



**NEW HAMPSHIRE BANKING INDUSTRY: THIRD QUARTER 2006**

*(Note: Your subscription expiration date is  
on the label of the envelope in which you received the Review)*

Dear Banking Industry Observer:

The following is BAC's Quarterly Review of the New Hampshire banking industry for the quarter ending September 30, 2006. It includes data on all 26 Federal and State chartered commercial banks, savings banks and savings and loan associations in New Hampshire. Our analysis on pages 6-8 also presents a four-year retrospective between 2003-2006 using aggregate industry data. All financial data is based on Call Reports from the FDIC and OTS. Bank stock data as of 12/29/06 is included on pages 15-16.

In certain states, recent merger/acquisition activity has resulted in a single bank charter now operating branches across more than one state, thereby complicating the construction of a "statewide" balance sheet and income statement. This is because Call Report data is collected based on the state of record for the bank charter. New Hampshire may be among those states impacted by this change. Therefore, year-to-year comparisons in the aggregate statewide data should be used with caution as can be seen in the data below. Here is a synopsis of the New Hampshire banking industry for the quarter ending September 30, 2006:

**THIRD QUARTER 2006 STATUS REPORT:**

On an aggregate basis, the 26 remaining banks in New Hampshire (down from 31 in December of 2003), recorded a -70% decrease in earnings for the nine month period ending 9/30/06 relative to the same period in 2005. However, the aggregate data is distorted by unusual performance swings by large banks, one-time restructuring charges associated with mergers and acquisitions and jurisdictional reporting changes (e.g. the re-jurisdictioning of Provident). A closer inspection of individual banks existing in both time periods shows that 13 institutions (50%) registered a decrease and 13 institutions (50%) showed an increase. **The median performance for all institutions was a -.1% decrease.** Nonetheless, 100% of all NH institutions were profitable in Q3 2006. Here is the aggregate data; individual institutional data is contained on pages 9-14.

<b>26 NEW HAMPSHIRE INSTITUTIONS</b> (see pages 6-8 for details)	<b>12 Months Ending: 12/31/05</b>	<b>9 Months Ending: 9/30/05</b>	<b>9 Months Ending: 9/30/06</b>	<b>% Change 9 Mos. '05 vs 9 Mos. '06</b>
<b>Net Inc. A.T. (\$ millions)</b>	\$225	\$544	\$166	-70%
<b>Return on Assets (R.O.A.)</b>	1.22%	2.29%	1.16%	
<b>Gross Loans (\$ billions)</b>	\$12.6	\$20.9	\$12.9	-38%
<b>Deposits (\$ billions)</b>	\$13.3	\$22.4	\$13.2	-41%
<b>Net Interest Margin</b>	3.56%	4.47%	3.41%	
<b>Efficiency Ratio</b>	54.7%	45.6%	55.9%	
<b>Non-Int. Inc. % Avg. Assets</b>	.70%	5.4%	0.8%	
<b>Non-Perf. Assets (\$ millions)</b>	\$24	\$29.6	\$37	-40%
<b>Tier 1 Leverage</b>	8.0%	159%	8.5%	
<b>Rsrvs. % Non-Perf. Loans</b>	473%	230%	315%	
<b>Prov. For Losses (\$ millions)</b>	\$8.0	\$432	\$6	-99%
<b>Liquidity (loans % deposits)</b>	95%	93%	97%	

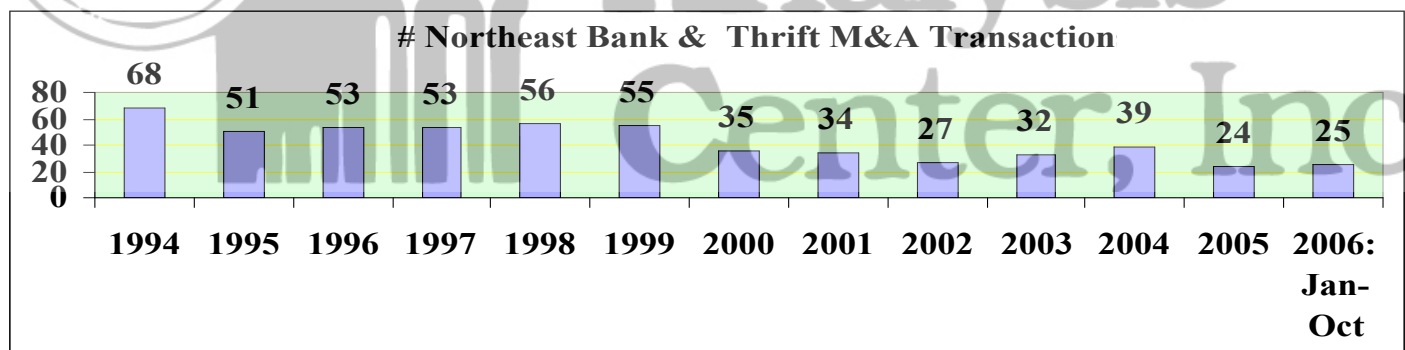
We include below 9-month summary data (as of 9/30/06) on the banking industries in each of the six New England states along with New York, New Jersey and Pennsylvania:

NORTHEAST BANKING DATA as of 9/30/06 (\$=Billions, except net inc.)										
	CT	ME	MA	NH	RI	VT	New Eng.	NY	NJ	PA
# Banking Institutions	56	36	190	26	12	19	339	195	130	248
% Institutions Profitable	91%	97%	94%	100%	83%	100%	94%	90%	86%	90%
Total Assets (\$ Bils)	\$64	\$56	\$243	\$19	\$21	\$9	\$412	\$1,334	\$137	\$427
Total Deposits (\$ Bils)	\$47	\$40	\$170	\$13	\$13	\$7	\$290	\$919	\$89	\$300
Gross Loans (\$ Bils)	\$46	\$39	\$96	\$13	\$13	\$6	\$212	\$711	\$81	\$254
Net Inc. After Tax (\$ Mils)	\$352	\$408	\$1,819	\$166	\$162	\$79	\$2,986	\$11,626	\$886	\$2,744
Return on Assets (R.O.A.)	0.82%	1.05%	1.03%	1.16%	1.06%	1.25%	1.01%	1.23%	0.90%	0.91%
Return on Equity (R.O.E.)	6.91%	5.83%	11.57%	11.59%	12.39%	14.37%	9.6%	12.69%	7.97%	9.64%
Net Interest Margins	3.29%	4.37%	2.38%	3.41%	3.08%	4.25%	2.88%	3.17%	2.82%	2.99%
Efficiency Ratio	65.4%	64.26%	68.5%	55.9%	57.1%	63.4%	66.4%	62.1%	57.2%	64.9%
Non-Perf. Assets % Assets	0.20%	0.33%	0.10%	0.20%	0.20%	0.50%	0.20%	0.40%	0.30%	0.30%

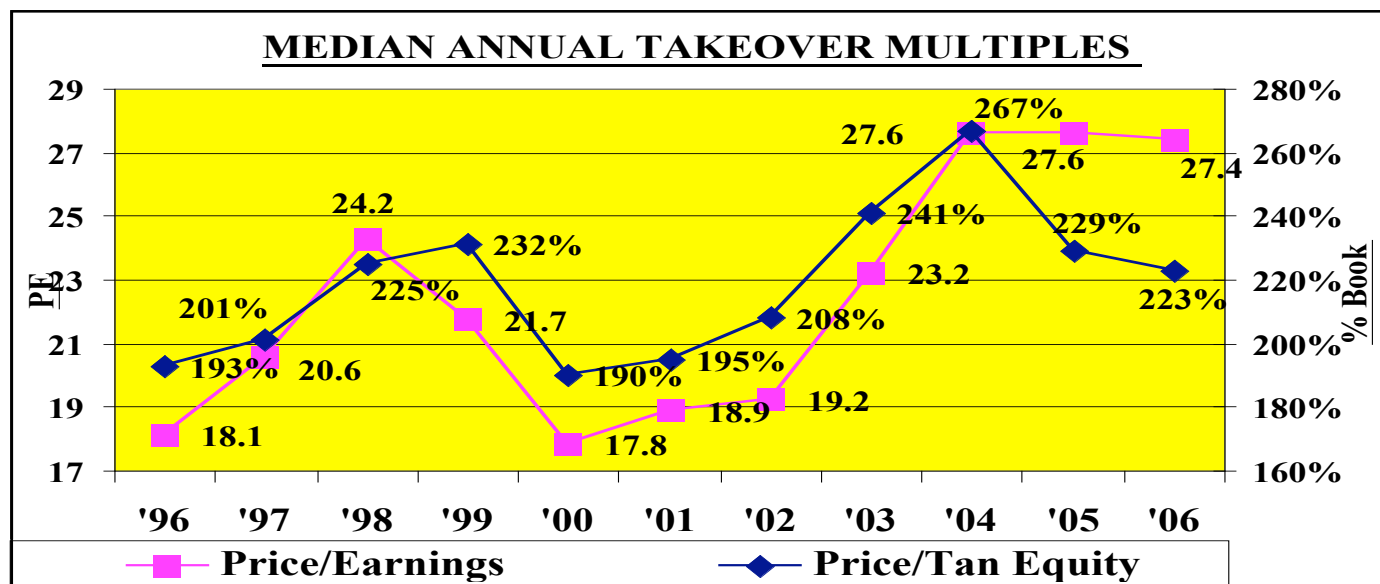
#### MERGER / ACQUISITION DATA AND COMPARATIVE STOCK PRICE MULTIPLES:

On the following pages (pages 4-5) we have compiled information concerning recent merger and acquisition trends and also stock price indicators for both banks and thrifts for the trailing twelve months ending in October 2006.

