FEDERAL DEPOSIT INSURANCE CORPORATION
Washington, D.C. 20429

FORM 10-Q

[x] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR QUARTER ENDED SEPTEMBER 30, 2008

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FDIC INSURANCE CERTIFICATE NO. 27009

WAINWRIGHT BANK & TRUST COMPANY

MASSACHUSETTS 04-2962636
(State of Incorporation) (IRS Employer Identification No.)

63 Franklin Street, Boston, MA 02110
(617) 478-4000

Indicate by a check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

(1) YES ___X___ NO ________
(2) YES ___X___ NO ________

Indicate by a check mark whether the registrant is a large accelerated filer, an accelerated, a non-accelerated filer, or a smaller reporting company (as defined in Rule 12b-2 of the Exchange Act).

Large Accelerated Filer [ ] Accelerated Filer [ ] Non-Accelerated Filer [ ] Smaller Reporting Company [X]
(Do not check if a Smaller Reporting Company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).
Yes [ ] No [X]

At November 7, 2008, there were 7,252,731 shares of common stock outstanding.

WAINWRIGHT BANK & TRUST COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)
(Unaudited)

	September 30, 2008	December 31, 2007
Assets:		
Cash and due from banks	$ 8,936	$ 8,783
Federal funds sold and money market funds	19,784	14,140
Investment securities		
Trading, at fair value	1,100	1,113
Available for sale, at fair value	102,651	134,340
Federal Home Loan Bank (FHLB) stock	10,598	9,859
Other securities, at cost	1,680	1,680
Total investments	116,029	146,992
Loans	802,504	713,279
Reserve for credit losses	(8,370)	(7,638)
Net loans	794,134	705,641
Accrued interest receivable	3,709	4,321
Fixed assets, net	13,740	13,301
Bank owned life insurance	11,447	11,048
Investments in affordable housing	711	886
Other assets	11,048	8,583
TOTAL ASSETS	$ 979,538	$ 913,695
Liabilities:		
Deposits	$ 682,522	$ 617,287
Borrowed funds	224,736	221,346
Subordinated debentures	4,140	-
Accrued interest payable	1,546	1,411
Other liabilities	2,510	2,837
Total Liabilities	915,454	842,881
Stockholders' Equity:		
Preferred stock, Series A-1 convertible, $1.00 par value, 190,000 shares authorized, issued and outstanding. Liquidation preference aggregating $3,800,000 at September 30, 2008 and December 31, 2007.	190	190
Preferred stock, Series A-2 convertible, $1.00 par value, 10,000 shares authorized, issued and outstanding. Liquidation preference aggregating $200,000 at September 30, 2008 and December 31, 2007.	10	10
Common stock, $1.00 par value, 10,000,000 shares authorized; 7,248,163 and 7,525,437 shares issued and outstanding at September 30, 2008 and December 31, 2007, respectively.	7,248	7,525
Additional paid-in capital	50,939	53,897
Retained earnings	10,989	11,004
Accumulated other comprehensive loss	(5,292)	(1,812)
Total Stockholders' Equity	64,084	70,814
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 979,538	$ 913,695

The accompanying notes are an integral part of the consolidated financial statements.

WAINWRIGHT BANK & TRUST COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	For the nine months ended September 30, 2008	For the nine months ended September 30, 2007	For the three months ended September 30, 2008	For the three months ended September 30, 2007
	(Dollars in thousands, except per share amounts)			
Interest and dividend income:				
Loans and loans held for sale	$ 33,196	$ 32,983	$ 11,500	$ 11,450
Investment securities	5,482	5,206	1,640	1,833
Federal funds sold and money market funds	549	923	104	312
Total interest and dividend income	39,227	39,112	13,244	13,595
Interest expense:				
Deposits	10,413	12,894	3,285	4,629
Borrowed funds and subordinated debt	7,508	6,493	2,576	2,448
Total interest expense	17,921	19,387	5,862	7,077
Net interest income	21,306	19,725	7,382	6,518
Provision for credit losses	1,400	500	400	250
Net interest income after provision for credit losses	19,906	19,225	6,982	6,268
Noninterest income:				
Deposit service charges	1,698	1,799	566	608
Investment management fees	843	1,040	273	348
Bank owned life insurance income	399	374	137	129
Loan fees	287	283	89	99
Net security losses	(274)	(257)	(181)	(188)
Loss on impairment of securities available for sale	(1,900)	-	(1,900)	-
Mortgage banking income	38	-	31	-
Gain on sale of real estate	-	850	-	-
Other	164	168	48	50
Total non-interest income (loss)	1,255	4,257	(937)	1,046
Noninterest expenses:				
Salaries and employee benefits	11,028	10,015	3,674	3,302
Occupancy and equipment	3,180	2,938	1,103	975
Professional fees	792	560	315	226
Advertising and promotion	498	364	194	140
Regulatory assessment fees	378	102	260	33
Debit and ATM card expenses	305	502	112	129
Other	2,695	2,736	891	931
Total noninterest expenses	18,876	17,217	6,549	5,736
Income (loss) before income taxes	2,285	6,265	(504)	1,578
Income tax provision (benefit)	169	1,394	(284)	264
Net income (loss)	$ 2,116	$ 4,871	$ (220)	$ 1,314
Net income (loss) applicable to common shares	$ 1,891	$ 4,646	$ (295)	$ 1,239
Earnings (loss) per share:				
Basic	$ 0.26	$ 0.61	$ (0.04)	$ 0.16
Diluted	$ 0.25	$ 0.57	$ (0.04)	$ 0.15
Weighted average common shares outstanding	7,339,925	7,570,893	7,248,130	7,543,338
Weighted average diluted shares outstanding	8,315,412	8,571,668	7,248,130	8,546,668

The accompanying notes are an integral part of the consolidated financial statements.

WAINWRIGHT BANK & TRUST COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(Unaudited)

(Dollars in thousands, except per share amounts)

	Preferred Stock Series A-1	Preferred Stock Series A-2	Common Stock	Add. Paid-In Capital	Retained Earnings	Accumulated Comprehensive Loss	Total Stockholders' Equity
Balance at December 31, 2006	$ 190	$ 10	$ 7,230	$ 50,807	$11,651	$ (1,917)	$ 67,971
Net income					4,871		4,871
Net unrealized loss on securities available for sale, net of taxes of $75						(144)	(144)
Comprehensive income					4,871	(144)	4,727
Cumulative effect of a change in accounting principle					200		200
Preferred stock cash dividend					(225)		(225)
Common stock cash dividend ($.23 per share)					(1,758)		(1,758)
Common stock issued as 5% dividend (360,199 shares)			360	3,863	(4,223)		-
Repurchase of common stock (76,236 shares)			(77)	(882)			(959)
Exercise of stock options (17,664 shares)			17	60			77
Employee stock-based compensation				27			27
Balance at September 30, 2007	$ 190	$ 10	$ 7,530	$ 53,875	$10,516	$ (2,061)	$ 70,060
Balance at December 31, 2007	$ 190	$ 10	$ 7,525	$ 53,897	$11,004	$ (1,812)	$ 70,814
Net income					2,116		2,116
Net unrealized loss on securities available for sale, net of taxes of $1,875						(3,480)	(3,480)
Comprehensive income					2,116	(3,480)	(1,364)
Cumulative effect of a change in accounting principle					(142)		(142)
Preferred stock cash dividend					(225)		(225)
Common stock cash dividend ($.24 per share)					(1,764)		(1,764)
Issuance of restricted stock (21,500 shares)			22	(22)			-
Issuance of warrants to purchase common stock (435,000 shares)				210			210
Repurchase of common stock (324,559 shares)			(325)	(3,305)			(3,630)
Exercise of stock options (26,285 shares)			26	107			133
Employee stock-based compensation				52			52
Balance at September 30, 2008	$ 190	$ 10	$ 7,248	$ 50,939	$10,989	$ (5,292)	$ 64,084

The accompanying notes are an integral part of the consolidated financial statements.

WAINWRIGHT BANK & TRUST COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Nine Months Ended September 30,

	2008	2007
	(Dollars in thousands) (Unaudited)	
Cash flows from operating activities:		
Interest received	$ 40,276	$ 37,998
Fees and commissions received	3,043	3,317
Interest paid	(17,786)	(18,405)
Cash paid to suppliers and employees	(19,010)	(16,588)
Income taxes paid	(817)	(2,177)
Change in trading securities	(100)	518
Net cash provided by operating activities	5,606	4,663
Cash flows from investing activities:		
Purchases of securities available for sale	(27,284)	(91,935)
Purchases of Federal Home Loan Bank stock	(739)	-
Proceeds from maturities and paydowns of securities available for sale	37,004	51,467
Proceeds from sales of securities available for sale	14,751	17,667
Net increase in loans	(89,678)	(66,515)
Proceeds from sale of real estate	-	1,143
Capital expenditures	(1,354)	(583)
Net cash used in investing activities	(67,300)	(88,756)
Cash flows from financing activities:		
Net increase in demand, savings, NOW, and money market accounts	2,721	43,430
Net increase in time deposits	62,515	13,938
Net (decrease) increase increase in short term borrowed funds	(11,879)	7,322
Proceeds from long term borrowed funds	19,135	55,370
Repayment of long term borrowed funds	(3,866)	(21,805)
Proceeds from the issuance of subordinated debt	4,350	-
Repurchase of common stock	(3,630)	(1,983)
Dividends paid	(1,989)	(959)
Exercise of stock options	133	77
Proceeds from minority interest	1	1
Net cash provided by financing activities	67,491	95,391
Net increase in cash and cash equivalents	5,797	11,298
Cash and cash equivalents at beginning of period	22,923	22,193
Cash and cash equivalents at end of period	$ 28,720	$ 33,491
Reconciliation of net income to net cash provided by operating activities:		
Net income	$ 2,116	$ 4,871
Adjustments:		
Gain on sale of investment property	-	(850)
Bank owned life insurance income	(399)	(374)
Employee stock-based compensation	52	27
BOLI plan benefit cost	55	-
Depreciation and amortization	1,039	1,086
Net accretion of investment securities	(175)	(129)
Provision for credit losses	1,400	500
Decrease in fees receivable	53	3
Increase in other assets	(182)	(112)
Decrease in accounts payable	(446)	(142)
Decrease in prepaid taxes	(648)	(783)
Decrease (increase) in interest receivable	611	(1,222)
Increase in interest payable	135	982
Increase in net deferred costs	(254)	(340)
Loss on sale and impairment of investment securities	2,174	257
Change in trading securities	(100)	518
Affordable housing partnership loss	175	371
Total adjustments	3,490	(208)
Net cash provided by operating activities	$ 5,606	$ 4,663

The accompanying notes are an integral part of the consolidated financial statements.

