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CBT Announces Second Quarter Results

Hartford, CT, July 28, 2011 - The Connecticut Bank and Trust Company ("CBT" or "Bank") (Nasdaq: CTBC) reported net income of \$116,000 for the quarter ended June 30, 2011 compared to net income of \$261,000 for the comparable period a year earlier. After accounting for preferred dividends, net income available to common shareholders was \$19,000 or \$0.01 per diluted common share compared to net income of \$164,000 or \$0.04 per diluted common share, respectively. Total assets were up \$9.1 million at June 30, 2011 and totaled \$283.3 million compared to \$274.2 million at December 31, 2010.

Chairman and CEO David A. Lentini commented, "Although profitable, the Bank continues to be adversely impacted by the effects of this prolonged recession. Loan demand was soft during the period as businesses await stronger economic activity. Our efforts to grow deposits were well received and led to an increase of \$12.0 million in noninterest deposits for the Bank. These deposits will help us as we continue to meet the credit needs for many small businesses in our area."

The Bank reported net income of \$922,000 for the six months ended June 30, 2011 compared to net income of \$507,000 for the comparable period a year earlier. After accounting for preferred dividends, net income available to common shareholders was \$728,000, or \$0.20 per diluted common share compared to net income of \$313,000 or \$0.09 per diluted common share, respectively. The Bank's results included \$700,000 in income tax benefits related to net operating loss carryforwards recognized by reversing a portion of the deferred tax valuation allowance.

Operating Results for the Quarter Ended June 30, 2011. Net interest income for the quarter ended June 30, 2011 was \$2.5 million, which is unchanged from both the same period in the prior year and the immediately preceding quarter. The net interest margin was 3.74% for the quarter ended June 30, 2011 and for the comparable period a year ago and 3.86% for the quarter ended March 31, 2011. Lower rates on earning assets reduced interest income \$327,000 and more than offset the volume related changes of \$218,000 due to growth in average earning assets, principally loans. Lower rates across all funding sources and overall lower volume of interest-bearing liabilities added \$124,000 to net interest income.

Non-interest income amounted to \$280,000 in the quarter, compared to \$209,000 for the comparable period a year ago. Customer service fees totaled \$117,000, up \$40,000 or 52%, from the same period in the prior year resulting from an increase in the number of deposit accounts. Brokerage commissions were \$95,000, up \$23,000 or 32%, for the same period a year prior. Gains on sales of securities were \$53,000 in the quarter compared to \$60,000 for the same period a year prior and net gains from the sale of loans were \$15,000 and \$0, respectively.

Operating expenses for the quarter totaled \$2.5 million, an increase of \$275,000, from the same period last year. Salaries and benefits, including staff additions and related taxes, rose \$100,000, for the three-month period ended June 30, 2011 compared to the similar period in the prior year. Professional services increased \$66,000 from the prior year mainly due to servicing fees on the consumer loan portfolio and increased legal and consulting costs. FDIC insurance premiums increased \$42,000 chiefly related to higher premiums on insured deposits. General and administrative costs rose \$65,000 from the comparable period a year prior primarily due to increased costs of goods and services and collection expenses on increased problem assets.

Operating Results for the Six Months Ended June 30, 2011. Net interest income for the six months ended June 30, 2011 and 2010 were \$5.0 and \$4.9 million, respectively. The net interest margin was 3.77% for the six months ended June 30, 2011 compared to 3.85% compared to the same period a year ago. A decline in the rates earned on assets reduced interest income \$717,000 and more than offset the volume related increase of \$501,000 from growth

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in average earning assets, principally loans. Lower rates across all funding sources and overall lower volume of interest-bearing liabilities added \$250,000 to net interest income.

