

The logo for Salem Five, featuring the text "Salem Five" in a blue serif font. A yellow star is positioned above the letter "i" in "Five", and a yellow swoosh extends from the top of the "e" in "Five" to the right. A registered trademark symbol (®) is located at the end of the word "Five".

SalemFive®

SERVING THE FINANCIAL NEEDS  
OF FAMILIES & BUSINESSES THROUGHOUT OUR REGION  
SINCE 1855

# A MESSAGE FROM OUR PRESIDENT

JANUARY 2019

It is with great pride that we reflect on 2018 as another very successful year at Salem Five. With significant accomplishments across business units and service lines, Salem Five reached over five billion dollars in total assets, allowing us to surpass financial goals years ahead of schedule and maintain our position as one of the 10 largest Massachusetts-based banking institutions.

In 2018, we expanded the commercial lending division which attracted a significant number of new customers. We also launched a trust division boosting an already outstanding wealth management program and, in retail banking, we upgraded core retail market locations complimenting the integration of Georgetown Savings Bank and Sage Bank into Salem Five's expanding retail network.

2018 was also a busy year for the insurance division. Salem Five Insurance acquired two insurance agencies: Cape Ann Insurance (Gloucester) and Fabri & Rourke (Georgetown) which greatly expanded the footprint of the division. I'm happy to report, Central Mutual Insurance Company named Salem Five Insurance the Premier Agency of the Year in recognition of growth, track record of service and attention to quality. A well-deserved accolade for our insurance staff, who underwrite close to 70 million dollars in insurance premiums each year.

Salem Five Mortgage continues to thrive. Over the years, it has financed the purchase of more homes than any other bank headquartered in Massachusetts and secured the position as the top servicer of loans in New England. All of this made possible through the implementation of new technology to speed up the loan approval process, paired with personalized service from our mortgage experts.

A strong year across all business lines, from commercial lending to mortgage, our success reflects the strength of the Salem Five brand and Salem Five's commitment to meeting the needs of customers. As an independent mutual bank serving tight-knit communities, we greatly value customer feedback. We survey customers across all business lines weekly to ensure we maintain and support the top-tier customer service measures we've achieved – always working to improve our customers' experiences.



Ping Yin Chai, President & CEO

Looking ahead, Salem Five's focus is on growing and adapting to meet customers changing needs. It's not sufficient to be part of the region's business growth; we will and must continue to drive that growth. Through customer feedback, dedicated employees, innovation and investment in technology, we will continue to position Salem Five as a leader in banking and customer service.

I thank our customers and employees for contributing to Salem Five's success in 2018. We will continue to solidify, and amplify, Salem Five's position as an institution of integrity and business acumen with a keen understanding of the markets we serve and their unique needs.

