



BELMONT BANK & TRUST



FINANCIAL HIGHLIGHTS YOUR PARTNER IN BUSINESS™

Main Office 8250 West Belmont Avenue | Chicago, IL 60634 | (773) 589-9500
LaSalle & Wacker Branch 121 West Wacker Drive | Chicago, IL 60601 | (312) 754-2600
Wicker Park Branch 1958 West Division Street | Chicago, IL 60622 | **Coming Soon**
www.belmontbank.com



Message from our President & CEO

Bank Review

On June 14, 2018 Belmont Bank & Trust ("Bank") celebrated its 12-year anniversary as *Your Partner in Business*TM. We continue to trend in the right direction, demonstrating a continued upward trajectory in all major balance sheet and income statement categories. As our growth continues, we remain committed to our culture, which would not be possible without our dedicated employees and the leadership of our Board of Directors. Our positive results continue to exceed expectations since our humble beginnings on the Northwest Side of Chicago over twelve years ago. Additionally, we maintain this consistent, manageable growth through an extremely competitive economic environment, where aggressive pricing for loans and deposits seem to be more prevalent in today's market. We are also realizing net interest margin compression due to a flattened yield curve. As the banking landscape continues to change, I am proud to say that we continue to thrive, remain independent, as well as being locally owned and operated.

Included is a review of the 2017 financial performance for the Bank, along with the 2nd Quarter results for 2018*. The Bank eclipsed last year's earnings and reported record net income for the fiscal year ending December 31, 2017.

2017 financial highlights are as follows:

- Net Income of \$5.62 million, an 8.6% increase over the previous year
- Return on Average Assets (ROAA) of 1.41%, ranking us 11 out of the 129 Chicago Area Banks by the Hovde Group
- Return on Average Equity (ROAE) of 14.5%, ranking us 4 out of the 129 Chicago Area Banks by the Hovde Group
- Total Assets over \$404 million, with loan growth of 10.8%
- Efficiency Ratio of 38.1%, ranking us 3 out of the 129 Chicago Area Banks by the Hovde Group, and continuing to compare favorably to that of the Bank's national peer group
- Net Interest Margin (TE) of 3.99%, in excess of the Bank's national peer group

As of June 30, 2018, the Bank remains highly capitalized with more than \$43 million in shareholders' equity. *BauerFinancial*, the nation's leading independent bank rating firm, continues to give the Bank "5 Stars", a Superior rating. In addition, *Bankrate, Inc.*, a consumer financial services company, reflects that the Bank exhibits a superior condition, earning a full "5 Stars", their highest rating. The Bank's IDC Financial Publishing, Inc. (IDC) rating is 281 out of a maximum of 300 and is also considered a Superior rating. Our team takes pride in receiving these high ratings as they are reflective of the financial strength and safety of our Bank.

Commercial Banking

Our commercial banking team takes pride in being the best provider of financial services to small and medium size businesses. We continue to provide our customers with innovative solutions for their cash management and lending needs. Our cash management suite continues to be enhanced with products like Lockbox, Positive Pay, ACH Manager and updated online and mobile capabilities. In addition to our deposit products, we offer customized commercial lending solutions for short- and long-term financing. We tailor our loan offerings to assist our customers with their working capital, equipment and real estate financing needs. Please contact us today to discuss how we can add value to your business by providing a legendary banking experience.

Technology/New Products

Innovation continues to shape the future of banking. If our organization has proven one thing, it's that we can move and adapt quickly for a company of our size. Providing easy-to-use technology in order to deliver a great client experience will continue to be a major differentiator in the coming years. That is why we are always exploring different ways to offer our clients faster, better and simpler ways to do business with us. For example, with the exception of dealing with cash, our Bank clients can do everything including make bill payments, deposit checks, transfer funds and send money directly from their mobile device.

Recently, we updated our Account Alerts platform, which gives our customers the ability to receive notifications via text or email for low balances, large transactions, account activity, payments and more. We also have offered our customers the ability to monitor their credit scores for free. There are also many value-added features that the Bank is working on releasing by the end of this year, implementing a new mobile banking app with mobile deposit capabilities for our E-Corp business banking customers, and rolling out KasasaTM rewards for both checking and savings accounts.

Above all, we are living in a world with a growing need for a paperless and cashless environment. Our Bank is listening to those needs and implementing solutions to improve those experiences for our customers. The future implementation of Zelle[®] is a great example of helping our customers transition to a cashless society. It is going to be a new person-to-person payment service that will soon be introduced to our customers. Zelle[®] will make it easy, safe and fast for our clients to send, receive and request money from almost anyone, with a bank account in the United States. This will be a great improvement over the current PopmoneyTM platform that we have in place.

Our proactive use of technology, along with our relationship based approach, is the main driver in building stronger connections with our clients. It's the best way to accomplish what has always been a component of our mission, which is to create value for our customers, shareholders, employees and community. We stand committed to our corporate vision, to provide a legendary banking experience for every customer.