1. Basis of Presentation

The consolidated interim financial statements of Wainwright Bank & Trust Company (the "Bank") presented herein are intended to be read in conjunction with the consolidated financial statements of Wainwright Bank & Trust Company filed with the Bank's annual report on Form 10-K for the year ended December 31, 2007.

The consolidated interim financial statements as of September 30, 2008 and 2007 are unaudited, and in the opinion of management reflect all adjustments (consisting solely of normal recurring accruals) necessary for a fair presentation of such information. Interim results are not necessarily indicative of results to be expected for the entire year.

2. Recently Issued Accounting Pronouncements and Reporting Developments

In September 2006, the Financial Accounting Standards Board ("FASB") issued Financial Accounting Standards Interpretation No. 48 ("FIN 48"), "*Accounting for Uncertainty in Income Taxes*". FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, "*Accounting for Income Taxes*". FIN 48 prescribes a recognition threshold and measurement attributable for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 is effective for fiscal years beginning after December 15, 2006. The Bank adopted FIN 48 on January 1, 2007 and as a result of the change in accounting principle recorded ($200,000) to retained earnings.

In September 2006, the FASB ratified the conclusion of the Emerging Issues Task Force ("EITF") on Issue No. 06-4, "*Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements*" ("EITF 06-4"). This issue addresses accounting for split-dollar life insurance arrangements whereby the employer purchases a policy to insure the life of an employee, and separately enters into an agreement to split the policy benefits between the employer and the employee. This EITF states that an obligation arises as a result of a substantive agreement with an employee to provide future postretirement benefits. Under EITF 06-4, the obligation is not settled upon entering into an insurance arrangement. Since the obligation is not settled, a liability should be recognized in accordance with applicable authoritative guidance. Effective January 1, 2008, the Bank adopted EITF 06-4 and as a result recorded a $142,000 decrease to retained earnings and will record a liability at least on a quarterly basis to recognize additional estimated costs of maintaining the insurance policy for certain current Bank executives.

In September 2006, the FASB issued Statement of Financial Accounting Standards ("SFAS") No. 157, "*Fair Value Measurements*". This Statement defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and expands disclosures about fair value measurements. The definition of fair value retains the exchange price notion in earlier definitions of fair value. This Statement clarifies that the exchange price is the price in an orderly transaction between market participants to sell the asset or transfer the liability in the market in which the reporting entity would transact for the asset or liability, that is, the principal or most advantageous market for the asset or liability. Emphasis is being placed on fair value being a market-based measurement, not an entity-specific measurement, and therefore a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering these market participant assumptions, a fair value hierarchy has been established to distinguish between (1) market participant assumptions developed based on market data obtained from sources independent of the reporting entity (observable inputs) and (2) the reporting entity's own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs). The Bank adopted SFAS No. 157 effective January 1, 2008 and it did not have a material effect on the Bank's consolidated financial statements.

In February 2008, the FASB issued FASB Staff Position ("FSP") FAS 157-2. FSP FAS 157-2 allows entities to electively defer the effective date of SFAS No. 157 until January 1, 2009 for nonfinancial assets and nonfinancial liabilities except those recognized or disclosed at fair value on an annual or more frequently recurring basis. The Bank will apply the fair value measurement and disclosure provisions of SFAS No. 157 to nonfinancial assets and liabilities effective January 1, 2009. The application of such is not expected to be material to our results of operations or financial position. On October 10, 2008, the FASB issued FSP FAS 157-3 to clarify the application of fair value measurements of a financial asset when the market for that asset is not active. This clarifying guidance became effective upon issuance, including prior periods for which financial statements had not been issued, such as the period ended September 30, 2008. This new guidance had no effect on our consolidated results of operations or financial position. See Note 10 for a discussion regarding the January 1, 2008 implementation of SFAS No. 157 relating to our financial assets and liabilities.

In December 2007, the FASB issued Statement No. 141 (revised), "*Business Combinations*." This Statement replaces FASB Statement No. 141, and applies to all business entities, including mutual entities that previously used the pooling-of-interest method of accounting for certain business combinations. Under Statement No. 141 (revised) an acquirer is required to recognize at fair value the assets acquired, liabilities assumed, and any non-controlling interest in the acquiree at the acquisition date. This Statement requires that acquisition costs and expected restructuring costs be recognized separately from the acquisition, and that the acquirer in a business combination achieved in stages recognize the identifiable assets and liabilities, as well as the non-controlling interest in the acquiree, at the full amounts of their fair values. This Statement also requires an acquirer to recognize assets acquired and liabilities assumed rising from contractual contingencies as of the acquisition date, and an acquirer is only required to recognize assets or liabilities arising from all other contingencies if it is more likely than not that they meet the definition of an asset or a liability. Under this Statement, an acquirer is required to recognize contingent consideration at the acquisition date. Further, this Statement eliminates the concept of negative goodwill and requires gain recognition in instances in which the total acquisition-date fair value of the identifiable net assets acquired exceeds the fair value of the consideration transferred plus any non-controlling interest in the acquiree. This Statement makes significant amendments to other Statements and other authoritative guidance, and applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. Therefore, the effects of the adoption of SFAS No. 141(R) will depend upon the extent and magnitude of acquisitions after December 31, 2008.

In December 2007, the FASB issued Statement No. 160, "*Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51*." This Statement establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. This Statement is effective for fiscal years beginning on or after December 15, 2008, therefore, the effects of the adoption of SFAS No. 141(R) will depend upon the extent and magnitude of acquisitions after such date.

In March 2008, the FASB issued Statement No. 161, "*Disclosures about Derivative Instruments and Hedging Activities—an amendment of FASB Statement No. 133*." This Statement establishes the disclosure requirements for derivative instruments and for hedging activities. It amends and expands the disclosure requirements of SFAS No. 133 with the intent to provide users of financial statements with an enhanced understanding of derivative instruments and hedging activities. This Statement is effective for fiscal years and interim periods beginning after November 15, 2008, with early adoption encouraged. The Bank does not expect that the adoption of this standard will have a material impact on the Bank's 2009 consolidated financial statements.

In May 2008, the FASB issued Statement No. 162, "*The Hierarchy of Generally Accepted Accounting Principles.*" This Statement identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles in the United States. This Statement will be effective beginning after November 15, 2008 and the Bank does not expect the implementation of this standard will have a material impact on its consolidated financial statements.

3. **Earnings per Share**

The Bank calculates earnings per share in accordance with SFAS No. 128, "*Earnings per Share*." A summary of the Bank's calculation of earnings per share is as follows:

	For the nine months ended September 30,		For the three months ended September 30,	
	2008	2007	2008	2007
	(Dollars in thousands, except		(Dollars in thousands, except	
Net income (loss)	$ 2,116	$ 4,871	$ (220)	$ 1,314
Less preferred dividends	(225)	(225)	(75)	(75)
Net income (loss) available to common shareholders - basic	1,891	4,646	(295)	1,239
Add back preferred dividends	225	225	-	75
Net income (loss) available to common shareholders - diluted	$ 2,116	$ 4,871	$ (295)	$ 1,314
Weighted average number of common shares outstanding used in calculation of basic earnings per share	7,339,925	7,570,893	7,248,130	7,543,338
Incremental shares from the assumed exercise of dilutive stock options	51,008	76,296	-	78,851
Incremental shares from the assumed conversion of Series A preferred stock	924,479	924,479	-	924,479
Weighted average number of common and common equivalent shares outstanding used in calculation of diluted earnings per share	8,315,412	8,571,668	7,248,130	8,546,668
Earnings per share				
Basic	$ 0.26	$ 0.61	$ (0.04)	$ 0.16
Diluted *	$ 0.25	$ 0.57	$ (0.04)	$ 0.15

* Due to the net loss for the three months ended September 30, 2008, the diluted earnings per share calculation excludes all common stock equivalents as their inclusion would have been antidilutive.

4. **Stock-based Compensation**

Stock-based compensation expense recognized by the Bank amounted $52,000 and $27,000 for the nine months ended September 30, 2008 and 2007, respectively, and $19,000 and $9,000 for the three months ended September 30, 2008 and 2007, respectively.

Stock Options

The Bank has a stock option plan (the "1989 Stock Option Plan") available to officers and employees which provides for the granting of options to acquire up to a total of 255,000 shares of common stock, generally with cumulative vesting periods of four years, 20% immediately and 20% per year thereafter. The maximum period that each grant could be outstanding is ten years. No options could be granted under this plan after 1999.

