

Guiding a Course in Uncertain Times

2021 ANNUAL REPORT



NORTH SHORE BANK

Well north of your expectations.SM

Creating opportunities while navigating a "new normal"

Operating any business these last two years has often seemed a study in patience and perseverance. The uncertainty of events coupled with the inexorable march of the business cycle has often required that we reinvent our processes, dramatically accelerate our long-term planning and even rethink our pre-pandemic strategies. Whether temporary or permanent in nature, these changes have required vision, flexibility and agility. As an organization, we're confident that they have meant the difference between smooth sailing and merely treading water.

We started the year much as we ended 2020, with rising COVID-19 case numbers and the majority of our staff continuing to work remotely. It would be mid-year before we would begin the re-entry process of bringing all employees back to the office. Nevertheless, the unpredictable nature of the pandemic continued to test our planning abilities and demonstrated that any semblance of normality could be illusory. I would again applaud our workforce who, despite the ebbs and flows of new variants, the on-again off-again mask mandates, and the continuously revised workplace protocols, conducted themselves with good humor, professionalism and an adaptability that was truly admirable.

During 2021, we saw a continued migration from traditional banking outlets to digital channels – despite the fact that our branches were essentially maintaining their regular operating hours. Online and mobile banking usage rates were up appreciably from the prior year, with the number of daily logins increasing by 25%. In addition, the number of mobile deposit transactions conducted jumped by more than 30% from their 2020 levels. Recognizing that these customer preference

trends will only increase in upcoming years, the Bank recently began accelerating development of its strategic digital transformation initiatives. Geared toward the enhancement of digital products and services, this will include any customer facing applications as well as backroom processes intended to improve customer service and internal efficiencies. The first of these will be instituted this spring with the launch of a redesigned and fully responsive online and mobile banking platform.

I'm also pleased to report that North Shore Bank had another extremely strong financial performance in 2021 — ending the year at \$1.64 billion in assets, or an increase of almost 10% from 2020. While business lending was understandably sporadic throughout most of the year, attributable to borrower uncertainty surrounding the pandemic, our asset quality remained strong, and net charge-offs were essentially 0% for the period.

Having participated in the final round of the Paycheck Protection Program during the first half of the year, the Bank ultimately assisted more than 500 companies through the program, extending another \$50MM in short-term credit between January and May. This was on top of the \$80MM that the Bank provided to 800 companies in 2020. At this point, the majority of those borrowers are now moving through the forgiveness or payoff phase of the process. However, these pay downs have also coincided with a welcome return to a more traditional business cycle, as we are now seeing increasing borrower demand in our commercial real estate, construction, and commercial and industrial portfolios.

Deposit growth for the period was also quite strong, with gains coming primarily in the



money market and demand deposit account categories. This has resulted in a highly favorable product mix, with almost 58% of total deposits in demand deposit and money market type accounts. This factor, combined with our variably priced loan portfolio and prudent balance sheet management, has allowed us to maintain a solid Net Interest Margin of 3.35% and register another year of record profits. Ending 2021 with net income of \$15.2MM, our strong earnings have contributed to already burgeoning Equity Capital levels. Currently standing at \$172MM, our Tier-One Leverage Capital and Risk-Based Capital ratios reached 10.34% and 16.7% respectively.

By almost any standard, our 2021 performance was exceptional. However, what made these results even more impressive was the fact that they were again accomplished under such extraordinary circumstances. I'm convinced that our ability to quickly adapt and take advantage of the opportunities that were presented allowed us to stay on course and meet company objectives. More importantly, these are the characteristics of high performing organizations — traits that we believe will ensure our continued relevancy and sustainability, both today and well into the future.

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

Financial Highlights

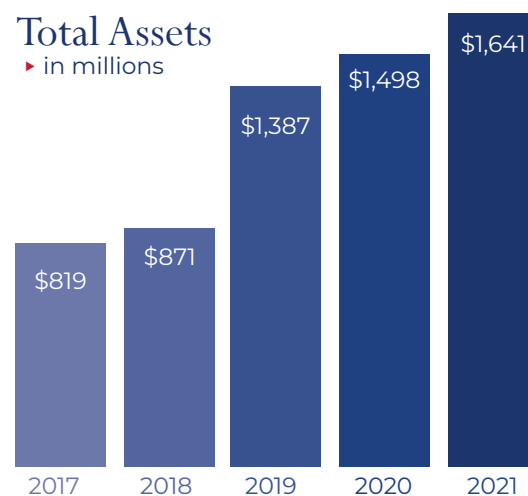
Consolidated Statement of Condition

(Dollars in Thousands)