Coming Soon: New Wicker Park branch location

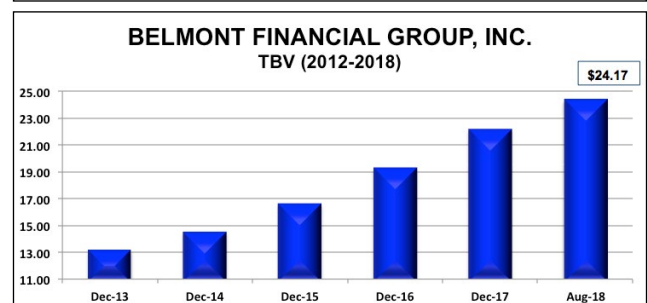
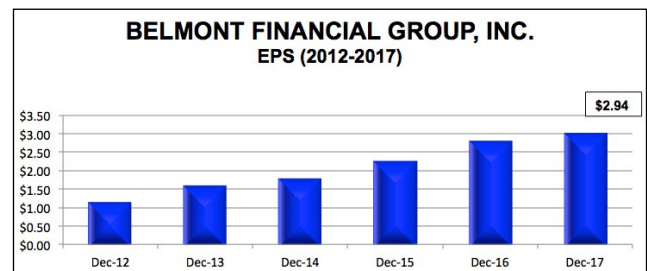
In January 2018, the Bank received regulatory approval to open its second branch location at 1958 West Division Street, in the Wicker Park neighborhood in Chicago. The anticipated opening date for this branch is the 4th Quarter 2018. This site will expand the Bank's market with a branch that is suitably located in the heart of Chicago's north side. This facility is expected to diversify our deposit base by adding more consumer and small business transaction type accounts.

The Bank will occupy the main floor corner retail space, consisting of approximately 2,500 square feet, of a two-story building. The Bank will utilize technology to improve efficiencies and minimize fixed overhead costs at this location.

This market is predominately made up of young professionals and this will provide the Bank with an opportunity to grow lower cost core deposits to fund future loan growth. The Bank views this target market as one that will augment and complement our current deposit base.

Shareholder Value

Tangible Book Value Per Common Share ("TBV") at December 31, 2017 was \$21.98 per share. Earnings Per Share ("EPS") of the Company was \$2.94 per share (see graphs below). In February 2018 a \$0.11 per share of common stock cash dividend was paid, augmenting the overall return for shareholders.



On behalf of the Board of Directors, management and staff, we thank our shareholders for their continued support and our customers for trusting Belmont Bank & Trust. We look forward to another successful year expanding our presence in the Chicagoland area.

Sincerely,

William F. McCarty III President & CEO

*Please note that the unaudited Statements of Income and Financial Condition represent performance for the Bank only and do not include consolidated results associated with the Bank's Holding Company, Belmont Financial Group, Inc.

Financial Highlights*

(Dollars in thousands)	Q2 YTD		Fiscal Year	
	6.30.2018	6.30.2017	12.31.2017	12.31.2016

INCOME STATEMENT				
Interest Income	\$9,373	\$8,561	\$17,834	\$15,312
Interest Expense	\$2,077	\$1,216	\$2,897	\$1,786
Provision for Loan Loss	\$205	\$195	\$665	\$870
Non-Interest Income (includes gain on the sale of securities)	\$600	\$527	\$1,131	\$1,166
Non-Interest Expense	\$3,591	\$3,283	\$6,340	\$5,929
Income Tax Expense	\$1,027	\$1,576	\$3,447	\$2,721
Net income (loss)	\$3,073	\$2,818	\$5,616	\$5,172

BALANCE SHEET				
Assets	\$429,535	\$393,030	\$404,364	\$376,127
Cash and Due From	\$21,139	\$8,841	\$10,160	\$18,989
Investments - Available-for-Sale	\$96,848	\$87,004	\$85,977	\$78,917
Gross Loans	\$307,548	\$294,789	\$305,002	\$275,230
Allowance for Loan Losses	\$3,898	\$4,088	\$3,715	\$3,981
Deposits	\$384,226	\$352,786	\$361,408	\$339,210
Shareholders' Equity	\$43,446	\$39,215	\$41,434	\$35,532

PERFORMANCE RATIOS (Year-to-date)				
Return on Average Assets	1.47%	1.46%	1.41%	1.48%
Return on Average Equity	14.53%	15.10%	14.47%	15.18%
Net Interest Margin (TE)	3.67%	4.04%	3.99%	4.12%
Efficiency Ratio	44.58%	40.35%	38.10%	39.20%
Cost of Funds (as a percentage of average earning assets)	1.02%	0.64%	0.74%	0.52%
Allowance for Loan Losses to Loans	1.27%	1.39%	1.22%	1.45%

CAPITAL RATIOS				
Tier 1 Capital (to average assets)	10.53%	9.88%	10.03%	9.73%
Tier 1 Capital (to risk-weighted assets)	13.89%	12.87%	13.34%	12.90%
Total Capital (to risk-weighted assets)	15.11%	14.12%	14.53%	14.15%

*Please visit www.ffiec.gov for more detailed information on Belmont Bank & Trust Company's financial performance.



BELMONT BANK & TRUST

Board of Directors

James J. Banks, Chairman
Catherine M. Adduci, Director
James A. DeLeo, Director
Riccardo A. Di Monte, Director
Sylvester J. Kerwin, Jr., Director
William F. McCarty III, President & CEO
Christopher R. Stephens, Director

Management Team

William F. McCarty III, President & CEO
David M. Peshek, Senior Vice President & COO
Ronald J. Banks, CFO
José O. Torres, Senior Vice President
David A. Dagley, Vice President
David S. Schwabe, Assistant Vice President
Michael P. Leonetti, Commercial Banking Officer
Stavros Georgikos, Finance & IT Director
Michael J. Zagorski, Credit Officer
Young Kim, Retail Banking Officer
Kathy Kalinowski, Retail Banking Officer/HR Director
Robert Sztremer, Loan Operations Officer
Joseph A. Zagorski, Banking Center Manager

VISIT US AT OUR NEW LOCATION IN WICKER PARK

October 2018

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