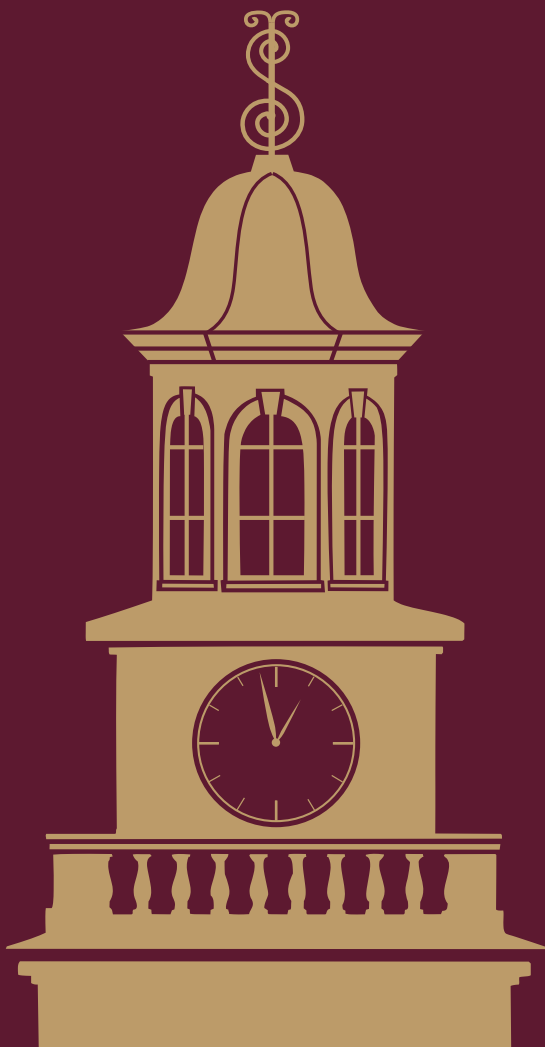


INSTITUTION FOR SAVINGS



2015 ANNUAL STATEMENT



OUR VISION

The Institution for Savings
will positively affect the lives
of every person, business and
organization within the
communities it serves.

FROM THE PRESIDENT



Dear Valued Customer,

For the sixth consecutive year the Institution for Savings reached all-time highs in total assets, total loans, total deposits and total capital. We also reported net income of \$23.5 million marking the third year that net income exceeded \$23 million. More importantly our core net operating income of \$14 million is the highest in the Bank's 195 year history.

Our strong earnings allowed us to pay our depositors the best interest rates in the marketplace, charge the lowest fees and contribute over \$1.7 million to our charitable foundations furthering our commitment to supporting local not-for-profit organizations and ensuring that our community continues to be a great place to live.

Residential and Commercial Lending

Total loans increased \$454 million or 33 percent with substantial increases in all of our product lines. Commercial loans increased approximately \$88 million or 30 percent reaching \$384 million, the majority of which is high quality commercial real estate loans. Residential loans increased \$367 million or 33% as we continued to offer the lowest mortgage rates in the marketplace while maintaining our sound underwriting standards.

Our total loan portfolio now exceeds \$1.8 billion and was the main driver of our record net operating income in 2015. The consistent cash flows from the loan portfolio will lead to strong core earnings over the next few years.

Total Deposits and Expansion

Total deposits increased approximately \$336 million or 20 percent. This increase was due to the highly competitive interest rates we offer on our checking, savings, money market, and term deposit accounts.

This was our first full year operating the former offices of Rockport National Bank, which at the end of August 2014 had total deposits of \$185 million. Since the acquisition the combined deposits in these offices increased \$83 million to

\$268 million. The majority of this increase occurred in our Beverly office as total deposits increased from \$2 million to \$67 million.

We opened our Middleton office in May and by year-end total deposits reached \$92 million, while our Topsfield office increased \$40 million reaching \$152 million in less than three years. The success of these two offices led to the decision to open a new office in Boxford in November furthering our commitment to the Masconomet region.

As always, our primary focus is to provide the best customer service in the banking industry and as a result we continue to build upon our long-term customer relationships while adding additional customers as we expand our footprint and enhance our electronic banking products.

