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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarterly Period Ended September 30, 2008

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ______________ to _________________

Commission File Number: 000-50810

Monadnock Bancorp, Inc.
(Exact name of Registrant as specified in its charter)

Maryland	20-4649880
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1 Jaffrey Road, Peterborough, NH	03458
(Address of principal executive offices)	(Zip Code)

(603) 924-9654
(Issuer's telephone number)

Indicate by 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. Yes (X) No ( )

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (check one):

Large accelerated filer ( ) Accelerated filer ( )
Non-accelerated filer ( ) Smaller reporting company (X)

Indicate by check mark whether the registrant is a Shell Company (as defined in Rule 12b-2 of the Exchange Act). Yes ( ) No (X)

As of November 1, 2008, there were 1,293,608 shares issued and 1,163,958 shares outstanding of the issuer's common stock.
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MONADNOCK BANCORP, INC. AND SUBSIDIARY

Part I - Financial Information

Item 1 - Financial Statements

CONDENSED CONSOLIDATED BALANCE SHEETS

<TABLE>
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ASSETS	September 30, 2008 (Unaudited)	Decembe 200
<S>	<C>	<C>
Cash and due from banks	$ 1,045,751	$ 1,18
Interest-bearing demand deposits with other banks	232	
Federal Home Loan Bank overnight deposit	230,000	
Total cash and cash equivalents	1,275,983	1,18
Interest-bearing time deposits in other bank	200,000	10
Investments in available-for-sale securities (at fair value)	35,202,691	36,59
Federal Home Loan Bank stock, at cost	2,221,400	1,60
Loans, net of allowance for loan losses of $401,838 as of September 30, 2008 and $389,770 as of December 31, 2007	69,737,469	64,03
Premises and equipment	743,302	80
Other real estate owned	474,349	
Goodwill	132,293	13
Core deposit intangible	47,750	6
Accrued interest receivable	492,336	44
Other assets	229,121	21
Total assets	$110,756,694	$105,17
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Noninterest-bearing	$ 5,094,953	$ 5,28
Interest-bearing	53,508,943	59,53

Total deposits	58,603,896	64,81
Federal Home Loan Bank advances	42,265,158	30,53
Other borrowings - ESOP loan	400,000	
Other liabilities	429,788	38
Total liabilities	101,698,842	95,73
Stockholders' equity:		
Preferred stock, par value $.01 per share; authorized 2,000,000 shares; issued and outstanding none		
Common stock, par value $.01 per share; authorized 10,000,000 shares; 1,293,608 shares issued at September 30, 2008 and December 31, 2007; 1,163,958 and 1,228,958 outstanding at September 30, 2008 and December 31, 2007, respectively	12,936	1
Paid-in capital	7,791,138	7,75
Retained earnings	2,778,481	2,71
Unearned compensation - ESOP	(402,683)	(40
Unearned compensation - Recognition and Retention Plan	(281,684)	(29
Treasury stock, at cost (129,650 shares at September 30, 2008 and 64,650 shares at December 31, 2007)	(842,238)	(43
Accumulated other comprehensive income	1,902	9
Total stockholders' equity	9,057,852	9,43
Total liabilities and stockholders' equity	$110,756,694	$105,17

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

</TABLE>

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MONADNOCK BANCORP, INC. AND SUBSIDIARY

Part I - Financial Information

Item 1 - Financial Statements

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(UNAUDITED)

<TABLE>
<CAPTION>

	Three Months Ended September 30,		Nine Mont Septemb
	2008	2007	2008
<S>	<C>	<C>	<C>
Interest and dividend income:			
Interest and fees on loans	$1,109,302	$1,032,659	$3,236,221
Interest on investments-taxable	454,346	491,450	1,476,327
Other interest income	20,438	53,709	76,210
Total interest and dividend income	1,584,086	1,577,818	4,788,758
Interest expense:			
Interest on deposits	396,958	624,185	1,403,514
Interest on FHLB advances and other borrowings	439,695	290,971	1,247,877
Total interest expense	836,653	915,156	2,651,391
Net interest and dividend income	747,433	662,662	2,137,367
Provision for loan losses	44,630	13,830	128,485
Net interest and dividend income after provision for loan losses	702,803	648,832	2,008,882
Noninterest income:			
Service charges on deposits	50,295	42,597	156,236
Net (loss) gain on sales of available-for-sale securities	(835)		95,617
Loan commissions			
Other income	28,036	20,828	77,148

Total noninterest income	77,496	63,425	329,001
Noninterest expense:			
Salaries and employee benefits	383,830	349,149	1,119,845
Occupancy expense	41,866	38,053	122,247
Equipment expense	21,960	21,647	67,630
Data processing	67,284	55,245	202,645
Blanket bond insurance	4,727	4,727	11,108
Professional fees	36,715	47,586	135,883
Supplies and printing	10,491	6,376	27,739
Telephone expense	13,670	12,609	39,220
Marketing expense	21,078	22,589	102,072
Postage expense	9,057	9,691	28,666
Other expense	131,501	81,475	357,506
Total noninterest expense	742,179	649,147	2,214,561
Income before income tax expense	38,120	63,110	123,322
Income tax expense	13,127	28,439	55,629
Net income	$ 24,993	$ 34,671	$ 67,693
Shares used in computing net income per share:			
Basic	1,072,034	1,164,567	1,101,107
Diluted	1,113,860	1,214,929	1,144,671
Net income per share - basic	$ 0.02	$ 0.03	$ 0.06
Net income per share - diluted	$ 0.02	$ 0.03	$ 0.06

The accompanying notes are an integral part of these condensed consolidated financial statements.
</TABLE>

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MONADNOCK BANCORP, INC. AND SUBSIDIARY

Part I - Financial Information
Item 1 - Financial Statements
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

<TABLE>
<CAPTION>

	Nine Months Ended September 30,	
	2008	2007
<S>	<C>	<C>
Cash flows from operating activities:		
Net income	$ 67,693	$ 89,127
Adjustments to reconcile net income to net cash provided by operating activities:		
Net gains on sales of available-for-sale securities	(95,617)	(16,081)
Net amortization of securities	143,926	57,196
Change in deferred loan origination costs, net	4,338	(30,310)
Provision for loan losses	128,485	58,753
Amortization of unearned compensation - restricted stock award plans	17,115	
Recognition of stock option expense	35,699	25,487
Depreciation and amortization	82,647	79,898
Increase in accrued interest receivable	(49,586)	(45,157)
Amortization of core deposit intangible	13,500	15,750
Decrease in other assets	25,817	1,638
Decrease in loan servicing rights and interest-only strips, net	1,126	13,298
Increase in prepaid expenses	(13,406)	(53,709)
(Increase) decrease in taxes receivable	(27,984)	7,299
Increase in taxes payable		45,772
Deferred income tax benefit	(4,348)	(3,124)
Increase in accrued ESOP and restricted stock award plans expense	33,075	37,658
Increase in accrued expenses	25,325	24,244
Increase in accrued interest payable	46,945	17,212
Increase in other liabilities	3,432	26,235

Net cash provided by operating activities	438,182	351,186
Cash flows from investing activities:		
Purchase of interest-bearing time deposits in other bank	(100,000)	
Purchases of available-for-sale securities	(25,953,550)	(15,276,190)
Proceeds from sales of available-for-sale securities	17,592,883	2,645,150
Principal payments received on available-for-sale securities	9,558,614	10,265,775
Purchase of Federal Home Loan Bank stock	(613,700)	(160,100)
Loan originations and principal collections, net	(5,417,574)	(5,916,735)
Loans purchased	(900,010)	(821,813)
Recoveries of previously charged off loans	3,724	3,325
Capital expenditures - premises and equipment	(16,457)	(115,415)
Net cash used in investing activities	(5,846,070)	(9,376,003)
Cash flows from financing activities:		
Net increase in demand deposits, savings and NOW deposits	4,338,929	1,500,239
Net (decrease) increase in time deposits	(10,552,895)	4,358,253
Net change on short-term advances from Federal Home Loan Bank	476,000	(237,000)
Long-term advances from Federal Home Loan Bank	15,629,884	9,769,105
Payments on long-term advances from Federal Home Loan Bank	(4,378,702)	(6,192,000)
Refinance ESOP loan with another financial institution	400,000	
Purchase of common stock for treasury	(410,551)	(336,928)
Purchase of 25,931 shares for MRP		(176,330)
Net cash provided by financing activities	5,502,665	8,685,339

