

Helping New Hampshire Prosper



FIRST COLEBROOK BANCORP, INC.

COMPARATIVE STATEMENT OF FINANCIAL CONDITION

March 31, 2016



To Our Shareholders:

During the first quarter 2016, I announced my plans to retire at the end of 2016. Scott A. Cooper was hired to serve as our Chief Operating Officer and will replace me as President and CEO after my retirement. Mr. Cooper has served in several executive positions throughout his banking career to include Chief Risk Management Officer, Chief Operating Officer, and Chief Executive Officer. We believe Mr. Cooper has the experience and skills necessary to succeed me.

We recently received regulatory approval to proceed with the acquisition of a mortgage company in southern New Hampshire. This endeavor took longer than expected, but we expect the purchase to take place within the next few months. After the purchase, we will be able to offer a wider array of secondary market mortgage products throughout our market areas.

In 2015, we made a strategic decision to increase the lending staff to prepare for the expected loan growth in 2016 and the years ahead. While this decision had an impact on earnings, we expect to see the long term benefit of loan growth.

First Colebrook Bancorp, Inc.'s (FCNH) consolidated unaudited financial results for the three months ended March 31, 2016 report a .16% decrease in total assets to \$261.9 million from \$262.3 million for the quarter ended March 31, 2015. Net loans at March 31, 2016 increased to \$197.6 million, a 4.73% increase over the \$188.7 million on March 31, 2015. Deposits decreased by 1.58% to \$219.7 million over the same period in 2015. On March 22, 2016, \$5,000,000 subordinated debt was issued and a partial redemption of the outstanding preferred stock took place in the amount of \$5,000,000.

Consolidated unaudited net income for the three months ended March 31, 2016 was \$145,983 compared to \$268,488 for the March 2015 quarter ending, a 45.6% decrease. Net interest income in the first quarter was consistent from first quarter 2015 at \$2.04 million. Non-interest income decreased to \$252,257 from \$272,851 and non-interest expense increased to \$2.14 million from \$1.97 million for quarters ended, respectively. The largest increase in non-interest expense of \$186,803 was seen in net salaries and benefits, due to our loan growth initiative. During the first quarter 2016, a provision of \$50,000 was made to the Allowance for Loan Losses to accommodate this loan growth.

Net income per share of common stock decreased to \$.16 compared to \$.33 in March 2015. Common shareholder equity (total equity less issued preferred stock) increased to \$20,923,119 from \$20,230,686 which increased book value per share of common stock to \$27.93 at March 31, 2016 from \$27.00 per share a year earlier.

As always, we appreciate your support and if you have any questions or comments, please do not hesitate to contact me.

Sincerely,

Lloyd W. Dollins
President and Chief Executive Officer

First Colebrook Bancorp, Inc.

BOARD OF DIRECTORS

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Lloyd W. Dollins
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James E. Tibbetts

Granite Bank

SENIOR MANAGEMENT

Lloyd W. Dollins *Chief Executive Officer/President*
Scott A. Cooper *Executive Vice President/Chief Operating Officer*
Avis E. Brosseau *Chief Financial Officer/Corporate Secretary*
Robert A. Davis *Senior Vice President/Senior Lender*
Susan K. Robidas *Senior Vice President/Operations/Security & Safety*

ADVISORY BOARD

Amherst

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William Powers
Jonathan Springer
Eric Weinreib
Peter Weeks

Consolidated Balance Sheets

Unaudited

	MARCH 31	
ASSETS	2016	2015
Cash and due from banks	\$6,359,612	\$9,887,654
Federal funds sold and overnight deposits	-	697,137
	6,359,612	10,584,791
Interest-bearing time deposits with other banks	6,969,000	6,958,000
Investments in available-for-sale securities (at fair value)	37,455,664	42,597,980
Federal Home Loan Bank stock, at cost	679,000	751,100
Loans, net	197,609,149	188,678,006
Premises and equipment, net	4,799,465	5,040,687
Accrued interest receivable	672,824	691,152
Cash surrender value of life insurance policies	3,875,138	3,781,496
Other assets	3,457,223	3,212,308
TOTAL ASSETS	\$261,877,074	\$262,295,519

LIABILITIES AND STOCKHOLDERS' EQUITY

Deposits:		
Noninterest-bearing	43,464,437	43,404,910
Interest-bearing	176,242,674	179,819,478
TOTAL DEPOSITS	219,707,111	223,224,388
Borrowings	10,000,000	7,000,000
Subordinated Debenture	4,870,201	-
Securities sold under agreements to repurchase	980,844	1,400,816
Other liabilities	1,772,800	1,816,629
TOTAL LIABILITIES	237,330,955	233,441,833
Stockholders' equity:		
Preferred stock	36	86
Common stock	1,123,864	1,123,864
Paid-in capital	6,957,347	11,957,297
Retained earnings	16,330,875	15,797,720
Treasury stock, at cost	-	-
Accumulated other comprehensive income	133,997	(25,281)
TOTAL STOCKHOLDERS' EQUITY	24,546,119	28,853,686
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$261,877,074	\$262,295,519

Consolidated Statements of Income

Unaudited

	MARCH 31	
THREE MONTHS ENDING	2016	2015
Interest and dividend income:		
Interest and fees on loans	\$2,135,590	\$2,081,616
Taxable Interest on Investments	97,017	99,695
Tax-exempt Interest on Investments	104,593	104,003
Dividends on stocks	5,225	30,824
Interest on federal funds sold and overnight deposits	4,730	59
TOTAL INTEREST AND DIVIDEND INCOME	2,347,155	2,316,197
Interest expense:		
Interest on deposits	222,594	254,784
Interest on borrowings	38,420	18,338
Interest on capital lease	171	347
Interest on securities sold under repurchase agreements	312	341
TOTAL INTEREST EXPENSE	261,497	273,810
NET INTEREST AND DIVIDEND INCOME	2,085,658	2,042,387
Provision for loan losses	50,000	-
Net interest and dividend income after provision for loan losses	2,035,658	2,042,387
Noninterest income:		
Service fees	105,308	119,003
Gain on sales and calls of available-for-sale securities, net	-	-
Other income	146,949	153,848
TOTAL NONINTEREST INCOME	252,257	272,851
Noninterest expense:		
Salaries and employee benefits, net	1,153,327	966,524
Occupancy expense	213,248	225,647
Equipment expense	89,257	83,316
Other noninterest expense	686,060	690,083
TOTAL NONINTEREST EXPENSE	2,141,892	1,965,570
INCOME BEFORE INCOME TAXES	146,023	349,668
Income tax expense:	40	81,180
NET INCOME	\$145,983	\$268,488
Earnings per share of Common Stock	\$0.16	\$0.33

For further information, contact:
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 Market: OTCQX

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