Net Income

We managed our balance sheet growth exceptionally well, controlled operating costs and maintained our effective tax rate of 20 percent. *As a result, our net operating income of \$14 million was also the biggest in the Bank's history.*

Despite the extreme volatility in the stock market due to the lack of global growth, the excess supply of oil and the uncertainty created by the Federal Reserve Bank regarding short term interest rates, we booked over \$16 million in gains on sales of common stock. Our portfolio outperformed both the Dow Jones Industrials and the S&P 500. We continue to maintain a stock portfolio which primarily consists of high quality blue chip stocks which provided over \$5.8 million of dividend income in 2015.

With strong operating income combined with gains on sales of common stock we reported net income of approximately \$23.5 million for a return on assets of 1.06 percent.

Once again our net income will place us amongst the top performing banks in Massachusetts.

Most importantly our total capital remains strong at \$252 million and will provide opportunities for additional growth and expansion.

Our employees and trustees want to thank you, our customer, for your continued business and loyalty to the Institution for Savings. You are truly the reason for our success!

Sincerely,

Michael J. Jones
President & CEO

BALANCE SHEET

December 31, 2015 and 2014 (\$ in Thousands)

	2015	2014
ASSETS		
Cash and due from banks	\$ 83,981	\$ 102,373
Federal funds sold	2,546	3,168
Investment securities, available-for-sale	250,972	245,048
Investment securities, held-to-maturity	161,979	165,582
Loans, less allowance for loan losses	1,847,363	1,393,096
Other real estate owned	150	350
Premises and fixed assets, net	33,663	32,738
Goodwill	9,435	9,229
Other assets	101,987	82,903
Total assets	<u>\$ 2,492,076</u>	<u>\$ 2,034,487</u>
LIABILITIES AND EQUITY CAPITAL		
Deposits	\$ 2,066,998	\$ 1,727,518
Borrowings	137,544	27,757
Other liabilities	35,431	38,724
Total liabilities	<u>2,239,973</u>	<u>1,793,999</u>
Retained earnings	252,779	229,305
Accumulated other comprehensive income	(676)	11,183
Total equity capital	<u>252,103</u>	<u>240,488</u>
Total liabilities and equity capital	<u>\$ 2,492,076</u>	<u>\$ 2,034,487</u>
Tier 1 leverage capital ratio	10.06%	10.82%
Total loans to total assets	74.13%	68.47%

The financial statements of the bank are subject to examination by the FDIC, Office of the Commissioner of Banks and independent certified public accountants whose examinations and audit dates may differ from the December 31st date as reported above.

