

MEETING BUSINESS NEEDS – TODAY AND TOMORROW



Bedford ♦ Manchester ♦ Portsmouth ♦ Milford ♦ Dover ♦ Concord  
[centrixbank.com](http://centrixbank.com)

ANNUAL  
REPORT

 Centrix Bank<sup>®</sup> 2008

CENTRIX BANK 2008 ANNUAL REPORT



DIRECTION TO

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**B U S I N E S S  
B A N K I N G**

Entry: **cen•trix**

Pronunciation: \ˈsen(t)-rix\

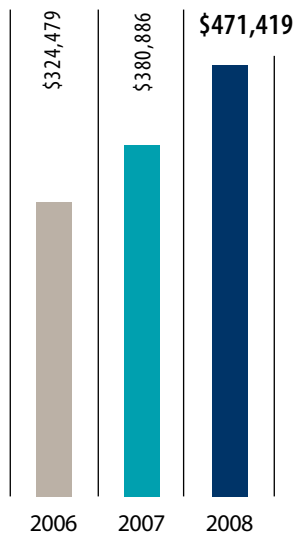
Function: *noun*

Date of discovery: 1999

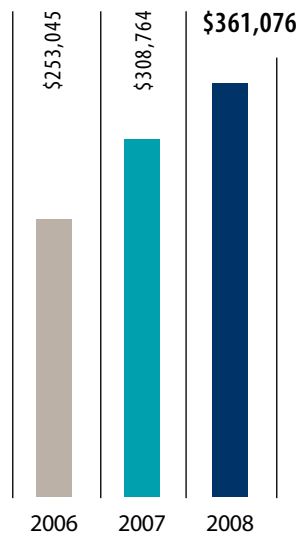
Definition: a bank founded on the eve of a new century, focused on customers at the center of its existence; embracing technology in its execution of excellence in banking.

Synonym: high-tech, high-touch

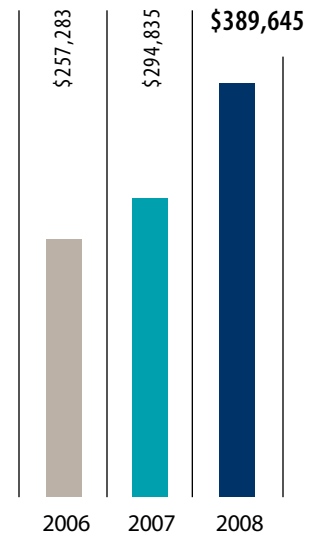
**TOTAL ASSETS**  
(dollars in thousands)



**TOTAL LOANS**  
(dollars in thousands)



**TOTAL DEPOSITS**  
(dollars in thousands)



# 2008

## PRESIDENT'S MESSAGE

on  
course

“Our commitment to providing customers with flexible banking solutions, while incorporating technological advances in business banking, led to a high level of customer retention and increased market share in 2008.”

As Centrix Bank enters its tenth year of serving New Hampshire's business community, we look back at 2008 with great pride. While our country and economy faced great challenges, our accomplishments in this environment were admirable. We welcome the opportunity to continue to do our part in supporting the growth and vitality of small and medium-sized businesses and professionals, which analysts agree will be a keystone in our nation's economic recovery.

In a year of crisis for the banking industry, by staying true to the path Centrix Bank embarked upon in June 1999, our strategy and execution delivered solid results. The Bank's 2008 net income of \$3.3 million represents an increase of 9% compared to net income of \$3.0 million in 2007. Net income per share (diluted) was \$1.11 for 2008, a 10% increase over the comparable \$1.01 per share (diluted) reported for 2007. Net interest income in 2008 was up 17% compared to the prior year. Total assets were up a significant 24% in 2008 to a record \$471.4 million, driven by strong loan growth.

In 2008, Centrix increased its allowance for loan losses to \$3.7 million compared to \$3.3 million at December 31, 2007. Although this increase was primarily attributable to significant loan growth, we were not entirely immune to economic challenges. Problem loans in 2008 were relatively few in number and isolated. Put in perspective, the year-over-year increase in our loan loss provision was modest given our growth. Prudent lending continues to serve us well.

Key ratios used to measure our performance were, for the most part, stable or improved compared with the prior year. Even after making significant investments in our infrastructure to fuel growth in 2008 and beyond, our efficiency ratio, which measures our ability to manage expenses, remained at the 2007 level, a very respectable 63%. For additional financial details and discussion, please refer to our financial highlights included in this report as well as "Management's Discussion and 2008 Financial Statements" enclosed with this document.