</TABLE>

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MONADNOCK BANCORP, INC. AND SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)
(continued)

<TABLE>
<CAPTION>

	Nine Months Ended September 30,	
	2008	2007
<S>	<C>	<C>
Net increase (decrease) in cash and cash equivalents	94,777	(339,478)
Cash and cash equivalents at beginning of period	1,181,206	1,098,189
Cash and cash equivalents at end of period	$ 1,275,983	$ 758,711
Supplemental disclosures:		
Interest paid	$ 2,604,446	$ 2,533,178
Income taxes paid	79,500	40,051
Transfer of loans to other real estate owned	474,349	

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

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MONADNOCK BANCORP, INC. AND SUBSIDIARY

Part I - Financial Information

Item 1. - Financial Statements
Condensed Notes to Unaudited Consolidated Financial Statements

September 30, 2008

Note 1. Nature of Business and Significant Accounting Policies

Nature of Operations: Monadnock Community Bank (the "Bank") provides a variety of financial services to corporations and individuals from its offices in Peterborough, New Hampshire and Winchendon, Massachusetts. The Bank is engaged principally in the business of attracting deposits from the general public and investing those deposits in residential and commercial real estate loans, and in consumer and small business loans. On June 28, 2004, in accordance with a Plan of Mutual Holding Company Reorganization and Stock Issuance, the Bank became a federally chartered stock bank and wholly-owned subsidiary of Monadnock Community Bancorp, Inc., a federally chartered stock holding company. Monadnock Community Bancorp, Inc. became a majority owned subsidiary of Monadnock Mutual Holding Company, a federally chartered mutual holding company. On June 28, 2006, in accordance with a Plan of Conversion and Reorganization, the Bank became the wholly-owned subsidiary of Monadnock Bancorp, Inc. (the "Company"), a Maryland chartered stock holding company. Further, Monadnock Mutual Holding Company sold its ownership interest in Monadnock Community Bancorp, Inc. to the public in a "second step" offering and ceased to exist. The Company sold 707,681 shares, par value of $.01 per share or the maximum of the offering range, to the public raising $4.8 million in net proceeds. As part of the conversion, existing public stockholders of Monadnock Community Bancorp, Inc. received 1.3699 shares of Company common stock in exchange for each of their existing shares of Monadnock Community Bancorp, Inc. common stock.

Basis of Presentation: The consolidated financial statements presented in this quarterly report include the accounts of the Bank and the Company. The consolidated financial statements of the Company have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and predominant practices followed by the financial services industry, and are unaudited. Interim statements are subject to possible adjustment in connection with the annual audit of the Company for the year ending December 31, 2008. In the opinion of the Company's management, all adjustments consisting of normal recurring accruals necessary 1) for a fair presentation of the financial condition and results of operations for the interim periods included herein have been made and 2) in order to make the financial statements not misleading have been made.

The results of operations for the three and nine month periods ended September 30, 2008 are not necessarily indicative of the results of operations that may be expected for any other interim period or for the year ending December 31, 2008. Certain information and note disclosures normally included in the Company's annual financial statements have been condensed or omitted. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-KSB for the year ended December 31, 2007.

Use of Estimates: The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect amounts reported in the consolidated financial statements. Changes in these estimates and assumptions are considered reasonably possible and may have a material impact on the financial statements and thus actual results could differ from the amounts reported and disclosed herein. The Company considers the allowance for loan losses, the amortization of loan purchase premiums and amortization of mortgage-backed purchase premiums on investment securities to be critical accounting estimates.

At September 30, 2008, there were no material changes in the Company's significant accounting policies or critical accounting estimates from those disclosed in the Company's Annual Report on Form 10-KSB for the year ended December 31, 2007.

Note 2. Earnings Per Share

Basic earnings per share is computed by dividing income available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflects additional common shares that would have been outstanding if dilutive potential common shares had been issued, as well as any adjustment to income that would result from the assumed

issuance. Weighted average options to purchase 73,102 shares, 73,102 shares and 128,437 shares of common stock were outstanding during the first, second and third quarters of 2008, respectively, compared with weighted average options to purchase 2,602 shares of common stock were outstanding for the first, second and third quarters of 2007, but were not included in the computation of weighted average common shares outstanding for purposes of computing diluted earnings per share, because the effect would have been antidilutive.

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Note 3. Investments

The Company classifies its investments in debt securities as securities held-to-maturity, securities available-for-sale or trading securities. Securities held-to-maturity are carried at amortized cost, securities available-for-sale are carried at fair value with unrealized gains and losses shown in accumulated other comprehensive income (loss) as a separate component of stockholders' equity, net of related tax effects, and trading securities are carried at fair value with unrealized gains and losses reflected in earnings. The Company had no securities classified as held-to-maturity or trading securities during 2008 or 2007.

The amortized cost and estimated fair value of securities at September 30, 2008 and December 31, 2007 are as follows:

<TABLE>
<CAPTION>

<S>	Amortized Cost Basis <C>	Estimated Fair Value <C>
September 30, 2008:		
Mortgage-backed securities:		
Fannie Mae	$13,018,352	$13,035,823
Freddie Mac	14,499,225	14,469,838
Ginnie Mae	7,681,964	7,697,030
Total mortgage-backed securities	35,199,541	35,202,691
Total investments in available-for-sale securities	$35,199,541	$35,202,691
December 31, 2007:		
Mortgage-backed securities:		
Fannie Mae	$13,639,059	$13,752,814
Freddie Mac	8,370,811	8,397,971
Ginnie Mae	14,435,927	14,445,028
Total mortgage-backed securities	36,445,797	36,595,813
Total investments in available-for-sale securities	$36,445,797	$36,595,813

</TABLE>

Note 4. Loans

Loans consist of the following at:

	September 30, 2008	December 31, 2007
One- to four-family residential	$32,691,079	$31,526,555
Home equity	5,715,974	5,350,078
Commercial real estate	15,926,461	14,693,410
Multifamily	1,197,412	1,704,787
Construction and land development loans	549,361	1,141,352
Commercial loans	10,319,717	7,065,867
Consumer loans	3,412,288	2,607,149
	69,812,292	64,089,198
Allowance for loan losses	(401,838)	(389,770)
Deferred costs, net	327,015	331,353

Net loans	$69,737,469	$64,030,781

Interest on loans is accrued and credited to operations based upon the principal amount outstanding. When management determines that significant doubt exists as to the collectibility of principal or interest on a loan, the loan is placed on nonaccrual status. In addition, loans past due 90 days or more as to principal or interest are placed on nonaccrual status, except for those loans which, in management's judgment, are fully secured and in the process of collection. Interest accrued but not received on loans placed on nonaccrual status is reversed and charged against current operations. Interest subsequently received on nonaccrual loans is either applied against principal or recorded as income according to management's judgment as to the collectibility of principal.

Loans considered to be uncollectible are charged against the allowance for loan losses. The allowance is increased by charges to current operations in amounts sufficient to maintain the adequacy of the allowance. The adequacy of the allowance is determined by management's evaluation of the extent of losses inherent in the loan portfolio and prevailing economic conditions.

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Changes in the allowance for loan losses are as follows:

	Nine months ended September 30,	
	2008	2007
Balance at beginning of period	$389,770	$334,917
Recoveries of loans previously charged off	3,724	3,325
Provision for loan losses	128,485	58,753
Charge offs	(120,141)	(14,332)
Balance at end of period	$401,838	$382,663

Information with respect to impaired loans consisted of the following at:

	September 30, 2008	December 31, 2007
Recorded investment in impaired loans	$510,732	$269,725
Impaired loans with specific loss allowances	$130,958	$242,804
Loss allowances reserved on impaired loans	$ 57,824	$ 37,448

The Company's policy for interest income recognition on impaired loans is to recognize income on impaired loans on the cash basis when the loans are both current and the collateral on the loan is sufficient to cover the outstanding obligation to the Company; if these factors do not exist, the Company will not recognize income. The average recorded investment in impaired loans was $498,000 and $205,000 for the nine months ended September 30, 2008 and 2007, respectively. During the three and nine months ended September 30, 2008 and 2007, the Company recognized no income on impaired loans.

