

INSTITUTION FOR SAVINGS



2017 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 nearly two centuries the strong commitment and loyalty of our employees to our customers has been the primary reason for the Bank's success. Our talented team has been resilient during various economic cycles by continuing to demonstrate sound lending practices and making prudent investment decisions. The progress we have made has been vital to our current success and future sustainability.



This was a banner year for the Bank as we focused on our long-term strategic initiatives of profitability, growth and expansion. Once again, strong earnings allowed us to pay our depositors the best interest rates in the marketplace, charge the lowest fees and contribute 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.

Profitability

We managed our balance sheet growth exceptionally well, controlled operating costs and lowered our effective tax rate to less than 1 percent. This led to record net income of \$37.4 million representing an \$11 million increase or 42 percent over prior year. Our net operating income of \$18.9 million increased \$1.5 million or 8 percent and is also the highest in the Bank's 197 year history.

Once again, income derived from our investment portfolio was a significant portion of total earnings. We recorded over \$26 million in gains on sales of common stock. The stock portfolio primarily consists of blue chip stocks which provided over \$8 million of dividend income.

Our strong earnings resulted in a return on average assets of 1.21 percent which will place us at the top of Massachusetts banks.

Growth

Total assets reached \$3.3 billion increasing \$491 million or 17 percent fueled by growth in loans. Total loans increased \$395 million or 19 percent reaching a milestone of \$2.5 billion. Commercial loans increased \$61 million or 13 percent and now exceed \$520 million, the majority of which are high quality commercial real estate loans. Residential loans increased \$323 million or 20 percent as we continued

to offer the lowest mortgage rates in the marketplace while maintaining our sound underwriting standards.

Total deposits increased \$427 million or 19 percent also reaching a milestone of \$2.7 billion. The increase was primarily due to the highly competitive rates we offer on our term certificates and money market accounts.

Total capital increased \$46 million or 16 percent and remains strong at \$331 million. This will provide opportunities for additional growth and expansion.

Expansion

We opened our new Hamilton office in August and ended the year with \$22 million in deposits.

In late 2018 we will open a full-service office at 150 Main Street in Amesbury. We already have a significant number of customers who live or work in Amesbury and having an office in the heart of the city will allow us to better serve them while becoming an integral part of the community through our charitable giving, community support and financial literacy initiatives.

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

Outlook

Despite hurricanes, wildfires and nuclear threats 2017 ended with nearly full employment, low inflation and interest rates, and increased global growth. This led to strong corporate balance sheets, increased consumer confidence and new highs for the stock market. These economic indicators along with the tax reform and deregulation will result in strong earnings for the Institution for Savings in 2018.

I am incredibly proud of our talented team for their hard work, commitment and dedication to the Bank. I look forward to many prosperous years ahead.

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

Sincerely,

A handwritten signature in black ink that reads "Michael J. Jones". The signature is written in a cursive, flowing style.

Michael J. Jones
President & CEO

BALANCE SHEET

December 31, 2017 and 2016 (\$ in Thousands)

	2017	2016
ASSETS		
Cash and due from banks	\$ 112,446	\$ 89,476
Federal funds sold	2,113	2,463
Investment securities, available-for-sale	361,368	310,664
Investment securities, held-to-maturity	146,768	142,510
Loans, less allowance for loan losses	2,508,770	2,113,805
Other real estate owned	-	150
Premises and fixed assets, net	35,388	34,984
Goodwill	9,435	9,435
Other assets	125,403	107,048
Total assets	<u>\$ 3,301,691</u>	<u>\$ 2,810,535</u>
LIABILITIES AND EQUITY CAPITAL		
Deposits	\$ 2,669,701	\$ 2,242,285
Borrowings	274,365	239,455
Other liabilities	26,177	43,447
Total liabilities	<u>2,970,243</u>	<u>2,525,187</u>
Retained earnings	310,559	279,062
Accumulated other comprehensive income	20,889	6,286
Total equity capital	<u>331,448</u>	<u>285,348</u>
Total liabilities and equity capital	<u>\$ 3,301,691</u>	<u>\$ 2,810,535</u>
Tier 1 leverage capital ratio	9.22%	9.78%
Total loans to total assets	75.98%	75.21%