The Bank also has the 1999 Stock Incentive Plan, which provides for the granting of options to acquire up to 169,488 shares of common stock, generally with cumulative vesting periods of five years, 20% on the first anniversary of the grant date, and an additional 5% at the end of each successive full three-month period. The maximum period that each grant could be outstanding is ten years.

The following table summarizes stock option activity:

	For the nine months ended, September 30, 2008	
	Shares	Weighted Average Exercise Price
Outstanding at beginning of period	185,612	$ 7.06
Granted	5,400	12.01
Exercised	(26,285)	5.07
Forfeited	(3,850)	10.42
Outstanding at end of period	160,877	$ 7.47
Exercisable at end of period	116,248	$ 6.35

During the first three quarters of 2008 and 2007, the Bank granted to certain employees 5,400 and 24,675 options, respectively, to purchase shares of stock. The estimated weighted average grant date fair value of stock options granted was $1.23 and $1.55 for 2008 and 2007, respectively. The fair market value of each stock option is estimated on the date of grant using the Black-Scholes option-pricing model. The table below states the assumptions used in this model. The option life was determined using the simplified method for estimating expected option life. The stock volatility for each grant is measured using the weighted average of historical price changes of the Bank's common stock over the most recent period equal to the expected option life of the grant. The dividend yield is based on the historical rate of dividends paid. The risk free interest rate for each grant is equal to the U.S. Treasury yield curve in effect at the time of grant for instruments with a similar expected life. In addition, the Bank calculates a forfeiture rate on a grant-by-grant basis, this rate ranges from 0% to 16%. See following table for the remaining assumptions used in the model:

For the nine months ended September 30,	2008	2007
Expected lives in years	6.50	6.50
Expected volatility	18.00 %	20.00 %
Dividend yield	4.33 %	4.72 %
Risk-free interest rate	2.46 %	4.68 %

As of September 30, 2008, the intrinsic value of outstanding stock options and exercisable stock options was $297,000 and $295,000, respectively. In 2008, there were 26,285 options exercised with an intrinsic value of $180,000, calculated using the market price on the date of exercise.

Stock options outstanding and exercisable at September 30, 2008:

Options Outstanding				Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$4.50-$4.94	65,533	2.0 years	$ 4.63	65,533	$ 4.63
$6.34-$10.18	53,457	5.4 years	8.48	41,855	8.19
$10.00-$12.01	41,887	8.3 years	10.65	8,860	10.43
$4.50 - $12.01	160,877	4.8 years	$ 7.47	116,248	$ 6.35

As of September 30, 2008, there was $58,000 of total unrecognized costs related to nonvested compensation arrangements granted under the Bank's stock option plans. That cost is expected to be recognized over a weighted average period of approximately two years.

Restricted Stock Awards

On February 14, 2007, the Board of Directors of the Bank adopted and on May 9, 2007, the stockholders approved the 2007 Stock Incentive Plan (the "2007 Plan"). The 2007 Plan provides for the granting of stock awards and/or stock options to acquire up to 100,000 shares of common stock to directors, officers, and employees. Generally these awards and options are granted with cumulative vesting periods of five years, 20% at each anniversary date following the grant date. The maximum period that each grant could be outstanding is ten years. During the first quarter of 2008, the Bank granted 21,500 awards to certain employees at a fair value of $12.01 per share. The fair market value of the stock awards, based on the market price at the date of grant, is recorded as unearned compensation and amortized over the applicable vesting period. The Bank recorded compensation cost related to stock awards of approximately $31,000 for the nine months ended September 30, 2008. The Bank did not grant any awards in 2007 under this Plan.

A summary of the status of the Bank's stock awards is presented below:

	September 30, 2008	
	Shares	Weighted Average Grant Date Fair Value
Unvested restricted stock balance at beginning of period	-	$ -
Granted	21,500	12.01
Vested	-	-
Cancelled	-	-
Forfeited	-	-
Unvested restricted stock balance at end of period	21,500	$ 12.01

As of September 30, 2008, there was approximately $233,000 of total unrecognized compensation cost related to nonvested stock awards granted under the 2007 Plan. That cost is expected to be recognized over a weighted-average period of three years.

Warrants

On September 30, 2008 the Bank issued a total of $4.35 million principal amount of subordinated debt to an investor group some of whom are stockholders and directors of the Bank (see Footnote 8 – Borrowed Funds). The subordinated debentures are accompanied by warrants to purchase a total of 435,000 shares of the Bank's common stock at price of $10.00 per share, which may be exercised at any time during the ten year period from the date of the subordinated debt issuance. The Bank valued the warrants using the Black-Scholes option-pricing model using the following assumptions:

For the nine months ended September 30,	2008
Expected lives in years	10.00
Expected volatility	18.17 %
Dividend yield	6.00 %
Risk-free interest rate	3.82 %

The warrants were valued at $210,000 and were recognized as equity under EITF 00-19, "*Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock*", and are reported within additional paid-in-capital in the accompanying Consolidated Balance Sheets. The proceeds of the debt has been allocated between the debt and warrants on a relative fair value basis, therefore, the fair value of the warrants has been recognized as a debt discount and is amortized to interest expense over the ten-year term of the subordinated debt.

On October 21, 2008, the Bank issued under the same terms an additional $650,000 of subordinated debt accompanied by warrants to purchase 65,000 shares of common stock.

5. Investments

The amortized cost and estimated fair values of investment securities classified as available for sale are as follows:

	September 30, 2008			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(Dollars in thousands)			
Debt Securities				
Government-sponsored enterprises	$ 2,999	$ 9	$ -	$ 3,008
Corporate bonds	17,763	-	3,391	14,372
U.S. Government agency mortgage securities	31,884	11	917	30,978
Other mortgage-backed securities	47,250	-	1,964	45,286
Total debt securities	99,896	20	6,272	93,644
Preferred stocks	8,582	-	1,406	7,176
Other equity securities	2,315	-	484	1,831
Total securities available for sale	$ 110,793	$ 20	$ 8,162	$ 102,651

During the nine months ended September 30, 2008, impairment charges of $1.9 million were recognized on one corporate debt security and one perpetual preferred stock holding that were deemed to be other-than-temporarily impaired based on an analysis of the financial condition and operating outlook of the issuers. These charges were reported as a loss on impairment of securities available for sale in the Consolidated Statements of Income for the nine months ended September 30, 2008.

	December 31, 2007			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(Dollars in thousands)			
Debt Securities				
Government-sponsored enterprises	$ 17,774	$ 102	$ 2	$ 17,874
Corporate bonds	11,869	1	7	11,863
U.S. Government agency mortgage securities	42,652	26	1,018	41,660
Other mortgage-backed securities	48,960	15	1,010	47,965
Total debt securities	121,255	144	2,037	119,362
Preferred stocks	13,557	-	559	12,998
Other equity securities	2,315	-	335	1,980
Total securities available for sale	$ 137,127	$ 144	$ 2,931	$ 134,340

6. Loans

The components of the portfolio of loans outstanding consists of:

		September 30, 2008		December 31, 2007
		(Dollars in thousands)		
Real estate:				
Commercial	$	214,927	$	203,469
Construction/development		66,251		75,990
Residential mortgages		387,459		309,300
Total real estate loans and mortgages		668,637		588,759
Commercial		132,866		123,194
Personal		1,001		1,327
Total loans	$	802,504	$	713,279

Loans originated and intended for sale in the secondary market are carried at the lower of cost or estimated fair value in the aggregate. Net unrealized losses, if any, are recognized through a valuation allowance by charges to income. The Bank had no loans held for sale at September 30, 2008 and December 31, 2007.

7. Deposits

The components of the deposits portfolio consists of:

		September 30, 2008		December 31, 2007
		(Dollars in thousands)		
Demand deposits	$	99,362	$	104,624
NOW accounts		83,245		88,171
Money market accounts		181,080		166,690
Savings accounts		42,308		43,790
Certificates of deposit > $100,000		118,372		107,744
Certificates of deposit < $100,000		158,155		106,268
Total	$	682,522	$	617,287

While deposit flows are by nature unpredictable, management controls the Bank's deposit growth through selective pricing and sale-oriented marketing programs. As of September 30, 2008, approximately $51 million of certificates of deposit less than $100,000 are brokered certificates of deposit purchased by the Bank in 2008.

8. Borrowed Funds and Subordinated Debt

Borrowings consisted of the following:

	September 30, 2008		December 31, 2008	
	Amount	Weighted Average Rate	Amount	Weighted Average Rate
	(Dollars in thousands)			
Long-term FHLB borrowings	$ 195,403	4.75 %	$ 180,134	4.78 %
Securities sold under agreement to repurchase	29,333	2.19	41,212	4.07
Subordinated debt	4,140	10.74	-	-
	$ 228,876		$ 221,346	

The FHLB advances require interest to be paid monthly, with principal due upon maturity. The maturities range from June 2009 to February 2028 and the rates range from .125% to 6.36%. Total borrowings from the FHLB are generally limited to 20 times the value of the FHLB Capital Stock owned by the Bank. At September 30, 2008, the Bank's total borrowing capacity at the FHLB was approximately $261 million. All borrowings from the FHLB are collateralized by a blanket lien on certain qualified collateral, defined principally as 75% of the carrying value of first mortgage loans on 1-4 family owner-occupied residential property and 90% of the fair value of U.S. Government and federal agency obligations. The Bank currently pledges government agency securities and one to four family owner-occupied first residential mortgages as collateral.

