total surplus	<u>282,646</u>	<u>269,704</u>
Total liabilities and surplus	\$ <u>3,132,932</u>	\$ <u>2,743,055</u>

The accompanying notes are an integral part of these consolidated financial statements.

NEW HAMPSHIRE MUTUAL BANCORP AND SUBSIDIARIES

Consolidated Statements of Income

Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
	(In thousands)	
Interest and dividend income		
Interest and fees on loans	\$ 98,281	\$ 94,432
Interest and dividends on securities		
Taxable	5,150	4,230
Tax-exempt	146	145
Other interest	<u>178</u>	<u>116</u>
Total interest and dividend income	<u>103,755</u>	<u>98,923</u>
Interest expense		
Interest on deposits	3,852	9,355
Interest on securities sold under agreements to repurchase	231	372
Interest on advances from Federal Home Loan Bank of Boston	250	1,636
Interest on subordinated debentures	<u>536</u>	<u>188</u>
Total interest expense	<u>4,869</u>	<u>11,551</u>
Net interest and dividend income	98,886	87,372
Provision for loan losses	<u>4,699</u>	<u>6,790</u>
Net interest and dividend income after provision for loan losses	<u>94,187</u>	<u>80,582</u>
Noninterest income		
Fees and service charges on deposit accounts	7,970	6,978
Gain on sales of available-for-sale securities, net	692	2,044
Gain on sale of loans, net	382	3,822
Income from wealth management	7,296	6,620
Increase in cash surrender value of life insurance policies	1,020	983
Other income	<u>1,293</u>	<u>1,788</u>
Total noninterest income	<u>18,653</u>	<u>22,235</u>
Noninterest expenses		
Salaries and employee benefits	47,866	44,046
Occupancy expense	5,844	5,761
Equipment expense	7,146	5,871
Professional fees	3,754	2,521
Account services/data processing expense	5,462	5,120
Marketing expense	2,327	2,196
FDIC assessments	1,118	603
Amortization of intangible assets from acquisitions	1,990	1,990
Charitable contributions	979	886
Other expenses	<u>8,799</u>	<u>9,995</u>
Total noninterest expenses	<u>85,285</u>	<u>78,989</u>
Income before income taxes	27,555	23,828
Income tax expense	<u>6,486</u>	<u>5,438</u>
Net income	\$ <u>21,069</u>	\$ <u>18,390</u>

The accompanying notes are an integral part of these consolidated financial statements.

NEW HAMPSHIRE MUTUAL BANCORP AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
	(In thousands)	
Net income	\$ 21,069	\$ 18,390
Other comprehensive (loss) income, net of tax		
Available-for-sale securities		
Net unrealized holding (losses) gains on available-for-sale securities arising during the year	(10,311)	5,192
Reclassification adjustment for realized gains in net income ⁽¹⁾	(692)	(2,044)
Tax effect	<u>3,024</u>	<u>(865)</u>
Net of tax amount	<u>(7,979)</u>	<u>2,283</u>
SERP plans		
Net actuarial loss arising during period	(342)	(123)
Reclassification to net periodic cost ⁽²⁾	63	52
Tax effect	<u>72</u>	<u>20</u>
Net of tax amount	<u>(207)</u>	<u>(51)</u>
Interest rate swaps		
Change in value of interest rate swap liability	135	41
Reclassification to interest expense ⁽³⁾	(54)	(40)
Tax effect	<u>(22)</u>	<u>-</u>
Net of tax amount	<u>59</u>	<u>1</u>
Total other comprehensive (loss) income, net of tax	<u>(8,127)</u>	<u>2,233</u>
Total comprehensive income	\$ <u>12,942</u>	\$ <u>20,623</u>

(1) Reclassified into the consolidated statements of income in gain on sales of available-for-sale securities, net.

(2) Reclassified into the consolidated statements of income in salaries and employee benefits.

(3) Reclassified into the consolidated statements of income in interest on subordinated debentures.

The accompanying notes are an integral part of these consolidated financial statements.

NEW HAMPSHIRE MUTUAL BANCORP AND SUBSIDIARIES

Consolidated Statements of Changes in Surplus

Years Ended December 31, 2021 and 2020

	Undivided <u>Profits</u>	Accumulated Other Comprehensive <u>Income (Loss)</u> (In thousands)	<u>Total</u>
Balance, December 31, 2019	\$ <u>246,772</u>	\$ <u>2,309</u>	\$ <u>249,081</u>
Comprehensive income			
Net income	18,390	-	18,390
Other comprehensive income, net of tax effect	<u>-</u>	<u>2,233</u>	<u>2,233</u>
Total comprehensive income	<u>18,390</u>	<u>2,233</u>	<u>20,623</u>
Balance, December 31, 2020	\$ <u>265,162</u>	\$ <u>4,542</u>	\$ <u>269,704</u>
Comprehensive income			
Net income	21,069	-	21,069
Other comprehensive loss, net of tax effect	<u>-</u>	<u>(8,127)</u>	<u>(8,127)</u>
Total comprehensive income	<u>21,069</u>	<u>(8,127)</u>	<u>12,942</u>
Balance, December 31, 2021	\$ <u>286,231</u>	\$ <u>(3,585)</u>	\$ <u>282,646</u>

Accumulated other comprehensive (loss) income consisted of the following at December 31:

	<u>2021</u>	<u>2020</u>
	(In thousands)	
Net unrealized holding (losses) gains on available-for-sale securities, net of tax	\$ (3,013)	\$ 4,964
Unrecognized SERP plan expenses, net of tax	(544)	(337)
Unrecognized loss on interest rate swap liability, net of tax	<u>(28)</u>	<u>(85)</u>
Accumulated other comprehensive (loss) income	\$ <u>(3,585)</u>	\$ <u>4,542</u>

The accompanying notes are an integral part of these consolidated financial statements.

NEW HAMPSHIRE MUTUAL BANCORP AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
	(In thousands)	
Cash flows from operating activities		
Net income	\$ 21,069	\$ 18,390
Adjustments to reconcile net income to net cash provided by operating activities		
Net amortization of premiums on securities	182	861
Net gain on sales of available-for-sale securities	(692)	(2,044)
Net gain on sales of loans	(382)	(3,822)
Provision for loan losses	4,699	6,790
Amortization of fair value adjustment on loans	(484)	(485)
Change in deferred costs, net	(6,435)	(861)
Depreciation and amortization of premises and equipment	3,139	2,839
Write-off of premises and equipment related to branch closure	221	-
Gain on sale of premises and equipment	(16)	-
Loss on sale of other real estate owned	-	2
Amortization of intangible assets from acquisitions	1,990	1,990
Amortization of subordinated debt issuance costs	34	-
Decrease (increase) in interest receivable	1,148	(1,246)
Increase in other assets	(4,212)	(4,881)
Increase in cash surrender value of life insurance	(1,020)	(983)
Proceeds from sale of loans held for sale	15,103	110,707
Originations of loans held for sale	(14,959)	(106,252)
Increase in other liabilities	268	3,548
Deferred income tax (benefit) expense	<u>(375)</u>	<u>81</u>
Net cash provided by operating activities	<u>19,278</u>	<u>24,634</u>
Cash flows from investing activities		
Proceeds from maturities of interest-bearing time deposits with other banks	-	498
Proceeds from sales of available-for-sale securities	28,187	50,717
Proceeds from calls and maturities of available-for-sale securities	71,465	64,512
Purchase of available-for-sale securities	(203,672)	(152,846)
Purchase of New Hampshire Trust Company	-	(2,625)
Net (purchase) redemption of Federal Home Loan Bank of Boston stock	(7)	5,797
Loan originations and principal collections, net	(239,440)	(285,452)
Recoveries of loans previously charged-off	150	87
Purchase of premises and equipment	(3,830)	(2,092)
Proceeds from sale of premises and equipment	16	-
Proceeds from sale of other real estate owned	<u>-</u>	<u>88</u>
Net cash used in investing activities	\$ <u>(347,131)</u>	\$ <u>(321,316)</u>

(continued)

The accompanying notes are an integral part of these consolidated financial statements.

NEW HAMPSHIRE MUTUAL BANCORP AND SUBSIDIARIES

Consolidated Statements of Cash Flows (Concluded)

Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
	(In thousands)	
Cash flows from financing activities		
Net increase in demand deposits	\$ 271,452	\$ 522,892
Net increase (decrease) in time deposits	53,862	(15,485)
Net change in short-term advances from Federal Home Loan Bank of Boston	-	(147,461)
Payments made on long-term advances from Federal Home Loan Bank of Boston	(818)	(9,450)
Proceeds from long-term advances from Federal Home Loan Bank of Boston	173	3,421
Proceeds from issuance of subordinated debentures	19,321	-
Net increase in securities sold under agreements to repurchase	<u>32,495</u>	<u>14,146</u>
Net cash provided by financing activities	<u>376,485</u>	<u>368,063</u>
Net increase in cash and cash equivalents	48,632	71,381
Cash and cash equivalents, beginning of year	<u>105,033</u>	<u>33,652</u>
Cash and cash equivalents, end of year	\$ <u><u>153,665</u></u>	\$ <u><u>105,033</u></u>
Noncash investing and financing activities		
Payable recorded in purchase of New Hampshire Trust Company	\$ <u><u>-</u></u>	\$ <u><u>975</u></u>
Supplementary cash flow information		
Interest paid	\$ <u><u>4,730</u></u>	\$ <u><u>11,796</u></u>
Federal income taxes paid	\$ <u><u>6,141</u></u>	\$ <u><u>4,845</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

NEW HAMPSHIRE MUTUAL BANCORP AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Years Ended December 31, 2021 and 2020

Nature of Business

New Hampshire Mutual Bancorp (the Company) is a New Hampshire mutual holding company. The Company's principal activity is to act as the holding company for its wholly-owned subsidiaries, Merrimack County Savings Bank (MCSB), Meredith Village Savings Bank (MVSB), Savings Bank of Walpole (SBW) (collectively, the Banks), and The New Hampshire Trust Company (NHTC).

MCSB is a state chartered guarantee stock savings bank incorporated in 1867 and headquartered in Concord, New Hampshire. MVSB is a state chartered guarantee stock savings bank incorporated in 1869 and headquartered in Meredith, New Hampshire. SBW is a state chartered guarantee stock savings bank incorporated in 1875 and headquartered in Walpole, New Hampshire. NHTC is a state chartered trust company incorporated in 2015 and headquartered in Concord, New Hampshire. The Banks are engaged principally in the business of attracting deposits from the general public and investing those deposits in residential real estate loans, consumer loans, commercial loans and investment securities. NHTC is engaged to act as investment advisor, trustee and named custodian for customers of MCSB, MVSB and SBW and to provide insurance and broker-dealer products and services through an agreement with a third party broker-dealer.

1. **Summary of Significant Accounting Policies**

Basis of Presentation

The accounting and reporting policies of the Company are in conformity with U.S. generally accepted accounting principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB).

Principles of Consolidation

The consolidated financial statements include the accounts of the Company, the Banks and NHTC. All significant intercompany transactions and balances have been eliminated in consolidation.

Merrimack Capital Trust I (the Trust), an affiliated trust of the Company, was formed in April 2007 to sell capital securities to the public through a third-party trust pool. In accordance with FASB Accounting Standards Codification Topic (ASC) 810, *Consolidation*, this affiliated trust has not been included in the consolidated financial statements. ASC 810 establishes the criteria used to identify variable interest entities (VIEs) and to determine whether or not to consolidate a VIE. VIEs are those entities in which the total equity investment at risk does not provide the holders of that investment with the characteristics of a controlling financial interest. The Company's investment in the Trust totaled \$155,000 for both December 31, 2021 and 2020, and these funds were used by the Trust to invest in subordinated debentures issued by the Company. Accordingly, the Trust is considered a VIE, and is not included in the Company's consolidated financial statements as the Company is not the primary beneficiary of the VIE. The equity investment in the Trust is included in other assets in the consolidated balance sheets.

NEW HAMPSHIRE MUTUAL BANCORP AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Years Ended December 31, 2021 and 2020

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Estimates that are particularly susceptible to significant change in the near term relate to the allowance for loan losses, the valuation of other real estate owned, investment securities valuation and postretirement plan liabilities.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, cash items, due from banks, Federal Reserve Bank (FRB) and Federal Home Loan Bank of Boston (FHLBB) interest-bearing accounts and federal funds sold. At December 31, 2021 and 2020, the Banks had no required reserve balances with FRB.

The Company's due from bank accounts may, at times, exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant risk on cash and cash equivalents.

Investment Securities

Investments in debt securities are adjusted for amortization of premiums and accretion of discounts so as to approximate the interest method. Gains or losses on sales of investment securities are recorded on the trade date and are computed on a specific identification basis.

The Company classifies debt securities into one of three categories: held-to-maturity, available-for-sale, or trading. These security classifications may be modified after acquisition only under certain specified conditions. In general, securities may be classified as held-to-maturity only if the Company has the positive intent and ability to hold them to maturity. Trading securities are defined as those bought and held principally for the purpose of selling them in the near term. All other debt securities must be classified as available-for-sale.

Held-to-maturity securities are measured at amortized cost in the consolidated balance sheets. Unrealized holding gains and losses are not included in earnings or in a separate component of surplus; they are merely disclosed in the notes to the consolidated financial statements. At December 31, 2021 and 2020, the Company had no held-to-maturity securities.

Available-for-sale securities are carried at fair value in the consolidated balance sheets. Unrealized holding gains and losses on debt securities are not included in earnings, but are reported as a net amount (less expected tax) in a separate component of surplus until realized.

NEW HAMPSHIRE MUTUAL BANCORP AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Years Ended December 31, 2021 and 2020

For any debt security with a fair value less than its amortized cost basis, the Company determines whether it has the intent to sell the debt security or whether it is more-likely-than-not that it will be required to sell the debt security before the recovery of its amortized cost basis. If either condition is met, the Company recognizes a full impairment charge to earnings. For all other debt securities that are considered other-than-temporarily impaired and do not meet either condition, the credit loss portion of impairment is recognized in earnings as realized losses. The other-than-temporary impairment related to all other factors is recorded in other comprehensive income (loss).

