CHICOPEE BANCORP, INC.
Form 10-Q
November 13, 2007
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# UNITED STATES

# SECURITIES AND EXCHANGE COMMISSION

**WASHINGTON, D.C. 20549**

# FORM 10-Q

**(Mark One)**

**x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
**For the quarterly period ended September 30, 2007**

**or**

**¨ 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: 000-51996**

# CHICOPEE BANCORP, INC.

**(Exact name of registrant as specified in its charter)**

| **Massachusetts** | **20-4840562** |
|---|---|
| **(State or other jurisdiction of incorporation or organization)** | **(I.R.S. Employer Identification No.)** |
| **70 Center Street, Chicopee, Massachusetts** | **01013** |

**(Address of principal executive offices)** **(Zip Code)**

**(413) 594-6692**

**(Registrant s telephone number, including area code)**

**Not Applicable**

**(Former name, former address and former fiscal year, if changed since last report)**

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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 an accelerated filer. (See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act).

Large accelerated filer ¨ Accelerated filer ¨ Non-accelerated filer x

Indicate be check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

As of October 31, 2007, there were 7,439,368 shares of the Registrant s Common Stock outstanding.

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**CHICOPEE BANCORP, INC.**

**FORM 10-Q**

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**PART I. FINANCIAL INFORMATION**

**Item 1. Financial Statements (unaudited)**

**CHICOPEE BANCORP, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION**

**(Dollars In Thousands)**

| | September 30, 2007 (Unaudited) | December 31, 2006 |
|---|---|---|
| **Assets** | | |
| Cash and due from banks | $ 7,986 | $ 8,816 |
| Short-term investments | 3,058 | 1,132 |
| Federal funds sold | 8,647 | 1,580 |
| Total cash and cash equivalents | 19,691 | 11,528 |
| Securities available-for-sale, at fair value | 8,328 | 7,861 |
| Securities held-to-maturity, at cost (fair value $35,629 and $37,099 at September 30, 2007 and December 31, 2006, respectively) | 35,890 | 37,411 |
| Federal Home Loan Bank stock, at cost | 1,583 | 1,574 |
| Loans, net of allowance for loan losses ($3,079 at September 30, 2007 and $2,908 at December 31, 2006) | 375,137 | 368,968 |
| Cash surrender value of life insurance | 11,556 | 11,200 |
| Premises and equipment, net | 6,819 | 7,003 |
| Accrued interest and dividend receivable | 2,088 | 1,901 |
| Deferred income tax asset | 1,596 | 1,538 |
| Other assets | 951 | 1,061 |
| Total assets | $ 463,639 | $ 450,045 |
| **Liabilities and Stockholders Equity** | | |
| Deposits | | |
| Non-interest-bearing | $ 29,409 | $ 29,088 |
| Interest-bearing | 294,693 | 282,483 |
| Total deposits | 324,102 | 311,571 |
| Securities sold under agreements to repurchase | 17,937 | 12,712 |
| Advances from Federal Home Loan Bank | 13,446 | 15,256 |
| Mortgagors escrow accounts | 1,405 | 997 |
| Accrued expenses and other liabilities | 936 | 1,063 |
| Total liabilities | 357,826 | 341,599 |
| Stockholders equity | | |
| Common stock (no par value, 20,000,000 shares authorized, 7,439,368 shares issued at September 30, 2007 and December 31, 2006) | 72,479 | 72,479 |
| Treasury stock, at cost (25,000 shares at September 30, 2007 and no shares at December 31, 2006) | (347) | |
| Additional paid-in-capital | 401 | 144 |
| Unearned compensation (restricted stock awards) | (4,152) | |

| | | |
|---|---|---|
| Unearned compensation (Employee Stock Ownership Plan) | (5,431) | (5,654) |
| Retained earnings | 42,310 | 40,817 |
| Accumulated other comprehensive income | 553 | 660 |
| Total stockholders equity | 105,813 | 108,446 |
| Total liabilities and stockholders equity | $ 463,639 | $ 450,045 |

See accompanying notes to unaudited consolidated financial statements.

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**CHICOPEE BANCORP, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF OPERATIONS**

**(In Thousands, Except for Number of Shares and Per Share Amounts)**

**(Unaudited)**

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| Interest and dividend income: | | | | |
| Loans, including fees | $ 5,926 | $ 5,130 | $ 17,542 | $ 14,706 |
| Interest and dividends on securities | 500 | 536 | 1,475 | 1,281 |
| Other interest-earning assets | 126 | 296 | 532 | 539 |
| Total interest and dividend income | 6,552 | 5,962 | 19,549 | 16,526 |
| Interest expense: | | | | |
| Deposits | 2,778 | 2,033 | 8,130 | 5,499 |
| Securities sold under agreements to repurchase | 93 | 86 | 242 | 196 |
| Other borrowed funds | 139 | 165 | 430 | 877 |
| Total interest expense | 3,010 | 2,284 | 8,802 | 6,572 |
| Net interest income | 3,542 | 3,678 | 10,747 | 9,954 |
| Provision for loan losses | | 75 | 214 | 335 |
| Net interest income, after provision for loan losses | 3,542 | 3,603 | 10,533 | 9,619 |
| Non-interest income: | | | | |
| Service charges, fees and commissions | 446 | 365 | 1,378 | 1,146 |
| Loan sales and servicing, net of amortization | (2) | 2 | (4) | 119 |
| Net gain on sales of securities available-for-sale | 126 | 13 | 714 | 31 |
| Total non-interest income | 570 | 380 | 2,088 | 1,296 |
| Non-interest expenses: | | | | |
| Salaries and employee benefits | 2,250 | 1,757 | 6,044 | 4,985 |
| Occupancy expenses | 227 | 266 | 777 | 807 |
| Furniture and equipment | 241 | 231 | 707 | 672 |
| Data processing | 189 | 184 | 553 | 527 |
| Stationery, supplies and postage | 78 | 75 | 256 | 236 |
| Charitable foundation contributions | | 5,511 | | 5,511 |
| Other non-interest expense | 679 | 647 | 2,078 | 1,818 |
| Total non-interest expenses | 3,664 | 8,671 | 10,415 | 14,556 |
| Income (loss) before income taxes | 448 | (4,688) | 2,206 | (3,641) |
| Income tax expense (benefit) | 100 | (1,057) | 713 | (737) |
| Net income (loss) | $ 348 | ($ 3,631) | $ 1,493 | ($ 2,904) |

| | | | | |
|---|---|---|---|---|
| Earnings per share: | | | | |
| Basic | $ 0.05 | NA | $ 0.23 | NA |
| Diluted | $ 0.05 | NA | $ 0.23 | NA |
| Adjusted weighted average shares outstanding: | | | | |
| Basic | 6,573,685 | NA | 6,575,486 | NA |
| Diluted | 6,577,656 | NA | 6,580,718 | NA |

NA- Not Applicable

See accompanying notes to unaudited consolidated financial statements.

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**CHICOPEE BANCORP, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY**

**Nine Months Ended September 30, 2007 and 2006**

**(Dollars In Thousands)**

**(Unaudited)**

| | Common Stock | Treasury Stock | Additional Paid-in Capital | Unearned Compensation (restricted stock awards) | Unearned Compensation (ESOP) | Retained Earnings | Accumulated Other Comprehensive Income | Total |
|---|---|---|---|---|---|---|---|---|
| Balance at December 31, 2006 | $ 72,479 | $ | $ 144 | $ | $ (5,654) | $ 40,817 | $ 660 | $ 108,446 |
| Comprehensive income: | | | | | | | | |
| Net income | | | | | | 1,493 | | 1,493 |
| Change in net unrealized gain on securities available-for-sale, net of tax | | | | | | | (107) | (107) |
| Total comprehensive income | | | | | | | | 1,386 |
| Purchase of common stock for funding of restricted stock awards | | | | (4,365) | | | | (4,365) |
| Treasury stock purchased (25,000 shares) | | (347) | | | | | | (347) |
| Change in unearned compensation | | | 257 | 213 | 223 | | | 693 |
| Balance at September 30, 2007 | $ 72,479 | $ (347) | $ 401 | $ (4,152) | $ (5,431) | $ 42,310 | $ 553 | $ 105,813 |
| Balance at December 31, 2005 | $ | $ | $ | $ | $ | $ 43,351 | $ 90 | $ 43,441 |
| Comprehensive loss: | | | | | | | | |
| Net loss | | | | | | (2,904) | | (2,904) |
| Change in net unrealized gain on securities available-for-sale, net of tax | | | | | | | 256 | 256 |
| Total comprehensive loss | | | | | | | | (2,648) |
| Issuance of common stock for initial public offering net of expenses of $1,900 | 66,968 | | | | | | | 66,968 |
| Issuance of common stock to Chicopee Savings Bank Charitable Foundation | 5,511 | | | | | | | 5,511 |
| Stock purchased for ESOP | | | | | (5,951) | | | (5,951) |
| Change in unearned compensation | | | 68 | | 148 | | | 216 |
| Balance at September 30, 2006 | $ 72,479 | $ | $ 68 | $ | $ (5,803) | $ 40,447 | $ 346 | $ 107,537 |

See accompanying notes to unaudited consolidated financial statements.

