



## THE CONNECTICUT BANK AND TRUST COMPANY

David A. Lentini  
Chairman, President  
& CEO

July 26, 2004

### DIRECTORS

Frank A. Falvo

P. Anthony Giorgio

John A. Green

Anson C. Hall

Solomon Kerensky

Karl J. Krapek

Joan L. Rusconi

Phillip J. Schulz

Peter D. Shapiro

J. Brian Smith

John M. Watkins, Jr.

Dear Shareholder:

I am pleased to bring you CBT's first quarterly report. I hope you share with me the excitement of the results thus far.

### **The Balance Sheet**

With just a little more than three months passed since opening on March 12<sup>th</sup>, total deposits and loans outstanding exceeded the projections set forth in our application for charter filed with the Connecticut Department of Banking. At June 30, 2004, deposits were \$8,772,000 and loans originated and outstanding totaled \$5,927,000. Other earning assets were \$16,043,000 and total assets were \$24,857,000.

### **The Results**

For the quarter ended June 30, 2004, the net operating loss was \$928,000 or \$0.50 per diluted share. Net interest income was \$126,000. Provisions for possible loan losses made during the quarter were \$58,000. Operating expenses totaled \$997,000.

The net interest margin, defined as the annualized net interest income as a percentage of average earning assets, for the quarter was 2.41%. The allowance for loan losses is 0.98% of total loans outstanding. Tangible book value per share at June 30, 2004 was \$8.64.

### **What has been accomplished?**

The Bank received its permanent charter on March 12, 2004. Over the next two weeks each of our three locations – the Main Office in Hartford and branches in Glastonbury and West Hartford commenced operations without fanfare to ensure our staff and systems were all performing as expected. Then, on April 1<sup>st</sup> we held grand openings at all

58 State House Square  
Hartford, CT 06103  
(860) 246-5200

7 Sycamore Street  
Glastonbury, CT 06033  
(860) 657-3224

68 South Main Street  
W. Hartford, CT 06107  
(860) 521-5934

three locations. The response from the communities and businesses has been excellent thus far.

Also in March, the Bank funded the CBT Charitable Trust, Inc. with an initial contribution of \$360,000. The Trust is committed to supporting programs and organizations working to improve the quality of life for the citizens of Greater Hartford. In the future, funding will be derived from earnings on investments and additional contributions.

Those who were able to attend the reception for subscribing shareholders on June 12<sup>th</sup> heard me speak about CBT's commitment to the city of Hartford. I know I speak for the entire Board of Directors when I say that the long term health of the region depends upon a strong central city.

CBT has arranged to partner with The Trust Company of Connecticut, also headquartered in Hartford to meet the fiduciary and trust needs of our customers. We have also partnered with Smith Brothers, Inc. of Glastonbury, CT to provide a full range of insurance product to both consumer and business customers.

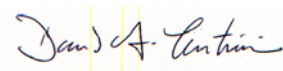
#### **What's Next?**

We are completing final testing of our electronic banking services. On-line banking should be available to all customers by the time you read this message. This will provide depositors with access to their accounts to transfer funds, check balances, view paid checks and initiate stop payments. Bill paying for personal accounts and commercial account cash management services will be available later in the 3<sup>rd</sup> quarter.

#### **How are we doing?**

Have you opened your CBT account yet? How was the experience? Has the service been what you expected? Our staff is enthusiastic to provide our customers with unmatched service. Call or email me your comments. On behalf of the Board of Directors and all of us at CBT, thank you for your support.

Sincerely,

A handwritten signature in cursive script that reads "David A. Lentini". The signature is written in black ink on a white background.

David A. Lentini

# THE CONNECTICUT BANK AND TRUST COMPANY

Balance Sheet Statements (Unaudited)

June 30, 2004 and March 31, 2004

(amounts in dollars)

	<b>June 30, 2004</b>	<b>March 31, 2004</b>
<b>Assets:</b>		
Loans Outstanding	\$ 5,927,390	\$ 50,029
Less: Allowance for Possible Losses	58,000	
net Loans	<u>5,869,390</u>	<u>50,029</u>
Investment Securities		
Federal Reserve Stock	529,200	529,200
Securities held available-for-sale (at fair value)	8,599,585	8,992,276
Total	<u>9,128,785</u>	<u>9,521,476</u>
Cash & cash equivalents		
Cash	366,640	405,785
Due from Banks	197,963	2,652,973
Federal Funds Sold	6,914,000	6,300,000
Total	<u>7,478,603</u>	<u>9,358,758</u>
Other Assets		
Accrued Interest Receivable	108,946	69,863
Furniture & Equipment	867,947	152,497
Leasehold Improvements	1,070,179	898,467
Other assets	332,829	200,872
<b>Total Assets</b>	<b><u>\$ 24,856,680</u></b>	<b><u>\$ 20,251,962</u></b>
<b>Liabilities &amp; Shareholders' Equity</b>		
Deposits		
Transaction accounts	\$ 5,174,755	\$ 2,375,732
Savings	1,265,710	163,140
Time Deposits	2,331,964	293,984
Total	<u>8,772,429</u>	<u>2,832,856</u>
Securities sold with agreement to repurchase	50,171	
Accrued Expenses	19,167	6,970
Other Liabilities	23,892	360,000
Total Liabilities	<u>8,865,659</u>	<u>3,199,826</u>
Shareholders' Equity		
Common Stock, par value \$1.00; authorized 2,500,000 shares; issued and outstanding 1,850,000 shares	1,850,000	1,850,000
Surplus	16,542,091	16,542,091
Accumulated Deficit	(2,365,326)	(1,436,955)
Accumulated other comprehensive income	(35,744)	97,000
Total Shareholders' Equity	<u>15,991,021</u>	<u>17,052,136</u>
<b>Total Liabilities &amp; Shareholders' Equity</b>	<b><u>\$ 24,856,680</u></b>	<b><u>\$ 20,251,962</u></b>

THE CONNECTICUT BANK AND TRUST COMPANY  
Statement of Income (unaudited)  
For the 3 Months ended June 30, 2004

(amounts in dollars)

Three Months ended: June 30, 2004

**Interest Income**

Interest & Dividends on Securities	\$ 73,407
Interest on Federal Funds Sold	32,647
Interest & Fees on Loans	30,931
Total Interest and Dividend Income	<u>136,985</u>

**Interest Expense**

Interest on Deposits	7,466
Interest on Securities sold with Agreements to Repurchase	4,006
Total Interest Expense	<u>11,472</u>
Net Interest and Dividend Income	125,513
Provision For Loan Losses	58,000
Net Interest and Dividend Income after Provision for Loan Losses	67,513

**Noninterest Income**

Fees on Deposits	2,911
Loss on Sales of Securities	(2,032)
Other Noninterest Income	515
Total Noninterest Income	<u>1,394</u>
Subtotal	68,907

**Operating Expense**

Salaries and Benefits	495,844
Occupancy & Equipment	163,363
Purchased Services	120,988
Marketing	145,718
Insurance	16,374
Printing & Supplies	26,888
Telephone	11,693
Other Expenses	16,410
Total Operating Expense	<u>997,278</u>

**Net Loss**

	<b>\$ (928,371)</b>
Net Loss per Share, Basic	\$ 0.50
Average Shares Outstanding, Basic	1,850,000
Fully diluted loss per share	\$ 0.50
Average Shares Outstanding, Diluted	2,030,500