Nonmarketable investment securities, consisting of stock in the FHLBB, are carried at cost subject to adjustments for any observable market transactions on the same or similar instruments of the investee. The Company does not engage in the trading of investment securities.

In estimating other-than-temporary impairment losses, management considers (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

Loans Held for Sale

Loans held for sale are carried at the lower of cost or estimated fair value in the aggregate. Net unrealized losses, if any, are recognized through a valuation allowance by charges to income.

Loans

Loans receivable that management has the intent and ability to hold until maturity or payoff are reported at their outstanding principal balances adjusted for amounts due to borrowers on unadvanced loans, any charge-offs, the allowance for loan losses, deferred fees or costs on originated loans, and unamortized premiums or discounts on purchased loans.

Interest on loans is recognized on a simple interest basis.

Loan origination and commitment fees, certain direct origination costs and purchased loan premiums and discounts are deferred, and recognized as an adjustment of the related loan's yield using the effective interest method.

NEW HAMPSHIRE MUTUAL BANCORP AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Years Ended December 31, 2021 and 2020

Loans past due 30 days or more are considered delinquent. Residential real estate loans are generally placed on nonaccrual when reaching 90 days past due or in the process of foreclosure. All closed-end consumer loans 90 days or more past due and any equity line in the process of foreclosure are placed on nonaccrual status. Secured consumer loans are written down to realizable value and unsecured consumer loans are charged-off upon reaching 120 or 180 days past due depending on the type of loan. Commercial real estate loans and commercial business loans which are 90 days or more past due are generally placed on nonaccrual status, unless secured by sufficient cash or other assets immediately convertible to cash. For all loan classes, when a loan has been placed on nonaccrual status, previously accrued and uncollected interest is reversed against interest on loans. A commercial loan can be returned to accrual status when collectability of principal is reasonably assured and the loan has performed for a period of time, generally six months. Any other loan can be returned to accrual status when it becomes current, provided that loan is adequately collateralized. Interest that has accumulated while a loan is on nonaccrual status is recognized ratably over the remaining term of the loan, once returned to accrual status.

Cash receipts of interest income on impaired loans are credited to principal to the extent necessary to eliminate doubt as to the collectability of the net carrying amount of the loan. Some or all of the cash receipts of interest income on impaired loans is recognized as interest income if the remaining net carrying amount of the loan is deemed to be fully collectible. When recognition of interest income on an impaired loan on a cash basis is appropriate, the amount of income that is recognized is limited to that which would have been accrued on the net carrying amount of the loan at the contractual interest rate. Any cash interest payments received in excess of the limit and not applied to reduce the net carrying amount of the loan are recorded as recoveries of charge-offs until the charge-offs are fully recovered.

Concentration of Credit Risk

The Company's lending activities are primarily conducted in New Hampshire. The Company makes residential loans, commercial real estate loans, commercial loans and a variety of consumer loans. In addition, the Company makes loans for construction of residential homes and commercial real estate properties. The ability and willingness of borrowers to honor their repayment commitments is generally dependent on the level of overall economic activity within the geographic area and the general economy.

Allowance for Loan Losses

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

NEW HAMPSHIRE MUTUAL BANCORP AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Years Ended December 31, 2021 and 2020

Purchased credit-impaired loans are initially carried at fair value with no allowance for loan losses. The estimated fair value contains both accretable and nonaccretable components. The accretable component is amortized as an adjustment to the related loan yield over the average life of the loan. The nonaccretable component represents a probable loss due to credit risk and is reviewed by management periodically and adjusted as deemed necessary to reflect changes in the present value of expected cash flows. If the present value of expected cash flows is less than the carrying amount, a loss is recorded as a provision for loan losses. If the present value of expected cash flows is greater than the carrying amount, it is recognized as part of future interest income.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. The allowance consists of general, allocated and unallocated components, as further described below. There were no material changes in the Company's policies or methodology pertaining to the allowance for loan losses during 2021 and 2020.

General Component

The general component of the allowance for loan losses is based on historical loss experience adjusted for qualitative factors stratified by the following loan segments: commercial, residential real estate and consumer. The Company further disaggregates its commercial loan segment into the following loan classes: commercial, commercial real estate, and construction and land development. Management uses a rolling average of historical losses based on a time frame appropriate to capture relevant loss data for each loan segment. This historical loss factor is adjusted for the following qualitative factors for each loan class: levels/trends in delinquencies; levels/trends in charge-offs; trend and volume of loan types; effects of changes in risk selection and underwriting standards and other changes in lending policies; concentration risks; experience/ability/depth of lending management and staff; and national and local economic trends and conditions.

The qualitative factors are determined based on the various risk characteristics of each loan segment. Risk characteristics relevant to each portfolio segment are as follows:

Residential real estate – The Company generally does not originate loans with a loan-to-value ratio greater than 80% and does not generally grant loans that would be classified as subprime upon origination. The Company generally has first or second liens on property securing equity lines-of-credit. All loans in this segment are collateralized by owner-occupied residential real estate and repayment is dependent on the credit quality of the individual borrower. The overall health of the economy, including unemployment rates and housing prices, will have an effect on the credit quality in this segment.

Commercial, commercial real estate and construction and land development – Loans in this segment are made to businesses and are generally secured by assets of the business. Repayment is expected from the cash flows of the business. A weakened economy, and resultant decreased consumer spending, will have an effect on the credit quality in this segment.

NEW HAMPSHIRE MUTUAL BANCORP AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Years Ended December 31, 2021 and 2020

Consumer – Loans in this segment may be secured or unsecured and repayment is dependent on the credit quality of the individual borrower as well as the liquidation value of the collateral. The overall health of the economy, including unemployment rates and housing prices, will have an effect on the credit quality in this segment.

Allocated Component

The allocated component relates to loans that are classified as impaired. For loans exceeding certain dollar amounts and those with smaller loan balances for which management has identified exposure, impairment is measured on a loan-by-loan basis by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral dependent. An allowance is established when the discounted cash flows (or collateral value) of the impaired loan is lower than the carrying value of that loan. Large groups of smaller balance homogeneous loans are collectively evaluated for impairment.

A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

The Company periodically may agree to modify the contractual terms of loans. When a loan is modified and a concession is made to a borrower experiencing financial difficulty, the modification is considered a troubled debt restructuring (TDR). All TDRs are classified as impaired.

Unallocated Component

An unallocated component is maintained to cover uncertainties that could affect management's estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating allocated and general reserves in the portfolio.

Premises and Equipment

Premises and equipment are stated at cost, less accumulated depreciation and amortization. Cost and related allowances for depreciation and amortization of premises and equipment disposed of are removed from the respective accounts with any gain or loss included in noninterest income or noninterest expense. Depreciation and amortization are calculated principally on the straight-line method over the estimated useful lives of the assets.

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Credit-Related Financial Instruments

In the ordinary course of business, the Company has entered into commitments to extend credit, including commitments under commercial letters-of-credit and standby letters-of-credit. Such financial instruments are recorded when they are funded.

Bank-Owned Life Insurance

The Company invests in life insurance policies to help finance the cost of certain employee benefit plan expenses. These policies represent life insurance on the lives of certain employees through insurance companies. The Company is the beneficiary of the insurance policies. Increases in the cash value of the policies, as well as insurance proceeds received, are recorded in noninterest income and are not subject to income taxes as long as those policies are not surrendered for the cash value prior to the death of the individual employee.

Other Real Estate Owned

Other real estate owned includes properties acquired through foreclosure and properties classified as in-substance foreclosures. These properties are carried at estimated fair value less estimated costs to sell. Any write-down from cost to estimated fair value required at the time of foreclosure or classification as in-substance foreclosure is charged to the allowance for loan losses. Expenses incurred in connection with maintaining these assets, subsequent write-downs and gains or losses recognized upon sale are included in noninterest income or noninterest expense.

The Company classifies loans as in-substance repossessed or foreclosed if the Company receives physical possession of the debtor's assets regardless of whether formal foreclosure proceedings take place.

Transfers of Financial Assets

Transfers of financial assets, typically residential mortgages for the Company, are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Company, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Derivative Financial Instruments

The Company recognizes all derivatives in the consolidated balance sheets at fair value. On the date the Company enters into the derivative contract, the Company designates the derivative as a hedge of either the forecasted variability of cash flows to be received or paid related to a recognized asset or liability (cash flow hedge) or a hedge of the fair value of a recognized asset or liability or of an

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unrecognized firm commitment (fair value hedge). The Company has entered into one interest rate swap agreement that is classified as a cash flow hedge. The Company does not have any fair value hedges. The Company formally documents relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking a hedge transaction. The Company also assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are effective in offsetting changes in cash flows or fair values of hedged items. Changes in fair value of a derivative that is effective and that qualifies as a cash flow hedge are recorded in other comprehensive income or loss and are reclassified into earnings when forecasted transactions or related cash flows affect earnings. The Company discontinues hedge accounting when it determines that the derivative is no longer effective in offsetting changes in cash flows of the hedged item, that it is unlikely that the forecasted transaction will occur, or that the designation of the derivative as a hedging instrument is no longer appropriate.

Advertising

The Company directly expenses costs associated with advertising as they are incurred. Advertising costs are reported as marketing expense in the consolidated statements of income.

Income Taxes

The Company recognizes income taxes under the asset and liability method. Under this method, deferred tax assets and liabilities are established for the temporary differences between the accounting bases and the tax bases of the Company's assets and liabilities at enacted tax rates expected to be in effect when the amounts related to such temporary differences are realized or settled. Adjustments to the Company's deferred tax assets are recognized as deferred income tax expense or benefit based on management's judgment relating to the realizability of such assets.

FASB ASC 740, *Income Taxes*, defines the criteria that an individual tax position must satisfy for some or all of the benefits of that position to be recognized in a company's financial statements. ASC 740 prescribes a recognition threshold of more-likely-than-not, and a measurement attribute for all tax positions taken or expected to be taken on a tax return, in order for those tax positions to be recognized in the financial statements. The Company, or its subsidiaries, are currently open to audit under the statute of limitations by the Internal Revenue Service and State tax authorities for the years ended December 31, 2018 through 2021.

Legal Matters

The Company, in the ordinary course of business, is involved in routine litigation incidental to its business. Based on its review, with the assistance of legal counsel, management does not expect the resolution of any matters currently subject to litigation to have a material adverse effect on the Company's consolidated financial position or results of operations.

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Recently Issued Accounting Pronouncements

In February 2016, FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases* (Topic 842). The ASU was issued to increase the transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. ASU No. 2020-05, *Revenue from Contracts with Customers* (Topic 606) and *Leases* (Topic 842), defers the effective date of ASU No. 2016-02, as a result of the Coronavirus Disease 2019 (COVID-19) pandemic, to fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Management is reviewing the guidance in the ASU to determine whether it will have a material effect on the Company's consolidated financial statements.

In June 2016, FASB issued ASU No. 2016-13, *Measurement of Credit Losses on Financial Instruments*. The ASU requires entities to measure credit losses on loans receivable using a current expected credit loss model, instead of the incurred loss model used in current accounting principles. ASU 2019-10, *Financial Instruments-Credit Losses* (Topic 326), *Derivatives and Hedging* (Topic 815), and *Leases* (Topic 842), delays the effective date of ASU 2016-13 to fiscal years beginning after December 15, 2022, and interim periods within those fiscal years. Management is currently reviewing the ASU to assess its effect on the Company's financial condition and results of operations, which could be material. The Company has established an implementation team and developed a transition project plan. The Company has engaged a third-party software provider and advisory service team as part of this process.

In January 2017, FASB issued ASU No. 2017-04, *Intangibles-Goodwill and Other* (Topic 350): *Simplifying the Test for Goodwill Impairment*. This ASU was issued to reduce the cost and complexity of the goodwill impairment test. To simplify the subsequent measurement of goodwill, step two of the goodwill impairment test is eliminated. Instead, under the amendments in this ASU, a company will recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value. As initially proposed, this ASU was to be effective for interim and annual reporting periods beginning after December 15, 2021; however similar to ASU No. 2016-13, the effective date for this ASU was also extended to fiscal years beginning after December 15, 2022, and interim periods within those fiscal years.

In July 2018, FASB issued ASU No. 2018-11, *Leases - Targeted Improvements*, to provide entities with relief from the costs of implementing certain aspects of the new leasing standard, ASU No. 2016-02. Specifically, under the amendments in this ASU: (1) entities may elect not to recast the comparative periods presented when transitioning to the new leasing standard, and (2) lessors may elect not to separate lease and non-lease components when certain conditions are met. The amendments have the same effective date as ASU No. 2016-02. The adoption of this ASU is not expected to have a material effect on the Company's consolidated financial statements.

In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform* (Topic 848): *Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. This ASU provides temporary optional expedients and exceptions to GAAP guidance on contract modifications and hedge accounting to ease the financial reporting burdens of the expected market transition from the London Inter-Bank Offering Rate (LIBOR) and other interbank offered rates to alternative reference rates,

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such as Secured Overnight Financing Rate (SOFR). For instance, companies can elect not to apply certain modification accounting requirements to contracts affected by reference rate reform, if certain criteria are met. A company that makes this election would not have to re-measure the contracts at the modification date or reassess a previous accounting determination. Companies can also elect various optional expedients that would allow them to continue applying hedge accounting for hedging relationships affected by reference rate reform, if certain criteria are met. Finally, companies can make a one-time election to sell and/or reclassify held-to-maturity debt securities that reference an interest rate affected by reference rate reform. This ASU is effective for all entities as of March 12, 2020 through December 31, 2022. The Company is currently evaluating all of its contracts, hedging relationships and other transactions that will be affected by reference rates that are being discontinued and determining which elections need to be made.