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**CHICOPEE BANCORP, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**(Unaudited)**

| | Nine Months Ended September 30, 2007 | 2006 |
|---|---|---|
| | (In thousands) | |
| Cash flows from operating activities: | | |
| Net income (loss) | $ 1,493 | ($ 2,904) |
| Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities: | | |
| Depreciation and amortization | 589 | 542 |
| Provision for impairment loss in investments | | 50 |
| Provision for loan losses | 214 | 335 |
| Increase in cash surrender value of life insurance | (356) | (297) |
| Realized gains on investment securities, net | (714) | (31) |
| Realized losses on disposal of property and equipment | 4 | |
| Net gains on sales of loans and other real estate owned | | (14) |
| Deferred income taxes | | (1,274) |
| Decrease in other assets | 113 | 377 |
| Increase in accrued interest receivable | (188) | (391) |
| Decrease in other liabilities | (126) | (651) |
| Change in unearned compensation | 693 | 216 |
| Net cash provided (used) by operating activities | 1,722 | (4,042) |
| Cash flows from investing activities: | | |
| Additions to premises and equipment | (374) | (600) |
| Loan originations and principal collections, net | (6,383) | (27,035) |
| Proceeds from sales of securities available-for-sale | 4,094 | 5,304 |
| Purchases of securities available-for-sale | (4,021) | (6,192) |
| Purchases of securities held-to-maturity | (65,588) | (54,210) |
| Maturities of securities held-to-maturity | 67,073 | 50,964 |
| Net cash used by investing activities | (5,199) | (31,769) |
| Cash flows from financing activities: | | |
| Net increase in deposits | 12,530 | 7,035 |
| Net increase (decrease) in securities sold under agreements to repurchase | 5,225 | (3,039) |
| Payments on long-term FHLB advances | (1,811) | (2,910) |
| Net decrease in other short-term borrowings | | (10,520) |
| Issuance of common stock for the initial public offering, net of expenses | | 72,479 |
| Stock purchased for ESOP | | (5,951) |
| Stock purchased for treasury | (347) | |
| Stock purchased for restricted stock awards | (4,365) | |
| Net decrease in escrow funds held | 408 | 376 |
| Net cash provided by financing activities | 11,640 | 57,470 |
| Net increase in cash and cash equivalents | 8,163 | 21,659 |
| Cash and cash equivalents at beginning of period | 11,528 | 17,586 |

| | | |
|---|---|---|
| Cash and cash equivalents at end of period | $ 19,691 | $ 39,245 |
| | | |
| Supplemental cash flow information: | | |
| Interest paid on deposits | $ 8,130 | $ 5,499 |
| Interest paid on borrowings | 672 | 1,073 |
| Income taxes paid | 815 | 857 |

See accompanying notes to unaudited consolidated financial statements.

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**CHICOPEE BANCORP, INC. AND SUBSIDIARIES**

**Notes to Unaudited Consolidated Financial Statements**

**At and for the Nine Months Ended September 30, 2007**

**1. Basis of Presentation**

Chicopee Bancorp, Inc. (the Corporation ) has no significant assets other than all of the outstanding shares of its wholly-owned subsidiaries, Chicopee Savings Bank (the Bank ) and Chicopee Funding Corporation (collectively, the Company ). The Corporation was formed on March 14, 2006 by the Bank to become the holding company for the Bank upon completion of the Bank s conversion from a mutual savings bank to a stock savings bank. The conversion of the Bank was completed on July 19, 2006. The accounts of the Bank include both of its wholly-owned subsidiaries. The Consolidated Financial Statements of the Company as of September 30, 2007 and for the periods ended September 30, 2007 and 2006 included herein are unaudited. In the opinion of management, all adjustments, consisting only of normal recurring adjustments necessary for a fair presentation of the financial condition, results of operations, changes in stockholders equity and cash flows, as of and for the periods covered herein, have been made. These financial statements should be read in conjunction with the consolidated financial statements and footnotes thereto for the year ended December 31, 2006 included in the Company s Annual Report on Form 10-K.

The results for the three and nine months interim periods covered hereby are not necessarily indicative of the operating results for a full year.

**2. Earnings Per Share**

Basic earnings per share represents income available to common stockholders divided by the adjusted weighted-average number of common shares outstanding during the period. The adjusted outstanding common shares equals the gross number of common shares issued less treasury shares, unallocated shares of the Chicopee Savings Bank Employee Stock Ownership Plan ( ESOP ) and nonvested restricted stock awards under the 2007 Equity Incentive Plan. Diluted earnings per share reflects additional common shares that would have been outstanding if dilutive potential common shares had been issued. Potential common shares to be issued include any shares in a stock-based compensation plan.

As of June 30, 2007, the Company had an approved stock-based compensation plan which had no options outstanding. On July 26, 2007, the Company granted stock options and stock awards under the Company s 2007 Equity Incentive Plan. The total number of options granted under the plan is 743,936, at a fair value of $3.92 per option. The exercise price of each stock option is equivalent to the fair value of the stock at the date of grant of $14.29 per share. The total number of awards granted under the plan are 297,574 at a fair value of $14.29 per share. All options and awards will be expensed over their vesting period of 5 years.

Earnings per common share are not presented for the September 30, 2006 period as the Company s initial public offering was completed on July 19, 2006; therefore, per share results would not be meaningful.

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Earnings per share is computed as follows:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| Net income (loss) (in thousands) | $ 348 | ($ 3,631) | $ 1,493 | ($ 2,904) |
| Weighted average number of common shares issued | 7,439,368 | 7,439,368 | 7,439,368 | 7,439,368 |
| Less: average number of treasury shares | (2,717) | | (916) | |
| Less: average number of unallocated ESOP shares | (565,392) | (595,149) | (565,392) | (595,149) |
| Less: average number of nonvested restricted stock awards | (297,574) | | (297,574) | |
| Adjusted weighted average number of common shares outstanding | 6,573,685 | 6,844,219 | 6,575,486 | 6,844,219 |
| Plus: dilutive nonvested restricted stock awards | 3,971 | | 5,232 | |
| Weighted average number of diluted shares outstanding | 6,577,656 | 6,844,219 | 6,580,718 | 6,844,219 |
| Net income per share: | | | | |
| Basic | $ 0.05 | NA | $ 0.23 | NA |
| Diluted | $ 0.05 | NA | $ 0.23 | NA |

NA- Not applicable

There were 743,936 stock options that were not included in the diluted earnings per share for the three and nine months ended September 30, 2007 because their effect is anti-dilutive.

**3. Equity Incentive Plan**

**Stock Options**

Under the Company s 2007 Equity Incentive Plan the Company may grant options to directors, officers and employees for up to 743,936 shares of common stock. Both incentive stock options and non-qualified stock options may be granted under the Plan. The exercise price for each option is equal to the market price of the Company s stock on the date of grant and the maximum term of each option is ten years. The vesting period is five years from the date of grant.

The Company recognizes compensation expense over the vesting period, based on the grant-date fair value of the options granted. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

| | Nine Months Ended September 30, 2007 |
|---|---|
| Expected dividend yield | 2.00% |
| Expected term | 6.5 years |
| Expected volatility | 23.00% |
| Risk-free interest rate | 5.08% |

The expected volatility is based on historical volatility of a peer group of similar entities. The risk-free interest rate for the periods within the contractual life of the awards is based on the U.S. Treasury yield in effect at the time of grant. The expected life of 6.5 years is based on the simplified method calculations allowed for plain-vanilla share options granted prior to December 31, 2007. The dividend yield assumption is based on the Company s expectation of dividend payouts.

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A summary of options under the Plan as of September 30, 2007, and changes during the nine months ended September 30, 2007, is as follows:

| | Shares | Weighted Average Exercise Price | Weighted Average Remaining Contractual Term (in years) | Aggregate Intrinsic Value |
|---|---|---|---|---|
| Outstanding at December 31, 2006 | | $ | | |
| Granted | 743,936 | 14.29 | 9.80 | |
| Exercised | | | | |
| Forfeited or expired | | | | |
| Outstanding at September 30, 2007 | 743,936 | $ 14.29 | 9.80 | $ |
| Exercisable at September 30, 2007 | | $ | | $ |

The weighted-average grant-date fair value of options granted during the third quarter 2007 was $3.92. For the quarter ended September 30, 2007, share based compensation expense applicable to the plan was $146,000 and the related tax benefit was $50,000. No options vested during the nine months ended September 30, 2007 and no options were granted prior to July 1, 2007. As of September 30, 2007, unrecognized stock-based compensation expense related to nonvested options amounted to $2.8 million. This amount is expected to be recognized over a period of 4.75 years.

**Stock Awards**

Under the Company s 2007 Equity Incentive Plan, approved by the Company s stockholders at the annual meeting of Company stockholders on May 30, 2007, the Company may grant stock awards to its directors, officers and employees for up to 297,574 shares of common stock. The stock awards vest 20% per year. The fair market value of the stock awards, based on the market price at the date of grant, is recorded as unearned compensation. Unearned compensation is amortized over the applicable vesting period. The Company recorded compensation cost related to stock awards of approximately $213,000 and $72,000 of related tax benefit in the third quarter 2007. No stock awards were granted prior to July 1, 2007. As of September 30, 2007, unrecognized stock-based compensation expense related to nonvested restricted stock awards is expected to be recognized over a period of 4.75 years.

A summary of the status of the Company s stock awards as of September 30, 2007, and changes during the nine months ended September 30, 2007, is as follows:

| Nonvested Shares | Shares | Weighted Average Grant-Date Fair Value |
|---|---|---|
| Balance at beginning at December 31, 2006 | | $ |
| Granted | 297,574 | 14.29 |
| Vested | | |
| Forfeited | | |
| Balance at September 30, 2007 | 297,574 | $ 14.29 |

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**4. Recent Accounting Pronouncements**

In July 2006, the Financial Accounting Standards Board (FASB) issued Financial Accounting Standards Interpretation No. 48, Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109 ( FIN 48 ). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in a company s financial statements in accordance with FASB Statement No. 109, Accounting for Income Taxes. FIN 48 prescribes a recognition threshold of more-likely-than-not, and a measurement attribute for all tax positions taken or expected to be taken on a tax return, in order for those tax positions to be recognized in the financial statements. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosures and transitions. Effective January 1, 2007, the Company adopted FIN 48. The implementation of FIN 48 did not have a material impact on the Company s financial statements.