	December 31st,	
	2021	2020
Assets		
Cash & Due From Banks	\$ 9,334	\$ 11,127
Securities	171,780	120,457
Overnight Investments	245,290	168,950
Loans		
Loans	1,176,371	1,154,570
Allowance for Loan Losses	(16,699)	(14,967)
Net Loans	1,159,672	1,139,603
Total Fixed Assets	15,839	19,967
Other Assets	39,120	38,129
Total Assets	\$ 1,641,035	\$ 1,498,233
Liabilities		
Deposits		
Demand Deposits	\$ 434,772	\$ 360,104
Interest Bearing Balances		
MMDA Accounts	404,956	338,958
Savings Accounts	234,260	207,516
Time Deposits	229,313	280,271
NOW Accounts	145,337	120,654
Total Interest Bearing	1,013,866	947,399
Total Deposits	1,448,638	1,307,503
Borrowed Funds	6,609	22,070
Other Liabilities	13,706	10,987
Total Liabilities	1,468,953	1,340,560
Equity Capital		
Total Equity Capital	172,082	157,673
Total Liabilities and Equity Capital	\$ 1,641,035	\$ 1,498,233

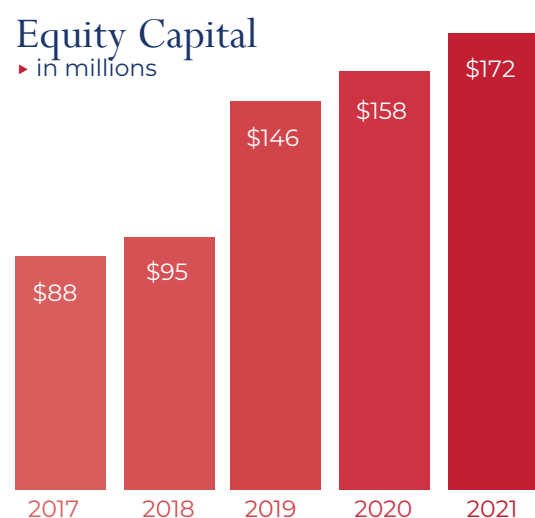
Total Assets

▶ in millions



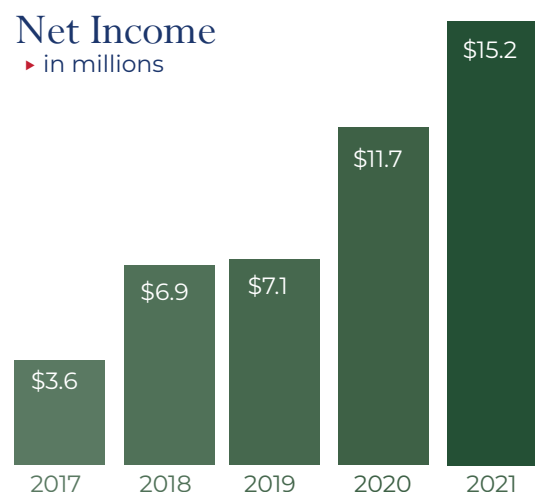
Equity Capital

▶ in millions



Net Income

▶ in millions



Investing in the Community

In 2021, North Shore Bank again supported a wide range of non-profit organizations — both within our service area and throughout the region. Below is a representative listing of organizations to which we provided financial assistance:

