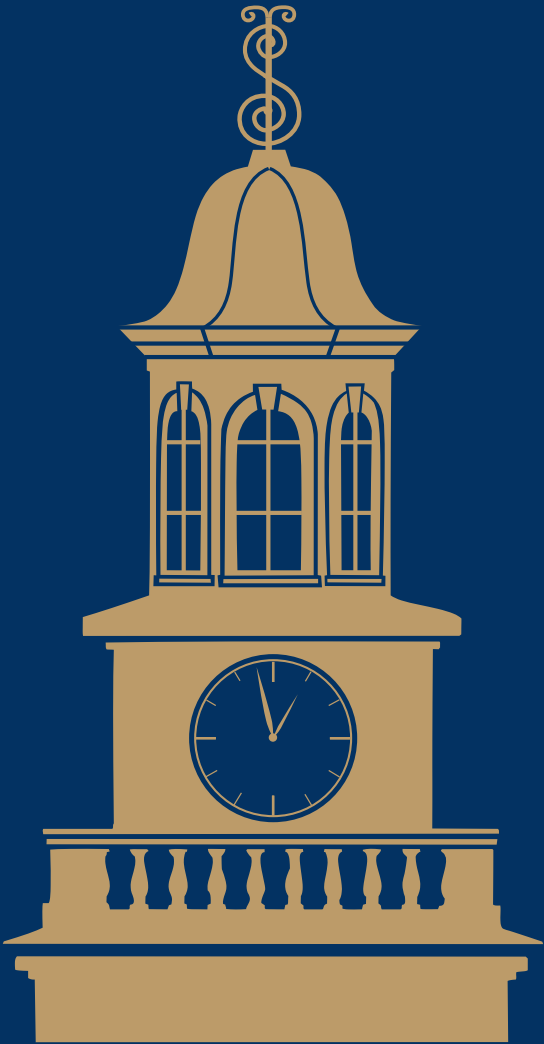


INSTITUTION FOR SAVINGS



2016 ANNUAL STATEMENT

FROM THE PRESIDENT

Dear Valued Customer,

July 1, 2010 was a very special day for me as I became the 16th president and chief executive officer of the Institution for Savings. As president of one of the oldest mutual savings banks in the country I will forever be grateful to those who came before me and built the foundation that has allowed us to transition into a strong regional bank.

Over the past six years we have focused on our long-term strategic initiatives of profitability, growth and expansion. The progress we have made has been vital to our current success and future sustainability.

Our achievements have allowed us to build additional resources to ensure we offer the best products and customer service in the market place, retain our talented team of employees, recruit the best banking professionals in the industry and increase our charitable giving to local not-for-profit organizations.

Furthermore, we continue to focus on the values, traditions and history of the Institution for Savings and the importance of maintaining our mutual savings bank structure that we have cherished since 1820.

Profitability

We are pleased to report net income of \$26.3 million representing a \$2.8 million increase or 12 percent over prior year. This marks the fourth consecutive year our net income has exceeded \$23 million. More importantly, our net operating income of \$17.5 million increased \$3.4 million or 24 percent and is the highest in the Bank's 196 year history.

Once again, income derived from our investment portfolio was a significant portion of our total earnings. We recorded over \$15 million in gains on sales of common stock. The stock portfolio primarily consists of high quality stocks which provided over \$7 million of dividend income. The return on the stock portfolio for the year was 13.88 percent, considerably outperforming the 9.54 percent return of the S&P 500.

Additionally, for the fifth consecutive year the Bank contributed over \$1.4 million to our charitable foundations which in turn allowed the foundations to donate \$2.1 million to local not-for-profit organizations in 2016.



Growth

Total assets reached \$2.8 billion increasing \$318 million or 13 percent fueled by growth in loans. Total loans increased \$266 million or 14 percent reaching a milestone of \$2.1 billion. Commercial loans increased \$77 million or 20 percent and now exceed \$460 million, the majority of which are high quality commercial real estate loans. Residential loans increased \$181 million or 13 percent as we continued to offer the lowest mortgage rates in the marketplace while maintaining our sound underwriting standards.

Total deposits increased \$175 million or 8 percent. The increase was primarily due to the highly competitive rates we offer on our term certificates.

Total capital increased \$33 million or 13 percent and remains strong at \$285 million. This will provide opportunities for additional growth and expansion.

Expansion

Our acquisition of Rockport National Bank at the end of August 2014 has been a success as we strive to be *the* community bank on Cape Ann and in Beverly. Total deposits from the former offices of Rockport National Bank have increased from \$185 million to \$315 million in just over two years. Deposits in the Beverly office have increased from \$3 million to \$92 million while the Gloucester office has increased from \$66 million to \$97 million.

