



February 8, 2008

Dear Stockholder,

Enclosed are the financial results for the quarters and calendar years ended December 31, 2007 and December 31, 2006.

### **Year to Year Comparison**

Outstanding loans increased from \$87.3 million at December 31, 2006 to \$115.1 million at December 31, 2007, a 32% year to year increase. The allowance for loan losses increased by \$465,947 from year-end 2006 to a total of \$1,527,873 at December 31, 2007, representing 1.33% of total loans outstanding.

Loan quality continues to be good, with non-performing loans of \$232,784 at December 31, 2007 representing only 0.2% of total loans. The allowance for loan losses as a percentage of non-performing loans was 656% at December 31, 2007. We believe that both loan quality and the allowance for loan losses compares favorably to peer group banks, but also reflects concern for the slowing of growth and credit problems in the national economy.

Deposits increased from \$93.4 million at December 31, 2006 to \$121.6 million at December 31, 2007, a \$28.2 million, or 31% year to year increase.

Due to the exercise of warrants attached to shares purchased in the Bank's initial public offering, paid-in capital increased by \$1,663,608 to \$14,693,050. Over 90% of those holding warrants took advantage of the opportunity to increase their ownership at the original offering price of \$10.00 per share. At December 31, 2007 the Bank's tier I capital to asset ratio was 8.50%.

Net interest and dividend income increased from \$3,244,882 for the year 2006 to \$3,944,413 for the year 2007, a 22% year to year increase. Total noninterest expense increased from \$3,230,941 for the year 2006 to \$3,585,735 for the year 2007, an 11% increase.

Net income before tax was \$3,145 for the year ended December 31, 2007 as compared to a net loss before tax of \$137,453 for the year ended December 31, 2006. Exclusive of the provision for loan losses, net income before tax increased by \$370,598 from 2006 to 2007.

The Bank recorded a net loss after tax of \$7,254, or \$0.01 per share for the year ended December 31, 2007 as compared to a net profit of \$616,788, or \$0.47 per share for the year ended December 31, 2006. The 2006 net after tax income includes a one-time tax benefit of \$756,178, reflecting the recognition of deferred tax benefits due to prior year operating results.

The net interest margin of the Bank decreased from 3.43% for the year 2006 to 2.92% for the year 2007, reflecting the impact of increased cost of funds due to intense competition for deposits during 2007 that has negatively affected interest margins for the banking industry. The decline in the net interest margin leveled off during the fourth quarter of 2007, and the Bank anticipates improvement in the margin as a result of recent decreases in interest rates by the Federal Reserve Bank.

### **Quarter to Quarter Results**

Net interest and dividend income increased from \$841,317 for the fourth quarter of 2006 to \$1,057,711 for the fourth quarter of 2007, a 26% increase. Total noninterest expense increased from \$815,127 for the fourth quarter of 2006 to \$909,809 for the fourth quarter of 2007, a 12% increase.

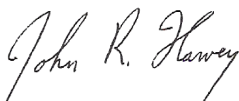
For the quarter ended December 31, 2006, the Bank reported net income before tax of \$4,721 as compared to a net loss before tax of \$98,628 for the quarter ended December 31, 2007. The fourth quarter of 2007 included a provision for loan loss expense that was \$230,000 greater than the fourth quarter of 2006, as the Bank increased the allowance for loan losses to reflect the substantial loan growth experienced in the last six months of the year and as a precautionary measure in light of the uncertainties of the national economy.

On an after tax basis, the Bank recorded a net loss after tax of \$62,068, or \$0.04 per share, for the fourth quarter of 2007 as compared to a net profit of \$2,574, or \$0.00 per share, for the fourth quarter of 2006.

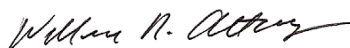
On a non-financial note, we were pleased to receive the Small Business Administration's Emerging Lender Award due to the Bank's significant increase in SBA loans closed. Additionally, we were very pleased to complete our conversion to a new core processing system in early November, with minimal affect to customer service. The new state of the art system is meant to improve efficiency, provide better customer service and also reduce operating costs.

