



The Board of Directors
New England Bancorp, Inc.
Hyannis, Massachusetts

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying consolidated balance sheets of New England Bancorp, Inc. and Subsidiary as of December 31, 2011 and 2010 and the related consolidated statements of income, changes in stockholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of New England Bancorp, Inc. and Subsidiary as of December 31, 2011 and 2010, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Shatswell, MacLeod + Company, P.C.

SHATSWELL, MacLEOD & COMPANY, P.C.

West Peabody, Massachusetts
July 3, 2012

NEW ENGLAND BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

December 31, 2011 and 2010

<u>ASSETS</u>	<u>2011</u>	<u>2010</u>
Cash and due from banks	\$ 1,578,042	\$ 985,297
Interest-bearing demand deposits with other banks	7,597,137	3,463,557
Federal funds sold	<u>534,000</u>	<u>3,643,000</u>
Cash and cash equivalents	9,709,179	8,091,854
Investments in available-for-sale securities	17,147,072	18,721,630
Federal Home Loan Bank stock	503,000	503,000
Loans, net	118,386,393	80,565,646
Premises and equipment	1,056,048	1,153,326
Accrued interest receivable	330,796	329,937
Deferred income tax asset, net	1,347,134	1,540,801
Bank owned life insurance	3,028,268	
Other assets	<u>497,543</u>	<u>493,791</u>
Total assets	<u>\$152,005,433</u>	<u>\$111,399,985</u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Deposits:		
Noninterest-bearing	\$ 11,993,438	\$ 9,759,124
Interest-bearing	<u>112,479,907</u>	<u>78,048,431</u>
Total deposits	124,473,345	87,807,555
Federal Home Loan Bank advances	8,202,064	8,970,751
Subordinated debt	2,500,000	2,500,000
Securities sold under agreements to repurchase	1,171,572	904,742
Other liabilities	<u>363,893</u>	<u>329,054</u>
Total liabilities	<u>136,710,874</u>	<u>100,512,102</u>
Stockholders' equity:		
Preferred stock; authorized 4,000 shares: senior non-cumulative perpetual, Series A, par value \$0.01, 4,000 shares issued and outstanding at December 31, 2011; liquidation value \$1,000 per share	4,000,000	
Common stock, par value \$0.01; authorized 9,000,000 shares; 1,408,500 shares issued and outstanding in 2011 and 2010	14,085	14,085
Paid-in capital	14,850,178	14,787,622
Accumulated deficit	(3,624,647)	(3,834,411)
Accumulated other comprehensive income (loss)	<u>54,943</u>	<u>(79,413)</u>
Total stockholders' equity	<u>15,294,559</u>	<u>10,887,883</u>
Total liabilities and stockholders' equity	<u>\$152,005,433</u>	<u>\$111,399,985</u>

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

NEW ENGLAND BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME

Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Interest income:		
Interest and fees on loans	\$5,508,875	\$4,393,833
Interest on securities, taxable	337,466	298,745
Interest on federal funds sold	14,340	15,026
Other interest	627	1,685
Total interest income	<u>5,861,308</u>	<u>4,709,289</u>
Interest expense:		
Interest on deposits	1,278,267	1,086,263
Interest on Federal Home Loan Bank advances	202,669	248,776
Interest on subordinated debt	125,002	15,411
Interest on securities sold under agreements to repurchase	8,669	7,662
Total interest expense	<u>1,614,607</u>	<u>1,358,112</u>
Net interest income	4,246,701	3,351,177
Provision for loan losses	400,000	29,006
Net interest income after provision for loan losses	<u>3,846,701</u>	<u>3,322,171</u>
Noninterest income:		
Service charges on deposit accounts	66,687	68,232
Gains on sales and calls of investments	194,476	198,757
Other income	165,431	159,192
Total noninterest income	<u>426,594</u>	<u>426,181</u>
Noninterest expense:		
Salaries and employee benefits	2,197,090	1,736,861
Occupancy expense	371,414	354,122
Equipment expense	111,922	108,280
Advertising expense	117,133	115,707
Data processing expense	370,577	341,520
Professional fees	194,944	270,637
FDIC assessment	110,507	150,671
Other expense	400,388	369,171
Total noninterest expense	<u>3,873,975</u>	<u>3,446,969</u>
Income before income taxes	399,320	301,383
Income tax expense (benefit)	173,778	(1,511,053)
Net income	<u>\$ 225,542</u>	<u>\$1,812,436</u>
Income per share:		
Basic	<u>\$ 0.15</u>	<u>\$ 1.28</u>
Diluted	<u>\$ 0.15</u>	<u>\$ 1.28</u>

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