The Company s income tax returns for the years ended December 31, 2004, 2005 and 2006 are open to audit under the statute of limitations by the Internal Revenue Service. The December 31, 2005 income tax return was audited and there were no changes. The Company s policy is to record interest and penalties related to uncertain tax positions as part of its income tax expense. The Company has no penalties and interest recorded for the nine month period ended September 30, 2007.

In March 2006, FASB issued Statement of Financial Accounting Standards (SFAS) No. 156, Accounting for Servicing of Financial Assets-an Amendment to FASB Statement No. 140. SFAS No. 156 requires mortgage servicing rights associated with loans originated and sold, where servicing is retained, to be initially capitalized at fair value and subsequently accounted for using either the fair value method or the amortization method. The Company is using the amortization method for subsequent reporting. Mortgage servicing rights are evaluated for impairment based upon the fair value of the rights as compared to amortized cost. Fair value is based upon discounted cash flows using market-based assumptions. Projected prepayments on the portfolio are estimated using the Public Securities Association Standard Prepayment Model. All assumptions are adjusted periodically to reflect current circumstances. SFAS No. 156 was effective January 1, 2007. Implementation of SFAS No. 156 did not have a material effect on the financial statements of the Company.

In September, 2006 FASB issued SFAS No. 157, *Fair Value Measurements*. SFAS No. 157 establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. This Statement will be effective January 1, 2008 and early application is encouraged. This Statement does not require any new fair value measurements and the Company does not expect application of this Statement will have a material effect on its financial condition and results of operations.

In February 2007, FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities , which gives entities the option to measure eligible financial assets and financial liabilities at fair value on an instrument by instrument basis. The election to use the fair value option is available when an entity first recognizes a financial asset or financial liability. Subsequent changes in fair value must be recorded in earnings. SFAS No. 159 contains provisions to apply the fair value option to existing eligible financial instruments at the date of adoption. This statement is effective as of the beginning of an entity s first fiscal year after November 15, 2007, with provisions for early adoption. The Company is in the process of analyzing the impact of SFAS No. 159.

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**5. Comprehensive Income or Loss**

Accounting principles generally require recognized revenue, expenses, gains, and losses to be included in net income or loss. Certain changes in assets and liabilities, such as the after-tax effect of unrealized gains and losses on securities available-for-sale, are not reflected in the statement of operations, but the cumulative effect of such items from period-to-period is reflected as a separate component of the equity section of the statement of financial condition (accumulated other comprehensive income). Other comprehensive income or loss, along with net income or loss, comprises the Company s total comprehensive income or loss.

Comprehensive income (loss) is comprised of the following:

| | Three Months Ended September 30, | |
|---|---|---|
| | 2007 | 2006 |
| | (Dollars In Thousands) | |
| Net income (loss) | $ 348 | $ (3,631) |
| Other comprehensive income (loss), net of tax: | | |
| Unrealized holding gains on available-for-sale securities arising during the period | 98 | 370 |
| Reclassification adjustment for gain on sale of available-for-sale securities included in net income | (126) | (13) |
| Tax effect | 10 | (125) |
| Other comprehensive income (loss), net of tax | (18) | 232 |
| Total comprehensive income (loss) | $ 330 | $ (3,399) |

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2007 | 2006 |
| | (Dollars In Thousands) | |
| Net income (loss) | $ 1,493 | $ (2,904) |
| Other comprehensive income (loss), net of tax: | | |
| Unrealized holding gains on available-for-sale securities arising during the period | 549 | 425 |
| Reclassification adjustment for gain on sale of available-for-sale securities included in net income | (714) | (31) |
| Tax effect | 58 | (138) |
| Other comprehensive income (loss), net of tax | (107) | 256 |
| Total comprehensive income (loss) | $ 1,386 | $ (2,648) |

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**6. Defined Benefit Pension Plan**

Prior to January 31, 2007, the Company sponsored a noncontributory defined benefit plan through its membership in the Savings Bank Employees Retirement Association ( SBERA ).

As of January 31, 2007, the Company terminated the Pension Plan. As of September 30, 2007, the Bank had an accrued liability of $781,000 which will be equitably distributed to all eligible employees who were active when the plan terminated.

The components of the net periodic benefit cost are:

| | Three Months Ended September 30, | |
|---|---|---|
| | 2007 | 2006 |
| | (Dollars In Thousands) | |
| Service cost | $ | $ 89 |
| Interest cost | 72 | 90 |
| Amortization of transition obligation | | 1 |
| Expected return on assets | (72) | (93) |
| Recognized net actuarial loss | | 8 |
| Net periodic benefit cost | $ | $ 95 |
| Weighted-average discount rate assumption used to determine benefit obligation | 5.75% | 5.75% |
| Weighted-average discount rate assumption used to determine net benefit cost | 5.75% | 5.75% |

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2007 | 2006 |
| | (Dollars In Thousands) | |
| Service cost | $ | $ 268 |
| Interest cost | 215 | 271 |
| Amortization of transition obligation | | 2 |
| Expected return on assets | (215) | (279) |
| Recognized net actuarial loss | | 25 |
| Net periodic benefit cost | $ | $ 287 |
| Weighted-average discount rate assumption used to determine benefit obligation | 5.75% | 5.75% |
| Weighted-average discount rate assumption used to determine net benefit cost | 5.75% | 5.75% |

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

The following analysis discusses changes in the financial condition and results of operations of the Company at and for the three and nine months ended September 30, 2007 and 2006, and should be read in conjunction with the Company s Unaudited Consolidated Financial Statements and the notes thereto, appearing in Part I, Item 1 of this document.

**Forward-Looking Statements**

This Form 10-Q contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The Company intends such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, and is including this statement for purposes of these safe harbor provisions. Forward-looking statements, which are based on certain assumptions and describe future plans, strategies and expectations of the Company, are generally identified by use of the words believe, expect, intend, anticipate, estimate, project or similar expressions. The Company s ability to predict results or the actual effect of future plans or strategies is inherently uncertain. Factors which could have a material adverse effect on the operations of the Company include, but are not limited to: changes in interest rates, general economic conditions, legislative/regulatory changes, monetary and fiscal policies of the U.S. Government, including policies of the U.S. Treasury and the Federal Reserve Board, the quality or composition of the loan or investment portfolios, demand for loan products, deposit flows, competition, demand for financial services in the Company s market area and accounting principles and guidelines. These risks and uncertainties should be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements.

The Company does not undertake and specifically disclaims 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**

Chicopee Savings Bank is a community-oriented financial institution dedicated to serving the financial services needs of consumers and businesses within its market area. We attract deposits from the general public and use such funds to originate primarily one- to four-family residential real estate loans, commercial real estate loans and commercial loans. To a lesser extent, we originate multi-family loans, construction loans and consumer loans. At September 30, 2007, we operated out of our main office and six offices in Chicopee, West Springfield and Ludlow, Massachusetts.

**Comparison of Financial Condition at September 30, 2007 and December 31, 2006**

The Company s assets grew $13.6 million, or 3.0%, to $463.6 million at September 30, 2007 as compared to $450.0 million at December 31, 2006, primarily as a result of an increase in federal funds sold of $7.1 million as well as an increase in loans of $6.2 million. The increase in federal funds sold was primarily due to an increase in deposits of $12.5 million partially offset by the loan growth. Total net loans increased to $375.1 million from $369.0 million as of December 31, 2006, with one-to-four family loans increasing $6.2 million, or 4.3%, and consumer loans increasing $2.2 million, or 8.9%, which was offset by decreases in commercial real estate loans of $1.2 million or 1.2% and commercial loans of $1.5 million or 3.2%.

The balance sheet expansion was funded primarily by an increase in deposits of $12.5 million. Core deposits, which exclude certificates of deposit, increased $3.5 million, or 3.0%, to $123.5 million at September 30, 2007 from $120.0 million at December 31, 2006 largely as a result of competitive deposit pricing. Borrowings decreased $1.8 million, or 11.9%, to $13.4 million at September 30, 2007 due to principal payments. Certificates of deposit balances grew $9.0 million, or 4.0%, to $200.6 million at September 30, 2007 principally from special promotions.

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Total stockholders equity decreased $2.6 million, or 2.4%, to $105.8 million at September 30, 2007 from December 31, 2006, resulting mainly from the purchase of 297,574 shares of the Company s common stock to fund the trust which will be used to fund restricted stock awards under the Company s 2007 Equity Incentive Plan, at a cost of $4.4 million as well as the purchase of 25,000 shares of the Company s common stock through the Company s stock repurchase program, at a cost of $347,000. Partially offsetting the decrease was net income during the period.

**Lending Activities**

At September 30, 2007, the Company s net loan portfolio was $375.1 million, or 80.9% of total assets. The following table sets forth the composition of the Company s loan portfolio in dollar amounts and as a percentage of the respective portfolio at the dates indicated.

| | September 30, 2007 | | December 31, 2006 | |
|---|---|---|---|---|
| | Amount | Percent of Total | Amount | Percent of Total |
| | (Dollars In Thousands) | | | |
| Real estate loans: | | | | |
| One- to four-family | $ 150,165 | 39.8% | $ 143,964 | 38.8% |
| Multi-family | 11,279 | 3.0% | 11,447 | 3.1% |
| Commercial | 101,631 | 26.9% | 102,819 | 27.7% |
| Construction | 42,144 | 11.2% | 41,713 | 11.2% |
| Total real estate loans | 305,219 | 80.9% | 299,943 | 80.8% |
| Consumer loans: | | | | |
| Home equity | 6,616 | 1.8% | 7,766 | 2.1% |
| Second mortgages | 16,086 | 4.3% | 13,386 | 3.6% |
| Other | 4,202 | 1.1% | 3,555 | 1.0% |
| Total consumer loans | 26,904 | 7.2% | 24,707 | 6.7% |
| Commercial loans | 44,885 | 11.9% | 46,348 | 12.5% |
| Total loans | 377,008 | 100.0% | 370,998 | 100.0% |
| Undisbursed portion of loans in process | 328 | | 21 | |
| Net deferred loan origination costs | 880 | | 857 | |
| Allowance for loan losses | (3,079) | | (2,908) | |
| Loans, net | $ 375,137 | | $ 368,968 | |

The Company s net loan portfolio increased $6.2 million, or 1.7%, during the first nine months of 2007 primarily due to strong real estate lending.