Non-interest income amounted to \$573,000 for the six months ended June 30, 2011, compared to \$358,000 for the comparable period a year ago. Customer service fees totaled \$230,000, up \$84,000 or 58%, from the same period in the prior year. Brokerage commissions were \$163,000, up \$20,000 or 14%, for the same period a year prior. Gains on sales of securities were \$138,000 for the six months ended June 30, 2011 compared to \$60,000 for the same period a year prior and net gains from the sale of loans were \$42,000 and \$9,000, respectively.

Operating expenses for the six months ended June 30, 2011 totaled \$5.1 million, an increase of \$0.5 million, from the same period last year. Salaries and benefits, including staff additions and related taxes, rose \$158,000, for the six month period ended June 30, 2011 compared to the similar period in the prior year. Professional services increased \$148,000 to \$480,000 from the prior year mainly due to servicing fees on the consumer loan portfolio and increased legal and consulting costs. FDIC insurance premiums increased \$77,000 chiefly related to higher premiums on insured deposits. General and administrative costs rose \$207,000 from the comparable period a year prior primarily due to increased costs of goods and services and collection expenses on increased problem assets.

Provision for Loan Losses. The provision for loan losses was \$110,000 for quarter ending June 30, 2011 compared to \$154,000 for the same period in the prior year. Provisions for loan losses totaled \$264,000 for the six months ended June 30, 2011 compared to \$309,000 for the same period in the prior year. The ratio of the allowance for loan losses to total loans was 1.53% at June 30, 2011 compared to 1.51% at December 31, 2010. Outstanding loans were unchanged from year end as new loan originations approximated paydowns and amortization on the portfolio. Provisions were recorded for qualitative factors affecting the loan portfolio. The allowance was \$3.4 million at June 30, 2011 and December 31, 2010.

Asset Quality. All loans are subject to internal risk rating, which are independently reviewed on an annual basis. Internal risk ratings and delinquency status are integral components in the calculation of reserving for loan losses. Total non-performing loans were \$13.7 million, or 6% of total loans outstanding at June 30, 2011, compared to \$8.8 million or 4% of total loans at December 31, 2010. Several nonaccrual loans contain government guarantees totaling \$2.7 and \$2.4 million, respectively, providing additional protection against losses. There were no loans past due 90 days or more and still accruing interest at June 30, 2011 compared to \$1.2 million as of December 31, 2010. Lentini remarked, "The Bank provides a vital role in meeting the commercial credit needs of our local businesses. In these tough economic times, some of our customers have delayed payments and we have seen a migration of loans to nonaccrual status. Our philosophy is to support our customers and help them through these difficult times." Charged-off loans amounted to \$93,000 for the quarter ended June 30, 2011 and \$43,000 in the comparable period a year earlier. Charged-off loans totaled \$245,000 for the six months ended June 30, 2011 and \$85,000 in the comparable period a year earlier. Management mitigates the risk of loss through sound underwriting standards, strong collateral management, diversification among industries and government guarantees from the USDA and SBA, when available.

Balance Sheet Performance. Total assets at June 30, 2011 were \$283.3 million compared to \$274.2 million at the prior year end. Outstanding loans were \$223.1 million, down \$0.6 million from December 31, 2010. Securities available for sale increased slightly to \$35.9 million. Cash and cash equivalents totaled \$18.4 million, up \$9.7 million from December 31, 2010. During the first quarter, the Bank reduced the valuation allowance against the deferred tax asset \$700,000, after concluding it is more likely than not that this portion of the deferred tax asset will be realized based upon available evidence of historical taxable income levels for the past two years and projected taxable income. Total deposits grew \$9.8 million from December 31, 2010 to end the quarter at \$223.6 million chiefly from core deposit relationships. Securities sold under agreements to repurchase and secured borrowings declined \$847,000 while advances from the Federal Home Loan Bank of Boston declined by \$1.0 million. The Bank is considered well-capitalized with stockholders' equity of \$25.9 million at June 30, 2011.

