

INSTITUTION FOR SAVINGS



2018 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:

As we approach our 200th anniversary I want to thank you, our valued customer, for your continued business, loyalty and trust. You are truly the reason for our success! I also want to thank our talented team of employees for their strong commitment to ensuring our Bank remains vibrant, profitable and charitable. Our future is promising.



This was another banner year for the Bank as we remained 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 offer our borrowers the lowest loan rates. Further, our ongoing charitable giving will greatly benefit many individuals who live and work in our local communities.

Profitability

Despite the significant volatility in both the stock and bond markets as well as the uncertainty surrounding interest rates, we properly managed our balance sheet growth, made prudent investment decisions and controlled operating costs. This led to record net income of \$39 million representing an increase of 4 percent over prior year. More importantly, net operating income of \$21.4 million increased \$2.5 million or 13 percent and is also the highest in the Bank's 198 year history.

Once again, income derived from our investment portfolio was a significant portion of total earnings. We recorded over \$22 million in gains on sales of common stock. The stock portfolio primarily consists of blue chip stocks which provided over \$9 million of dividend income.

Our strong earnings resulted in a return on average assets of 1.15 percent which will place us at the top of Massachusetts banks.

Growth

Total assets reached \$3.47 billion increasing \$169 million or 5 percent fueled by growth in loans. Total loans increased \$210 million or 8 percent reaching \$2.7 billion. Commercial loans increased \$81 million or 16 percent and now exceed \$600 million, the majority of which are high quality commercial real estate loans. Residential loans increased 6 percent and reached a milestone of \$2 billion as we continued to offer the lowest mortgage rates in the marketplace while maintaining our sound underwriting standards.

Total deposits increased \$167 million or 6 percent reaching \$2.8 billion. The increase was primarily due to the highly competitive rates we offer on our term certificates and money market accounts.

Total capital increased \$5 million and remains strong at \$336 million. This will provide opportunities for additional growth and expansion.

Expansion

In 2019 we will open full-service offices in Amesbury and Salem. We are looking forward to bringing our exceptional banking products and services as well as charitable giving and financial literacy initiatives to these communities.

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 new customers as we expand our footprint and enhance our electronic banking products.

I am incredibly proud of the trustees and employees for their hard work, commitment and dedication to the Bank. We are looking forward to another successful year and appreciate your business.

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, 2018 and 2017 (\$ in Thousands)

	2018	2017
ASSETS		
Cash and due from banks	\$ 73,881	\$ 112,446
Federal funds sold	3,787	2,113
Investment securities, available-for-sale	356,242	361,368
Investment securities, held-to-maturity	138,890	146,768
Loans, less allowance for loan losses	2,718,280	2,508,770
Premises and fixed assets, net	37,496	35,388
Goodwill	9,435	9,435
Other assets	132,479	125,403
Total assets	<u>\$ 3,470,490</u>	<u>\$ 3,301,691</u>
LIABILITIES AND EQUITY CAPITAL		
Deposits	\$ 2,837,022	\$ 2,669,701
Borrowings	272,273	274,365
Other liabilities	24,878	26,177
Total liabilities	<u>3,134,173</u>	<u>2,970,243</u>
Retained earnings	349,517	310,559
Accumulated other comprehensive income	(13,200)	20,889
Total equity capital	<u>336,317</u>	<u>331,448</u>
Total liabilities and equity capital	<u>\$ 3,470,490</u>	<u>\$ 3,301,691</u>
Tier 1 leverage capital ratio	9.46%	9.20%
Total loans to total assets	78.33%	75.98%

