

**BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
Washington, D.C. 20551**

FORM 10-QSB

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

For the quarterly period ended September 30, 2005

or

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

For the transition period from _____ to _____

FDIC Certificate Number: 57690

THE CONNECTICUT BANK AND TRUST COMPANY

(Exact name of small business issuer as specified in its charter)

Chartered as a State Member Bank 90-0115348

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer
Identification No.)

58 State House Square, Hartford, CT

06103-3902

(Address of principal executive offices)

(Zip Code)

(860) 246-5200

(Issuer's telephone number, including area code)

Not Applicable

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

Indicate by check mark whether the issuer (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 No

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

Number of shares of the issuer's common stock, par value \$1.00 per share, outstanding as of October 31, 2005: 3,566,950 shares.

Transitional Small Business Disclosure Format (check one): Yes No

**THE CONNECTICUT BANK AND TRUST COMPANY
FORM 10-QSB**

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (unaudited)

THE CONNECTICUT BANK AND TRUST COMPANY Consolidated Balance Sheets

	September 30, 2005	December 31, 2004
	(Unaudited)	
<i>(Dollars in thousands)</i>		
Cash and due from banks	\$ 2,608	\$ 1,482
Federal funds sold	20,343	14,731
Cash and cash equivalents	<u>22,951</u>	<u>16,213</u>
Securities available for sale	24,676	37,927
Federal Reserve Bank stock, at cost	529	529
Federal Home Loan Bank stock, at cost	125	-
Loans	49,465	21,239
Less: allowance for loan losses	(717)	(239)
Loans, net	<u>48,748</u>	<u>21,000</u>
Premises and equipment, net	1,736	1,928
Accrued interest receivable	418	322
Other assets	406	369
Total Assets	<u><u>\$ 99,589</u></u>	<u><u>\$ 78,288</u></u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits	\$ 72,822	\$ 63,451
Repurchase agreements	276	302
Other liabilities	759	425
Total liabilities	<u>73,857</u>	<u>64,178</u>
Commitments and contingencies (Note 4)		
Stockholders' equity;		
Common stock, \$1.00 par value; 10,000,000 shares authorized; shares issued and outstanding: 3,566,950 at September 30, 2005 and 1,888,250 at December 31, 2004	3,567	1,889
Common stock warrants	853	853
Additional paid-in capital	29,495	16,178
Restricted stock unearned compensation	(662)	(407)
Retained deficit	(7,134)	(4,188)
Accumulated other comprehensive loss	(387)	(215)
Total stockholders' equity	<u>25,732</u>	<u>14,110</u>
Total Liabilities and Stockholders' Equity	<u><u>\$ 99,589</u></u>	<u><u>\$ 78,288</u></u>

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

THE CONNECTICUT BANK AND TRUST COMPANY
Consolidated Statements of Operations

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2005	2004	2005	2004
	(Unaudited)		(Unaudited)	
<i>(Dollars in thousands except share data)</i>				
Interest and dividend income:				
Interest and fees on loans	\$ 690	\$ 119	\$ 1,618	\$ 150
Debt securities	290	85	966	212
Dividends	8	-	24	-
Federal funds sold	104	33	214	80
Total interest and dividend income	<u>1,092</u>	<u>237</u>	<u>2,822</u>	<u>442</u>
Interest expense:				
Deposits	465	54	1,176	66
Borrowed funds	2	2	3	3
Total interest expense	<u>467</u>	<u>56</u>	<u>1,179</u>	<u>69</u>
Net interest income	625	181	1,643	373
Provision for loan losses	211	49	478	107
Net interest income, after provision for loan losses	<u>414</u>	<u>132</u>	<u>1,165</u>	<u>266</u>
Non-interest income:				
Service charges and fees	15	3	45	6
Net losses from sales of available-for-sale securities	(45)	-	(48)	(2)
Net gains on sales of loans	2	-	2	-
Total non-interest income	<u>(28)</u>	<u>3</u>	<u>(1)</u>	<u>4</u>
Non-interest expenses:				
Salaries and benefits	694	418	1,989	1,114
Occupancy and equipment	214	137	648	392
Data processing	49	2	122	66
Marketing	118	101	621	247
Professional services	57	145	374	239
Contribution to fund CBT Charitable Foundation	-	-	-	360
Other general and administrative	115	175	356	299
Total non-interest expenses	<u>1,247</u>	<u>978</u>	<u>4,110</u>	<u>2,717</u>
Net loss	<u>\$ (861)</u>	<u>\$ (843)</u>	<u>\$ (2,946)</u>	<u>\$ (2,447)</u>
Net loss per share:				
Basic	\$ (0.44)	\$ (0.46)	\$ (1.53)	\$ (1.78)
Diluted	\$ (0.44)	\$ (0.46)	\$ (1.53)	\$ (1.78)

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

THE CONNECTICUT BANK AND TRUST COMPANY
Consolidated Statements of Changes in Stockholders' Equity
Nine Months Ended September 30, 2005 and 2004
(Unaudited)

<i>(Dollars in thousands)</i>	Common Stock	Founders' Equity Contribution	Common Stock Warrants	Additional Paid-in Capital	Unearned Compensation	Retained Deficit	Accumulated Other Comprehensive Income (Loss)	Total
Balance at December 31, 2004	\$ 1,889	\$ -	\$ 853	\$ 16,178	\$ (407)	\$ (4,188)	\$ (215)	<u>\$ 14,110</u>
Comprehensive income (loss):								
Net loss	-	-	-	-	-	(2,946)	-	(2,946)
Change in net unrealized loss on securities available for sale	-	-	-	-	-	-	(172)	<u>(172)</u>
Total comprehensive income (loss)								<u>(3,118)</u>
Net proceeds from issuance of common stock in connection with the Bank's secondary offering	1,650	-	-	12,981	-	-	-	14,631
Issuance of common stock in connection with restricted stock awards	30	-	-	358	(388)	-	-	-
Retirement of common stock in connection with the cancelation of restricted stock awards	(2)	-	-	(22)	24	-	-	-
Decrease in unearned compensation	-	-	-	-	109	-	-	109
Balance at September 30, 2005	<u>\$ 3,567</u>	<u>\$ -</u>	<u>\$ 853</u>	<u>\$ 29,495</u>	<u>\$ (662)</u>	<u>\$ (7,134)</u>	<u>\$ (387)</u>	<u>\$ 25,732</u>
Balance at December 31, 2003	\$ -	\$ 1,157	\$ -	\$ -	\$ -	\$ (757)	\$ -	<u>\$ 400</u>
Comprehensive income (loss):								
Net loss	-	-	-	-	-	(2,447)	-	(2,447)
Change in net unrealized loss on securities available for sale	-	-	-	-	-	-	(20)	<u>(20)</u>
Total comprehensive income (loss)								<u>(2,467)</u>
Net proceeds from issuance of common stock in connection with the Bank's initial public offering	1,850	(1,157)	853	15,690	-	-	-	17,236
Issuance of common stock in connection with restricted stock awards	30	-	-	414	(444)	-	-	-
Exercise of warrants	5	-	-	44	-	-	-	49
Balance at September 30, 2004	<u>\$ 1,885</u>	<u>\$ -</u>	<u>\$ 853</u>	<u>\$ 16,148</u>	<u>\$ (444)</u>	<u>\$ (3,204)</u>	<u>\$ (20)</u>	<u>\$ 15,218</u>

