

A MESSAGE FROM OUR PRESIDENT

MARCH 2023

I am pleased to report that Salem Five Bancorp continued to experience strong growth across all areas of the organization in 2022, including \$739 million in record asset growth and \$55.4 million in consolidated net income. Due to market volatility and a slowdown in mortgage originations, net income was lower in 2022 compared to 2021. The strong earnings contributed to the healthy Tier 1 leverage ratio of 11.14% and total capital ratio of 15.34%, which are significantly higher than the capital requirements set by state and federal regulators to be considered a well-capitalized institution.

Salem Five Bancorp's total assets increased to \$6.6 billion as of December 31, 2022, significantly ahead of projections. The Bank's deposits grew to \$4.9 billion, up from \$4.4 billion one year earlier. The Bank experienced significant loan growth in 2022, with all loan categories exceeding expectations. Loans outstanding totaled \$4.8 billion, an increase of \$600 million over the prior year, led by a \$229 million increase in commercial loans and a \$251 million increase in mortgages. In the fourth quarter, the Bank increased the provision for loan losses by \$3 million as a prudent measure to address the uncertainties in the current economic environment. However, the performance of the overall loan portfolio remained strong with a low delinquency rate of 0.40% and a reserve for possible loan losses of \$62 million, or 1.31%, of total loans outstanding.

Throughout 2022, Salem Five maintained its commitment to offer new products and services to make banking easier and more convenient for consumers and businesses alike. Salem Five welcomed a significant number of customers to the Bank's new Institutional Banking Group. Salem Five also strengthened its position as a regional insurance provider by acquiring the fourth insurance agency over the past two years. As a result, Salem Five Insurance broadened its footprint across eastern Massachusetts, expanding to nine locations.

The Bank also realized the full-year benefits of the newly organized Salem Five Wealth Management & Trust in mid-2021, which enabled it to better offer its expertise and investment products to a growing clientele. With total assets under management close to \$1.0 billion, this division is positioned to help customers build, grow and protect their wealth. Meanwhile, the Retail division continued its commitment to providing outstanding service to customers, despite some staffing challenges due to the aftereffects of the pandemic and a competitive marketplace for talent.

On the operations side, a robust front-end commercial lending system was installed to support the expanding commercial lending division. Fraud detection systems are constantly being evaluated and enhanced to protect the Bank, as well as all its customers. Salem Five's online and mobile banking platforms are refreshed periodically and new features added to stay on par or better than larger competitors. Technology investments remain a priority at Salem Five. The institution's core technology was significantly enhanced using cloud technology, the entire 33 Salem Five branch system was upgraded with a high



Ping Yin Chai, President & CEO

capacity/high reliability network that improved customer service. Meanwhile, a voice biometric authentication system is in implementation.

Supporting non-profits in the markets Salem Five serves is the mission of the Salem Five Charitable Foundation. Salem Five is proud to have donated nearly half a million dollars to 250 organizations throughout the year and during the holiday season, the Bank hosted its second annual toy drive for needy children - tripling the number of toys donated by customers and employees.

To broaden and strengthen the Salem Five brand, the Bank announced a multi-year agreement with the New England Sports Network in 2022, giving the Bank the naming rights to NESN's signature studio in Watertown, Massachusetts. This high-profile investment reinforces Salem Five as a major player in the region's banking industry, introducing the Bank to potential customers who are looking for a strong, reliable and talented local banking partner.

The recent failure of "specialty" banks like Silicon Valley Bank, Signature Bank and Silvergate Bank made news headlines for weeks. At Salem Five, business remains as usual with the Bank's large customer base. Salem Five dates back to 1855, has strong capital, well-diversified business lines and, to be sure, the Bank is not in the crypto or start-up financing businesses.

At Salem Five, we never "rest on our laurels." As a mutual bank with no stockholders, we strive to improve each year and grow the organization to better serve consumers, businesses and communities in the region. The Bank will continue to put customers' needs first, continue to hire best-in-class talent, and invest in technology to accomplish our mission. Rest assured, Salem Five's 650 talented and dedicated employees will be here to serve you today and tomorrow with all of your banking, mortgage, investment and insurance needs.

A handwritten signature in black ink that reads "Ping Yin Chai". The signature is fluid and cursive, written in a professional style.

Ping Yin Chai,
President and CEO

2022 FINANCIAL HIGHLIGHTS

(Amounts in Thousands)

	2022	2021	2020	2019	2018
SELECT BALANCE SHEET DATA					
Total Assets	\$6,617,521	\$5,878,350	\$5,636,604	\$5,154,683	\$5,011,449
Securities	1,584,320	1,514,578	1,153,167	970,953	1,015,203
Residential first mortgage loans	1,585,983	1,331,684	1,362,266	1,562,419	1,540,319
Consumer loans	204,493	167,084	182,121	223,686	247,638
Commercial loans and leases	2,973,620	2,665,608	2,646,872	2,222,667	2,019,039
Allowance for credit losses	62,489	57,824	52,186	40,784	34,022
Total loans and leases, net	4,701,607	4,106,552	4,139,073	3,967,988	3,772,974
Total deposits	4,949,127	4,438,928	4,167,206	3,929,440	3,703,229
Borrowed funds	760,754	638,803	689,951	566,817	733,725
Total capital ⁽¹⁾	771,266	715,885	651,298	585,578	519,754
⁽¹⁾ Before accumulated and other comprehensive income					
Tier 1 Leverage Ratio	11.14%	11.41%	11.05%	10.66%	9.78%
Total Capital Ratio	15.34%	16.11%	16.45%	15.28%	14.25%

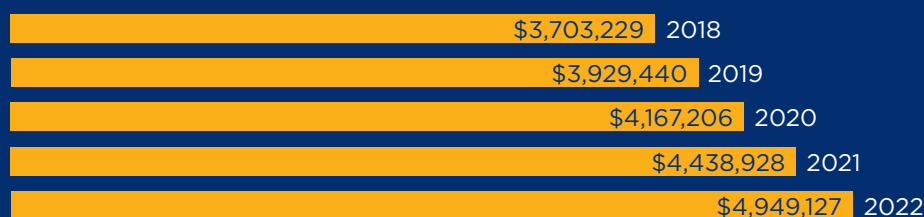
SELECT OPERATING DATA

Net interest income	\$175,035	\$136,613	\$133,789	\$146,111	\$139,137
Provision for credit losses	7,200	6,200	10,850	7,200	6,850
Non-interest income	34,791	76,257	83,525	54,673	39,139
Non-interest expense	128,040	118,796	117,308	107,284	108,194
Income before taxes	74,586	87,874	89,156	86,300	63,232
Net income	55,381	64,587	65,820	63,862	47,092

TOTAL ASSETS (000s)



TOTAL DEPOSITS (000s)



TOTAL CAPITAL (000s)

