



## The Connecticut Bank and Trust Company

February 8, 2008

Dear Shareholder:

I am pleased to bring you this report on the performance and accomplishments of The Connecticut Bank and Trust Company for the quarter ended December 31, 2007.

Early in October we opened a full service banking center in Rocky Hill, Connecticut. This is our seventh office and completes our plan for constructing convenient locations ready to serve the communities of greater Hartford. We are now within a fifteen-minute drive of approximately 150,000 households and 12,000 businesses. Our concierge-banking program for businesses, introduced in 2006, expands our reach even further.

Revenues are growing steadily and we made significant progress in 2007 toward overcoming operating losses. For the quarter ended December 31, 2007, the loss amounted to \$388,000 or \$0.11 per share compared to \$610,000 or \$0.17 per share for the same period in 2006. For the year ended December 31, 2007, the net loss amounted to \$2.1 million, an improvement of \$1.1 million or 34% from 2006.

Much of our improvement has resulted from our asset growth, which has significantly outpaced the performance of Connecticut de novos in the past. At December 31, 2007 total loans outstanding were \$143 million compared to \$107 million at the end of 2006. This growth, which was made possible by the capital invested by shareholders like you, has been supported in large measure by growth in deposits. Total deposits at December 31, 2007 were \$138 million compared to \$100 million when the year began.

Net interest income for the quarter was \$1.5 million compared to \$1.2 million for the same period in 2006. The net interest margin was 3.64% compared to 3.75% in the fourth quarter of 2006. In mid September 2007, the Federal Reserve began a series of actions to lower interest rates that by year-end resulted in a 100 basis point decrease in the prime rate to 7.0% where it stood as the year ended. Despite the significant change in a key index, CBT's net interest margin declined just 11 basis points in the fourth quarter to 3.64% compared to 3.75% for the same period in 2006.

I look ahead with tempered optimism. Weighing against CBT's strengths is concern that the economy, both national and here in Connecticut, may continue down a path to recession. We are and plan to remain well capitalized. We have assembled a highly capable and energetic team of community bankers. We have a knowledgeable and supportive Board of Directors. And perhaps most importantly we have strong group of existing and potential customers with which to grow.

Mark your calendar for our annual meeting, May 20, 2008. Visit our website at [www.theibt.com](http://www.theibt.com) and click on *News* for our latest announcements.

Sincerely,

David A. Lentini  
Chairman, President & CEO

**THE CONNECTICUT BANK AND TRUST COMPANY**

**Balance Sheets**

**December 31, 2007 and 2006**

**(Dollars in Thousands)**

**ASSETS**

	<u>2007</u>	<u>2006</u>
	(Unaudited)	
Cash and due from banks	\$ 3,411	\$ 4,589
Federal funds sold	8,080	475
Cash and cash equivalents	<u>11,491</u>	<u>5,064</u>
Securities available for sale, at fair value	19,894	20,738
Certificates of deposit	76	76
Federal Reserve Bank stock, at cost	635	693
Federal Home Loan Bank stock, at cost	945	728
Loans	142,686	106,910
Allowance for loan losses	<u>(1,693)</u>	<u>(1,384)</u>
Loans, net	140,993	105,526
Premises and equipment, net	3,053	2,217
Accrued interest receivable	830	613
Other assets	<u>822</u>	<u>779</u>
	<u>\$178,739</u>	<u>\$ 136,434</u>

**LIABILITIES AND STOCKHOLDERS' EQUITY**

Deposits	\$137,800	\$ 99,745
Short-term borrowings	2,255	1,453
FHLB Advances	17,450	12,450
Other liabilities	793	701
Total liabilities	<u>158,298</u>	<u>114,349</u>

Stockholders' equity;

Common stock, \$1.00 par value; 10,000,000 shares authorized;  
 shares issued and outstanding: 3,572,450 at December 31, 2007  
 and 3,567,450 at December 31, 2006

	3,572	3,567
Common stock warrants	853	853
Additional paid-in capital	29,700	29,582
Restricted stock unearned compensation	(279)	(426)
Retained deficit	(13,142)	(10,994)
Accumulated other comprehensive loss	<u>(263)</u>	<u>(497)</u>
Total stockholders' equity	<u>20,441</u>	<u>22,085</u>

	<u>\$178,739</u>	<u>\$ 136,434</u>
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**THE CONNECTICUT BANK AND TRUST COMPANY**  
**Statements of Operations**