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

THE CONNECTICUT BANK AND TRUST COMPANY
Consolidated Statements of Cash Flows

	Nine Months Ended September 30,	
	2005	2004
	(Dollars in thousands)	
	(Unaudited)	
Cash flows from operating activities:		
Net loss	\$ (2,946)	\$ (2,447)
Adjustment to reconcile net loss to net cash used by operating activities:		
Provision for loan losses	478	107
Net losses from sales of available-for-sale securities	48	2
Depreciation and amortization	238	116
Net amortization of premiums on available-for-sale securities	120	-
Amortization of deferred loan fees (net of related costs)	(8)	-
Amortization of unearned compensation	109	-
Increase in other liabilities	334	236
Increase in accrued interest receivable	(96)	(168)
Increase in other assets	(37)	(241)
Net cash used in operating activities	(1,760)	(2,395)
Cash flows from investing activities:		
Purchases of investment securities available for sale	(6,179)	(10,161)
Sales of investment securities available for sale	10,347	989
Principal payments on mortgage backed securities	1,195	284
Proceeds from calls of investment securities available for sale	7,548	233
Purchases of FRB stock	-	(529)
Purchases of FHLB stock	(125)	-
Net loan originations	(28,218)	(9,909)
Purchases of premises and equipment	(46)	(2,014)
Net cash used in investing activities	(15,478)	(21,107)
Cash flows from financing activities:		
Net increase in deposits	9,371	45,891
Net (decrease) increase in other borrowed funds	(26)	1,636
Net proceeds received in connection with secondary offering	14,631	-
Net cash provided by financing activities	23,976	47,527
Net change in cash and cash equivalents	6,738	24,025
Cash and cash equivalents at beginning of period	16,213	8,320
Cash and cash equivalents at end of period	\$ 22,951	\$ 32,345
Supplemental disclosures of cash flow information:		
Interest paid	\$ 1,161	\$ 30
Income taxes paid	-	-

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

THE CONNECTICUT BANK AND TRUST COMPANY
Notes to Unaudited Financial Statements
September 30, 2005

(1) Organization

The Connecticut Bank and Trust Company ("CBT") is a state chartered bank and trust company operating primarily in North Central Connecticut. CBT operates out of its main office at 58 State House Square, Hartford, Connecticut and branch offices at 7 Sycamore Street, Glastonbury, Connecticut and 68 South Main Street, West Hartford, Connecticut. CBT received regulatory approval in September 2005 to establish additional branches in Vernon and Windsor Connecticut. CBT is subject to competition from other financial institutions, including but not limited to commercial banks, savings banks, credit unions and mortgage banking companies. CBT is also subject to the regulations of, and periodic examinations by, the Connecticut Department of Banking ("DOB") and the Board of Governors of the Federal Reserve System ("Fed") through the Federal Reserve Bank of Boston ("FRBB"). CBT Insurance Fund of the Federal Deposit Insurance Corporation ("FDIC") insures CBT's deposits for amounts up to \$100,000.

(2) Basis of Presentation

In the opinion of CBT's management ("Management"), the accompanying unaudited financial statements contain all adjustments necessary to present fairly the financial position as of September 30 2005 and the results of operations and cash flows for the three- and six-month periods ended September 30, 2005 and 2004. These adjustments consist only of normal recurring adjustments. Certain amounts in prior periods have been reclassified to conform to the current presentation. The results of operations for the three- and nine-month periods are not necessarily indicative of the results to be expected for the full year. The statements should be read in conjunction with the financial statements and accompanying notes found on pages F-1 through F-22 of CBT's registration statement on Form 10-SB for the year ended December 31, 2004, filed with the Fed on April 29, 2005.

When making comparisons to the three and nine months ended September 30, 2004, it must be noted that CBT was granted its permanent charter and commenced operations on March 12, 2004. Prior to March 12, 2004, CBT had no outstanding loan or deposit balances. Accordingly, CBT had also not recorded loan interest income, deposit interest expense or fee income. Noninterest expenses incurred prior to the commencement of operations were related to organizing, outfitting and staffing CBT in preparation of that opening.

(3) Earnings (Loss) Per Share

Basic earnings (loss) per share represents income available to common stockholders divided by the weighted-average number of common shares outstanding during the period. Diluted earnings (loss) per share reflects additional common shares that would have been outstanding if dilutive potential common shares had been issued. Potential common shares that may be issued by CBT are primarily associated with outstanding warrants and are determined using the treasury stock method.

Earnings (loss) per common share for the three and nine months ended September 30, 2005 and 2004 have been computed based upon the following (dollars in thousands except per share amounts):

	Unaudited		Unaudited	
	Three Months Ended September 30, 2005	2004	Nine Months Ended September 30, 2005	2004
Net loss	\$ (861)	\$ (843)	\$ (2,946)	\$ (2,447)
Average number of common shares outstanding	1,968	1,850	1,920	1,375
Effect of dilutive potential common shares	-	-	-	-
Average number of common shares outstanding used to calculate diluted earnings per share	1,968	1,850	1,920	1,375
Net loss per share:				
Basic	\$ (0.44)	\$ (0.46)	\$ (1.53)	\$ (1.78)
Diluted	\$ (0.44)	\$ (0.46)	\$ (1.53)	\$ (1.78)

For the three and nine months ended September 30, 2005 and 2004, 170,500 and 180,500 common stock warrants, respectively, were anti-dilutive and therefore not included in the earnings per share calculation.

(4) Loan Commitments

CBT is a party to credit related financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit. Such commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the balance sheets. CBT's commitments to extend credit include unfunded loans as well as unused lines of credit. CBT has commitments to originate loans totaling \$8.8 million at September 30, 2005 compared to \$9.0 million at December 31, 2004. CBT also has unfunded commitments under existing lines of credit aggregating \$13.1 million at September 30, 2005 and \$8.2 million at December 31, 2004.

(5) Allowance for Loan Losses

The allowance for loan losses is established through a provision for loan losses charged to expenses. Loans are charged against the allowance for loan losses when Management believes that the collectibility of the principal is unlikely. The allowance is an amount that CBT's Management believes will be adequate to absorb losses inherent in existing loans and commitments to extend credit, based on evaluations of collectibility and prior loss experience of loans and commitments to extend credit. The evaluations take into consideration such factors as changes in the nature and volume of the portfolio, overall portfolio quality, loan concentration, specific problem loans, commitments, current economic conditions that may affect the borrowers' ability to pay, and other factors related to the collectibility of loans in CBT's portfolio. Although Management continuously reevaluates the allowance, formal evaluations occur on a quarterly basis.

(6) Stock Compensation Plans

The Compensation Committee of the Board of Directors approved the granting of 25,000 restricted shares to two employee directors on May 2, 2005. These shares were granted at a market price of \$13.00, vest over a period of five years and were awarded prior to the registration of CBT's common stock with the Securities and Exchange Commission. The Compensation Committee of the Board of Directors also approved the granting of 5,000 restricted shares to an employee on September 22, 2005. These shares were granted at a market price of \$12.55 and vest over a period of three years. The total cost of these shares is being amortized over the vesting period in accordance with Statement of Financial Accounting Standards ("SFAS") No. 123(R).

