

FIRST COLEBROOK BANCORP, INC.

(and its wholly owned subsidiary)



COMPARATIVE STATEMENT OF FINANCIAL CONDITION

September 30, 2017

First Colebrook Bancorp, Inc. reported unaudited, consolidated net income for the nine (9) months ended September 30, 2017 of \$582,047 compared to \$549,643 for the nine (9) months ended September 30, 2016.

These results reflect previously disclosed non-recurring bank holding company events related to the refinancing of First Colebrook Bancorp, Inc.'s subordinated debt and its sale of foreclosed real estate that was previously carried as other real estate owned (OREO) on the financial statements of First Colebrook Bancorp, Inc. The combined expenses of these two items resulted in a charge to second quarter earnings and year-to-date earnings of \$245,391, net of taxes, or \$0.25 per share.

While these non-recurring events effected bank holding company income, the primary source of income for First Colebrook Bancorp, Inc., is its wholly owned bank subsidiary, Granite Bank. Unaudited net income from Granite Bank, for the three (3) and nine (9) months ended September 30, 2017 was \$516,944 and \$1,066,408, respectively, as compared with \$173,266 and \$763,179 for the same periods of 2016. Results for the nine months ended September 30, 2016, reflected security gains of \$248,089, net of taxes, or \$0.33 per share.

The Company continued to strategically manage its balance sheet, reducing total assets to \$259.9 million at September 30, 2017 from \$271.2 million at September 30, 2016. Total cash and cash equivalents at September 30, 2017 decreased to \$7.9 million from \$11.5 million at September 30, 2016 and interest-bearing time deposits with other banks decreased to \$5.5 million from \$27.7 million as short terms funds were primarily invested in loan growth initiatives. While reducing overall asset size, the Company grew net loans to \$212.4 million at September 30, 2017 from \$198.2 million at September 30, 2016, a 7.11% growth rate.

Total deposits decreased to \$223.9 million from \$228.6 million over the same period in 2016. Federal Home Loan Bank advances decreased to \$4.0 million from \$10.0 million.

Net interest and dividend income for the nine months ended September 30, 2017 grew by \$393,645. Through the third quarter, a provision of \$360,000 was made to the Allowance for Loan Losses compared to \$150,000 during the same period a year ago. This increase in loan loss provision was to accommodate 2017 loan growth. Non-interest income in both 2017 and 2016 reflect the non-recurring items described above including the real estate loss of \$286,251 in 2017 and the \$409,455 gain on sale of investments in 2016. Other income increased to \$1,082,538 from \$487,151 a year ago due in large part to the secondary market loans that began booking in the fourth quarter 2016. Due to space availability in other offices, we have consolidated the mortgage operations formerly located at the Bank's Pease location to the Lafayette Road, Portsmouth office and have closed our Pease Loan Production Office.

Non-interest expense remained essentially flat from September 30, 2016. Included in consolidated non-interest expense for the nine months ended was the non-recurring write-off of refinancing sub debt of \$118,751. Despite the addition of a mortgage division and related personnel expense, overall salaries and benefits showed a \$102,769 improvement in salaries expense in the first nine months of 2017 compared to the same period in 2016. As noted previously, management continues to closely monitor staffing levels and proactively controls non-interest expenses to achieve competitive efficiencies.

In November 2016, the number of the Company's common shares outstanding increased by 250,000 shares to 999,243 common shares from 749,243 common shares as a result of the Company's completion of its stock offering. Earnings per common share for the nine months ended September 30, 2017 increased to \$0.58 compared to \$0.48 per share for the same period in 2016.

Common shareholder equity (total equity less issued preferred stock) increased to \$25.1 million at September 30, 2017 from \$24.6 million at September 30, 2016. The book value per share of common stock decreased to \$25.17 from \$27.70 per share a year earlier, as restated. The tangible book value per share of common stock decreased to \$24.65 from \$27.00 a year earlier, as restated. Both the book value and tangible book value increased from \$24.85 and \$24.33, respectively, at June 30, 2017 to \$25.17 and \$24.65, respectively, at September 30, 2017.

