

2015

ANNUAL REPORT

The Foundation
for Future Growth



NORTH SHORE BANK

Well north of your expectations.™



President and COO Kevin M. Tierney (left) and Chief Executive Officer David J. LaFlamme

Vision, Strategy and Execution.

For high performing organizations, these characteristics are inseparable. They represent a performance continuum in whose absence can mean the difference between the achievement of enterprise goals and failure. In 2015, perhaps more than any other year, we believe that North Shore Bank's performance was a testament to this discipline.

Having completed our merger with Saugusbank in late 2014, we used that event as an opportunity to assess the efficacy of our overall banking systems. Determining that our organization and customers would be better served by a switch in data service providers – to the more robust Connecticut Online Computer Center (COCC) system – we immediately began an intensive six-month project that touched literally every area of the organization and culminated with our June 2015 data conversion. We're confident that this upgrade provided both immediate and long-term benefits to our organization, ultimately paving the way for the introduction of new products and services as well as the enhancement of existing ones. Almost as importantly, the learnings identified through this effort were again put to good use later in the year.

Shortly before the conversion we were presented with the opportunity to merge with another well-run community bank, in this case Merrimac Savings Bank. As we have related in previous Annual Reports, it is crucial for community banks to achieve the type of scale that enables them to effectively compete in today's financial industry. It was with this in mind that we made the decision in June to merge with Merrimac Savings and to then convert their computer systems into North Shore Bank's in

November – in effect completing our second bank merger in fifteen months and second data conversion in less than a single year.

Besides the obvious strategic and financial benefits gleaned from the merger, we also added two additional branch offices in Merrimac, Massachusetts and Newton, New Hampshire. Since North Shore Bank already had healthy concentrations of consumer and commercial customers in the area, these locations proved to be particularly attractive – allowing us to more effectively service those customers while providing a foothold in the Merrimack Valley and Southern New Hampshire for future expansion. As part of that strategy, we’ve recently opened a Regional Business Center at the Merrimac office, relocating a number of commercial lenders who not only reside in the market but have extensive business ties throughout the region.

Overall, the bank enjoyed strong balance sheet growth in 2015, much of it attributable to the merger. As you can see to the right, Total Assets grew to \$746MM, up 11% from the previous year and over 59% from 2014. Similarly, the loan portfolio increased to \$572MM — fueled by an increase in commercial lending activity — and representing a 13% jump from the previous year. Our Equity Capital approached \$82 million in 2015, with a Tier One Leverage Capital ratio of 11.19%, significantly higher than the regulatory standard set for well-capitalized banks. Net Operating Income for the year was strong at \$2.7MM, which is notable considering merger activities were accretive during the first year of our operating plan. Asset quality remained strong throughout the year with low levels of non-performing assets.

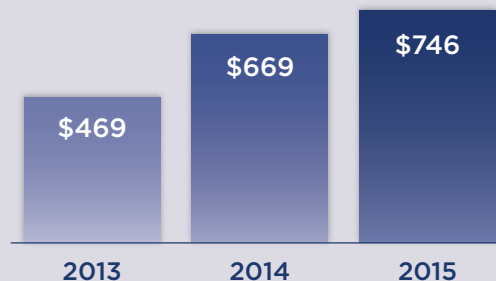
As in prior years, the organization continued to be an active supporter of area non-profits. In 2015 North Shore Bank made contributions to 158 different local and regional charitable organizations. In addition to this direct financial assistance, our bankers again selflessly donated their time and expertise, while serving on more than 60 different boards and committees. This year also saw the creation of a “Jeans Day for Charity” program.

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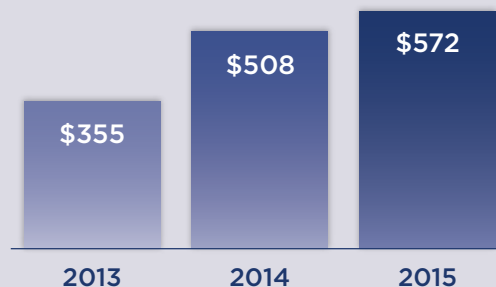
Financial Highlights

— as of 12/31 - in millions

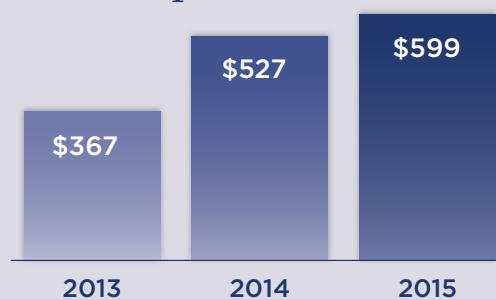
Total Assets



Total Loans



Total Deposits



Equity Capital





This employee-directed fundraising effort allows staff to wear jeans to work on Fridays in exchange for a \$5 charitable contribution. The funds collected are then pooled and donated each month to a non-profit designated by the employees. Since the program's inception last spring, it has raised more than \$15,000 for organizations as diverse as Peabody's Haven from Hunger, Operation Troop Support in Danvers, and the Merrimac Council on Aging.