We credit your Bank's solid financial results to a variety of key factors: strong financial controls, focus on efficient operations, loan underwriting discipline, and conservative investing practices. These factors, which have been an integral part of our business model for the past decade, continue to prove their value.

Our strong performance supported investments in a number of initiatives to enable your Bank to grow and prosper. Encouraged by the steady growth of our Dover loan production office, we broke ground in November 2008 on a full-service branch office, expected to open in late summer 2009. To complement our physical presence in the six communities we serve, your Bank unveiled a new website in September 2008 with a fresh layout and design, providing greater functionality and ease of use. We also introduced remote deposit capture in March 2008 with much



excitement from both new and existing customers. Further, our 2007 investment in an expanded Operations Center gives customers new technological capabilities and is contributing to your Bank's operating efficiency.

We believe the combination of "big bank" technology and the personal service of a high-touch community bank will help us to continue attracting business away from large regional and national mega-banks. Many of these banks are dropping entire service and lending business lines, while applying standards that no longer take into account individual resources, performance and growth opportunities of small businesses. Increased bureaucracy has slowed responsiveness and decision-making. This market dislocation represents opportunity for Centrix Bank. Our experienced managers and our lending and service teams have the expertise to analyze and quickly respond to individual customer needs.

We are highly skilled at helping our customers secure funding to grow and remain competitive, especially in a tough economy. An example of this is our participation in the programs offered by the U.S. Small Business Administration. In 2008, Centrix Bank was named by the U.S. Small Business Administration as the leading regional lender in its 504 loan program, which supports the purchase of real estate and fixed assets by small businesses.

As always, your Bank's employees continued to demonstrate superior skills, dedication and a commitment to providing excellence in customer service. Their efforts enabled Centrix to build new customer relationships and effectively offer new products and services to all of its clients. Our commitment to providing customers with flexible banking solutions, while incorporating technological advances in business banking, led to a high level of customer retention and increased market share in 2008.

Your Bank also supports its communities through charitable outreach. In 2008, Centrix was pleased to receive the inaugural Chairman's Award from the Heritage United Way for our employee participation programs and general corporate support. Additionally, we participated in a loan partnership with other banks to help finance the Children's Museum of New Hampshire in Dover; contributed to the Manchester Family YMCA's "Step Up for Kids" capital campaign; supported New Hampshire Public Radio's relocation of its Concord headquarters; and much more. Our commitment to continue these important efforts is strong, as we believe they are opportunities to help make our communities better places to live and work.

Your Board of Directors, a critical component in the Bank's success, is in sync with Centrix's business goals and activities. Each member offers expertise and extensive community contacts. Michael C. Whitney, who joined your board in January 2009, is an excellent example. Mr. Whitney, a managing director of a Manchester-based investment banking firm that provides strategic financial services, has over 30 years of direct banking experience.

In 2008, your Bank's markets resisted the worst of the nation's economic downturn. Centrix remains cautiously optimistic about 2009. Your Bank has maintained high capital adequacy levels to support its growth, which were further enhanced in February 2009 when Centrix received a \$7.5 million investment from the U.S. Treasury's Capital Purchase Program. These funds were made available to healthy banks and were designed to increase the flow of credit to U.S. businesses and consumers. This additional capital helps support your Bank's mission to provide small to medium-sized businesses, professionals, not-for-profits and municipalities with the financial services they need to succeed.

Centrix Bank is well positioned to retain and attract business with its superior products and personalized service. In 2009, we intend to focus on maximizing our productivity and operating efficiencies. We have invested wisely and well in the past several years. The coming years offer an opportunity to generate accelerating returns from our investments in people, technology and facilities.

We plan to leverage our investments, infrastructure and capital strength to support our continued healthy growth. We also foresee opportunities to grow core deposits, which are the heart of a successful bank. We constantly strive to maintain prudent lending and underwriting practices, while relying on our knowledge and experience to continue making wise lending and business decisions. As always, we appreciate the continuing support of our valued customers and shareholders and look forward to communicating updates to you throughout 2009 regarding the progress of your Bank.

Sincerely,



Joseph B. Reilly  
President/CEO

# 2008

## LENDING LEADERSHIP

# expert guidance

“Our customers receive prompt lending decisions made with careful consideration of their individual circumstances.”

