Statement of Condition

JULY 2018

I am delighted to report that Claremont Savings Bank had solid operating performance in the first six months of 2018. There were a number of significant events that occurred in the first half of the year, the hardest of which was the closing of our branch on Charlestown Road. The transaction volume at the branch simply did not justify staffing the office. We determined that most of our customers also used the main office or one of our other branches. The two ATM's are still operating. Another change was the addition of Saturday lobby hours at our Washington Street branch. Washington Street is the retail center for Sullivan County and we wanted to extend lobby hours to accommodate new account opening and customer service. We have experienced good activity and recently added a third staff member for part of the morning. Finally, we're excited about our new Loan Production Office in West Lebanon. We recently hired a mortgage lender and a commercial lender from area banks that will work out of that office to generate new loans in the Upper Valley.

For the first six months of the year, loan growth was less than expected and our production in the year-earlier period. Given the tight inventory of homes in our markets, fewer mortgages were originated. In addition we purchased significantly fewer loans than in the first half of 2017. Commercial loan originations were ahead of plan but outstanding balances were on plan as some construction loans had not yet been advanced. Deposit growth exceeded loan growth allowing us to repay $4 million of borrowings. Our net worth declined slightly as the drop in value in our stock and bond portfolios more than offset our net income of $955,048. Total assets grew slightly to $418 million. We continue to be well capitalized with a capital to asset ratio of 13.67%.

Net interest income grew by 2.6% from the same period in 2017 because of higher average loan balances, which more than offset a slight reduction in margin. Our provision for loan losses was significantly lower than the prior period due to fewer loan charge-offs and reduced loan growth. Our credit quality metrics are improving with delinquent loans down to 1.00% of the loan portfolio compared to 1.58% at June 30, 2017. Non-Interest Income was $999,481, down $223,259 from the year-earlier period, a result of a $212,713 gain on the sale of a bank-owned property in the first half of 2017. Non-interest expense (salaries, benefits, facilities, information technology, etc.) increased 4% as a result of the investment in our office in West Lebanon, hiring new lending personnel and a $97,274 donation to the Claremont Savings Bank Foundation. We continue to benefit from the high value of our stock portfolio and took gains of $499,529 compared to $598,030 in the year-earlier period. Pre-tax income was up slightly and but, with the tax law changes (our tax rate was reduced from 18.5% to 11.2%), Net Income increased by 11% to $955,048 for a return on assets of .46% compared to an ROA of .41% in the year-earlier period.

The staff continues to provide excellent service to our customers. The plan for 2018 and beyond is to gain new customers to the Bank by expanding our footprint into the Upper Valley and taking advantage of our strong retail and lending teams while continuing to look for ways to operate more efficiently.

Reggie

Reginald E. Greene, Jr.
President and CEO

INCOME STATEMENT	Six Months June 30, 2018	Six Months June 30, 2017
Total Interest Income	$7,691,909	$7,316,423
Total Interest Expense	1,287,808	(1,072,855)
NET INTEREST INCOME	**$6,404,101**	**$6,243,568**
Provisions for Loan Losses	(338,700)	(775,000)
Non-Interest Income	999,481	1,222,740
Non-Interest Expense	(6,481,699)	(6,232,614)
Gain on Sale of Securities	499,529	598,030
PRE-TAX INCOME	**$1,082,712**	**$1,056,724**
Income Taxes	(127,664)	(195,827)
NET INCOME	**$955,048**	**$860,897**

BALANCE SHEET	June 30, 2018	Dec 31, 2017
Cash & Due from Banks	$9,867,797	$6,365,049
Bonds	44,396,818	46,347,124
Stocks	22,287,968	22,778,930
Loans	326,998,452	323,586,401
Other	14,542,220	17,292,692
TOTAL	**$418,093,255**	**$416,370,196**
Deposits	$312,313,383	306,244,397
Borrowings	43,500,000	47,500,000
Other Liabilities	5,112,087	4,973,671
Capital	57,167,785	57,652,128
TOTAL	**$418,093,255**	**$416,370,196**

Claremont Savings Bank

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