

A MESSAGE FROM OUR PRESIDENT

JANUARY 2022

In 2021, Salem Five continued its strong growth across all areas of the organization, despite the lingering affects of the global pandemic. We were pleased to be able to connect more in-person with our customers and colleagues as restrictions lessened during the year. We maintained our commitment to offering new products and services – always aiming to make doing business with us easier and more convenient. Salem Five strengthened its position this year as a regional financial services provider. This included three insurance agency acquisitions, which resulted in Salem Five Insurance broadening its footprint now totaling eight offices across eastern Massachusetts. In addition, Salem Five greatly reinforced its Commercial Banking division with the introduction of a dedicated Institutional Banking Group and adding lenders to our experienced team. With some industry consolidation during the year, Salem Five is well poised to elevate its stature and be the resource of choice for consumers and businesses alike.

Salem Five Bancorp's total assets increased to nearly \$6 billion. Payroll Protection Program (PPP) loans were lifelines for our business customers during the pandemic and Salem Five is proud to have granted \$350 million of such loans to corporate customers during a very challenging period. The Bank's deposits continued to grow to \$4.4 billion (up \$272 million from year prior).

Loan growth continued, led by Commercial loans increasing by \$156 million, Community Business Banking loans increasing by \$63 million and our Aviation division's portfolio was up \$13 million. Mortgage loans have started to level off, declining by \$22 million, and home equity loans decreased by \$15 million. However, the Mortgage division still excelled with \$1.6 billion in loan closings, albeit down from 2020's record of \$2.1 billion.

Salem Five Wealth Management & Trust was re-organized last year to better offer our expertise and investment products to a growing clientele. With total assets under management at nearly \$1 billion, this division is better positioned to help customers build, grow and protect their wealth.

The Retail division continues to offer great service to our customers, despite some staffing challenges due to the pandemic and the competitive marketplace for talent. Our two newest locations, in Billerica and Wilmington, had 1-year anniversaries and plans are in the works for a new branch location in the burgeoning Beverly market.



Ping Yin Chai, President & CEO

Technology continues to be a focus for the bank. A robust front-end commercial lending system was secured and being implemented to better support the commercial lending growth we're experiencing. Fraud detection systems are constantly being evaluated and enhanced. And, we continue to improve our online and mobile banking offerings ensuring we're on par or better than our peers.

Supporting non-profits in the areas we serve is the mission of the Charitable Foundation and we are proud to have donated nearly half a million dollars to 250 organizations throughout the year. And, during the holiday season, we facilitated a company-wide toy drive where customers and employees donated toys to children in need using donation bins at each branch and corporate location. For our inaugural year, we accumulated more than 1,000 toys that were given to appreciative families in the area.

At Salem Five, we never 'rest on our laurels'. We aim to improve each year and grow the organization to better support the residents, businesses and communities in our region. With \$7 billion in assets set as our aggressive three-year goal, we know we have work to do. We will continue to put our customers' needs first, continue to hire best-in-class talent, and invest in advanced technology to help us get there.

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

Ping Yin Chai, *President and CEO*

2021 FINANCIAL HIGHLIGHTS

(Amounts in Thousands)

SELECT BALANCE SHEET DATA

	2021	2020	2019	2018	2017
Total Assets	\$5,878,350	\$5,636,604	\$5,154,683	\$5,011,449	\$4,676,014
Securities	1,514,578	1,153,167	970,953	1,015,203	970,372
Residential first mortgage loans	1,331,684	1,362,266	1,562,419	1,540,319	1,453,424
Consumer loans	167,084	182,121	223,686	247,638	242,513
Commercial loans and leases	2,665,608	2,646,872	2,222,667	2,019,039	1,849,122
Allowance for credit losses	57,824	52,186	40,784	34,022	28,726
Total loans and leases, net	4,106,552	4,139,073	3,967,988	3,772,974	3,516,321
Total deposits	4,438,928	4,167,206	3,929,440	3,703,229	3,388,940
Borrowed funds	638,803	689,951	566,817	733,725	762,579
Total capital ⁽¹⁾	715,885	651,298	585,578	519,754	472,998

⁽¹⁾ Before accumulated and other comprehensive income

SELECT OPERATING DATA

Net interest income	\$136,613	\$133,789	\$146,111	\$139,137	\$126,737
Provision for credit losses	6,200	10,850	7,200	6,850	5,200
Non-interest income	76,257	83,525	54,673	39,139	41,321
Non-interest expense	118,796	117,308	107,284	108,194	106,347
Income before taxes	87,874	89,156	86,300	63,232	56,511
Net income	64,587	65,820	63,862	47,092	32,132

TOTAL ASSETS (000s)



TOTAL DEPOSITS (000s)



TOTAL CAPITAL (000s)