Note 5. Deposits

Interest-bearing deposits consisted of the following at:

	September 30, 2008	December 31, 2007
NOW accounts	$12,257,155	$ 7,613,526
Savings accounts	2,615,908	2,448,071

Money market deposit accounts	8,063,147	8,344,598
Time certificates	30,572,733	41,125,628
	$53,508,943	$59,531,823

Note 6. Fair Value Measurement Disclosures

As of January 1, 2008, we adopted SFAS No. 157, "Fair Value Measurements," which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and enhances disclosures about fair value measurements for financial assets and financial liabilities. In accordance with Financial Accounting Standards Board ("FASB") Staff Position No. 157-2, "Effective Date of FAS Statement No. 157," we have delayed the application of SFAS No. 157 for nonfinancial assets, such as goodwill and real property held for sale, and nonfinancial liabilities until January 1, 2009.

The fair value hierarchy established by SFAS No. 157 is based on observable and unobservable inputs participants use to price an asset or liability. SFAS No. 157 has prioritized these inputs into the following fair value hierarchy:

Level 1 Inputs - Unadjusted quoted prices in active markets for identical assets or liabilities that are available at the measurement date.

Level 2 Inputs - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These might include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (such as interest rates, volatilities, prepayment speeds, credit risks, etc.) or inputs that are derived principally from or corroborated by market data by correlation or other means.

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Level 3 Inputs - Unobservable inputs for determining the fair value of the asset or liability and are based on the entity's own assumptions about the assumptions that market participants would use to price the asset or liability.

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 Company's financial assets and liabilities carried at fair value effective January 1, 2008.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

Securities available-for-sale. The fair value of our securities available-for-sale portfolio was estimated using Level 2 inputs. We obtain fair value measurements from an independent pricing service. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, market consensus prepayment speeds, credit information, and the bond's term and conditions, among other factors. At September 30, 2008, the carrying value and estimated fair value, using Level 2 inputs, of our securities available-for-sale was $35.2 million.

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Monadnock Bancorp, Inc. and Subsidiary
Part I - Financial Information
Item 2. Management's Discussion and Analysis of Financial Condition
and Results of Operations
September 30, 2008

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements, which are based on assumptions and describe future plans, strategies and expectations of Monadnock Bancorp, Inc. (or the "Company") and its wholly owned subsidiary, Monadnock Community Bank (or the "Bank"). These forward-looking

statements are generally identified by use of the words "believe," "expect," "intend," "anticipate," "estimate," "project," or similar words. Our ability to predict results or the actual effect of future plans or strategies is uncertain. Factors which could have a material adverse effect on our operations include, but are not limited to, changes in interest rates, general economic conditions, economic conditions in the states of New Hampshire or Massachusetts, legislative and regulatory changes, monetary and fiscal policies of the U.S. Government, including policies of the U.S. Treasury and the Federal Reserve Board, fiscal policies of the New Hampshire or Massachusetts State Government, the quality or composition of our loan or investment portfolios, demand for loan products, competition for and the availability of loans that we purchase for our portfolio, deposit flows, competition, demand for financial services in our market areas and accounting principles and guidelines, acquisitions and the integration of acquired businesses, asset-liability management, the financial and securities markets and the availability of and costs associated with sources of liquidity.

We wish to caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made. We wish to advise readers that the factors listed above could affect our financial performance and could cause our actual results for future periods to differ materially from any opinions or statements expressed with respect to future periods in any current statements. We do not undertake and specifically decline any obligation to publicly release the result of any revisions which may be made to any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events.

General

The following discussion is intended to assist in understanding the financial condition and results of operations of Monadnock Bancorp, Inc. and Monadnock Community Bank. On June 28, 2006, Monadnock Bancorp, Inc. succeeded Monadnock Community Bancorp, Inc. as the holding company of Monadnock Community Bank. The information contained in this section should be read in conjunction with other sections of management discussion and analysis, including these consolidated financial statements.

As a community based financial institution, our principal business has historically consisted of attracting deposits from the general public and the business community and making loans secured by various types of collateral, including residential and commercial real estate and general business assets. Deposit flows are influenced by a number of factors, including interest rates paid on competing investments, account maturities, fee structures, and level of personal income and savings. Lending activities are influenced by the demand for funds, interest rate levels, the number and quality of lenders, and regional economic cycles. Our sources of funds for lending activities include deposits, borrowings, payments on loans, maturities and principal payments on securities and income provided from operations.

Our earnings are primarily dependent upon our net interest income, which is the difference between interest and dividend income on interest-earning assets, which principally consist of loans and investment securities, and interest expense on interest-bearing liabilities, which principally consist of deposits and borrowings. Our results of operations also are affected by the level of our provision for loan losses, non-interest income and non-interest expense. Non-interest income consists primarily of service charges on deposit accounts, point of sale income from debit and credit transactions, ATM fees and any gain on sale of loans and investments. Non-interest expense consists primarily of salaries and employee benefits, occupancy, equipment, data processing and ATM expense. Our results of operations may also be affected significantly by general and local economic and competitive conditions, changes in market interest rates, governmental policies, Federal Home Loan Bank ("FHLB") dividend policies, Federal Deposit Insurance Corporation ("FDIC") assessment rates and actions of regulatory authorities.

Management Strategy

Our strategy is to operate as an independent financial institution dedicated to serving the needs of customers in our market area, which consists of western Hillsborough, eastern Cheshire counties in New Hampshire and northern Worcester county in Massachusetts. We intend to continue to increase our loan portfolio and to attract retail deposits, with the goal of

expanding our deposit base. This growth may include the establishment of a new office, either by acquisition or by exploring opportunities in our market area although we currently have no arrangements or understandings regarding any specific transaction. On June 28, 2006, we completed our conversion to full stock ownership in order to raise additional capital to continue our growth.

Our commitment is to provide a reasonable range of products and services to meet the needs of our customers. Our goal is to grow Monadnock Bancorp, Inc. while providing cost effective services to our market area and leveraging our infrastructure.

Financial highlights of our strategy include:

Operating as a Community Savings Bank and Offering Personalized Customer Service. We are committed to meeting the financial needs of the communities in which we operate. We provide a broad range of individualized consumer and business financial services. We believe that we can be more effective in servicing our customers than many of our non-local competitors because our employees and senior management are able to respond promptly to customer needs and inquiries. Our ability to provide these services is enhanced by the experience of our senior management, which has an average of nearly 30 years' experience in the financial services industry.

Increasing Loan Production. Our strategy of increasing net income includes increasing our loan production. Our business plan anticipates that we may emphasize originating commercial real estate, both permanent and construction, commercial business loans and one- to four-family residential real estate loans. Commercial real estate and commercial business loans provide higher returns but involve a greater degree of credit risk than one- to four-family residential mortgage loans. Because payments on these loans are often dependent on the successful operation or management of the properties or business, repayment of such loans may be subject to adverse conditions in the real estate market or the economy. Our net loan portfolio increased $9.3 million, or 15.4%, from $60.4 million at September 30, 2007 to $69.7 million at September 30, 2008. We plan to continue to grow our loan portfolio with the net proceeds raised in the 2006 stock offering.

Building Core Deposits. We offer checking accounts, NOW accounts and savings accounts, which generally are lower cost sources of funds than certificates of deposit and are less sensitive to withdrawal when interest rates fluctuate. In order to build our core deposit base, we intend to continue to offer a broad range of deposit products and to increase our core deposits through possible branch acquisitions, or the establishment of a new office although we currently have no arrangements or understandings regarding any specific transaction. In an effort to increase core deposits and become more competitive, the Bank implemented a Reward Checking account product in October 2007. At September 30, 2008, this product totaled $9.2 million.

Maintaining Asset Quality. Our asset quality is reflected in our ratio of non-performing assets to total assets, which was 0.89% at September 30, 2008 and 0.26% at December 31, 2007, respectively. The increase in nonperforming assets was primarily attributable to the following: 1) a commercial loan relationship secured by an inn for $474,000 which was transferred to other real estate owned at the end of the second quarter of 2008 and 2) a commercial loan relationship secured by a convenience store and gas station being placed on nonperforming status at the end of the third quarter of 2008. Management is striving to continue to maintain good asset quality. We have introduced new loan products only when we were confident that our staff had the necessary expertise and sound underwriting and collection procedures were in place. In addition to these lending practices, we invest in high grade securities.