STATEMENT OF INCOME

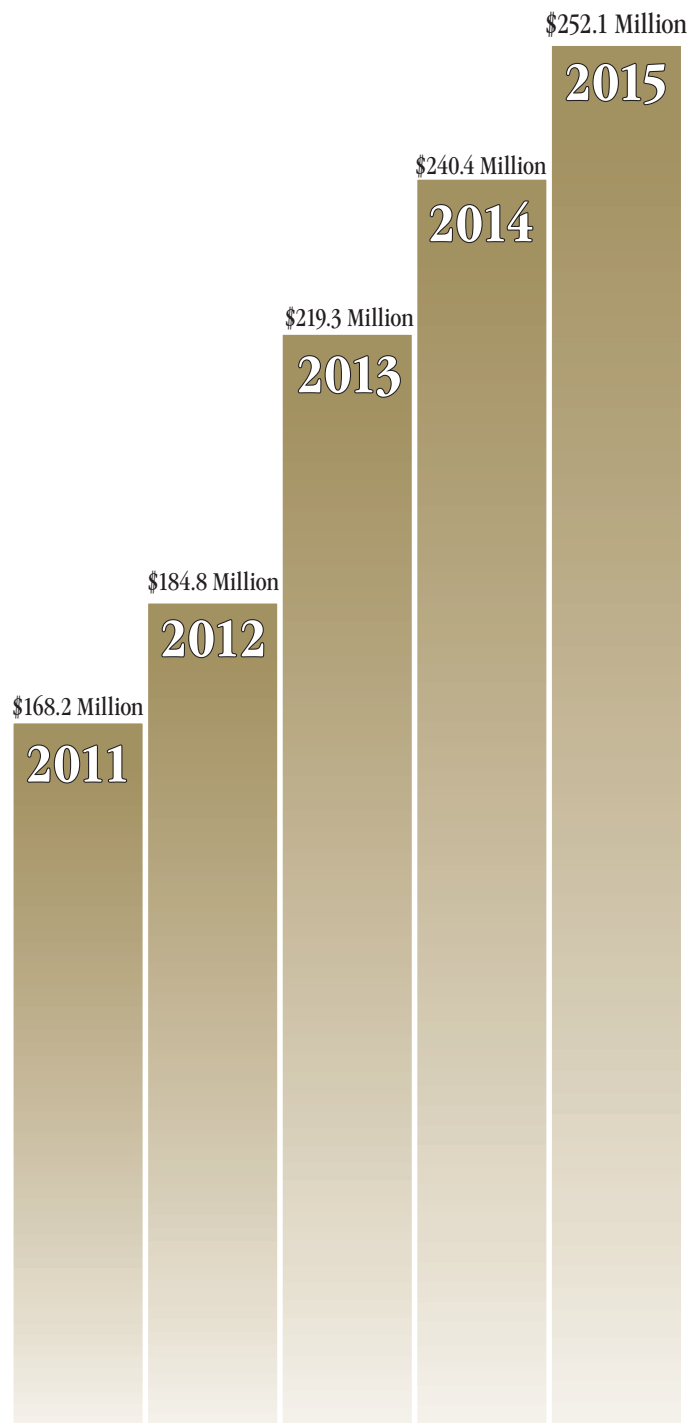
Twelve Months Ended December 31, 2015 and 2014

(\$ in Thousands)

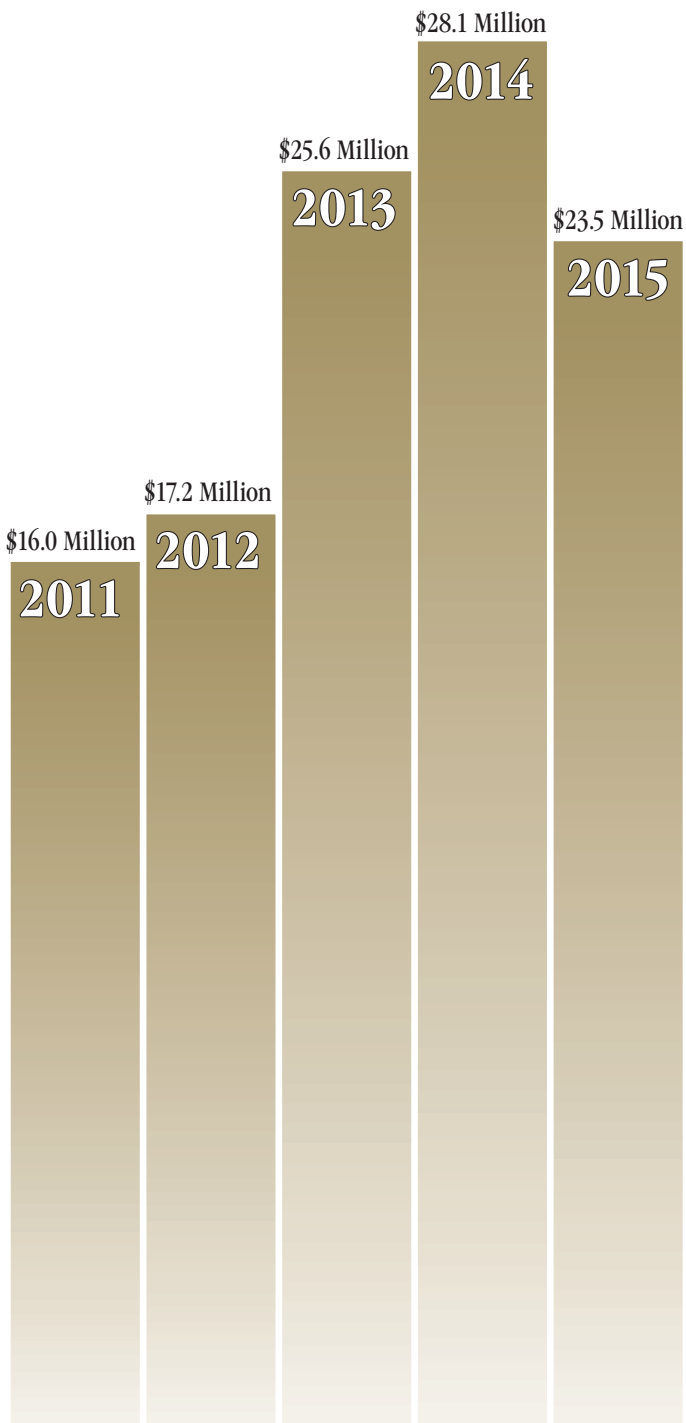
	2015	2014
Interest income:		
Interest and fees on loans	\$ 59,581	\$ 47,254
Interest and dividends on securities	11,734	11,191
Other interest	368	149
Total interest income	<u>71,683</u>	<u>58,594</u>
Interest expense:		
Interest on deposits	22,717	18,126
Interest on borrowings and other liabilities	1,636	1,285
Total interest expense	<u>24,353</u>	<u>19,411</u>
Net interest income	47,330	39,183
Other income:		
Service charges on deposit accounts	426	319
Other	3,700	3,685
Total other income	<u>4,126</u>	<u>4,004</u>
Operating expenses:		
Salaries and employee benefits	18,011	15,581
Premises and fixed assets	4,751	3,204
Other	11,815	8,894
FDIC & DIF insurance	1,161	1,187
Provision for loan losses	1,100	1,200
Total operating expenses	<u>36,838</u>	<u>30,066</u>
Income from operations	14,618	13,121
Contribution to charitable foundations/other	(1,732)	(2,015)
Expenses related to acquisition	0	(2,806)
Realized gains on securities	16,403	26,903
Income before taxes	29,289	35,203
Provision for income taxes	<u>5,815</u>	<u>7,106</u>
Net income	<u>\$ 23,474</u>	<u>\$ 28,097</u>
Income from Operations, net of tax	\$14,047	\$13,172
Return (net income) on average assets	1.06%	1.55%
Return (net income) on average equity	9.63%	12.26%
Net interest income on average assets	2.14%	2.17%