- David Cassidy, Jr., EVP –  
Senior Commercial Loan Officer

Lending relationships are personally managed by seasoned experts, backed by an executive team with decades of experience. Our four senior lending officers exemplify the Centrix Bank advantage.

David Cassidy, Jr., Executive Vice President and Senior Commercial Loan Officer, is responsible for the overall direction and quality of the Bank's loan portfolio and for overseeing deposit generation. He brings over 20 years of experience along with an in-depth knowledge of the markets we serve and the banking needs of our customers. Before joining Centrix, he held senior lending and credit positions at several New Hampshire financial institutions. His extensive ties to the community include active participation in a variety of charitable and youth organizations, including the Heritage United Way, Moore Center Services and Bedford youth baseball.

In the vibrant Seacoast region, Stephen Witt, Jr., Senior Vice President and Commercial Loan Officer, oversees business development and lending. With over 20 years of banking experience, his high-energy approach to service ensures a healthy flow of business opportunities for Centrix. In 2008, he was the leading New Hampshire lender in the U.S. Small

Business Administration's 504 loan program. He serves as a trustee for the Mark Wentworth Assisted Living Home and volunteers his time for a variety of youth sports.

With more than 30 years of commercial lending experience, Anthony Chismark, Senior Vice President and Commercial Loan Officer, manages the Bank's lenders in our Bedford, Manchester and Milford offices. He also oversees loan operations and business development for his markets. He serves on several public service organizations, such as the Manchester Community Health Center as a board member, and Manchester Police Foundation as a trustee.

Fred Burgess, Senior Vice President and Commercial Loan Officer, oversees business development and lending operations in the Capital region. His 35 years of business banking experience includes senior lending, business development and risk management positions at several New Hampshire banks. He has been an active participant in the United Way of Merrimack County Day of Caring and was involved with the Capital Regional Development Council.

***We know our communities – We know our customers – We know our business. That's the Centrix Bank difference!***



Pictured from Centrix Bank (l-r): David Cassidy, Jr., Stephen Witt, Jr., Anthony Chismark and Fred Burgess

# 2008

## FINANCIAL HIGHLIGHTS

### At or for the Years Ended December 31,

2008

2007

2006

(In thousands, except per share data)

#### Income Statement Data:

Net interest income	\$ 16,311	\$ 13,901	\$ 12,310
Provision for loan losses	822	387	724
Other income	498	383	358
Operating expenses	10,601	8,954	7,636
Net income	3,318	3,036	2,793

#### Share Data:

Net income per share:			
Basic	\$ 1.14	\$ 1.07	\$ 0.99
Diluted	1.11	1.01	0.93
Book value per share	10.79	9.61	8.34
Weighted-average common shares outstanding:			
Basic	2,900	2,829	2,824
Diluted	2,987	2,994	3,011

#### Balance Sheet Data:

Assets	\$ 471,419	\$ 380,886	\$ 324,479
Loans, net	357,376	305,499	250,150
Investments	96,238	56,380	56,496
Deposits	389,645	294,835	257,283
Borrowings	46,867	56,718	42,014
Stockholders' equity	32,505	27,452	23,560

#### Average Balance Sheet Data:

Assets	\$ 426,390	\$ 354,769	\$ 299,231
Interest earning assets	411,345	340,147	285,448
Loans, net	329,376	275,092	227,129
Interest bearing liabilities	325,236	266,368	220,139
Stockholders' equity	29,436	25,294	21,991

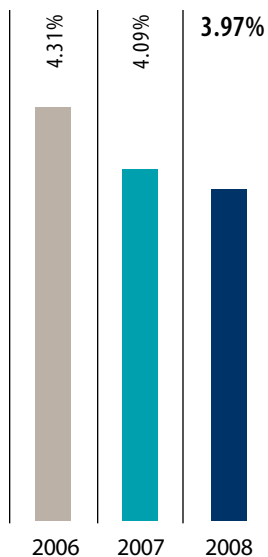
#### Selected Ratios:

Return on average assets	0.78%	0.86%	0.93%
Return on average equity	11.27%	12.00%	12.70%
Allowance for loan losses to loans	1.03%	1.06%	1.14%
Net interest spread	3.31%	3.15%	3.43%
Net interest margin	3.97%	4.09%	4.31%
Efficiency ratio	63.07%	62.69%	60.28%
Stockholders' equity to assets at period-end	6.90%	7.21%	7.26%