2. Acquisitions

Savings Bank of Walpole

In 2018, the Company recognized a core deposit intangible of \$6,449,000 as a result of the acquisition of SBW. The core deposit intangible, which is amortizable and deductible for tax purposes, is evaluated for impairment whenever circumstances warrant. Amortization expense was \$538,000 in 2021 and 2020, and is being calculated on a straight-line basis over 12 years.

As of December 31, 2021, estimated amortization expense for each of the five years succeeding 2021 and thereafter is as follows (in thousands):

2022	\$	537
2023		537
2024		537
2025		537
2026		537
Thereafter		<u>1,883</u>
	\$	<u>4,568</u>

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Merrimack County Savings Bank

In 2013, the Company recognized a core deposit intangible of \$11,642,000 and goodwill of \$2,546,000 as a result of the acquisition of MCSB. The Company evaluated its goodwill as of December 31, 2021 and 2020 and determined there was no impairment. The core deposit intangible, which is amortizable and deductible for tax purposes, is evaluated for impairment whenever circumstances warrant. Amortization expense was \$1,164,000 in 2021 and 2020, and is being calculated on a straight-line basis over 10 years.

As of December 31, 2021, estimated amortization expense for the years succeeding 2021 is as follows (in thousands):

2022	\$ <u>1,164</u>
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The New Hampshire Trust Company

Effective January 1, 2020, Mill River Trust Company (MRTC) consummated an agreement and plan of merger with The New Hampshire Trust Company (NHTC) pursuant to which MRTC acquired 100 percent of the voting shares of NHTC. NHTC merged into MRTC, with MRTC as the surviving trust company. As of that date, the name of the surviving trust company changed to The New Hampshire Trust Company. NHTC's common stock by virtue of the merger and without any action on the part of the holders thereof was cancelled and ceased to exist. Further, as a result of the acquisition of NHTC, the Company recorded an intangible asset of \$3,600,000 and goodwill of \$967,000. Amortization expense was \$288,000 in 2021 and 2020, and is being calculated on a straight-lined basis with \$3,240,000 amortized over 15 years and \$360,000 amortized over 5 years.

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As of December 31, 2021, estimated amortization expense for the years succeeding 2021 is as follows (in thousands):

2022	\$	288
2023		288
2024		288
2025		216
2026		216
Thereafter		<u>1,728</u>
	\$	<u><u>3,024</u></u>

3. Securities

Investments in available-for-sale securities have been classified in the consolidated balance sheets according to management's intent. The amortized cost of available-for-sale securities and their approximate fair values were as follows:

	<u>Amortized Cost</u>	Gross Unrealized <u>Gains</u>	Gross Unrealized <u>Losses</u>	<u>Fair Value</u>
<u>December 31, 2021</u>		(In thousands)		
U.S. Treasury securities	\$ 54,724	\$ 789	\$ 397	\$ 55,116
U.S. Government sponsored enterprises	51,867	193	1,963	50,097
Taxable state and municipal	3,206	45	21	3,230
Non-taxable state and municipal	5,846	179	9	6,016
Mortgage-backed securities	<u>246,443</u>	<u>1,474</u>	<u>4,445</u>	<u>243,472</u>
	\$ <u><u>362,086</u></u>	\$ <u><u>2,680</u></u>	\$ <u><u>6,835</u></u>	\$ <u><u>357,931</u></u>
 <u>December 31, 2020</u>		(In thousands)		
U.S. Treasury securities	\$ 28,022	\$ 1,662	\$ -	\$ 29,684
U.S. Government sponsored enterprises	54,692	791	118	55,365
Taxable state and municipal	3,211	114	-	3,325
Non-taxable state and municipal	8,156	264	3	8,417
Corporate bonds and notes	4,814	335	-	5,149
Mortgage-backed securities	<u>158,665</u>	<u>3,884</u>	<u>85</u>	<u>162,464</u>
	\$ <u><u>257,560</u></u>	\$ <u><u>7,050</u></u>	\$ <u><u>206</u></u>	\$ <u><u>264,404</u></u>

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The scheduled maturities for available-for-sale debt securities were as follows, as of December 31, 2021:

	Amortized <u>Cost</u> (In thousands)	Fair <u>Value</u>
Due within one year	\$ 12,502	\$ 13,054
Due after one year through five years	50,373	50,592
Due after five years through ten years	31,642	30,846
Due after ten years and further	21,126	19,967
Mortgage-backed securities	<u>246,443</u>	<u>243,472</u>
	<u>\$ 362,086</u>	<u>\$ 357,931</u>

Expected maturities will differ from contractual maturities because the issuers have in certain instances, the right to call or prepay obligations with or without call or prepayment penalties. Securities not due at a single maturity date are shown separately.

Proceeds from sales of available-for-sale securities during the years ended December 31, 2021 and 2020 were \$28,187,000 and \$50,717,000, respectively. Gross realized gains on sales of available-for-sale securities were \$724,000 and \$2,049,000 for the years ended December 31, 2021 and 2020, respectively. Gross realized losses on sales of available-for-sale securities were \$32,000 and \$5,000 for the years ended December 31, 2021 and 2020, respectively.

Total carrying amounts of \$164,471,000 and \$109,271,000 of debt securities were pledged to secure securities sold under agreements to repurchase, municipal deposits and borrowings from the FRB's Discount Window as of December 31, 2021 and 2020, respectively.

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The aggregate fair value and unrealized losses of available-for-sale securities that have been in a continuous unrealized-loss position for less than 12 months and for 12 months or more, and are not other-than-temporarily impaired, as of December 31, 2021 and 2020, were as follows:

	<u>Less than 12 months</u>		<u>12 months or longer</u>		<u>Total</u>	
	<u>Fair Value</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Unrealized Losses</u>
(In thousands)						
<u>December 31, 2021</u>						
U.S. Treasury	\$ 38,911	\$ 397	\$ -	\$ -	\$ 38,911	\$ 397
U.S. Government sponsored enterprises	20,435	545	25,573	1,418	46,008	1,963
State and Municipal	2,180	30	-	-	2,180	30
Mortgage-backed securities	<u>154,730</u>	<u>2,521</u>	<u>45,617</u>	<u>1,924</u>	<u>200,347</u>	<u>4,445</u>
	<u>\$ 216,256</u>	<u>\$ 3,493</u>	<u>\$ 71,190</u>	<u>\$ 3,342</u>	<u>\$ 287,446</u>	<u>\$ 6,835</u>

	<u>Less than 12 months</u>		<u>12 months or longer</u>		<u>Total</u>	
	<u>Fair Value</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Unrealized Losses</u>
(In thousands)						
<u>December 31, 2020</u>						
U.S. Government sponsored enterprises	\$ 22,035	\$ 118	\$ -	\$ -	\$ 22,035	\$ 118
Non-taxable state and municipal	2,036	3	-	-	2,036	3
Mortgage-backed securities	<u>16,383</u>	<u>85</u>	<u>-</u>	<u>-</u>	<u>16,383</u>	<u>85</u>
	<u>\$ 40,454</u>	<u>\$ 206</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,454</u>	<u>\$ 206</u>

Management evaluates securities for other-than-temporary impairment on an annual basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

At December 31, 2021 and 2020, there were 188 and 23 debt securities, respectively, with unrealized losses. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies, whether significant downgrades by bond rating agencies have occurred, and industry analysts' reports. The primary cause for unrealized losses of debt securities in 2021 and 2020 is the impact movements in interest rates have had in comparison with the underlying yields on these securities. As management has the ability and intent to hold debt securities for the foreseeable future, no declines are deemed to be other-than-temporary.

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4. Loans

The following table summarizes the Company's loans by loan portfolio segment and class at December 31:

	<u>2021</u>	<u>2020</u>
	(In thousands)	
Commercial		
Commercial	\$ 196,907	\$ 309,418
Commercial real estate	549,686	546,018
Construction and land development	131,812	97,337
Residential real estate	1,293,210	1,106,130
Consumer	<u>331,670</u>	<u>206,372</u>
	2,503,285	2,265,275
Allowance for loan losses	(22,462)	(19,527)
Deferred costs, net	<u>12,607</u>	<u>6,172</u>
Net loans	\$ <u>2,493,430</u>	\$ <u>2,251,920</u>

At the acquisition date, the fair value of the loans acquired from MCSB resulted in an accretable loan premium of \$1,872,000, less a nonaccretable credit risk component of \$4,541,000. The net carrying amounts of the acquired loans were \$85,862,000 and \$104,308,000 as of December 31, 2021 and 2020, respectively, and are included in loan balances above. The balance of the accretable loan premium was fully amortized at December 31, 2016.

At the acquisition date, the fair value of the loans acquired from SBW resulted in an accretable loan premium of \$1,937,000, less a nonaccretable credit risk component of \$2,631,000. The net carrying amounts of the acquired loans were \$124,558,000 and \$167,254,000 as of December 31, 2021 and 2020, respectively, and are included in loan balances above. The balance of the accretable loan premium was \$242,000 and \$726,000 at December 31, 2021 and 2020, respectively, after amortization of \$484,000 and \$485,000 for the years ended December 31, 2021 and 2020, respectively.

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Changes in the allowance for loan losses were as follows for the year ended December 31, 2021:

	<u>Commercial</u>	<u>Residential Real Estate</u>	<u>Commercial Real Estate</u>	<u>Construction and Land Development</u>	<u>Consumer</u>	<u>Total</u>
	(In thousands)					
Balance, beginning of year	\$ 2,352	\$ 6,152	\$ 5,996	\$ 1,752	\$ 3,275	\$ 19,527
Provision for (reduction in) loan losses	1,679	1,155	(210)	565	1,510	4,699
Loans charged off	(1,617)	(144)	-	-	(153)	(1,914)
Recoveries	<u>32</u>	<u>61</u>	<u>6</u>	<u>-</u>	<u>51</u>	<u>150</u>
Balance, end of year	\$ <u>2,446</u>	\$ <u>7,224</u>	\$ <u>5,792</u>	\$ <u>2,317</u>	\$ <u>4,683</u>	\$ <u>22,462</u>

Changes in the allowance for loan losses were as follows for the year ended December 31, 2020:

	<u>Commercial</u>	<u>Residential Real Estate</u>	<u>Commercial Real Estate</u>	<u>Construction and Land Development</u>	<u>Consumer</u>	<u>Total</u>
	(In thousands)					
Balance, beginning of year	\$ 1,965	\$ 3,845	\$ 4,375	\$ 851	\$ 1,852	\$ 12,888
Provision for loan losses	434	2,297	1,615	901	1,543	6,790
Loans charged off	(49)	(2)	-	-	(187)	(238)
Recoveries	<u>2</u>	<u>12</u>	<u>6</u>	<u>-</u>	<u>67</u>	<u>87</u>
Balance, end of year	\$ <u>2,352</u>	\$ <u>6,152</u>	\$ <u>5,996</u>	\$ <u>1,752</u>	\$ <u>3,275</u>	\$ <u>19,527</u>

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The following table presents the allowance for loan losses and select loan information as of December 31, 2021:

(In thousands)	Originated Loans Individually Evaluated For Impairment		Originated Loans Collectively Evaluated For Impairment		Acquired Loans		Total	
	Balance	Allowance	Balance	Allowance	Balance	Allowance	Balance	Allowance
Commercial	\$ 2,959	\$ 477	\$ 177,244	\$ 1,927	\$ 16,704	\$ 42	\$ 196,907	\$ 2,446
Residential real estate	2,745	17	1,184,191	7,040	106,274	167	1,293,210	7,224
Commercial real estate	4,384	1	459,158	5,791	86,144	-	549,686	5,792
Construction and land development	44	1	130,755	2,316	1,013	-	131,812	2,317
Consumer	<u>251</u>	<u>3</u>	<u>330,925</u>	<u>4,680</u>	<u>494</u>	<u>-</u>	<u>331,670</u>	<u>4,683</u>
	\$ <u>10,383</u>	\$ <u>499</u>	\$ <u>2,282,273</u>	\$ <u>21,754</u>	\$ <u>210,629</u>	\$ <u>209</u>	\$ <u>2,503,285</u>	\$ <u>22,462</u>

The following table presents the allowance for loan losses and select loan information as of December 31, 2020:

(In thousands)	Originated Loans Individually Evaluated For Impairment		Originated Loans Collectively Evaluated For Impairment		Acquired Loans		Total	
	Balance	Allowance	Balance	Allowance	Balance	Allowance	Balance	Allowance
Commercial	\$ 448	\$ 4	\$ 289,758	\$ 2,306	\$ 19,212	\$ 42	\$ 309,418	\$ 2,352
Residential real estate	3,764	42	957,623	5,943	144,743	167	1,106,130	6,152
Commercial real estate	5,367	4	435,284	5,992	105,367	-	546,018	5,996
Construction and land development	29	1	95,704	1,751	1,604	-	97,337	1,752
Consumer	<u>417</u>	<u>7</u>	<u>205,110</u>	<u>3,268</u>	<u>845</u>	<u>-</u>	<u>206,372</u>	<u>3,275</u>
	\$ <u>10,025</u>	\$ <u>58</u>	\$ <u>1,983,479</u>	\$ <u>19,260</u>	\$ <u>271,771</u>	\$ <u>209</u>	\$ <u>2,265,275</u>	\$ <u>19,527</u>

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The following table presents an aging analysis of past due loans as of December 31, 2021:

(In thousands)	30-59 Days Past Due	60-89 Days Past Due	90 Days and Greater	Total Past Due	Current	Total Loans	Loans on Nonaccrual
Commercial	\$ 2,820	\$ 136	\$ 31	\$ 2,987	\$ 193,920	\$ 196,907	\$ 3,112
Residential real estate	2,327	496	715	3,538	1,289,672	1,293,210	1,422
Commercial real estate	31	133	11	175	549,511	549,686	1,654
Construction and land development	271	-	19	290	131,522	131,812	19
Consumer	479	101	257	837	330,833	331,670	313
	<u>\$ 5,928</u>	<u>\$ 866</u>	<u>\$ 1,033</u>	<u>\$ 7,827</u>	<u>\$ 2,495,458</u>	<u>\$ 2,503,285</u>	<u>\$ 6,520</u>

The following table presents an aging analysis of past due loans as of December 31, 2020:

(In thousands)	30-59 Days Past Due	60-89 Days Past Due	90 Days and Greater	Total Past Due	Current	Total Loans	Loans on Nonaccrual
Commercial	\$ 53	\$ -	\$ 84	\$ 137	\$ 309,281	\$ 309,418	\$ 352
Residential real estate	3,309	1,316	1,226	5,851	1,100,279	1,106,130	2,589
Commercial real estate	1,671	50	-	1,721	544,297	546,018	2,320
Construction and land development	327	-	-	327	97,010	97,337	-
Consumer	491	24	135	650	205,722	206,372	261
	<u>\$ 5,851</u>	<u>\$ 1,390</u>	<u>\$ 1,445</u>	<u>\$ 8,686</u>	<u>\$ 2,256,589</u>	<u>\$ 2,265,275</u>	<u>\$ 5,522</u>

There were no loans 90 days or greater past due still accruing interest at December 31, 2021 and 2020.