In December 2004, the Financial Accounting Standards Board ("FASB") published FASB Statement No. 123 (revised 2004), *Share-Based Payment* ("SFAS 123(R)" or the "Statement"). SFAS 123(R) requires that the compensation cost relating to share-based payment transactions, including grants of employee stock options, be recognized in financial statements. That cost is measured based on the fair value of the equity or liability instruments issued. SFAS 123(R) covers a wide range of share-based compensation arrangements including stock options, restricted share plans, performance-based awards, share appreciation rights, and employee share purchase plans. SFAS 123(R) is a replacement of FASB Statement No. 123, *Accounting for Stock-Based Compensation*, and supersedes APB Opinion No. 25, *Accounting for Stock Issued to Employees*, and its related interpretive guidance. The effect of the Statement is to require entities to measure the cost of employee services received in exchange for stock options based on the grant-date fair value of the award, and to recognize the cost over the period the employee is required to provide services for the award. SFAS 123(R) permits entities to use any option-pricing model that meets the fair value objective in the Statement.

CBT is required to apply SFAS 123(R) as of the beginning of its first fiscal year that begins after June 15, 2005, which is January 1, 2006. SFAS 123(R) allows two methods for determining the effects of the transition: the modified prospective transition method and the modified retrospective method of transition. Under the modified prospective transition method, an entity would use the fair value based accounting method for all employee awards granted, modified, or settled after the effective date. As of the effective date, compensation cost related to the nonvested portion of awards outstanding as of that date would be based on the grant-date fair value of those awards as calculated under the original provisions of Statement No. 123; that is, an entity would not remeasure the grant-date fair value estimate of the unvested portion of awards granted prior to the effective date of SFAS 123(R). Under the modified retrospective method of transition, an entity would revise its previously issued financial statements to recognize employee compensation cost for prior periods presented in accordance with the original provisions of Statement No. 123. CBT has completed its study of the transition methods and has elected to adopt SFAS 123(R) effective October 1, 2005 using the modified prospective transition method. CBT does not expect the adoption of SFAS 123(R) to materially affect its financial statements.

(7) Secondary Offering

CBT completed a secondary offering of its common stock in September 2005. In connection with this offering CBT issued 1,650,000 shares of its stock at a price of \$9.50 per share. CBT received net proceeds of \$14.6 million after deducting underwriting expenses totaling \$728,000 and aggregate offering costs of \$316,000. These proceeds will be used to support CBT's expansion in the North-Central Connecticut market through the establishment of additional branches, to strengthen CBT's capital level in anticipation of continued growth and for general working capital purposes.

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

The following discussion and analysis is designed to assist you in better understanding the financial condition, results of operations, liquidity and capital resources of The Connecticut Bank and Trust Company (“CBT”), as well as any significant changes and trends related thereto. This discussion should be read in conjunction with the accompanying unaudited financial statements and the notes appearing in Part I of this Form 10-QSB and the financial statements and accompanying notes found on pages F-1 through F-22 of our registration statement on Form 10-SB for the year ended December 31, 2004, filed with the Fed on April 29, 2005.

When making comparisons to the three and nine months ended September 30, 2004, it must be noted that CBT was granted its permanent charter and commenced operations on March 12, 2004. Prior to March 12, 2004, CBT had no outstanding loan or deposit balances. Accordingly, CBT had also not recorded loan interest income, deposit interest expense or fee income. Noninterest expenses incurred prior to the commencement of operations were related to organizing, outfitting and staffing CBT in preparation of that opening.

General

CBT was granted a temporary charter by the Connecticut Department of Banking on May 12, 2003 and was incorporated as The Connecticut Bank and Trust Company on May 22, 2003. The refurbishing of locations to serve as CBT’s first three banking centers in Hartford, Glastonbury and West Hartford began almost immediately and CBT commenced operations on March 12, 2004. CBT completed an initial sale of common stock on August 26, 2003, raising \$18.5 million in gross proceeds.

CBT completed a secondary offering of its common stock in September 2005. In connection with this offering CBT issued 1,650,000 shares of its stock at a price of \$9.50 per share. CBT received net proceeds of \$14.6 million after deducting underwriting expenses totaling \$728,000 and aggregate offering costs of \$316,000. These proceeds will be used to support CBT’s expansion in the North-Central Connecticut market through the establishment of additional branches, to strengthen CBT’s capital level in anticipation of continued growth and for general working capital purposes.

CBT provides a broad range of banking services to both consumers and businesses in its market areas from its three banking centers and through its website, www.thecbt.com. CBT is a full service commercial bank providing a comprehensive set of loans and deposit services to local businesses, business owners, professionals, and other individuals. CBT actively seeks to finance the credit needs of local businesses and actively markets deposit and loan products to individuals. CBT also offers certain investment management products to its customers. An important dimension of CBT’s strategy is to provide customers with access to well-trained, experienced bank personnel, including the senior management team.

Forward-Looking Statements Safe-harbor Statement

This report may contain forward-looking statements that are subject to numerous assumptions, risks and uncertainties. Statements pertaining to future periods are subject to numerous uncertainties because of the possibility of changes in underlying factors and assumptions. Actual results could differ materially from those contained in or implied by such forward-looking statements for a variety of factors including: sharp and rapid changes in interest rates; significant changes in the economic scenario from the current anticipated scenario which could materially change anticipated credit quality trends and the ability to generate loans; significant delay in or inability to execute strategic initiatives designed to grow revenues and/or control expenses; and significant changes in accounting, tax or regulatory practices or requirements. Because of the risks and uncertainties inherent in forward-looking statements, readers are cautioned not to place undue reliance on them, whether included in this report or made elsewhere from time to time by CBT or on its behalf. CBT assumes no obligation to update any forward-looking

statements.

Critical Accounting Policies

In the ordinary course of business, CBT makes a number of estimates and assumptions relating to reporting results of operations and financial condition in preparing its financial statements in conformity with accounting principals generally accepted in the U.S. Actual results could differ significantly from those estimates under different assumptions and conditions. CBT believes that two of CBT's critical accounting policies rely on material estimates that are susceptible to significant differences between actual results and estimates - determination of allowance for loan losses and valuation of deferred tax assets. CBT believes the following discussion of its accounting policy and estimates relating to the provision and allowance for loan losses addresses the policy that is most important to the portrayal of CBT's financial condition and results and requires management's most difficult, subjective and complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. CBT has reviewed this policy with its audit committee. A detailed description of the estimation processes and methodology related to the allowance for loan losses is included in CBT's accompanying unaudited financial statements and the notes appearing in Part I of this Form 10-QSB and the financial statements and accompanying notes of our registration statement on Form 10-SB for the year ended December 31, 2004, filed with the Fed on April 29, 2005. A description of the estimation process and methodology related to the valuation of deferred tax assets is included in CBT's financial statements and accompanying notes of our registration statement on Form 10-SB for the year ended December 31, 2004, filed with the Fed on April 29, 2005.

Comparison of Financial Condition at September 30, 2005 and December 31, 2004

Total assets expanded \$21.3 million, or 27.2%, to \$99.6 million at September 30, 2005 from \$78.3 million at December 31, 2004 resulting from increases of \$28.2 million, or 132.9%, in loans and \$5.6 million, or 38.1%, in fed funds sold balances, partially offset by a decrease of \$13.3 million, or 34.9%, in securities available for sale. Loan growth was concentrated in commercial loans (\$14.4 million) and commercial real estate loans (\$12.6 million) reflecting CBT's strategy to focus its efforts on attracting and retaining small business customers in the North-Central Connecticut market. The expansion in fed funds sold balances is due to an increase in excess funds in connection with CBT's secondary offering. The decrease in securities available for sale is largely attributable to sales of certain lower-coupon bonds totaling \$10.4 million, calls of several agency securities aggregating \$7.5 million and mortgage-backed securities payments in an amount of \$1.2 million, somewhat offset by purchases of agency securities accumulating \$6.2 million.

