

A MESSAGE FROM OUR PRESIDENT

JANUARY 2021

While much of the world paused in 2020, Salem Five moved forward, rolling out new technologies, processing billions of dollars in consumer and commercial loans, and handling the day-to-day needs of countless customers. We were challenged by the pandemic – as were so many people, many of whom tragically lost loved ones. However, as an organization committed to helping people and businesses manage their finances, we could not – and did not – stand still.

As a result, Salem Five had an excellent year in 2020 despite the pandemic and the resulting economic slowdown. The Bank was not spared from the impacts of the virus, as most employees had to work from home to satisfy density requirements and ensure employee safety. Branch access was limited for a period of time, technology changes were made to enable remote working, and safety protocols were implemented throughout the organization. All told, Salem Five employees rose to the occasion and the Bank was able to operate with few restrictions and customers' needs were satisfied.

Salem Five Bancorp's total assets reached \$5.6 billion on December 31, 2020, an increase of \$482 million for the year. The annual growth includes \$236 million in Paycheck Protection Program (PPP) loans, provided to businesses to weather the pandemic. The Bank's deposits grew substantially in 2020 to \$4.2 billion, an increase of \$323 million. The Bancorp's net income for the year was \$65.8 million, compared to \$63.9 million the year before.

Salem Five is fortunate to have strong diversified business lines that counteract one another in different economic cycles. In 2020, for example, the Salem Five Mortgage Company's earnings were far beyond expectations. Its performance was bolstered by the sudden reduction in interest rates, which spurred a refinancing boom, while the home purchase market saw unusually high demand.

In Commercial Banking and Community Business Banking, management anticipated strong demand as the year began, but the pandemic slowed business activity seemingly overnight. However, these lending teams rallied to implement the new PPP program, providing much needed capital to businesses hurting from the impact of the pandemic. Meanwhile, new cash management services were rolled out to help small businesses manage their money.



Ping Yin Chai, President & CEO

Our Retail Banking Division saw a continuation of its strategy to grow and provide enhanced convenience, opening new locations in South Peabody and Billerica, and moving our downtown Boston location to a higher-profile location in Government Center.

Meanwhile, our long-standing commitment to investing in technology paid off. The Bank was able to operate effectively and efficiently during a pandemic, as hundreds of employees were forced to work remotely. We continued the rollout of new technologies, such as Voice Banking, while continuing to hone existing technologies to improve our customers' convenience and experience.

Management is thrilled with the 2020 results and is optimistic that 2021 will be another strong year. Challenges remain, but we will work diligently to overcome them. With the experience gained in 2020, management believes that Salem Five has the appropriate resources to push forward and succeed in 2021 and beyond.

A handwritten signature in black ink that reads "Ping Yin Chai". The signature is fluid and cursive, written in a professional style.

Ping Yin Chai
President and CEO

2020 FINANCIAL HIGHLIGHTS

(Amounts in Thousands)

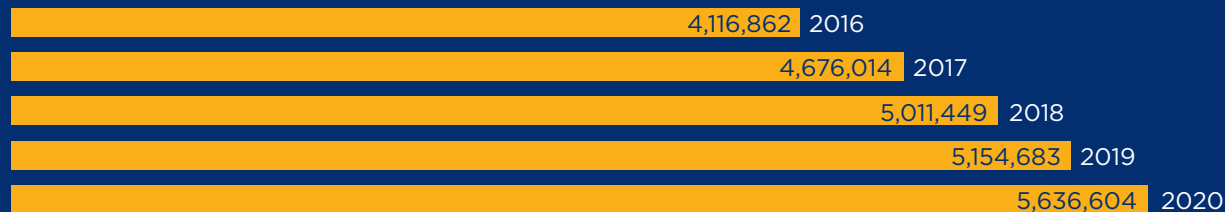
	2020	2019	2018	2017	2016
SELECT BALANCE SHEET DATA					
Total Assets	5,636,604	5,154,683	5,011,449	4,676,014	4,116,862
Securities	1,153,167	970,953	1,015,203	970,37	969,99
Residential first mortgage loans	1,362,266	1,562,419	1,540,319	1,453,42	1,264,205
Consumer loans	182,121	223,686	247,638	242,513	226,935
Commercial loans and leases	2,646,872	2,222,667	2,019,039	1,849,122	1,519,857
Allowance for credit losses	52,186	40,784	34,022	28,726	24,601
Total loans and leases, net	4,139,073	3,967,988	3,772,974	3,516,33	2,986,396
Total deposits	4,167,206	3,929,440	3,703,22	3,389,81	3,080,210
Borrowed funds	689,951	566,817	733,725	762,579	545,650
Total capital ⁽¹⁾	651,298	585,578	519,754	472,998	441,363

⁽¹⁾ Before accumulated and other comprehensive income

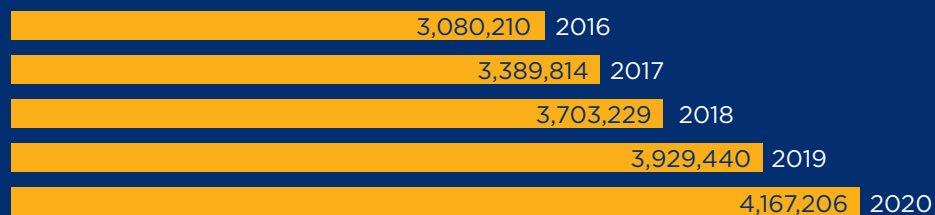
SELECT OPERATING DATA

Net interest income	133,789	146,111	139,137	126,737	105,983
Provision for credit losses	10,850	7,200	6,850	5,200	3,675
Non-interest income	83,525	54,673	39,139	41,321	40,531
Non-interest expense	117,308	107,284	108,194	106,347	93,421
Income before taxes	89,156	86,300	63,232	56,511	49,418
Net income	65,820	63,86	47,092	32,132	30,640

TOTAL ASSETS (000s)



TOTAL DEPOSITS (000s)



TOTAL CAPITAL (000s)