Credit Quality Information

The Company utilizes an eight-grade internal loan grading system for commercial real estate and commercial loans as follows:

Loans rated 1 – 4: Loans in these categories are considered “pass” rated loans with low to average risk.

Loans rated 5: Loans in this category are considered “special mention.” These loans are starting to show signs of potential weakness and are being closely monitored by management.

Loans rated 6: Loans in this category are considered “substandard.” Generally, a loan is considered substandard if it is inadequately protected by the current net worth and paying capacity of the obligors and/or the collateral pledged. There is a distinct possibility that the Company will sustain some loss if the weakness is not corrected.

Loans rated 7: Loans in this category are considered “doubtful.” Loans classified as doubtful have all the weaknesses inherent in those classified substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, highly questionable and improbable.

NEW HAMPSHIRE MUTUAL BANCORP AND SUBSIDIARIES

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Loans rated 8: Loans in this category are considered “loss”, or uncollectible and of such little value that their continuance as loans, without establishment of specific allowance or charge-off, is not warranted.

On an annual basis, or more often if needed, the Company formally reviews the ratings on all commercial real estate and commercial loans. Annually, the Company engages an independent third-party to review a significant portion of loans within these classes. Management uses the results of these reviews as part of its annual review process.

For residential real estate and consumer loans, the Company initially assesses credit quality based upon the borrower’s ability to pay and subsequently evaluates credit quality monthly based on the aging status of the loan and by payment activity.

The following table presents the Company’s loans by risk rating at December 31, 2021:

	<u>Commercial</u>	<u>Residential Real Estate</u>	<u>Commercial Real Estate</u>	<u>Construction and Land Development</u>	<u>Consumer</u>	<u>Total</u>
	(In thousands)					
Grade						
Pass/watch	\$191,026	\$ 1,290,987	\$524,826	\$129,733	\$331,381	\$2,467,953
Special mention	1,939	801	22,057	2,035	-	26,832
Substandard	3,942	1,422	2,803	44	289	8,500
Doubtful	-	-	-	-	-	-
Total	<u>\$196,907</u>	<u>\$1,293,210</u>	<u>\$549,686</u>	<u>\$131,812</u>	<u>\$331,670</u>	<u>\$2,503,285</u>

The following table presents the Company’s loans by risk rating at December 31, 2020:

	<u>Commercial</u>	<u>Residential Real Estate</u>	<u>Commercial Real Estate</u>	<u>Construction and Land Development</u>	<u>Consumer</u>	<u>Total</u>
	(In thousands)					
Grade						
Pass/watch	\$ 296,768	\$1,102,779	\$ 506,076	\$ 95,291	\$ 206,110	\$2,207,024
Special mention	9,950	324	32,426	2,017	-	44,717
Substandard	2,700	3,027	7,516	29	262	13,534
Doubtful	-	-	-	-	-	-
Total	<u>\$ 309,418</u>	<u>\$1,106,130</u>	<u>\$ 546,018</u>	<u>\$ 97,337</u>	<u>\$ 206,372</u>	<u>\$ 2,265,275</u>

NEW HAMPSHIRE MUTUAL BANCORP AND SUBSIDIARIES

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The following table presents a summary of information pertaining to impaired loans by loan segment and class as of and for the year ended December 31, 2021:

	<u>Recorded Investment</u>	<u>Unpaid Principal Balance</u>	<u>Related Allowance For Loan Losses</u>	<u>Average Balances</u>
(In thousands)				
With no related allowance for loan losses				
Commercial	\$ 325	\$ 325	\$ -	
Residential real estate	1,377	1,389	-	
Commercial real estate	4,312	4,539	-	
Construction and land development	-	-	-	
Consumer	<u>-</u>	<u>-</u>	<u>-</u>	
Total impaired with no related allowance	\$ 6,014	\$ 6,253	\$ -	
With a related allowance for loan losses				
Commercial	\$ 2,634	\$ 2,643	\$ 477	
Residential real estate	1,368	1,470	17	
Commercial real estate	72	72	1	
Construction and land development	44	44	1	
Consumer	<u>251</u>	<u>259</u>	<u>3</u>	
Total impaired with an allowance recorded	\$ 4,369	\$ 4,488	\$ 499	
Total				
Commercial	\$ 2,959	\$ 2,968	\$ 477	\$ 1,504
Residential real estate	2,745	2,859	17	3,005
Commercial real estate	4,384	4,611	1	5,729
Construction and land development	44	44	1	237
Consumer	<u>251</u>	<u>259</u>	<u>3</u>	<u>287</u>
Total impaired loans	\$ <u>10,383</u>	\$ <u>10,741</u>	\$ <u>499</u>	\$ <u>10,762</u>

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The following table presents a summary of information pertaining to impaired loans by loan segment and class as of and for the year ended December 31, 2020:

	<u>Recorded Investment</u>	<u>Unpaid Principal Balance</u>	<u>Related Allowance For Loan Losses</u>	<u>Average Balances</u>
(In thousands)				
With no related allowance for loan losses				
Commercial	\$ 232	\$ 232	\$ -	
Residential real estate	1,859	1,883	-	
Commercial real estate	5,050	5,225	-	
Construction and land development	-	-	-	
Consumer	<u>-</u>	<u>-</u>	<u>-</u>	
Total impaired with no related allowance	\$ 7,141	\$ 7,340	\$ -	
With a related allowance for loan losses				
Commercial	\$ 216	\$ 240	\$ 4	
Residential real estate	1,905	1,959	42	
Commercial real estate	317	317	4	
Construction and land development	29	29	1	
Consumer	<u>417</u>	<u>423</u>	<u>7</u>	
Total impaired with an allowance recorded	\$ 2,884	\$ 2,968	\$ 58	
Total				
Commercial	\$ 448	\$ 472	\$ 4	\$ 903
Residential real estate	3,764	3,842	42	3,281
Commercial real estate	5,367	5,542	4	5,883
Construction and land development	29	29	1	237
Consumer	<u>417</u>	<u>423</u>	<u>7</u>	<u>416</u>
Total impaired loans	\$ <u>10,025</u>	\$ <u>10,308</u>	\$ <u>58</u>	\$ <u>10,720</u>

Interest income recognized on impaired loans during the years ended December 31, 2021 and 2020 was not material.

As of December 31, 2021 and 2020, there were \$111,000 and \$130,000, respectively, of loans in process of foreclosure.

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On March 22, 2020, federal banking regulators issued an interagency statement providing guidance on accounting for loan modifications in light of the economic impact of the COVID-19 pandemic. On March 27, 2020, the Coronavirus Aid, Relief and Economic Security Act (CARES Act) was enacted. Both the Interagency Statement and the CARES Act provided an exemption for qualified modifications from TDR designation. The Company has adopted the TDR guidance and during the year ended December 31, 2021 granted short term concessions and/or modifications within the terms of this guidance. As of December 31, 2021 and 2020, modifications under the terms of this guidance to 18 and 65 borrowers, respectively, having an aggregate balance of approximately \$1,278,000 and \$40,229,000, respectively, were outstanding. These loans have not been classified as TDRs.

Amongst other programs, the CARES Act created the Paycheck Protection Program (PPP) designed to incentivize small businesses to keep their workers on the payroll. During the years ended December 31, 2021 and 2020, respectively, the Company processed 886 and 1,782 applications for PPP loans under the CARES Act with aggregate principal amounts of approximately \$73,064,000 and \$175,645,000, respectively. In addition, in 2021, the Company qualified to obtain loan advances through the Federal Reserve Board's PPP Liquidity Facility to fund its PPP lending activities, but had no outstanding balance under that facility as of December 31, 2021. As of December 31, 2021 and 2020, PPP loan balances included in commercial loans were \$17,493,000 and \$119,040,000, respectively.

Troubled Debt Restructurings

A loan modification constitutes a TDR if the Company, for economic or legal reasons related to the borrower's financial difficulties, grants a concession to the borrower that it would not otherwise consider. To determine whether or not a loan should be classified as a TDR, management evaluates a loan based upon the following criteria:

- The borrower demonstrates financial difficulty; common indicators include past due status with bank obligations, substandard credit bureau reports, or an inability to refinance with another lender; and
- The Company has granted a concession; common concessions include maturity date extension, interest rate adjustments to below market pricing, reduction of principal and deferment of payments.

TDR loans are considered impaired. As of December 31, 2021 and 2020, there were no commitments to lend additional amounts to customers with outstanding loans that are classified as TDRs. For the year ended December 31, 2021, there were charge-offs totaling \$1,525,000 on one loan that was modified as a TDR within the previous 12 months. For the year ended December 31, 2020, there were no payment defaults or charge-offs on loans which were modified as TDRs within the previous 12 months.

NEW HAMPSHIRE MUTUAL BANCORP AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Years Ended December 31, 2021 and 2020

The following table summarizes TDRs that occurred during the period indicated:

	<u>During the Year Ended December 31, 2021</u>		
	<u>Number of Loans</u>	Pre-Modification Outstanding Recorded <u>Investment</u> (In thousands)	Post-Modification Outstanding Recorded <u>Investment</u>
Commercial	1	\$ 1,728	\$ 1,728
Commercial real estate	<u>2</u>	<u>2,634</u>	<u>2,634</u>
	<u><u>3</u></u>	<u><u>\$ 4,362</u></u>	<u><u>\$ 4,362</u></u>
	<u>During the Year Ended December 31, 2020</u>		
	<u>Number of Loans</u>	Pre-Modification Outstanding Recorded <u>Investment</u> (In thousands)	Post-Modification Outstanding Recorded <u>Investment</u>
Commercial	1	\$ 51	\$ 51
Residential real estate	3	214	236
Consumer	<u>2</u>	<u>45</u>	<u>50</u>
	<u><u>6</u></u>	<u><u>\$ 310</u></u>	<u><u>\$ 337</u></u>

TDRs required allowance for loan losses in the amount of \$477,000 and \$9,000 at December 31, 2021 and 2020, respectively. The impairment carried as a specific reserve in the allowance for loan losses is calculated by discounting the total expected future cash flows on the loan, or, for collateral-dependent loans, using the fair value of the collateral less costs to sell. The loans were classified as TDRs due to extensions of maturity and interest rate reductions.

Related Party Loans

Certain trustees and executive officers of the Company, and the companies in which they have significant ownership interest, were customers of the Banks during 2021 and 2020. Total loans to such persons and their companies amounted to \$9,367,000 and \$3,889,000 as of December 31, 2021 and 2020, respectively. During the years ended December 31, 2021 and 2020, \$8,069,000 and \$3,355,000 of principal advances were made, respectively, and principal payments totaled \$2,591,000 and \$2,726,000, respectively.

NEW HAMPSHIRE MUTUAL BANCORP AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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Loans Serviced for Others

Loans serviced for others are not included in the accompanying consolidated balance sheets. The unpaid principal balances of mortgage and other loans serviced for others were \$161,265,000 and \$190,399,000 at December 31, 2021 and 2020, respectively.

Mortgage Servicing Rights

The balance of capitalized mortgage servicing rights, net of impairment reserve and included in other assets at December 31, 2021 and 2020, was \$920,000 and \$1,108,000, respectively. The impairment reserve was \$12,000 and \$81,000 in 2021 and 2020, respectively. The fair value of these rights was \$1,186,000 and \$1,108,000 at December 31, 2021 and 2020, respectively. The fair value of servicing rights was determined using applicable discount rates and prepayment speeds depending upon the stratification of the specific right. Mortgage servicing rights of \$115,000 and \$573,000 were capitalized in 2021 and 2020, respectively. Amortization of capitalized mortgage servicing rights was \$41,000 and \$85,000 in 2021 and 2020, respectively.

5. Premises and Equipment

The following is a summary of premises and equipment as of December 31:

	<u>2021</u>	<u>2020</u>
	(In thousands)	
Land and improvements	\$ 10,228	\$ 10,231
Bank building and leasehold improvements	42,821	42,842
Furniture and equipment	15,375	13,645
Construction in progress	<u>1,633</u>	<u>346</u>
	70,057	67,064
Accumulated depreciation and amortization	<u>(25,235)</u>	<u>(22,712)</u>
	\$ <u>44,822</u>	\$ <u>44,352</u>

As part of the acquisition of MCSB in 2013 there were premises and equipment of \$8,783,000 with a fair value adjustment of \$1,033,000. The fair value adjustment is being amortized on a straight-line basis over 35 years.

As part of the acquisition of SBW in 2018 there were premises and equipment of \$6,709,000 with a fair value adjustment of \$1,004,000. The fair value adjustment is being amortized on a straight-line basis over 35 years.

Depreciation and amortization expense included in occupancy expense in the accompanying consolidated statements of income amounted to \$3,139,000 and \$2,839,000 for the years ended December 31, 2021 and 2020, respectively.