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

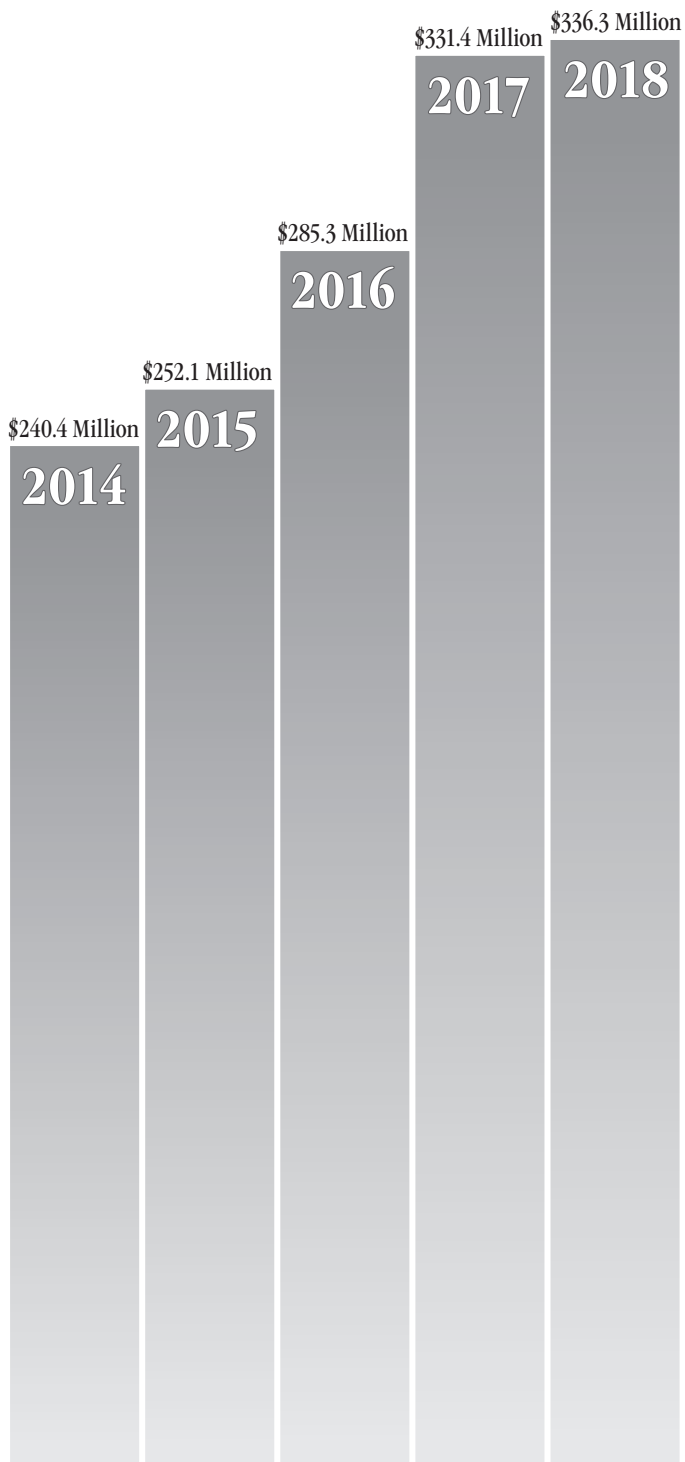
Twelve Months Ended December 31, 2018 and 2017

(\$ in Thousands)