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TOTAL CAPITAL



NET INCOME



BOARD OF TRUSTEES

Donald M. Greenough, Owner, Law Office of Donald M. Greenough	1987
Michael J. Jones, Chairman, President & CEO, Institution for Savings	2000
Ellen Galanis Nich, Certified Public Accountant	2001
R. Drew Marc-Aurele, Owner, Marcorelle's Fine Wines & Liquors	2002
Richard J. Silverman, Owner, Physical Therapist, The Ipswich Center	2002
David A. Tibbetts, President, MVEDC/Of Counsel, Smith, Ruddock & Hayes	2003
Ellen Mackey Rose, Owner, Ellen Rose, CPA, CFP	2005
Freeman J. Condon, Owner, Beach Plum Farms	2007
Cindy M. Johnson, Owner, Publishing Services	2007
John F. Leary III, Owner, JFL Financial Services, LLC	2007
Jeremiah T. Lewis, Owner, Bernard M. Sullivan Insurance Agency	2008
Kimberly A. Rock, Executive Vice President & COO, Institution for Savings	2010
James V. Ellard, President & CEO, New England Biolabs	2012
Kevin M. Gasiorowski, Owner, Appleton Eye Associates	2012
Saira Naseer-Ghiasuddin, President, Medical Staff Anna Jaques Hospital and Medical Director at North Shore Internal Medicine	2012
John J. Meany, CEO Emeritus, YMCA of the North Shore	2015
Stuart E. Winfrey, Co-founder/Co-owner, Winfrey's Fudge & Chocolate	2015