Under the terms of the agreements for securities sold to repurchase, which mature in one day, if the market value of the investments declines below the repurchase liability, the Bank may be required to provide additional securities to the buyer.

On September 30, 2008 the Bank issued a total of $4.35 million principal amount of subordinated debt to an investor group some of whom are stockholders and directors of the Bank. The subordinated debentures, which qualify as Tier 2 capital under Federal Deposit Insurance Corporation rules and regulations, were issued and sold through a private placement in connection with which no sales remuneration was paid (and which was exempt from registration under Section 3(a)(2) of the Securities Act of 1933) pursuant to subscription agreements which include customary terms. The subordinated debentures bear interest at 10% per annum, mature on October 31, 2018 and are accompanied by warrants to purchase shares of the Bank's common stock. See Footnote 4 – Stock Based Compensation.

9. Activity of Business Segments

Heritage Capital Management, Inc. ("Heritage"), an investment management firm specializing in customized management of balanced portfolios, is a wholly owned subsidiary of the Bank.

The Bank has two reportable segments which are: the traditional banking business which includes commercial lending, residential mortgage lending, investment portfolio management, and deposit account services; and Heritage. The segments are managed separately because each business has different customers, employees, systems, risks, and marketing strategies. Each segment records all assets, liabilities, revenues, and expenses individually and management reviews separate financial statements. The Bank evaluates the performance of its segments and allocates resources to them primarily based on both net interest income and noninterest income. The Bank's business is conducted solely in the United States of America.

A reconciliation of segment net interest income, noninterest income, noninterest expense, and income before taxes is presented below:

	For the Three Months Ended September 30, 2008			For the Three Months Ended September 30, 2007		
	Bank	Heritage	Total	Bank	Heritage	Total
	(Dollars in thousands)			(Dollars in thousands)		
Net interest income	$ 7,382	$ -	$ 7,382	$ 6,517	$ 1	$ 6,518
Provision for credit losses	400	-	400	250	-	250
Noninterest income:						-
Investment management fees	-	273	273	-	348	348
Other	(1,210)	-	(1,210)	698	-	698
Noninterest expense	6,271	278	6,549	5,512	224	5,736
Income (loss) before income taxes	$ (499)	$ (5)	$ (504)	$ 1,453	$ 125	$ 1,578

	For the Nine Months Ended September 30, 2008			For the Nine Months Ended September 30, 2007		
	Bank	Heritage	Total	Bank	Heritage	Total
	(Dollars in thousands)			(Dollars in thousands)		
Net interest income	$21,304	$ 2	$21,306	$19,723	$ 2	$19,725
Provision for credit losses	1,400	-	1,400	500	-	500
Noninterest income:						
Investment management fees	-	843	843	-	1,040	1,040
Other	412	-	412	3,217	-	3,217
Noninterest expense	18,126	750	18,876	16,521	696	17,217
Income before income taxes	$ 2,190	$ 95	$ 2,285	$ 5,919	$ 346	$ 6,265

A breakout of total assets between the two operating segments is as follows:

	September 30, 2008	December 31, 2007
	(Dollars in thousands)	
Total Assets		
Total Bank assets	$ 978,279	$ 912,573
Total Heritage assets	1,259	1,122
Consolidated Total Assets	$ 979,538	$ 913,695

10. Fair Value Disclosures

Effective January 1, 2008, the Bank determines the fair market values of its financial instruments based on the fair value hierarchy established in SFAS No. 157, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The Bank carries trading securities, available-for-sale securities, and certain other assets at fair value. In accordance with Financial Accounting Standards Board Staff Position (FSP) No. 157-2, "*Effective Date of FASB Statement No. 157*," the Bank will delay application of SFAS No. 157 for non-financial assets and non-financial liabilities, until January 1, 2009. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 – Quoted market prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities and derivative contracts that are traded in an active exchange market, as well as certain U.S. Treasury securities that are highly liquid and are actively traded in over-the-counter markets.

Level 2 – Observable inputs other than Level 1 prices, such as quoted market prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted prices that are traded less frequently than exchange-traded instruments and derivative contracts whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. This category generally includes U.S. Government and agency mortgage-backed securities, corporate debt securities, derivative contracts, and loans held-for-sale.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to their fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category generally includes certain private equity investments, retained residual interests in securitizations, residential mortgage servicing rights, asset-backed securities (ABS), highly structured or long-term derivative contracts and certain collateralized debt obligations (CDO) where independent pricing information was not able to be obtained for a significant portion of the underlying assets.

A description of the valuation methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below. These valuation methodologies were applied to all of the Bank’s financial assets and financial liabilities, and as previously noted, are carried at fair value effective January 1, 2008.

In general, fair value is based upon quoted market prices, where available. If such quoted market prices are not available, fair value is based upon internally developed models that primarily use, as inputs, observable market-based parameters. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. These adjustments may include amounts to reflect credit quality as well as unobservable parameters. Any such valuation adjustments are applied consistently over time. The Bank’s valuation methodologies may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While management believes the Bank’s valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Trading Securities and Securities Available for Sale. Equity securities classified as trading are reported at fair value utilizing Level 1 inputs based upon quoted market prices. Other securities, including government-sponsored enterprise securities, corporate bonds, mortgage-backed securities, preferred stocks, and other equity securities are classified as available for sale and are reported at fair value utilizing Level 2 inputs. The Bank obtains fair value measurements from various sources to present the fair value and the measurements used to calculate fair value may include dealer quotes, market spreads, cash flows, market consensus prepayment speeds, and a bond’s terms and conditions, among other things.

Impaired Loans. The Bank measures the fair value of impaired loans on a nonrecurring basis in periods subsequent to its initial recognition. Loans totaling $8.5 million were deemed impaired at September 30, 2008 although none of these loans necessitated a specific reserve under SFAS No. 114 as the cost exceeded the fair value in each case. Level 2 inputs on the fair value of impaired loans are generally appraisal prices for collateral based assets that may not be immediately current but observable market data allow our expectations to not vary substantially. Level 3 inputs on the fair value of impaired loans also generally include appraised prices on collateral based assets, however, present in these individually reviewed impaired loans are certain unobservable inputs that from the perspective of the Bank adjusts the exit price. Examples of such inputs include deteriorating trends such as the borrowers non-payment status and financial illiquidity, stale financial reporting, and the Bank’s evaluation of the borrowers’ management team.

Securities sold under agreement to repurchase. The Bank records the securities sold under agreement to repurchase at carrying value, which approximates fair value as the term of the agreement is one day.

Assets and liabilities measured at fair value on a recurring basis are summarized below:

	September 30, 2008			
	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
	(Dollars in thousands)			
Assets				
Investment securities				
Trading	$ 1,100	$ -	$ -	$ 1,100
Available for sale	-	102,651	-	102,651
Federal Home Loan Bank Stock	-	10,598	-	10,598
Liabilities				
Securities sold under agreement to repurchase	-	29,333	-	29,333

Certain assets and liabilities are measured at fair value on a nonrecurring basis in accordance with generally accepted accounting principles. These include assets that are measured at the lower of cost or market that were recognized at fair value below cost at the end of the period as well as assets that are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment). There were no assets and liabilities measured at fair value on a non-recurring basis at September 30, 2008.

An understanding of the judgments, estimates, and assumptions underlying the fair values of both the recurring and nonrecurring asset and liability valuations are described in our Annual Report on Form 10-K.

11. Off-Balance Sheet Financial Instruments

Off-balance sheet financial instruments represent various degrees and types of risk to the Bank, including credit, interest rate, and liquidity risk.

Options

In the normal course of its business, the Bank sells call option and put option contracts to hedge its market risk related to securities in its trading portfolio. Call options generally provide the buyer of an option contract the right to purchase a specified amount of securities, currencies or financial futures at a predetermined price called the exercise price or strike price, on or before a specified future date. If the market value of the security underlying a call option rises, the Bank could be forced to sell the securities specified in the call option contract sold. Put options provide the buyer of an option contract the right to sell a specified amount of securities, currencies, or financial futures at a predetermined price on or before a specified future date. At September 30, 2008, the Bank had a market value of $20,000 in options outstanding, which expire within five months.

Loan Commitments

The Bank is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financial needs of its customers. At September 30, 2008, the following financial instruments were outstanding:

	(Dollars in thousands)
Commitments to originate loans and advance funds	$ 28,709
Unadvanced funds on equity and other lines of credit	160,949
Standby letters of credit	8,373

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

General

Total assets for Wainwright Bank & Trust Company (the "Bank") were $980 million on September 30, 2008 compared to $914 million on December 31, 2007, and compared to $913 million on September 30, 2007. Total loans increased $89 million to $803 million at September 30, 2008 from $713 million at December 31, 2007. Total loans outstanding at September 30, 2007 were $703 million. Investment securities decreased $31 million to $116 million at September 30, 2008 compared to $147 million at December 31, 2007, and $145 million at September 30, 2007. Deposits and borrowed funds increased $65 and $3 million, respectively, to total $907 million on September 30, 2008 compared to $839 million on December 31, 2007, and $838 million on September 30, 2007.

The Bank's corporate headquarters is located at 63 Franklin Street in the heart of Boston's financial district, in a five-story office building, of which the first floor represents a branch. The Bank currently operates eleven additional branch offices. Four of the branches are located in Cambridge, Massachusetts, in Harvard Square, Kendall Square, Central Square, and the Fresh Pond Mall. Two of the branches are in Boston, in the Back Bay and Jamaica Plain sections. The Bank also has one branch each in Watertown, Somerville, Newton, and Brookline, Massachusetts. Expanding its retail footprint, the Bank opened a branch in the Dorchester area of Boston on October 14, 2008. The Bank will continue to research other possible locations for expansion in its delineated market area.