Although the *number* of Northeast mergers and acquisitions between banks and thrifts has decreased since the 1990's, their *pricing* (both as a multiple of earnings as well as book equity) and *bank stock PE ratios* have increased steadily and peaked in 2004. Present takeover multiples appear to be firming as can be seen below.



For the 30 transactions in the Northeast completed over the last 12 months between October 2005 and October 2006 the median price for all deals (banks & thrifts) was approximately 223% of tangible book equity and a multiple of 27X earnings. Please call us if we can add any clarification to the variation in these statistics. BAC is an active participant in merger and acquisition advisory services.



### **MARKET RESEARCH SERVICE**

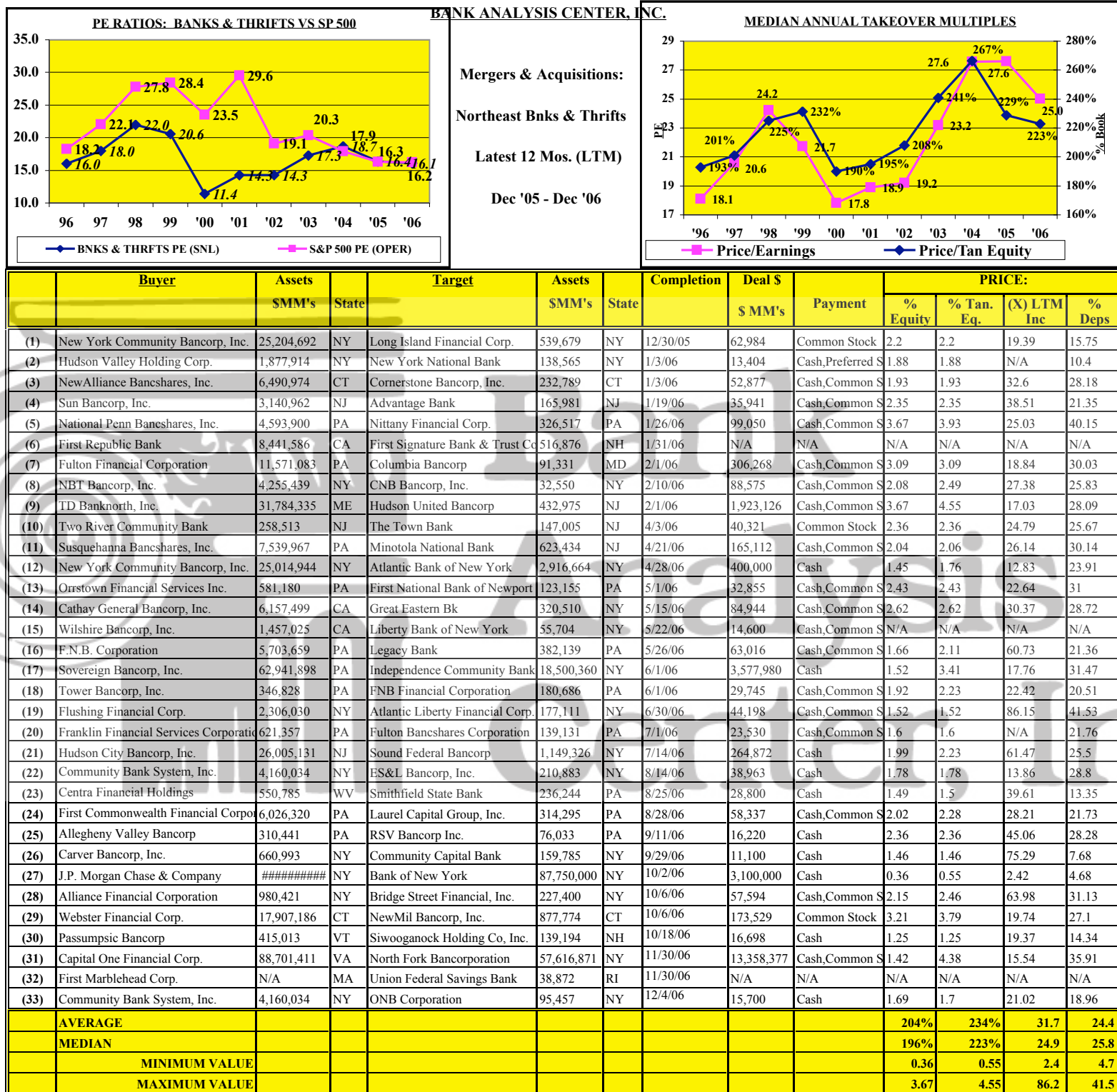
Included in this edition of the Quarterly Review is a descriptive packet of information concerning BAC's market research capabilities on economics, demographics, banking industry competition and commercial businesses. These packets are available for your individual branch banking markets in Connecticut. We would invite you to review this material and to contact us if you might wish to procure this information for your institution. It is not very expensive. Our New England-wide databases, combined with our reporting capabilities and proprietary software, can produce insightful and valuable reconnaissance tools to help guide your institution in the following:

- |   |  |
|---|--|
| <ul style="list-style-type: none"> <li>✓ <b>Market Segmentation</b></li> <li>✓ <b>Product Development &amp; Positioning</b></li> <li>✓ <b>Business Development Initiatives</b></li> <li>✓ <b>Consumer Behavior</b></li> </ul> | <ul style="list-style-type: none"> <li>✓ <b>Competitive Analysis</b></li> <li>✓ <b>Start-up Branch Site Location</b></li> <li>✓ <b>Branch Purchase Analysis</b></li> <li>✓ <b>Merger/Acquisition Analysis</b></li> </ul> |
|---|--|

The second item included in this edition of the Quarterly Review is a subscription form. If you would like to continue receiving the Review, please complete the form and return it to our offices. If you are already a subscriber, we thank you for your confidence. Your subscription expiration date is on the label of the envelope in which you received the Review. We would appreciate any feedback on how to improve the Review. We are aware that through a data base error, a number of subscribers did not receive certain quarters of the Review last year. If you are a subscriber and need these past issues, please contact Ms. Tamica Curling at 860-275-6050 and we will forward them to you. Alternatively, if you would like to extend your subscription by the number of quarters that you missed please indicate that to Ms. Curling. This data will soon be available by subscription on BAC's website.

If you would like to hear more about our investment banking and consulting services, please contact me personally. BAC specializes in helping clients develop and execute strategies. We are consultants and investment banking advisors to the banking industry throughout New England, New York, Pennsylvania and New Jersey. Our services are listed on the back cover of this publication.

John S. Carusone, President

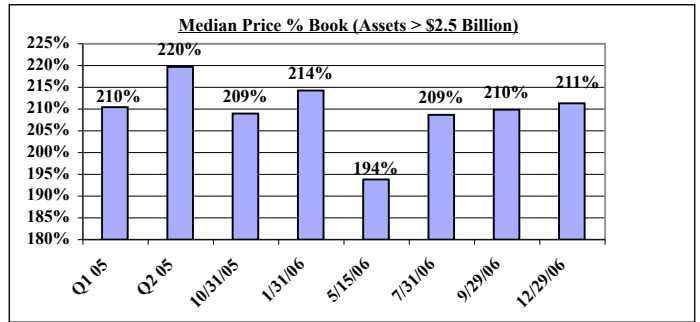
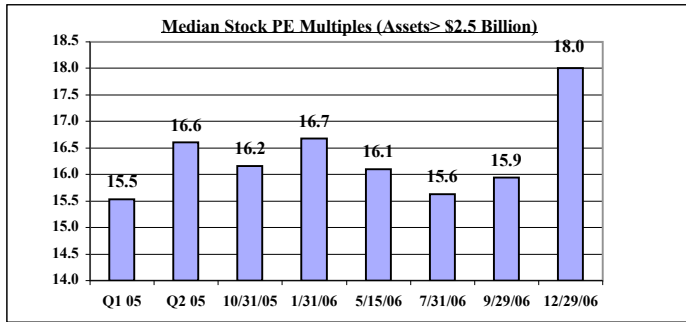