NEW HAMPSHIRE MUTUAL BANCORP AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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As of December 31, 2021, the Company was obligated under noncancelable operating leases for premises and equipment expiring at various dates through June 2028. Options to renew for additional terms are included under the operating lease agreements. The total minimum rental due in future periods under these agreements is as follows as of December 31 (in thousands):

2022	\$	684
2023		505
2024		425
2025		410
2026		164
Thereafter		<u>89</u>
	\$	<u><u>2,277</u></u>

Certain leases contain provisions for escalation of minimum lease payments contingent upon increases in real estate taxes and percentage increases in the Consumer Price Index. Total rental expense amounted to \$882,000 and \$889,000 for the years ended December 31, 2021 and 2020, respectively.

6. Deposits

The aggregate amount of time deposits in denominations of \$250,000 or more at December 31, 2021 and 2020 was \$64,019,000 and \$75,427,000, respectively.

The scheduled maturities of time deposits at December 31, 2021 are as follows (in thousands):

2022	\$	211,097
2023		29,105
2024		23,439
2025		11,714
2026		<u>18,233</u>
	\$	<u><u>293,588</u></u>

Deposits from related parties, including senior and executive management and the Board of Trustees, held by the Company as of December 31, 2021 and 2020 amounted to \$27,471,000 and \$18,019,000, respectively.

NEW HAMPSHIRE MUTUAL BANCORP AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Years Ended December 31, 2021 and 2020

7. Borrowings

The Banks' FHLBB advances at December 31, 2021 mature through January 4, 2038. Maturities of advances from the FHLBB for the five years ending after December 31, 2021 and thereafter for the respective periods are summarized as follows (in thousands):

2022	\$	869
2023		1,637
2024		1,353
2025		721
2026		1,198
Thereafter		<u>9,687</u>
	\$	<u>15,465</u>

At December 31, 2021 and 2020, the interest rates on FHLBB advances ranged from 0% to 6.02%. At December 31, 2021 and 2020, the weighted-average interest rate on FHLBB advances was 1.56% and 1.59%, respectively.

As members of the FHLBB, the Banks are required to invest in \$100 par value stock of the FHLBB. The amount of FHLBB stock required is the sum of the membership stock investment and activity-based requirements. Redemption of shares held in FHLBB stock requires five years' written notice to the FHLBB. When such stock is redeemed, the Banks would receive from the FHLBB an amount equal to the par value of the stock.

The Banks participated in the Jobs for New England program (JNE) offered by the FHLBB. This is a multi-year subsidy program dedicated to supporting job growth and economic development throughout New England. The subsidy will be used to write down interest rates to as low as zero percent on advances that finance qualifying loans to small businesses. Beginning February 1, 2016, JNE provided funding on a first-come, first-served basis, with a maximum of \$250,000 of interest subsidy available per member per year; JNE 0% advances are not subject to any prepayment fees, while the 1% advances do have nominal unwind fees associated with them. Beginning January 1, 2021, the maximum interest subsidy available was reduced to \$200,000 per member per year. As of December 31, 2021 and 2020, the Banks had outstanding borrowings of \$8,124,000 and \$8,197,000, respectively, through this program.

Amortizing advances are being repaid in monthly payments and are being amortized from the date of the advance to the maturity date on a direct reduction basis. The borrowed funds were collateralized by the Banks' FHLBB stock, a blanket pledge of substantially all first lien residential mortgages against real property, other various types of loans, and all funds placed in deposit accounts at the FHLBB.

The Banks have a combined line of credit with the FHLBB in the amount of \$8,323,000. There were no amounts outstanding at December 31, 2021 and 2020.

NEW HAMPSHIRE MUTUAL BANCORP AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Years Ended December 31, 2021 and 2020

At December 31, 2021 and 2020, the Banks had pledged approximately \$1.1 billion and \$970 million, respectively, in various types of loans as part of the FHLBB's loan collateral program via blanket pledges and borrowing program. This program allows the Banks to maintain custody of the loan documents associated with pledged loans.

At December 31, 2021 and 2020, the Banks had pledged approximately \$206 million and \$180 million, respectively, in various types of loans as part of the Federal Reserve's Borrower-in-Custody secured borrowing program via the Discount Window. This program allows the Banks to maintain custody of the loan documents associated with pledged loans. No amounts were outstanding at December 31, 2021 and 2020.

At December 31, 2021 and 2020, the Banks had pledged approximately \$10 million in various types of securities as part of the Federal Reserve's secured borrowing program via the Discount Window.

At December 31, 2021 and 2020, the Banks had letters of credit with the FHLBB of approximately \$126 million and \$122 million, respectively, which collateralize municipal deposits.

The Banks also have unsecured lines of credit with two correspondent banks in the amount of \$34 million. There were no amounts outstanding at December 31, 2021 and 2020.

The Banks previously held interest rate swap contracts that were designated as cash flow hedges of certain FHLBB advances and were determined to be highly effective during all periods presented. These swap contracts were terminated in December 2020 and corresponding advances were repaid. These swap contracts had a market value loss of \$41,000 which is reported as a component of other expenses in the accompanying consolidated statement of income for the year ended December 31, 2020. No gain or loss was recognized in earnings for an ineffective portion of hedges for the years ended December 31, 2021 and 2020. Expense of \$381,000 was recorded on these swap transactions during the year ended December 31, 2020, and is reported as a component of interest on advances from the FHLBB. Cash receipts and payments on the swaps are reported as operating activities in the statement of cash flows for the year ended December 31, 2020.

8. Securities Sold Under Agreements to Repurchase

Securities sold under agreements to repurchase amounted to \$103,733,000 and \$71,238,000 as of December 31, 2021 and 2020, respectively. These agreements were collateralized by U.S. Treasury securities, U.S. Government sponsored enterprises and mortgage-backed securities with a carrying value of \$166,432,000 and \$109,978,000 at December 31, 2021 and 2020, respectively.

The average daily balance of these repurchase agreements was \$88,100,000 and \$64,735,000 during 2021 and 2020, respectively. The maximum borrowings outstanding on these agreements at any month-end reporting period of the Company were \$109,921,000 and \$85,575,000 during 2021 and 2020, respectively. These repurchase agreements mature daily and carried a weighted average interest rate of 0.22% during 2021 and 0.34% during 2020.

NEW HAMPSHIRE MUTUAL BANCORP AND SUBSIDIARIES

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9. Subordinated Debentures

In April 2007, the Trust sold capital securities to the public. The capital securities sold consisted of 5,000 capital securities with a \$1,000 liquidation amount for each capital security, for a total of \$5,000,000. The capital securities are fully guaranteed by the Company. Each capital security paid a cumulative quarterly distribution at a rate per annum equal to 6.56% through the interest payment date of July 2012, and then thereafter at LIBOR plus 1.55%. As of December 31, 2021 and 2020, the three-month LIBOR was 0.21% and 0.24% respectively. SOFR has been identified as a comparable alternative to LIBOR when updates to the index are no longer available. Each capital security represents an undivided preferred beneficial interest in the assets of the Trust. The Trust used the proceeds of the above sale and the proceeds of the sale of its common securities to the Company to buy \$5,155,000 of subordinated debentures issued by the Company. These debentures mature at par on July 1, 2037. The Company has the right to redeem the debentures, in whole or in part, on any interest payment date after July 1, 2012 at the liquidation amount plus any accrued but unpaid interest to the redemption date. The subordinated debentures have the same financial terms as the capital securities. The Company makes interest payments and other payments under the subordinated debentures to the Trust. The Company's obligations under the subordinated debentures are unsecured and rank junior to all of the Company's other borrowings, except borrowings that by their terms rank equal or junior to the subordinated debentures. The Company guarantees the payment by the Trust of the amounts that are required to be paid on the capital securities, to the extent that the Trust has funds available for such payments.

The Company has an interest rate swap (Swap) agreement effective through July 1, 2022, which was entered into with the objective of reducing the interest rate exposure on the subordinated debentures described above. A forward commitment was used to match the Swap until July 1, 2012, at which time the subordinated debenture converted from a fixed rate to a variable rate instrument at the three month LIBOR rate. As of that date, and as of December 31, 2021 and 2020, the Company pays interest at a 4.35% net rate with the effect of the Swap. The notional principal amount of the Swap outstanding was \$5,000,000 as of December 31, 2021 and 2020. The fair value of the Swap was a liability of \$63,000 and \$198,000 at December 31, 2021 and 2020, respectively.

The Federal Reserve Board limits restricted core capital elements including trust preferred securities to 25% of all core capital elements (which consists of qualifying common stockholders' equity, qualifying non-cumulative preferred stock and Class A minority interest in subsidiaries, as defined), net of any goodwill less any associated deferred tax liability. Amounts of restricted core capital elements in excess of those limits generally may be included in Tier II capital. As of December 31, 2021 and 2020, the Company's trust preferred securities did not exceed the 25% threshold as established within the Federal Reserve Board Ruling.

NEW HAMPSHIRE MUTUAL BANCORP AND SUBSIDIARIES

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Years Ended December 31, 2021 and 2020

In July 2021, New Hampshire Mutual Bancorp issued \$20,000,000 in subordinated debentures at an initial rate of 3.25% with a maturity date of July 15, 2031, the proceeds of which were down-streamed to SBW (\$13,995,000) and MCSB (\$4,665,000). The remaining amount of the proceeds were held by the parent company to service the debt for a certain period. This was a strategic action to bolster each bank's capital and enable them to continue to grow and support their customers, employees and communities at higher levels well into the future. This capital injection positively impacted each bank's Tier 1 capital ratios and Tier 2 risk based capital ratio of the parent company. Debt issuance costs of \$683,000 are being amortized over the 10 year term. Interest on the subordinated debentures is payable semi-annually at a rate per annum equal to 3.25% through the interest payment date of July 2026 and quarterly thereafter at the three month term (SOFR) plus a spread of 2.51%. The Company has the right to redeem the debentures, in whole or part, on any interest payment date after July 8, 2026 at an amount equal to 100% of the outstanding principal amount being redeemed plus accrued but unpaid interest, to but excluding the redemption date, but in all cases in a principal amount with integral multiples of \$1,000.

10. Income Taxes

The components of income tax expense as of December 31 were as follows:

	<u>2021</u>	<u>2020</u>
	(In thousands)	
Current income tax expense		
Federal	\$ 5,335	\$ 4,127
State	<u>1,526</u>	<u>1,230</u>
Total current income tax expense	<u>6,861</u>	<u>5,357</u>
Deferred income tax (benefit) expense		
Federal	(197)	251
State	<u>(178)</u>	<u>(170)</u>
Total deferred income tax (benefit) expense	<u>(375)</u>	<u>81</u>
Total income tax expense	<u>\$ 6,486</u>	<u>\$ 5,438</u>

NEW HAMPSHIRE MUTUAL BANCORP AND SUBSIDIARIES

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Years Ended December 31, 2021 and 2020

The reasons for the differences between the statutory federal income tax rate and the effective tax rates are summarized as follows for the years ended December 31:

	<u>2021</u>	<u>2020</u>
	(% of income)	
Federal income tax at statutory rate	21.0%	21.0%
Increase (decrease) in tax resulting from		
Tax-exempt income	(0.8)	(0.8)
Income on life insurance	(0.8)	(0.9)
State tax expense, net of federal tax benefit	3.7	3.5
Other, net	<u>(0.7)</u>	<u>(0.4)</u>
Effective tax rate	<u><u>22.4%</u></u>	<u><u>22.4%</u></u>

The Company had gross deferred tax assets and gross deferred tax liabilities as follows as of December 31:

	<u>2021</u>	<u>2020</u>
	(In thousands)	
Deferred tax assets		
Nonaccrual interest on loans	\$ 26	\$ 20
Allowance for loan losses	6,805	6,016
Deferred supplemental executive retirement	2,025	1,619
Net unrealized holding loss on derivative	17	55
Net unrealized holding loss on available-for-sale securities	1,381	-
Other	<u>26</u>	<u>516</u>
Gross deferred tax assets	<u><u>10,280</u></u>	<u><u>8,226</u></u>
Deferred tax liabilities		
Depreciation	(2,179)	(2,084)
Deferred loan costs, net of fees	(546)	(83)
Net unrealized holding gains on available-for-sale securities	-	(1,429)
Prepaid pension	(829)	(604)
Investment in limited partnership	-	(4)
Mortgage servicing rights	(225)	(278)
Amortizing intangibles and other market value adjustments	(2,691)	(3,116)
Other	<u>(6)</u>	<u>(111)</u>
Gross deferred tax liabilities	<u><u>(6,476)</u></u>	<u><u>(7,709)</u></u>
Net deferred tax asset	\$ <u><u>3,804</u></u>	\$ <u><u>517</u></u>

Deferred tax assets as of December 31, 2021 and 2020, which are included in other assets, have not been reduced by a valuation allowance because management believes that it is more-likely-than-not that the full amount of deferred tax assets will be realized.

NEW HAMPSHIRE MUTUAL BANCORP AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Years Ended December 31, 2021 and 2020

In prior years, the Banks were allowed a special tax-basis bad debt deduction under certain provisions of the Internal Revenue Code. As a result, undivided profits of the Company as of December 31, 2021 and 2020 include approximately \$9,578,000 for which federal and state income taxes have not been provided. If the Banks no longer qualify as banks as defined in certain provisions of the Internal Revenue Code, this amount will be subject to recapture in taxable income ratably over four years, subject to a combined federal and state tax rate of approximately 27.5%.

11. Employee Benefit Plans

Defined Benefit Pension Plan

The Company provides pension benefits for its employees through participation in the Pentegra Defined Benefit Plan for Financial Institutions (the Pentegra DB Plan), a tax-qualified defined-benefit pension plan. The Pentegra DB Plan operates as a multi-employer plan for accounting purposes and as a multiple-employer plan under the Employee Retirement Income Security Act of 1974 and the Internal Revenue Code. There are no collective bargaining agreements in place that require contributions to the Pentegra DB Plan.

The Pentegra DB Plan is a single plan under Internal Revenue Code Section 413(c) and, as a result, all of the assets are available to pay all of the liabilities. The risk of participation in multi-employer pension plans is different from single-employer plans. Accordingly, under the Pentegra DB Plan, contributions made by a participating employer may be used to provide benefits to participants of other participating employers. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.