Improving Non-Interest Income. Non-interest income consists primarily of service charges on deposit accounts, point of sale income from debit and credit transactions, ATM fees and any gain on sale of loans and investments. We plan to target programs to increase non-interest income such as the overdraft checking program we instituted in December 2005.

Improving Our Efficiency Ratio. Our infrastructure and fixed operating costs can support a larger asset base. We believe the conversion and offering described above has slowly allowed us to increase our asset base through greater loan production which should help improve our efficiency ratio

(non-interest expense divided by net-interest income and non-interest income) by generating additional income. Our efficiency ratio was 89.97% and 89.79% for the three and nine months ended September 30, 2008, respectively, compared with 89.40% and 89.60% for the three and nine months ended September 30, 2007, respectively.

All of these initiatives are designed to improve our profitability in future years.

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Changes in Financial Condition from December 31, 2007 to September 30, 2008

General. Total assets increased $5.6 million, or 5.3%, to $110.8 million at September 30, 2008 compared with $105.2 million at December 31, 2007. We increased our assets by $12.0 million during the first quarter of 2008, by leveraging with $12.4 million in Federal Home Loan Bank advances and purchasing net investment securities of $10.5 million during the first quarter of 2008 to take advantage of positive interest rate spreads. During the second and third quarters of 2008, we reduced our total assets by $6.4 million, thereby increasing our Tier1 leverage capital ratio to 7.87% at September 30, 2008.

Investments. Monadnock Bancorp, Inc. classifies its investments in debt securities as securities held-to-maturity, securities available-for-sale or trading securities. Securities held-to-maturity are carried at amortized cost, securities available-for-sale are carried at fair value with unrealized gains and losses shown in accumulated other comprehensive income (loss) as a separate component of stockholders' equity, net of related tax effects, and trading securities are carried at fair value with unrealized gains and losses reflected in earnings. Monadnock Bancorp, Inc. had no securities classified as held-to-maturity or trading securities at September 30, 2008 or at December 31, 2007.

Our investment portfolio decreased $1.4 million, or 3.8%, to $35.2 million at September 30, 2008 from $36.6 million at December 31, 2007. The decrease was due to $17.6 million in sales of mortgage-backed securities and $9.6 million in principal paydowns of mortgage-backed securities, partially offset by the purchase of $26.0 million in mortgage-backed securities. The decrease in investment securities was used to partially fund net loan growth for the nine months of 2008.

At September 30, 2008, the weighted average maturity of mortgage-backed securities available-for-sale was 313 months, based upon their final maturities. However, normal principal repayments and prepayments of mortgage-backed securities are received regularly, substantially reducing their weighted average maturities. All of our mortgage-backed securities are adjustable with a weighted average term to next repricing adjustment of 28 months on average.

Loans. Our net loan portfolio grew by $5.7 million, or 8.9%, to $69.7 million at September 30, 2008 from $64.0 million at December 31, 2007. Loan growth during the nine months ended September 30, 2008 was primarily concentrated in commercial, commercial real estate and one- to four-family residential loans which grew $3.3 million, $1.2 million and $1.2 million, respectively. Other significant loan increases for the nine months ended September 30, 2008 were in consumer loans of $805,000 and home equity loans of $366,000 which was partially offset by a decrease in construction and land development loans of $592,000 and multifamily real estate loans of $507,000.

Deposits. Our total deposits decreased $6.2 million, or 9.6%, to $58.6 million at September 30, 2008 from $64.8 million at December 31, 2007. Interest-bearing deposits decreased $6.0 million to $53.5 million at September 30, 2008 from $59.5 million at December 31, 2007, while noninterest-bearing deposits decreased $191,000 during the nine months ended September 30, 2008. The decrease in interest-bearing deposits was primarily due to a decrease in time certificates of $10.6 million, partially offset by an increase in NOW accounts of $4.6 million. The decrease in time certificates was due to a $3.9 million decrease in time certificates over $100,000 as well as customers transferring these deposits to other deposit products at the Bank and interest rate sensitive customers leaving due to competitive rates being offered elsewhere. Overall, deposit accounts $100,000 or greater decreased $5.9 million during the nine months of 2008 to $12.7 million as customers transferred deposits to other financial institutions to ensure their deposits were FDIC

insured as a result of the recent financial crisis. The increase in NOW accounts during the first nine months of 2008 was due to the implementation of our Rewards Checking account product in the fourth quarter of 2007. Rewards Checking accounts increased $5.8 million during the first nine months of 2008 and totaled $9.2 million at September 30, 2008.

Borrowings. FHLB advances increased $11.8 million, or 38.7%, to $42.3 million at September 30, 2008 from $30.5 million at December 31, 2007. The increase in FHLB advances was used to fund the purchase of net investment securities, and to a lesser extent, net loan growth during the first quarter of 2008.

Principal payments due on other borrowings after September 30, 2008 are $589,000 in 2008, $5.4 million in 2009, $7.3 million in 2010, $5.7 million in 2011, $7.3 million in 2012 and $16.0 million in years thereafter. The FHLB will require the repayment of $4.0 million of borrowings during 2008 if the three-month LIBOR exceeds specified rates; $3.0 million of which is at a weighted average interest rate of 3.04% maturing in 2009 if the three-month LIBOR exceeds 6.50%. Additionally, the FHLB will require the repayment of $1.0 million of borrowings during 2008 if the three-month LIBOR exceeds 6.50% of which borrowings is at an interest rate of 3.99% maturing in 2014. As of September 30, 2008, the three month LIBOR was at 4.05%. During the first nine months of 2008, the Bank borrowed an additional $6.0 million in callable advances from the FHLB. These advances are callable at the discretion of the FHLB on the call date noted and most are

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callable continuously on a quarterly basis thereafter. The FHLB has the right to call $7.0 million in borrowings during 2008, of which borrowings have a weighted average interest rate of 4.08% and a weighted average maturity of 88 months. The FHLB has the right to call $2.0 million in borrowings during 2009, of which borrowings have a weighted average interest rate of 3.08% and a weighted average maturity of 51 months. The FHLB has the right to call $3.0 million in borrowings during 2010, of which borrowings have a weighted average interest rate of 2.90% and a weighted average maturity of 52 months. In addition, the FHLB has the right to call $2.0 million in borrowings during 2011, of which borrowings are at a weighted average interest rate of 3.17% and maturity of 85 months. Should the FHLB require repayment of the putable and callable borrowings on the put and call dates, the interest cost to replace such borrowings would likely increase.

Stockholders' Equity. Total stockholders' equity decreased $379,000 to $9.06 million at September 30, 2008 from $9.44 million at December 31, 2007. The decrease in stockholders' equity was primarily attributable to the repurchase of 65,000 shares of common stock for treasury for approximately $411,000 and a decrease in accumulated other comprehensive income of $89,000, partially offset by net income of $68,000 for the nine months ended September 30, 2008 and a $53,000 increase related to the recognition of stock option expense as well as restricted stock award amortization. Our equity to assets ratio was 8.18% at September 30, 2008 compared to 8.97% at December 31, 2007.

Comparison of Results of Operations for the Three Months Ended
September 30, 2008 and 2007

General. We recorded net income of $25,000 for the quarter ended September 30, 2008 compared with net income of $35,000 for the quarter ended September 30, 2007. The decrease in earnings for the three months ended September 30, 2008 compared with the same period a year earlier was primarily attributable to an increase in noninterest expense of $93,000, an increase in the provision for loan losses of $31,000, partially offset by an increase in net interest and dividend income of $84,000, an increase in noninterest income of $14,000 and a decrease in income tax expense of $15,000.

