

A MESSAGE FROM OUR PRESIDENT

JANUARY 2020

Thanks to our talented and dedicated teams, 2019 was another record-breaking year at Salem Five. We experienced record profitability, rapid growth across multiple divisions and industry-leading customer satisfaction scores. As we embark on a new decade of delivering unmatched expertise across banking, insurance, mortgage, wealth management and trust services, it is important to take a moment to highlight all that we collectively accomplished last year.

In addition to the bank's renowned Commercial Lending and retail banking divisions, three of the bank's key pillars – mortgage, insurance, and trust – thrived. We hired additional mortgage loan officers and staff to support lending operations and help more homebuyers experience Salem Five's personalized service with access to market leading products and technology. Our insurance division continued its steady annual growth and our trust division completed its first full year of operation, capitalizing on the untapped demand for wealth management and trust services across our area.

We brought our retail bank closer to customers with the relocation of five core branches, increasing their visibility and convenience. We also moved forward on plans in three new locations serving Peabody, Billerica and Wilmington, laying the groundwork for first-time customers to get acquainted with all that Salem Five has to offer. Moreover, retail expansion serves growing local businesses, as our Community Business Banking group expands, delivering on new, specialized loan offers across our network.

All of this transpired while existing customers began experiencing the benefits of our substantial investments in online and mobile technologies. Salem Five now offers person-to-person payments with Zelle, giving our customers a fast, safe and easy way to send money to friends and family. We also began migrating many of our systems to cloud-based platforms to ensure our products can be accessed seamlessly anywhere, anytime.

2019 also saw significant investment in our most important asset: our employees. We expanded our total workforce to 600 plus, adding both senior-level staff to deliver on strategy and promising young talent, injecting new energy and ideas into our organization. These additions leave us well positioned for continued growth and, as a result, we are increasing the size of our main campus in Salem, ensuring proper space for our people to grow and



Ping Yin Chai, President & CEO

prosper along with the institution. And, of course, Salem Five's charitable foundation continues to make an impact in the communities we serve, supporting locally based nonprofits with grants to strengthen the communities we live and work in.

2019 was a year of considerable and meaningful progress and achievements, exemplifying what Salem Five strives to be as a business, employer, and community leader. We are deeply grateful to our employees, customers, and communities for making continued progress possible. As we leave one exceptional decade behind, and enter a new one with ample momentum, we are committed to ensuring Salem Five is even stronger ten years from now than it is today.

A handwritten signature in black ink that reads "Ping Yin Chai". The signature is fluid and cursive.

Ping Yin Chai
President and CEO

2019 FINANCIAL HIGHLIGHTS

(Amounts in Thousands)

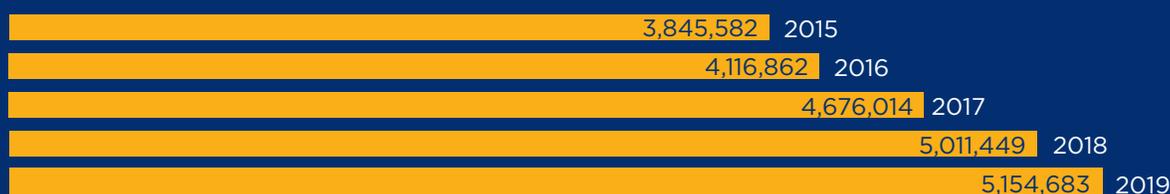
	2019	2018	2017	2016	2015
SELECT BALANCE SHEET DATA					
Total Assets	5,154,683	5,011,449	4,676,014	4,116,862	3,845,582
Securities	970,953	1,015,203	970,372	969,995	994,432
Residential first mortgage loans	1,562,419	1,540,319	1,453,424	1,264,205	1,092,782
Consumer loans	223,686	247,638	242,513	226,935	226,701
Commercial loans and leases	2,222,667	2,019,039	1,849,122	1,519,857	1,402,099
Allowance for credit losses	40,784	34,022	28,726	24,601	22,294
Total loans and leases, net	3,967,988	3,772,974	3,516,333	2,986,396	2,699,288
Total deposits	3,929,440	3,703,229	3,389,814	3,080,210	2,792,329
Borrowed funds	566,817	733,725	762,579	545,650	593,328
Total capital ⁽¹⁾	585,578	519,754	472,998	441,363	410,723

⁽¹⁾ Before accumulated and other comprehensive income

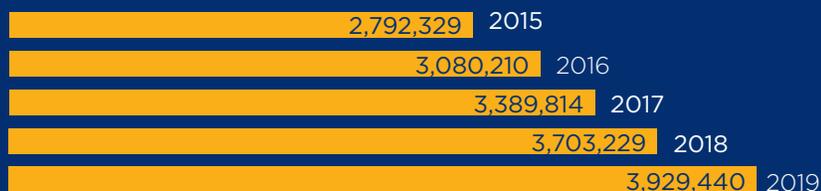
SELECT OPERATING DATA

Net interest income	146,111	139,137	126,737	105,983	96,575
Provision for credit losses	7,200	6,850	5,200	3,675	1,200
Non-interest income	54,673	39,139	41,321	40,531	34,293
Non-interest expense	107,284	108,194	106,347	93,421	87,772
Income before taxes	86,300	63,232	56,511	49,418	41,896
Net income	63,862	47,092	32,132	30,640	26,686

TOTAL ASSETS (000's)



TOTAL DEPOSITS (000's)



TOTAL CAPITAL (000's)