Total contributions made to the Pentegra DB Plan, as reported on Form 5500, equal \$253,199,000 and \$138,322,000 for the plan years ended June 30, 2021 and 2020, respectively. The Company's contributions to the Pentegra DB Plan are not more than 5% of the total contributions to the Pentegra DB Plan.

The Pentegra DB Plan funded status as of July 1, and Company contributions for the calendar year, are as follows:

Employer Identification Number	Plan Number	Contributions December 31,		Funded Status As of July 1,	
		<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
13-15645888	333	\$6,149,000	\$4,493,000	144.31%	121.31%

NEW HAMPSHIRE MUTUAL BANCORP AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Years Ended December 31, 2021 and 2020

Defined Contribution 401(k) Plan – NHMB

The Company sponsors a 401(k) Defined Contribution Plan (the Plan) which allows its employees to set aside pre-tax and post-tax contributions for retirement savings. Employees may make contributions to the Plan, subject to certain limits based on federal tax laws. The Company, the Banks and NHTC make contributions to the Plan equal to 3% of annual compensation and may make a discretionary annual contribution to the Plan. The Company has the right to terminate the Plan at any time. The Company's 401(k) contribution expense was \$789,000 and \$733,000 for the years ended December 31, 2021 and 2020, respectively.

Supplemental Executive Retirement Plans (SERP)

In 2001, MVSB entered into SERP agreements with certain executive officers. The agreements require the payment of specified benefits upon retirement over specified periods as described in each agreement. The total liability for the agreements included in other liabilities was \$780,000 and \$903,000 at December 31, 2021 and 2020, respectively. Expenses under the agreements were \$40,000 and \$83,000 for 2021 and 2020, respectively. During 2021 and 2020, \$164,000 and \$160,000, respectively, was paid to retired executives per the agreements.

In 2013, MVSB entered into SERP agreements with certain executive officers. The agreements require the payment of specified benefits upon retirement over specified periods as described in each agreement. The total liability for the agreements included in other liabilities was \$461,000 and \$484,000 at December 31, 2021 and 2020, respectively. Expenses under the agreements were \$29,000 and \$56,000 for 2021 and 2020, respectively. During both 2021 and 2020, \$21,000 was paid to retired executives per the agreements.

MCSB established an additional SERP for certain executive officers. This plan, closed in 2020, provided non-funded retirement benefits designed to supplement benefits available through the Company's defined benefit pension plan, 401(k) plan and Social Security. There was no remaining liability at both December 31, 2021 and 2020. There were no expenses under the agreements for both 2021 and 2020. Remaining benefits under the agreements totaling \$1,136,000 were paid in 2020.

In 2015, MCSB entered into SERP agreements for certain key employees. The agreements require the payment of specified benefits upon retirement over specified periods as described in each agreement. The total liability for the agreements included in other liabilities was \$192,000 and \$149,000 at December 31, 2021 and 2020, respectively. Expenses under the agreements were \$43,000 for both 2021 and 2020. There were no benefits paid in 2021 and 2020 under the agreements.

In 2016 and 2018, NHMB entered into SERP agreements with certain executive officers. The agreements require the payment of specified benefits upon retirement over specified periods as described in each agreement. The total liability for the agreements included in other liabilities was \$2,151,000 and \$1,538,000 at December 31, 2021 and 2020, respectively. Expenses under the agreements were \$401,000 and \$270,000 for 2021 and 2020, respectively. During both 2021 and 2020, \$73,000 was paid to retired executives per the agreements.

NEW HAMPSHIRE MUTUAL BANCORP AND SUBSIDIARIES

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In 2019 and 2020, NHMB established an additional SERP for certain executive officers. The agreements require the payment of specified benefits upon retirement over specified periods as described in each agreement. The total liability for the agreements included in other liabilities was \$115,000 and \$65,000 at December 31, 2021 and 2020, respectively. Expenses under the agreements were \$50,000 for both 2021 and 2020. There were no benefits paid in 2021 and 2020 under the agreements.

In 2018 and 2021, SBW entered into SERP agreements with certain executive officers. The agreements require the payment of specified benefits upon retirement over specified periods as described in each agreement. The total liability for the agreements included in other liabilities was \$165,000 and \$105,000 at December 31, 2021 and 2020, respectively. Expenses under the agreements were \$60,000 and \$35,000 for 2021 and 2020, respectively. There were no benefits paid in 2021 and 2020 under the agreements.

In 2017, NHTC entered into a SERP agreement with a certain executive officer. The agreement requires the payment of specified benefits upon retirement over specified periods as described in the agreement. The total liability for the agreement included in other liabilities was \$50,000 and \$40,000 at December 31, 2021 and 2020, respectively. Expenses under the agreements were \$10,000 for both 2021 and 2020. There were no benefits paid in 2021 and 2020 under the agreements.

Deferred Compensation Plan

MVSB has a deferred compensation plan for Directors and management employees as defined in the plan. Generally, benefit payments are made only upon retirement, resignation, death, disability, unforeseeable emergency or the occurrence of a change in control of MVSB. Participant accounts are credited interest at the highest deposit rate paid by MVSB. The related obligation at December 31, 2021 and 2020 amounted to \$661,000 and \$712,000, respectively, and is included in other liabilities.

Director Fee Continuation Plans

During 2011, MVSB established a Director Fee Continuation Plan for Independent Directors (MVSB Director Plan). During 2013, MCSB established a Director Fee Continuation Plan for Independent Directors (MCSB Director Plan). During 2018, SBW established a Director Fee Continuation Plan for Independent Directors (SBW Director Plan). Under these plans, other than accelerated vesting due to death, disability or change in control as described in the plans, no benefits vest unless the Director has completed 10 years of services; and the benefits increase based on additional service up to 15 completed years. The plans have a normal retirement date of 72 years of age.

Under the MVSB Director Plan, MCSB Director Plan and SBW Director Plan, the benefit provided is the "Normal Retirement Benefit" which is determined based on the length of an Independent Director's service on the Board (in the capacity of an Independent Director), and the average of the three highest years of Board fees paid to the Independent Director during the last 5 years of service as an Independent Director. The vesting schedule determines the amount of the Normal Retirement Benefit.

NEW HAMPSHIRE MUTUAL BANCORP AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Years Ended December 31, 2021 and 2020

Accounting for the SERP and Director Plans

Management accounts for the certain executive and director plans under FASB ASC 715, *Compensation – Retirement Benefits*.

The following is a summary of the Director and SERP plans as of December 31:

	<u>2021</u>	<u>2020</u>
	(In thousands)	
Benefit obligation	\$ <u>4,665</u>	\$ <u>4,024</u>
Funded status included in other liabilities	\$ <u>(4,665)</u>	\$ <u>(4,024)</u>
Accumulated benefit obligation	\$ <u>3,651</u>	\$ <u>3,331</u>

Amounts recognized in accumulated other comprehensive income, as of December 31, before tax effect, consisted of:

	<u>2021</u>	<u>2020</u>
	(In thousands)	
Unrecognized net actuarial loss	\$ 538	\$ 224
Unrecognized prior service cost	<u>209</u>	<u>245</u>
	\$ <u>747</u>	\$ <u>469</u>

NEW HAMPSHIRE MUTUAL BANCORP AND SUBSIDIARIES

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Components of net periodic cost and other comprehensive income for the years ended December 31, before tax effect, consisted of:

	<u>2021</u>	<u>2020</u>
	(In thousands)	
Components of net periodic cost		
Service cost	\$ 554	\$ 449
Interest cost	182	171
Amortization of net actuarial loss	27	15
Amortization of prior service cost	<u>36</u>	<u>36</u>
Net periodic cost	<u>799</u>	<u>671</u>
Changes in benefit obligations recognized in other comprehensive income		
Net actuarial gain	342	122
Prior service cost	-	-
Amortization of net actuarial (loss) gain	(27)	(15)
Amortization of prior service cost	<u>(36)</u>	<u>(36)</u>
Total recognized in other comprehensive income	<u>279</u>	<u>71</u>
Total recognized in periodic benefit cost and other comprehensive income	\$ <u>1,078</u>	\$ <u>742</u>

The following amounts are expected to be reclassified from accumulated other comprehensive income and recognized in net periodic benefit cost in 2022 (in thousands):

Amortization of net actuarial gain	\$ 68
Amortization of prior service cost	<u>36</u>
	\$ <u>104</u>

The discount rate used in determining the actuarial present value of projected benefit obligation and net periodic pension cost was 6.00% in 2021 and 2020 for the Director Plans and 2.91% in 2021 and 3.45% in 2020 for the Executive Officer Plan. The assumed salary inflation rate was 3.00% for 2021 and 2020 for both plans.

NEW HAMPSHIRE MUTUAL BANCORP AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Years Ended December 31, 2021 and 2020

Estimated future benefit payments, which reflect expected future service, as appropriate, are as follows (in thousands):

2022	\$	233
2023		236
2024		260
2025		483
2026		282
Thereafter		2,497

Split-Dollar Life Insurance Arrangement

Pursuant to ASC 715 *Compensation - Retirement Benefits*, MVSB recognized a liability for its future postretirement benefit obligations under an endorsement split-dollar life insurance arrangement. The total liability for the arrangement included in other liabilities was \$35,000 and \$39,000 at December 31, 2021 and 2020, respectively.

12. Commitment and Contingencies

Off-Balance-Sheet Risk

The Company is party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to originate loans, standby letters of credit and unadvanced funds on loans. The instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the balance sheets. The contract amounts of those instruments reflect the extent of involvement the Company has in particular classes of financial instruments.

The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for loan commitments and standby letters of credit is represented by the contractual amounts of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

Commitments to originate loans are agreements to lend to a customer provided there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Company upon extension of credit, is based on management's credit evaluation of the borrower. Collateral held varies, but may include secured interests in mortgages, accounts receivable, inventory, property, plant and equipment and income-producing properties.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance by a customer to a third party. The credit risk involved in issuing letters of credit is substantially the same as that involved in extending loan facilities to customers. The Company's outstanding letters of credit generally have a term of less than one year if a letter of credit is drawn.

NEW HAMPSHIRE MUTUAL BANCORP AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Years Ended December 31, 2021 and 2020

Notional amounts of financial instruments with off-balance-sheet credit risk are as follows as of December 31:

	<u>2021</u>		<u>2020</u>
	(In thousands)		
Commitments to originate loans	\$ 70,062	\$	37,655
Standby letters of credit	6,482		7,602
Unadvanced portions of loans			
Commercial loans	118,751		109,209
Commercial real estate	31,000		25,396
Home equity lines	193,796		170,186
Construction loans	71,226		67,020
Other (consumer, municipal, and non-profit)	<u>7,396</u>		<u>6,191</u>
	\$ <u>498,713</u>	\$	<u>423,259</u>

13. Minimum Regulatory Capital Requirements

The Company and the Banks are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possible additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's and the Banks' financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and the Banks must meet specific capital guidelines that involve quantitative measures of their assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Company and the Banks to maintain minimum amounts and ratios (set forth in the following table) of total and Tier 1 capital and Common Equity Tier 1 (as defined in the regulations) to risk-weighted assets (as defined), and of Tier 1 capital to average assets (as defined). Management believes, as of December 31, 2021 and 2020, that the Company and the Banks met all capital adequacy requirements to which they are subject.

Regulatory capital requirements limit a banking organization's capital distributions and certain discretionary bonus payments if the banking organization does not hold a "capital conservation buffer" consisting of 2.5% above its minimum risk-based capital requirements. As of December 31, 2021, NHMB, MCSB, MVSB and SBW had a capital conservation buffer of 7.50%, 6.84%, 8.06% and 7.31%, respectively, of risk-weighted assets, which was in excess of the phased-in regulatory requirement of 2.5%.

NEW HAMPSHIRE MUTUAL BANCORP AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Years Ended December 31, 2021 and 2020

As of December 31, 2021, the most recent notification from the Federal Deposit Insurance Corporation (FDIC) categorized the Banks as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, an institution must maintain minimum total risk-based, Common Equity Tier 1 risk-based, Tier 1 risk-based and Tier 1 leverage ratios as set forth in the following tables. There have been no conditions or events since the notification that management believes have changed the Banks' category.