We have had great success with our three new offices in the Masconomet region as total deposits exceed \$343 million. We opened Topsfield in April 2013, Middleton in May 2015 and Boxford in November 2015. Total deposits in Topsfield, Middleton and Boxford are \$145 million, \$175 million and \$23 million, respectively.

As always, our primary focus is to provide the best customer service in the banking industry. 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.

In closing, I want to thank our Trustees for their continued support and guidance as we strive to become the best regional bank in the Commonwealth while maintaining an unwavering commitment to our customers, community and employees. We look forward to a very successful year in 2017.

Sincerely,

Michael J. Jones
President & CEO

BALANCE SHEET

December 31, 2016 and 2015 (\$ in Thousands)

	2016	2015
ASSETS		
Cash and due from banks	\$ 89,476	\$ 83,981
Federal funds sold	2,463	2,546
Investment securities, available-for-sale	310,664	250,972
Investment securities, held-to-maturity	142,510	161,979
Loans, less allowance for loan losses	2,113,805	1,847,363
Other real estate owned	150	150
Premises and fixed assets, net	34,984	33,663
Goodwill	9,435	9,435
Other assets	107,048	101,987
Total assets	\$ 2,810,535	\$ 2,492,076
LIABILITIES AND EQUITY CAPITAL		
Deposits	\$ 2,242,285	\$ 2,066,998
Borrowings	239,455	137,544
Other liabilities	43,447	35,431
Total liabilities	2,525,187	2,239,973
Retained earnings	279,062	252,779
Accumulated other comprehensive income	6,286	(676)
Total equity capital	285,348	252,103
Total liabilities and equity capital	\$ 2,810,535	\$ 2,492,076
Tier 1 leverage capital ratio	9.78%	10.06%
Total loans to total assets	75.21%	74.13%

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

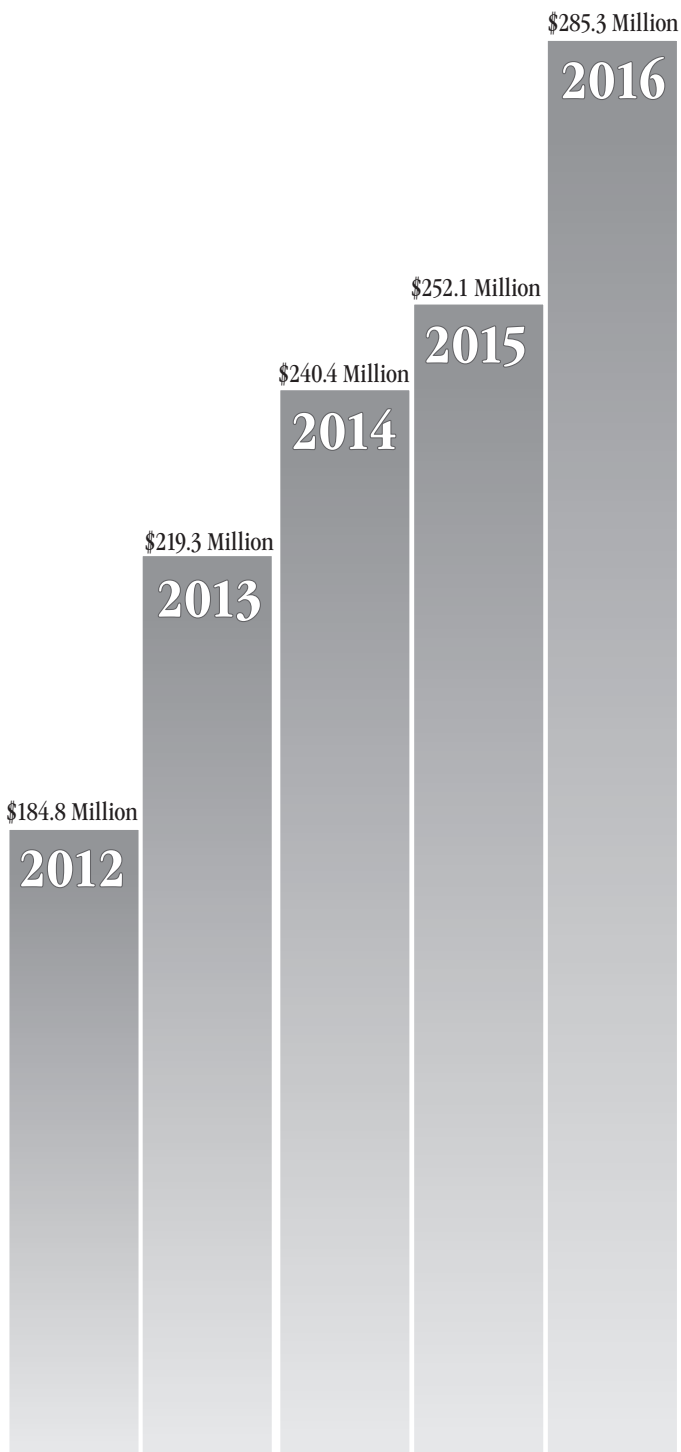
Twelve Months Ended December 31, 2016 and 2015