# NORTHEAST BANKING STOCK TRADING DATA THROUGH 12/29/2006

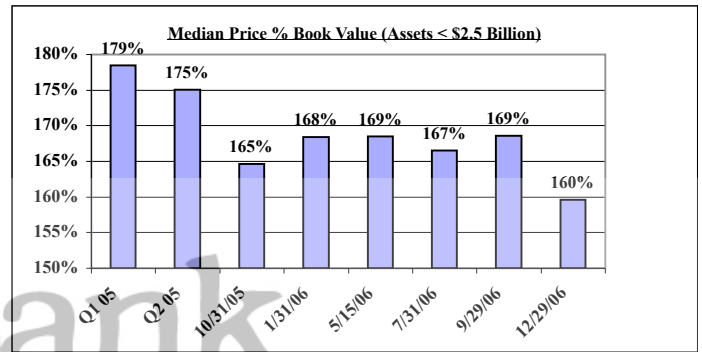
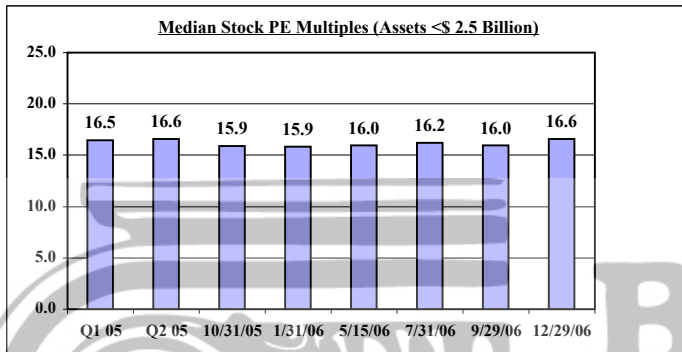
PREPARED BY: BANK ANALYSIS CENTER, INC., HTFD. CT

## COMMERCIAL BANKS

### ASSETS GREATER THAN \$2.5 BILLION

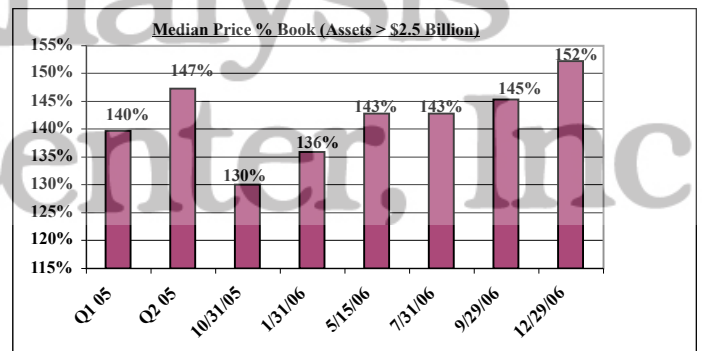
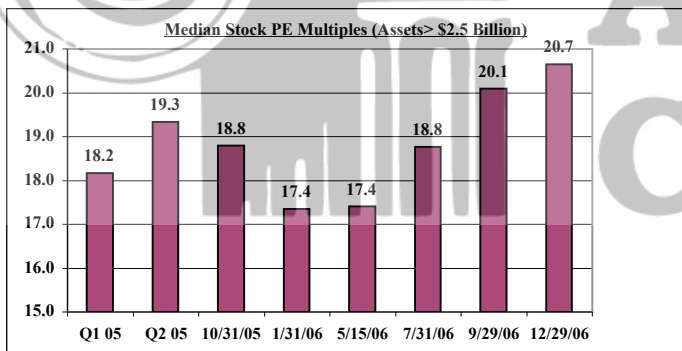


### ASSETS LESS THAN \$2.5 BILLION

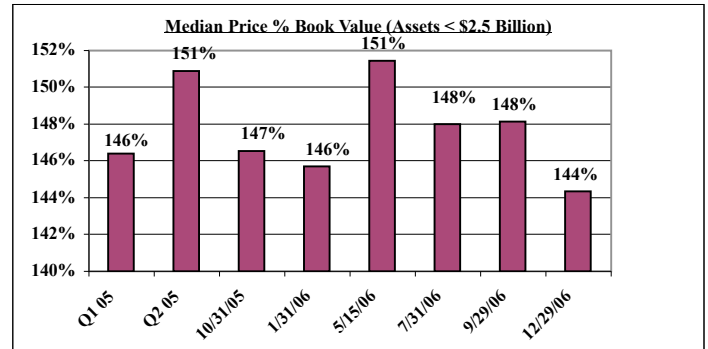
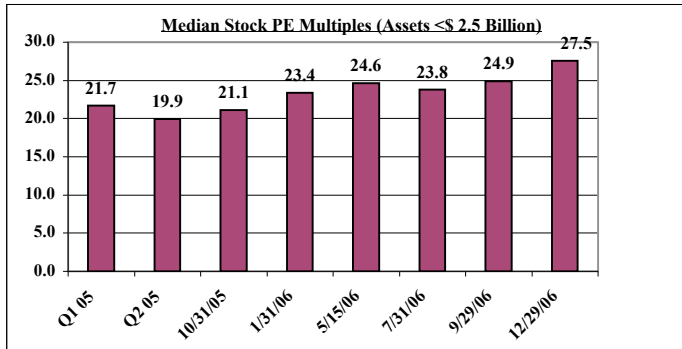


## THRIFTS

### ASSETS GREATER THAN \$2.5 BILLION



### ASSETS LESS THAN \$2.5 BILLION





PREPARED BY:  
BANK ANALYSIS CENTER, INC.  
HARTFORD, CT 860-275-6050  
Contact: John S. Carusone, President

# AGGREGATE NEW HAMPSHIRE BANKING INDUSTRY DATA AT 9/30/2006

(All Federal and State Chartered Savings Banks, Commercial Banks and Savings & Loan Assocs.)

(Note: excludes trust companies and credit unions)

(NOTE: \$ in 000,000's @ Period End):

NM = Not Meaningful

## BASIC DATA:

INSTITUTION COUNT: (Banks, Savings Banks & S&L's)

	2003	2004	2005	9/30/05	9/30/06	2005	9/30/06	9/30/05	9/30/06
						Increase/(Decrease)		Increase/(Decrease)	
						\$	%	\$	%
(1) Beginning balance # Institutions:	31	29	30	30	26				
(2) - Number of institutions reduced through mergers	1	0	3	0	0	0			
(3) + Number of new institutions receiving permanent new charters	0	1	0	0	0	0			
(4) - Number institutions failing/retiring in calendar year	0	0	0	0	0	0			
(5) (Cumulative number of failed institutions )	0	0	0	1	1	1			
(6) Ending balance # Institutions period end:	30	30	27	30	26	(4)	-15%	(4)	-13%
(7) # Reporting profits	30	30	27	28	26				
(8) % Reporting Profits	100%	100%	100%	93%	100%				

## BALANCE SHEET DATA:

### ASSETS

(9) Gross Loans	16,216	18,637	12,633	20,992	12,947	314	2%	(8,045)	-38%
(10) -Allowance for Loan Losses	731	716	114	708	111	(3)	-3%	(597)	-84%
(11) Net Loans	15,485	17,921	12,519	20,284	12,836	318	3%	(7,448)	-37%
(12) Investments, Securities & Funds	11,333	11,061	5,302	9,276	4,921	(381)	-7%	(4,356)	-47%
(13) TOTAL EARNING ASSETS	26,818	28,983	17,821	29,560	17,757	(64)	0%	(11,803)	-40%
(14) 90 Days Past Due Loans	192	154	3	132	5	2	66%	(127)	-96%
(15) +Non-Accrual Loans	61	56	21	175	30	9	43%	(145)	-83%
(16) =Total Non-Performing Loans	253	210	24	308	35	11	46%	(272)	-89%
(17) OREO(Non-Direct Investment)	1	0	0	0	1	1	371%	1	636%
(18) TOTAL NON-PERFORMING ASSETS	253	210	24	308	37	12	50%	(271)	-88%
(19) All Other Assets	2,609	2,041	1,551	2,200	1,463	(88)	-6%	(738)	-34%
(20) TOTAL ASSETS	29,681	31,234	19,396	32,069	19,257	(140)	-1%	(12,812)	-40%

### LIABILITIES & EQUITY

(21) Total deposits	21,998	23,054	13,342	22,468	13,284	(58)	0%	(9,185)	-41%
(22) All other borrowings & liabilities	3,117	3,243	4,183	4,259	3,998	(184)	-4%	(260)	-6%
(23) Total equity capital and surplus	4,566	4,937	1,872	5,342	1,974	103	5%	(3,367)	-63%
(24) TOTAL LIABILITIES & EQUITY	29,681	31,234	19,396	32,069	19,257	(140)	-1%	(12,812)	-40%

## INCOME STATEMENT:

(25) Net Interest Earned	1,249	1,283	613	1,007	452	(10)	-2%	(555)	-55%
(26) +Non-Interest Income	1,545	1,650	138	1,284	120	22	16%	(1,165)	-91%
(27) +Gains/Losses on Securities	21	(1)	11	5	3	(7)	-62%	(2)	-34%
(28) -Non-Interest Expense	1,514	1,416	409	1,043	318	14	3%	(726)	-70%
(29) -Provision for Loan Losses	639	528	8	432	6	(0)	-3%	(425)	-99%
(30) =Pre Tax Income	661	988	344	821	251	(9)	-3%	(570)	-69%
(31) NET INCOME AFTER TAX	410	638	225	544	166	(5)	-2%	(379)	-70%
(32) Charged-Off Loans	1,228	654	14	510	13	4	28%	(497)	-97%
(33) Cumulative Charged-Off Loans	0	0	0	0	0	0	#DIV/0!	0	#DIV/0!
(34) Number of full time equiv. employees	7,921	6,822	3,545	6,560	3,646	101	3%	(2,914)	-44%

