



July 27, 2009

Dear Shareholder,

For the second quarter in a row, the Bank's holding company, First Ipswich Bancorp, earned a quarterly profit. The net profit of \$69,000 represented steady improvement over the same period in 2008. For the first six months of 2009, the holding company made \$97,000 which was \$225,000 better than a net loss of \$128,000 reported for the same six month period of 2008. We are optimistic about the continued prospect for improved earnings for the rest of the year.

Our strategy going forward is simple; control our expenses and grow revenues. We are doing that and the fruits of our efforts are beginning to show. We have achieved savings in operating costs from prior year levels. Our non-interest expenses for the quarter ended June 30, 2009 were \$3.16 million, the lowest amount of non-interest expenses in a quarter for the last four years. Like all FDIC insured banks, our expenses in 2009 included an increase in FDIC insurance premiums and an additional one time assessment. We have been able to absorb these increases and still show a profit because of our overall expense control efforts.

We continue to work on repositioning and strengthening our balance sheet. Non-performing assets including Other Real Estate Owned (OREO) properties have been declining. Further reductions in non-performing assets are our primary goal during these tough economic times. The Bank's reserves for loan losses increased during the past quarter from 1.10% to 1.15% of outstanding loans at June 30, 2009. Overall, our loan portfolio is in good shape with potential problems being recognized and dealt with promptly. We have also been able to improve the Bank's capital position this past quarter. As of June 30, 2009 our leverage ratio was 8.18%, up from 8.10% as of March 31, 2009. Along with this we have seen continued deposit growth and an increase in our loan portfolio.

We see great opportunities to provide banking relationships to new and present customers. Many banks are increasing lending restrictions, providing an opportunity for us to meet the financial needs of local businesses and clients.

The First National Bank of Ipswich continues to service its customers' needs and seek new innovative ways to add products to better meet the needs of its customers. We want to thank you, our shareholders, for your continuing support as well as the employees of the Bank for their efforts and dedication.

Sincerely,

A handwritten signature in black ink, appearing to read "Neil St. John Raymond".

Neil St. John Raymond  
*Chairman of the Board*

A handwritten signature in black ink, appearing to read "Russell G. Cole".

Russell G. Cole  
*President & CEO*

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

	<u>6/30/2009</u>	<u>12/31/2008</u>
<b>Assets:</b>		
Loans, net	\$ 211,453	\$ 214,037
Investments and other earning assets	43,544	39,576
Foreclosed and in-substance foreclosed real estate	1,871	1,538
Other assets	26,602	27,795
<b>Total assets</b>	<b><u>\$ 283,470</u></b>	<b><u>\$ 282,946</u></b>
<b>Liabilities and stockholders' equity</b>		
Deposits	\$ 219,601	\$ 215,588
Borrowed funds	46,792	49,838
Other liabilities	2,157	2,996
Stockholders' equity	14,920	14,524
<b>Total liabilities and stockholders' equity</b>	<b><u>\$ 283,470</u></b>	<b><u>\$ 282,946</u></b>

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

	<u>Quarter Ended</u>		<u>Six Months Ended</u>	
	<u>6/30/2009</u>	<u>6/30/2008</u>	<u>6/30/2009</u>	<u>6/30/2008</u>
Interest and fees on loans	\$ 3,221	\$ 3,483	\$ 6,509	\$ 6,981
Investment and other interest income	304	505	658	1,044
<b>Total interest income</b>	<b><u>3,525</u></b>	<b><u>3,988</u></b>	<b><u>7,167</u></b>	<b><u>8,025</u></b>
Deposit interest expense	759	1,073	1,607	2,256
Other interest expense	451	540	918	1,151
<b>Total interest expense</b>	<b><u>1,210</u></b>	<b><u>1,613</u></b>	<b><u>2,525</u></b>	<b><u>3,407</u></b>
<b>Net interest income</b>	<b><u>2,315</u></b>	<b><u>2,375</u></b>	<b><u>4,642</u></b>	<b><u>4,618</u></b>
Provision for loan losses	258	66	290	106
Non-interest income	1,198	951	2,149	1,619
Non-interest expense	3,160	3,177	6,365	6,445
Pre-tax income	95	83	136	(314)
Income tax expense	26	44	39	(186)
<b>Net income</b>	<b><u>\$ 69</u></b>	<b><u>\$ 39</u></b>	<b><u>\$ 97</u></b>	<b><u>\$ (128)</u></b>
Basic earnings per share	\$ 0.03	\$ 0.02	\$ 0.04	\$ (0.05)
Diluted earnings per share	\$ 0.03	\$ 0.02	\$ 0.04	\$ (0.05)
End of period common shares outstanding	2,332,879	2,332,879	2,332,879	2,332,879
End of period preferred shares outstanding	11,751	11,751	11,751	11,751
Average common shares outstanding:				
Basic	2,332,879	2,332,879	2,332,879	2,332,879
Diluted	2,344,630	2,344,630	2,344,630	2,344,630

Select Financial Data

	<u>6/30/2009</u>	<u>12/31/2008</u>
Book value per share	\$ 6.36	\$ 6.19
Tangible book value per share	\$ 5.52	\$ 5.30

	<u>Bancorp</u>		<u>First National Bank of Ipswich</u>	
	<u>6/30/2009</u>	<u>12/31/2008</u>	<u>6/30/2009</u>	<u>12/31/2008</u>
Leverage Ratio	5.05%	4.75%	8.18%	7.71%
Tier 1 risk-based capital	6.48%	6.12%	10.50%	9.95%
Total risk-based capital	11.44%	10.88%	11.65%	10.98%

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