



Contact: David A. Lentini
860-748-4250
dlentini@thecht.com

CBT Announces Results for Fourth Quarter of 2008

Hartford, CT, February 6, 2009 - The Connecticut Bank and Trust Company (Nasdaq: CTBC) ("CBT") reported that the fourth quarter of 2008 included continued loan growth and improved results. Loans outstanding increased \$12 million during the quarter and are up \$39 million from a year ago. The loss in the quarter was \$298,000, or \$.08 per share, compared to a loss of \$1.5 million, or \$0.42 per share, for the quarter ended September 30, 2008 and a loss of \$388,000 or \$0.11 per share for the fourth quarter 2007.

CEO David Lentini noted "During the fourth quarter CBT was not immune to the tumult in the US economy. The Prime lending rate fell rapidly to 3.25% as the Federal Open Market Committee reduced its target rate from 2.0% to a range of 0-25 basis points. Meanwhile deposits rates, reflecting competition in both the national and local markets, were slow to decline."

Results of Operation For the three month period ended December 31, 2008, net interest income amounted to \$1.8 million. This represented an increase of \$48,000 or 3% from the quarter ended September 30, 2008 and \$257,000, or 17% from the quarter ended December 31, 2007. The net interest margin was 3.41% for the three month period ended December 31, 2008 showing a modest improvement from the September quarter of 3.39% and a decline from 3.64% reported for the fourth quarter of 2007.

The fourth quarter provision for loan losses was \$125,000 compared to \$1.3 million in the third quarter and \$70,000 a year ago. The allowance was increased in the third quarter in response to the weakened economic outlook and the potential difficulties faced by our borrowers. The provision in the fourth quarter was 78% greater than the year earlier and recognized a continuing concern about future economic conditions. Net loan charge-offs in the quarter were \$17,000 compared with \$635,000 in the third quarter. There were no charge-offs in the fourth quarter of 2007. The allowance for loan losses was \$2.7 million or 1.47% of total loans at December 31, 2008, compared to 1.52% at September 30, 2008 and 1.19% at December 31, 2007.

Noninterest expenses were \$2.1 million in the fourth quarter of 2008, an increase of \$50,000, from the quarter ended September 30, 2008. Compared to the fourth quarter of 2007, expenses increased \$137,000, or 7%. The most significant factor contributing to both these increases was higher FDIC fees reflective of both growth in deposits and increased assessment rates.

Year ended December 31, 2008 The net loss for the year amounted to \$2.5 million, or \$0.70 per share, compared to \$2.1 million, or \$0.61 per share, in 2007. In 2008 net interest income rose \$1.1 million or 20% to \$6.7 million. Income from fees and service charges increased \$79,000, while gains from the sale of securities increased \$122,000. The provisions for loan losses were \$1.7 million compared to \$300,000 in 2007. Operating expenses increased \$307,000 or 4% to \$8.1 million in 2008. The increase was due in large measure to the full year of operation for the two branches opened in 2007.

Balance Sheet Performance Loans outstanding increased \$12 million in the quarter ended December 31, 2008 to \$182 million. The increase included \$9 million in newly granted loans as well as \$8 million in loans purchased from another institution. Payments on existing loans and credit lines available to borrowers totaled \$5 million and partially offset the increases. Investments increased \$4 million from the previous quarter with the purchase of mortgage backed securities issued by US agency and sponsored entities. Deposits decreased \$7 million during the fourth quarter as \$16 million of higher priced time deposits were allowed to run off and lower cost demand and money market accounts increased \$9 million. The funding for these loan and deposit activities came from several sources. Borrowings were increased \$5 million and excess funds, primarily Fed Funds, were reduced \$12 million.

CBT is a full service commercial bank headquartered in Hartford, CT, with branch offices conveniently located in Glastonbury, Newington, Rocky Hill, Vernon, West Hartford, and Windsor.

As the quarter ended, CBT received \$5.4 million in new capital as part of the US Treasury's Capital Purchase Program. Earlier in the quarter, CBT Shareholders approved a charter change permitting the issuance of Preferred Stock required for the transaction.