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**Non-performing Assets**

The following table sets forth information regarding nonaccrual loans, real estate owned and restructured loans at the dates indicated.

| | 2007 | 2006 |
|---|---|---|
| | (Dollars In Thousands) | |
| Nonaccrual loans: | | |
| Real estate mortgage | $ 493 | $ 1,460 |
| Construction | 1,734 | |
| Commercial | 35 | 243 |
| Consumer | 86 | 8 |
| Total | 2,348 | 1,711 |
| Real estate owned, net | | |
| Total nonperforming assets | $ 2,348 | $ 1,711 |
| Total nonperforming loans as a percentage of total loans (1) (2) | 0.62% | 0.46% |
| Total nonperforming assets as a percentage of total assets (2) | 0.51% | 0.38% |

(1) Total loans includes loans, plus unadvanced loan funds in process, plus net deferred loan costs.

(2) Nonperforming assets consist of nonperforming loans and REO. Nonperforming loans consist of all loans 90 days or more past due and other loans that have been identified by the Company as presenting uncertainty with respect to the collectibility of interest or principal.

**Allowance for Loan Losses**

Management prepares a loan loss analysis on a quarterly basis. The allowance for loan losses is maintained through the provision for loan losses, which is charged to operations. The allowance for loan losses is maintained at an amount that management considers appropriate to cover estimated losses in the loan portfolio based on management s on-going evaluation of the risks inherent in the loan portfolio, consideration of local and regional trends in delinquency and impaired loans, the amount of charge-offs and recoveries, the volume of loans, changes in risk selection, credit concentrations, existing loan-to-value ratios, national and regional economies and the real estate market in the Company s primary lending area. Management believes that the current allowance for loan losses is appropriate to cover losses inherent in the current loan portfolio. The Company s loan loss allowance determinations also incorporate factors and analyses which consider the principal loss associated with the loan. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

The allowance for loan losses is based on management s estimate of the amount required to reflect the potential inherent losses in the loan portfolio, based on circumstances and conditions known or anticipated at each reporting date. There are inherent uncertainties with respect to the collectibility of the Bank s loans and it is reasonably possible that actual loss experience in the near term may differ from the amounts reflected in this report.

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The allowance for loan losses is determined using a consistent, systematic methodology which analyzes the size and risk of the loan portfolio. In addition to evaluating the collectibility of specific loans when determining the allowance for loan losses, management also takes into consideration other factors such as changes in the mix and the volume of the loan portfolio, historic loss experience, amount of the delinquencies and loans adversely classified, and economic trends. The adequacy of the allowance for loan losses is assessed by the allocation process whereby specific loss allocations are made against certain adversely classified loans, and general loss allocations are made against segments of the loan portfolio which have similar attributes. The Bank s historical loss experience, industry trends, and the impact of the local and regional economy on the Bank s borrowers, were considered by management in determining the allowance for loan losses.

The following table sets forth activity in the Company s allowance for loan losses for the periods set forth.

| | At or for the Nine Months Ended September 30, | |
|---|---|---|
| | 2007 | 2006 |
| | (Dollars In Thousands) | |
| Allowance for loan losses, beginning of period | $ 2,908 | $ 2,605 |
| Charged-off loans: | | |
| Real estate | 24 | 47 |
| Commercial | 3 | 77 |
| Consumer | 18 | 3 |
| Total charged-off loans | 45 | 127 |
| Recoveries on loans previously charged-off: | | |
| Real estate | | |
| Commercial | 2 | 1 |
| Consumer | | |
| Total recoveries | 2 | 1 |
| Net loan charge-offs | 43 | 126 |
| Provision for loan losses | 214 | 335 |
| Allowance for loan losses, end of period | $ 3,079 | $ 2,814 |
| Net loan charge-offs to average loans, net | 0.02% | 0.05% |
| Allowance for loan losses to total loans (1) | 0.81% | 0.82% |
| Allowance for loan losses to nonperforming loans (2) | 131.13% | 409.01% |
| Recoveries to charge-offs | 4.44% | 0.79% |

(1) Total loans includes loans, plus unadvanced loan funds in process, plus net deferred loan costs.

(2) Nonperforming loans consist of all loans 90 days or more past due and other loans which have been identified by the Company as presenting uncertainty with respect to the collectibility of interest or principal.

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**Investment Activities**

At September 30, 2007, the Company s investment securities portfolio amounted to $44.2 million, or 9.5% of assets. The following table sets forth at the dates indicated information regarding the amortized cost and market values of the Company s investment securities.

| | September 30, 2007 | | December 31, 2006 | |
|---|---|---|---|---|
| | Amortized Cost | Fair Value | Amortized Cost | Fair Value |
| | (In Thousands) | | | |
| **Securities available-for-sale:** | | | | |
| Marketable equity securities | $ 7,479 | $ 8,328 | $ 6,847 | $ 7,861 |
| Total equity securities | 7,479 | 8,328 | 6,847 | 7,861 |
| **Securities held-to-maturity:** | | | | |
| Debt securities of government sponsored enterprises | 24,833 | 24,833 | 28,924 | 28,891 |
| Corporate and industrial revenue bonds | 4,520 | 4,520 | 1,710 | 1,710 |
| Collateralized mortgage obligations | 6,537 | 6,276 | 6,777 | 6,498 |
| Total securities held-to-maturity | 35,890 | 35,629 | 37,411 | 37,099 |
| Total | $ 43,369 | $ 43,957 | $ 44,258 | $ 44,960 |

(1) Does not include investments in FHLB-Boston stock totaling $1.6 million at September 30, 2007 and December 31, 2006.

Fair market value of securities available-for-sale increased $467,000, or 5.9%, to $8.3 million at September 30, 2007 primarily due to favorable market conditions. Held-to-maturity securities decreased $1.5 million or 4.1% to $35.9 million due to maturities of held-to-maturity securities.

**Deposits**

The following table sets forth the Company s deposit accounts at the dates indicated.

| | September 30, 2007 | | December 31, 2006 | |
|---|---|---|---|---|
| | Balance | Percent of Total Deposits | Balance | Percent of Total Deposits |
| | (Dollars In Thousands) | | | |
| Demand deposits | $ 29,409 | 9.07% | $ 29,088 | 9.33% |
| NOW accounts | 14,798 | 4.57% | 16,350 | 5.25% |
| Passbook accounts | 40,787 | 12.59% | 40,467 | 12.99% |
| Money market deposit accounts | 38,548 | 11.89% | 34,083 | 10.94% |
| Certificates of deposit | 200,560 | 61.88% | 191,583 | 61.49% |
| Total deposits | $ 324,102 | 100.00% | $ 311,571 | 100.00% |

Deposits grew $12.5 million, or 4.0%, to $324.1 million at September 30, 2007 from $311.6 million at December 31, 2006. The growth in demand deposit, passbook and money market deposit accounts reflects the success of sales and marketing efforts. Certificates of deposit balances also increased $9.0 million, or 4.7%, to $200.6 million at September 30, 2007 largely due to special promotional rates.

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**Borrowings**

The following sets forth information concerning our borrowings for the period indicated.

| | September 30, 2007 | December 31, 2006 |
|---|---|---|
| | (Dollars In Thousands) | |
| **Maximum amount of advances outstanding at any month-end during the period:** | | |
| FHLB Advances | 15,010 | 41,425 |
| Securities sold under agreements to repurchase | 17,937 | 21,294 |
| Other borrowings | 100 | 147 |
| **Average advances outstanding during the period:** | | |
| FHLB Advances | 14,616 | 25,037 |
| Securities sold under agreements to repurchase | 12,424 | 13,690 |
| Other borrowings | 84 | 126 |
| **Weighted average interest rate during the period:** | | |
| FHLB Advances | 3.89% | 4.16% |
| Securities sold under agreements to repurchase | 2.50% | 2.00% |
| Other borrowings | 7.00% | 7.00% |
| **Balance outstanding at end of period:** | | |
| FHLB Advances | 13,446 | 15,256 |
| Securities sold under agreements to repurchase | 17,937 | 12,712 |
| Other borrowings | 67 | 104 |
| **Weighted average interest rate at end of period:** | | |
| FHLB Advances | 3.83% | 3.82% |
| Securities sold under agreements to repurchase | 2.50% | 2.50% |
| Other borrowings | 7.00% | 7.00% |

We utilize borrowings from a variety of sources to supplement our supply of funds for loans and investments.

**Comparison of Operating Results for the Three Months Ended September 30, 2007 and 2006**

***General***

Net income increased $4.0 million, to $348,000 for the quarter ended September 30, 2007 compared to a net loss of $3.6 million for the same quarter last year. The net loss for the third quarter of 2006 was a result of the charitable contribution the Company made to the Chicopee Savings Bank Charitable Foundation with Company common stock in the amount of $5.5 million. The increase in net income for the third quarter of 2007 was a result of an increase in non-interest income and a decrease in non-interest expenses.

***Analysis of Net Interest Income***

Net interest income represents the difference between income on interest-earning assets and expense on interest-bearing liabilities. Net interest income depends on the relative amounts of interest-earning assets and interest-bearing liabilities and the interest rate earned or paid on them.

The following table sets forth average balances, interest income and expense and yields earned or rates paid on the major categories of assets and liabilities for the periods indicated. The average yields and costs are derived by dividing interest income or expense by the average balance of interest-earning assets or interest-bearing liabilities, respectively. The yields and costs are annualized. Average balances are derived from average daily balances. The yields and costs include fees which are considered adjustments to yields. Loan interest and yield data does not include any accrued interest from nonaccruing loans.