Balance sheet expansion was funded with \$14.6 million in net proceeds received from the secondary offering, deposit growth and proceeds from sales, calls and repayments of securities available for sale. Total deposit balances expanded \$9.3 million, or 14.8%, to \$72.8 million at September 30, 2005 from \$63.5 million at December 31, 2004 largely as a result of promotional and sales efforts and the introduction of a new tiered money market savings account, partially offset by runoff of maturing certificates of deposits. Total stockholders' equity increased \$11.6 million, or 82.4%, to \$25.7 million at September 30, 2005 mainly attributable to the secondary offering, offset by a net loss of \$2.9 million.

Investment securities

At September 30, 2005, CBT's investment securities portfolio, all of which was classified as available-for-sale, amounted to \$24.7 million, or 24.8% of assets. The following table sets forth at the dates indicated information regarding the amortized cost and market values of CBT's investment securities.

<i>(Dollars in thousands)</i>	September 30, 2005		December 31, 2004	
	Amortized	Fair Value	Amortized	Fair Value
	Cost		Cost	
Federal agency debt securities	\$ 16,777	\$ 16,560	\$ 27,767	\$ 27,593
Federal agency mortgage-backed securities	8,286	8,116	10,375	10,334
	<u>\$ 25,063</u>	<u>\$ 24,676</u>	<u>\$ 38,142</u>	<u>\$ 37,927</u>

Securities available-for-sale declined \$13.3 million, or 34.9%, to \$24.7 million at September 30, 2005 primarily due to sales of lower-coupon bonds totaling \$10.4 million, calls of certain agency securities aggregating \$7.5 million, and mortgage-backed security principal payments amounting to \$1.2 million. CBT used the proceeds from sales, calls and principal payments to fund loan originations and the purchase of agency bonds. These factors were partially offset by purchases of agency securities totaling \$6.2 million.

Loans

Because loans generally produce higher yields than investment securities and other interest-earning assets, it is CBT's strategy to use deposit balances to fund loans within its market area as soon as practicable. Consistent with this strategy, CBT experienced significant growth in loans in the first three quarters of 2005. At September 30, 2005, CBT's net loan portfolio totaled \$49.5 million, or 49.0% of total assets.

The following table sets forth the composition of CBT's loan portfolio in dollar amounts and as a percentage of the respective portfolio at the dates indicated.

<i>(Dollars in thousands)</i>	September 30, 2005		December 31, 2004	
	Balance	Percent	Balance	Percent
		of Total		of Total
Commercial loans	\$ 24,749	50.08%	\$ 10,358	48.77%
Commercial real estate	20,615	41.71%	8,019	37.76%
Home equity lines of credit	3,327	6.73%	2,040	9.60%
Closed end home equity loans	489	0.99%	-	0.00%
Consumer loans	241	0.49%	822	3.87%
Total loans	<u>49,421</u>	<u>100.00%</u>	<u>21,239</u>	<u>100.00%</u>
Deferred loan origination costs	44		-	
Allowance for loan losses	(717)		(239)	
Loans, net	<u>\$ 48,748</u>		<u>\$ 21,000</u>	

CBT's net loan portfolio grew \$27.7 million, or 130.6%, during the first nine months of 2005 largely reflecting the origination of \$34.3 million of new loans, advances of \$7.8 million on unused lines of credit and loan purchases totaling \$1.3 million, somewhat mitigated by amortization of the existing portfolio amounting to \$11.2 million and loan participations sold to other banks totaling \$3.8 million. CBT's level of loan closings was strong in the commercial loan and commercial real estate mortgage loan portfolios as a result of several factors including sales and promotional activities, a stable local economy and a historically low interest rate environment.

Loan Quality

CBT attempts to manage the risk characteristics of its loan portfolio through various control processes, such as credit evaluation of borrowers, establishment of lending limits and application of lending procedures, including the holding of adequate collateral. However, primary reliance is placed on the cash flow of the borrower as the principal source of repayment. Although credit policies are designed to minimize risk, management recognizes that loan losses will occur and the amount of these losses will fluctuate depending on the risk characteristics of the loan portfolio as well as general and regional economic conditions.

The allowance for loan losses represents a reserve for probable losses in the loan portfolio. Management regularly reevaluates the allowance, and a formal evaluation based on a review of significant loans, with a particular emphasis on non-accruing loans, past due and other loans that management believes require special attention is completed quarterly.

The accrual of interest on loans is discontinued at the time the loan is 90 days past due unless the credit is well-secured and in process of collection. Loans are placed on nonaccrual or charged-off at an earlier date if collection of principal or interest is considered doubtful. All interest accrued but not collected for loans that are placed on nonaccrual or charged off is reversed against interest income.

As of and for the nine months ended September 30, 2005 and as of and for the year ended December 31, 2004, CBT had no impaired loans or loans on non-accrual status. For the nine months ended September 30, 2005 and for the year ended December 31, 2004, no loans have been charged-off.

Allowance for Loan Losses

The allowance for loan losses is established through a provision for loan losses charged to expenses. Loans are charged against the allowance for loan losses when Management believes that the collectibility of the principal is unlikely. The allowance is an amount that CBT's Management believes will be adequate to absorb losses inherent in existing loans and commitments to extend credit, based on evaluations of collectibility and prior loss experience of loans and commitments to extend credit. The evaluations take into consideration such factors as changes in the nature and volume of the portfolio, overall portfolio quality, loan concentration, specific problem loans, commitments, current economic conditions that may affect the borrowers' ability to pay, and other factors related to the collectibility of loans in CBT's portfolio. Although Management continuously reevaluates the allowance, formal evaluations occur on a quarterly basis.

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

	Nine Months Ended	
	September 30,	
	2005	2004
<i>(Dollars in thousands)</i>		
Balance, beginning of period	\$ 239	\$ -
Provision for loan losses	478	107
Recoveries	-	-
Charge-offs	-	-
Balance, end of period	<u>\$ 717</u>	<u>\$ 107</u>
Allowance for loan losses to total loans	1.45%	1.08%
Allowance for loan losses to nonperforming loans and troubled debt restructurings	N/A	N/A
Net loan charge-offs (recoveries) to allowance for loan losses	-	-
Recoveries to charge-offs	-	-

Deposits

To date, deposits from our primary market have provided a relatively stable funding source for CBT's loan portfolio and other earning assets. We offer a full range of interest bearing and non-interest bearing accounts with a range of maturity date options. The sources of deposits are businesses, employees of businesses and residents of the North-Central Connecticut market area. The table below sets forth the composition of CBT's deposits in dollar amounts and as a percentage of total deposits..

<i>(Dollars in thousands)</i>	September 30, 2005		December 31, 2004	
	Balance	Percent of Total	Balance	Percent of Total
Demand	\$ 17,341	23.81%	\$ 12,027	18.96%
NOW accounts	4,790	6.58%	3,594	5.66%
Savings and money market	17,055	23.42%	2,849	4.49%
Time	33,636	46.19%	44,981	70.89%
Total deposits	<u>\$ 72,822</u>	<u>100.00%</u>	<u>\$ 63,451</u>	<u>100.00%</u>

Total deposits expanded \$9.3 million, or 14.8%, to \$72.8 million at September 30, 2005 from \$63.5 million at December 31, 2004. Growth in demand, NOW and savings and money market balances primarily reflects new accounts opened as a result of sales and promotional activities, a high level of service and convenience and competitive products and pricing. Total savings and money market deposits were also affected by the introduction of a new tiered-rate money market savings product with an attractive rate. Demand balances were also materially impacted by seasonal balance variability. The decrease of \$11.3 million, or 25.2%, in time deposits reflects runoff of certain maturing certificates of deposit. These maturities were primarily related to a CD special offered to new and existing customers in the third quarter of 2004. The objective of the special was to raise awareness and to attract and retain new business. CBT acquired in excess of \$40 million in balances from the introduction of a CD special with an above market interest rate. CBT elected not to pay an above market rate for these maturing CD specials and accordingly, a certain percentage of these deposits were shifted into other products within CBT or moved to other financial institutions.