Asset Quality The quality of the loan portfolio remains strong. Loans past due at least 30 days but less than 90 days amounted to \$2.9 million, or 1.6% of outstanding loans, at December 31, 2008. Nonaccrual loans, which consist of loans contractually past due 90 days or more and not paying as agreed, were \$2.1 million or 1.2% of total loans at December 31, 2008, compared to \$2.0 million or 2.1% at September 30, 2008. At December 31, 2007, nonaccrual loans were \$599,000 or 0.4% of loans outstanding. The coverage ratio at December 31, 2008, the relationship between the allowance for loan losses and total nonaccrual loans, was 120%.

Outlook for 2009 CBT begins 2009 with cautious optimism. It appears that the Fed has ended its direct rate reduction campaign. Interest rates are at historically low levels following the rapid decline in the fourth quarter. If this bears out in the months ahead we can expect a period of stable rates that may benefit well capitalized institutions such as CBT.

CEO Lentini remarked "Excluding the provision for possible loan losses and onetime expenses, the Bank had an operating loss of \$118,000 in the fourth quarter. Loan growth in the fourth quarter coupled with the additional capital should lead CBT to its first quarter in which revenues exceed operating expenses. Achieving an overall profit in the January through March period will still depend on any further reserve coverage which is impossible to predict in these uncertain times. The turndown in the economy has not turned off demand for funds, but rather dampened it. CBT's prudent lending practices and capable team expects continued modest growth in loans in the coming months. Borrowers and depositors alike may well find advantage in dealing with a bank that is willing and able to provide support and assistance to meet a variety of needs."

Selected Performance Data							
Dollar values in thousands except per share	Dec. 31, 2007	March 31, 2008	June 30, 2008	Sept 30, 2008	Dec. 31, 2008	Year ended	
						Dec. 31, 2007	Dec. 31, 2008
Total assets (EOP)	\$178,739	\$204,205	\$200,128	\$223,465	\$ 225,078	\$ 178,739	\$225,078
Net loss	\$ (388)	\$ (396)	\$ (295)	\$ (1,487)	\$ (298)	\$ (2,148)	\$ (2,476)
Net interest margin	3.64%	3.37%	3.43%	3.39%	3.41%	3.59%	3.41%
Net interest spread	2.58%	2.45%	2.75%	2.79%	2.84%	2.53%	2.73%
Ratio of total stockholders' equity to total assets (EOP)	11.44%	9.82%	9.65%	8.09%	10.46%	11.44%	10.46%
Weighted Avg shrs outstanding	3,544	3,545	3,550	3,552	3,556	3,537	3,551
Loss per share	\$ (0.11)	\$ (0.11)	\$ (0.08)	\$ (0.42)	\$ (0.08)	\$ (0.61)	\$ (0.70)
Book value per share (EOP)	\$ 5.72	\$ 5.62	\$ 5.40	\$ 5.06	\$ 6.59	\$ 5.72	\$ 6.59
Allowance for loan losses to total loans (EOP)	1.19%	1.19%	1.21%	1.52%	1.47%	1.19%	1.47%

Caution concerning forward-looking statements: Statements contained in this release, which are not historical facts, may be considered forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties which could cause actual results to differ materially from those currently anticipated, due to a number of factors which include without limitation the effects of future economic conditions, governmental fiscal and monetary policies, legislative and regulatory changes, changes in the interest rates, the effects of competition, and other factors that could cause actual results to differ materially from those provided in any such forward-looking statements. CBT does not undertake to update its forward-looking statements. See financial statements accompanying this release for additional data.