Our profitability has been marginal during the last few years primarily due to our high fixed operating costs in relation to the amount of net interest and dividend income and non-interest income we generated and our comparatively low net interest margin (net interest and dividend income divided by average interest earning assets). Our efficiency ratio was 89.97% for the three months ended September 30, 2008 compared to 89.40% for the three months ended September 30, 2007. The existing operating platform we have in place relative to the size of our customer base and asset base has tended to negatively impact our profitability. Our interest rate spread was 2.32% for the three months

ended September 30, 2008 compared to 2.05% for the three months ended September 30, 2007 and 2.18% for the three months ended June 30, 2008. The increase in the interest rate spread for the three months ended September 30, 2008 compared with the same period a year ago was primarily due to a decrease in the average cost of our interest-bearing liabilities by 73 basis points to 3.42% for the three months ended September 30, 2008 compared to 4.15% for the three months ended September 30, 2007, partially offset by a decrease of 46 basis points in the average yield of our interest-earning assets to 5.74% for the three months ended September 30, 2008 from 6.20% for the three months ended September 30, 2007. The decrease in our average yields on interest-earning assets as well as the decrease in our average costs on interest-bearing liabilities was primarily due to the Federal Reserve's decision to lower the Federal funds rate by 325 basis points since September 2007. The net interest margin for the three months ended September 30, 2008 was 2.71% compared to 2.61% for the three months ended September 30, 2007 and 2.58% for the three months ended June 30, 2008. During the third quarter of 2008, we were able to improve our net interest margin and interest rate spread compared with the second quarter of 2008 and the third quarter of 2007 primarily due to the favorable repricing of our time certificates to lower rates during the third quarter of 2008. In the event we are unable to generate continued commercial and residential loan volume for the remainder of 2008, or become reliant on investments in securities, certificates of deposit or FHLB borrowings, our net interest margin may be negatively impacted along with our net earnings potential.

Net Interest and Dividend Income. Net interest and dividend income increased $84,000, or 12.7%, to $747,000 for the three months ended September 30, 2008 compared to $663,000 for the three months ended September 30, 2007. This increase reflected a $6,000 increase in interest and dividend income, and a $78,000, or 8.5%, decrease in interest expense. The increase in net interest and dividend income of $84,000 was primarily due to a decrease in the average cost of our interest-bearing liabilities by 73 basis points to 3.42% for the three months ended September 30, 2008 compared to 4.15% for the three months ended September 30, 2007.

Interest and Dividend Income. Total interest and dividend income was stable at $1.6 million for both the three months ended September 30, 2008 and the three months ended September 30, 2007. Interest income on loans increased $76,000, or 7.4%, to $1.1 million for the three months ended September 30, 2008 from $1.0 million for the same period in 2007, primarily due to a $9.5 million increase in the average balance of loans from $60.1 million for the three months ended September 30, 2007 to $69.6 million for the same period in 2008. This increase in interest income on loans was partially offset by a decrease in loan yields from 6.82% for the three months ended September 30, 2007 to 6.34% for the same period

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in 2008. The increase in the average balance of loans was primarily attributable to an increase in the average balance of $5.5 million in commercial real estate and commercial loans, a $2.9 million increase in the average balance of one- to four-family residential loans as well as a $806,000 increase in the average balance of consumer loans which was primarily related to mobile home loan financing. The decrease in average loan yields was due to the repricing of some adjustable rate loans downward due to a decrease in the prime rate of 3.25% since September 2007. Interest income on investment securities, FHLB stock and interest-bearing deposits with other financial institutions decreased $70,000 for the three months ended September 30, 2008 to $475,000 from $545,000 for the three months ended September 30, 2007. The decrease was primarily due to a decrease in the overall yield on total investments from 5.30% for the three months ended September 30, 2007 to 4.69% for the same period in 2008.

Interest Expense. Total interest expense decreased by $78,000, or 8.5%, to $837,000 for the three months ended September 30, 2008 from $915,000 for the three months ended September 30, 2007. The decrease of $78,000 was primarily due to a decrease in the average cost of our interest-bearing liabilities by 73 basis points to 3.42% for the three months ended September 30, 2008 compared to 4.15% for the three months ended September 30, 2007. Interest expense on deposits decreased $227,000 to $397,000 for the three months ended September 30, 2008 from $624,000 for the same period in 2007. Interest expense on time certificates decreased $293,000 to $260,000 for the three months ended September 30, 2008 from $553,000 for the same period in 2007 while interest expense on savings deposits increased by $66,000 to $137,000 for the three

months ended September 30, 2008 from $71,000 for the same period in 2007. The decrease in interest expense on time certificates was attributable to a decrease in the overall average cost of time certificates by 145 basis points to 3.42% for the three months ended September 30, 2008 from 4.87% for the same period in 2007, coupled with a decrease in the average balance of time certificates of $14.9 million to $30.1 million for the three months ended September 30, 2008 from $45.0 million for the same period in 2007. The decrease in the cost of time certificates was the direct result of maturing time certificates repricing at lower rates during the third quarter of 2008 due to the lower interest rate environment. The decrease in the average balance of time certificates was due to customers transferring these deposits to other Bank deposit products and interest rate sensitive customers withdrawing their deposits due to competitive rates being offered elsewhere. The decrease in the average balance of time certificates was also attributable to customers transferring deposits to other financial institutions to ensure their deposits were FDIC insured as a result of the recent financial crisis. The increase in interest expense on savings deposits was attributable to an increase in the average balance of savings deposits of $7.6 million to $23.9 million for the three months ended September 30, 2008 from $16.3 million for the same period in 2007, and to a lesser extent, an increase of 55 basis points on the average cost of savings deposits to 2.29% for the three months ended September 30, 2008 from 1.74% for the same period in 2007. The increase in the average balance and cost on savings deposits for the three months ended September 30, 2008 compared to the same period in 2007 was primarily attributable to the introduction of a Rewards Checking product in October 2007.

Interest expense on FHLB advances and other borrowings increased $149,000, or 51.2%, to $440,000 for the three months ended September 30, 2008 from $291,000 for the three months ended September 30, 2007. The increase in interest expense was due to an increase in the average balance of FHLB advances and other borrowings of $17.4 million to $43.4 million for the three months ended September 30, 2008 from $26.0 million for the same period in 2007, partially offset by a decrease in borrowing cost to 4.03% for the three months ended September 30, 2008 from 4.43% for the same period in 2007. We used the additional funding from the increase in FHLB advances to increase our net loan portfolio as well as fund deposit outflows. The decrease in borrowing cost was due to the Bank using a mix of fixed rate and callable borrowings to lower the overall funding cost for FHLB advances and other borrowings.

Provision for Loan Losses. We recorded a provision for loan losses of $45,000 for the three months ended September 30, 2008 compared with $14,000 for the three months ended September 30, 2007. The increase in the provision for loan losses was due to an increase in the level of net charge-offs to $24,000 for the three months ended September 30, 2008, compared with $5,000 for the three months ended September 30, 2007. In addition, the increase in the provision was necessary due to additional credit weakness in our evaluation of a commercial loan for a retail sporting goods establishment for the third quarter of 2008 which was partially offset by the classification of certain loans into more favorable risk ratings during 2008 due to the seasoning of real estate owner occupied first mortgage loans. The allowance for loan losses as a percent of total loans was 0.58% at September 30, 2008 compared with 0.63% at September 30, 2007. The mix of the loan portfolio continues to be weighted in one- to four-family residential and home equity loans which accounted for 55.0% and 59.5% of total loans at September 30, 2008 and 2007, respectively. These loans generally have a lower credit risk allocation and the portfolio has reduced levels of criticized and classified loans. Our methodology for analyzing the allowance for loan losses consists of specific and general components. The specific components relates to loans that are classified as doubtful, substandard or special mention. For such loans that are also classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers non-classified loans and is based on historical loss experience and quantitative and qualitative factors unique to the Bank for consumer, residential and commercial loans. The allowance for loan losses as of

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September 30, 2008 was maintained at a level that represents management's best estimate of losses inherent in the loan portfolio. Although we believe that we have established the allowance for loan losses at levels to absorb probable and estimable losses, future additions or deductions may be necessary if economic or other conditions in the future differ from the current environment.

Total Noninterest Income. Noninterest income increased $14,000, or 22.2%, to $77,000 for the three months ended September 30, 2008 from $63,000 for the three months ended September 30, 2007. The increase was primarily attributable to an increase in service charges on deposits of $7,000 as well as an increase in income related to debit, credit and ATM transactions.