Ping Yin Chai  
President and CEO

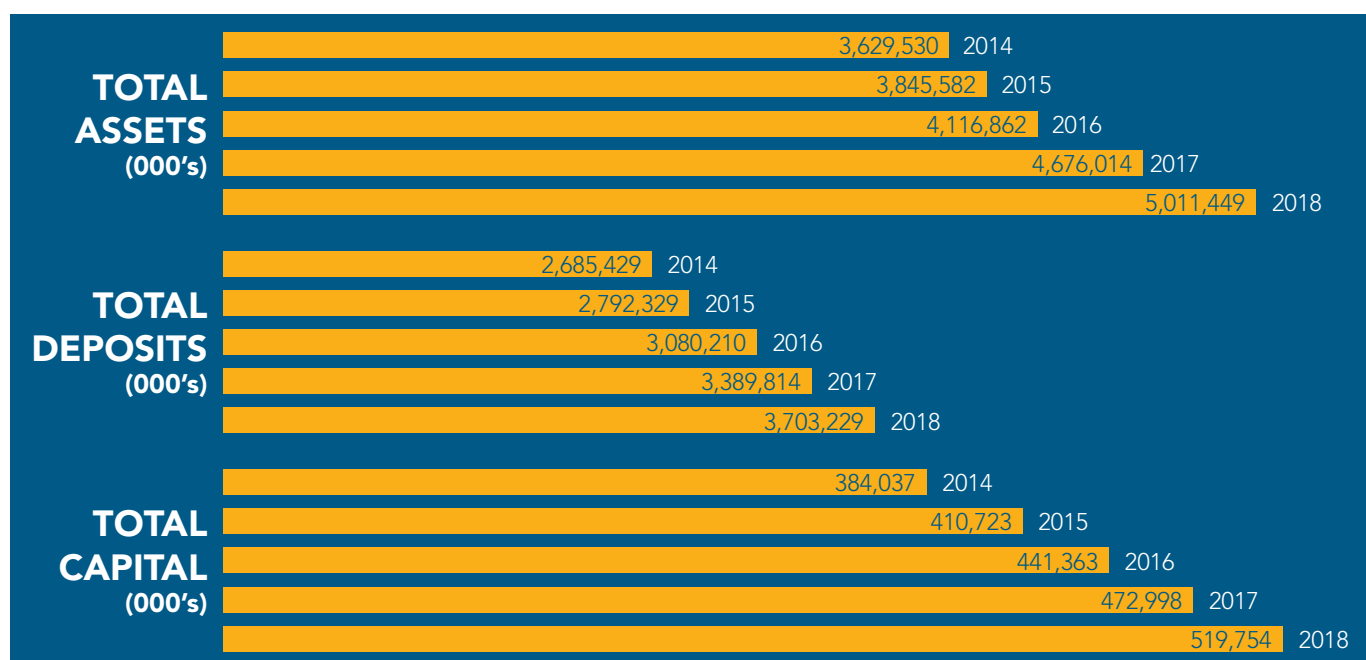
# 2018 FINANCIAL HIGHLIGHTS

(Amounts in Thousands)	2018	2017	2016	2015	2014
<b>SELECT BALANCE SHEET DATA</b>					
Total Assets	5,011,449	4,676,014	4,116,862	3,845,582	3,629,530
Securities	1,015,203	970,372	969,995	994,432	1,028,056
Residential first mortgage loans	1,540,319	1,453,424	1,264,205	1,092,782	983,951
Consumer loans	247,638	242,513	226,935	226,701	203,535
Commercial loans and leases	2,019,039	1,849,122	1,519,857	1,402,099	1,289,214
Allowance for credit losses	34,022	28,726	24,601	22,294	21,536
Total loans and leases, net	3,772,974	3,516,333	2,986,396	2,699,288	2,455,164
Total deposits	3,703,229	3,389,814	3,080,210	2,792,329	2,685,429
Borrowed funds	733,725	762,579	545,650	593,328	506,987
Total capital <sup>(1)</sup>	519,754	472,998	441,363	410,723	384,037

<sup>(1)</sup> Before accumulated and other comprehensive income

## SELECT OPERATING DATA

Net interest income	139,137	126,737	105,983	96,575	92,809
Provision for credit losses	6,850	5,200	3,675	1,200	600
Non-interest income	39,139	41,321	40,531	34,293	29,783
Non-interest expense	108,194	106,347	93,421	87,772	81,257
Income before taxes	63,232	56,511	49,418	41,896	40,735
Net income	47,092	32,132	30,640	26,686	26,007



Salem Five at Burlington Mall is one of several boutique branches, featuring less square footage and more robust service offerings.



At its heart, Salem Five is a mutual bank with a deep commitment to its customers, communities and employees. Our more than 160 years of experience ensures an in-depth knowledge of our region and our customers, while our commitment to innovation ensures we are providing the best new banking technology.

## RETAIL

Our level of service, convenience, and commitment to personal relationships set us apart. A focus on innovation enables us to bring our customers the latest in mobile banking technology, often ahead of the market, through the Salem Five mobile app and the latest mobile payment services. From our home territory on Boston's North Shore, through Middlesex and Norfolk Counties, to Boston's Financial District, our retail stores offer access to experts across our depth of business areas. Most locations offer early morning, evening, and Sunday hours as a hallmark of our commitment to serve busy lifestyles. Outstanding digital engagement with Salem Five, combined with exceptional people to work with, is the heart of our customer experience.

## COMMERCIAL

We are true partners to our commercial customers to help them grow their businesses, protect their assets, and guide mergers and acquisitions. We immerse ourselves in the businesses we serve and use this knowledge to become valued advisors throughout their business life cycles. As the economy, industries and goals fluctuate, we are there to help our customers shift, grow, adapt and, ultimately, realize their business goals.