The Company's and the Banks' actual and minimum capital amounts and ratios as of December 31, 2021 are presented in the following table:

	<u>Actual</u>		<u>Minimum Capital Requirement</u>		<u>Minimum To Be Well Capitalized Under Prompt Corrective Action Provisions</u>	
	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>
			(In thousands)			
Total Capital to Risk Weighted Assets						
Consolidated	\$ 321,145	15.52%	\$ 165,556	8.0%	\$ N/A	
Merrimack County Savings Bank	120,104	14.84	64,765	8.0	80,957	10.0%
Meredith Village Savings Bank	140,482	16.06	69,957	8.0	87,446	10.0
Savings Bank of Walpole	58,685	15.31	30,663	8.0	38,328	10.0
Tier 1 Capital to Risk Weighted Assets						
Consolidated	\$ 279,377	13.50%	\$ 124,167	6.0%	\$ N/A	
Merrimack County Savings Bank	110,624	13.66	48,574	6.0	64,765	8.0%
Meredith Village Savings Bank	129,546	14.81	52,468	6.0	69,957	8.0
Savings Bank of Walpole	54,291	14.16	22,997	6.0	30,663	8.0
Common Equity Tier 1 Capital to Risk Weighted Assets						
Consolidated	\$ 274,377	13.26%	\$ 93,125	4.5%	\$ N/A	
Merrimack County Savings Bank	110,624	13.66	36,430	4.5	52,622	6.5%
Meredith Village Savings Bank	129,546	14.81	39,351	4.5	56,840	6.5
Savings Bank of Walpole	54,291	14.16	17,248	4.5	24,913	6.5
Tier 1 Capital to Average Assets						
Consolidated	\$ 279,377	9.01%	\$ 123,997	4.0%	\$ N/A	
Merrimack County Savings Bank	110,624	9.34	59,209	4.0	59,209	5.0%
Meredith Village Savings Bank	129,546	10.31	62,807	4.0	62,807	5.0
Savings Bank of Walpole	54,291	8.38	32,387	4.0	32,387	5.0

N/A = Not applicable

NEW HAMPSHIRE MUTUAL BANCORP AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Years Ended December 31, 2021 and 2020

The Company's and the Banks' actual and minimum capital amounts and ratios as of December 31, 2020 are presented in the following table:

	<u>Actual</u>		<u>Minimum Capital Requirement</u>		<u>Minimum To Be Well Capitalized Under Prompt Corrective Action Provisions</u>	
	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u> (In thousands)	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>
Total Capital to Risk Weighted Assets						
Consolidated	\$ 271,342	15.09%	\$ 143,876	8.0%	\$ N/A	
Merrimack County Savings Bank	105,956	14.71	57,615	8.0	72,018	10.0%
Meredith Village Savings Bank	129,478	16.70	62,014	8.0	77,517	10.0
Savings Bank of Walpole	42,288	14.02	24,129	8.0	30,162	10.0
Tier 1 Capital to Risk Weighted Assets						
Consolidated	\$ 251,584	13.99%	\$ 107,907	6.0%	\$ N/A	
Merrimack County Savings Bank	97,114	13.48	43,211	6.0	57,615	8.0%
Meredith Village Savings Bank	119,785	15.45	46,510	6.0	62,014	8.0
Savings Bank of Walpole	38,672	12.82	18,097	6.0	24,129	8.0
Common Equity Tier 1 Capital to Risk Weighted Assets						
Consolidated	\$ 251,584	13.99%	\$ 80,930	4.5%	\$ N/A	
Merrimack County Savings Bank	97,114	13.48	32,408	4.5	46,812	6.5%
Meredith Village Savings Bank	119,785	15.45	34,883	4.5	50,386	6.5
Savings Bank of Walpole	38,672	12.82	13,573	4.5	19,605	6.5
Tier 1 Capital to Average Assets						
Consolidated	\$ 251,584	9.07%	\$ 110,903	4.0%	\$ N/A	
Merrimack County Savings Bank	97,114	9.20	42,201	4.0	52,752	5.0%
Meredith Village Savings Bank	119,785	10.37	46,225	4.0	57,781	5.0
Savings Bank of Walpole	38,672	7.03	22,002	4.0	27,502	5.0

N/A = Not applicable

The Company and NHTC are subject to capital guidelines as required by the New Hampshire State Banking and Trust department. Under established capital adequacy guidelines and per the NHTC capital policy, NHTC must maintain \$750,000 segregated for regulatory purposes in two accounts: one with \$500,000 and another with \$250,000. The \$500,000 is considered required capital under RSA 383-C:5-502. The \$250,000 is considered a liquidation pledge under RSA 383-C:5-503. For the years ended December 31, 2021 and 2020, NHTC maintained the two segregated accounts in the amounts of \$250,000 and \$500,000 in accordance with regulatory guidelines. As of December 31, 2021 and 2020, NHTC had total capital in the amount of approximately \$8,000,000 and \$7,400,000, respectively, of which the two segregated balances were a component.

NEW HAMPSHIRE MUTUAL BANCORP AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Years Ended December 31, 2021 and 2020

14. Fair Value Measurements

In accordance with U.S. GAAP, fair value is the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. U.S. GAAP also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. U.S. GAAP defines three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

A financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

A description of the valuation methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below.

The Company's investments in debt securities available-for-sale are generally classified within Level 1 or Level 2 of the fair value hierarchy. For these securities, the Company obtains fair value measurements using quoted market prices or broker or dealer quotations from independent pricing services. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, trading levels, market consensus prepayment speeds, credit information and the instrument's terms and conditions.

The Company's impaired loans are reported at the fair value of the underlying collateral if payment is expected solely from the collateral. Collateral values are estimated using Level 2 inputs based upon sales prices of similar properties obtained from a third-party.

The Company's interest rate swap liability is reported at fair value utilizing Level 2 inputs obtained from third-parties.

NEW HAMPSHIRE MUTUAL BANCORP AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Years Ended December 31, 2021 and 2020

The following summarizes assets and liabilities measured at fair value on a recurring basis using the market approach:

	<u>Fair Value Measurements at December 31, 2021, Using</u>			
		Quoted Prices In		
		Active Markets	Significant Other	Significant
		for Identical	Observable	Unobservable
		Assets	Inputs	Inputs
	<u>Total</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
		(In thousands)		
Available-for-sale securities				
U.S. Treasury securities	\$ 55,116	\$ 55,116	\$ -	\$ -
U.S. Government sponsored enterprises	50,097	-	50,097	-
Taxable state and municipal	3,230	-	3,230	-
Non-taxable state and municipal	6,016	-	6,016	-
Mortgage-backed securities	<u>243,472</u>	<u>-</u>	<u>243,472</u>	<u>-</u>
Total	\$ <u>357,931</u>	\$ <u>55,116</u>	\$ <u>302,815</u>	\$ <u>-</u>
Interest rate swap liability	\$ <u>63</u>	\$ <u>-</u>	\$ <u>63</u>	\$ <u>-</u>

NEW HAMPSHIRE MUTUAL BANCORP AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Years Ended December 31, 2021 and 2020

	<u>Fair Value Measurements at December 31, 2020, Using</u>			
		Quoted Prices In	Significant Other	Significant
		Active Markets	Observable	Unobservable
		for Identical	Inputs	Inputs
		Assets	(Level 2)	(Level 3)
	<u>Total</u>	<u>(Level 1)</u>		
			(Level 2)	(Level 3)
			(In thousands)	
Available-for-sale securities				
U.S. Treasury securities	\$ 29,684	\$ 29,684	\$ -	\$ -
U.S. Government sponsored enterprises	55,365	-	55,365	-
Taxable state and municipal	3,325	-	3,325	-
Non-taxable state and municipal	8,417	-	8,417	-
Corporate bonds and notes	5,149	-	5,149	-
Mortgage-backed securities	<u>162,464</u>	<u>-</u>	<u>162,464</u>	<u>-</u>
Total	\$ <u>264,404</u>	\$ <u>29,684</u>	\$ <u>234,720</u>	\$ <u>-</u>
Interest rate swap liability	\$ <u>198</u>	\$ <u>-</u>	\$ <u>198</u>	\$ <u>-</u>

Under certain circumstances, the Company makes adjustments to fair value for certain assets and liabilities that are not measured at fair value on a recurring basis.

The following table presents the financial instruments carried in the consolidated balance sheet by caption and by level in the fair value hierarchy, for which a nonrecurring change to fair value has been recorded:

	<u>Fair Value Measurements at December 31, 2021, Using</u>			
		Quoted Prices	Significant	Significant
		In Active	Other	Unobservable
		Markets for	Observable	Inputs
		Identical Assets	Inputs	(Level 3)
	<u>Total</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
			(In thousands)	
(Market approach)				
Impaired loans	\$ 935	\$ -	\$ 935	\$ -
Mortgage servicing rights	<u>1,186</u>	<u>-</u>	<u>1,186</u>	<u>-</u>
Total	\$ <u>2,121</u>	\$ <u>-</u>	\$ <u>2,121</u>	\$ <u>-</u>

NEW HAMPSHIRE MUTUAL BANCORP AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Years Ended December 31, 2021 and 2020

	<u>Fair Value Measurements at December 31, 2020, Using</u>			
	<u>Total</u>	Quoted Prices In Active Markets for Identical Assets <u>(Level 1)</u>	Significant Other Observable Inputs <u>(Level 2)</u>	Significant Unobservable Inputs <u>(Level 3)</u>
		(In thousands)		
(Market approach)				
Impaired loans	\$ 696	\$ -	\$ 696	\$ -
Mortgage servicing rights	<u>1,108</u>	<u>-</u>	<u>1,108</u>	<u>-</u>
Total	<u>\$ 1,804</u>	<u>\$ -</u>	<u>\$ 1,804</u>	<u>\$ -</u>

Impaired loans were written down to their fair value in 2021 and 2020 of \$935,000 and \$696,000, respectively, resulting in an impairment charge through the allowance for loan losses. Mortgage servicing rights are carried net of an impairment reserve of \$12,000 and \$81,000, respectively.

15. Uncertainties

The ongoing pandemic, rapid response to emerging variants and the balancing of market and inflation concerns continue to impact most industries. This, along with supply chain constraints and the tremendous fiscal and monetary policy response to the pandemic, has pushed inflation to the highest levels in recent history. These factors have created uncertainty surrounding the potential economic ramifications, and any government actions to mitigate them. Accordingly, management expects any action taken by the Federal Reserve to mitigate inflation and additional closures resulting from new virulent strains of the virus may have a financial impact on the Company's consolidated financial position and results of future operations, such potential impact cannot be reasonably estimated.

16. Subsequent Events

For the purposes of the presentation of these financial statements in conformity with U.S. GAAP, management has considered transactions or events occurring through March 16, 2022, which is the date that the financial statements were available to be issued. Management has not evaluated subsequent events after that date for inclusion in the financial statements.

SUPPLEMENTAL INFORMATION

NEW HAMPSHIRE MUTUAL BANCORP AND SUBSIDIARIES

Consolidating Balance Sheet

December 31, 2021

ASSETS

	<u>Meredith Village Savings Bank</u>	<u>Merrimack County Savings Bank</u>	<u>The New Hampshire Trust Company</u>	<u>Savings Bank of Walpole (In thousands)</u>	<u>New Hampshire Mutual Bancorp (Parent)</u>	<u>Eliminations</u>	<u>Consolidated</u>
Cash and due from banks	\$ 9,029	\$ 9,881	\$ 1,858	\$ 6,245	\$ 1,589	\$ (3,270)	\$ 25,332
Deposits with Federal Reserve Bank and Federal Home Loan Bank	<u>27,026</u>	<u>53,994</u>	-	<u>47,313</u>	-	-	<u>128,333</u>
Total cash and cash equivalents	36,055	63,875	1,858	53,558	1,589	(3,270)	153,665
Available-for-sale securities, at fair value	83,037	147,160	-	127,734	-	-	357,931
Federal Home Loan Bank of Boston stock, at cost	1,822	1,329	-	614	-	-	3,765
Loans held for sale	1,139	-	-	131	-	-	1,270
Loans, net of allowance for loan losses	1,118,768	906,880	-	468,144	(226)	(136)	2,493,430
Premises and equipment, net	21,527	15,761	145	6,485	904	-	44,822
Goodwill	-	2,546	3,967	-	-	(3,000)	3,513
Amortizing intangible assets from acquisitions	-	1,164	3,024	-	4,568	-	8,756
Accrued interest receivable	2,289	2,141	-	1,228	-	-	5,658
Cash surrender value of life insurance policies	16,265	16,056	-	6,860	-	-	39,181
Investment in Subsidiaries	-	-	-	-	301,561	(301,561)	-
Other assets	<u>5,424</u>	<u>6,340</u>	<u>771</u>	<u>3,922</u>	<u>5,187</u>	<u>(703)</u>	<u>20,941</u>
Total assets	\$ <u>1,286,326</u>	\$ <u>1,163,252</u>	\$ <u>9,765</u>	\$ <u>668,676</u>	\$ <u>313,583</u>	\$ <u>(308,670)</u>	\$ <u>3,132,932</u>

NEW HAMPSHIRE MUTUAL BANCORP AND SUBSIDIARIES

Consolidating Balance Sheet

December 31, 2021

LIABILITIES AND SURPLUS

	Meredith Village Savings Bank	Merrimack County Savings Bank	The New Hampshire Trust Company	Savings Bank of Walpole	New Hampshire Mutual Bancorp (Parent)	Eliminations	Consolidated
Deposits							
Noninterest-bearing	\$ 191,466	\$ 193,269	\$ -	\$ 76,566	\$ -	\$ (3,270)	\$ 458,031
Interest-bearing	<u>917,316</u>	<u>774,346</u>	<u>-</u>	<u>536,643</u>	<u>-</u>	<u>-</u>	<u>2,228,305</u>
Total deposits	1,108,782	967,615	-	613,209	-	(3,270)	2,686,336
Securities sold under agreements to repurchase	32,497	71,236	-	-	-		103,733
Advances from Federal Home Loan Bank of Boston	7,845	7,620	-	-	-	-	15,465
Subordinated debentures	-	-	-	-	24,510	-	24,510
Interest rate swap liability	-	-	-	-	63	-	63
Other liabilities	<u>8,847</u>	<u>4,356</u>	<u>1,776</u>	<u>2,674</u>	<u>4,567</u>	<u>(2,041)</u>	<u>20,179</u>
Total liabilities	<u>1,157,971</u>	<u>1,050,827</u>	<u>1,776</u>	<u>615,883</u>	<u>29,140</u>	<u>(5,311)</u>	<u>2,850,286</u>
Surplus							
Undivided profits	129,546	114,014	7,989	54,291	288,028	(307,637)	286,231
Accumulated other comprehensive loss	<u>(1,191)</u>	<u>(1,589)</u>	<u>-</u>	<u>(1,498)</u>	<u>(3,585)</u>	<u>4,278</u>	<u>(3,585)</u>
Total surplus	<u>128,355</u>	<u>112,425</u>	<u>7,989</u>	<u>52,793</u>	<u>284,443</u>	<u>(303,359)</u>	<u>282,646</u>
Total liabilities and surplus	\$ <u>1,286,326</u>	\$ <u>1,163,252</u>	\$ <u>9,765</u>	\$ <u>668,676</u>	\$ <u>313,583</u>	\$ <u>(308,670)</u>	\$ <u>3,132,932</u>