## PERFORMANCE MEASURES:

(all ratios based on period end data unless otherwise indicated)

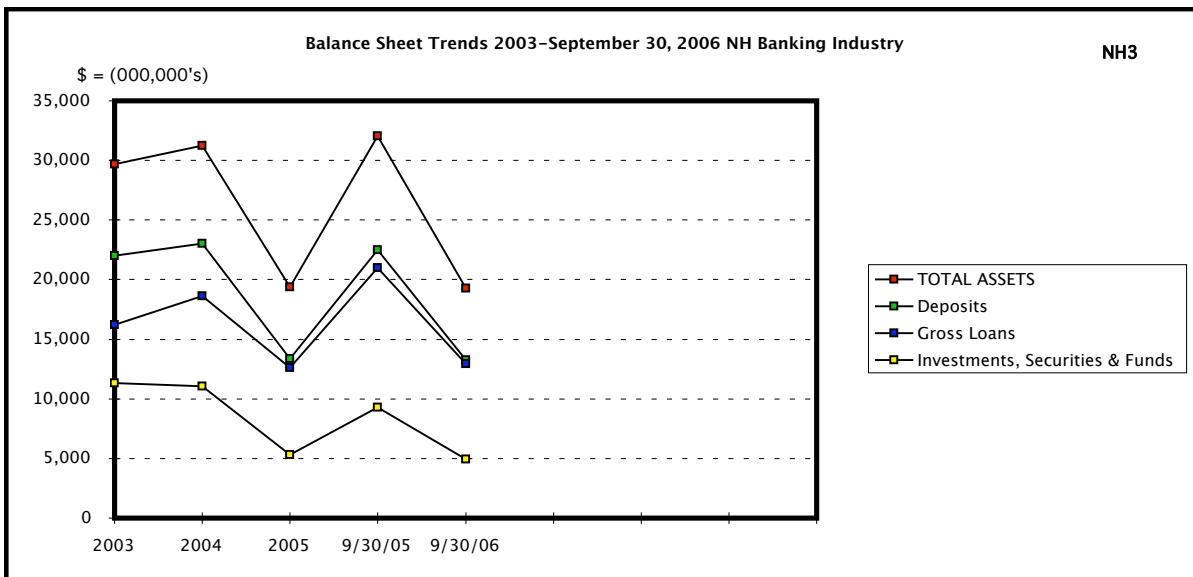
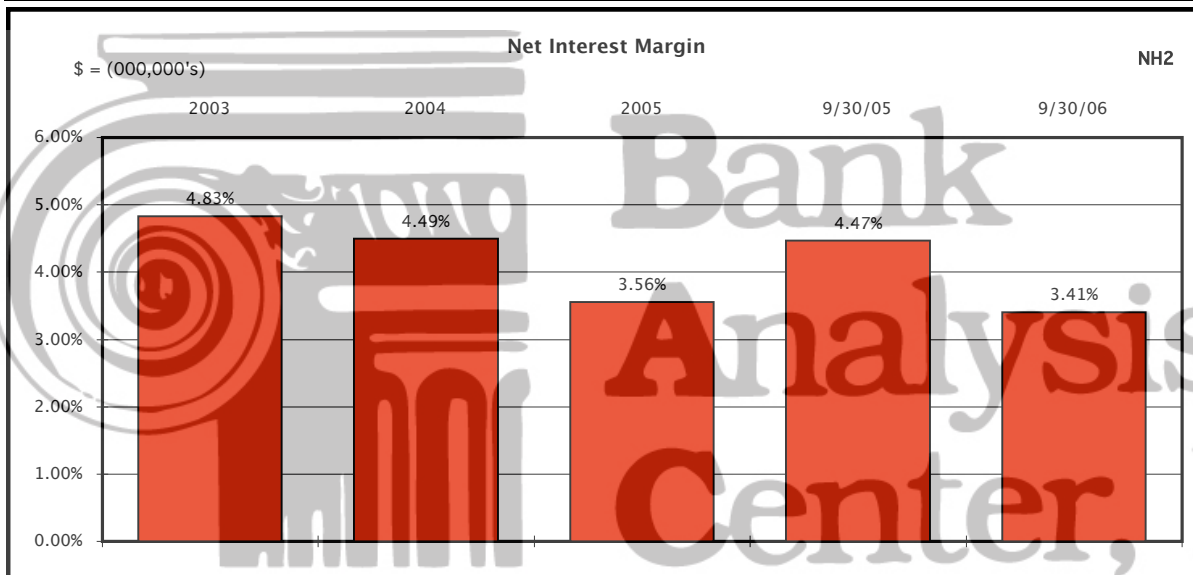
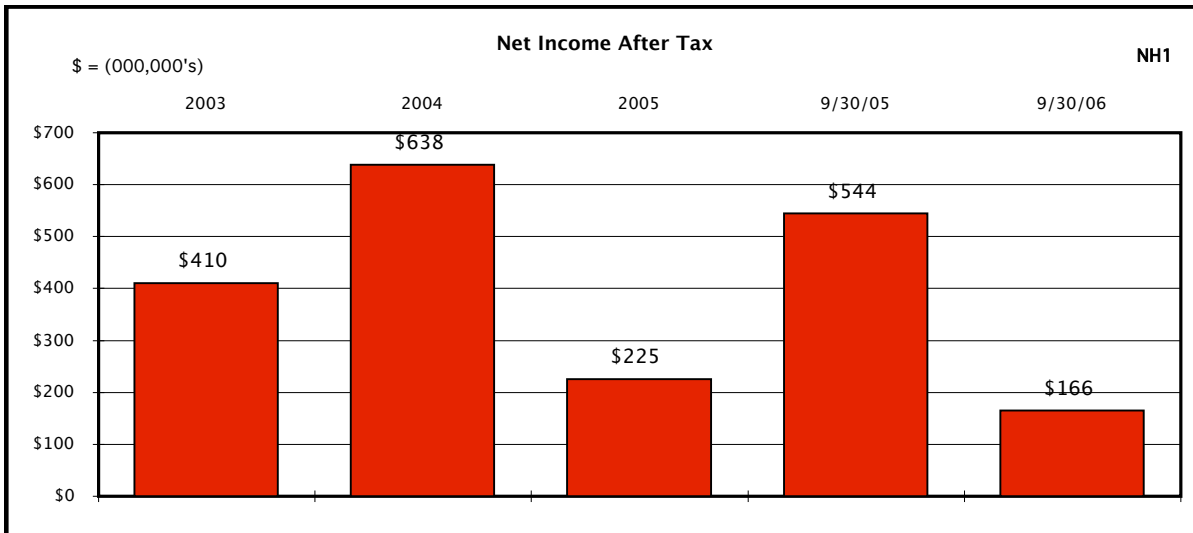
(35) Non-Performing Loans % Gross Loans	1.6%	1.1%	0.2%	1.5%	0.3%				
(36) Non-Performing Assets % Assets	0.9%	0.7%	0.1%	1.0%	0.2%				
(37) Reserve % Non-Performing Loans	289%	341%	473%	230%	315%				
(38) Return on Average Assets (R.O.A.)	1.39%	2.11%	1.22%	2.29%	1.16%				
(39) Return on Average Equity (R.O.E.)	9.61%	13.66%	12.59%	14.12%	11.59%				
(40) Non-Interest Expense % Average Assets	5.1%	4.7%	2.2%	4.4%	2.2%				
(41) Non-Interest Income % Average Assets	5.3%	5.5%	0.7%	5.4%	0.8%				
(42) Non-Interest Expense Efficiency Ratio	54.2%	48.3%	54.7%	45.6%	55.9%				
(43) Net Interest Margin	4.83%	4.49%	3.56%	4.47%	3.41%				
(44) Tier 1 Leverage	14.2%	14.8%	8.0%	15.9%	8.5%				
(45) Adjusted Tier 1 Leverage	15.9%	16.5%	8.5%	17.2%	8.9%				

