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### **First Ipswich Bancorp Announces Third Quarter 2008 Financial Results**

IPSWICH, MA – First Ipswich Bancorp (OTCBB:FIWC) (the “Company”), the bank holding company for the First National Bank of Ipswich (the “Bank”), announced a net loss of \$2.0 million for the quarter ended September 30, 2008. “The Company’s earnings were unfavorably impacted by the same declining financial and real estate markets that impacted the earnings of many other financial institutions,” stated Russ Cole, President and CEO. “However, I am encouraged by the Company’s efforts to rebuild sustainable core earnings.”

For the nine months ended September 30, 2008, loans increased by \$13.1 million and deposits increased by \$5.7 million. “As evidenced by the growth of our loan portfolio and deposits, we are continuing to support the economy by meeting the financial needs of local businesses and individuals,” said Mr. Cole.

The Company’s success is also evidenced by the quality of its balance sheet. “Our efforts to manage the quality of our loan portfolio have resulted in low levels of loan delinquencies during this time of turmoil in the economy,” stated Mr. Cole. The low level of non-accrual loans represented less than 0.41% of total loans at September 30, 2008.

The Company’s and the Bank’s ability to absorb the quarterly loss and still have strong capital ratios is evidence of the quality of their balance sheets. The Bank’s leverage ratio and total risk-based capital ratio were 9.06% and 12.42%, respectively, at September 30, 2008. The Bank’s capital position remains strong due to the Company’s efforts to build its capital ratios in recent years.

Despite the large charges in the third quarter, the Bank’s core earnings continue to show modest yet steady improvement, an indication of the financial discipline that has been imposed as part of the strategic repositioning plan. “The Company’s non-interest income

was unfavorably impacted by the declining financial and real estate markets,” stated Mr. Cole. The Company’s non-interest income for the quarter ended September 30, 2008 was unfavorably impacted by a decrease in value of several assets. Charges included write-downs of investment securities due to other than temporary impairment of \$1,208,000 and an increase of the valuation allowance for real estate held for sale of \$622,000. Other non-operational charges, such as write-downs of financial instruments and branch consolidation costs, contributed to the third quarter loss as well.

Core non-interest expenses were at the low level of \$3,182,000 for the quarter ended September 30, 2008. Core non-interest expenses are exclusive of a write-down of other real estate owned in the amount of \$674,000. Mr. Cole stated, “I am very pleased with the progress that has been made in reducing the Company’s historically high level of non-interest expenses. The management of the Company is committed to further expense reduction and cost savings efforts.”

“During these difficult times, The First National Bank of Ipswich maintains a vital role in our community. As evidenced by our loan growth of this year, we continue to support local businesses through prudent lending. As we continue to experience challenging economic conditions, locally and nationally, the Company remains focused on implementing the key elements of its strategic plan including steady improvement in core earnings. The continued prudent growth of loans and deposits while carefully maintaining oversight of the risk in the existing strong loan portfolio remain top priorities,” said Russ Cole, President and CEO.

**The First National Bank of Ipswich** is a commercial community bank with branch offices in, Boston, Essex, Gloucester, Ipswich, Newburyport, and Rowley, Massachusetts and Portsmouth, NH. The Bank can be found on the web at [www.FNBI.com](http://www.FNBI.com). Press releases can be viewed on the internet at our website <http://www.fnbi.com/sp.cfm?pageid=619>.

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First Ipswich Bancorp  
Condensed Consolidated Balance Sheets  
(Dollars in thousands)

	<u>9/30/2008</u>	<u>12/31/2007</u>
Assets:		
Loans, net	\$ 213,306	\$ 199,365
Investments and other earning assets	45,261	50,781
Foreclosed and in-substance foreclosed real estate	1,590	1,489
Other assets	27,069	31,470
Total assets	<u>\$ 287,226</u>	<u>\$ 283,105</u>
Liabilities and stockholders' equity		
Deposits	\$ 217,313	\$ 211,595
Borrowed funds	50,379	49,573
Other liabilities	1,710	2,357
Stockholders' equity	17,824	19,580
Total liabilities and stockholders' equity	<u>\$ 287,226</u>	<u>\$ 283,105</u>

First Ipswich Bancorp  
Condensed Consolidated Income Statements  
(Dollars in thousands, except per share data)

	Quarter Ended		Nine Months Ended	
	<u>9/30/2008</u>	<u>9/30/2007</u>	<u>9/30/2008</u>	<u>9/30/2007</u>
Interest and fees on loans	\$ 3,420	\$ 3,701	\$ 10,401	\$ 11,516
Investment and other interest income	372	691	1,416	2,198
Total interest income	<u>3,792</u>	<u>4,392</u>	<u>11,817</u>	<u>13,714</u>
Deposit interest expense	995	1,456	3,251	4,713
Other interest expense	540	636	1,691	1,806
Total interest expense	<u>1,535</u>	<u>2,092</u>	<u>4,942</u>	<u>6,519</u>
Net interest income	2,257	2,300	6,875	7,195
Provision for loan losses	227	274	333	14
Non-interest income	(1,063)	1,085	556	3,811
Non-interest expense	3,856	3,571	10,301	10,573
Pre-tax income	(2,889)	(460)	(3,203)	419
Income tax expense	(882)	(74)	(1,068)	286
Net income	<u>\$ (2,007)</u>	<u>\$ (386)</u>	<u>\$ (2,135)</u>	<u>\$ 133</u>
Basic earnings per share	\$ (0.86)	\$ (0.16)	\$ (0.92)	\$ 0.06
Diluted earnings per share	\$ (0.86)	\$ (0.16)	\$ (0.91)	\$ 0.06
End of period common shares outstanding	2,332,879	2,344,630	2,332,879	2,344,630
End of period preferred shares outstanding	11,751	-	11,751	-
Average common shares outstanding:				
Basic	2,332,879	2,344,630	2,332,879	2,332,986
Diluted	2,344,630	2,347,579	2,344,630	2,335,900

Select Financial Data

Book value per share	\$ 7.60	\$ 8.24		
	<u>Bancorp</u>		<u>First National Bank of Ipswich</u>	
	<u>9/30/2008</u>	<u>12/31/2007</u>	<u>9/30/2008</u>	<u>12/31/2007</u>
Leverage Ratio	6.79%	7.88%	9.06%	9.81%
Tier 1 risk-based capital	8.66%	10.31%	11.59%	12.84%
Total risk-based capital	12.63%	14.02%	12.42%	13.59%

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