NEW HAMPSHIRE MUTUAL BANCORP AND SUBSIDIARIES

Consolidating Balance Sheet

December 31, 2020

ASSETS

	Meredith Village Savings Bank	Merrimack County Savings Bank	The New Hampshire Trust Company	Savings Bank of Walpole (In thousands)	New Hampshire Mutual Bancorp (Parent)	Eliminations	Consolidated
Cash and due from banks	\$ 10,457	\$ 14,413	\$ 1,852	\$ 6,682	\$ 563	\$ (2,088)	\$ 31,879
Deposits with Federal Reserve Bank and Federal Home Loan Bank	<u>11,376</u>	<u>25,989</u>	<u>-</u>	<u>35,789</u>	<u>-</u>	<u>-</u>	<u>73,154</u>
Total cash and cash equivalents	21,833	40,402	1,852	42,471	563	(2,088)	105,033
Available-for-sale securities, at fair value	72,482	83,250	-	108,672	-	-	264,404
Federal Home Loan Bank of Boston stock, at cost	1,758	1,487	-	513	-	-	3,758
Loans held for sale	1,032	-	-	-	-	-	1,032
Loans, net of allowance for loan losses	996,371	868,975	-	387,440	(677)	(189)	2,251,920
Premises and equipment, net	20,358	16,522	171	6,369	932	-	44,352
Goodwill	-	2,546	3,967	-	-	(3,000)	3,513
Amortizing intangible assets from acquisitions	-	2,328	3,312	-	5,106	-	10,746
Accrued interest receivable	2,800	2,493	-	1,513	-	-	6,806
Cash surrender value of life insurance policies	15,880	15,587	-	6,694	-	-	38,161
Investment in Subsidiaries	-	-	-	-	270,375	(270,375)	-
Other assets	<u>3,682</u>	<u>3,958</u>	<u>711</u>	<u>1,306</u>	<u>3,852</u>	<u>(179)</u>	<u>13,330</u>
Total assets	\$ <u>1,136,196</u>	\$ <u>1,037,548</u>	\$ <u>10,013</u>	\$ <u>554,978</u>	\$ <u>280,151</u>	\$ <u>(275,831)</u>	\$ <u>2,743,055</u>

NEW HAMPSHIRE MUTUAL BANCORP AND SUBSIDIARIES

Consolidating Balance Sheet

December 31, 2020

LIABILITIES AND SURPLUS

	Meredith Village Savings <u>Bank</u>	Merrimack County Savings <u>Bank</u>	The New Hampshire Trust <u>Company</u>	Savings Bank of <u>Walpole</u> (In thousands)	New Hampshire Mutual Bancorp <u>(Parent)</u>	<u>Eliminations</u>	<u>Consolidated</u>
Deposits							
Noninterest-bearing	\$ 150,811	\$ 184,004	\$ -	\$ 64,777	\$ -	\$ (2,088)	\$ 397,504
Interest-bearing	<u>824,713</u>	<u>690,718</u>	<u>-</u>	<u>448,087</u>	<u>-</u>	<u>-</u>	<u>1,963,518</u>
Total deposits	975,524	874,722	-	512,864	-	(2,088)	2,361,022
Securities sold under agreements to repurchase	24,382	46,856	-	-	-	-	71,238
Advances from Federal Home Loan Bank of Boston	8,025	8,085	-	-	-	-	16,110
Subordinated debentures	-	-	-	-	5,155	-	5,155
Interest rate swap liability	-	-	-	-	198	-	198
Other liabilities	<u>7,691</u>	<u>5,373</u>	<u>2,631</u>	<u>2,262</u>	<u>3,181</u>	<u>(1,510)</u>	<u>19,628</u>
Total liabilities	<u>1,015,622</u>	<u>935,036</u>	<u>2,631</u>	<u>515,126</u>	<u>8,534</u>	<u>(3,598)</u>	<u>2,473,351</u>
Surplus							
Undivided profits	119,786	101,348	7,382	38,672	267,075	(269,101)	265,162
Accumulated other comprehensive income	<u>788</u>	<u>1,164</u>	<u>-</u>	<u>1,180</u>	<u>4,542</u>	<u>(3,132)</u>	<u>4,542</u>
Total surplus	<u>120,574</u>	<u>102,512</u>	<u>7,382</u>	<u>39,852</u>	<u>271,617</u>	<u>(272,233)</u>	<u>269,704</u>
Total liabilities and surplus	\$ <u>1,136,196</u>	\$ <u>1,037,548</u>	\$ <u>10,013</u>	\$ <u>554,978</u>	\$ <u>280,151</u>	\$ <u>(275,831)</u>	\$ <u>2,743,055</u>

NEW HAMPSHIRE MUTUAL BANCORP AND SUBSIDIARIES

Consolidating Statements of Income

Year Ended December 31, 2021

	Meredith Village Savings Bank	Merrimack County Savings Bank	The New Hampshire Trust Company	Savings Bank of Walpole (In thousands)	New Hampshire Mutual Bancorp (Parent)	Eliminations	Consolidated
Interest and dividend income							
Interest and fees on loans	\$ 43,438	\$ 37,064	\$ -	\$ 17,273	\$ 452	\$ 54	\$ 98,281
Interest and dividends on securities							
Taxable	1,191	1,597	-	1,613	749	-	5,150
Tax-exempt	-	-	-	146	-	-	146
Other interest	<u>36</u>	<u>94</u>	<u>-</u>	<u>49</u>	<u>-</u>	<u>(1)</u>	<u>178</u>
Total interest and dividend income	<u>44,665</u>	<u>38,755</u>	<u>-</u>	<u>19,081</u>	<u>1,201</u>	<u>53</u>	<u>103,755</u>
Interest expense							
Interest on deposits	1,659	1,282	-	911	-	-	3,852
Interest on securities sold under agreements to repurchase	66	165	-	-	-	-	231
Interest on advances from Federal Home Loan Bank of Boston	23	228	-	-	-	(1)	250
Interest on subordinated debentures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>536</u>	<u>-</u>	<u>536</u>
Total interest expense	<u>1,748</u>	<u>1,675</u>	<u>-</u>	<u>911</u>	<u>536</u>	<u>(1)</u>	<u>4,869</u>
Net interest and dividend income	42,917	37,080	-	18,170	665	54	98,886
Provision for loan losses	<u>1,533</u>	<u>816</u>	<u>-</u>	<u>2,350</u>	<u>-</u>	<u>-</u>	<u>4,699</u>
Net interest and dividend income after provision for loan losses	<u>41,384</u>	<u>36,264</u>	<u>-</u>	<u>15,820</u>	<u>665</u>	<u>54</u>	<u>94,187</u>

NEW HAMPSHIRE MUTUAL BANCORP AND SUBSIDIARIES

Consolidating Statements of Income (Concluded)

Year Ended December 31, 2021

	Meredith Village Savings Bank	Merrimack County Savings Bank	The New Hampshire Trust Company	Savings Bank of Walpole	New Hampshire Mutual Bancorp (Parent)	Eliminations	Consolidated
Noninterest income							
Fees and service charges on deposit accounts	3,501	2,212	-	2,257	-	-	7,970
Gain on sales of available-for-sale securities, net	167	14	-	480	31	-	692
Gain on sale of loans, net	174	183	-	25	-	-	382
Income from wealth management	-	-	7,296	-	-	-	7,296
Increase in cash surrender value of life insurance policies	385	469	-	166	-	-	1,020
NHMB Allocation Income	-	-	-	-	17,522	(17,522)	-
Dividend Income	-	-	-	-	1,219	(1,219)	-
Undistributed Earnings from Subsidiaries	-	-	-	-	19,937	(19,937)	-
Other income	<u>473</u>	<u>689</u>	<u>29</u>	<u>175</u>	<u>4</u>	<u>(77)</u>	<u>1,293</u>
Total noninterest income	<u>4,700</u>	<u>3,567</u>	<u>7,325</u>	<u>3,103</u>	<u>38,713</u>	<u>(38,755)</u>	<u>18,653</u>
Noninterest expenses							
Salaries and employee benefits	12,934	8,903	3,326	5,241	17,462	-	47,866
Occupancy expense	2,518	2,106	194	1,048	29	(51)	5,844
Equipment expense	2,784	2,455	67	1,840	-	-	7,146
Professional fees	878	691	1,723	449	13	-	3,754
Account services/data processing expense	1,915	1,885	-	1,662	-	-	5,462
Marketing expense	739	778	183	627	-	-	2,327
FDIC assessments	337	441	-	340	-	-	1,118
Amortization of intangible assets from acquisitions	-	1,165	288	-	537	-	1,990
Charitable contributions	348	370	32	229	-	-	979
Other expenses	<u>10,497</u>	<u>9,647</u>	<u>705</u>	<u>5,096</u>	<u>403</u>	<u>(17,549)</u>	<u>8,799</u>
Total noninterest expenses	<u>32,950</u>	<u>28,441</u>	<u>6,518</u>	<u>16,532</u>	<u>18,444</u>	<u>(17,600)</u>	<u>85,285</u>
Income before income taxes	13,134	11,390	807	2,391	20,903	(21,070)	27,555
Income tax expense	<u>3,215</u>	<u>2,796</u>	<u>199</u>	<u>411</u>	<u>(127)</u>	<u>(8)</u>	<u>6,486</u>
Net income	\$ <u>9,919</u>	\$ <u>8,594</u>	\$ <u>608</u>	\$ <u>1,980</u>	\$ <u>21,030</u>	\$ <u>(21,062)</u>	\$ <u>21,069</u>

NEW HAMPSHIRE MUTUAL BANCORP AND SUBSIDIARIES

Consolidating Statements of Income

Year Ended December 31, 2020

	Meredith Village Savings Bank	Merrimack County Savings Bank	The New Hampshire Trust Company	Savings Bank of Walpole (In thousands)	New Hampshire Mutual Bancorp (Parent)	<u>Eliminations</u>	<u>Consolidated</u>
Interest and dividend income							
Interest and fees on loans	\$ 41,910	\$ 37,119	\$ -	\$ 14,864	\$ 452	\$ 87	\$ 94,432
Interest and dividends on securities							
Taxable	1,240	1,519	-	1,489	(18)	-	4,230
Tax-exempt	-	-	-	145	-	-	145
Other interest	<u>48</u>	<u>31</u>	<u>-</u>	<u>141</u>	<u>1</u>	<u>(105)</u>	<u>116</u>
Total interest and dividend income	<u>43,198</u>	<u>38,669</u>	<u>-</u>	<u>16,639</u>	<u>435</u>	<u>(18)</u>	<u>98,923</u>
Interest expense							
Interest on deposits	4,302	3,627	-	1,426	-	-	9,355
Interest on securities sold under agreements to repurchase	101	271	-	-	-	-	372
Interest on advances from Federal Home Loan Bank of Boston	825	916	-	-	-	(105)	1,636
Interest on subordinated debentures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>188</u>	<u>-</u>	<u>188</u>
Total interest expense	<u>5,228</u>	<u>4,814</u>	<u>-</u>	<u>1,426</u>	<u>188</u>	<u>(105)</u>	<u>11,551</u>
Net interest and dividend income	37,970	33,855	-	15,213	247	87	87,372
Provision for loan losses	<u>3,090</u>	<u>2,837</u>	<u>-</u>	<u>863</u>	<u>-</u>	<u>-</u>	<u>6,790</u>
Net interest and dividend income after provision for loan losses	<u>34,880</u>	<u>31,018</u>	<u>-</u>	<u>14,350</u>	<u>247</u>	<u>87</u>	<u>80,582</u>

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NEW HAMPSHIRE MUTUAL BANCORP AND SUBSIDIARIES

Consolidating Statements of Income (Concluded)

Year Ended December 31, 2020

	Meredith Village Savings Bank	Merrimack County Savings Bank	The New Hampshire Trust Company	Savings Bank of Walpole	New Hampshire Mutual Bancorp (Parent)	Eliminations	Consolidated
Noninterest income							
Fees and service charges on deposit accounts	3,065	1,996	-	1,917	-	-	6,978
Gain (loss) on sales of available-for-sale securities, net	609	857	-	501	77	-	2,044
Gain on sale of loans, net	1,945	1,864	-	13	-	-	3,822
Income from wealth management	-	-	6,620	-	-	-	6,620
Increase in cash surrender value of life insurance policies	369	454	-	160	-	-	983
NHMB Allocation Income	-	-	-	-	15,417	(15,417)	-
Dividend Income	-	-	-	-	582	(582)	-
Undistributed Earnings from Subsidiaries	-	-	-	-	17,837	(17,837)	-
Other income	<u>580</u>	<u>765</u>	<u>7</u>	<u>144</u>	<u>383</u>	<u>(91)</u>	<u>1,788</u>
Total noninterest income	<u>6,568</u>	<u>5,936</u>	<u>6,627</u>	<u>2,735</u>	<u>34,296</u>	<u>(33,927)</u>	<u>22,235</u>
Noninterest expenses							
Salaries and employee benefits	11,649	8,656	3,256	5,162	15,323	-	44,046
Occupancy expense	2,480	2,150	195	963	29	(56)	5,761
Equipment expense	2,345	2,007	53	1,466	-	-	5,871
Professional fees	552	463	1,199	258	49	-	2,521
Account services/data processing expense	1,769	1,779	-	1,572	-	-	5,120
Marketing expense	719	810	151	516	-	-	2,196
FDIC assessments	187	278	-	138	-	-	603
Amortization of intangible assets from acquisitions	-	1,165	288	-	537	-	1,990
Charitable contributions	314	338	6	223	5	-	886
Other expenses	<u>11,068</u>	<u>10,160</u>	<u>604</u>	<u>3,228</u>	<u>387</u>	<u>(15,452)</u>	<u>9,995</u>
Total noninterest expenses	<u>31,083</u>	<u>27,806</u>	<u>5,752</u>	<u>13,526</u>	<u>16,330</u>	<u>(15,508)</u>	<u>78,989</u>
Income before income taxes	10,365	9,148	875	3,559	18,213	(18,332)	23,828
Income tax expense	<u>2,400</u>	<u>2,161</u>	<u>224</u>	<u>798</u>	<u>(133)</u>	<u>(12)</u>	<u>5,438</u>
Net income	\$ <u>7,965</u>	\$ <u>6,987</u>	\$ <u>651</u>	\$ <u>2,761</u>	\$ <u>18,346</u>	\$ <u>(18,320)</u>	\$ <u>18,390</u>