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| | For the Three Months Ended September 30, 2007 | | | 2006 | | |
|---|---|---|---|---|---|---|
| | Average Balance | Interest | Average Yield/ Rate | Average Balance | Interest | Average Yield/ Rate |
| | (Dollars In Thousands) | | | | | |
| **Interest-earning assets:** | | | | | | |
| Investment securities (1) | $ 45,142 | $ 544 | 4.78% | $ 48,107 | $ 549 | 4.52% |
| Loans: | | | | | | |
| Residential real estate loans | 163,407 | 2,296 | 5.57% | 149,444 | 2,020 | 5.36% |
| Commercial real estate loans | 142,930 | 2,298 | 6.38% | 126,826 | 1,998 | 6.25% |
| Consumer loans | 26,479 | 451 | 6.76% | 22,317 | 382 | 6.79% |
| Commercial loans | 46,393 | 881 | 7.53% | 38,843 | 730 | 7.46% |
| Loans, net | 379,209 | 5,926 | 6.20% | 337,430 | 5,130 | 6.03% |
| Other | 8,656 | 126 | 5.78% | 21,147 | 296 | 5.55% |
| Total interest-earning assets | 433,007 | 6,596 | 6.04% | 406,684 | 5,975 | 5.83% |
| Noninterest-earning assets | 26,690 | | | 27,947 | | |
| Total assets | $ 459,697 | | | $ 434,631 | | |
| **Interest-bearing liabilities:** | | | | | | |
| Deposits: | | | | | | |
| Money market accounts | $ 40,379 | $ 298 | 2.93% | $ 36,593 | $ 180 | 1.95% |
| Savings accounts (2) | 42,958 | 110 | 1.02% | 44,361 | 74 | 0.66% |
| NOW accounts | 15,286 | 16 | 0.42% | 16,869 | 14 | 0.33% |
| Certificates of deposit | 198,302 | 2,354 | 4.71% | 170,814 | 1,765 | 4.10% |
| Total interest-bearing deposits | 296,925 | 2,778 | 3.71% | 268,637 | 2,033 | 3.00% |
| FHLB advances | 14,024 | 137 | 3.88% | 16,635 | 163 | 3.89% |
| Securities sold under agreement to repurchase | 14,057 | 93 | 2.62% | 13,744 | 86 | 2.48% |
| Other borrowings | 71 | 2 | 11.18% | 121 | 2 | 6.56% |
| Total interest-bearing borrowings | 28,152 | 232 | 3.27% | 30,500 | 251 | 3.26% |
| Total interest-bearing liabilities | 325,077 | 3,010 | 3.67% | 299,137 | 2,284 | 3.03% |
| Demand deposits | 26,073 | | | 27,995 | | |
| Other noninterest-bearing liabilities | 613 | | | 20,372 | | |
| Total liabilities | 351,763 | | | 347,504 | | |
| Total stockholders equity | 107,934 | | | 87,127 | | |
| Total liabilities and stockholders equity | $ 459,697 | | | $ 434,631 | | |
| Net interest-earning assets | $ 107,930 | | | $ 107,547 | | |
| Tax equivalent net interest income/interest rate spread (3) | | 3,586 | 2.37% | | 3,691 | 2.80% |
| Tax equivalent net interest income as a percentage of interest-earning assets (4) | | | 3.29% | | | 3.60% |
| Ratio of interest-earning assets to interest-bearing liabilities | | | 133.20% | | | 135.95% |

| | | |
|---|---|---|
| Less: tax equivalent adjustment (1) | (44) | (13) |
| Net interest income as reported on statement of operations | $ 3,542 | $ 3,678 |

(1) Municipal securities income and net interest income are presented on a tax equivalent basis using a tax rate of 41%. The tax equivalent adjustment is deducted from the tax equivalent net interest income to agree to the amount reported on the statement of operations.
(2) Savings accounts include mortgagors escrow deposits.
(3) Tax equivalent net interest rate spread represents the difference between the weighted average yield on interest-earning assets and the weighted average cost of interest-bearing liabilities.
(4) Tax equivalent net interest margin represents tax equivalent net interest income divided by total average interest-earning assets.

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The following table presents the extent to which changes in interest rates and changes in the volume of interest-earning assets and interest-bearing liabilities have affected the Company s tax equivalent interest income and interest expense during the periods indicated. Information is provided in each category with respect to: (i) changes attributable to changes in volume (changes in volume multiplied by prior rate); (ii) changes attributable to changes in rate (changes in rate multiplied by prior volume); and (iii) the net change. The changes attributable to the combined impact of volume and rate have been allocated proportionately to the changes due to volume and the changes due to rate.

| | Three Months Ended September 30, 2007 compared to 2006 Increase (Decrease) | | |
|---|---|---|---|
| | Volume | Due to Rate | Net |
| | (In Thousands) | | |
| **Interest-earning assets:** | | | |
| Investment securities (1) | $ (36) | $ 30 | $ (6) |
| Loans: | | | |
| Residential real estate loans | 193 | 83 | 276 |
| Commercial real estate loans | 258 | 42 | 300 |
| Consumer loans | 71 | (2) | 69 |
| Commercial loans | 144 | 7 | 151 |
| Total loans | 666 | 130 | 796 |
| Other | (182) | 12 | (170) |
| Total interest-earning assets | $ 448 | $ 172 | $ 620 |
| **Interest-bearing liabilities:** | | | |
| Deposits: | | | |
| Money market accounts | $ 21 | $ 97 | $ 118 |
| Savings accounts (2) | (2) | 38 | 36 |
| NOW accounts | (1) | 3 | 2 |
| Certificates of deposit | 306 | 283 | 589 |
| Total deposits | 324 | 421 | 745 |
| FHLB advances | (25) | (1) | (26) |
| Securities sold under agreement to repurchase | 2 | 5 | 7 |
| Other borrowings | (1) | 1 | |
| Total interest-bearing borrowings | (24) | 5 | (19) |
| Total interest-bearing liabilities | 300 | 426 | 726 |
| Increase (decrease) in net interest income (3) | $ 148 | $ (254) | $ (106) |

(1) The changes in state and municipal income are reflected on a tax equivalent basis using a tax rate of 41%.
(2) Includes interest on mortgagors escrow deposits.
(3) The changes in net interest income are reflected on a tax equivalent basis and thus do not correspond to the statement of operations.

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Net interest income decreased $136,000, or 3.7%, to $3.5 million for the three months ended September 30, 2007 compared to $3.7 million for the same period in 2006, mainly driven by growth in average interest-bearing liabilities. Net interest margin decreased 31 basis points to 3.29% for the three months ended September 30, 2007 from the comparable period in 2006 primarily due to a higher cost of funds, partially mitigated by an increase in interest-earning assets.

Interest and dividend income, on a tax equivalent basis, rose $621,000, or 10.4%, to $6.6 million for the three months ended September 30, 2007 compared to $6.0 million for the same period last year, largely reflecting growth in average interest-earning assets. Average interest-earning assets totaled $433.0 million for the three months ended September 30, 2007 compared to $406.7 million for the same period last year, an increase of $26.3 million, or 6.5%. Average loans increased $41.8 million, or 12.4%, primarily due to strong originations. Average investment securities declined $3.0 million, or 6.2%, principally reflecting maturities of agencies. The yield on average interest-earning assets increased 21 basis points to 6.04% for the three months ended September 30, 2007, principally as a result of higher market rates of interest. The higher interest rate environment led to a decrease in the levels of loan prepayment and refinancing volume.

Total interest expense increased $726,000, or 31.8%, to $3.0 million for the three months ended September 30, 2007 from $2.3 million for the same period in 2006, resulting primarily from increased rates paid on average interest-bearing liabilities. Average interest-bearing liabilities increased $25.9 million, or 8.7%, to $325.1 million for the three months ended September 30, 2007 from $299.1 million for the comparable period in 2006 reflecting an increase in interest-bearing deposits and a decrease in FHLB advances. Rates paid on average interest-bearing liabilities rose 64 basis points to 3.67% for the third quarter of 2007, largely reflecting the higher market interest rates. The higher interest rate environment led to an increase in rates paid for new certificates of deposit as well as the repricing of a portion of the Company s outstanding certificates of deposit.

***Provision for Loan Losses***

There was no provision for loan losses for the third quarter of 2007 compared to $75,000 for the same period in 2006. The decrease in provision for loan losses was due to a decrease in commercial real estate loans and commercial loans. In addition, management assessed the continued growth of the loan portfolio, particularly the increases in one-to-four family real estate loans and consumer loans which carry less risk than the commercial loan portfolio. The allowance for loan losses is maintained through provisions for loan losses.

***Non-interest Income***

Total non-interest income increased $190,000, or 50.0%, to $570,000 for the third quarter of 2007 compared to $380,000 for the same period in 2006. Fee income increased $81,000, or 22.2%, to $446,000 in the third quarter of 2007 from $365,000 for the comparable period in 2006 reflecting an increase in investment commissions and ATM fees. Investment commissions totaled $65,000 for the three months ended September 30, 2007 compared to $48,000 in the third quarter of 2006, an increase of $17,000, or 35.4%, mainly resulting from new customers gained as a result of successful business development efforts. ATM fee income increased $28,000 to $88,000 from $60,000 for the same period in 2006. The gain on sales of available-for-sale securities increased $113,000 to $126,000.

***Non-interest Expenses***

Non-interest expenses decreased $5.0 million, or 57.7%, to $3.7 million for the three months ended September 30, 2007 compared to $8.7 million in the third quarter of 2006 primarily attributable to the Company s contribution of common stock in the amount of $5.5 million to the Chicopee Savings Bank Charitable Foundation as part of the mutual to stock conversion. In addition salaries and employee benefits expense increased $493,000, or 28.1%, to $2.3 million for the third quarter of 2007 reflecting additional staffing costs to support the requirements of a public company, standard wage increases and increased benefit costs associated with the Bank s ESOP and the Company s Equity Incentive Plan. Other non-interest expenses increased $32,000, or 4.9%, to $679,000 for the three months ended September 30, 2007 compared to $647,000 for the same period in 2006. The increase was primarily attributable to an increase in legal fees of $30,000 for expenses associated with being a public company as well as an increase in auditing cost of $33,000 for costs associated with Sarbanes-Oxley Act compliance which was partially offset by a decrease in sponsorships of $14,000 since most sponsorships are being funded through the Chicopee Savings Bank Charitable Foundation.