Total Noninterest Expense. Noninterest expense increased $93,000, or 14.3% to $742,000 for the three months ended September 30, 2008 compared with $649,000 for the three months ended September 30, 2007. Salaries and employee benefits expense increased $35,000 from $349,000 for the three months ended September 30, 2007 to $384,000 for the three months ended September 30, 2008. The increase in salaries and employee benefits expense related to salary increases, an increase in benefit costs for medical coverage as well as an increase in ESOP costs, partially offset by an increase in the deferrals of loan origination costs. Other increases in noninterest expense related to an increase of $51,000 in other expenses. The increase in other expenses was related to higher FDIC assessment premiums in 2008 compared with 2007, $17,000 of additional expense related to the maintenance of the Bank's other real estate owned property as well as additional ongoing expenses related to the Rewards Checking product. On October 7, 2008, the Board of Directors of the FDIC proposed a restoration plan for the Deposit Insurance Fund which would raise the assessment rate schedule uniformly by seven basis points (annualized) beginning January 1, 2009. The FDIC will also adjust the base assessment based on an institution's level of unsecured debt, secured liabilities and brokered deposits. As a result, the Bank may also be subject to additional assessments since the Bank's FHLB advances exceed 15% of domestic deposits. There can be no assurance that the proposed rule will be implemented by the FDIC in its proposed form. The increase in FDIC assessments may have a negative effect on the Bank's earnings for 2009.

Income Tax Expense. Income tax expense decreased $15,000 to $13,000 for the third quarter of 2008 from $28,000 for the third quarter of 2007 due to lower pre-tax income. The effective tax rate was 34.4% for the third quarter of 2008 compared to 45.1% for the third quarter of 2007.

Comparison of Results of Operations for the Nine Months Ended September 30, 2008 and 2007

General. We recorded net income of $68,000 for the nine months ended September 30, 2008 compared with net income of $89,000 for the nine months ended September 30, 2007. The decrease in earnings for the nine months ended September 30, 2008 compared with the same period a year earlier was primarily attributable to an increase in noninterest expense of $320,000, an increase in the provision for loan losses of $69,000, partially offset by an increase in net interest and dividend income of $241,000, an increase in noninterest income of $110,000 and a decrease in income tax expense of $16,000.

Our profitability has been marginal during the last few years primarily due to our high fixed operating costs in relation to the amount of net interest and dividend income and non-interest income we generated and our comparatively low net interest margin (net interest and dividend income divided by average interest earning assets). Our efficiency ratio was 89.79% and 89.60% for the nine months ended September 30, 2008 and the nine months ended September 30, 2007, respectively. The existing operating platform we have in place relative to the size of our customer base and asset base has tended to negatively impact our profitability. Our interest rate spread was 2.18% for the nine months ended September 30, 2008 compared to 2.05% for the nine months ended September 30, 2007. The increase in the interest rate spread for the nine months ended September 30, 2008 compared with the same period a year ago was primarily due to a decrease in the average cost of our interest-bearing liabilities by 48 basis points to 3.62% for the nine months ended September 30, 2008 compared to 4.10% for the nine months ended September 30, 2007, partially offset by a decrease of 35 basis points in the average yield of our interest-earning assets to 5.80% for the nine months ended September 30, 2008 from 6.15% for the nine months ended September 30, 2007. The decrease in our average yield on interest-earning assets as well as the decrease in our average cost on interest-bearing liabilities was primarily due to the Federal Reserve's decision to lower the Federal Funds rate by 325 basis points since September 2007. The net interest margin for the nine months ended September 30, 2008 was 2.59% compared to 2.62% for the nine months ended September 30, 2007. In the event we are unable to generate continued commercial and residential loan volume for the remainder of 2008, or become reliant on investments in securities, certificates of deposit or FHLB borrowings, our net interest margin

may be negatively impacted along with our net earnings potential.

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Net Interest and Dividend Income. Net interest and dividend income increased $241,000, or 12.7%, to $2.1 million for the nine months ended September 30, 2008 compared to $1.9 million for the nine months ended September 30, 2007. This increase reflected a $342,000, or 7.7%, increase in interest and dividend income, and a $101,000, or 4.0%, increase in interest expense. The increase in net interest and dividend income of $342,000 was primarily due to an increase in the average balance of interest-earning assets by $13.6 million, or 14.1% from $96.7 million for the nine months ended September 30, 2007 to $110.3 million for the nine months ended September 30, 2008.

Interest and Dividend Income. Total interest and dividend income increased by $342,000, or 7.7%, to $4.8 million for the nine months ended September 30, 2008 compared with $4.4 million for the nine months ended September 30, 2007. The increase of $342,000 was primarily due to an increase in the average balance of interest-earning assets of $13.6 million, or 14.1%, to $110.3 million for the nine months ended September 30, 2008 from $96.7 million for the nine months ended September 30, 2007, partially offset by a decrease in the average yield on interest-earning assets to 5.80% for the nine months ended September 30, 2008 from 6.15% for the nine months ended September 30, 2007. Interest income on loans increased $303,000, or 10.3%, to $3.2 million for the nine months ended September 30, 2008 from $2.9 million for the same period in 2007, primarily due to a $9.9 million increase in the average balance of loans from $57.2 million for the nine months ended September 30, 2007 to $67.1 million for the same period in 2008. This increase in interest income on loans was partially offset by a decrease in loan yields from 6.86% for the nine months ended September 30, 2007 to 6.44% for the same period in 2008. The increase in the average balance of loans was primarily attributable to an increase in the average balance of $5.3 million in commercial real estate and commercial loans, a $3.4 million increase in the average balance of one- to four-family residential loans as well as a $765,000 increase in the average balance of consumer loans related to mobile home loan financing. The decrease in average loan yields was due to the repricing of some adjustable rate loans downward due to a decrease in the prime rate of 3.25% since September 2007. Interest income on investment securities, FHLB stock and interest-bearing deposits with other financial institutions increased $39,000, or 2.6%, to $1.6 million for the nine months ended September 30, 2008 from $1.5 million for the nine months ended September 30, 2007. The increase was due to an increase in the average balance of the investment portfolio by $3.7 million to $43.2 million for the nine months ended September 30, 2008 from $39.5 million for the same period in 2007, partially offset by a decrease in the overall yield on total investments from 5.12% for the nine months ended September 30, 2007 to 4.80% for the same period in 2008. The increase in the average balances in the investment portfolio was the direct result of our leveraging the balance sheet with an increase in funding from FHLB advances.

Interest Expense. Total interest expense increased by $101,000, or 4.0%, to $2.7 million for the nine months ended September 30, 2008 from $2.6 million for the nine months ended September 30, 2007. The increase of $101,000 was due to an increase in the average balance of interest-bearing liabilities of $14.6 million to $97.8 million for the nine months ended September 30, 2008 from $83.2 million for the same period in 2007, partially offset by a decrease in the average overall cost of interest-bearing liabilities to 3.62% for the nine months ended September 30, 2008 from 4.10% for the same period in 2007. Interest expense on deposits decreased $305,000 to $1.4 million for the nine months ended September 30, 2008 from $1.7 million for the same period in 2007. Interest expense on time certificates decreased $477,000 to $1.0 million for the nine months ended September 30, 2008 from $1.5 million for the same period in 2007 while interest expense on savings deposits increased by $172,000 to $361,000 for the nine months ended September 30, 2008 from $189,000 for the same period in 2007. The decrease in interest expense on time certificates was attributable to a decrease in the overall average cost of time certificates by 80 basis points to 4.02% for the nine months ended September 30, 2008 from 4.82% for the same period in 2007, coupled with a decrease in the average balance of time certificates of $7.5 million to $34.6 million for the nine months ended September 30, 2008 from $42.1 million for the same period in 2007. The decrease in the cost on time certificates was the direct result of maturing time certificates repricing into lower rates during the nine months ended September 30, 2008 due to the lower interest rate environment. The decrease in the average balance of time certificates was due to customers transferring

these deposits to other Bank deposit products and interest rate sensitive customers withdrawing their deposits due to competitive rates being offered elsewhere. The decrease in the average balance of time certificates was also attributable to customers transferring deposits to other financial institutions to ensure their deposits were FDIC insured as a result of the recent financial crisis. The increase in interest expense on savings deposits was attributable to an increase in the average balance of savings deposits of $6.5 million to $21.9 million for the nine months ended September 30, 2008 from $15.4 million for the same period in 2007, and to a lesser extent, an increase of 56 basis points on the average rate cost of savings deposits to 2.20% for the nine months ended September 30, 2008 from 1.64% for the same period in 2007. The increase in the average balances and cost on savings deposits for the nine months ended September 30, 2008 compared to the same period in 2007 was primarily attributable to the introduction of a Rewards Checking product in October 2007.