Comparison of Operating Results for the Three Months Ended September 30, 2005 and 2004

General

CBT reported net losses of \$861,000, or \$0.44 per diluted share, in the third quarter of 2005 and \$843,000, or \$0.46 per diluted share, for the same period last year. The results for the third quarter of 2005 were mainly affected by higher provisions for loan losses and non-interest expenses, offset to some extent by growth in average loans and core deposits and net interest margin expansion.

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 depicts the condensed averages of the major balance sheet categories that generate interest income or interest expense and the resulting asset yields or cost of funds for the three-month periods ended September 30, 2005 and 2004. The difference between asset yields and the cost of funds equals the net interest spread. The difference between interest income and interest expense equals net interest income, which is divided into the average balance of interest earning assets to arrive at the net interest margin. The total dollar amount of interest income from assets and the subsequent yields are calculated on a taxable equivalent basis.

Three Months Ended September 30,

	2005			2004		
	(Dollars in Thousands)					
	Average Balance	Interest Income/ Expense	Average Yield Rate	Average Balance	Interest Income/ Expense	Average Yield Rate
Interest-Earning Assets						
Loans (including loans held for sale)	\$ 41,625	\$ 690	6.58%	\$ 8,524	\$ 119	5.55%
Investments (including Fed Funds)	42,002	402	3.80%	19,975	118	2.35%
Total interest-earning assets	83,627	1,092	5.18%	28,499	237	3.31%
Allowance for loan losses	(573)			(78)		
Cash and due from banks	1,971			1,935		
Other assets	2,575			2,430		
Total assets	<u>\$ 87,600</u>			<u>\$ 32,786</u>		
Interest-Bearing Liabilities						
Savings, NOW and money market deposits	\$ 15,072	\$ 93	2.45%	\$ 2,883	\$ 5	0.69%
Time deposits	47,057	372	3.14%	8,029	49	2.43%
Borrowed funds	283	2	2.80%	267	2	2.98%
Total interest-bearing liabilities	62,412	467	2.97%	11,179	56	1.99%
Demand deposits	12,546			5,809		
Total deposits and borrowed funds	74,958			16,988		
Other liabilities	520			149		
Stockholders' equity	12,122			15,649		
Total liabilities and stockholders' equity	<u>\$ 87,600</u>			<u>\$ 32,786</u>		
Net interest income		<u>\$ 625</u>			<u>\$ 181</u>	
Interest rate spread			<u>2.21%</u>			<u>1.32%</u>
Net interest margin			<u>2.97%</u>			<u>2.53%</u>

- (1) 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.
- (2) Net interest margin represents annualized net interest income, based upon the actual number of days in the quarter and the year, divided by average interest-earning assets.

Net interest income increased \$444,000 to \$625,000 for the three months ended September 30, 2005 from \$181,000 in the same period last year mainly driven by growth in average interest-earning assets and net interest margin expansion. Total average interest-earning assets increased \$55.1 million to \$83.6 million for the three months ended September 30, 2005 reflecting growth in average loans and investments. Average loans increased \$33.1 million primarily due to solid origination volume and advances on new and existing lines of credit, somewhat mitigated by amortization and prepayments of existing loans. Average investments expanded \$22.0 million principally reflecting bond purchases and an increase in fed funds sold balances, offset by sales and calls of certain agency securities and principal payments on mortgage-backed securities. Net interest margin expanded 44 basis points to 2.97% for the three months ended September 30, 2005 from 2.53% in 2004 primarily resulting from the use of overnight fed funds balances, cash flows from investment securities and expanded deposit balances to support higher yielding loans, and to a lesser extent, the impact of higher short-term interest rates in 2005. In connection with rising short-term rates, CBT benefited from the repricing of certain variable rate assets to a greater degree than the impact on the cost of interest-bearing liabilities.

Provision for Loan Losses

CBT's provision for loan losses rose \$162,000 to \$211,000 during the third quarter of 2005 from \$49,000 for the same period last year largely reflecting accelerated net loan growth in 2005. Management, based upon known circumstances and conditions related to individual loans, industry trends, regional and national economic conditions and estimates of the potential for losses, determines the necessary level of the allowance for loan losses.

Non-Interest Income

Total non-interest income declined \$31,000 to (\$28,000) during the three-month period ended September 30, 2005 compared to \$3,000 for the same period in 2004 primarily reflecting net losses of \$45,000 from the sale of certain available for sale securities, partially offset by growth in service charges and fees. Service charges and fees increased \$12,000 to \$15,000 for the third quarter of 2005 principally resulting from an expanded number of deposit accounts. The primary source of CBT's non-interest income is derived from fees on deposit accounts and other banking-related services.

Non-Interest Expenses

Non-interest expenses increased \$269,000, or 27.5%, to \$1.2 million for the third quarter of 2005 compared to \$1.0 million for the same period in 2004. Salaries and benefits expanded \$276,000 in connection with additional staff required to support and facilitate CBT's growth, annual merit increases, stock-based and short-term incentive costs incurred in 2005 and higher employer insurance expenses. Occupancy and equipment costs rose \$77,000 principally due to escalated branch maintenance expenses and increased depreciation charges associated with additional capital expenditures. Professional services expenses declined \$88,000 largely as a result of reduced management consulting and legal activities.

Comparison of Operating Results for the Nine Months Ended September 30, 2005 and 2004

General

CBT reported net losses of \$2.9 million, or \$1.53 per diluted share, for the nine months ended September 30, 2005 and \$2.4 million, or \$1.78 per diluted share, for the same period last year. The results for the first nine months of 2005 were mainly affected by higher provisions for loan losses and non-interest expenses, offset to some extent by growth in average loans and core deposits and net interest margin expansion.

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 depicts the condensed averages of the major balance sheet categories that generate interest income or interest expense and the resulting asset yields or cost of funds for the nine-month periods ended September 30, 2005 and 2004. The difference between asset yields and the cost of funds equals the net interest spread. The difference between interest income and interest expense equals net interest income, which is divided into the average balance of interest earning assets to arrive at the net interest margin. The total dollar amount of interest income from assets and the subsequent yields are calculated on a taxable equivalent basis.

