

I'm proud to report that Salem Five Bancorp (SFB) had another strong year in 2023. Total consolidated assets increased by \$672 million to \$7.3 billion, making SFB the fourth largest banking institution headquartered in Massachusetts and the largest mutual bank in the state. There was strong growth across all areas of the organization, resulting in \$63.3 million in consolidated net income, compared to net income of \$55.4 million for fiscal year 2022. There were many challenges the organization faced in 2023 such as the highest interest rates in 16 years, a tight labor market, escalating operating costs due to inflation, a huge slowdown in the mortgage industry, formidable non-bank competitors vying for the dwindling pool of deposits, fallout from three large U.S. bank failures and U.S. economic uncertainty. Despite these headwinds, Salem Five achieved robust growth and excellent earnings during 2023.

Loan growth was strong with significant increases in all loan categories. Total loans outstanding was at \$5.3 billion, an increase of \$629 million for the year, while delinquency remained low at 0.31%. Growing commercial and small business banking is a top priority for the Bank. With the solid expansion of the Commercial division and continuing consolidation in the industry, Salem Five continues to establish itself as the "Commercial Bank of Choice" in the region. Salem Five is uniquely positioned to serve the small business segment with highly experienced and knowledgeable bankers supported by strong deposit, loan and cash management products to serve this market. The Institutional Banking group continued to drive significant deposit growth.

The Bank's total deposits increased \$167 million and ended the year at \$5.1 billion. Deposit growth is hard to come by in the current market and remains a challenge for financial institutions to fund growth. Salem Five is not alone. Through fourth quarter 2023, FDIC insured banks reported total deposits had declined in six of the last seven consecutive quarters. The fourth quarter saw a slight increase of 0.5 percent. The Bank's capital position is solid with total capital of \$830 million or 11.4% of total assets.

Throughout 2023, Salem Five maintained its commitment to offer new products and services to make banking easier and more convenient. Salem Five will build upon our reputation as a known provider of digital solutions and a leading bank for consumers and businesses of all sizes. The Retail division continued its commitment to providing outstanding service to customers and benefitted from the easing of staffing constraints that were seen in 2022 and prior. It is still a competitive talent market, but one where Salem Five is faring well.

Fraud detection systems are constantly being evaluated and enhanced to protect the Bank, as well as all its customers. Salem Five's online and mobile banking platforms are refreshed periodically and new features added to stay on par or better than larger competitors. Technology investments remain a priority at Salem Five - across the organization.

Supporting non-profits in the markets Salem Five serves is the mission of the Salem Five Charitable Foundation. Salem Five is proud to have donated more than \$580,000 to 300+ organizations throughout the year.



Ping Yin Chai, President & CEO

During the holiday season, the Bank hosted its third annual toy drive for needy children partnering with The Salvation Army. Giving back in the region is a priority and source of pride for the organization.

To continue to broaden and strengthen the Salem Five brand, the Bank extended its multi-year agreement with the New England Sports Network, not only continuing the naming rights to NESN's signature studio in Watertown where Red Sox and Bruins away games are broadcast, but securing the sponsorship of every 5th inning for all NESN Red Sox broadcasts. This high-profile investment reinforces Salem Five as a major player in the region's banking industry, introducing the Bank to potential customers who are looking for a strong, reliable and talented local banking partner.

The Bank has weathered many uncertainties in our 168-year history, thanks in large part to our strong capital position, prudent risk management, seasoned management team and strong governance. Over the years, the Bank has spent considerable time and resources building a strong team and distinct brand to position it for growth. We have succeeded by aligning resources towards a shared mission and vision, further developing our reputation as a high performing organization. Whether it was the financial crisis in 2007 or the COVID-19 pandemic that forced most banks to curtail activities in 2020 and 2021, the Bank's resourcefulness enabled us to make multiple pivots that were made possible by investment in talent, technology and infrastructure over the years.

As a mutual bank with no stockholders, we strive to improve each year and grow the organization to better serve consumers, businesses and communities in the region. The Bank will continue to put customers' needs first, continue to hire best-in-class talent, and invest in technology to accomplish our mission. Rest assured, Salem Five's 650 talented and dedicated employees will be here to serve you today and tomorrow with all of your banking, mortgage, investment and insurance needs.

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

Ping Yin Chai,  
President and CEO

# 2023 FINANCIAL HIGHLIGHTS

(Amounts in Thousands)

	2023	2022	2021	2020	2019
<b>SELECT BALANCE SHEET DATA</b>					
Total Assets	\$7,289,249	\$6,617,521	\$5,878,350	\$5,636,604	\$5,154,683
Securities	1,601,941	1,584,320	1,514,578	1,153,167	970,953
Residential first mortgage loans	1,824,037	1,585,983	1,331,684	1,362,266	1,562,419
Consumer loans	244,503	204,493	167,084	182,121	223,686
Commercial loans and leases	3,345,795	2,973,620	2,665,608	2,646,872	2,222,667
Allowance for credit losses	63,405	62,489	57,824	52,186	40,784
Total loans and leases, net	5,330,930	4,701,607	4,106,552	4,139,073	3,967,988
Total deposits	5,115,993	4,949,127	4,438,928	4,167,206	3,929,440
Borrowed funds	1,231,909	760,754	638,803	689,951	566,817
Total capital <sup>(1)</sup>	830,260	771,266	715,885	651,298	585,578
<sup>(1)</sup> Before accumulated and other comprehensive income					
Tier 1 Leverage Ratio	10.77%	11.14%	11.41%	11.05%	10.66%
Total Capital Ratio	14.86%	15.34%	16.11%	16.45%	15.28%

## SELECT OPERATING DATA

Net interest income	\$170,209	\$175,035	\$136,613	\$133,789	\$146,111
Provision for credit losses	4,800	7,200	6,200	10,850	7,200
Non-interest income	52,606	34,791	76,257	83,525	54,673
Non-interest expense	133,008	128,040	118,796	117,308	107,284
Income before taxes	85,007	74,586	87,874	89,156	86,300
Net income	63,330	55,381	64,587	65,820	63,862

### TOTAL ASSETS (000s)



### TOTAL DEPOSITS (000s)



### TOTAL CAPITAL (000s)