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***Income Taxes***

The Company s income tax expense increased $1.2 million, or 1,157.0%, to $100,000 for the third quarter of 2007 compared to a tax benefit of $1.1 million in the third quarter of 2006 due to the tax benefit recorded related to the Company s contribution of common stock in the amount of $5.5 million to the Chicopee Savings Bank Charitable Foundation. The Company s combined federal and state effective tax rate was 22.3%, down slightly from 22.5% for the same period in 2006.

**Comparison of Operating Results for the Nine Months Ended September 30, 2007 and 2006**

***General***

Net income increased $4.4 million, or 151.4%, to $1.5 million for the nine months ended September 30, 2007 compared to a net loss of $2.9 million for the same period last year. The increase in income for the first nine months of 2007 was a result of the charitable contribution of Company common stock in the amount of $5.5 million the Company made to the Chicopee Savings Bank Charitable Foundation as well as an increase in net interest income of $793,000 and an increase in non-interest income of $792,000, partially offset by an increase in income tax expense of $1.5 million.

***Analysis of Net Interest Income***

The following table sets forth average balances, interest income and expense and yields earned or rates paid on the major categories of assets and liabilities for the periods indicated. The average yields and costs are derived by dividing interest income or expense by the average balance of interest-earning assets or interest-bearing liabilities, respectively. The yields and costs are annualized. Average balances are derived from average daily balances. The yields and costs include fees which are considered adjustments to yields. Loan interest and yield data does not include any accrued interest from nonaccruing loans.

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| | For the Nine Months Ended September 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2007 | | | 2006 | | |
| | Average Balance | Interest | Average Yield/ Rate | Average Balance | Interest | Average Yield/ Rate |
| | (Dollars In Thousands) | | | | | |
| **Interest-earning assets:** | | | | | | |
| Investment securities (1) | $ 44,344 | $ 1,542 | 4.65% | $ 40,832 | $ 1,322 | 4.32% |
| Loans: | | | | | | |
| Residential real estate loans | 162,049 | 6,618 | 5.46% | 146,563 | 5,902 | 5.38% |
| Commercial real estate loans | 141,131 | 7,114 | 6.74% | 122,231 | 5,706 | 6.24% |
| Consumer loans | 25,746 | 1,301 | 6.76% | 20,568 | 1,026 | 6.67% |
| Commercial loans | 44,634 | 2,509 | 7.52% | 38,029 | 2,072 | 7.28% |
| Loans, net | 373,560 | 17,542 | 6.28% | 327,391 | 14,706 | 6.01% |
| Other | 12,515 | 533 | 5.69% | 13,166 | 539 | 5.47% |
| Total interest-earning assets | 430,419 | 19,617 | 6.09% | 381,389 | 16,567 | 5.81% |
| Noninterest-earning assets | 27,207 | | | 26,835 | | |
| Total assets | $ 457,626 | | | $ 408,224 | | |
| **Interest-bearing liabilities:** | | | | | | |
| Deposits: | | | | | | |
| Money market accounts | $ 38,625 | $ 784 | 2.71% | $ 34,578 | $ 514 | 1.99% |
| Savings accounts (2) | 44,774 | 361 | 1.08% | 73,407 | 230 | 0.42% |
| NOW accounts | 15,828 | 45 | 0.38% | 15,052 | 40 | 0.35% |
| Certificates of deposit | 197,004 | 6,940 | 4.71% | 147,847 | 4,715 | 4.26% |
| Total interest-bearing deposits | 296,231 | 8,130 | 3.67% | 270,884 | 5,499 | 2.71% |
| FHLB advances | 14,612 | 425 | 3.89% | 28,008 | 870 | 4.15% |
| Securities sold under agreement to repurchase | 12,444 | 242 | 2.60% | 14,133 | 196 | 1.85% |
| Other borrowings | 84 | 5 | 7.96% | 132 | 7 | 7.09% |
| Total interest-bearing borrowings | 27,140 | 672 | 3.31% | 42,273 | 1,073 | 3.39% |
| Total interest-bearing liabilities | 323,371 | 8,802 | 3.64% | 313,157 | 6,572 | 2.81% |
| Demand deposits | 24,926 | | | 24,555 | | |
| Other noninterest-bearing liabilities | 484 | | | 12,012 | | |
| Total liabilities | 348,781 | | | 349,724 | | |
| Total stockholders equity | 108,845 | | | 58,500 | | |
| Total liabilities and stockholders equity | $ 457,626 | | | $ 408,224 | | |
| Net interest-earning assets | $ 107,048 | | | $ 68,232 | | |
| Tax equivalent net interest income/interest rate spread (3) | | 10,815 | 2.45% | | 9,995 | 3.00% |
| Tax equivalent net interest income as a percentage of interest-earning assets (4) | | | 3.36% | | | 3.50% |
| Ratio of interest-earning assets to interest-bearing liabilities | | | 133.10% | | | 121.79% |

| | | |
|---|---|---|
| Less: tax equivalent adjustment (1) | (68) | (41) |
| Net interest income as reported on statement of operations | $ 10,747 | $ 9,954 |

(1) Municipal securities income and net interest income are presented on a tax equivalent basis using a tax rate of 41%. The tax equivalent adjustment is deducted from the tax equivalent net interest income to agree to the amount reported on the statement of operations.
(2) Savings accounts include mortgagors escrow deposits.
(3) Tax equivalent net interest rate spread represents the difference between the weighted average yield on interest-earning assets and the weighted average cost of interest-bearing liabilities.
(4) Tax equivalent net interest margin represents tax equivalent net interest income divided by total average interest-earning assets.

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The following table presents the extent to which changes in interest rates and changes in the volume of interest-earning assets and interest-bearing liabilities have affected the Company s tax equivalent interest income and interest expense during the periods indicated. Information is provided in each category with respect to: (i) changes attributable to changes in volume (changes in volume multiplied by prior rate); (ii) changes attributable to changes in rate (changes in rate multiplied by prior volume); and (iii) the net change. The changes attributable to the combined impact of volume and rate have been allocated proportionately to the changes due to volume and the changes due to rate.

| | Nine Months Ended September 30, 2007 compared to 2006 Increase (Decrease) | | |
|---|---|---|---|
| | Volume | Due to Rate | Net |
| | (In Thousands) | | |
| **Interest-earning assets:** | | | |
| Investment securities (1) | $ 116 | $ 104 | $ 220 |
| Loans: | | | |
| Residential real estate loans | 628 | 88 | 716 |
| Commercial real estate loans | 928 | 480 | 1,408 |
| Consumer loans | 262 | 13 | 275 |
| Commercial loans | 368 | 69 | 437 |
| Total loans | 2,186 | 650 | 2,836 |
| Other | (28) | 22 | (6) |
| Total interest-earning assets | $ 2,274 | $ 776 | $ 3,050 |
| **Interest-bearing liabilities:** | | | |
| Deposits: | | | |
| Money market accounts | $ 66 | $ 204 | $ 270 |
| Savings accounts (2) | (118) | 249 | 131 |
| NOW accounts | 2 | 3 | 5 |
| Certificates of deposit | 1,688 | 537 | 2,225 |
| Total deposits | 1,638 | 993 | 2,631 |
| FHLB advances | (393) | (52) | (445) |
| Securities sold under agreement to repurchase | (25) | 71 | 46 |
| Other borrowings | (3) | 1 | (2) |
| Total interest-bearing borrowings | (421) | 20 | (401) |
| Total interest-bearing liabilities | 1,217 | 1,013 | 2,230 |
| Increase in net interest income (3) | $ 1,057 | $ (237) | $ 820 |

(1) The changes in state and municipal income are reflected on a tax equivalent basis using a tax rate of 41%.
(2) Includes interest on mortgagors escrow deposits.
(3) The changes in net interest income are reflected on a tax equivalent basis and thus do not correspond to the statement of operations.

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Net interest income increased $793,000, or 8.0%, to $10.7 million for the nine months ended September 30, 2007 compared to $10.0 million for the same period in 2006, mainly driven by growth in average interest-earning assets, partially offset by higher cost of deposits. Net interest margin declined 14 basis points to 3.36% for the nine months ended September 30, 2007 from the comparable period in 2006 primarily resulting from increased cost of funds, mitigated by higher yields on interest-earning assets.

Total interest and dividend income, on a tax equivalent basis, rose $3.1 million, or 18.4%, to $19.6 million for the nine months ended September 30, 2007 compared to $16.5 million for the same period last year, largely reflecting growth in average interest-earning assets. Average interest-earning assets totaled $430.4 million for the nine months ended September 30, 2007 compared to $381.4 million for the same period last year, an increase of $49.0 million, or 12.9%. Average loans increased $46.2 million, or 14.1%, primarily due to strong originations activity. Average investment securities increased $3.5 million, or 8.6%, principally reflecting purchases of agencies. The yield on average interest-earning assets grew 28 basis points to 6.09% for the nine months ended September 30, 2007, principally as a result of higher market rates of interest. The higher interest rate environment led to reduced levels of loan prepayment and refinancing volume. In addition, a portion of the Company s existing interest-sensitive assets repriced to higher rates.