	Selected Performance Data				
	Quarter Ended				
	Jun 30, 2011	Mar 31, 2011	Dec 31, 2010	Sep 30, 2010	Jun 30, 2010
<i>In thousands, except per share data</i>					
Total assets (EOP)*	\$ 283,277	\$ 273,604	\$ 274,231	\$ 272,292	\$ 267,531
Net income (loss)	\$ 116	\$ 806	\$ 188	\$ (135)	\$ 261
Net income (loss) available to common shareholders	\$ 19	\$ 709	\$ 91	\$ (232)	\$ 164
Net interest margin	3.74%	3.86%	3.64%	3.89%	3.74%
Interest rate spread	3.43%	3.56%	3.33%	3.57%	3.44%
Ratio of total stockholders' equity to total assets (EOP)	9.14%	9.33%	9.07%	9.14%	9.42%
Weighted avg shares outstanding	3,621	3,621	3,621	3,621	3,621
Net income (loss) per common share (basic)	\$ 0.01	\$ 0.20	\$ 0.03	\$ (0.06)	\$ 0.05
Net income (loss) per common share (diluted)	\$ 0.01	\$ 0.19	\$ 0.02	\$ (0.06)	\$ 0.05
Book value per common share (EOP)	\$ 5.73	\$ 5.64	\$ 5.47	\$ 5.48	\$ 5.57
Allowance for loan losses to total loans (EOP)	1.53%	1.53%	1.51%	1.48%	1.40%
Nonperforming loans to total loans	6.16%	4.97%	4.44%	2.03%	1.70%
*end of period					

THE CONNECTICUT BANK AND TRUST COMPANY

Five Quarter Statements of Operations (unaudited)

	Three Months Ended				
	June 30, 2011	March 31, 2010	Dec. 31, 2010	Sept. 30, 2010	June 30, 2010
<i>(In thousands, except per share data)</i>					
Total interest and dividend income	\$ 3,204	\$ 3,228	\$ 3,291	\$ 3,419	\$ 3,313
Total interest expense	727	734	810	836	851
Net interest income	2,477	2,494	2,481	2,583	2,462
Provision for loan losses	110	154	135	587	154
Net interest income, after provision for loan losses	2,367	2,340	2,346	1,996	2,308
Total non-interest income	280	293	206	186	209
Total non-interest expenses	2,531	2,527	2,364	2,317	2,256
Net income (loss) before income tax expense	116	106	188	(135)	261
Income tax benefit	-	700	-	-	-
Net income (loss)	116	806	188	(135)	261
Less: preferred stock dividend and accretion	(97)	(97)	(97)	(97)	(97)
Net income (loss) attributable to common shareholders	\$ 19	\$ 709	\$ 91	\$ (232)	\$ 164
Net income (loss) per common share:					
Basic	\$ 0.01	\$ 0.20	\$ 0.03	\$ (0.06)	\$ 0.05
Diluted	\$ 0.01	\$ 0.19	\$ 0.02	\$ (0.06)	\$ 0.05

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 Income
(Unaudited)