Critical Accounting Policies

The Bank's consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, or "GAAP", including prevailing practices within the financial services industry. The preparation of consolidated financial statements requires management to make judgments, involving significant estimates and assumptions, in the application of certain of its accounting policies about the effects of matters that are inherently uncertain. These estimates and assumptions, which may materially affect the reported amounts of certain assets, liabilities, revenues, and expenses, are based on information available as of the date of the financial statements, and changes in this information over time could materially impact amounts reported in the financial statements as a result of the use of different estimates and assumptions. Certain accounting policies, by their nature, have a greater reliance on the use of estimates and assumptions, and could produce results materially different from those originally reported.

Based on the sensitivity of financial statement amounts to the methods, estimates and assumptions underlying reported amounts, the critical accounting policies followed by the Bank have been identified by management as the determination of the reserve for credit losses, accounting for investments, income taxes, intangible assets, fair value of financial instruments, and accounting for stock based compensation. These policies require the most subjective or complex judgments, and as such could be most subject to revision as new information becomes available. An understanding of the judgments, estimates, and assumptions underlying these accounting policies is essential in order to understand our reported financial condition and results of operations. These accounting policies are described in our Annual Report on Form 10-K.

RESULTS OF OPERATIONS

Three Months Ended September 30, 2008 compared to 2007

For the quarter ended September 30, 2008, the Bank recorded a loss of $220,000, a loss of $0.04 (basic and diluted) per share compared to $1,314,000, or diluted earnings per share of $.15 ($.16 per basic share) for the quarter ended September 30, 2007. The loss for the 2008-quarter was primarily the result of a pre-tax impairment charge of $1.9 million related to a certain investment in a Lehman Brothers bond and one other preferred stock. In the current financial and economic environment, no prediction can be made as to whether other impairment charges will need to be recognized in future periods, see Footnote 5 – Investments. The Bank recorded a loan loss provision of $400,000 and $250,000 in the third quarters of 2008 and 2007, respectively. Net interest income increased $864,000 to $7,382,000 for the period ended September 30, 2008, from $6,518,000 for the period ended September 30, 2007. The net interest margin increased to 3.09% in the third quarter of 2008 from 3.00% for the same period in 2007.

The interest yield on total interest-earning assets was 5.55% for the three months ended September 30, 2008 compared to 6.26% for the three months ended September 30, 2007. The average outstanding loan balances grew

$102 million or 15% to $796 million at September 30, 2008 compared to $694 million at September 30, 2007. Approximately half of the Bank's total loan portfolio has a variable or adjustable rate tied to an external index such as Prime or LIBOR. During 2008, these rates were reduced as the Federal Reserve lowered short term interest rates in response to the weakening economy in the United States and as such, the overall yield on average outstanding loans declined 80 basis points to 5.74% for the quarter ended September 30, 2008 from 6.54% for the quarter ended September 30, 2007. Despite the recent turmoil in the financial markets, it has created opportunities for the Bank to capture additional market share in our residential real estate products while continuing to record growth in our higher yielding commercial loan products net of paydowns on construction loans. The Bank is a portfolio lender and as such it generally retains the residential real estate loans it generates on its balance sheet. This does not, however, preclude the Bank from choosing to sell such loans in the secondary market in future periods, as it did for the three-month period ended September 30, 2008 when the Bank sold $1.9 million in loans it had originated for sale. At September 30, 2008 the Bank did not have any loans held for sale. The current growth in the residential real estate portfolio has been driven by longer-term fixed rate mortgages that we believe are conservatively underwritten. The residential real estate loan portfolio netted the largest year over year change with a $90 million increase, with the majority of the increase coming in the 30 year fixed rate portfolio. The Bank has placed a stronger emphasis on residential mortgage products over the last year but may have also benefited from decreased competition from mortgage companies and banks that were adversely affected by the sub-prime loan crisis. Commercial real estate and commercial loans increased $22 and $20 million, respectively, while the commercial construction loan portfolio had net payoffs of $30 million. The Bank's investment portfolio decreased $11 million or 8% to an average outstanding balance of $133 million during the third quarter of 2008 compared to $144 million during the third quarter of 2007. During the quarter there were no new securities purchased. The yield on the investment portfolio dropped 14 basis points to 4.90% in the third quarter of 2008 due to the generally lower rate environment.

The interest cost on total interest-bearing liabilities was 2.86% for the period ended September 30, 2008 compared to 3.84% for the period ended September 30, 2007. During the third quarter of 2008 short term rates have remained low following a first quarter when rates dropped significantly and the Bank reacted accordingly by reducing rate levels on all of its deposit products while still maintaining its competitive position in its market. The Bank's core deposit cost (interest expense paid on NOW, money market, and savings accounts) decreased 121 basis points to 1.10% during the third quarter 2008 compared to 2.31% during the third quarter 2007. Despite the decline in core deposit cost, the Bank had a net average core deposit increase of $13 million to $311 million in the third quarter of 2008 compared to $298 million in the third quarter of 2007. Money market products increased the most significantly as they grew $23 million to an average of $190 million compared to $167 million. The increase is in part a result of the uncertainty in the financial markets as customers invested less in equities and instead took advantage of the competitive rates the Bank offered, this despite a decline in the money market products' yield to 1.57% from 3.32%. Offsetting the increase in money market products was a decline of $11 million in the NOW accounts. Certificates of deposit increased $37 million to an average of $273 million in the third quarter of 2008 compared to $236 million in the third quarter of 2007 despite a decline in yield of 133 basis points to 3.54% for the three-month period ending September 30, 2008. The Bank also borrowed funds, primarily Federal Home Loan Bank advances with varying maturity dates, to help fund its growth in loans. Borrowed funds increased $35 million to an average balance of $233 million in the third quarter of 2008 compared to $198 million in the third quarter of 2007. The overall cost of these funds decreased 51 basis points to 4.40% for the period ended September 30, 2008 compared to 4.91% for the period ended September 30, 2007.

INTEREST RATE SPREAD TABLES
For the three months ended September 30,

	2008		2007	
	(Dollars in thousands)			
	Average Balance	Yield	Average Balance	Yield
Assets:				
Interest earning assets:				
Loans				
Commercial real estate	$ 214,447	6.30%	$ 192,348	6.63%
Commercial construction	64,370	5.70	94,831	8.37
Residential real estate	380,594	5.36	290,368	5.52
Commercial and industrial	135,995	5.91	115,852	7.44
Other	1,014	9.35	1,067	9.09
Total loans	796,420	5.74	694,466	6.54
Investments	133,260	4.90	144,213	5.04
Federal funds sold and money market funds	19,593	2.14	23,447	5.27
Loans held for sale	411	6.55	-	0.00
Total interest earning assets	949,685	5.55	862,125	6.26
Noninterest earning assets	38,061		38,928	
Total Assets	$ 987,746		$ 901,053	
Liabilites & Stockholders' Equity:				
Liabilities:				
Interest bearing liabilities:				
NOW accounts	$ 76,955	0.35	$ 88,168	1.17
Money market accounts	190,275	1.57	167,290	3.32
Savings accounts	43,645	0.37	42,758	0.69
Certificates of deposit	272,986	3.54	235,683	4.87
Borrowed funds	232,764	4.40	197,839	4.91
Subordinated debentures	45	10.74	-	-
Total interest bearing liabilities	816,670	2.86	731,737	3.84
Demand deposits	100,207		94,830	
Other liabilities	3,566		4,333	
Total liabilities	920,443		830,900	
Stockholders' equity	67,303		70,153	
Total Liabilities & Stockholders' Equity Equity	$ 987,746		$ 901,053	
Net interest spread		2.69%		2.42%
Net interest margin		3.09%		3.00%
Return on average assets		(0.09)%		.58%
Return on average equity		(1.30)%		7.43%

The Bank recorded a provision for credit losses of $400,000 for the quarter ending September 30, 2008 compared to $250,000 for the quarter ending September 30, 2007. – see Provision for Credit Losses.

The Bank recorded a noninterest loss of $937,000 for the three months ending September 30, 2008 compared to noninterest income of $1,046,000 for the three-month period ending September 30, 2007, a decline of $1,983,000. The decline was primarily due to the non-cash pre-tax impairment charge of $1,900,000 as discussed above. Also contributing to the decline were investment management fees, deposit services charges, and loan fees, which decreased $75,000, $42,000 and $10,000, respectively. The decline in investment management fees is primarily a result of market conditions while the decline in deposit service charges is primarily a result of a decline in overdraft fee income, due to customers using their overdraft protection less than prior periods. Gains on the sales of loans and bank-owned life insurance income increased $31,000 and $8,000 while the loss on the sales of securities declined $7,000 to slightly offset the decline.