Total interest expense increased $2.2 million, or 33.9%, to $8.8 million for the nine months ended September 30, 2007 from $6.6 million for the same period in 2006, resulting primarily from increased rates paid on average interest-bearing liabilities. Rates paid on average interest-bearing liabilities increased 83 basis points to 3.64% for the nine months ended September 30, 2007, largely reflecting higher market interest rates. The higher interest rate environment led to an increase in rates paid for new deposits and borrowings as well as the repricing of a portion of the Company s outstanding deposits. Average interest-bearing liabilities rose $10.2 million, or 3.3%, to $323.4 million for the nine months ended September 30, 2007 from $313.2 million for the comparable period in 2006, reflecting growth in interest-bearing deposits and a decrease in FHLB advances.

***Provision for Loan Losses***

The provision for loan losses decreased $121,000 to $214,000 in the nine months ended September 30, 2007 from $335,000 for the same period in 2006 primarily due to the decrease in commercial real estate loans and commercial loans since December 31, 2006 and a decrease in net charge offs of $83,000 to $43,000 for the nine months ended September 30, 2007 compared to net charge-offs of $126,000 for the comparative period in 2006. In addition, management assessed the continued growth of the loan portfolio, particularly the increases in one-to-four family real estate loans and consumer loans. The allowance for loan losses is maintained through provisions for loan losses.

***Non-interest Income***

Total non-interest income increased $792,000, or 61.1%, to $2.1 million for the nine months ended September 30, 2007 compared to $1.3 million for the same period in 2006. Fee income increased $232,000, or 20.2%, to $1.4 million in the nine months ended September 30, 2007 from $1.1 million for the comparable period in 2006 reflecting an increase in ATM fees and investment services commissions. ATM fees increased $80,000, or 44.9%, to $259,000 compared to $179,000 for the nine months ended September 30, 2006. Investment commissions totaled $270,000 for the nine months ended September 30, 2007 compared to $174,000 in the same period last year, an increase of $96,000 or 55.1%, mainly resulting from new customers gained as a result of successful business development efforts. Net gain on sales of available-for-sale securities increased $683,000 to $714,000 for the first nine months of 2007 due to an increased number of sales in 2007 as well as a rise in the stock prices. This was partially offset by a decrease of $123,000 in loan sales and servicing income from $119,000 for the nine months ended September 30, 2006 as the Company only sold two loans during the first nine months of 2007 compared to 18 during the same period in 2006.

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***Non-interest Expenses***

Non-interest expenses decreased $4.1 million, or 28.4%, to $10.4 million for the nine months ended September 30, 2007 compared to $14.6 million in the same period in 2006 principally attributable to the Company s contribution of common stock in the amount of $5.5 million to the Chicopee Savings Bank Charitable Foundation as part of the mutual to stock conversion. In addition, salaries and employee benefits expenses increased $1.1 million, or 21.2%, to $6.0 million for nine months ended September 30, 2007 reflecting additional staffing costs to support the requirements of a public company, standard wage increases and increased benefit costs associated the Bank s ESOP and the Company s 2007 Equity Incentive Plan. Other non-interest expenses increased $260,000, or 14.3%, to $2.1 million for the nine months ended September 30, 2007 largely resulting from an increase in legal and auditing expenses associated with the increased cost of a public company.

***Income Taxes***

The Company s income tax expense increased $1.5 million, or 196.7%, to $713,000 for the nine months ended September 30, 2007 compared to a tax benefit of $737,000 in 2006 primarily attributable to the tax benefit of $1.9 million recorded related to the Company s contribution of common stock in the amount of $5.5 million to the Chicopee Savings Bank Charitable Foundation as well as an increase in income before taxes. The Company s combined federal and state effective tax rate was 32.3%, up from 20.2% for the same period in 2006, due to an increase in fully taxable income.

***Explanation of Use of Non-GAAP Financial Measurements***

We believe that it is common practice in the banking industry to present interest income and related yield information on tax exempt securities on a tax-equivalent basis and that such information is useful to investors because it facilitates comparisons among financial institutions. However, the adjustment of interest income and yields on tax exempt securities to a tax equivalent amount may be considered to include non-GAAP financial information. A reconciliation to GAAP is provided below.

| | Three Months Ended September 30, | | | | Nine Months Ended September 30, | | | |
|---|---|---|---|---|---|---|---|---|
| | 2007 | | 2006 | | 2007 | | 2006 | |
| | (Dollars in Thousands) | | | | | | | |
| | Interest | Average Yield | Interest | Average Yield | Interest | Average Yield | Interest | Average Yield |
| Investment securities (non-tax adjustment) | $ 500 | 4.58% | $ 536 | 4.42% | $ 1,474 | 4.47% | $ 1,281 | 4.19% |
| Tax equivalent adjustment (1) | 44 | | 13 | | 68 | | 41 | |
| Investment securities (tax equivalent basis) | $ 544 | 4.70% | $ 549 | 4.52% | $ 1,542 | 4.65% | $ 1,322 | 4.32% |
| Net interest income (non-tax adjustment) | $ 3,542 | | $ 5,962 | | $ 10,747 | | $ 16,526 | |
| Tax equivalent adjustment (1) | 44 | | 13 | | 68 | | 41 | |
| Net interest income (tax equivalent basis) | $ 3,586 | | $ 5,975 | | $ 10,815 | | $ 16,567 | |
| Interest rate spread (no tax adjustment) | | 2.33% | | 2.79% | | 2.43% | | 2.99% |
| Net interest margin (no tax adjustment) | | 3.25% | | 3.59% | | 3.34% | | 3.49% |

(1) The tax equivalent adjustment is based on a tax rate of 41% for all periods presented.

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**Liquidity Management**

Liquidity is the ability to meet current and future financial obligations of a short-term nature. Our primary sources of funds consist of deposit inflows, loan repayments, maturities and sales of securities, borrowings from the Federal Home Loan Bank of Boston and securities sold under agreements to repurchase. While maturities and scheduled amortization of loans and securities are predictable sources of funds, deposit flows and loan prepayments are greatly influenced by general interest rates, economic conditions and competition. Prepayment rates can have a significant impact on interest income. Because of the large percentage of loans we hold, rising or falling interest rates have a significant impact on the prepayment speeds of our earning assets that in turn affect the rate sensitivity position. When interest rates rise, prepayments tend to slow. When interest rates fall, prepayments tend to rise. Our asset sensitivity would be reduced if prepayments slow and vice versa. While we believe these assumptions to be reasonable, there can be no assurance that assumed prepayment rates will approximate actual loan repayment activity.

We regularly adjust our investments in liquid assets based upon our assessment of: (1) expected loan demands; (2) expected deposit flows; (3) yields available on interest-earning deposits and securities; and (4) the objectives of our asset/liability management policy.

Our most liquid assets are cash and cash equivalents. The levels of these assets depend on our operating, financing, lending and investing activities during any given period. At September 30, 2007, cash and cash equivalents totaled $19.7 million. Total securities classified as available for sale were $8.3 million at September 30, 2007. In addition, at September 30, 2007, we had the ability to borrow a total of approximately $107.7 million from the Federal Home Loan Bank of Boston. On September 30, 2007, we had $13.4 million of borrowings outstanding. Based on the current level of liquidity we do not anticipate any future Federal Home Loan Bank of Boston borrowings at this time.

At September 30, 2007, we had $77.9 million in loan commitments outstanding, which consisted of $10.0 million of commercial loan commitments, $4.7 million of mortgage loan commitments, $23.3 million in unadvanced construction loan commitments, $8.8 million in unused home equity lines of credit and $31.1 million in commercial lines of credit. Certificates of deposit due within one year of September 30, 2007 totaled $74.3 million, or 37.0%, of our certificates of deposit. If these maturing deposits do not remain with us, we will be required to seek other sources of funds, including other certificates of deposit and borrowings. Depending on market conditions, we may be required to pay higher rates on such deposits or other borrowings than we currently pay on the certificates of deposit due on or before September 30, 2008. We believe, however, based on past experience that a significant portion of our certificates of deposit will remain with us. We have the ability to attract and retain deposits by adjusting the interest rates offered.

**Capital Management**

We are subject to various regulatory capital requirements administered by the Federal Deposit Insurance Corporation, including a risk-based capital measure. The risk-based capital guidelines include both a definition of capital and a framework for calculating risk-weighted assets by assigning balance sheet assets and off-balance sheet items to broad risk categories. At September 30, 2007, the Bank exceeded all of its regulatory capital requirements. The Bank is considered well capitalized under regulatory guidelines. The Company is subject to the Federal Reserve Board s capital adequacy guidelines for bank holding companies (on a consolidated basis) substantially similar to those of the Federal Deposit Insurance Corporation. The Company exceeded these requirements at September 30, 2007.