A more detailed presentation of the Bank's results for the years ended December 31, 2007 and December 31, 2006, with accompanying key financial ratios and a graphic representation of financial results, will be included in the Annual Report, which will be forwarded to you in April and will include the Independent Auditors' Report and Notice of Annual Meeting.

Sincerely,



John R. Harvey  
Chairman



William R. Attridge  
President and CEO

**CONNECTICUT RIVER COMMUNITY BANK**  
**BALANCE SHEETS (Unaudited)**

	<u>December 31,</u> <u>2007</u>	<u>2006</u>	<u>September 30,</u> <u>2007</u>
<b><u>ASSETS</u></b>			
Cash and due from banks	\$ 3,263,553	\$ 1,436,752	\$ 2,496,212
Federal funds sold and interest-bearing deposits with other banks	800,484	3,096,914	862,265
Investments in available-for-sale securities (at fair value)	32,345,517	24,444,472	32,968,720
Investments in held-to-maturity securities	1,499,693	1,000,000	1,499,687
Federal Home Loan Bank stock, at cost	1,156,300	740,800	1,156,300
Loans	115,149,575	87,331,707	107,191,350
Allowance for loan losses	<u>(1,527,873)</u>	<u>(1,061,926)</u>	<u>(1,270,544)</u>
Loans, net	113,621,702	86,269,781	105,920,806
Premises and equipment, net	1,376,467	1,461,750	1,383,107
Accrued interest receivable	787,857	531,897	747,035
Other assets	<u>1,157,311</u>	<u>1,076,809</u>	<u>1,018,099</u>
<b>Total Assets</b>	<b><u>\$156,008,884</u></b>	<b><u>\$120,059,175</u></b>	<b><u>\$ 148,052,231</u></b>
<b><u>LIABILITIES AND STOCKHOLDERS' EQUITY</u></b>			
Deposits:			
Noninterest-bearing	\$ 12,910,757	\$ 10,312,171	\$ 9,466,563
Interest-bearing	<u>108,709,702</u>	<u>83,134,975</u>	<u>103,082,253</u>
Total deposits	121,620,459	93,447,146	112,548,816
Federal Home Loan Bank advances	20,504,824	11,621,865	22,684,014
Other liabilities	<u>510,020</u>	<u>3,458,955</u>	<u>677,585</u>
<b>Total liabilities</b>	<u>142,635,303</u>	<u>108,527,966</u>	<u>135,910,415</u>
Stockholders' equity:			
Common stock, \$.01 par value; authorized 2,500,000 shares; issued and outstanding 1,490,731 shares at 12/31/07, 1,382,417 shares at 9/30/07 and 1,326,283 shares at 12/31/06	14,907	13,263	13,824
Paid-in capital	14,693,050	13,029,442	13,601,312
Accumulated deficit	(1,447,025)	(1,439,771)	(1,384,957)
Accumulated other comprehensive income (loss)	<u>112,649</u>	<u>(71,725)</u>	<u>(88,363)</u>
<b>Total stockholders' equity</b>	<u>13,373,581</u>	<u>11,531,209</u>	<u>12,141,816</u>
<b>Total Liabilities and Stockholders' Equity</b>	<b><u>\$156,008,884</u></b>	<b><u>\$120,059,175</u></b>	<b><u>\$ 148,052,231</u></b>