- ▶ Anna Jacques Hospital
- ▶ Beverly Council on Aging
- ▶ Beverly High School Football Boosters
- ▶ Beverly Homecoming Committee
- ▶ Beverly Main Streets
- ▶ Beverly's Holiday Parade
- ▶ Boston Walk for PKD
- ▶ Boys and Girls Club of Greater Salem
- ▶ Boys and Girls Club of the Lower Merrimack Valley
- ▶ Brooksby Village, Inc.
- ▶ Burbank YMCA
- ▶ Care Dimensions
- ▶ CCCBSD
- ▶ Chabad of Peabody
- ▶ Chief Will's Day
- ▶ Citizens Inn
- ▶ Coastal Homebuyer Education
- ▶ Dana Farber Cancer Institute
- ▶ Danvers Community YMCA
- ▶ DanversCARES
- ▶ Elder Services of the Merrimack Valley, Inc.
- ▶ Endicott College
- ▶ Essex County Community Foundation
- ▶ Essex County Habitat for Humanity
- ▶ Essex Heritage
- ▶ Exchange Club of Haverhill
- ▶ Family Promise
- ▶ Foundation of Mass Eye and Ear, Inc.
- ▶ Friends of Merrimac Inc.
- ▶ Friends of the Northshore Education Consortium
- ▶ Friends of the PCOA Inc.
- ▶ Friends of the Salem Council on Aging
- ▶ Girls Inc.
- ▶ Grateful Friends
- ▶ Greater Beverly Chamber of Commerce
- ▶ Greater Haverhill Chamber of Commerce
- ▶ Greater Lynn Chamber of Commerce
- ▶ Harborlight Community Partners
- ▶ Haverhill YMCA
- ▶ HAWC
- ▶ Home Health Foundation
- ▶ LEAP for Education
- ▶ Link House, Inc.
- ▶ Manchester Essex Rotary
- ▶ Maritime Society
- ▶ Massachusetts General Hospital
- ▶ Mass Bankers Charitable Foundation
- ▶ Merrimac Baseball, Inc.
- ▶ Merrimac Council on Aging
- ▶ Merrimac Santa Parade Committee
- ▶ Middleton Board of Trade
- ▶ Montserrat College of Art
- ▶ My Brother's Table
- ▶ Northern Essex Community College Foundation
- ▶ Newhall Fields Community Farm
- ▶ Northeast Massachusetts Youth Orchestra
- ▶ North Shore Alliance for Economic Development
- ▶ North Shore Cancer Walk
- ▶ North Shore CDC
- ▶ North Shore Chamber of Commerce
- ▶ North Shore Community College Foundation, Inc.
- ▶ North Shore Realtors Association
- ▶ Northeast Builders and Remodelers Assoc. of MA
- ▶ Northeast Arc
- ▶ Northeast Hospital Corporation
- ▶ North Shore Community Action Programs, Inc.
- ▶ Pathways for Children
- ▶ Peabody Area Chamber of Commerce
- ▶ Peabody Education Foundation
- ▶ Peabody High School Scholarship Program
- ▶ Peabody Institute Library Foundation
- ▶ Peabody Youth Girls Lacrosse
- ▶ Plummer Youth Promise
- ▶ Pan Mass Challenge
- ▶ Progeria Research Foundation
- ▶ Root - Feeding Opportunity and Community
- ▶ Rotary Club of Hamilton-Wenham
- ▶ Rotary Club of Peabody
- ▶ Salem Academy Charter School
- ▶ Salem Music Boosters
- ▶ Salem Sound Coastwatch
- ▶ Salem State University Foundation
- ▶ Santa's Magic, Inc.
- ▶ Saugus High School Scholarship Program
- ▶ Saugus Public Library Foundation
- ▶ Scott Procopio Gold Star Run
- ▶ The Alzheimer's Association, MA/NH Chapter
- ▶ The Boys and Girls Club of Greater Salem
- ▶ The CdLS Foundation
- ▶ The John Estrella Foundation for Cancer Research
- ▶ Tim Goldberg Memorial Fund
- ▶ Town of Newton
- ▶ YMCA of Metro North
- ▶ YMCA of the North Shore

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Kevin M. Tierney, Sr. – Chief Executive Officer
Michael R. Wheeler – President & COO

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Richard Yagjian
Christine M. Zampell
Pamela Zerber



"Rookery on Ice," - Judy Schneider



"Winter 2021 Marblehead," - Francisco Urena

Bank Officers

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Michael R. Wheeler – President & COO

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Lisseth Flores – Senior Vice President
Carol Varone – Assistant Vice President

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Christopher G. Pesce – Vice President

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Michael R. Zipper – Assistant Vice President

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Suzanne L. O'Brien – AVP & Branch Manager
Vicki L. Cormier – Branch Manager
Julieann Garland – Branch Manager
Chester Graham – Branch Manager
Jodi M. Houghton – Branch Manager
Kyle L. Marsh – Branch Manager
Erin M. Riley – Branch Manager
Ashley Santana – Branch Manager
Thomas A. Seyffert – Branch Manager
Jacki Shambaugh – Branch Manager
Megan Shea-Pereira – Branch Manager
Thomas J. Sulick – Branch Manager

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Stephanie M. Tallo – Vice President
Joseph Kermelewicz – Assistant Vice President
Lisa F. Ryan – Assistant Vice President
Christopher D. Holmes – Bank Secrecy Act Manager



"Surfer Heading In," - Michael Dyer



Beverly

- ▶ 140 Brimbal Avenue
- ▶ 254 Cabot Street
- ▶ 48 Enon Street

Danvers

- ▶ 48 Elm Street

Middleton

- ▶ 237 South Main Street

Merrimac

- ▶ One West Main Street

Newton, NH

- ▶ 29 South Main Street

Peabody

- ▶ 248 Andover Street
- ▶ 637 Lowell Street
- ▶ 32 Main Street

Reading

- ▶ 31 Harnden Street

Salem

- ▶ 73 Lafayette Street
- ▶ 319 Highland Avenue

Saugus

- ▶ One Hamilton Street
- ▶ 412 Lynn Fells Parkway

Customer Support – 978-573-1300

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Member DIF



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