

Managing Change in Changing Times



2018 Annual Report



NORTH SHORE BANK

Well north of your expectations.SM



Embracing & Managing Change

In today's business environment, it has become an organizational imperative. This is especially apparent in the banking sector, where changes in customer behavior and service delivery preferences have made the industry almost unrecognizable from twenty-five years ago. When coupled with increasing competitive pressure from bank and non-bank sources, ongoing regulatory demands and the unrelenting march of new technology, it can only be characterized as transformative. To be successful in this climate, banks like North Shore Bank must continually adapt to ensure that they remain relevant and responsive to our customers' needs.

While this is always a work in process, during 2018 North Shore Bank made significant strides in a number of key areas. Whether relating to improvements to facilities, enhancements to product lines or personnel additions, careful planning and execution were paramount, all culminating in another extremely successful campaign.

The construction of our new Beverly branch, located at 140 Brimbal Avenue in the new North Shore Crossing, required a great deal of staff resources during 2018. Opening in January of this year, this full-service location marks a significant upgrade from our former Beverly

office, including a distinctive open floor plan, the latest technology, and both drive-up teller and ATM services. In addition, staff members have all been trained as *personal bankers*, allowing them to seamlessly transition from transactional to consultative roles — offering advice and expertise in the areas of consumer and business banking, as well as investment options. We're confident that when the Retail Center is fully-occupied, featuring high-profile tenants like Whole Foods Market, this will be a very successful location for the bank.

In December the bank entered into a strategic partnership with Coastal Capital Group – a Danvers-based Financial Planning and Investment Advisory firm with over 35 years of experience. Consistent with North Shore Bank's principles, Coastal Capital Group partners with individuals, families and business owners to create and implement a plan for their financial life. Their foundational approach to financial planning focuses on what matters most to their clients and provides them with a level of understanding, information, and tools that places them in control. We believe that this partnership will provide significant value to our customers, filling an otherwise unmet gap in their financial journeys.

I'm also pleased to report that during 2018 the organization introduced two new members

to our Leadership Team. Kathryn Carty joined as Senior Operations Officer. Kathryn has brought a wealth of experience in deposit and loan operations, process management, business continuity, vendor management, strategic planning and information technology. The bank also welcomed William Beitler as the organization's new Chief Risk Officer. With over thirty years of banking experience, Bill's expertise ranges from risk management, business administration, regulatory oversight, technology optimization, and strategic management.

As you can see from our financial performance, 2018 was another strong year for North Shore Bank. Total Assets grew from \$819MM to \$870MM, or a net increase of 6%. This growth was largely fueled by lending activities, principally in the commercial portfolios, with commercial real estate and commercial construction loans providing a significant portion of the lift. Our deposit acquisition efforts kept pace, also posting a 6% increase. Our earnings performance was robust in 2018 — in fact 23% ahead of plan — with the combination of improved yield on earning assets and ongoing expense management accounting for much of this improved performance. Equity Capital ended the year at \$96MM, or a Tier-One Capital Ratio of 11%.

Investing in the community has always been a high priority for the bank, and 2018 was no exception. Contributing financially to over 300 different local and regional organizations, our commitment to the community is at the core of our business philosophy. In addition, bank employees continued to carry this standard whether through weekly Jeans Day donations to benefit area non-profits – eclipsing the \$60,000 dollar mark in total contributions this year – or through their extensive volunteer efforts on local boards and committees or at countless community-wide events.

When we reflect on the accomplishments of this past year, it is difficult not to be inspired by our team's performance. By most any standard, we either met or exceeded our organizational goals. As we look to the coming year, there will likely be no shortage of challenges, but with clear strategic direction and thorough planning, I'm confident that our team will be up to the task.



Kevin M. Tierney, Sr.
President and Chief Executive Officer
North Shore Bank

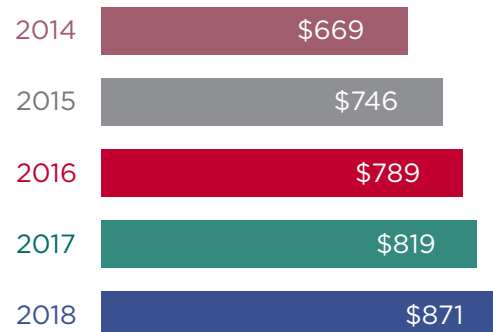


Consolidated Statement of Condition

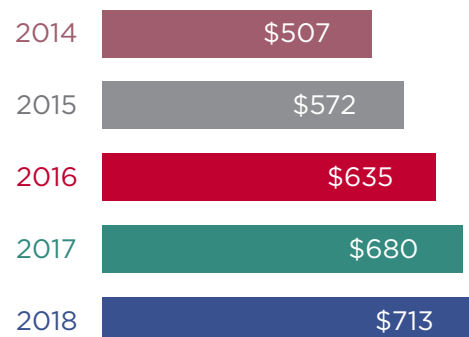
(Dollars in thousands)

