

2018 was a great year for Claremont Savings Bank with increased revenue and core earnings. Our net interest margin improved for the first time in many years. We had modest loan and deposit growth and were able to control our operating expenses. Loan charge-offs were significantly lower than in 2017 and our provision for loan losses was reduced. During the year we opened a loan production office in West Lebanon, closed the lobby of our branch on Charlestown Road, added Saturday lobby hours on Washington Street and completed the conversion of our broker/dealer for Claremont Financial Services to LPL Financial.

Loans grew by \$5.3 million with most of that growth coming from purchased residential mortgages and new commercial real estate loans. That growth was funded by a combination of local deposits and national deposits and we were able to reduce our borrowings by \$12 million. Our net worth increased by only \$41,000 as the decline in the value of our stock portfolio almost entirely offset net income of \$2.5 million. Total assets were flat at \$417 million. We continue to be well capitalized with a capital to asset ratio of 13.82%, flat from December 31, 2017.

Net interest income grew by 3.5% from the prior year due to a modest increase in loans and the improvement in our net interest margin (the difference between what we earn on loans and investments, and what we pay on deposits and borrowings) from 3.26% in 2017 to 3.33% in 2018. Non-Interest Income was \$1.975 million, a decrease of 4% from 2017 due, in part, to a large gain on sale of an OREO property in 2017. Non-interest expense (salaries, benefits, facilities, information technology, etc.) increased by 3.5% due to the cost of maintaining a couple of large OREO properties (since sold) and increasing technology costs. The Bank's efficiency ratio deteriorated slightly from 83.1% to 84.2%. We recorded a provision for loan losses of \$550,000 in 2018 to cover net charge-offs and to increase the reserve, compared to \$1.4 million in 2017. At year-end the Reserve for Loan Losses equaled 1.13% of total loans, up from 1.03% at December 31, 2017. We recognized \$1 million in stock gains during the year compared to gains of \$1.47 million in 2017. Our effective tax rate was 14.6%, a reduction from 18.2% in 2017 and Net income before extraordinary items was \$2.45 million in 2018 compared to \$1.985 million in 2017.

We are excited about our move into the Upper Valley with our new Loan Production Office. We are proud of our service levels and look forward to welcoming new customers. The Bank continues to do an excellent job supporting the community. In 2018, Claremont Savings Bank and the Claremont Savings Bank Foundation donated nearly \$150,000 to local non-profit organizations.

A handwritten signature in blue ink, appearing to read "Reggie".

Reginald E. Greene, Jr.
President and CEO