We are proud of the accomplishments made in 2015 and recognize that we couldn't have achieved as much without solid planning and the dedication of employees at every level of the bank. Between mergers, conversions and of course our normal day-to-day operations, our staff consistently performed at the highest levels and, of course, none of this would be possible without the partnership and loyalty of all our customers who have supported us through these times of change. Most importantly, we're confident that the hard work and efforts put forth in 2015 have laid the groundwork for meeting our customers' needs and expectations in 2016 and beyond.

Chief Executive Officer
North Shore Bank

President and Chief Operating Officer
North Shore Bank

Consolidated Statement of Condition

(Dollars in Thousands)

	December 31,	
	2015	2014
Assets		
Cash and Due From Depository Institutions	\$ 9,197	\$ 8,911
Securities	106,617	90,858
Overnight Investments	21,333	26,398
Loans		
Loans	571,630	507,484
Allowance for Loan Losses	(5,607)	(5,420)
Net Loans	566,023	502,064
Total Fixed Assets	14,367	12,425
Other Assets	28,478	28,082
Total Assets	\$ 746,015	\$ 668,738
Liabilities		
Deposits		
Demand Deposits	\$ 134,066	\$ 101,498
Interest Bearing Balances		
MMDA Accounts	140,171	144,925
Savings Accounts	119,453	91,761
Time Deposits	154,645	144,463
NOW Accounts	51,040	43,926
Total Interest Bearing	465,309	425,075
Total Deposits	599,375	526,573
Borrowed Funds	57,721	59,286
Repurchase Agreements	0	2,414
Other Liabilities	7,290	6,895
Total Liabilities	664,386	595,168
Equity Capital		
Total Equity Capital	81,629	73,570
Total Liabilities and Equity Capital	\$ 746,015	\$ 668,738



North Shore Bank Board of Directors

Top Row (Left to Right) — David L. Ankeles, Benoit J. Brodeur, Jr., John M. Dean, Cynthia McGurren, Charles E. Holden, Gary F. Cowles, Bradley R. Gauthier, Luis L. Azevedo, Samuel Penta, Richard A. Yagjian, Pamela Casey O'Brien and Timothy F. Clarke

Seated (Left to Right) — Kevin M. Tierney, Sr., President & COO; Jonathan N. Bursaw, Chairman of the Board; and David J. LaFlamme, Chief Executive Officer

Not pictured — Monique Pelletier

Friday Jeans Days



10
Non-Profits

184
Employees

3K
Pairs of Jeans

\$15K
Dollars Raised

North Shore Bank Officers

David J. LaFlamme — *Chief Executive Officer*

Kevin M. Tierney, Sr. — *President & Chief Operating Officer*

Finance

George J. Sophinos — *SVP & Chief Financial Officer*

Dorothy M. Roth — *Vice President*

Amanda P. Yim — *Accounting Officer*

Susan T. Inserra — *Assistant Treasurer*

Human Resources

Beth A. Tichy — *Senior Vice President*

Liseth Flores — *Human Resources Officer*

Lending

Michael D. Brown — *SVP & Chief Lending Officer*

Peter D. Fenn — *Senior Vice President*

Steven C. Pettengill — *Senior Vice President*

Jerome J. Salerno — *Senior Vice President*

Sherry M. Ambrose — *Vice President*

Charles A. Day — *Vice President*

Joanne V. Donovan — *Vice President*

Richard E. Felteau — *Vice President*

Rosemary Garcia Frost — *Vice President*

Peter F. Malinowski — *Vice President*

Tina M. Bohondoney — *Assistant Vice President*

Ross T. Caswell — *Assistant Vice President*

Phillip P. Noto — *Assistant Vice President*

Maureen E. Meletis — *Assistant Vice President*

Bertha E. Mulley — *Assistant Vice President*

Sean P. Driscoll — *Commercial Loan Officer*

Lisa Scopa — *Commercial Loan Officer*

Lisa F. Chochrek — *Appraisal Officer*

Marketing

David A. Munroe — *Vice President*

Christopher G. Pesce — *Vice President*

Operations and Information Technology

Susan C. Shea — *SVP & Chief Operations Officer*

Judith F. Doherty — *Vice President*

Gary A. Frost — *Vice President*

Debra A. Knight — *Vice President*

Sheryl A. Pompei — *Vice President*

Daniel S. Ruane — *Vice President*

Retail Banking

Elizabeth A. White — *Vice President*

Michael F. Zellen — *Vice President*

Diane M. Ayers — *Assistant Vice President*

Suzanne L. O'Brien — *Assistant Vice President*

Mary Beth O'Connell — *Assistant Vice President*

Maria A. Silva — *Assistant Vice President*

Carol Varone — *Assistant Vice President*

Deborah A. Alphonse — *Sales and Service Manager*

Mary Lou Da Silva — *Sales and Service Manager*

Betzi De La Rocha — *Sales and Service Manager*

Julieann Garland — *Sales and Service Manager*

Geoffrey T. Leahy — *Sales and Service Manager*

Aimee L. Martin — *Sales and Service Manager*

Risk Management

Robert R. Clay — *Senior Vice President*

Kimberly A. Lovett — *Vice President*

Linda S. LeBlanc — *Assistant Vice President*



NORTH SHORE BANK

Well north of your expectations.™

northshore-bank.com |     

Member FDIC Member SIF Equal Housing Lender 