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

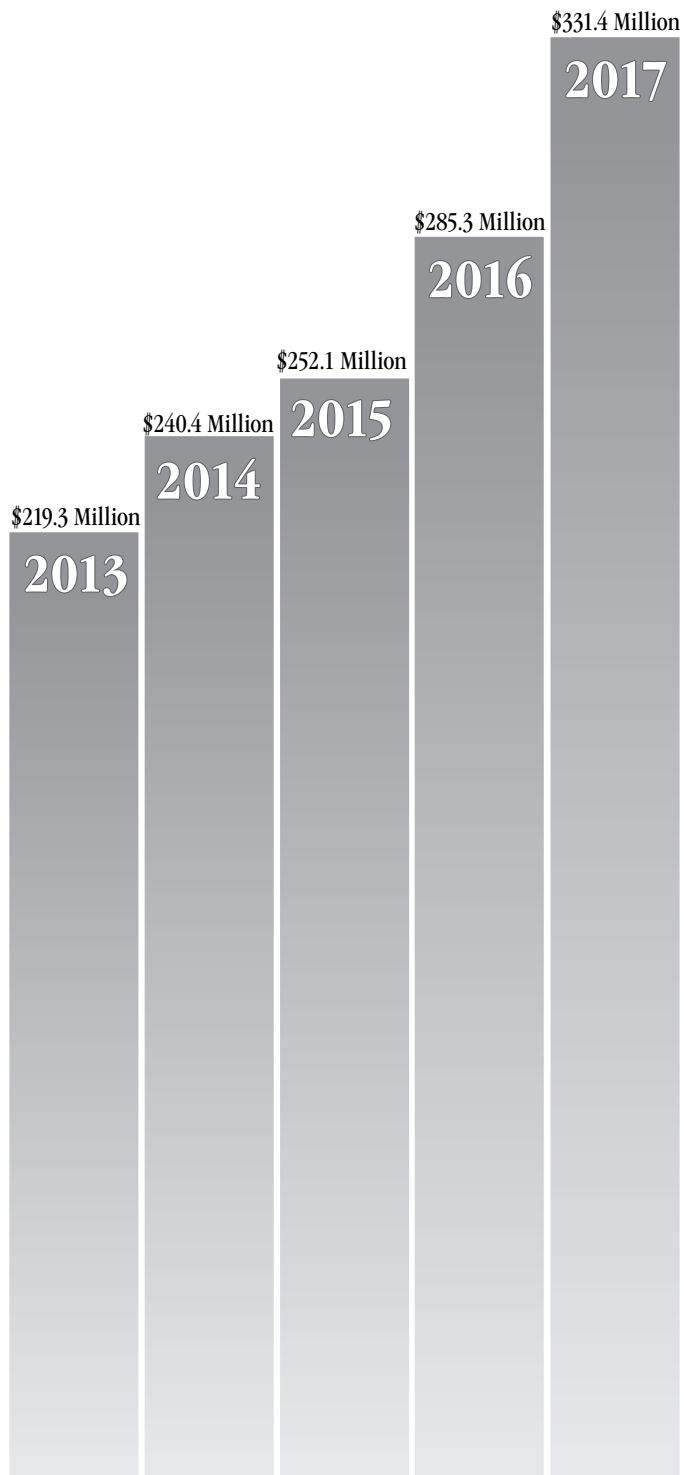
Twelve Months Ended December 31, 2017 and 2016

(\$ in Thousands)