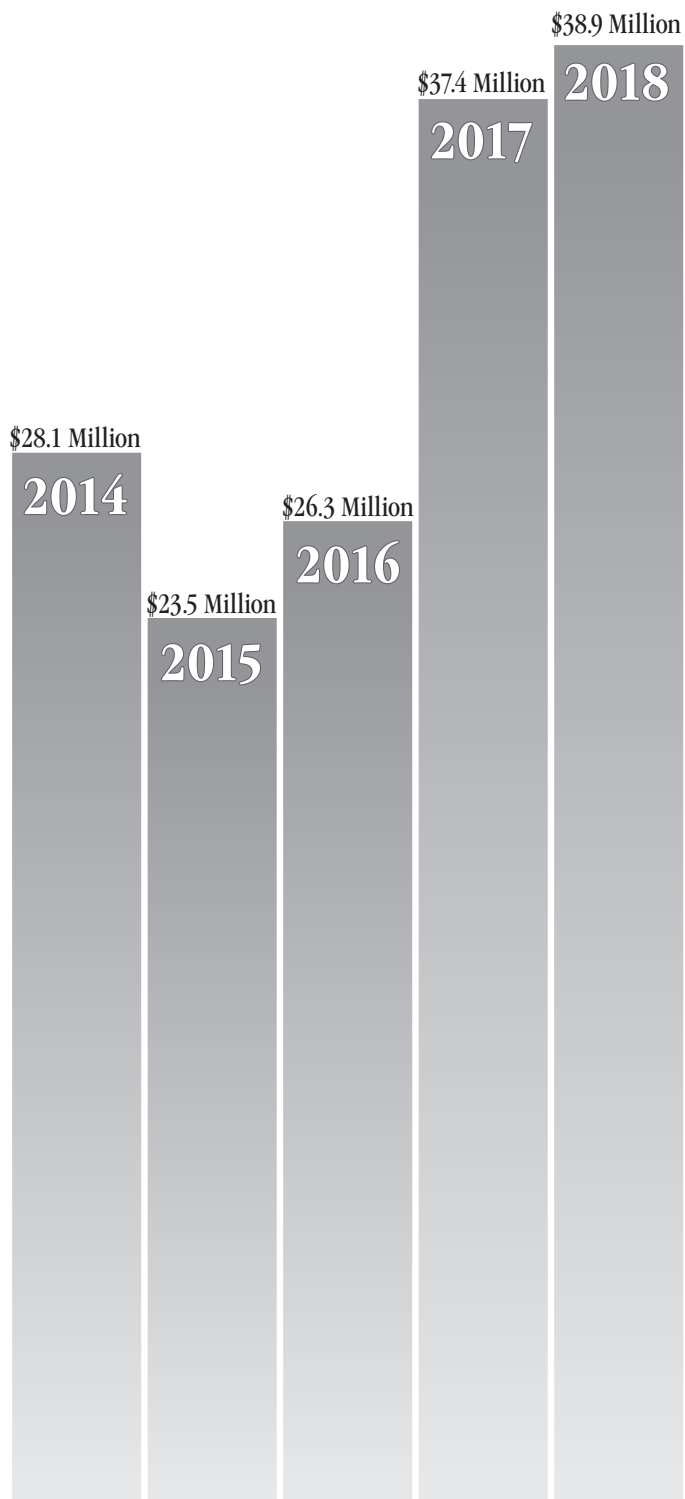
	2018	2017
Interest income:		
Interest and fees on loans	\$ 96,637	\$ 84,337
Interest and dividends on securities	14,362	12,210
Other interest	2,706	1,893
Total interest income	<u>113,705</u>	<u>98,440</u>
Interest expense:		
Interest on deposits	42,370	33,600
Interest on borrowings and other liabilities	5,932	4,926
Total interest expense	<u>48,302</u>	<u>38,526</u>
Net interest income	65,403	59,914
Other income:		
Service charges on deposit accounts	466	482
Other	3,654	4,457
Total other income	<u>4,120</u>	<u>4,939</u>
Operating expenses:		
Salaries and employee benefits	25,745	23,520
Premises and fixed assets	4,830	4,802
Other	12,816	18,639
FDIC & DIF insurance	1,184	1,077
Provision for loan losses	1,200	1,270
Total operating expenses	<u>45,775</u>	<u>49,308</u>
Income from operations	23,748	15,545
Other expenses	-	(563)
Contribution to Charitable Foundation/other	(150)	(3,966)
Realized gains on securities/other	22,637	26,666
Income before taxes	46,235	37,682
Provision for income taxes	<u>7,277</u>	<u>253</u>
Net income	<u>\$ 38,958</u>	<u>\$ 37,429</u>
Income from Operations, net of tax	\$21,436	\$18,930
Return (net income) on average assets	1.15%	1.21%
Return (net income) on average equity	11.61%	12.21%
Net interest income on average assets	1.93%	1.95%