(\$ in Thousands)

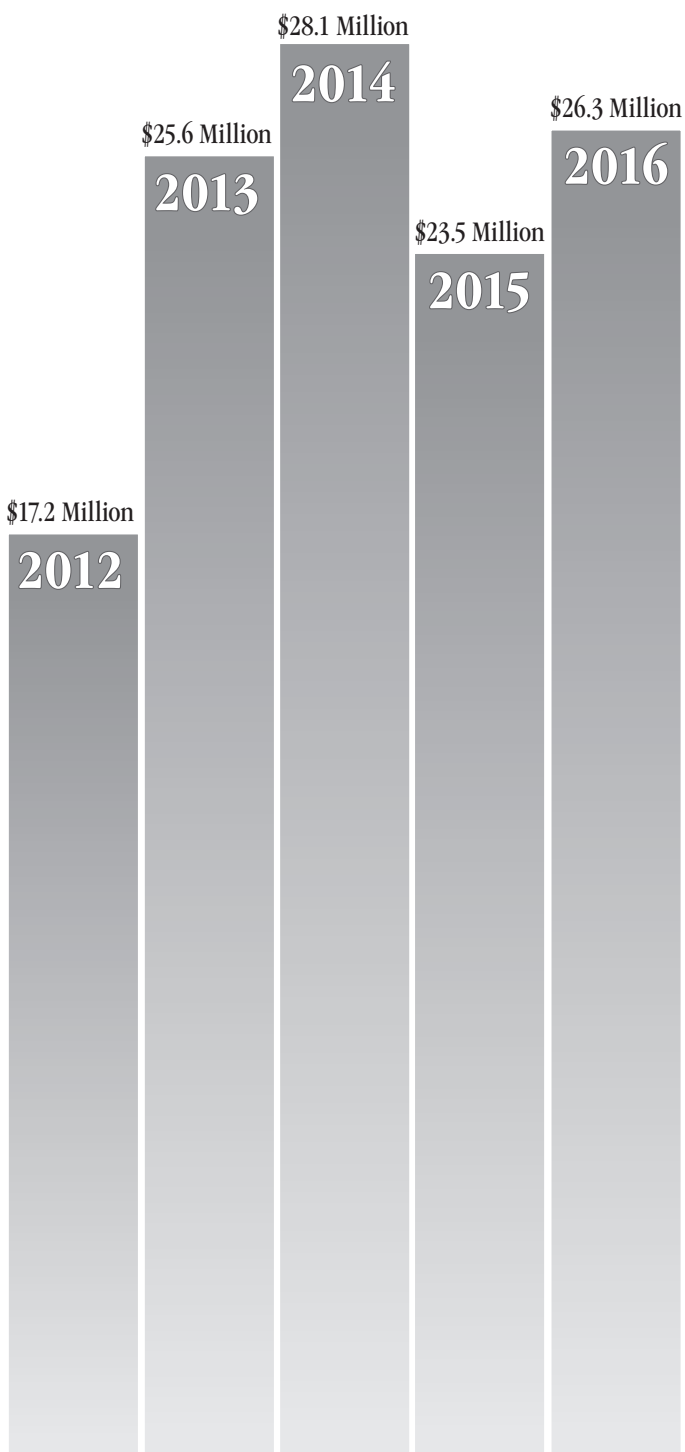
	2016	2015
Interest income:		
Interest and fees on loans	\$ 73,880	\$ 59,581
Interest and dividends on securities	12,666	11,734
Other interest	762	368
Total interest income	<u>87,308</u>	<u>71,683</u>
Interest expense:		
Interest on deposits	27,431	22,717
Interest on borrowings and other liabilities	4,196	1,636
Total interest expense	<u>31,627</u>	<u>24,353</u>
Net interest income	55,681	47,330
Other income:		
Service charges on deposit accounts	421	426
Other	3,778	3,700
Total other income	<u>4,199</u>	<u>4,126</u>
Operating expenses:		
Salaries and employee benefits	21,886	18,011
Premises and fixed assets	4,706	4,751
Other	14,456	11,815
FDIC & DIF insurance	1,188	1,161
Provision for loan losses	1,000	1,100
Total operating expenses	<u>43,236</u>	<u>36,838</u>
Income from operations	16,644	14,618
Contribution to charitable foundations/other	(1,586)	(1,732)
Realized gains on securities	15,126	16,403
Income before taxes	30,184	29,289
Provision for income taxes	<u>3,901</u>	<u>5,815</u>
Net income	<u>\$ 26,283</u>	<u>\$ 23,474</u>
Income from Operations, net of tax	\$17,455	\$14,047
Return (net income) on average assets	0.98%	1.06%
Return (net income) on average equity	9.78%	9.63%
Net interest income on average assets	2.09%	2.14%