### COMPOSITION OF EARNING ASSETS

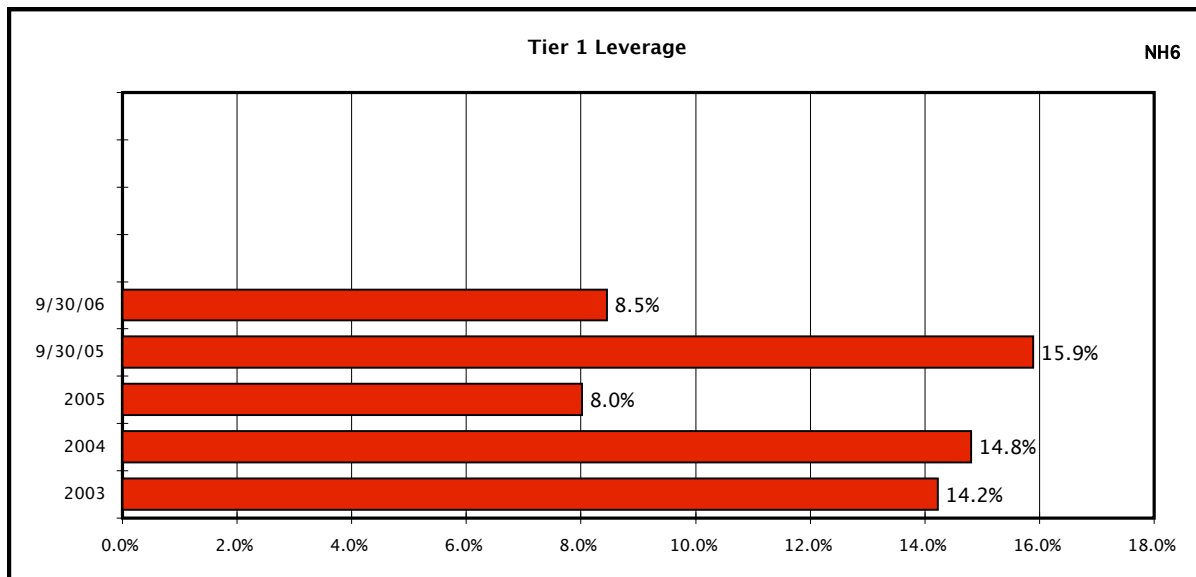
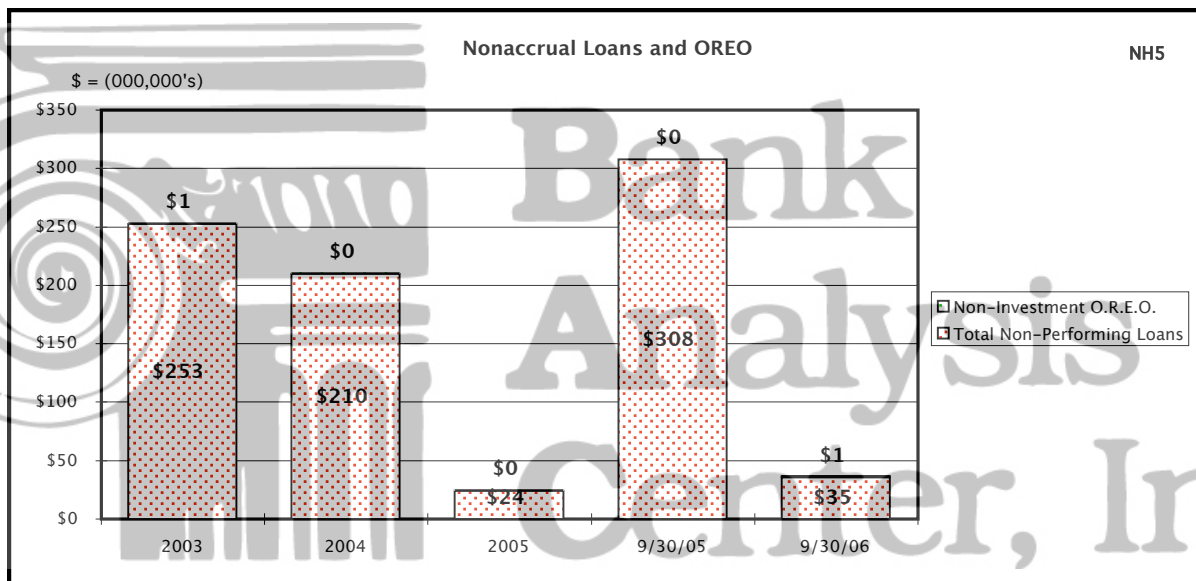
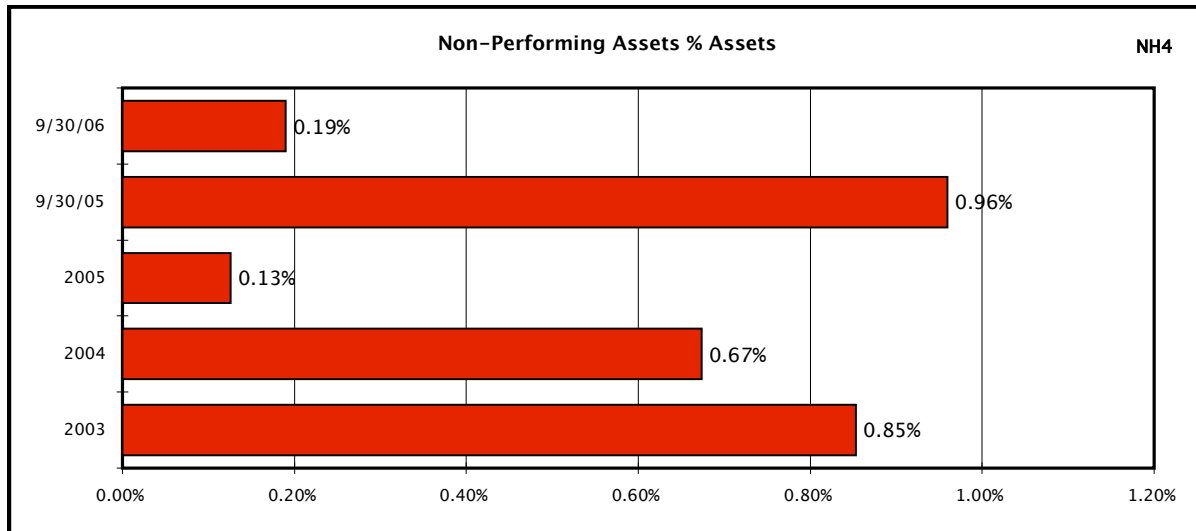
(46) % Investments, Securities, Funds	42%	38%	30%	31%	28%				
(47) % Loans (net)	58%	62%	70%	69%	72%				
(48) Total	100%	100%	100%	100%	100%				
(49) Loans % Deposits	74%	81%	95%	93%	97%				

Note: Adjusted Tier 1 Leverage: (Common equity + non-cumulative. perp. preferred + surplus + reserve for loan losses - total non-performing loans - 20% of O.R.E.O. - non-qualifying intangibles + unrealized security gains/(losses) + minority interest in consolidated subsidiaries)/(total assets - non-qualifying intangibles). SM