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THE CONNECTICUT BANK AND TRUST COMPANY
Statements of Operations
(Unaudited)

	Three Months Ended		Year Ended	
	December 31,		December 31,	
<i>(Dollars in thousands, except share data)</i>	2008	2007	2008	2007
Interest and dividends:				
Loans, including fees	\$ 2,668	\$ 2,584	\$ 10,473	\$ 9,292
Debt securities	408	257	1,346	1,006
Federal funds sold/other	9	114	219	525
Total interest and dividend income	<u>3,085</u>	<u>2,955</u>	<u>12,038</u>	<u>10,823</u>
Interest expense:				
Deposits	1,014	1,216	4,296	4,541
Borrowed funds	289	214	1,070	742
Total interest expense	<u>1,303</u>	<u>1,430</u>	<u>5,366</u>	<u>5,283</u>
Net interest income	<u>1,782</u>	<u>1,525</u>	<u>6,672</u>	<u>5,540</u>
Provision for loan losses	125	70	1,662	308
Net interest income, after provision for loan losses	<u>1,657</u>	<u>\$ 1,455</u>	<u>5,010</u>	<u>5,232</u>
Non-interest income:				
Service charges and fees	59	47	231	174
Brokerage fee income	71	73	284	262
Gains/(losses) from sales of available-for-sale securities, net	16	1	81	(41)
Total non-interest income	<u>146</u>	<u>121</u>	<u>596</u>	<u>395</u>
Non-interest expenses:				
Salaries and benefits	1,057	1,066	4,301	4,342
Occupancy and equipment	461	426	1,794	1,493
Data processing	67	77	285	234
Marketing	97	101	327	440
Professional services	146	165	471	524
Other general and administrative	273	129	904	742
Total non-interest expenses	<u>2,101</u>	<u>1,964</u>	<u>8,082</u>	<u>7,775</u>
Net loss	<u>\$ (298)</u>	<u>\$ (388)</u>	<u>\$ (2,476)</u>	<u>\$ (2,148)</u>
Net loss per share:				
Basic	\$ (0.08)	\$ (0.11)	\$ (0.70)	\$ (0.61)
Diluted	\$ (0.08)	\$ (0.11)	\$ (0.70)	\$ (0.61)

THE CONNECTICUT BANK AND TRUST COMPANY
Balance Sheets
December 31, 2008 and 2007
(Unaudited)

ASSETS

	<u>2008</u>	<u>2007</u>
	<i>(Dollars in Thousands)</i>	
Cash and due from banks	\$ 6,774	\$ 3,411
Federal funds sold	-	8,080
Cash and cash equivalents	<u>6,774</u>	<u>11,491</u>
Securities available for sale, at fair value	32,461	19,894
Certificates of deposit	99	76
Federal Reserve Bank stock, at cost	585	635
Federal Home Loan Bank stock, at cost	1,870	945
Loans	181,772	142,686
Allowance for loan losses	(2,681)	(1,693)
Loans, net	<u>179,091</u>	<u>140,993</u>
Premises and equipment, net	2,566	3,053
Accrued interest receivable	949	830
Other assets	<u>683</u>	<u>822</u>
	<u>\$ 225,078</u>	<u>\$ 178,739</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Deposits	\$ 162,934	\$ 137,800
Short-term borrowings	7,521	2,255
Long-term debt	30,450	17,450
Other liabilities	634	793
Total liabilities	<u>201,539</u>	<u>158,298</u>
Stockholders' equity;		
Preferred Stock, no par value, 1,000,000 shares authorized; shares issued and outstanding: 5,448 shares at December 31, 2008 and none at December 31, 2007; aggregate liquidation preference of \$5,448,000 at December 31, 2008	5,448	-
Discount Preferred Stock	(604)	-
Common stock, \$1.00 par value; 10,000,000 shares authorized; shares issued and outstanding: 3,572,450 at December 31, 2008 and 3,567,450 at December 31, 2007	3,572	3,572
Common stock warrants	1,405	853
Additional paid-in capital	29,780	29,700
Restricted stock unearned compensation	(141)	(279)
Retained deficit	(15,618)	(13,142)
Accumulated other comprehensive loss	(303)	(263)
Total stockholders' equity	<u>23,539</u>	<u>20,441</u>
	<u>\$ 225,078</u>	<u>\$ 178,739</u>