Nine Months Ended September 30,

	2005			2004		
	(Dollars in Thousands)					
	Average Balance	Interest Income/ Expense	Average Yield Rate	Average Balance	Interest Income/ Expense	Average Yield Rate
Interest-Earning Assets						
Loans (including loans held for sale)	\$ 33,909	\$ 1,618	6.38%	\$ 3,717	\$ 150	5.39%
Investments (including Fed Funds)	43,412	1,204	3.71%	17,755	292	2.20%
Total interest-earning assets	77,321	2,822	4.88%	21,472	442	2.75%
Allowance for loan losses	(424)			(27)		
Cash and due from banks	1,728			1,457		
Other assets	2,623			1,603		
Total assets	<u>\$ 81,248</u>			<u>\$ 24,505</u>		
Interest-Bearing Liabilities						
Savings, NOW and money market deposits	\$ 9,690	\$ 136	1.88%	\$ 1,371	\$ 9	0.88%
Time deposits	47,100	1,040	2.95%	3,309	57	2.30%
Borrowed funds	298	3	1.35%	251	3	1.60%
Total interest-bearing liabilities	57,088	1,179	2.76%	4,931	69	0.16%
Demand deposits	10,891			3,109		
Total deposits and borrowed funds	67,979			8,040		
Other liabilities	449			95		
Stockholders' equity	12,820			16,370		
Total liabilities and stockholders' equity	<u>\$ 81,248</u>			<u>\$ 24,505</u>		
Net interest income		<u>\$ 1,643</u>			<u>\$ 373</u>	
Interest rate spread			<u>2.12%</u>			<u>2.59%</u>
Net interest margin			<u>2.84%</u>			<u>2.32%</u>

(1) 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.

(2) Net interest margin represents annualized net interest income, based upon the actual number of days in the year, divided by average interest-earning assets.

Net interest income increased \$1.3 million to \$1.6 million for the first nine months of 2005 compared to \$373,000 in the same period last year mainly driven by growth in average interest-earning assets and net interest margin expansion. Total average interest-earning assets increased \$55.8 million to \$77.3 million for the nine months ended September 30, 2005 reflecting growth in average loans and investments. Average loans increased \$30.2 million primarily due to solid origination volume and advances on new and existing lines of credit, somewhat mitigated by amortization and prepayments of existing loans. Average investments expanded \$25.7 million principally reflecting bond purchases and an increase in fed funds sold balances, offset by sales and calls of certain agency securities and principal payments on mortgage-backed securities. Net interest margin expanded 52 basis points to 2.84% for the nine months ended September 30, 2005 from 2.32% in 2004 primarily resulting from the investment of proceeds from the initial public offering, the use of overnight fed funds balances, cash flows from investment securities and expanded deposit balances to support higher yielding loans, and to a lesser extent, the impact of higher short-term interest rates in 2005. In connection with rising short-term rates, CBT benefited from the repricing of certain variable rate assets to a greater degree than the impact on the cost of interest-bearing liabilities.

Provision for Loan Losses

CBT's provision for loan losses increased \$371,000 to \$478,000 for the nine months ended September 30, 2005 compared to \$107,000 for the same period last year. The higher loan loss provision in 2005 was largely due to accelerated net loan growth in 2005. Management, based upon known circumstances and conditions related to individual loans, industry trends, regional and national economic conditions and estimates of the potential for losses, determines the necessary level of the allowance for loan losses.

Non-Interest Income

Total non-interest income declined \$5,000 to (\$1,000) during the nine months ended September 30, 2005 compared to \$4,000 for the same period in 2004 primarily reflecting an increase of \$46,000 in losses from sales of securities available for sale, somewhat mitigated by growth in service charges and fees. Total service charges and fees rose \$39,000 to \$45,000 for the nine months ended September 30, 2005 largely as a result of an increase in the number of deposit accounts. The primary source of CBT's non-interest income is derived from fees on deposit accounts and other banking-related services.

Non-Interest Expense

Non-interest expenses grew \$1.4 million, or 51.3%, to \$4.1 million for the first nine months of 2005 compared to \$2.7 million for the same period in 2004. Excluding CBT's contribution of \$360,000 in 2004 to fund the CBT Charitable Foundation, the increase would have been \$1.8 million, or 74.4%. Salaries and benefits increased \$875,000 in connection with additional staff required to support and facilitate CBT's growth, annual merit increases, stock-based and short-term incentive costs incurred in 2005 and higher employer insurance expenses. Occupancy and equipment expenses rose \$256,000 principally due to unusually low costs in the first quarter of 2004 as a result of the opening of CBT's three branches on March 12, 2004, escalated branch maintenance charges and increased depreciation charges associated with additional capital expenditures. Data processing costs expanded \$56,000 largely related to growth in the number of loan and deposit accounts. Marketing expenses grew \$374,000 as a result of increased promotional activities.. Professional services increased \$135,000 principally due to increased legal and audit activities associated with being a public company. Other general and administrative expenses rose \$57,000 reflecting costs associated with supporting a larger loan and deposit base and expanded business development efforts.

Liquidity

Liquidity and funding strategies are the responsibility of CBT's Asset Liability Management Committee ("ALCO"). The ALCO is responsible for establishing liquidity targets and implementing strategies to meet desired goals. Liquidity management refers to CBT's ability to provide funds on an ongoing basis to satisfy fluctuations in deposit levels, other maturing financial obligations and loan commitments.

The primary investing activities of CBT are the origination of commercial loans and commercial mortgages, and, to a lesser extent, the origination of consumer loans, primarily home equity loans and lines of credit, and other types of loans, and investments in mortgage-backed and agency securities. During the nine months ended September 30, 2005, CBT's loan originations totaled \$34.3 million and advances on unused lines of credit aggregated \$7.8 million. At September 30, 2005, CBT's investments in federal agency mortgage-backed and debt securities totaled \$24.7 million.

These activities are funded primarily by excess reserves invested in Fed Funds, and to a lesser extent, principal and interest payments on loans and investment securities and deposit growth. At September 30, 2005, CBT had \$20.3 million of Federal Funds sold balances. While maturities and scheduled amortization of loans and securities are predictable sources of funds, deposit outflows and mortgage prepayments are greatly influenced by general interest rates, economic conditions and competition. CBT experienced a \$9.3 million net increase in total deposits during the nine months ended September 30, 2005. Deposit flows are affected by the overall level of interest rates, the interest rates and products offered by CBT and its local competitors and other factors. CBT closely monitors its liquidity position on a daily basis. If CBT requires funds beyond its ability to generate them internally, additional sources of funds are available through Federal Home Loan Bank of Boston ("FHLB-Boston") advances and a \$2.0 million Federal Funds borrowing line of credit from Bankers' Bank Northeast. At September 30, 2005, CBT had no borrowings outstanding with the FHLB-Boston or from the Federal Funds line of credit.

CBT has commitments to originate loans totaling \$8.8 million at September 30, 2005. CBT also has unfunded commitments under existing lines of credit aggregating \$13.1 million at September 30, 2005. These commitments relate primarily to commercial and commercial real estate loans, including construction lines of credit. Management of CBT anticipates that it will have sufficient funds available to meet its current loan commitments. CBT relies primarily on competitive rates, customer service and customer relationships to retain deposits. Based upon CBT's limited experience with deposit retention and current retention strategies, Management believes that, although it is not possible to predict future terms and conditions upon renewal, a significant portion of such deposits will remain with CBT.

At September 30, 2005, the net ratio of liquid assets not pledged for collateral and other purposes to interest-bearing liabilities and demand deposits was 61.2%. The ratio of gross loans to deposits, another key liquidity ratio, was 67.9% at September 30, 2005. Management believes that CBT's short-term assets provide sufficient liquidity to cover potential fluctuations in deposit accounts and loan demand and to meet other anticipated operating cash and investment requirements.

