



Different. Bank on it.

February 17, 2009

Dear Shareholder,

I am pleased to bring this report of CBT's activities during the fourth quarter of 2008 in which we saw 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.

During the fourth quarter CBT was not immune to the turmoil 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. In response to a weakening economic outlook that still persists today, the large third quarter provision increased the reserve ratio to approximately 1.5% of loans compared to approximately 1.2% maintained over the prior several quarters. Net loan charge-offs in the fourth 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,

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 and \$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. Borrowings were increased \$5 million and excess funds, primarily

Fed Funds, were reduced \$12 million. In the fourth quarter, CBT Shareholders approved a charter change permitting the issuance of Preferred Stock under the US Treasury's Capital Purchase Program. This approval allowed CBT to receive \$5.4 million in new capital under the program which CBT has commenced lending into the local economy.

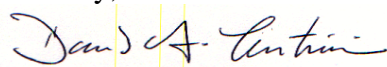
Asset Quality The quality of the loan portfolio remains strong. Loans past due at least 30 days but less than 90 days amounted to \$2.9 million, or 1.6% of outstanding loans, at December 31, 2008 compared to \$599,000 or 0.4% of outstanding loans at December 31, 2007. Nonaccrual loans, which consist 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. 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.

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 economic downturn has not reduced the 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.

For a more in-depth discussion of CBT's recent performance, visit our website at www.theibt.com. I encourage you to stop in at one of our locations and check out what CBT can do for you. As always, thank you for your support. Call me at 860 748-4250 any time if you have any questions, or concerns.

Sincerely,



David A. Lentini
Chairman, President & CEO

Selected Performance Data							
Dollar values in thousands except per share						Year ended	
	Dec. 31, 2007	March 31, 2008	June 30, 2008	Sept 30, 2008	Dec. 31, 2008	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%

THE CONNECTICUT BANK AND TRUST COMPANY
Summarized Balance Sheet Statements
(Dollars in Thousands)

	ASSETS		
	December 31, 2008	December 31, 2007	September 30, 2008
	<u>(Unaudited)</u>	<u></u>	<u>(Unaudited)</u>
Cash and cash equivalents	6,774	11,491	19,109
Investments	35,015	21,550	31,042
Loans	181,772	142,686	169,467
Less: allowance for loan losses	<u>(2,681)</u>	<u>(1,693)</u>	<u>(2,572)</u>
Loans, net	179,091	140,993	166,895
Other assets	4,198	4,705	6,419
Total Assets	<u><u>\$ 225,078</u></u>	<u><u>\$ 178,739</u></u>	<u><u>\$ 223,465</u></u>
LIABILITIES AND STOCKHOLDERS' EQUITY			
Deposits	\$ 162,934	\$ 137,800	\$ 169,936
Short-term borrowings	7,521	2,255	2,529
Long-term debt	30,450	17,450	30,450
Other liabilities	<u>634</u>	<u>793</u>	<u>2,480</u>
Total liabilities	201,539	158,298	205,395
Total stockholders' equity	23,539	20,441	18,070
Total Liabilities and Stockholders' Equity	<u><u>\$ 225,078</u></u>	<u><u>\$ 178,739</u></u>	<u><u>\$ 223,465</u></u>

THE CONNECTICUT BANK AND TRUST COMPANY
Summarized Statements of Loss
(Unaudited)

	Three Months Ended		Year ended	
	December 31,		December 31,	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
<i>(Dollars in thousands, except share data)</i>				
Total interest and dividend income	<u>3,085</u>	<u>2,955</u>	<u>12,038</u>	<u>10,823</u>
Total interest expense	1,303	1,430	5,366	5,283
Net interest income	1,782	1,525	6,672	5,540
Provision for loan losses	125	70	1,662	308
Total noninterest income	146	121	596	395
Total noninterest expense	<u>2,101</u>	<u>1,964</u>	<u>8,082</u>	<u>7,775</u>
Net loss	<u><u>\$ (298)</u></u>	<u><u>\$ (388)</u></u>	<u><u>\$ (2,476)</u></u>	<u><u>\$ (2,148)</u></u>
Net loss per share:				
Basic	\$ 0.08	\$ 0.11	\$ 0.70	\$ 0.61
Diluted	\$ 0.08	\$ 0.11	\$ 0.70	\$ 0.61

BOARD OF DIRECTORS

Geno Auriemma
Frank A. Falvo
P. Anthony Giorgio
John A. Green
Anson C. Hall
Solomon Kerensky
Karl J. Krapek

David A. Lentini
Joan L. Rusconi
Philip J. Schulz
Peter D. Shapiro
J. Brian Smith
John M. Watkins Jr.

EXECUTIVE OFFICERS

David A. Lentini
President & CEO

Anson C. Hall
CFO, Treasurer & Secretary

Lyle T. Fulton
EVP, Chief Loan Officer

Deborah Davis
EVP, Senior Operations & Retail Officer

Paul A. Granato
SVP, Chief Accounting Officer

BANKING CENTERS

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Hartford, CT 06103

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7 Sycamore Street
Glastonbury, CT 06033

Newington
Ph: 860-667-7800
66 Cedar Street
Newington, CT 06111

Rocky Hill
Ph: 860-563-8600
396 Cromwell Avenue
Rocky Hill, CT 06067

Vernon
Ph: 860-871-3100
435 Hartford Turnpike
Vernon, CT 06066

West Hartford
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68 South Main Street
West Hartford, CT 06107

Windsor
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148 Broad Street
Windsor, CT 06095

INVESTOR INFORMATION

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

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www.daypitney.com

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