# 2008

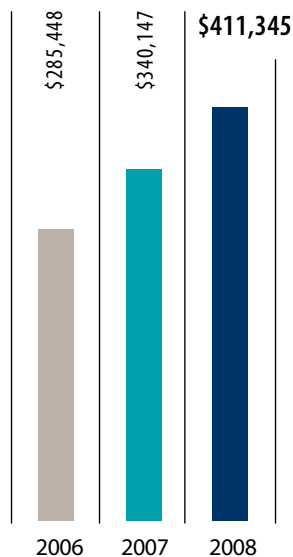
## FINANCIAL OVERVIEW

### NET INTEREST MARGIN



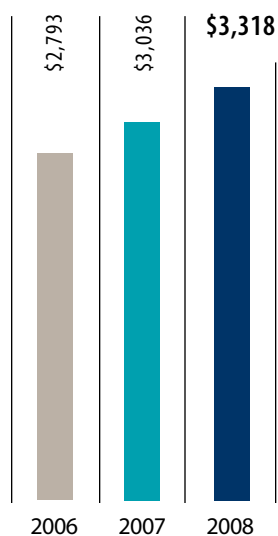
### AVERAGE EARNING ASSETS

(dollars in thousands)

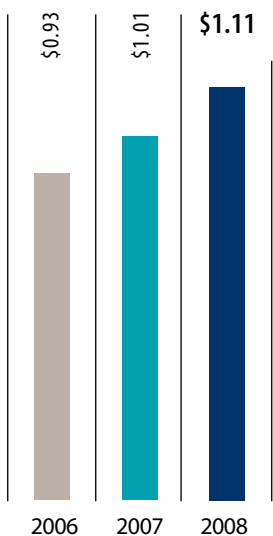


### NET INCOME

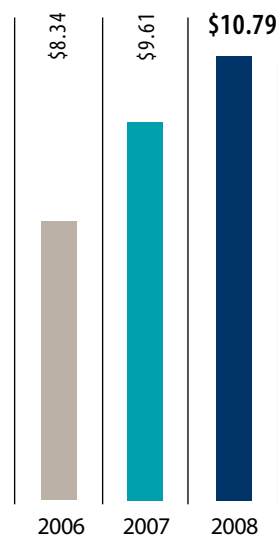
(dollars in thousands)



### EARNINGS PER SHARE DILUTED



### BOOK VALUE PER SHARE



# 2008

## BUILDING LONG-TERM RELATIONSHIPS

# customer focus

“At Centrix Bank, relationship banking is at the core of what we do. Our reputation for delivering exceptional service brings new customers to us; however, it is our performance that earns their loyalty.”

- Anthony Chismark, SVP –  
Commercial Loan Officer

Since we first opened our doors in 1999, we have been successful at building lasting relationships with many businesses, professionals, not-for-profits and municipalities.

#### HERE IS WHAT OUR CUSTOMERS HAVE TO SAY:


“As a business owner, I have had the chance to deal with other local banks and I’ve had an opportunity to see what they do well and in what areas they are lacking. All I can say about Centrix Bank is that I have found it very difficult to find any area where they are lacking. From our first day as a bank customer, we were made to feel that our business was important to Centrix, something that was noticeably absent from our prior bank. The professionalism and customer service of the entire staff is what sets Centrix Bank apart from all others.” – **Matthew W. Neuman, Esq., Managing Member, Absolute Title LLC**

“As a customer since shortly after Centrix Bank opened, I am happy to say that their service has always been excellent. Centrix is also a “leadership bank” in the NH Bar Foundation’s IOLTA program, which raises money for legal aid programs

in New Hampshire. Centrix Bank is very community-minded and they help improve life in our state in many ways.” – **John Tobin, New Hampshire Legal Assistance**

“We have been a customer of Centrix Bank for over three years and can honestly say that we are not just another customer. We feel strongly that our relationship is more like a business partnership. Not only do they have a vested interest in the growth of our organization, but they listen to our needs and offer recommendations to help us realize our business goals.” – **R. Bruce Wilson, President and CEO, Cellular Specialties Inc.**

“Distance has not been an issue in building our relationship with Centrix Bank. Even though they do not have a branch near our office, we are still able to conduct the Town’s business affairs with convenient, time-saving services such as remote deposit capture and lockbox service. With the excellent customer service and relationship we have with Centrix, we feel like they are our neighborhood bank.” – **Dawn Oswald, Tax Collector, Town of Jaffrey**



Pictured from Centrix Bank (l-r): David Cassidy, Jr., EVP - Senior Commercial Loan Officer; Anthony Chismark, SVP - Commercial Loan Officer; R. Bruce Wilson, President and CEO; and Kelley Carr, President Custom Solutions Group both from Cellular Specialties Inc.