The Bank's efficiency ratio (defined as total noninterest expense divided by the sum of net interest income and noninterest income) was 102% for the period ending September 30, 2008 compared to 76% for the period ending September 30, 2007. The efficiency ratio would have been 78% without the other than temporary impairment write-down of the available for sale securities. Total operating expenses were $6,549,000 for the period ending September 30, 2008 compared to $5,736,000 for the period ending September 30, 2007, an increase of $813,000. Salaries and employee benefits increased $372,000, a result of normal merit increases, performance incentives, an increased head count, and increased medical costs. The Federal Deposit Insurance Reform Act of 2005 allowed "eligible insured depository institutions" to share in a one-time assessment credit pool. In prior periods the Bank benefited from the application of this credit against its FDIC insurance assessment charge. These one-time credits have now been fully exhausted and the result is an increase in the Bank's FDIC insurance assessment from $19,000 in the third quarter of 2007 to $242,000 in the third quarter of 2008. Large bank failures, coupled with the recent increase in the maximum amount of deposits insured by the FDIC, could deplete the FDIC insurance fund and result in increases in future assessments. Occupancy and equipment costs increased $128,000 due to increased rent and utility costs for the branches offset by a decline in depreciation on fully depreciated furniture and equipment. Professional fees increased $89,000 primarily due to legal fees for various items ranging from collection efforts on loans to research and consultation for filings. Advertising and marketing costs increased $54,000 as a result of promotional costs for various products including new CD promotions. ATM and debit card costs decreased by $17,000 as a result of savings realized from a systems conversion completed in 2007. Furthermore, other noninterest expenses decreased $40,000 primarily as a result of a decrease in non-cash charges related to equity investments in affordable housing projects. These pretax charges will be more than offset by tax credits available to the Bank. These community development investments are part of the Bank's nationally recognized commitment to community development activities. The Bank's current CRA rating is "Outstanding". Partially offsetting this decrease were increases in certain costs that are related to timing, such as increases in employment agency fees, training costs, travel expenses, and online banking fees, as well as other various immaterial changes.

Nine months ended September 30, 2008 compared to 2007

For the nine months ended September 30, 2008, the Bank earned $2,116,000, or diluted earnings per share of $.25 ($.26 per basic share) compared to $4,871,000, or diluted earnings per share of $.57 ($.61 per basic share) for the nine months ended September 30, 2007. The Bank recognized a non-cash pre-tax impairment charge of $1.9 million related to certain investments in a Lehman Brothers bond and one other preferred stock in the third quarter of 2008. In the current financial and economic environment, no prediction can be made as to whether other impairment charges will need to be recognized in future periods, see Footnote 5 – Investments. In addition, the Bank recorded a provision for credit losses of $1,400,000 in the first three quarters of 2008 compared to $500,000 in the first three quarters of 2007, primarily as a result of significant loan growth but also because economic conditions have clearly weakened and the Bank has experienced higher charge offs in 2008. Furthermore, in the first quarter 2007, the Bank recorded an $850,000 gain on the sale of one property held for investment purposes. Net interest income increased $1,581,000 to $21,306,000 for the period ended September 30, 2008, an increase from $19,725,000 for the period ended September 30, 2007. The net interest margin, however, declined to 3.08% from 3.19% for the same periods.

The interest yield on total interest-earning assets was 5.68% for the nine months ended September 30, 2008 compared to 6.33% for the same period ended September 30, 2007. The average outstanding loan balances grew $84 million or 13% to $752 million at September 30, 2008 compared to $668 million at September 30, 2007. Residential real estate loans, commercial real estate loans, and commercial and industrial loans increased $75 million, $21 million, and $19 million, respectively. Partially offsetting the above, commercial construction loans experienced net payoffs of $31 million. Residential real estate lending, commensurate with the risk involved, provides the Bank with a lower return as compared to other types of commercial lending. The change in the mix of the loan portfolio noted above, coupled with the generally lower rate environment, has restricted the increase in interest income on loans. The overall loan yield declined 71 basis points to 5.89% in the nine months ended

September 30, 2008 compared to 6.60% for the nine months ended September 30, 2007. As previously noted, approximately half of the Bank's loan portfolio has a variable or adjustable rate tied to an external index such as Prime or LIBOR. In 2008, these rates were reduced as the Federal Reserve lowered short-term interest rates in response to the weakening economy in the United States and as a result, the Bank's yield on outstanding loans declined. Although the recent turmoil in the financial markets has driven down our margins, it has created opportunities for the Bank to capture additional market share in our residential real estate products while continuing to record growth in our higher yielding commercial loan products net of paydowns on construction loans. The Bank is a portfolio lender and as such generally retains the residential real estate loans it generates on its balance sheet. This does not, however, preclude the Bank from choosing to sell such loans in the secondary market in future periods, as it did for the nine-month period ended September 30, 2008 when the Bank sold $2.4 million in loans it had originated for sale. The current growth in the residential real estate portfolio has been driven by longer-term fixed rate mortgages that we believe are conservatively underwritten. The Bank has placed a stronger emphasis on residential mortgage products over the last year but may have also benefited from decreased competition from mortgage companies and banks that were adversely affected by the sub-prime loan crisis. The Bank's investment portfolio grew $11 million or 8% to an average outstanding balance of $145 million during the first three quarters of 2008. The mix of the portfolio has changed as government agency bonds that have matured or been called have been replaced with corporate bonds and to a lesser extent mortgage backed bonds and preferred stocks. The yield on the investment portfolio dropped 13 basis points to 5.04% for the nine months ended September 30, 2008 compared to 5.17% for the nine months ended September 30, 2007 due to the generally lower rate environment.

The interest cost on total interest-bearing liabilities was 3.04% for the period ended September 30, 2008 compared to 3.71% for the period ended September 30, 2007. During the first quarter when rates dropped significantly, the Bank reacted accordingly by reducing rate levels on all of its deposit products while still maintaining its competitive position in its market. The Bank's core deposit cost decreased 78 basis points to 1.31% during the first three quarters of 2008 compared to 2.09% during the first three quarters of 2007. Despite the decline in core deposit cost the Bank had a net average core deposit balance increase of $24 million to $314 million in the first nine months of 2008 compared to $289 million in the first nine months of 2007. Money market products increased the most significantly as they grew $33 million to an average of $190 million compared to $157 million. Offsetting the increase in money market products was a decline in the NOW accounts of $8 million. Demand deposits increased $7 million and certificates of deposit increased $11 million to an average of $244 million in the first nine months of 2008 compared to $233 million in the first nine months of 2007 as the Bank reduced rates on the certificate of deposit products, leading to a decline in yield of 78 basis points to 4.02% for the nine months ended September 30, 2008. The Bank also borrowed funds, primarily Federal Home Loan Bank advances with varying maturity dates, to help fund its growth in loans and investments. Borrowed funds increased $53 million to an average balance of $229 million in the first nine months of 2008 compared to $176 million in the first nine months of 2007. The overall cost of these funds decreased 55 basis points to 4.38% for the period ended September 30, 2008 compared to 4.93% for the period ended September 30, 2007.

INTEREST RATE SPREAD TABLES

For the nine months ended September 30,

	2008		2007	
	(Dollars in thousands)			
	Average Balance	Yield	Average Balance	Yield
Assets:				
Interest earning assets:				
Loans				
Commercial real estate	$ 208,073	6.36%	$ 186,984	6.74%
Commercial construction	64,834	6.30	96,235	8.37
Residential real estate	351,310	5.41	275,387	5.52
Commercial and industrial	127,127	6.20	108,618	7.50
Other	1,020	9.47	970	8.85
Total loans	752,364	5.89	668,196	6.60
Investments	145,341	5.04	134,603	5.17
Federal funds sold and money market funds	24,642	2.98	23,474	5.26
Loans held for sale	174	6.59	-	0.00
Total interest earning assets	922,521	5.68	826,272	6.33
Noninterest earning assets	37,632		39,206	
Total Assets	$ 960,153		$ 865,477	
Liabilites & Stockholders' Equity:				
Liabilities:				
Interest bearing liabilities:				
NOW accounts	$ 79,595	0.47	$ 88,084	1.14
Money market accounts	190,281	1.86	157,001	3.01
Savings accounts	43,998	0.42	44,408	0.70
Certificates of deposit	243,979	4.02	233,150	4.80
Borrowed funds	228,889	4.38	175,986	4.93
Subordinated debentures	15	10.74	-	-
Total interest bearing liabilities	786,757	3.04	698,629	3.71
Demand deposits	100,694		93,274	
Other liabilities	3,306		3,660	
Total liabilities	890,757		795,562	
Stockholders' equity	69,396		69,916	
Total Liabilities & Stockholders' Equity Equity	$ 960,153		$ 865,477	
Net interest spread		2.64%		2.62%
Net interest margin		3.08%		3.19%
Return on average assets		.29%		.75%
Return on average equity		4.07%		9.31%

The Bank recorded a provision for credit losses of $1,400,000 and $500,000 for the nine months ending September 30, 2008 and 2007, respectively. – see Provision for Credit Losses.

Total noninterest income was $1,255,000 for the nine months ending September 30, 2008 compared to $4,257,000 for the nine months ending September 30, 2007, a decline of $3,002,000. There are two significant reasons for the decline, a current period loss on impairment of securities and a prior period gain on the sale of property that is not present in the current period. As previously noted, the Bank realized a non-cash pre-tax impairment charge of $1,900,000 related to certain investments in a Lehman Brothers bond and one other preferred stock. In the first quarter of 2007, an $850,000 gain on the sale of one property held for investment purposes was recorded. Also contributing to the decline were investment management fees and deposit services charges, which decreased $197,000 and $101,000, respectively. The decline in investment management fees is primarily a result of market conditions while the decline in deposit service charges is primarily a result of a decline in overdraft fee income. The Bank recorded a $274,000 loss on the sale of available for sale securities in the nine months ended September 30, 2008 compared to a $257,000 loss recorded in 2007 for the same period, a decrease of $17,000. Mortgage banking income, bank-owned life insurance and loan fees increased $38,000, $25,000 and $4,000, respectively, to slightly offset the aforementioned declines.