Thank you for your investment in First Colebrook Bancorp, Inc. Please do not hesitate to contact Scott Cooper, President/Chief Executive Officer at 603-237-7026 or scooper@granitebank.com with any comments or questions.

Consolidated Balance Sheets

Unaudited

FIRST COLEBROOK BANCORP, INC. AND SUBSIDIARY

SEPTEMBER 30

ASSETS	2017	2016
Cash and due from banks	2,612,724	5,132,063
Interest-bearing deposits with other banks	5,290,123	6,377,745
Federal funds sold	-	-
TOTAL CASH AND CASH EQUIVALENTS	7,902,847	11,509,808
Interest-bearing time deposits with other banks	5,490,000	27,712,000
Investments in available-for-sale securities, at fair value	18,944,514	20,116,216
Federal Home Loan Bank stock, at cost	473,400	692,900
Loans held-for-sale	1,034,577	-
Loans, net	212,350,347	198,204,274
Premises and equipment, net	4,652,845	4,941,321
Other real estate owned	-	732,288
Accrued interest receivable	554,741	479,532
Goodwill	520,000	520,000
Cash surrender value of life insurance	6,059,346	3,928,400
Other assets	1,951,439	2,386,506
TOTAL ASSETS	\$259,934,055	\$271,223,245
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits		
Noninterest-bearing	51,009,204	48,729,618
Interest-bearing	172,921,302	179,844,817
TOTAL DEPOSITS	223,930,506	228,574,435
Securities sold under agreements to repurchase	819,293	1,422,558
Federal Home Loan Bank of Boston advances	4,000,000	10,000,000
Notes and debentures	4,000,000	4,855,623
Other liabilities	2,030,822	1,799,133
TOTAL LIABILITIES	234,780,620	246,651,749
Stockholders' equity		
Preferred stock	-	36
Common stock	1,498,864	1,123,864
Paid-in capital	7,435,801	6,957,347
Retained earnings	16,268,333	16,384,190
Accumulated other comprehensive income loss	(49,564)	106,059
TOTAL STOCKHOLDERS' EQUITY	25,153,435	24,571,496
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$259,934,055	\$271,223,245

Consolidated Statements of Income

Unaudited

NINE MONTHS ENDING
SEPTEMBER 30

2017

2016

Interest and dividend income:		
Interest and fees on loans	\$6,953,780	\$6,500,954
Taxable Interest on Investments	142,552	204,111
Tax-exempt Interest on Investments	157,276	244,634
Dividends on stocks and interest on short-term investments	109,625	115,774
TOTAL INTEREST AND DIVIDEND INCOME	7,363,233	7,065,473
Interest expense:		
Interest on deposits	539,204	675,926
Interest on Federal Home Loan Bank advances	95,646	98,944
Interest on Subordinated Note	231,955	187,372
Interest on capital lease	-	171
Interest on securities sold under repurchase agreements	594	871
TOTAL INTEREST EXPENSE	867,399	963,284
NET INTEREST AND DIVIDEND INCOME	6,495,834	6,102,189
Provision for loan losses	360,000	150,000
NET INTEREST AND DIVIDEND INCOME AFTER PROVISION FOR LOAN LOSSES	6,135,834	5,952,189
Noninterest income:		
Service fees	311,726	340,620
Gain (Loss) on sales and calls of available-for-sale securities, net	(15,164)	409,455
Gain (Loss) on sales of other real estate owned, net	(286,251)	-
Other income	1,082,538	487,151
TOTAL NONINTEREST INCOME	1,092,849	1,237,226
Noninterest expense:		
Salaries and employee benefits, net	3,488,534	3,591,303
Occupancy expense	594,559	601,523
Equipment expense	344,514	328,818
Other noninterest expense	2,097,376	2,002,339
TOTAL NONINTEREST EXPENSE	6,524,983	6,523,983
INCOME BEFORE INCOME TAXES	703,700	665,432
Income tax expense	121,653	115,789
NET INCOME	582,047	549,643
Earnings per share of Common Stock	\$0.58	\$0.48