An important component of CBT's strategy is to expand its presence in its geographic market, including through the opening of new branches. CBT has considered in the past, and continues to consider, opportunities to establish new branches in the North/Central Connecticut market, subject to applicable regulatory approval. In September 2005 CBT received regulatory approval to establish new branches in Vernon and Windsor Connecticut. The Vernon branch is scheduled to open in the fourth quarter of 2005 while it is anticipated that the Windsor branch will open in the first quarter of 2006. By the end of 2007 CBT plans to have 10-12 branches. As noted under the heading "General" above, CBT completed a secondary offering of its common stock in the third quarter of 2005, through which it raised net proceeds of \$14.6 million. These proceeds will be used to provide additional liquidity primarily to support CBT's expansion in the North-central Connecticut market through the development of additional branch locations including the Vernon and Windsor facilities, to strengthen CBT's capital level in anticipation of continued growth as well as for general working capital purposes.

Interest Rate Sensitivity Management

CBT's asset liability management ("ALM") process consists of quantifying, analyzing and controlling interest rate risk ("IRR") to maintain stability in net interest income ("NII") under varying interest rate environments. The principal objective of ALM is to maximize net interest income while operating within acceptable limits established for interest rate risk and maintaining adequate levels of liquidity.

CBT's net earnings are dependent on its net interest income. Net interest income is susceptible to IRR to the degree that interest-bearing liabilities mature or reprice on a different basis and timing than interest-earning assets. This timing difference represents a potential risk to CBT's future earnings. When interest-bearing liabilities mature or reprice more quickly than interest-earning assets in a given period, a significant increase in market rates of interest could adversely affect CBT's NII. Similarly, when interest-earning assets mature or reprice more quickly than interest-bearing liabilities, falling interest rates could result in a decrease in CBT's NII.

Management and the ALCO direct CBT's IRR management through a Risk Management policy that is designed to produce a stable net interest margin ("NIM") in periods of interest rate fluctuation. By adjusting CBT's asset/liability position, the Board and Management attempt to direct CBT's IRR while enhancing the NIM. At times, depending on the general level of interest rates, the relationship between long-term and short-term interest rates, market conditions and competitive factors, CBT's Board of Directors and Management may establish and implement strategies that could add to the level of IRR in order to increase its NIM. Notwithstanding CBT's IRR management activities, the potential for changing interest rates is an uncertainty that can have an adverse effect on net earnings.

Interest-sensitive assets and liabilities are those that are subject to maturity or repricing within a given time period. Management attempts to administer this sensitivity through the development and

implementation of investment, lending, funding and pricing strategies designed to achieve NII performance goals while minimizing the potential negative variations in NII under different interest rate scenarios. Investment strategies, including portfolio durations and cash flows, are formulated and continually adjusted during the implementation to assure attainment of objectives in the most effective manner. Loan and deposit pricing are adjusted weekly to reflect current interest rate and competitive market environments, with duration targets on both loan pricing and deposit pricing reviewed monthly.

NII at-risk measures the risk of a decline in earnings due to potential short-term and long-term changes in interest rates. The table below presents an analysis of the CBT's IRR as measured by the estimated changes in NII resulting from an instantaneous and sustained parallel shift in the yield curve (+ 200 and - 200 basis points) at September 30, 2005 and December 31, 2004.

Net Interest Income At-Risk

Change in Interest Rates (Basis Points)	Estimated Increase (Decrease) in NII (September 30, 2005)	Estimated Increase (Decrease) in NII (December 31, 2004)
-200	-22.3%	-16.5%
Stable	0.0%	0.0%
+200	14.0%	8.7%

Off-Balance Sheet Arrangements

Information relating to Off-Balance Sheet Arrangements is presented in CBT's Registration Statement on Form 10-SB for the year ended December 31, 2004. There have been no material changes in CBT's off-balance sheet arrangements since December 31, 2004.

Regulatory Capital

Approximately \$18.5 million in capital was generated during CBT's initial stock offering which closed in August 2003. At June 30, 2005, capital had been reduced to \$12.2 million due to the effects of operating losses and organizational costs through that date. CBT anticipated such a decline in capital in its early period of operations. In the third quarter of 2005 CBT raised an additional \$14.6 million in capital from a secondary offering. In connection with this offering, CBT's total capital increased \$11.6 million since December 31, 2004 to \$25.7 million at September 30, 2005. This level of capital does not include the favorable impact of tax loss carry-forwards that may become available to CBT in future periods. A strong capital position, which is vital to CBT's continued operation, also promotes depositor and investor confidence and provides a solid foundation for future growth. Federal banking regulators establish minimum capital levels.

The Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA") defines specific capital categories based upon an institution's capital ratios. The capital categories, in declining order, are: (i) well capitalized; (ii) adequately capitalized; (iii) undercapitalized; (iv) significantly undercapitalized; and (v) critically undercapitalized. To be considered "adequately capitalized," an institution must generally have a leverage ratio of at least 4%, a Tier 1 capital to risk-weighted assets ratio of at least 4% and total Tier 1 and Tier 2 capital to risk-weighted assets ratio of at least 8%. As of September 30, 2005, the most recent notification from the Federal Deposit Insurance Corporation categorized CBT as "well capitalized" under the regulatory framework for prompt corrective action. To be categorized as "well capitalized," CBT must maintain minimum total risk-based, Tier 1 risk-based and Tier 1 leverage ratios as set forth in the table below.

Currently, CBT is required to maintain minimum Tier 1 leverage ratios of at least 9.0%. At September 30, 2005, CBT's capital balances were in excess of current regulatory minimum requirements. As

indicated in the following table, the actual regulatory capital ratios of CBT at September 30, 2005 far exceeded the minimum required ratios. There are no conditions that Management believes have changed CBT's category since its September 30, 2005 notification from regulators that it is "well capitalized."

CBT's actual capital amounts and ratios as of September 30, 2005 and December 31, 2004 are presented in the table.

	Actual		Minimum Capital Requirement		Minimum To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(Dollars in Thousands)					
September 30, 2005						
Total capital (to risk weighted assets)	\$ 26,786	43.57%	\$ 4,918	8.00%	\$ 6,148	10.00%
Tier 1 capital (to risk weighted assets)	26,069	42.41%	2,459	4.00%	3,689	6.00%
Tier 1 capital (to average assets)	26,069	29.68%	7,905	9.00% *	7,905	9.00% *
December 31, 2004:						
Total capital (to risk weighted assets)	\$ 14,564	39.60%	\$ 2,946	8.00%	\$ 3,682	10.00%
Tier 1 capital (to risk weighted assets)	14,325	38.90%	1,473	4.00%	2,209	6.00%
Tier 1 capital (to average assets)	14,325	29.90%	4,312	9.00% *	4,312	9.00% *

* Although the minimum, as well as the minimum to be considered well capitalized under prompt corrective action provisions, tier 1 capital to average assets ratios are generally 4% and 8%, respectively, pursuant to CBT's charter and its de novo status, since its inception, CBT has been subject to, and has complied with a 9% Tier 1 capital ratio. This requirement will be in effect for thirty-nine months from the date of opening, March 12, 2004.

Item 3. Controls and Procedures

(a) Evaluation of disclosure controls and procedures

CBT's Management, including CBT's principal executive officer and principal financial officer, have evaluated the effectiveness of CBT'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, CBT's disclosure controls and procedures were effective for the purpose of ensuring that the information required to be disclosed in the reports that CBT files or submits under the Exchange Act with the Federal Reserve Bank of Boston (1) is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and (2) is accumulated and communicated to CBT's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

As used herein, “disclosure controls and procedures” means controls and other procedures of CBT that are designed to ensure that information required to be disclosed by CBT in the reports that it files or submits pursuant to the Securities Act is recorded, processed, summarized and reported, within the relevant time periods. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by CBT in the reports that it files or submits under the Exchange Act is accumulated and communicated to CBT’s Management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decision regarding required disclosures.