# NEW HAMPSHIRE BANKING INDUSTRY TRENDS AS OF 09/30/06



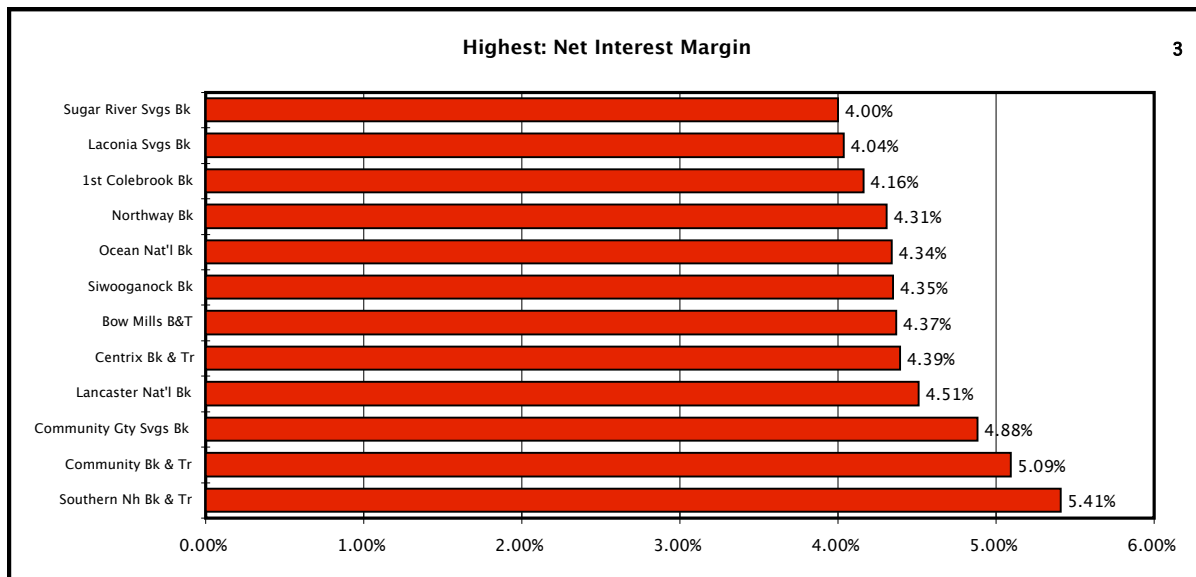
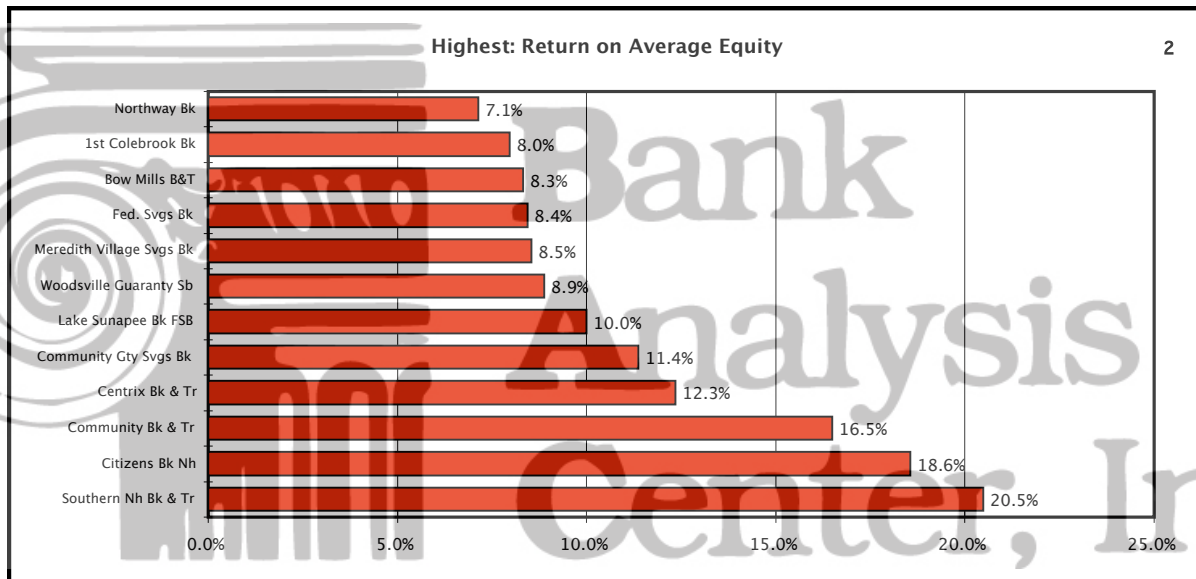
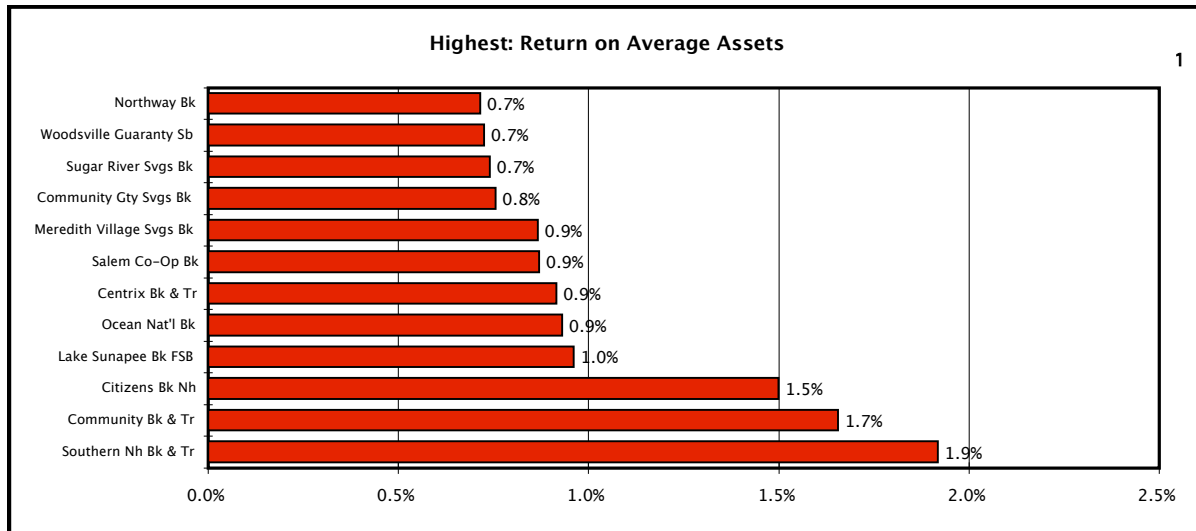
# NEW HAMPSHIRE BANKING INDUSTRY TRENDS AS OF 09/30/06





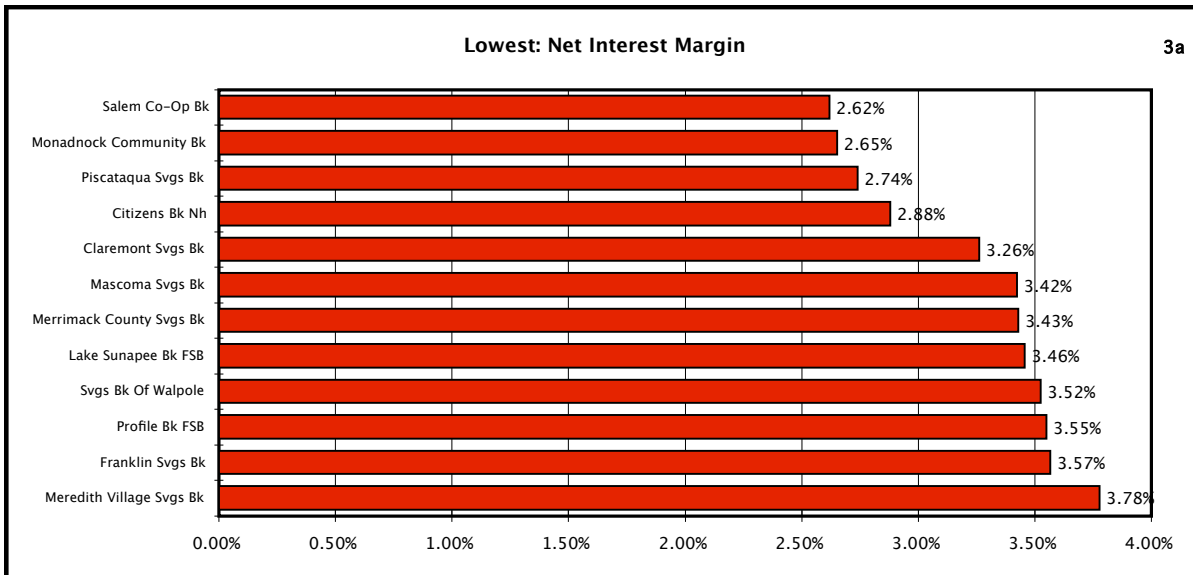
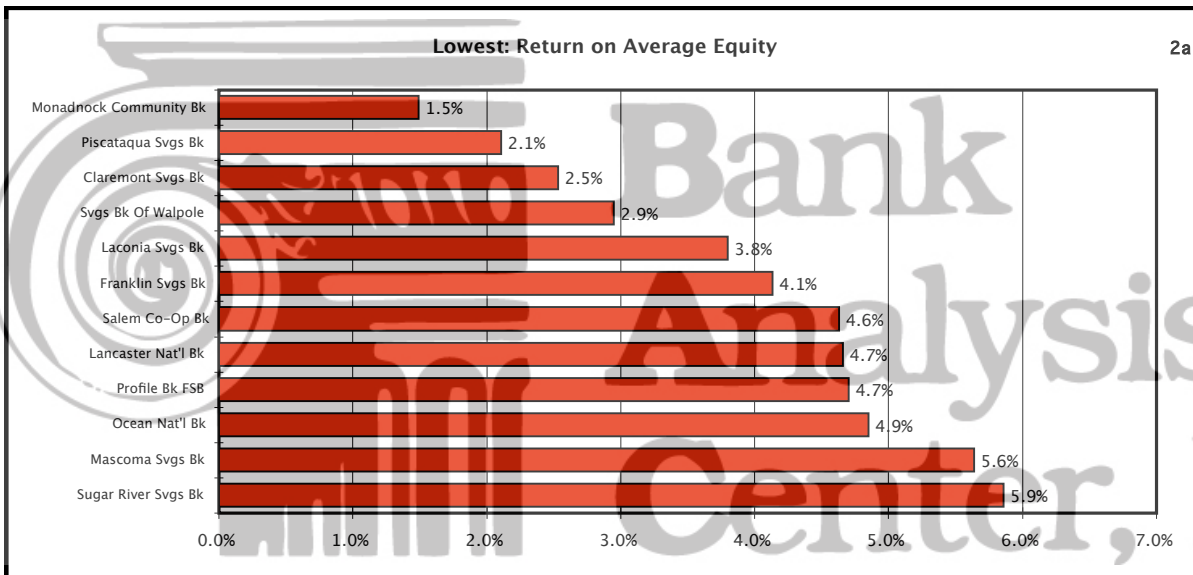
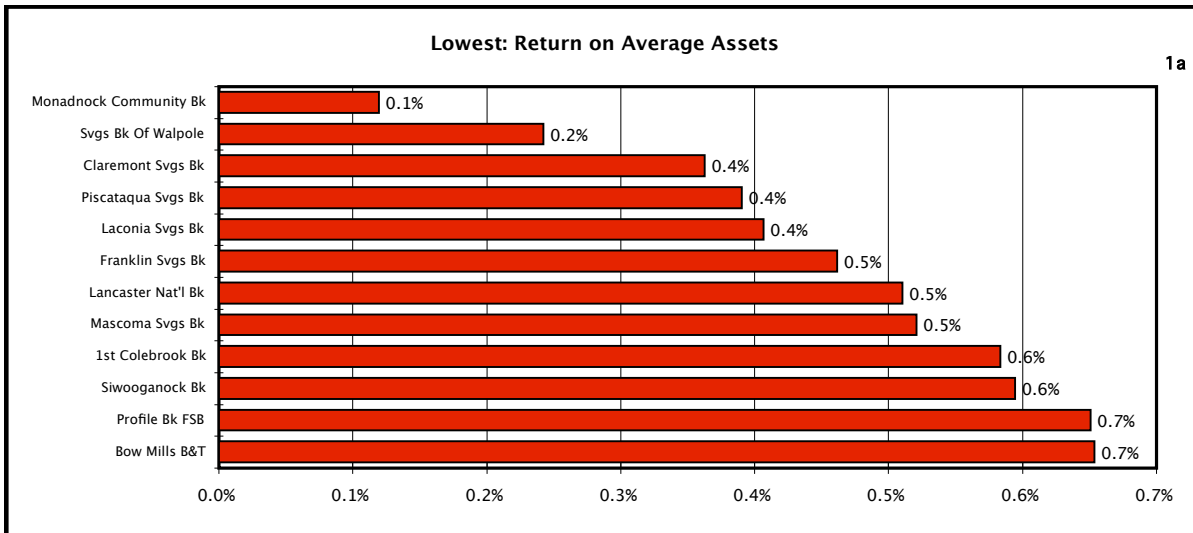
**Third Quarter 2006**  
**New Hampshire Banking Industry Performance Measures**