Elected

EMPLOYEES

Jocelyn Adams	Kathleen Ferreira	Kelly Nappa
Jane Albert	Mairead Finnegan	Thomas Neary
Raymond Amirault III	Jessica Fish	Tobey O'Dea
Keri Archibald	Estelle Gagnon	Julie O'Dell
David Bakas	Lesley Galicki	Paula Ouellette
Nancy Banks	Melanie Gardella	Mary Ann Padellaro
David Batterton	Melanie Gaudet	Melissa Pagdilao
Katherine Bauer	Mary Gauvain	Mark Panall
Autumn Benson	Nicole Giglio	Bridget Panniello
Debra Bernard	Anne Girard	Krystle Parkes
Elizabeth Brennan	David Goodwin	Zachary Peabody
LeeAnn Brewer	Amy Greelish	Jessica Perkins
Shannon Brindamour	Karla Grondin	Joshua Perkins
Debra Brockelbank	Elizabeth Grossheim	Leslie Peterson
Samantha Brouillette	Haley Guilmette	Kathryn Phelan
Grace Brown	Erica Gurczak	Merissa Piper
Rachel Budrow	Skylar Hambley	Steven Preston
Alison Burbine	Michael Hart	Reasey Prom
Kathleen Burke	Darlene Hartt	Christopher Reydel
Eileen Burnham	Shelby Hawkes	Susan Reynolds
Maureen Bussone	Craig Heil	Steven Richard
Steven Butterfield	Kristina Hodgkins	Pamela San Antonio
Samantha Cahill	Karyn Holappa	Jessica Sanderson
Christopher Campbell	Tracy Howard	Laura Sarno
Joan Canning	Lisa Hudson	Stephanie Sergi
Lauri Carlson	Jennifer Hussey	Linda Settineri
Alexandra Champion	Druscilla Jackson	Patricia Shamsuddin
Jillian Charette	Erica Jancewicz	Melody Silveira
Courtney Chin	Henryk Jankowski	Jennifer Soltys
Rosalie Ciaramitaro	Kelsey Jaworski	Mary Souter
Judith Cocotas	Tracye Jernegan	Angela St. Peter
Cortney Collins	Elizabeth Jonikas	Denise St. Peter
David Collins	Judy Julian	Linda Staaf
Barbara Comora	Jessica Juncker	Edward Stevenson
Patricia Connelly	Michele Kelleher	Dawne Studzinski
Jennifer Connolly	Joy Keller	Molly Sullivan
Cheryl Conway	Catherine Ketchopulos	Nicole Sullivan
Lindsay Cooper	Scott Kirkpatrick	Gillian Sutton
Vanessa Cracchiolo	Lisa Kriz	Cheryl Sweeney
Sandi Cullen	Susannah Landreth	Vivian Sweeney
Amy Curley	Judith Langill	Nancy Taylor
Haley Curley	Kathryn Limone	Lisa Teixeira
Anne Davidson	Kimberly Macdonald	Sandra Terry
Tyler Davis	Michael Manni	Eli Timmons
Denise Delli Priscoli	Stephanie Manuel	Cynthia Todd
Ann Donohoe	Angela Marino	Kristin Turner
Kira Dority	Jennifer Mazur	Kelly VanDerwerken
David Doucette	Geraldine Mazzeo	Stephen VanDerwerken
Lisa Drinkwater	Bryn McCarthy	Tanya Ventre
Kimberley Edwards	Bozena McFayden	Jillian Wall
John Eldredge	Ellin McSweeney	Jennifer Warren
Lauren Ellis	Jamie Millen	Roseann Wayrynen
Julie England	Benjamin Misiano	Frances Wentworth
Daniela Eramo	Jennifer Morgan	Laurie Whelan
Ryan Fantasia	Kimber Morin	Aubree Wollitz
Samantha Fay	Kristen Murrin	Adam Young
Lindsay Ferlauto	Andrew Nalesnik	Lisa Zappa
		Julia Zawacki

OFFICERS

Michael J. Jones, President & Chief Executive Officer
Kimberly A. Rock, Executive Vice President & Chief Operating Officer
David E. Boudreau, Senior Vice President
Stephen P. Cote, Senior Vice President, Treasurer & Controller
Patricia A. Ferguson, Senior Vice President
Thomas M. Hopp, Senior Vice President & Chief Information Officer
Lawrence R. Hunter, Senior Vice President
Robert C. LeGallo, Senior Vice President & Chief Financial Officer
Karen A. MacCormack, Senior Vice President & Senior Lender
Anna L. Makos, Senior Vice President
Tammy A. Roeger, Senior Vice President
Karl R. Wilson, Senior Vice President