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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, 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

Lynn Adams	Samantha Fay	Mark Panall
Jocelyn Adams-Olson	Lindsay Ferlauto	Bridget Panniello
Jane Albert	Jessica Fish	Krystle Parkes
Raymond Amirault III	Margaret Fish	Zachary Peabody
Bonnie Antoniou	Lesley Galicki	Jessica Perkins
Keri Archibald	Mary Gauvain	Joshua Perkins
David Bakas	Nicole Giglio	Leslie Peterson
Nancy Banks	Anne Girard	Kathryn Phelan
David Batterton	David Goodwin	Merissa Piper
Katherine Bauer	Karla Grondin	Christopher Popielski
Debra Bernard	Haley Guilmette	Steven Preston
Amy Bobo	Erica Gurczak	Reasey Prom
Jesse Bowie	Skylar Hambley	Angela Ray
Elizabeth Brennan	Michael Hart	Druscilla Raymond
LeeAnn Brewer	Elizabeth Hartnell	Christopher Reydel
Shannon Brindamour	Darlene Hartt	Susan Reynolds
Debra Brockelbank	Craig Heil	Steven Richard
Samantha Brouillette	Tracy Howard	Hannah Rowe
Grace Brown	Lisa Hudson	Veronica Roy
Rachel Budrow	Jennifer Hussey	Catherine Ryan
Kathleen Burke	Kelsey Jaworski	Pamela San Antonio
Eileen Burnham	Tracye Jernegan	Laura Sarno
Maureen Bussone	Kimberly Johnston	Stephanie Sergi
Steven Butterfield	Judy Julian	Linda Settineri
Samantha Cahill	Jessica Juncker	Patricia Shamsuddin
Christopher Campbell	Michele Kelleher	Elizabeth Silva
Joan Canning	Joy Keller	Melody Silveira
Lauri Carlson	Catherine Ketchopulos	Ryan Smolag
Alexandra Champion	Scott Kirkpatrick	Jennifer Soltys
Jillian Charette	Lisa Kriz	Elizabeth Soto
Courtney Chin	Susannah Landreth	Mary Souter
Rosalie Ciaramitaro	Kathryn Limone	Angela St. Peter
Judith Cocotas	Kimberly Macdonald	Denise St. Peter
Cortney Collins	Jared Madore	Linda Staaf
David Collins	Brianna Maglio	Edward Stevenson
Barbara Comora	Stephanie Manuel	Dawne Studzinski
Patricia Connelly	Jessica Martineau	Nicole Sullivan
Cheryl Conway	Jennifer Mazur	Gillian Sutton
Vanessa Cracchiolo	Geraldine Mazzeo	Cheryl Sweeney
Sandi Cullen	Bozena McFayden	Lisa Teixeira
Amy Curley	Ellin McSweeney	Sandra Terry
Haley Curley	Jamie Millen	Kristina Tibert
Anne Davidson	Benjamin Misiano	Eli Timmons
Tyler Davis	Jennifer Morgan	Cynthia Todd
Denise Delli Priscoli	Kimber Morin	Kristin Turner
Margaret Donahue	Kristen Murrin	Kelly VanDerwerken
Ann Donohoe	Andrew Nalesnik	Stephen VanDerwerken
Kira Dority	Kelly Nappa	Tanya Ventre
David Doucette	Michael Norwood	Brittany Waalewyn
James Drew	Tobey O'Dea	Jennifer Warren
Lisa Drinkwater	Julie O'Dell	Roseann Wayrynen
Kimberley Edwards	Paula Ouellette	Frances Wentworth
Lauren Ellis	Mary Ann Padellaro	Laurie Whelan
Julie England	Melissa Pagdilao	Karen Young
Daniela Eramo	Eufemia Palazzolo	Adam Worth
Ryan Fantasia	Jessica Palmer	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

Christine N. Allen	Katrina P. Cutts	Caroline M. Meagher
Wesley R. Barry	Marcia C. LaTorre	Lori G. Rostkowski
Mary Anne Clancy	Melissa W. LeBel	Christopher R. Sullivan
Rebecca L. Collins	John A. LeBlanc	Nancy J. Taylor
Rebecca L. Conary	Bruce P. Macdonald	

ASSISTANT VICE PRESIDENTS

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

CORPORATORS

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

1820

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