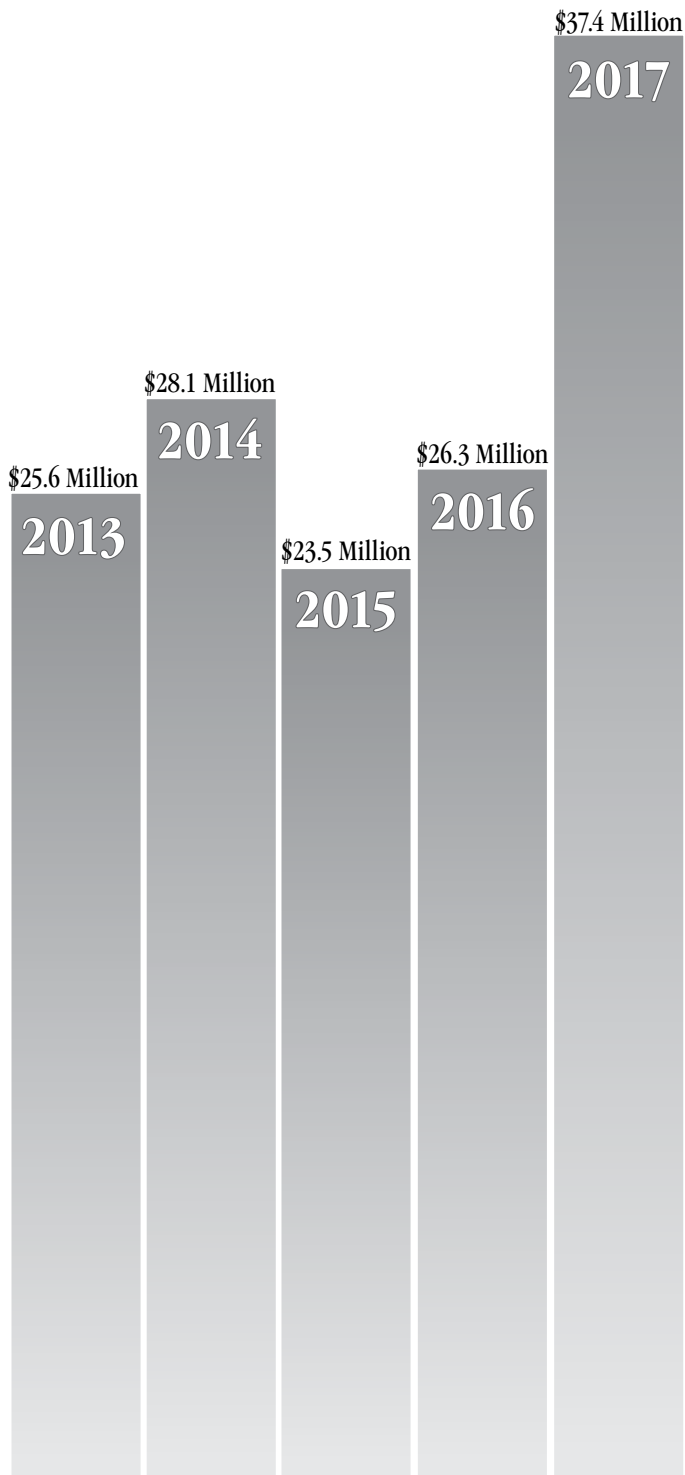
	2017	2016
Interest income:		
Interest and fees on loans	\$ 84,337	\$ 73,880
Interest and dividends on securities	12,210	12,666
Other interest	1,893	762
Total interest income	<u>98,440</u>	<u>87,308</u>
Interest expense:		
Interest on deposits	33,600	27,431
Interest on borrowings and other liabilities	4,926	4,196
Total interest expense	<u>38,526</u>	<u>31,627</u>
Net interest income	59,914	55,681
Other income:		
Service charges on deposit accounts	482	421
Other	4,457	3,778
Total other income	<u>4,939</u>	<u>4,199</u>
Operating expenses:		
Salaries and employee benefits	23,520	21,886
Premises and fixed assets	4,802	4,706
Other	18,639	14,456
FDIC & DIF insurance	1,077	1,188
Provision for loan losses	1,270	1,000
Total operating expenses	<u>49,308</u>	<u>43,236</u>
Income from operations	15,545	16,644
Other expenses	(563)	—
Contribution to Charitable Foundation/other	(3,966)	(1,586)
Realized gains on securities/other	26,666	15,126
Income before taxes	37,682	30,184
Provision for income taxes	<u>253</u>	<u>3,901</u>
Net income	<u>\$ 37,429</u>	<u>\$ 26,283</u>
Income from Operations, net of tax	\$18,930	\$17,455
Return (net income) on average assets	1.21%	0.98%
Return (net income) on average equity	12.21%	9.78%
Net interest income on average assets	1.95%	2.09%