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The Company s and Bank s actual capital amounts and ratios as of September 30, 2007 and December 31, 2006 are presented in the table.

| | Actual | | Minimum for Capital Adequacy Purposes | | Minimum to be Well Capitalized Under Prompt Corrective Action Provisions | |
|---|---|---|---|---|---|---|
| | Amount | Ratio | Amount | Ratio | Amount | Ratio |
| | (Dollars In Thousands) | | | | | |
| **As of September 30, 2007** | | | | | | |
| Total Capital to Risk Weighted Assets | | | | | | |
| Company | $ 108,695 | 28.7% | $ 36,774 | 8.0% | N/A | N/A |
| Bank | $ 81,829 | 21.9% | $ 29,959 | 8.0% | $ 37,448 | 10.0% |
| **Tier 1 Capital to Risk Weighted Assets** | | | | | | |
| Company | $ 105,234 | 27.8% | $ 15,149 | 4.0% | N/A | N/A |
| Bank | $ 78,368 | 20.9% | $ 14,979 | 4.0% | $ 22,469 | 6.0% |
| **Tier 1 Capital to Average Assets** | | | | | | |
| Company | $ 105,234 | 22.9% | $ 18,387 | 4.0% | N/A | N/A |
| Bank | $ 78,368 | 17.2% | $ 18,199 | 4.0% | $ 22,748 | 5.0% |
| **As of December 31, 2006:** | | | | | | |
| Total Capital to Risk Weighted Assets | | | | | | |
| Company | $ 111,113 | 28.7% | $ 30,975 | 8.0% | N/A | N/A |
| Bank | $ 73,164 | 19.2% | $ 30,462 | 8.0% | $ 38,078 | 10.0% |
| **Tier 1 Capital to Risk Weighted Assets** | | | | | | |
| Company | $ 107,749 | 27.8% | $ 15,487 | 4.0% | N/A | N/A |
| Bank | $ 69,800 | 18.3% | $ 15,231 | 4.0% | $ 22,847 | 6.0% |
| **Tier 1 Capital to Average Assets** | | | | | | |
| Company | $ 107,749 | 24.3% | $ 17,701 | 4.0% | N/A | N/A |
| Bank | $ 69,800 | 16.1% | $ 17,385 | 4.0% | $ 21,731 | 5.0% |

We also manage our capital for maximum stockholder benefit. The capital from our recently completed stock offering significantly increased our liquidity and capital resources. Over time, the initial level of liquidity will be reduced, as net proceeds from the stock offering are used for general corporate purposes, including the funding of lending activities. Our financial condition and results of operation are expected to be enhanced by the capital from the stock offering, resulting in increased net interest-earning assets and net income. However, the large increase in equity resulting from the capital raised in the offering will, initially, have an adverse impact on our return on equity. We may use capital management tools such as cash dividends and common stock repurchases.

**Off-Balance Sheet Arrangements**

In the normal course of operations, we engage in a variety of financial transactions that, in accordance with U.S. generally accepted accounting principles, are not recorded in our financial statements. These transactions involve, to varying degrees, elements of credit, interest rate and liquidity risk. Such transactions are used primarily to manage customers requests for funding and take the form of loan commitments, letters of credit and lines of credit. We currently have no plans to engage in hedging activities in the future.

For the nine month periods ended September 30, 2007 and September 30, 2006, we engaged in no off-balance sheet transactions reasonably likely to have a material effect on our financial condition, results of operations or cash flows.

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**Item 3. Quantitative and Qualitative Disclosures about Market Risk**

**Qualitative Aspects of Market Risk**

We manage the interest rate sensitivity of our interest-bearing liabilities and interest-earning assets in an effort to minimize the adverse effects of changes in the interest rate environment. Deposit accounts typically react more quickly to changes in market interest rates than mortgage loans because of the shorter maturities of deposits. As a result, sharp increases in interest rates may adversely affect our earnings while decreases in interest rates may beneficially affect our earnings. To reduce the potential volatility of our earnings, we have sought to improve the match between asset and liability maturities and rates, while maintaining an acceptable interest rate spread. Our strategy for managing interest rate risk emphasizes: adjusting the maturities of borrowings; adjusting the investment portfolio mix and duration; increasing our focus on shorter-term, adjustable-rate commercial and multi-family lending; selling fixed-rate mortgage loans; and periodically selling available-for-sale securities. We currently do not participate in hedging programs, interest rate swaps or other activities involving the use of derivative financial instruments.

We have an Asset/Liability Committee, which includes members of management, to communicate, coordinate and control all aspects involving asset/liability management. The committee reports to the Board of Directors of the Bank quarterly and establishes and monitors the volume, maturities, pricing and mix of assets and funding sources with the objective of managing assets and funding sources to provide results that are consistent with liquidity, growth, risk limits and profitability goals.

**Quantitative Aspects of Market Risk**

We analyze our interest rate sensitivity to manage the risk associated with interest rate movements through the use of interest income simulation. The matching of assets and liabilities may be analyzed by examining the extent to which such assets and liabilities are interest sensitive. An asset or liability is said to be interest rate sensitive within a specific time period if it will mature or reprice within that time period.

Our goal is to manage asset and liability positions to moderate the effects of interest rate fluctuations on net interest income. Interest income simulations are completed monthly and presented to the Asset/Liability Committee and Board of Directors of the Bank. The simulations provide an estimate of the impact of changes in interest rates on net interest income under a range of assumptions. The numerous assumptions used in the simulation process are reviewed by the Asset/Liability Committee and the Board of Directors of the Bank on a quarterly basis. Changes to these assumptions can significantly affect the results of the simulation. The simulation incorporates assumptions regarding the potential timing in the repricing of certain assets and liabilities when market rates change and the changes in spreads between different market rates. The simulation analysis incorporates management s current assessment of the risk that pricing margins will change adversely over time due to competition or other factors.

Simulation analysis is only an estimate of our interest rate risk exposure at a particular point in time. We continually review the potential effect changes in interest rates could have on the repayment of rate sensitive assets and funding requirements of rate sensitive liabilities.

The table below sets forth an approximation of our exposure as a percentage of estimated net interest income for the next 12 month period using interest income simulation. The simulation uses projected repricing of assets and liabilities at September 30, 2007 on the basis of contractual maturities, anticipated repayments and scheduled rate adjustments. Prepayment rates can have a significant impact on interest income simulation. Because of the large percentage of loans we hold, rising or falling interest rates have a significant impact on the prepayment speeds of our earning assets that in turn affect the rate sensitivity position. When interest rates rise, prepayments tend to slow. When interest rates fall, prepayments tend to rise. Our asset sensitivity would be reduced if prepayments slow and vice versa. While we believe such assumptions to be reasonable, there can be no assurance that assumed prepayment rates will approximate future mortgage-backed security and loan repayment activity.

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The following table reflects changes in estimated net interest income for the Bank at September 30, 2007 through September 30, 2008.

| | Net Interest Income | | |
|---|---|---|---|
| **Increase (Decrease) in Market interest Rates (Rate Shock)** | **$ Amount** | **$ Change (Dollars In Thousands)** | **% Change** |
| 300 bp | $ 13,385 | $ (106) | -0.8% |
| 200 | $ 13,683 | $ 192 | 1.4% |
| 100 | $ 13,632 | $ 141 | 1.0% |
| | $ 13,491 | | |
| (100) | $ 13,825 | $ 334 | 2.5% |
| (200) | $ 13,989 | $ 498 | 3.7% |

The basis points changes in rates in the above table are assumed to occur evenly over the following 12 months.

**Item 4. Controls and Procedures**

The Company s management, including the Company s principal executive officer and principal financial officer, have evaluated the effectiveness of the Company s disclosure controls and procedures, as such term is defined in Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended, (the Exchange Act ). Based upon their evaluation, the principal executive officer and principal financial officer concluded that, as of the end of the period covered by this report, the Company s disclosure controls and procedures were effective for the purpose of ensuring that the information required to be disclosed in the reports that the Company files or submits under the Exchange Act with the Securities and Exchange Commission (the SEC ) (1) is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms, and (2) is accumulated and communicated to the Company s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

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**PART II. OTHER INFORMATION**

**Item 1. Legal Proceedings.**

The Company is not involved in any pending legal proceedings other than routine legal proceedings occurring in the ordinary course of business. Such routine legal proceedings, in the aggregate, are believed by management to be immaterial to the financial condition and results of operations of the Company.

**Item 1A. Risk Factors.**

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2006, which could materially affect our business, financial condition or future results. At September 30, 2007, the risk factors and the Company have not changed materially from those reported in our Annual Report on Form 10-K. However, the risks described in our Annual Report on Form 10-K are not the only risks that we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

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

(a) Unregistered Sales of Equity Securities Not applicable

(b) Use of Proceeds Not applicable

(c) Repurchase of Our Equity Securities

On August 16, 2007 the Company announced that its Board of Directors authorized a stock repurchase program (the Stock Repurchase Program ) for the purchase of up to 371,968 shares of the Company s common stock or approximately 5% of its outstanding common stock. Any purchase of common stock under the Stock Repurchase Program will be made through open market purchase transactions from time to time or privately negotiated transactions. The amount and exact timing of any repurchase will depend on market conditions and other factors, at the discretion of management of the Company. Repurchased shares will be held in treasury. Purchases under the Stock Repurchase Program in the third quarter of 2007 were as follows:

| Period | (a) Total Number of Shares (or Units) Purchased | (b) Average Price Paid Per Share (or Unit) | (c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs (1) | (d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs |
|---|---|---|---|---|
| July 1 -31, 2007 | | $ | | |
| August 1 - 31, 2007 | | | | 371,968 |

| | | | | | |
|---|---|---|---|---|---|
| September 1 - 30, 2007 | 25,000 | | 13.86 | 25,000 | 346,968 |
| Total | 25,000 | $ | 13.86 | 25,000 | |

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**Item 3. Defaults Upon Senior Securities.**
None.

**Item 4. Submission of Matters to a Vote of Security Holders.**
None.

**Item 5. Other Information.**
None.

**Item 6. Exhibits.**

| | |
|---|---|
| 3.1 | Articles of Incorporation of Chicopee Bancorp, Inc. (1) |
| 3.2 | Bylaws of Chicopee Bancorp, Inc. (2) |
| 4.0 | Stock Certificate of Chicopee Bancorp, Inc. (1) |
| 31.1 | Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer |
| 31.2 | Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer |
| 32.0 | Section 1350 Certification |

(1) Incorporated herein by reference to the Exhibits to the Company s Registration Statement on Form S-1 (File No. 333-132512), as amended, initially filed with the Securities and Exchange Commission on March 17, 2006.
(2) Incorporated herein by reference to Exhibit 3.2 to the Company s 8-K (File No. 000-51996) filed with the Securities and Exchange Commission on August 1, 2007.

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**SIGNATURES**

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

CHICOPEE BANCORP, INC.

Dated: November 8, 2007

By: /s/ William J. Wagner
William J. Wagner
Chairman of the Board, President and
Chief Executive Officer
(principal executive officer)

Dated: November 8, 2007

By: /s/ W. Guy Ormsby
W. Guy Ormsby
Executive Vice President,
Chief Financial Officer and Treasurer
(principal financial and chief accounting officer)