VICE PRESIDENTS

Wesley R. Barry	Rebecca L. Conary	Bruce P. Macdonald
Pamela J. Bishop	Katrina P. Cutts	Caroline M. Meagher
Mary Anne Clancy	Melissa W. LeBel	Lori G. Rostkowski
Rebecca L. Collins	John A. LeBlanc	Christopher R. Sullivan

ASSISTANT VICE PRESIDENTS

Christine N. Allen	Mary T. Foote-Hill	Maria I. Medina
Paula J. Bratt	Suzanne P. Garand-Bradford	Deborah P. Sowards
Marcia J. Budrow	Theodore J. Garside	Amy L. Smith
Almiris M. Contreras	Kerry A. Hamel-Pope	Joshua W. Tuff
Sandra A. Corrao	Jennifer L. Kocur	Hanson M. Webster
Dian M. Dastous	Rachel R. Lachance	Isaac Raymond Webster III
Susan J. Ellis	Michelle M. Mahair	Jessica S. Yuhaz

CORPORATORS

Frederick J. Abdulla	Ruth C. George	Robert C. Miller
Benjamin C. Armstrong	Jennifer Germain	John F. Moak
Roger C. Armstrong	James H. Gilford	John G. Morris
Todd M. Baltich	Benjamin M. Gorniewicz	David A. Mullen
A. Gerard Beauchamp	Alex D. Gramling	U. Mary Murray
Jean Paul Beck	Donald M. Greenough	Saira Naseer-Ghiasuddin
Umesh Bhujju	Christopher Gregory	David B. Newbert
Robin S. Blair	Mark W. Griffin	Ellen Galanis Nich
Robert G. Bodwell	David D. Hall	Charles K. Nutter
E. Douglas Bolick	Augustus Harrington	Mark E. O'Brien
John F. Bradshaw	Daniel Harrington	William J. O'Flaherty
Mae C. Bradshaw	J. Keith Harris	Jacqueline Page
Eugene E. Case	Gerald S. Hirsch	Nancy E. Peace
Lucinda J. Cathcart	Gary W. Jernegan	R. Sean Perkins
David J. Chatfield	Cindy M. Johnson	Kerri S. Perry
Anne-Marie Clancy	Russell A. Johnson	William J. Plante
Daryl G. Colden	Michael J. Jones	Carol L. Powers
Paul S. Como	Richard M. Kallman	Marcy Pregent
Freeman J. Condon	Peter G. Kelly	Judy E. Proctor
Christopher J. Connolly	Jeffrey C. Kirpas	Kevin G. Puopolo
Lawrence J. Cuddire	Paul Labadini	Frederick H. Richenburg
Andrew J. de Bernardo	Kenneth Labrecque	Kimberly A. Rock
Gene del Rio	Kathy Lampropoulos	Ellen Mackey Rose
John J. Desmond III	Mary E. Larnard	Michael E. Rowan
William J. DiMento	Christopher M. Latham	Michele T. Sasmor
Paul J. Donohoe	John F. Leary III	Esther M. Sayer
Denald H. Doonan	Richard A. LeBlanc	Richard J. Silverman
Marlene M. Doyle	David L. Levesque	Paula Simpson
Suzanne C. Dubus	Jeremiah T. Lewis	David M. Smith
Donald Dupray	Susan J. Little	Christopher L. Snow
Robert H. Ebersole	Andrew B. MacDonald	David A. Tibbetts
James V. Ellard	Gerald B. MacKillop Jr.	Maria Z. Todaro
John C. Elwell	R. Drew Marc-Aurele	Charles E. Wear III
Henry L. Farmer III	Jon H. Martin	Mark F. Welch
Zachary T. Field	Robert T. Martin	Mark Welling
Brian Forget	Stephen J. McGarr	Pauline C. White
Cheryl B. Forster-Cahill	Lisa L. Mead	Stuart E. Winfrey
William J. Freitag	John J. Meany	Jonathan J. Woodman
Kevin M. Gasiorowski	Stuart A. Meurer	

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Newburyport • Beverly • Boxford • Gloucester • Ipswich
Middleton • Rockport • Rowley • Salisbury • Topsfield