Digital experiences like Live Chat, Mobile Deposit, Person-to-Person Payments (P2P), and Digital Wallets help give a few extra minutes back to Salem Five customers every day.



Salem Five Mortgage Company maintains an operations center in Plymouth, Massachusetts to support growing origination and servicing capabilities throughout the region.

## INVESTMENTS

Understanding an individual's unique financial profile and circumstances is central to our approach. The knowledgeable advisors at Salem Five Investment Services get to know customers, ask the right questions and use this information to customize uniquely personal financial plans. We take a broad approach as we design sound financial strategies, considering investment savings, retirement planning, estate planning and other short- and long-term planning that allows for peace of mind today and in the years to come.

## MORTGAGE

Salem Five Mortgage has financed more homes than any other Massachusetts bank, and is one of the largest servicers of mortgages in New England. Deep skills and expertise are at the foundation of our mortgage lending practice. Our representatives listen to customers, educate them on the options available to meet their needs, and play an integral role simplifying and managing the mortgage process. We're proud of our legacy in this area, and even more proud of what we continue to do every day.

## INSURANCE

Salem Five has one of the largest bank-owned insurance businesses in the state, and continues to grow both organically and through acquisition. Recognized with Five Star Service awards, our insurance team works with individuals, families and businesses to identify the right mix of products to protect against the unexpected for the home, office, auto and life.



# CLIENT SPOTLIGHT

## KURGO

Active Dog Travel & Outdoor Products  
Salisbury, MA

Kitter Spater, an industrial designer, and brother Gordie Spater, who has a business background, grew up in a family of entrepreneurs. After over a decade in business, the two are still dominating the retail category they invented, with 300+ innovative products to help people enjoy getting outside and exploring the world with their dogs. To make their next big stage of growth happen, they connected with Salem Five.



Brothers Kitter and Gordie Spater, founded Kurgo in 2003, the original maker of adventure travel products for dogs.



***"We value how engaged Salem Five is with our business. We're always pushing the envelope, so it's important to be able to have honest conversations with my bankers."***



## WINDOVER CONSTRUCTION

Full-service Construction Management Firm  
Beverly, MA

Lee Dellicker, president and CEO of Windover Construction, values his ability to build relationships as a key to Windover's success. They make the effort to develop a deep understanding of each project's surroundings, including engaging students at the schools they work with. Lee cites partner relationships based on trust and transparency as critical to his business, particularly the one he's developed with Salem Five. "They treat me the way I hope my company treats our clients," he notes. "As we continue to grow and look at other markets, we know we can take advantage of Salem Five's experience and connections as we go about it."

Lee Dellicker, president & CEO of Windover Construction, capitalized on the recession to build a talented team and launch his business, focused on expanding some of the area's most prominent school campuses and nonprofits.

***"Salem Five Bank has always made things happen quickly and easily, to the point where I trust them with my personal finances, too. They are just the right size to meet all our needs as we continue to grow together."***



# COMMUNITY



Salem Five volunteers welcome morning commuters at an MBTA train station in the Fall. Upon their arrival, commuters are greeted with the sounds of live jazz, apples, apple cider, cider donuts, and Salem Five goodie bags.



Salem Five's commitment to our community and steadfast corporate citizenship are woven into the fabric of our culture. We're proud of our employees' engagement in their communities through board service and volunteerism, and believe it's our responsibility to respond to the needs of communities we serve through our products, services and philanthropy.

The Salem Five Charitable Foundation maintains a strategic focus on providing both human and financial resources to aid in three primary areas: 1) improving financial literacy 2) developing a strong local workforce 3) advancing economic self-sufficiency.

In keeping with our founding roots as a mutual savings bank, management has a deep sense

of responsibility to the economic health and well-being of our communities. With a goal of life-long impact, we strive to help today's families make smart financial decisions and believe it's critical for the next generation to develop their financial skills and knowledge.



Local students take part in Salem Five's financial literacy program, where they learn the importance of personal finance and real-world money management skills.



[salemfive.com](https://www.salemfive.com) | 800.4SALEM5

 Equal Housing Lender | Member FDIC | Member DIF