# 2008

## HIGH-TECH, HIGH-TOUCH BANKING

# new solutions

As we approach our tenth year of operation, one thing that remains at the forefront is the progression of new technology in banking. Check imaging, expanded online banking, and processing deposits remotely are just a few amenities that Centrix customers enjoy today.

Centrix Bank embraces technology in its execution of banking excellence. We offer customers the choice of how they prefer to conduct their banking relationships with us. These relationships may be developed online and/or in one of our five branch locations. Wherever that relationship takes shape, it will be grounded in our unwavering commitment to putting the needs of our customers first. Their success is a reflection of our dedication in helping them achieve their goals.

### REMOTE DEPOSIT CAPTURE

In March 2008, Centrix Bank expanded its product portfolio with the addition of remote deposit capture. This new service essentially brings the Bank right to a customer's location. Through the use of a scanner and special software provided by Centrix, business customers can deposit all types of paper checks electronically, thus eliminating the need to rush a deposit to the Bank to ensure proper posting by a certain time. With remote deposit capture, customers enjoy a host of benefits, including: ease of use; 24-hour deposit capability; and timely, efficient and accurate deposit recording.



### PAYMENT PROCESSING SOLUTIONS

A division of Centrix Bank, Payment Processing Solutions (PPS) is the only New Hampshire-based lockbox service offering localized processing of commercial payments and deposits for businesses of all sizes. Whether processing large volumes of small checks or small volumes of large

checks, customers will benefit from the services that PPS offers. Some benefits include detailed reports, cash flow efficiencies, electronic images and archival, and reduced man-hours required to process payments.



PPS is another example of the diverse products and services portfolio of high-tech, high-touch solutions offered by Centrix Bank. It's perfect for businesses looking for local cash management assistance.

### CENTRIXBANK.COM

In September 2008, Centrix Bank launched a new website with a new look that brings forward who we are and what we offer.

The new website features several technological enhancements including a remote deposit capture demo; streaming video clips from our commercial library; CentriNet

Online Banking Center prominently featured on the homepage; and a special spotlight section. With its clean, crisp navigation, customers can browse the new centrixbank.com with ease. In addition, our site offers a host of information for customers, investors, partners and centers of influence within the communities we serve.



# 2008

## BOARD OF DIRECTORS

# clear direction

“I believe the success of Centrix Bank is a direct reflection on the experience and commitment of our Board, and upon its active interest and engagement in the governance and strategic direction of the Bank.”

- Paul D. Spiess, Chairman

### Pictured left to right

Front: John J. Clarke, Jr.; Michael E. Rubin; Lucy T. Gobin, Senior EVP, CFO & COO, Centrix Bank; Jane E. Hager; Paul D. Spiess, Chairman, Centrix Bank; Walter W. Hemming.

Back: Ronald C. Thomashow; William C. Tucker; Gordon H. Lewis, Jr.; Joseph B. Reilly, President/CEO, Centrix Bank.

Not pictured: Michael J. Simchik

(Photo taken at Centrix Bank Headquarters, Bedford, NH)



**MAILING ADDRESS**

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**GENERAL INQUIRIES**

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**INVESTOR INQUIRIES AND  
FINANCIAL INFORMATION**

Contact: Lucy T. Gobin  
Senior EVP, CFO & COO  
Centrix Bank  
Post Office Box 10600  
Bedford, NH 03110-0600  
Email: [lgobin@centrixbank.com](mailto:lgobin@centrixbank.com)

**LEGAL COUNSEL**

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Concord, NH 03301

**INDEPENDENT AUDITORS**

Wolf & Company, P.C.  
99 High Street  
Boston, MA 02110-9801

**STOCK LISTING**

Centrix Bank's common shares are quoted on the OTC Bulletin Board (OTCBB) under the symbol "CXBT".

**EXECUTIVE OFFICES &  
FULL SERVICE BRANCH****BEDFORD**

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**MILFORD**

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**PORTSMOUTH**

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**LOAN PRODUCTION OFFICE****DOVER**

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**OPERATIONS CENTER & PAYMENT  
PROCESSING SOLUTIONS (PPS) DIVISION****BEDFORD**

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