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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, Former 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	Lesley Galicki	Mary Ann Padellaro
Jocelyn Adams-Olson	Scarlet Galvin	Melissa Pagdilao
Channa Alvarado	Sophia Gardner	Mark Panall
Raymond Amirault III	Lori Gaudet	Bridget Panniello
Bonnie Antoniou	Michelle Gauthier	Joseph Panto
David Bakas	Arianne Gauthier	Nicolette Parisi
Nancy Banks	Mary Gauvain	Lauren Parker
David Batterton	Nicole Giggio	Krystle Parkes
Katherine Bauer	David Goodwin	Zachary Peabody
John Beal	Daniel Gott	Jessica Perkins
Lori Bellew	Suzanne Gray	Joshua Perkins
Debra Bernard	Karla Grondin	Daniel Perry
Amy Bobo	Haley Guilmette	Kathryn Phelan
Aubree Bogle	Erica Gurczak	Merissa Piper
Tracy Bowen	Emma Gurley-Broudo	Spencer Poore
Elizabeth Brennan	Jessica Hajjar	Christopher Popielski
LeeAnn Brewer	Skylar Hambley	Steven Preston
Debra Brockelbank	Michael Hart	Reasey Prom
Samantha Brouillette	Elizabeth Hartnell	Rosemary Randazzo
Grace Brown	Darlene Hartt	Donna Renzulli
Rachel Budrow	Andria Hawwa	Christopher Reydel
Kathleen Burke	Zachary Hogan	Susan Reynolds
Eileen Burnham	Tracy Howard	Steven Richard
Maureen Bussone	Lisa Hudson	Hannah Rowe
Steven Butterfield	Mary Alease Hunt	Veronica Roy
Alex Caffi	Jennifer Hussey	Jeffrey Salerno
Samantha Cahill	Vicki Hyde	Pamela San Antonio
Christopher Campbell	Tracye Jernegan	Jessica Serlis
Lauri Carlson	Kimberly Johnston	Linda Settineri
Rachael Cecilio	Judy Julian	Patricia Shamsuddin
Alexandra Champion	Jessica Juncker	Albi Shatku
Jillian Charette	Paige Kacherian	Ashley Shwom
Lauren Christo	Michele Kelleher	Elizabeth Silva
Rosalie Ciaramitaro	Joy Keller	Teresa Smith
Judith Cocotas	Emily Kelly	Denise St. Peter
Cortney Collins	Catherine Ketchopoulos	Angela St. Peter
David Collins	Scott Kirkpatrick	Edward Stevenson
Barbara Comora	Susannah Landreth	Samuel Stone
Patricia Connelly	Justin Landry	Gillian Sutton
Cheryl Conway	Kathryn Limone	Cheryl Sweeney
Vanessa Cracchiolo	Linzey Lynch	Sandra Terry
Nicholas Crugnale	Kimberly Macdonald	Kristina Tibert
Haley Curley	Jared Madore	Eli Timmons
Amy Curley	Katie Maitland	Cynthia Todd
Julie D'Amico	Shannon Maloney	Jessica Torres
Anne Davidson	Stephanie Manuel	Kristin Turner
Tyler Davis	Jessica Martineau	Wendy Upton
Heidi DeFranco	Jennifer Mazur	Kelly VanDerwerken
Denise Delli Priscoli	Geraldine Mazzeo	Jennifer Velez
Margaret Donahue	Bozena McFayden	Tanya Ventre
Ann Donohoe	Ellin McSweeney	Roseann Wayrynen
Samuel Drew	Kimber Morin	Lee Weliczka
Lisa Drinkwater	Kevin Murphy	Frances Wentworth
Kimberley Edwards	Kristen Murrin	Laurie Whelan
Daniela Eramo	Andrew Nalesnik	Karen Worth
Samantha Fay	Kelly Nappa	Adam Young
Lindsay Ferlauto	Tobey O'Dea	Julia Zawacki
Margaret Fish	Julie O'Dell	
Melanie Fish	Paula Ouellette	