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TOTAL CAPITAL



NET INCOME



BOARD OF TRUSTEES

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, Retired, MVEDC/Of Counsel, Smith, Ruddock & Hayes	2003
Ellen Mackey Rose, Owner, Ellen Rose, CPA, CFP	2005
Freeman J. Condon, Owner, Beach Plum Farms/Beach Plum Too	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, EVP & 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, 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	Margaret Fish	Joseph Panto
Jocelyn Adams-Olson	Melanie Fish	Lauren Parker
Raymond Amirault III	Lesley Galicki	Krystle Parkes
Bonnie Antoniou	Scarlet Galvin	Cynthia Patton
David Bakas	Arianne Gauthier	Zachary Peabody
Nancy Banks	Mary Gauvain	Joshua Perkins
David Batterton	Nicole Giglio	Jessica Perkins
Katherine Bauer	Anne Girard	Leslie Peterson
John Beal	David Goodwin	Kathryn Phelan
Lori Bellew	Daniel Gott	Merissa Piper
Debra Bernard	Karla Grondin	Kathleen Piraino
Amy Bobo	Haley Guilmette	Spencer Poore
Aubree Bogle	Erica Gurczak	Christopher Popielski
Elizabeth Brennan	Skylar Hambley	Steven Preston
LeeAnn Brewer	Michael Hart	Reasey Prom
Shannon Brindamour	Elizabeth Hartnell	Rosemary Randazzo
Debra Brockelbank	Darlene Hartt	Druscilla Raymond
Samantha Brouillette	Tracy Howard	Christopher Reydel
Grace Brown	Lisa Hudson	Susan Reynolds
Rachel Budrow	Mary Alease Hunt	Steven Richard
Kathleen Burke	Jennifer Hussey	Hannah Rowe
Eileen Burnham	Vicki Hyde	Veronica Roy
Maureen Bussone	Tracye Jernegan	Pamela San Antonio
Steven Butterfield	Kimberly Johnston	Stephanie Sergi
Alex Caffi	Judy Julian	Jessica Serlis
Samantha Cahill	Jessica Juncker	Linda Settineri
Christopher Campbell	Michele Kelleher	Patricia Shamsuddin
Lauri Carlson	Joy Keller	Albi Shatku
Rachael Cecilio	Catherine Ketchopulos	Ashley Shwom
Alexandra Champion	Scott Kirkpatrick	Elizabeth Silva
Jillian Charette	Lisa Kriz	Teresa Smith
Courtney Chin	Susannah Landreth	Ryan Smolag
Lauren Christo	Justin Landry	Jennifer Soltys
Rosalie Ciaramitaro	Jacqueline L'Heureux	Elizabeth Soto
Judith Cocotas	Kathryn Limone	Mary Souter
Cortney Collins	Linzy Lynch	Angela St. Peter
David Collins	Kimberly Macdonald	Denise St. Peter
Barbara Comora	Jared Madore	Edward Stevenson
Patricia Connelly	Katie Maitland	Dawne Studzinski
Cheryl Conway	Stephanie Manuel	Gillian Sutton
Vanessa Cracchiolo	Jessica Martineau	Cheryl Sweeney
Amy Curley	Jennifer Mazur	Sandra Terry
Haley Curley	Geraldine Mazzeo	Kristina Tibert
Julie D'Amico	Bozena McFayden	Eli Timmons
Anne Davidson	Ellin McSweeney	Cynthia Todd
Tyler Davis	Jenny Morgan	Jessica Torres
Heidi DeFranco	Kimber Morin	Kristin Turner
Denise Delli Priscoli	Abby Murphy	Wendy Upton
Margaret Donahue	Kevin Murphy	Kelly VanDerwerken
Ann Donohoe	Kristen Murrin	Jennifer Velez
James Drew	Andrew Nalesnik	Tanya Ventre
Lisa Drinkwater	Kelly Nappa	Roseann Wayrynen
Kelly Duncan	Tobey O'Dea	Frances Wentworth
Kimberley Edwards	Julie O'Dell	Laurie Whelan
Daniela Eramo	Paula Ouellette	Karen Whal
Ryan Fantasia	Mary Ann Padellaro	Adam Young
Samantha Fay	Melissa Pagdilao	Julia Zawacki
Lindsay Ferlauto	Mark Panall	
Jessica Fish	Bridget Panniello	

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	Hanson M. Webster

ASSISTANT VICE PRESIDENTS

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

CORPORATORS

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

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