(b) Changes in Internal Controls

There have been no significant changes in CBT’s internal controls over financial reporting or in other factors identified in connection with the evaluation required by Rule 13a-15 that occurred during CBT’s quarter ended September 30, 2005 that have materially affected, or are reasonably likely to materially affect, CBT’s internal controls over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

CBT 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 CBT.

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

CBT had no purchases of its equity securities during the three months ended September 30, 2005.

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.

<u>No.</u>	<u>Description</u>
3(i)	Amended Certificate of Incorporation of The Connecticut Bank and Trust Company (incorporated by reference to Exhibit 3.1 to The Connecticut Bank and Trust Company’s Registration Statement on Form 10-SB dated April 29, 2005)
3(ii)	Amended Bylaws of The Connecticut Bank and Trust Company (incorporated by reference to Exhibit 3.2 to The Connecticut Bank and Trust Company’s Registration Statement on Form 10-SB dated April 29, 2005)

- 4.1 Form of Warrant of The Connecticut Bank and Trust Company (incorporated by reference to Exhibit 4.1 to The Connecticut Bank and Trust Company's Registration Statement on Form 10-SB dated April 29, 2005)
- 10.1 Employment Agreement dated June 16, 2004 with David A. Lentini (incorporated by reference to Exhibit 10.1 to The Connecticut Bank and Trust Company's Registration Statement on Form 10-SB dated April 29, 2005)
- 10.2 Employment Agreement dated June 16, 2004 with Anson C. Hall (incorporated by reference to Exhibit 10.2 to The Connecticut Bank and Trust Company's Registration Statement on Form 10-SB dated April 29, 2005)
- 10.3 Endorsement Contract dated September 17, 2004 with Geno Auriemma (incorporated by reference to Exhibit 10.3 to The Connecticut Bank and Trust Company's Registration Statement on Form 10-SB dated April 29, 2005)
- 10.4 Form of Restricted Stock Agreement (incorporated by reference to Exhibit 10.4 to The Connecticut Bank and Trust Company's Registration Statement on Form 10-SB dated April 29, 2005)
- 10.5 Agency Agreement dated December 14, 2004 with Smith Brothers Insurance, Inc. (incorporated by reference to Exhibit 10.5 to The Connecticut Bank and Trust Company's Registration Statement on Form 10-SB dated April 29, 2005)
- 10.6 Lease Agreement (58 State House Square, Hartford, Connecticut) (incorporated by reference to Exhibit 10.6 to The Connecticut Bank and Trust Company's Registration Statement on Form 10-SB dated April 29, 2005)
- 10.7 Lease Agreement (68 South Main Street, West Hartford, Connecticut) (incorporated by reference to Exhibit 10.7 to The Connecticut Bank and Trust Company's Registration Statement on Form 10-SB dated April 29, 2005)
- 10.8 Lease Agreement (7 Sycamore Street, Glastonbury, Connecticut) (incorporated by reference to Exhibit 10.8 to The Connecticut Bank and Trust Company's Registration Statement on Form 10-SB dated April 29, 2005)
- 11.1 Statement Re: Computation of Per Share Earnings (incorporated by reference to Part 1 of this Quarterly Statement on Form 10-QSB – Earnings Per Share)
- 31.1 Rule 13a-14(a)/15d-14(a) Certification by Chairman and Chief Executive Officer
- 31.2 Rule 13a-14(a)/15d-14(a) Certification by Secretary and Chief Financial Officer
- 32.1 Section 1350 Certification by Chairman and Chief Executive Officer
- 32.2 Section 1350 Certification by Secretary and Chief Financial Officer

SIGNATURES

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

THE CONNECTICUT BANK AND TRUST COMPANY

Dated: November 4, 2005

By: /s/ David A. Lentini
David A. Lentini
Chairman of the Board, President and
Chief Executive Officer

Dated: November 4, 2005

By: /s/ Anson C. Hall
Anson C. Hall
Treasurer, Secretary and
Chief Financial Officer

Exhibit Index

<u>No.</u>	<u>Description</u>
31.1	Rule 13a-14(a)/15d-14(a) Certification by Chairman and Chief Executive Officer (filed herewith)
31.2	Rule 13a-14(a)/15d-14(a) Certification by Secretary and Chief Financial Officer (filed herewith)
32.1	Section 1350 Certification by Chairman and Chief Executive Officer (filed herewith)
32.2	Section 1350 Certification by Secretary and Chief Financial Officer (filed herewith)

CERTIFICATIONS PURSUANT TO RULE 13a-14(a)/15d-14(a)

CERTIFICATION

I, David A. Lentini, Chairman of the Board, President and Chief Executive Officer of The Connecticut Bank and Trust Company, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of The Connecticut Bank and Trust Company for the period ended September 30, 2005;
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 Connecticut Bank and Trust Company as of, and for, the periods presented in this report;
4. The Connecticut Bank and Trust Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for The Connecticut Bank and Trust Company 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 Connecticut Bank and Trust Company is made known to us by others within The Connecticut Bank and Trust Company, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of The Connecticut Bank and Trust Company'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
 - (c) Disclosed in this report any change in The Connecticut Bank and Trust Company's internal control over financial reporting that occurred during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting; and
5. The Connecticut Bank and Trust Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to The Connecticut Bank and Trust Company's auditors and the audit committee of The Connecticut Bank and Trust Company'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 Connecticut Bank and Trust Company'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 Connecticut Bank and Trust Company's internal control over financial reporting.

Date: November 4, 2005

/s/ David A. Lentini
David A. Lentini
Chief Executive Officer

CERTIFICATION

I, Anson C. Hall, Treasurer, Secretary and Chief Financial Officer of The Connecticut Bank and Trust Company, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of The Connecticut Bank and Trust Company for the period ended September 30, 2005;
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 Connecticut Bank and Trust Company as of, and for, the periods presented in this report;
4. The Connecticut Bank and Trust Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for The Connecticut Bank and Trust Company 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 Connecticut Bank and Trust Company is made known to us by others within The Connecticut Bank and Trust Company, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of The Connecticut Bank and Trust Company'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
 - (c) Disclosed in this report any change in The Connecticut Bank and Trust Company's internal control over financial reporting that occurred during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting; and
5. The Connecticut Bank and Trust Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to The Connecticut Bank and Trust Company's auditors and the audit committee of The Connecticut Bank and Trust Company'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 Connecticut Bank and Trust Company'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 Connecticut Bank and Trust Company's internal control over financial reporting.

Date: November 4, 2005

/s/ Anson C. Hall
Anson C. Hall
Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2004**

In connection with the Quarterly Report of The Connecticut Bank and Trust Company (the “Bank”) on Form 10-QSB for the period ending September 30, 2005 as filed with the Federal Reserve Bank of Boston (the “Report”), I, David A. Lentini, Chief Executive Officer of CBT, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

/s/ David A. Lentini
David A. Lentini
Chief Executive Officer
November 4, 2005

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2004**

In connection with the Quarterly Report of The Connecticut Bank and Trust Company (the "Bank") on Form 10-QSB for the period ending September 30, 2005 as filed with the Federal Reserve Bank of Boston (the "Report"), I, Anson C. Hall, Chief Financial Officer of CBT, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

/s/ Anson C. Hall
Anson C. Hall
Chief Financial Officer
November 4, 2005