	December 31,	
	2018	2017
Assets		
Cash & Due From Banks	\$ 9,170	\$ 9,430
Securities	105,299	94,770
Overnight Investments	10,107	1,794
Loans		
Loans	713,229	679,554
Allowance for Loan Losses	(8,306)	(7,298)
Net Loans	704,923	672,256
Total Fixed Assets	12,610	12,937
Other Assets	28,397	27,918
Total Assets	\$ 870,506	\$ 819,105
Liabilities		
Deposits		
Demand Deposits	\$ 153,900	\$ 157,427
Interest Bearing Balances		
MMDA Accounts	133,486	136,908
Savings Accounts	115,607	126,306
Time Deposits	214,295	168,023
NOW Accounts	76,418	64,410
Total Interest Bearing	539,806	495,647
Total Deposits	693,706	653,074
Borrowed Funds	75,059	71,893
Other Liabilities	6,946	6,038
Total Liabilities	775,711	730,895
Equity Capital		
Total Equity Capital	94,795	88,210
Total Liabilities and Equity Capital	\$ 870,506	\$ 819,105

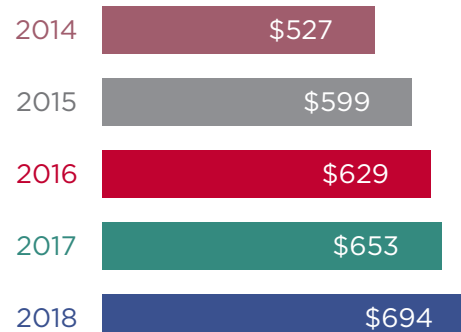
Total Assets | *in millions*



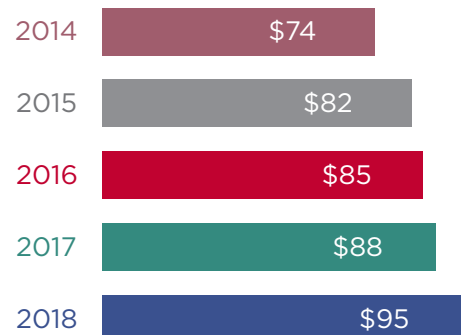
Total Loans | *in millions*



Total Deposits | *in millions*



Equity Capital | *in millions*



Board of Directors

Jonathan N. Bursaw – Chairman of the Board
Luis L. Azevedo
Benoit J. Brodeur, Jr.
Gary F. Cowles
Timothy F. Clarke
Bradley R. Gauthier
Charles E. Holden

Cynthia McGurren
Pamela Casey O'Brien
Monique Pelletier
Dr. Samuel Penta
Kevin M. Tierney, Sr. — President & CEO
Richard A. Yagjian

North Shore Bank Officers

Executive

Kevin M. Tierney, Sr. – President & CEO

Finance

George J. Sophinos – SVP & Chief Financial Officer
Dorothy M. Roth – Vice President
Amanda P. Yim – Assistant Vice President
Susan T. Inserra – Assistant Treasurer

Human Resources

Beth A. Tichy – SVP & Human Resources Director
Lisseth Flores – Vice President
Carol Varone – Assistant Vice President

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
Ross T. Caswell – Vice President
Joanne V. Donovan – Vice President
Richard E. Felteau – Vice President
Rosemary Garcia Frost – Vice President
Maureen E. Meletis – Vice President
Mary Beth O'Connell – Vice President
Daniel P. Giuliani – Assistant Vice President
Geoffrey T Leahy – Assistant Vice President
Lisa Scopa – Assistant Vice President
Reena Scott – Assistant Vice President
Sean P. Driscoll – Commercial Loan Officer
Lisa F. Chochrek – Appraisal Officer

Marketing

David A. Munroe – VP & Marketing Director
Christopher G. Pesce – Vice President

Operations & Information Technology

Kathryn V. Carty – SVP & Senior Operations Officer
Susan Cheever Shea – SVP - Project Management
Judith F. Doherty – Vice President
Gary A. Frost – Vice President
Debbra A. Knight – Vice President
Sheryl A. Pompei – Vice President
Daniel S. Ruane – Vice President

Retail Banking

Joseph J. Bartolotta – SVP & Chief Customer Officer
Elizabeth A. White – Vice President
Diane M. Ayers – Assistant Vice President
Suzanne L. O'Brien – Assistant Vice President
Maria A. Silva – Assistant Vice President
Mary Lou DaSilva – Branch Manager
Julieann Garland – Branch Manager
Jodi Houghton – Branch Manager
Aimee L. Martin – Branch Manager
Kyle Perzanoski – Branch Manager
Erin Riley – Branch Manager
Kimberly A. Rossi – Branch Manager
Thomas Seyffert – Branch Manager
Megan Shea-Pereira – Branch Manager
Thomas J. Sulick – Branch Manager

Risk Management

William S. Beitler – SVP & Chief Risk Officer
Kimberly A. Lovett – Vice President



NORTH SHORE BANK

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Beverly | Danvers | Merrimac | Middleton | Newton, NH | Peabody | Salem | Saugus

Customer Support — (978) 573-1300

northshore-bank.com |     

Member FDIC Member SIF

Equal Housing Lender 