Interest expense on FHLB advances increased $407,000, or 48.4%, to $1.2 million for the nine months ended September 30, 2008 from $841,000 for the nine months ended September 30, 2007. The increase in interest expense was due to an increase in the average balance of FHLB advances of $15.5 million to $41.2 million for the nine months ended September 30, 2008 from $25.7 million for the same period in 2007, partially offset by a decrease in the borrowing cost to

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4.05% for the nine months ended September 30, 2008 from 4.38% for the same period in 2007. We used the additional funding from the increase in FHLB advances to increase our net loan portfolio, and to a lesser extent, our investment securities portfolio. The decrease in borrowing costs was due to the Bank using a mix of fixed rate and callable borrowings to lower the overall funding costs for FHLB advances.

Provision for Loan Losses. We recorded a provision for loan losses of $128,000 for the nine months ended September 30, 2008 compared with $59,000 for the nine months ended September 30, 2007. The increase in the provision was primarily due to an increase in the level of net charge-offs to $116,000 for the nine months ended September 30, 2008 compared with $11,000 for the nine months ended September 30, 2007. The increase in the provision was also necessary due to additional credit weakness in our evaluation of a commercial loan for a retail sporting goods establishment during 2008 which was partially offset by the classification of certain loans into more favorable risk ratings during 2008 due to the seasoning of real estate owner occupied first mortgage loans. The allowance for loan losses as a percent of total loans was 0.58% at September 30, 2008 compared with 0.63% at September 30, 2007. The mix of the loan portfolio continues to be weighted in one- to four-family residential and home equity loans which accounted for 55.0% and 59.5% of total loans at September 30, 2008 and 2007, respectively. These loans generally have a lower credit risk allocation and the portfolio has reduced levels of criticized and classified loans. Our methodology for analyzing the allowance for loan losses consists of specific and general components. The specific components relates to loans that are classified as doubtful, substandard or special mention. For such loans that are also classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers non-classified loans and is based on historical loss experience and quantitative and qualitative factors unique to the Bank for consumer, residential and commercial loans. The allowance for loan losses as of September 30, 2008 was maintained at a level that represents management's best estimate of losses inherent in the loan portfolio. Although we believe that we have established the allowance for loan losses at levels to absorb probable and estimable losses, future additions or deductions may be necessary if economic or other conditions in the future differ from the current environment.

Total Noninterest Income. Noninterest income increased $110,000, or 50.2%, to $329,000 for the nine months ended September 30, 2008 from $219,000 for the nine months ended September 30, 2007. The increase was primarily attributable to net gains on sales of available-for-sale securities of $96,000 for the nine months ended September 30, 2008 compared with $16,000 of such sales for the nine months ended September 30, 2007, an increase in income related to debit, credit and ATM transactions as well as an increase in net servicing income for the nine months ended September 30, 2008 compared with the nine months ended September 30, 2007.

Total Noninterest Expense. Noninterest expense increased $320,000, or 16.9% to $2.2 million for the nine months ended September 30, 2008 compared with $1.9 million for the nine months ended September 30, 2007. Salaries and employee benefits expense increased $120,000 from $1.0 million for the nine months ended September 30, 2007 to $1.1 million for the nine months ended September 30, 2008. The increase in salaries and employee benefits expense related to an increase in staffing for the commercial lending area, salary increases, an increase in benefit costs for medical coverage, increases related to stock benefit plans for executives and employees, partially offset by an increase in the deferrals of loan origination costs. Other increases in noninterest expense related to an increase of $100,000 in other expenses, a $44,000 increase in data processing costs and a $43,000 increase in marketing expense. The increase in other expenses related to higher FDIC assessment premiums in 2008 compared with 2007, $17,000 of additional expense related to the maintenance of the Bank's other real estate owned property, additional ongoing expenses related to the Rewards Checking product as well as increased expenses for Directors related to fees and stock benefit plans. The increase in marketing expense related to costs associated with our Rewards Checking product which was introduced in the fourth quarter of 2007, the promotion of a new service for our customers known as Identity Theft 911 as well as other marketing initiatives aimed at increasing our loan portfolio and core deposits. The increase in data processing costs related to increased service bureau costs as well as computer related costs due to internal controls compliance under Sarbanes-Oxley and other technical support costs. On October 7, 2008, the Board of Directors of the FDIC proposed a restoration plan for the Deposit Insurance Fund which would raise the assessment rate schedule uniformly by seven basis points (annualized) beginning January 1, 2009. The FDIC will also adjust the base assessment based on an institution's level of unsecured debt, secured liabilities and brokered deposits. As a result, the Bank may also be subject to additional assessments since the Bank's FHLB advances exceed 15% of domestic deposits. There can be no assurance that the proposed rule will be implemented by the FDIC in its proposed form. The increase in FDIC assessments may have a negative effect on the Bank's earnings for 2009.

Income Tax Expense. Income tax expense decreased $16,000 to $56,000 for the nine months ended September 30, 2008 from $72,000 for the nine months ended September 30, 2007 due to lower pre-tax income. The effective tax rate was 45.1% for the nine months ended September 30, 2008 compared to 44.7% for the nine months ended September 30, 2007.

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Risk Elements

Total nonperforming assets increased $715,000 to $985,000 or 0.89% of total assets at September 30, 2008 compared with $270,000 or 0.26% of total assets at December 31, 2007. The increase in nonperforming assets was primarily attributable to the following: 1) a commercial loan relationship secured by an inn for $474,000 which was transferred to other real estate owned at the end of the second quarter of 2008 and 2) a commercial loan relationship secured by a convenience store and gas station being placed on nonperforming status at the end of the third quarter of 2008. The nonperforming loans carry a guarantee by the United States Small Business Administration covering $50,000 and $165,000 of the balance outstanding, respectively, at September 30, 2008 and December 31, 2007.

As shown in the following table, nonperforming assets as a percentage of total assets were 0.89% and 0.26%, as of September 30, 2008 and December 31, 2007, respectively.

	September 30, 2008	December 31, 2007
	($ in Thousands)	
Loans 90 days or more past due and still accruing	$ 0	$ 0
Total nonperforming loans	$511	$270
Other real estate owned	$474	$ 0

Total nonperforming loans and nonperforming assets	$985	$270
Nonperforming loans as a percent of total loans	0.73%	0.42%
Nonperforming assets as a percent of total assets	0.89%	0.26%

The following table is a break down of nonperforming loans by loan type that have a government guaranty for the periods noted below:

	September 30, 2008	December 31, 2007
	($ in Thousands)	
Commercial business loans with a SBA guarantee	$ 50	$184
Total nonperforming loans with a SBA guarantee	$ 50	$184
Guaranteed portion of nonperforming loans	$ 42	$165

Liquidity and Commitments

Historically, we have maintained liquid assets at levels believed to be adequate to meet the requirements of normal operations, including potential deposit outflows. We regularly review cash flow projections and update them to assure that adequate liquidity is maintained. Liquidity may increase or decrease depending upon the availability of funds and comparative yields on investments in relation to the return on loans.

Our liquidity, represented by cash and cash equivalents and mortgage-backed and related securities, is a product of our operating, investing and financing activities. Our primary sources of funds are deposits, amortization, prepayments and maturities of outstanding loans and mortgage-backed securities, and other short-term investments and funds provided from operations. While scheduled payments from the amortization of loans and mortgage-backed related securities and maturing investment securities and short-term investments are relatively predictable sources of funds, deposit flows and loan prepayments are greatly influenced by general interest rates, economic conditions and competition. In addition, we invest excess funds in short-term interest-earning assets, which provide liquidity to meet lending requirements. We also generate cash through borrowings. We utilize FHLB advances to leverage our capital base and provide funds for our lending and investment activities, and enhance our interest rate risk management.

Liquidity management is both a daily and long-term function of business management. Excess liquidity is generally invested in short-term investments such as overnight deposits. On a longer-term basis, we maintain a strategy of investing in various lending products such as residential, commercial and consumer loans. We use our sources of funds primarily to meet

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ongoing commitments, to pay maturing time deposits and savings withdrawals, to fund loan commitments and to maintain our portfolio of mortgage-backed and related securities. At September 30, 2008, the total approved loan commitments unfunded amounted to $8.2 million, which includes the unadvanced portion of loans of $7.2 million. Certificates of deposit and advances from the FHLB of Boston scheduled to mature in one year or less at September 30, 2008, totaled $22.0 million and $5.5 million, respectively. Based on historical experience, we believe that a significant portion of maturing deposits will remain with the Bank. We anticipate that we will continue to have sufficient funds, through deposits and borrowings, to meet our current commitments.