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2007	2006	2007	2006
	(Unaudited)		(Unaudited)	
<i>(Dollars in thousands, except share data)</i>				
Interest and dividends:				
Loans, including fees	\$ 2,584	\$ 1,859	\$ 9,292	\$ 6,054
Debt securities	257	231	1,006	963
Dividends	33	40	104	82
Federal funds sold	81	35	421	51
Total interest and dividend income	<u>2,955</u>	<u>2,165</u>	<u>10,823</u>	<u>7,150</u>
Interest expense:				
Deposits	1,216	866	4,541	2,469
Borrowed funds	214	141	742	584
Total interest expense	<u>1,430</u>	<u>1,007</u>	<u>5,283</u>	<u>3,053</u>
Net interest income	<u>1,525</u>	<u>1,158</u>	<u>5,540</u>	<u>4,097</u>
Provision for loan losses	70	106	308	516
Net interest income, after provision for loan losses	<u>1,455</u>	<u>1,052</u>	<u>5,232</u>	<u>3,581</u>
Non-interest income:				
Service charges and fees	47	30	174	98
Brokerage fee income	73	87	262	95
Net gain/(loss) from sale of available-for-sale securities	1	(17)	(41)	(17)
Total non-interest income	<u>121</u>	<u>100</u>	<u>395</u>	<u>176</u>
Non-interest expenses:				
Salaries and benefits	1,066	1,043	4,342	3,890
Occupancy and equipment	426	326	1,493	1,202
Data processing	77	53	234	174
Marketing	101	81	440	649
Professional services	165	99	524	444
Other general and administrative	129	160	742	636
Total non-interest expenses	<u>1,964</u>	<u>1,762</u>	<u>7,775</u>	<u>6,995</u>
Net loss	<u>\$ (388)</u>	<u>\$ (610)</u>	<u>\$ (2,148)</u>	<u>\$ (3,238)</u>
Net loss per share:				
Basic	\$ (0.11)	\$ (0.17)	\$ (0.61)	\$ (0.92)
Diluted	\$ (0.11)	\$ (0.17)	\$ (0.61)	\$ (0.92)

Selected Performance Data								
Dollar values in thousands except per share	Three months ended						Year ended	
	Sept. 30, 2006	Dec. 31, 2006	March 31, 2007	June 30, 2007	Sept 30, 2007	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2007
Total assets (EOP)	\$ 123,325	\$ 136,434	\$ 155,554	\$ 169,816	\$ 181,457	\$ 178,739	\$ 136,434	\$ 178,739
Net loss	\$ (844)	\$ (610)	\$ (638)	\$ (592)	\$ (530)	\$ (388)	\$ (3,238)	\$ (2,148)
Net interest margin	3.69%	3.75%	3.70%	3.46%	3.58%	3.64%	3.85%	3.59%
Net interest spread	2.57%	2.59%	2.57%	2.49%	2.54%	2.58%	2.65%	2.53%
Ratio of total stockholders' equity to total assets (EOP)	18.35%	16.19%	13.92%	12.25%	11.35%	11.44%	16.19%	11.44%
Weighted Avg shrs outstanding	3,524	3,531	3,531	3,534	3,537	3,544	3,524	3,542
Loss per share	\$ (0.24)	\$ (0.17)	\$ (0.18)	\$ (0.17)	\$ (0.15)	\$ (0.11)	\$ (0.92)	\$ (0.61)
Book value per share (EOP)	\$ 6.34	\$ 6.19	\$ 6.07	\$ 5.83	\$ 5.77	\$ 5.72	\$ 6.19	\$ 5.72
Allowance for loan losses to total loans (EOP)	1.34%	1.29%	1.24%	1.22%	1.23%	1.19%	1.29%	1.19%

### BANKING CENTERS

**Hartford**  
58 State House Square  
Hartford, CT 06103

**Glastonbury**  
7 Sycamore Street  
Glastonbury, CT 06033

**Newington**  
66 Cedar Street  
Newington, CT 06111

**Rocky Hill**  
396 Cromwell Avenue  
Rocky Hill CT 06067

**Vernon**  
435 Hartford Turnpike  
Vernon, CT 06066

**West Hartford**  
68 South Main Street  
West Hartford, CT 06107

**Windsor**  
148 Broad Street  
Windsor, CT 06095

### INVESTOR INFORMATION

**Annual Meeting**  
10:00 AM, Tuesday  
May 20, 2008  
The Hartford Golf Club  
134 Norwood Road  
West Hartford, Connecticut

**Stock Listing**  
Symbol "CTBC"  
Trading on the **Nasdaq** Capital Market

**Transfer Agent**  
Registrar and Transfer Company  
Cranford, NJ 07016  
www.rtco.com

**Shareholder Relations Contact**  
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**Independent Auditor**  
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Boston, MA 02110  
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