**12 Highest Percentage**



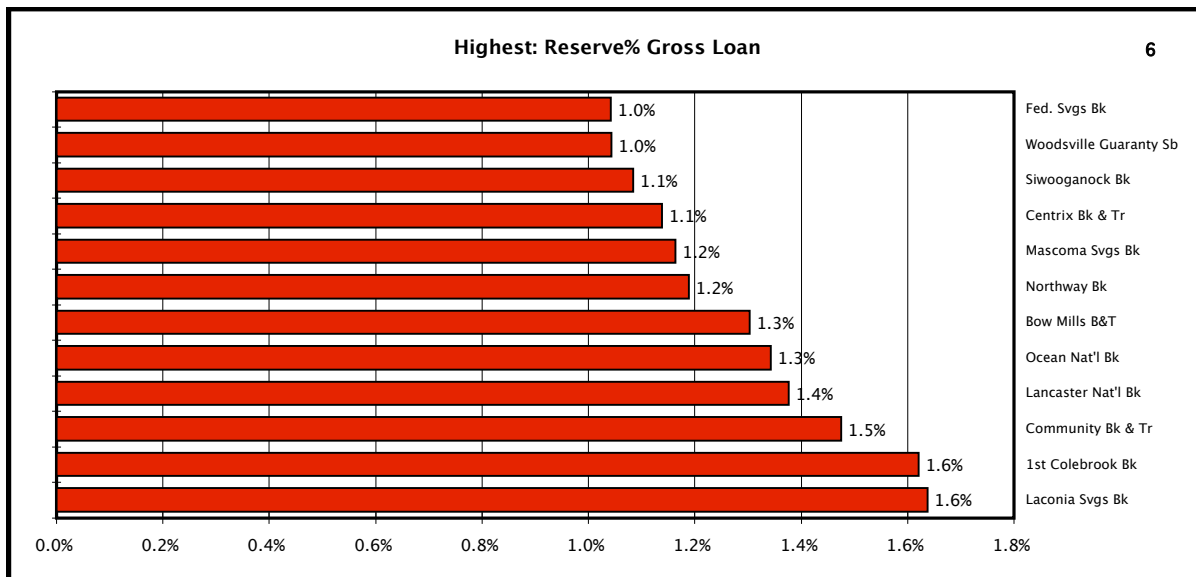
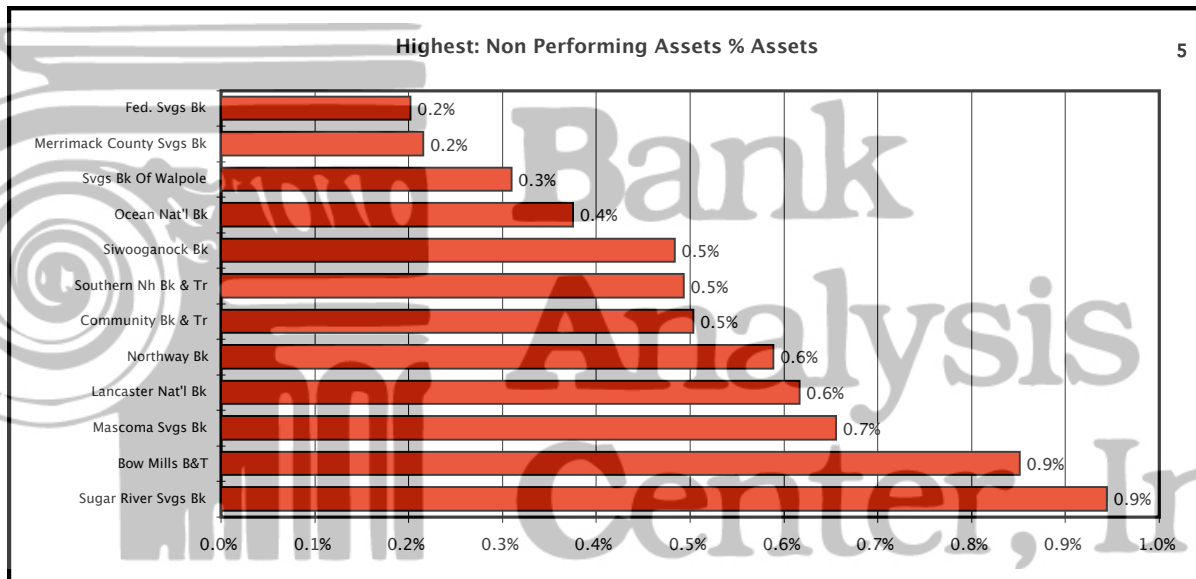
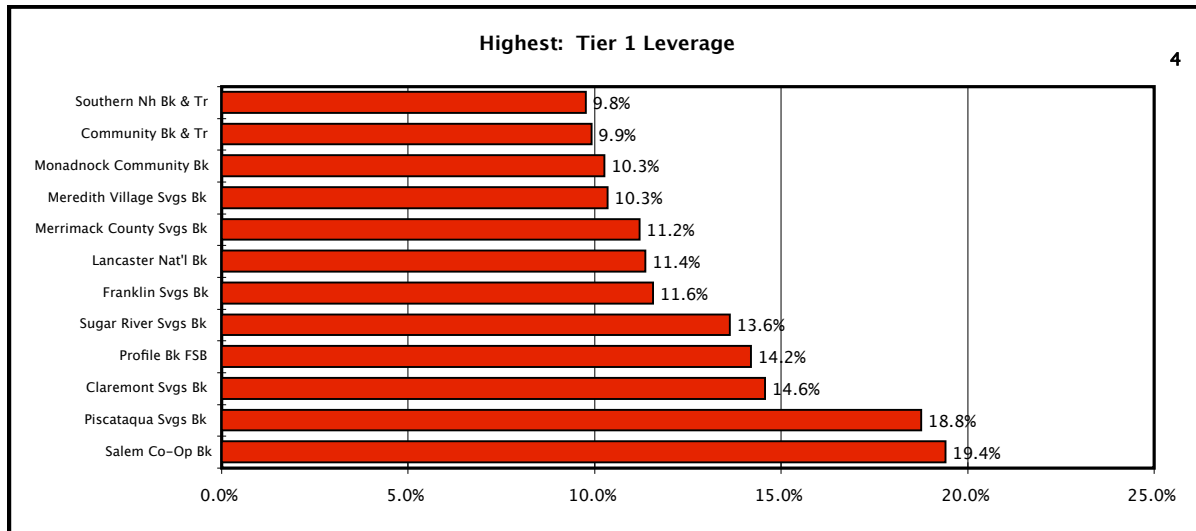
**Third Quarter 2006**  
**New Hampshire Banking Industry Performance Measures**