The Bank's efficiency ratio was 84% for the period ending September 30, 2008 compared to 72% for the period ending September 30, 2007. The efficiency ratio would have been 77% without the other than temporary impairment write-down of the available for sale securities. Total operating expenses were $18,876,000 for the period ending September 30, 2008 compared to $17,217,000 for the period ending September 30, 2007, an increase of $1,659,000. Salaries and employee benefits increased $1,013,000, a result of normal merit increases, performance incentives, an increased head count, and increased medical costs. The Federal Deposit Insurance Reform Act of 2005 allowed "eligible insured depository institutions" to share in a one-time assessment credit pool. In prior periods the Bank benefited from the application of this credit against its FDIC insurance assessment charge. These one-time credits have now been fully utilized, resulting in an increase in the Bank's FDIC insurance assessment from $52,000 in the nine months ended September 30, 2007 to $323,000 in the nine months ended September 30, 2008. Large bank failures, coupled with the recent increase in the maximum amount of deposits insured by the FDIC, could deplete the FDIC insurance fund and result in increases in future assessments. Occupancy and equipment costs increased $242,000 due to increased rent and utility costs for the branches offset by a decline in depreciation on fully depreciated furniture and equipment. Professional fees increased $232,000 primarily due to consultants hired to complete projects related to various regulatory standards, specifically information technology enhancements. In addition, this increase is due to legal fees related to collection efforts on loans and additions to the internal audit plan. Advertising and marketing costs increased $134,000 as a result of net promotional costs for various products including new CD promotions. ATM and debit card costs decreased $197,000 as a result of a $50,000 final payment in the first quarter of 2007 for a systems conversion as well as savings realized since then from this systems conversion.

Other noninterest expenses decreased $41,000 as a result of a decline in non-cash charges recorded by the Bank related to equity investments in affordable housing projects, which amounted to $175,000 in the first three quarters of 2008 compared to $371,000 in the first three quarters of 2007. These pretax charges will be more than offset by tax credits available to the Bank. These community development investments are part of the Bank's nationally recognized commitment to community development activities. The Bank's current CRA rating is "Outstanding". Contributing to the change in other noninterest expenses were a result of timing differences decreases in postage and courier fees, item processing fees, and charitable contributions offset by increases in online banking fees, supplies, telecommunications, employment agency fees as well as various other immaterial changes. See the following table:

	For the nine months ended September 30, 2008	For the nine months ended September 30, 2007	For the three months ended September 30, 2008	For the three months ended September 30, 2007
	Other non-interest expenses (Dollars in thousands)			
Postage and courier	$ 278	$ 309	$ 78	$ 115
Supplies	249	242	80	96
Telecommunications	192	181	71	61
Affordable housing partnership loss	175	371	58	134
Item processing	170	185	52	62
Charitable contributions	110	156	30	43
Other	1,521	1,292	522	420
Total	$ 2,695	$ 2,736	$ 891	$ 931

Provision for Credit Losses

The provision for credit losses was $1,400,000 and $500,000 for the nine months ended September 30, 2008 and 2007, respectively. A provision is recorded based on management's assessment of the adequacy of the allowance for credit losses after considering historical experience, current economic conditions, changes in the composition of the loan portfolio, and the level of non-accrual and other non-performing loans. The provision in the current quarter is primarily attributable to the growth in the loan portfolio, although economic conditions have clearly weakened and the Bank has experienced higher charge offs in 2008. The reserve for credit losses was $8,370,000, $7,638,000, and $7,482,000 representing 1.04%, 1.07%, and 1.06% of total loans at September 30, 2008, December 31, 2007, and September 30, 2007, respectively.

SFAS No. 114 "*Accounting by Creditors for Impairment of a Loa*n" requires that impaired loans, as defined, including loans restructured in a troubled debt restructuring involving a modification of terms, be evaluated based on the present value of expected future cash flows discounted at the loan's effective interest rate or, if the loan is collateral dependent, based on the fair value of the collateral. The Bank had $8,512,000 and $50,000 in impaired loans at September 30, 2008 and December 31, 2007, respectively. At September 30, 2007 there were no impaired loans as defined by the standard. At September 30, 2008, the impaired loans are comprised of both commercial and residential loans although none of the impaired loans necessitated a specific reserve under SFAS No. 114 as the cost exceeded the fair value in each case. The Bank's nonaccrual loans are as follows:

Nonaccrual Loans
Detail of Activity by Quarter

	2007				2008		
	(Dollars in thousands)						
	First	Second	Third	Fourth	First	Second	Third
Beginning balance	$ 86	$ 86	$ -	$ -	$ 50	$ 842	$ 973
Additions	1	-	-	50	950	344	422
Payments and other decreases	-	(86)	-	-	(80)	(64)	(10)
Charge-offs	(1)	-	-	-	(78)	(149)	(538)
Ending balance	$ 86	$ -	$ -	$ 50	$ 842	$ 973	$ 847

The Bank has a risk rating system that is intended to identify problems before they result in losses. Among the factors which the Bank considers in setting the reserve for credit losses are: the Bank's internal loan review, the results of regulatory examinations, loan loss experience, trends of delinquent and nonaccrual loans, estimates of losses on significant individual credits, levels of risk within the Bank's performing loans, concentrations of credit, and present and prospective economic conditions. The Bank believes that it has established adequate allocated and general allowances for losses on loans although adjustments to the allowance may be necessary if future conditions differ substantially from the information used in making the current evaluations. The following table sets forth activity in the Bank's allowance for loan losses for the periods indicated:

	For the Nine Months Ended September 30, 2008	2007
	(Dollars in thousands)	
Allowance for credit losses at beginning of period	$ 7,638	$ 6,984
Provision	1,400	500
Chargeoffs	(765)	(10)
Recoveries	97	8
Allowance for credit losses at end of period	$ 8,370	$ 7,482
Ratio of reserve for credit losses to loans outstanding at end of period	1.04%	1.06%
Ratio of reserve for credit losses to nonaccrual loans	9.88X	-

Provision for Income Taxes

Management judgment is involved in the analysis of income tax assets and liabilities. An integral aspect of this analysis involves estimating the expected realization of deferred tax assets and liabilities. Management's determination of the likelihood that deferred tax assets can be realized is subjective, and involves estimates and assumptions about matters that are inherently uncertain. The realization of deferred tax assets arises from carrybacks to prior taxable periods, levels of future taxable income, and the achievement of tax planning strategies. Underlying estimates and assumptions can change over time, influencing the Bank's overall tax positions, as a result of unanticipated events or circumstances.

The Bank's effective tax rate for the nine months ended September 30, 2008 was 7%. The Bank's rate is lower than the statutory federal rate of 34% due primarily to tax credits from affordable housing investments and tax-exempt income.

The state of Massachusetts adopted new legislation on July 3, 2008, which will change the taxation of business entities. Effective for years beginning on or after January 1, 2009, corporations doing business in Massachusetts now will be required to adopt a combined reporting method and abandon the separate reporting method. Corporations doing business in Massachusetts now will be required to file tax returns using the income and apportionment factors of all members of a combined group, consisting of all affiliates engaged in a unitary business, whether or not the affiliates are doing business in the Commonwealth. In addition, the income tax rates on financial institutions is scheduled to be reduced from the current rate of 10.5% to 10% in 2010, 9.5% in 2011, and 9% in 2012 and thereafter.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

Liquidity is defined as the ability to meet known short term and projected long term funding commitments while supporting selective business expansion in accordance with the Bank's strategic plan. Liquidity is monitored daily and the level of liquid assets is measured against the Bank's anticipated liquidity needs by the Asset/Liability Committee.

The Bank holds assets having varying degrees of liquidity. Some of the more liquid types of assets include investments in mortgage-backed securities, federal funds sold, government agencies, equity securities, corporate debt securities, and cash and deposits in other banks. The Bank has federal funds facilities with correspondent banks. Management believes that the level of liquid assets at September 30, 2008 is adequate to support the Bank's current and currently foreseen liquidity needs.

The Bank is a member of the Federal Home Loan Bank of Boston (the "FHLB".) Membership in the FHLB provides the Bank with an additional source of liquidity. The various borrowing options offered by the FHLB afford the Bank an opportunity to better match-fund its earning assets with interest rate spreads that are acceptable to the Bank's Asset/Liability Committee.

The maintenance of adequate liquidity is essential in order to provide the Bank with the ability to meet its financial obligations to depositors and borrowers. Since the Bank has a number of large deposit accounts, it is important that it have sufficient liquidity to withstand the withdrawal of substantial amounts of deposits.

Capital

Capital Adequacy: FDICIA Under its capital adequacy guidelines, the FDIC has required that insured state banks such as the Bank maintain specific capital ratios. Banks that fail to meet these minimum capital levels will not, absent unusual circumstances, receive FDIC approval of applications to establish new branches or other transactions requiring approval.

The Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA") affected a number of regulatory reforms that impact all insured depository institutions, including the Bank. Among other things, FDICIA granted the FDIC broader regulatory authority to take prompt corrective action against insured institutions that do not meet capital requirements, including placing severely undercapitalized institutions into conservatorship or receivership. The FDICIA also granted the FDIC broader regulatory authority to take corrective action against insured institutions that are otherwise operating in an unsafe and unsound manner. The Bank exceeds all capital requirements at September 30, 2008.