During the first quarter of 2008, the Bank secured a repurchase line of credit with a brokerage firm for $5.0 million, in the event additional liquidity was needed.

At September 30, 2008, we had total collateral available to support an additional $7.4 million in additional advances from the FHLB of Boston.

Stockholders' Equity

Total stockholders' equity decreased $379,000 to $9.06 million at September 30, 2008 from $9.44 million at December 31, 2007. The decrease in stockholders' equity was primarily attributable to the repurchase of 65,000 shares of common stock for treasury for approximately $411,000 and a decrease in accumulated other comprehensive income of $89,000, partially offset by net income of $68,000 for the nine months ended September 30, 2008 and a $53,000 increase related to the recognition of stock option expense as well as restricted stock award amortization. Our equity to assets ratio was 8.18% at September 30, 2008 compared to 8.97% at December 31, 2007.

Consistent with our goal to operate a sound and profitable financial organization, we actively seek to maintain a "well capitalized" institution in accordance with regulatory standards. As of September 30, 2008, the most recent notification from the OTS categorized the Bank as "well-capitalized" under the regulatory framework for prompt corrective action. To be categorized as well-capitalized, the subsidiary bank must maintain minimum total risk-based, Tier I risk-based, and Tier I leverage ratios of 10%, 6% and 5%, respectively. The Bank's regulatory capital ratios at September 30, 2008 were as follows: total risk-based capital 14.86%, Tier I risk based 14.22% and Tier I leverage (core capital) 7.87%. There have been no conditions or events since that notification that management believes would cause a change in the Bank's categorization.

Impact of Inflation

The financial statements presented in this 10-Q have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). These principles require the measurement of financial position and operating results in terms of historical dollars, without considering changes in the relative purchasing power of money over time due to inflation.

Our primary assets and liabilities are monetary in nature. As a result, interest rates have a more significant impact on our performance than the effects of general levels of inflation. Interest rates, however, do not necessarily move in the same direction or with the same magnitude as the price of goods and services, since such prices are affected by inflation. In a period of rapidly rising interest rates, the liquidity and maturity structure of our assets and liabilities are critical to the maintenance of acceptable performance levels.

The principal effect of inflation, as distinct from levels of interest rates, on earnings is in the area of non-interest expense. Expense items such as employee compensation, employee benefits and occupancy and equipment costs may be subject to increases as a result of inflation. An additional effect of inflation is the possible increase in the dollar value of the collateral securing loans that we have made. We are unable to determine the extent, if any, to which properties securing our loans have appreciated in dollar value due to inflation.

Our Risk When Interest Rates Change. The rates of interest we earn on assets and pay on liabilities generally are established contractually for a period of time. Market interest rates change over time. Our loans generally have longer maturities than our deposits. Accordingly, our results of operations, like those of other financial institutions, are impacted by changes in interest rates and the interest rate sensitivity of our assets and liabilities. The risk associated with changes in interest rates and our ability to adapt to these changes is known as interest rate risk and is our most significant market risk.

How We Measure Our Risk of Interest Rate Changes. As part of our attempt to manage our exposure to changes in interest rates and comply with applicable regulations, we monitor our interest rate risk. In monitoring interest rate risk we

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continually analyze and manage assets and liabilities based on their payment streams and interest rates, the timing of their maturities, and their sensitivity to actual or potential changes in market interest rates.

In order to minimize the potential for adverse effects of material and prolonged increases in interest rates on our results of operations, we have adopted asset/liability and funds management policies to better match the maturities and repricing terms of our interest-earning assets and interest-bearing liabilities. The board of directors sets and recommends the asset and liability and funds management policies of the Bank, which are implemented by the asset/liability management committee.

The purpose of the asset/liability committee is to communicate, coordinate and control asset/liability management consistent with our business plan and board approved policies. The committee establishes and monitors the volume and mix of assets and funding sources taking into account relative costs and spreads, interest rate sensitivity and liquidity needs. The objectives are to manage assets and funding sources to produce results that are consistent with liquidity, capital adequacy, growth, risk and profitability goals.

The asset/liability management committee generally meets quarterly to review, among other things, economic conditions and interest rate outlook, current and projected liquidity needs and capital position, anticipated changes in the volume and mix of assets and liabilities and interest rate risk exposure limits versus current projections using a net present value of portfolio equity analysis and income simulations. The asset/liability management committee recommends appropriate strategy changes based on this review.

In order to manage our assets and liabilities and achieve the desired liquidity, credit quality, interest rate risk, profitability and capital targets, we have focused our strategies on:

- Using FHLB advances and pricing on fixed-term non-core deposits to align maturities and repricing terms,
- Purchasing adjustable rate securities,
- Originating and purchasing adjustable rate loans,
- Originating and purchasing a reasonable volume of fixed rate mortgages, and
- Managing our deposits to establish stable deposit relationships.

At times, depending on the level of general interest rates, the relationship between long- and short-term interest rates, market conditions and competitive factors, the asset/liability management committee may determine to increase our interest rate risk position somewhat in order to maintain our net interest margin.

The asset/liability management committee regularly reviews interest rate risk by forecasting the impact of alternative interest rate environments on net interest income and market value of portfolio equity, which is defined as the net present value of an institution's existing assets, liabilities and off-balance sheet instruments, and evaluating such impacts against the maximum potential changes in net interest income and market value of portfolio equity that are authorized by the board of directors of the Bank.

ITEM 3. Quantitative and Qualitative Disclosures about Market Risk

This item is not applicable to the Company because we are a smaller reporting company.

ITEM 4. Controls and Procedures

Our management evaluated, with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) or 15d-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this report. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and regulations and are operating in an effective manner.

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No change in our internal control over financial reporting (as defined in Rules 13a-15(f) or 15(d)-15(f) under the Securities Exchange Act of 1934) occurred during the most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We are involved, from time to time, as plaintiff or defendant in various legal actions arising in the normal course of business. At September 30, 2008, we were not involved in any legal proceedings, the outcome of which would be material to our financial condition, results of operations, or cash flows.

Item 1A. Risk Factors

This item is not applicable to the Company because we are a smaller reporting company.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Not applicable

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

(a) Exhibits

31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act

31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act

32.1 Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act

32.2 Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Monadnock Bancorp, Inc.

Date: November 7, 2008 /s/ William M. Pierce, Jr.

William M. Pierce, Jr.
President and Chief Executive Officer

Date: November 7, 2008 /s/ Karl F. Betz

Karl F. Betz
Senior Vice President and Chief
Financial Officer

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EXHIBIT 31.1

Certification of the Chief Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act

I, William M. Pierce, Jr., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Monadnock Bancorp, Inc.;

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(s) 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-13 (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 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 changes 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 reasonably likely to materially effect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) 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.

Date: November 7, 2008

/s/ William M. Pierce, Jr.

William M. Pierce, Jr.
President and Chief Executive Officer

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EXHIBIT 31.2

Certification of the Chief Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act

I, Karl F. Betz, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Monadnock Bancorp, Inc.;

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(s) 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-13 (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 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 changes 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 reasonably likely to materially effect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) 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.

Date: November 7, 2008

/s/ Karl F. Betz

Karl F. Betz
Senior Vice President and
Chief Financial Officer

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EXHIBIT 32.1

Certification of the Chief Executive Officer
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 of Monadnock Bancorp, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, William M. Pierce, Jr., President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley act of 2002 and in connection with this quarterly report on Form 10-Q that:

1. The Report fully complies with the requirements of sections 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and

2. The information contained in the report fairly presents, in all material respects, the company's financial condition and results of operations.

Date: November 7, 2008

/s/ William M. Pierce, Jr.

William M. Pierce, Jr.
President and Chief Executive Officer

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EXHIBIT 32.2

Certification of the Chief Financial Officer
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 of Monadnock Bancorp, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Karl F. Betz, Senior Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley act of 2002 and in connection with this quarterly report on Form 10-Q that:

1. The Report fully complies with the requirements of sections 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and

2. The information contained in the report fairly presents, in all material respects, the company's financial condition and results of operations.

Date: November 7, 2008

/s/ Karl F. Betz

Karl F. Betz
Senior Vice President and
Chief Financial Officer

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