(In thousands, except per share data)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2011	2010	2011	2010
Interest and dividend income:				
Loans, including fees	\$ 2,942	\$ 3,062	\$ 5,952	\$ 6,110
Debt securities	243	223	444	491
Other	19	28	36	47
Total interest and dividend income	<u>3,204</u>	<u>3,313</u>	<u>6,432</u>	<u>6,648</u>
Interest expense:				
Deposits	457	580	931	1,172
Securities sold under agreements to repurchase	3	3	6	6
Federal Home Loan Bank advances	267	268	524	533
Total interest expense	<u>727</u>	<u>851</u>	<u>1,461</u>	<u>1,711</u>
Net interest income	2,477	2,462	4,971	4,937
Provision for loan losses	110	154	264	309
Net interest income, after provision for loan losses	<u>2,367</u>	<u>2,308</u>	<u>4,707</u>	<u>4,628</u>
Noninterest income:				
Customer service fees	117	77	230	146
Brokerage commissions	95	72	163	143
Net gain on sales of available-for-sale securities	53	60	138	60
Net gain on sales of loans	15	-	42	9
Total noninterest income	<u>280</u>	<u>209</u>	<u>573</u>	<u>358</u>
Noninterest expenses:				
Salaries and benefits	1,192	1,092	2,421	2,263
Occupancy and equipment	447	436	896	871
Data processing	88	80	170	158
Marketing	76	93	138	186
Professional services	249	183	480	332
FDIC insurance	135	93	267	190
Other general and administrative	344	279	686	479
Total noninterest expenses	<u>2,531</u>	<u>2,256</u>	<u>5,058</u>	<u>4,479</u>
Income before income tax benefit	116	261	222	507
Income tax benefit	-	-	700	-
Net income	116	261	922	507
Less preferred stock dividend and accretion	(97)	(97)	(194)	(194)
Net income attributable to common shareholders	<u>\$ 19</u>	<u>\$ 164</u>	<u>\$ 728</u>	<u>\$ 313</u>
Net income per common share:				
Basic	\$ 0.01	\$ 0.05	\$ 0.20	\$ 0.09
Diluted	\$ 0.01	\$ 0.04	\$ 0.20	\$ 0.09
Average basic common shares issued and outstanding	3,621	3,621	3,621	3,613
Average diluted common shares issued and outstanding	3,677	3,663	3,673	3,634

THE CONNECTICUT BANK AND TRUST COMPANY
BALANCE SHEETS
(Unaudited)

(In thousands, except share data)	June 30, 2011	December 31, 2010	June 30, 2010
ASSETS			
Cash and due from banks	\$ 18,352	\$ 8,725	\$ 4,242
Federal funds sold	-	-	20,700
Cash and cash equivalents	18,352	8,725	24,942
Interest-bearing deposits in banks	479	79	79
Securities available for sale	35,921	35,349	28,130
Federal Reserve Bank stock, at cost	751	762	723
Federal Home Loan Bank stock, at cost	2,057	2,057	2,057
Loans held for sale	-	386	642
Loans	223,059	223,723	208,821
Allowance for loan losses	(3,404)	(3,381)	(2,926)
Loans, net	219,655	220,342	205,895
Premises and equipment, net	1,858	1,898	2,003
Deferred tax asset	700	-	-
Other assets	3,504	4,633	3,060
	<u>\$ 283,277</u>	<u>\$ 274,231</u>	<u>\$ 267,531</u>
LIABILITIES AND STOCKHOLDERS' EQUITY			
Non-interest-bearing deposits	\$ 47,873	\$ 35,966	\$ 29,586
Interest-bearing deposits	175,744	177,822	179,401
Total deposits	223,617	213,788	208,987
Secured borrowings	798	577	-
Securities sold under agreements to repurchase	2,324	3,392	1,884
Federal Home Loan Bank advances	29,450	30,450	30,450
Other liabilities	1,206	1,157	1,007
Total liabilities	257,395	249,364	242,328
Stockholders' equity:			
Preferred stock, no par value; 1,000,000 shares authorized; issued and outstanding: 5,448 shares; aggregate liquidation preference of \$5,448	5,448	5,448	5,448
Discount on preferred stock	(316)	(374)	(431)
Common stock, \$1.00 par value; 10,000,000 shares authorized; 3,620,950 shares issued and outstanding	3,621	3,621	3,621
Common stock warrants	1,405	1,405	1,405
Additional paid-in capital	30,106	30,088	30,051
Restricted stock unearned compensation	(133)	(163)	(189)
Accumulated deficit	(14,544)	(15,272)	(15,131)
Accumulated other comprehensive income	295	114	429
Total stockholders' equity	25,882	24,867	25,203
	<u>\$ 283,277</u>	<u>\$ 274,231</u>	<u>\$ 267,531</u>