**12 Lowest Percentage**



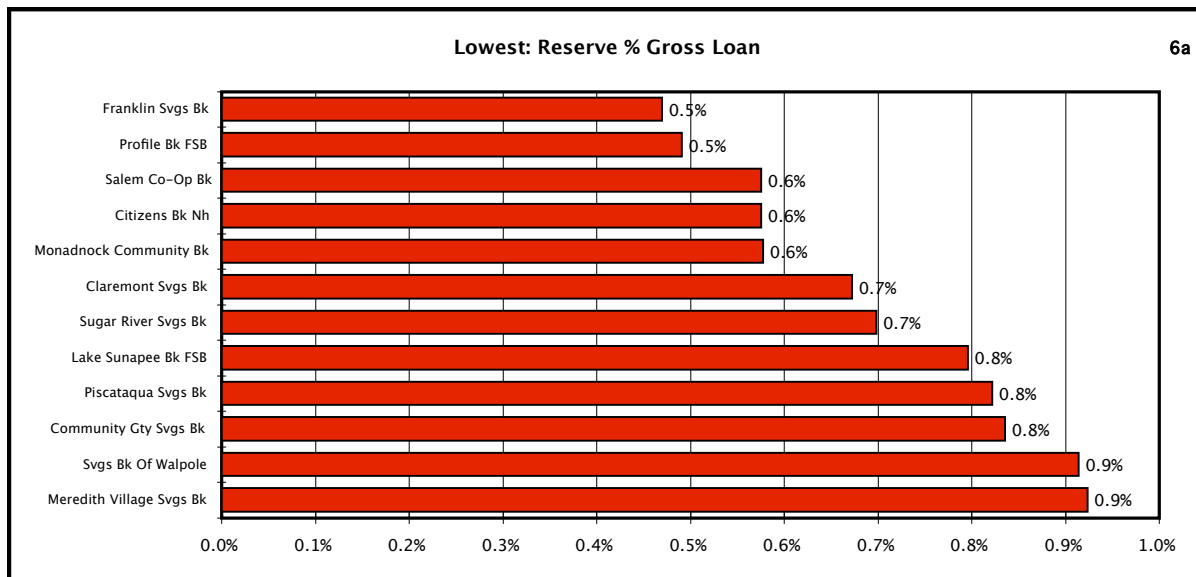
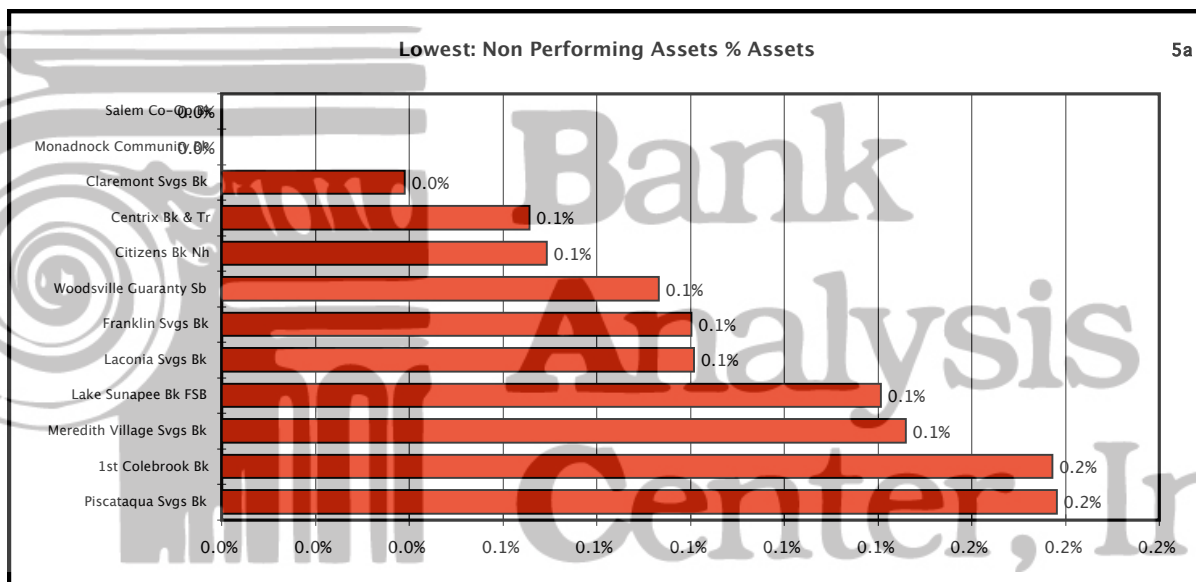
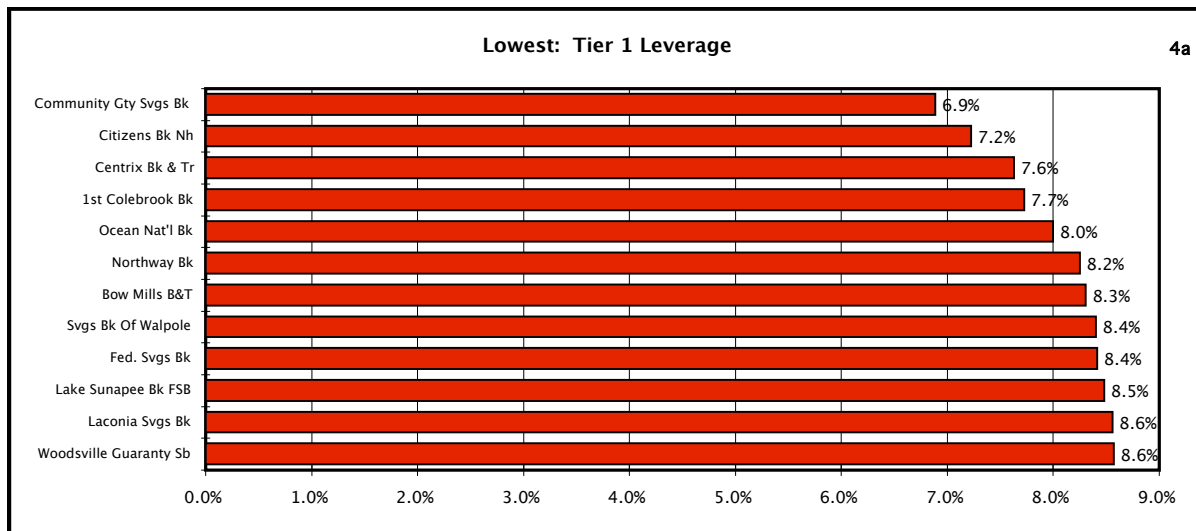
**Third Quarter 2006**  
**New Hampshire Banking Industry Performance Measures**

**12 Highest Percentage**



**Third Quarter 2006**  
**New Hampshire Banking Industry Performance Measures**

**12 Lowest Percentage**





\$=000's; except per share which is in \$										BASIC DATA DATE					SHARE INFORMATION DATA					DIVIDEND DATA			PRICING DATA									
LTM=Latest 12 Months		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)					
Company Name	Ticker	Industry	Filing Date	Total Assets	Total Deposits	Total Equity	Tangible Equity	Total LTM Net Income	Common Shares Outstanding	Book Value per Share (\$)	Tangible Book Value per Share (\$)	Diluted EPS after Extrdnry. (\$)/LTM	Median EPS Estimate (\$)	Current Year	Quarterly Dividends Declared (\$)	Dividends Declared (\$)	Current Dividend Yield (%)	High Price (\$)	Low Price (\$)	High Price Date	Low Price Date	Price (\$)	Avg Daily Vol	Price/LTM Earnings	Price/Book (%)	12 Mth Price Chg	12 Mth Return					
(1) Centrix Bank & Trust	CXBT	Bank	09/30/06	312,248	244,432	22,653	22,653	2,723	2,824,493	\$8.02	\$8.02	\$0.90	NA	NA	\$0.00	\$0.00	0.0%	\$19.50	\$14.00	04/20/06	01/27/06	\$15.49	1,087	17.21	193.1%	5.90%	5.90%	(1)				
(2) Community Bank & Trust Company	CBNH	Bank	09/30/06	434,503	343,994	43,453	43,453	7,249	3,593,296	\$12.09	\$12.09	\$1.98	NA	NA	\$0.36	\$1.93	5.9%	\$34.00	\$22.10	04/24/06	08/01/06	\$24.55	3,585	12.4	203.1%	-16.1%	-9.8%	(2)				
(3) Connecticut River Bancorp, Inc.	CORB	Bank	06/30/06	238,413	199,896	18,869	18,869	2,097	1,556,329	\$12.12	\$12.12	\$1.35	NA	NA	\$0.00	\$0.00	2.5%	\$17.00	\$14.70	04/11/06	01/11/06	\$16.00	5	11.9	132.0%	6.7%	6.7%	(3)				
(4) Hampshire First Bank	HFBN	Bank		NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	\$0.00	\$0.00	0.0%	\$11.00	\$10.00	12/08/06	12/22/06	\$10.00	NA	NA	NA	NA	NA	(4)				
(5) Ledyard National Bank	LYNA	Bank	09/30/06	307,338	250,243	26,422	26,422	3,715	1,009,746	\$26.17	\$26.17	\$3.68	NA	NA	\$0.27	\$1.08	2.4%	\$46.00	\$33.00	12/22/06	08/04/06	\$46.00	100	12.5	175.8%	NA	NA	(5)				
(6) Monadnock Bancorp, Inc.	MNKB	Thrift	09/30/06	87,264	60,547	9,623	9,404	95	1,293,608	\$7.44	\$7.27	\$0.09	NA	NA	\$0.00	\$0.00	0.0%	\$12.00	\$6.00	06/26/06	07/19/06	\$6.85	9,577	NM	92.1%	-27.9%	-27.9%	(6)				
(7) New Hampshire Thrift Bancshares, Inc.	NHTB	Thrift	09/30/06	671,360	461,157	48,567	36,427	5,578	4,191,080	\$11.59	\$8.69	\$1.30	NA	NA	\$0.13	\$0.51	3.3%	\$16.99	\$14.30	09/07/06	01/05/06	\$16.00	1,709	12.3	138.1%	8.6%	12.1%	(7)				
(8) Northway Financial, Inc.	NWFI	Bank	09/30/06	629,322	474,027	52,574	39,566	2,759	1,493,174	\$35.21	\$26.36	\$1.84	NA	NA	\$0.20	\$0.78	2.4%	\$39.00	\$32.70	04/05/06	01/10/06	\$33.50	861	18.2	95.1%	-3.1%	-0.9%	(8)				

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