

# FIRST COLEBROOK BANCORP, INC.

*(and its wholly owned subsidiary)*



## COMPARATIVE STATEMENT OF FINANCIAL CONDITION

December 31, 2017

First Colebrook Bancorp, Inc. reported unaudited, consolidated net income for the twelve (12) months ended December 31, 2017 of \$600,893 compared to \$544,727 for the twelve (12) months ended December 31, 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.

During the latter part of 2017, additional non-recurring bank and holding company events took place that had an impact on the year end December 31, 2017 net income results. Earnings for 2017 were impacted by a one-time charge to earnings of \$160,921 for the revaluation of the Company's deferred tax assets as a result of the Tax Cuts and Jobs Act being signed into law on December 22, 2017. Also, due to the pending merger with Bangor Bancorp, MHC; 2017's non-interest expenses include higher legal and financial advisor fees when compared to 2016.

While the majority of these non-recurring events affected 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 twelve (12) months ended December 31, 2017 was \$1,466,363, as compared with \$871,838 for the same period of 2016.

The Company continued to manage its balance sheet, which resulted in a reduction in total assets to \$252.3 million at December 31, 2017 from \$263.5 million at December 31, 2016. Total cash and cash equivalents at December 31, 2017 decreased to \$6.7 million from \$7.1 million at December 31, 2016 and interest-bearing time deposits with other banks decreased to \$5.3 million from \$26.0 million as short terms funds were primarily invested in loan growth initiatives and the repayment of \$1.0 million of the subordinated debt. While reducing overall asset size, the Company grew net loans to \$204.6 million at December 31, 2017 from \$196.0 million at December 31, 2016, a 4.38% growth rate.

Total deposits decreased to \$217.2 million from \$224.4 million over the same period in 2016. Federal Home Loan Bank advances decreased to \$4.0 million from \$7.0 million.

Net interest and dividend income for the twelve (12) months ended December 31, 2017 grew by \$739,566. Through the fourth quarter, a provision of \$360,000 was made to the Allowance for Loan Losses compared to \$200,000 during the same period a year ago. This increase in loan loss provision was to accommodate 2017 loan growth. Total non-interest income in both 2017 and 2016 reflects the non-recurring items described above as well as a \$409,455 gain on sale of investments in 2016. Other income increased to \$1,508,791 from \$743,604 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 residential mortgage operations formerly located at the Bank's Pease location to the Lafayette Road, Portsmouth office and have closed our Pease Limited Purpose Office.

Total non-interest expense increased \$144,542 from December 31, 2016. Included in consolidated non-interest expense for the twelve months ended December 31, 2017 was the non-recurring write-off of refinancing the sub debt of \$118,751. Overall salaries and benefits showed a \$350,771 improvement for the twelve months ended December 31, 2017 compared to the same period in 2016. During 2017, management closely monitored staffing levels and proactively controlled non-interest expenses to achieve competitive efficiencies.

Earnings per common share for the twelve months ended December 31, 2017 increased to \$0.60 compared to \$0.40 per share for the same period in 2016.

Common shareholder equity increased to \$25.1 million at December 31, 2017 from \$24.9 million at December 31, 2016. The book value per share of common stock increased to \$25.10 from \$24.67 per share a year earlier. The tangible book value per share of common stock increased to \$24.58 from \$24.15 a year earlier.

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 or Avis Brosseau, SVP/CFO and Treasurer at 603-237-7016 or abrosseau@granitebank.com with any comments or questions.

# Consolidated Balance Sheets

Unaudited

FIRST COLEBROOK BANCORP, INC. AND SUBSIDIARY

DECEMBER 31

ASSETS	2017	2016
Cash and due from banks	1,580,601	4,419,866
Interest-bearing deposits with other banks	5,139,938	2,674,299
Federal funds sold	-	-
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>6,720,539</b>	<b>7,094,165</b>
Interest-bearing time deposits with other banks	5,250,000	25,968,000
Investments in available-for-sale securities, at fair value	21,768,125	20,861,442
Federal Home Loan Bank stock, at cost	473,400	551,200
Loans held-for-sale	288,000	-
Loans, net	204,621,637	196,044,976
Premises and equipment, net	4,563,603	4,933,133
Other real estate owned	-	732,288
Accrued interest receivable	589,097	552,657
Goodwill	520,000	520,000
Cash surrender value of life insurance	6,104,205	3,954,805
Other assets	1,442,425	2,304,932
<b>TOTAL ASSETS</b>	<b>\$252,341,031</b>	<b>\$263,517,598</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Deposits		
Noninterest-bearing	51,769,291	52,081,203
Interest-bearing	165,424,301	172,276,282
<b>TOTAL DEPOSITS</b>	<b>217,193,592</b>	<b>224,357,485</b>
Securities sold under agreements to repurchase	940,718	869,023
Federal Home Loan Bank of Boston advances	4,000,000	7,000,000
Notes and debentures	3,877,193	4,848,533
Other liabilities	1,252,754	1,570,237
<b>TOTAL LIABILITIES</b>	<b>227,264,257</b>	<b>238,645,278</b>
Stockholders' equity		
Preferred stock	-	-
Common stock	1,498,864	1,498,864
Paid-in capital	7,435,801	7,435,801
Retained earnings	16,246,024	16,208,174
Accumulated other comprehensive income loss	(103,915)	(270,519)
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>25,076,774</b>	<b>24,872,320</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$252,341,031</b>	<b>\$263,517,598</b>

# Consolidated Statements of Income

Unaudited

TWELVE MONTHS ENDING  
DECEMBER 31

2017

2016

Interest and dividend income:		
Interest and fees on loans	\$9,356,882	\$8,613,048
Taxable Interest on Investments	201,603	250,490
Tax-exempt Interest on Investments	206,574	291,414
Dividends on stocks and interest on short-term investments	148,777	185,782
<b>TOTAL INTEREST AND DIVIDEND INCOME</b>	<b>9,913,836</b>	<b>9,340,734</b>
Interest expense:		
Interest on deposits	742,269	893,770
Interest on Federal Home Loan Bank advances	111,286	128,766
Interest on Subordinated Note	279,767	276,689
Interest on capital lease	-	171
Interest on securities sold under repurchase agreements	769	1,159
<b>TOTAL INTEREST EXPENSE</b>	<b>1,134,091</b>	<b>1,300,555</b>
<b>NET INTEREST AND DIVIDEND INCOME</b>	<b>8,779,745</b>	<b>8,040,179</b>
Provision for loan losses	360,000	200,000
<b>NET INTEREST AND DIVIDEND INCOME AFTER PROVISION FOR LOAN LOSSES</b>	<b>8,419,745</b>	<b>7,840,179</b>
Noninterest income:		
Service fees	413,916	456,840
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	(286,250)	-
Other income	1,508,791	743,604
<b>TOTAL NONINTEREST INCOME</b>	<b>1,621,293</b>	<b>1,609,899</b>
Noninterest expense:		
Salaries and employee benefits, net	4,543,397	4,894,168
Occupancy expense	833,594	808,294
Equipment expense	475,988	446,786
Other noninterest expense	3,157,344	2,716,533
<b>TOTAL NONINTEREST EXPENSE</b>	<b>9,010,323</b>	<b>8,865,781</b>
<b>INCOME BEFORE INCOME TAXES</b>	<b>1,030,715</b>	<b>584,297</b>
Income tax expense	429,822	39,570
<b>NET INCOME</b>	<b>600,893</b>	<b>544,727</b>
Earnings per share of Common Stock	\$0.60	\$0.40