

I am delighted with the progress we've made so far this year. Our staff continues to perform at a high level and provides great service to our external and internal customers. We made some important changes to reporting lines in 2019 and relocated a number of departments to difference spaces in the main office.

I am pleased to report that Claremont Savings Bank had solid operating performance in the first six months of 2019, exceeding both the same period last year and budget. We continue to work on our strategic initiatives, which include expanding outside of our traditional markets, managing expenses and reducing credit losses.

For the first six months of 2019, both loan and deposit growth was less than expected. We had two large commercial loans pay off at the end of the second quarter, which resulted in a decrease in loans from year-end. The payoffs overshadowed a much stronger start to the year for in-house mortgages. The number of purchased mortgages was less than the prior two years. The reduction in loans was offset by an increase in cash and investments. Deposits were down slightly from year-end and have been relatively flat for the past few years. Borrowings were reduced and, due to retained profit and the increase in value of our investment portfolio, our net worth increased by \$3.5 million from December 31, 2018. We continue to be very well-capitalized with a capital to asset ratio of 14.6%.

With interest rates increasing in the early part of 2019, our net interest margin improved. That, coupled with an increase in average loans, led to growth of net interest income of 5.5% from the year-earlier period. We continue to add to our reserve for loan losses despite significantly lower charge-offs. The reserve now represents 1.21% of total loans, up from 1.01% in 2016. Non-Interest Income was \$891,911, down 10.8% from the year-earlier period due to reduced fee income resulting from changes we made in customer eligibility in our Premium Overdraft program. Non-interest expense (salaries, benefits, facilities, information technology, etc.) decreased 1% from the year-earlier period primarily because of reduced foreclosure expenses. Expenses included a donation the Bank made to the Claremont Savings Bank Foundation. The Foundation donated \$90,000 to 67 non-profit organizations, who we hosted at a reception at the Bank on July 11. We continue to benefit from the increasing value of our stock portfolio and took gains of \$445,345 compared to \$499,529 in the year-earlier period. Net Income increased by 25.6% to \$1.2 million for a return on assets of .57% compared to an ROA of .46% in the year-earlier period.

We are proud to be the hometown bank of Claremont, Charlestown and Springfield, VT. Please contact me by phone (603) 690-2704) or email rgreene@claremontsavings.com if you have any questions or suggestions.

Best regards,



Reginald E. Greene, Jr.
President and CEO