FDICIA requires that the capital standards prescribed by each federal banking agency (including the FDIC) include a leverage limit and a risk-based capital requirement. Other capital standards may be imposed by regulation. Each federal banking agency is required to establish, by regulation, for each capital measure, the levels at which an insured institution is well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized. The level of capital below which an institution is deemed to be critically undercapitalized may not be less than 2% of total assets nor less than 65% of the required minimum level of capital under the leverage limit. Pursuant to FDICIA, the federal banking agencies are required to take prompt corrective action with respect to insured institutions, which fall below minimum capital standards. The degree of regulatory intervention mandated by FDICIA is tied to an insured institution's capital category, with increasing scrutiny and more stringent restrictions being imposed as an institution's capital declines. The FDIC considers the Bank to be well capitalized, as its total capital to risk weighted assets was 10.8% and 10.7% at September 30, 2008 and December 31, 2007, respectively.

Any insured depository institution that falls below the minimum capital standards must submit a capital restoration plan. In general, undercapitalized institutions will be precluded from increasing their assets, acquiring another institution, establishing additional branches, or engaging in new lines of business without an approved capital plan and an agency determination that such actions are consistent with the plan. Institutions that are significantly undercapitalized or critically undercapitalized are subject to additional restrictions and may be required to (i) raise additional capital; (ii) limit asset growth; (iii) limit the amount of interest paid on deposits to the prevailing rate of interest in the region where the institution is located; (iv) divest or liquidate any subsidiary which the FDIC determines poses a significant risk; (v) order a new election for members of the board of directors; (vi) require the dismissal of a director or senior executive officer, or (vii) take such other action as the FDIC determines is appropriate. Under FDICIA, the FDIC is required to appoint a conservator or receiver for a critically undercapitalized institution no later than nine months after the institution becomes critically undercapitalized, subject to a limited exception for institutions which are in compliance with an approved capital plan and which the FDIC certifies are not likely to fail.

FDICIA has required the federal banking agencies to adopt additional guidelines to ensure that their risk-based capital requirements include appropriate components for interest-rate risk, concentration of credit risk and the risk of non-traditional activities.

Dividends

Under Massachusetts's law, the Board of Directors is empowered to pay dividends on the Bank's common and preferred stock out of the Bank's net profits and without impairment of the Bank's capital stock and surplus account (including its allowance for credit losses), to the extent that the Board of Directors considers such payment advisable. Massachusetts's law and FDIC policies impose various restrictions upon the payment of dividends. In addition, the policies of the FDIC do not permit the payment of such dividends until an insured bank has achieved cumulative net profits. The Bank declared and paid cash dividends on its outstanding Series A-1 and Series A-2 Preferred Stock amounting to $225,000 in the first three quarters of 2008 and 2007. Common stock dividends of $.24 and $.23 per share were declared and paid during the first three quarters of 2008 and 2007, respectively.

Stock Repurchase Program

The Bank has requested and received regulatory approval for several stock repurchase programs over the past several years. During the quarter ended September 30, 2008, the Bank repurchased 64,855 shares of its stock compared to 26,000 shares for the same period in 2007. For the nine months ended September 30, 2008 the Bank repurchased 324,559 shares compared to 76,236 shares for the same period in 2007. For details on stock repurchase activity in prior years, see Note 8 of the Financial Statements attached as Appendix A to the Bank's 2007 Annual Report on Form 10-K.

Item 3. Qualitative Disclosure About Market Risk

Asset-Liability Management

The goal of asset-liability management is to ensure that liquidity, capital and market risk are prudently managed. Asset-liability management is governed by policies reviewed and approved annually by the Bank's Board of Directors. The Board delegates responsibility for asset-liability management to the Asset-Liability Management Committee ("ALCO"). ALCO sets strategic directives that guide the day-to-day asset-liability management activities of the Bank. ALCO also reviews and approves all major funding, capital and market risk-management programs.

Interest-Rate Risk

Interest-rate risk is the sensitivity of income to variations in interest rates over both short-term and long-term horizons. The primary goal of interest-rate risk management is to control this risk within limits approved by the Board and narrower guidelines approved by ALCO. These limits and guidelines reflect the Bank's tolerance for interest-rate risk. The Bank attempts to control interest-rate risk by identifying and quantifying exposures. The Bank quantifies its interest-rate risk exposures using sophisticated simulation and valuation models, as well as simpler gap analyses.

The Bank's limits on interest-rate risk specify that if interest rates were to shift immediately up or down 200 basis points, estimated net interest income for the next 12 months should decline by less than 10%. The current interest rate shock simulation projects the Bank's net interest income to be within the parameters of the internal policy and have not changed significantly from our December 31, 2007 disclosures in Form 10-K. Such simulation involves numerous assumptions and estimates, which are inherently subjective and are subject to substantial business and economic uncertainties. Accordingly, the actual effects of an interest rate shift under actual future conditions may be expected to vary significantly from those derived from the simulation to the extent that the assumptions used in the simulation differ from actual conditions.

Item 4. Controls and Procedures

Evaluation of disclosure controls and procedures. Our management, with the participation of our Chief Executive Officer, or CEO, and Chief Financial Officer, or CFO, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15 (e) and 15d-15(e) under the Securities Exchange Act as of September 30, 2008. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the

Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and our management necessarily applies its judgment in evaluating our disclosure controls and procedures. Based on their evaluation of our disclosure controls and procedures as of September 30, 2008 our CEO and CFO concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in internal controls. No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act) occurred during the quarter ended September 30, 2008 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting

CAUTIONARY STATEMENT

This Quarterly Report on Form 10-Q may contain statements relating to future results of the Bank (including certain projections and business trends) that are considered "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. Actual results may differ materially from those projected as a result of certain risks and uncertainties, including but not limited to changes in political and economic conditions, interest rate fluctuations, competitive product and pricing pressures within the Bank's market, bond market fluctuation, personal and corporate customers' bankruptcies, and inflation, as well as other risks and uncertainties.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

Not applicable

Item 1A. Risk Factors

No material changes

Item 2. Recent Sales of Unregistered Securities; Use of Proceeds From Registered Securities

The Bank has requested and received regulatory approval for several stock repurchase programs over the past several years.

Period, 2008	Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Number of Shares that May Yet be Purchased Under the Program
January	19,498	$ 12.68	21,786	378,214
February	4,271	12.63	26,057	373,943
March	222,965	12.04	249,022	150,978
April	5,444	11.20	254,466	145,534
May	6,157	10.32	260,623	139,377
June	1,369	10.04	261,992	138,008
July	61,461	7.67	323,453	76,547
August	2,494	9.09	325,947	74,053
September	900	8.34	326,847	73,153
Total	324,559	$ 11.17	326,847	73,153

The current repurchase program was announced in October 2007 and allows for the repurchase of up to 400,000 shares of common stock at a total expenditure not to exceed $4.5 million. The repurchase program expired on October 29, 2008.

The Bank issued a principal amount of $4.35 million and $650,000 of subordinated debt on September 30, 2008 and October 21, 2008, respectively, to an investor group some of whom are stockholders and directors of the Bank. Those directors of the Bank who are not purchasers in the transaction approved the transaction. The Bank intends to use the proceeds for general corporate purposes. The subordinated debentures, which qualify as Tier 2 capital under Federal Deposit Insurance Corporation rules and regulations, were issued and sold through a private placement in connection with which no sales remuneration was paid (and which was exempt from registration under Section 3(a)(2) of the Securities Act of 1933) pursuant to subscription agreements which include customary terms. The subordinated debentures bear interest at 10% per annum, mature on October 31, 2018 and are accompanied by warrants to purchase a total of 500,000 shares of the Bank's common stock at $10 per share, see Footnote 4 – Stock-based Compensation. The Bank may, with regulatory approval, redeem the subordinated debentures without penalty after two years.

Item 3. Defaults Upon Senior Securities

Not applicable

Item 4. Submission of Matters to a Vote of Security Holders

Not applicable

Item 5. Other Information

Not applicable

Item 6. Exhibits and Reports on Form 8-K

Exhibit No.	
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) under the Securities Exchange Act of 1934
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) under the Securities Exchange Act of 1934
32	Certification of the Chief Financial Officer and Chief Executive Officer pursuant to 18 U.S.C./350; as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002

WAINWRIGHT BANK & TRUST COMPANY AND SUBSIDIARIES

Under the requirements of the Securities Exchange Act of 1934, the Bank has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized:

Wainwright Bank & Trust Company

/s/ Jan A. Miller

Jan A. Miller
President and Chief Executive Officer
Date: November 10, 2008

/s/ James J. Barrett

James J. Barrett
Senior Vice President and Chief Financial Officer
Date: November 10, 2008

EXHIBIT 31.1

Certification

I, Jan A. Miller, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Wainwright Bank & Trust Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonable likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Jan A. Miller

Date: November 10, 2008

Jan A. Miller
President and Chief Executive Officer

EXHIBIT 31.2

Certification

I, James J. Barrett, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Wainwright Bank & Trust Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonable likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ James J. Barrett

Date: November 10, 2008

James J. Barrett
Senior Vice President and Chief Financial Officer

EXHIBIT 32

STATEMENT PURSUANT TO 18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Wainwright Bank & Trust Company (the "Bank") for the period ended September 30, 2008 as filed with the Federal Deposit Insurance Corporation on the date hereof (the "Report"), the undersigned, Jan A. Miller, Chief Executive Officer of the Bank, and James J. Barrett, Chief Financial Officer of the Bank, each herby certifies, pursuant to 18 U.S.C. Section 1350, that:

1. The Report fully complies with the requirements of Section 13(a) or 15 (d) of the Securities Exchange Act of 1934 and;
2. The information contained in The Report fairly presents, in all material respects, the financial condition, and results of operations of the Bank.

/s/ Jan A. Miller

Date: November 10, 2008

Jan A. Miller
President and Chief Executive Officer

/s/ James J. Barrett

Date: November 10, 2008

James J. Barrett
Senior Vice President and Chief Financial Officer