**CONNECTICUT RIVER COMMUNITY BANK**

**STATEMENTS OF INCOME (Unaudited)**

*December 31, 2007 and 2006*

	<i>Quarter Ended</i>		<i>Twelve Months Ended</i>	
	<b>31-Dec-07</b>	<b>31-Dec-06</b>	<b>31-Dec-07</b>	<b>31-Dec-06</b>
Interest and dividend income:				
Interest and fees on loans	\$ 2,078,007	\$ 1,537,060	\$ 7,529,079	\$ 5,390,067
Interest and dividends on securities and interest-bearing deposits	456,580	251,107	1,778,947	921,824
Total interest and dividend income	<u>2,534,587</u>	<u>1,788,167</u>	<u>9,308,026</u>	<u>6,311,891</u>
Interest expense:				
Interest on deposits and borrowings	<u>1,476,876</u>	<u>946,850</u>	<u>5,363,613</u>	<u>3,067,009</u>
Net interest and dividend income	<u>1,057,711</u>	<u>841,317</u>	<u>3,944,413</u>	<u>3,244,882</u>
Provision for loan losses	<u>280,000</u>	<u>50,000</u>	<u>485,000</u>	<u>255,000</u>
Net interest and dividend income after provision for loan losses	<u>777,711</u>	<u>791,317</u>	<u>3,459,413</u>	<u>2,989,882</u>
Noninterest income:				
Residential mortgage referral fees	7,715	15,094	65,210	61,585
Service fees and charges	25,755	12,987	64,257	42,021
Total noninterest income	<u>33,470</u>	<u>28,081</u>	<u>129,467</u>	<u>103,606</u>
Noninterest expense:				
Salaries and employee benefits	497,035	465,992	1,953,688	1,826,466
Occupancy expense	90,399	74,126	353,565	332,840
Furniture and equipment expense	38,592	37,591	156,886	146,145
Data processing and outside service fees	57,424	69,051	286,379	262,748
Printing and supplies	20,028	15,314	70,545	61,119
Advertising and promotions	49,023	28,410	173,604	162,483
Professional fees	37,026	52,178	147,943	149,270
Insurance expense	6,012	7,971	27,398	35,340
Stockholder related costs	3,096	3,157	22,009	14,231
Other expense	111,174	61,337	393,718	240,299
Total noninterest expense	<u>909,809</u>	<u>815,127</u>	<u>3,585,735</u>	<u>3,230,941</u>
Net (loss) income before income tax expense	<u>(98,628)</u>	<u>4,271</u>	<u>3,145</u>	<u>(137,453)</u>
Income tax (benefit) expense	<u>(36,560)</u>	<u>1,697</u>	<u>10,399</u>	<u>(754,231)</u>
Net (loss) income	<u><b>\$ (62,068)</b></u>	<u><b>\$ 2,574</b></u>	<u><b>\$ (7,254)</b></u>	<u><b>\$ 616,778</b></u>
Net (loss) income per common share basic and diluted	<u><b>\$ (0.04)</b></u>	<u><b>\$ 0.00</b></u>	<u><b>\$ (0.01)</b></u>	<u><b>\$ 0.47</b></u>

<b>KEY FINANCIAL RATIOS</b>	<i>Quarter Ended</i>		<i>Year Ended</i>	
	<b>Dec. 31, 2007</b>	<b>Dec. 31, 2006</b>	<b>Dec. 31, 2007</b>	<b>Dec. 31, 2006</b>
Net Interest and Dividend Income	\$ 1,057,711	\$ 841,317	\$ 3,944,413	\$ 3,244,882
Net (Loss) Income	\$ (62,068)	\$ 2,574	\$ (7,254)	\$ 616,778
Net (Loss) Income Per Common Share (basic and diluted)	\$ (0.04)	\$ -	\$ (0.01)	\$ 0.47
Weighted average number of shares basic and diluted	1,465,515	1,324,093	1,379,385	1,321,061
Stockholders' Equity	\$ 13,373,581	\$ 11,531,209	\$ 13,373,581	\$ 11,531,209
Book Value Per Share	\$ 8.97	\$ 8.69	\$ 8.97	\$ 8.69
Capital to Assets Ratio	8.57%	9.60%	8.57%	9.60%
Net Interest Margin	2.86%	3.24%	2.92%	3.43%
Net Interest Spread	2.35%	2.59%	2.34%	2.77%
Efficiency Ratio	83.38%	93.76%	88.02%	96.49%
(Loss) Return On Average Assets (annualized)	-0.16%	0.01%	-0.01%	0.63%
(Loss) Return On Average Equity (annualized)	-1.90%	0.09%	-0.06%	5.73%
Non-Performing Loans	\$ 232,784	\$ 28,223	\$ 232,784	\$ 28,223