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
Katrina P. Cutts, 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
Anna L. Makos, Senior Vice President
Tammy A. Roeger, Senior Vice President
Karl R. Wilson, Senior Vice President

VICE PRESIDENTS

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

ASSISTANT VICE PRESIDENTS

Suzanne P. Bradford	Theodore J. Garside	Amy L. Smith
Paula J. Bratt	Kerry A. Hamel-Pope	Jennifer M. Soltys
Sandra A. Corrao	Jennifer L. Kocur	Dawne M. Studzinski
Dian M. Dastous	Lisa C. Kriz	Joshua W. Tuff
David S. Doucette	Rachel R. Lachance	Almiris M. Verga
Susan J. Ellis	Judith A. Langill	Isaac Raymond Webster III
Mary T. Foote-Hill	Maria I. Medina	Jessica S. Yuhasz
Megan Gaiero	Jennifer A. Morgan	

CORPORATORS

Frederick J. Abdulla	William J. Freitag	John J. Meany
Benjamin C. Armstrong	Salvatore J. Frontiero	Jane A. Merrill
Elena R. Bachrach	Kevin M. Gasiorowski	Stuart A. Meurer
R. Jeffrey Bailly	Ruth C. George	Robert C. Miller
Todd M. Baltich	James H. Gilford	John F. Moak
Rainer C. Bandereck	Benjamin M. Gorniewicz	John G. Morris
Abbie G. Batchelder	Donald M. Greenough	David A. Mullen
Jean Paul Beck	Christopher Gregory	Saira Naseer-Ghiasuddin
Umesh Bhuju	Mark W. Griffin	Ellen Galanis Nich
Robin S. Blair	David D. Hall	Charles K. Nutter
E. Douglas Bolick	Augustus Harrington	John A. Pavlo
Mae C. Bradshaw	J. Keith Harris	Nancy E. Peace
Eugene E. Case	Gary W. Jernegan	Kerri S. Perry
David J. Chatfield	Cindy M. Johnson	William J. Plante
Anne-Marie Clancy	Russell A. Johnson	Carol L. Powers
Daryl G. Colden	Michael J. Jones	Marcy Pregent
Paul S. Como	Richard M. Kallman	Kimberly A. Rock
Freeman J. Condon	Katherine Kelly	Ellen Mackey Rose
Christopher J. Connolly	Muntaser A. Khatib	Miranda H. Russell
David A. Cutter	Jeffrey C. Kirpas	Esther M. Sayer
Andrew J. de Bernardo	Paul Labadini	Constantine G. Scrivanos
Gene del Rio	Kenneth Labrecque	Wilhelmina Sheedy
John J. Desmond III	Kathy Lampropoulos	Richard J. Silverman
William J. DiMento	Christopher M. Latham	Paula Simpson
Paul J. Donohoe	John F. Leary III	David M. Smith
Denald H. Doonan	Richard A. LeBlanc	Hugh M. Taylor
Marlene M. Doyle	Jeremiah T. Lewis	David A. Tibbetts
Donald Dupray	Susan J. Little	Maria Z. Todaro
Robert H. Ebersole	Karen A. MacCormack	Charles E. Wear III
James V. Ellard	Andrew B. MacDonald	Mark F. Welch
Alfred P. Farese III	John T. Macone	Mark Welling
Zachary T. Field	R. Drew Marc-Aurele	Stuart E. Winfrey
Brian Forget	Robert T. Martin	John W. Wolfe
Cheryl B. Forster-Cahill	John P. McCarthy	Brian J. Zampell

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