

November 24, 2008



Dear Shareholder,

I want to take just a few minutes of your time to present this brief update on your Company's performance for the quarter ended September 30, 2008. Banks in the United States have and will report some of the worst quarterly results in recent memory and many of these losses will come from the write-downs of the value of Fannie Mae and Freddie Mac securities they held for investment purposes. Even though CBT did not hold any of these securities, we were not immune to the recessionary pressures around us. As consumers began to hold back decisions on purchases, large and small businesses of all kinds have felt the impact. The economic pressures affecting our customers have, in turn, affected CBT. Despite revenue growth and holding the line on operating costs, CBT reported a loss of \$1,487,000, or \$0.42 per share, for the third quarter of 2008, compared to a loss of \$530,000, or \$0.15 per share, for the third quarter of 2007. To strengthen the reserve for loan losses, the third quarter's results included a provision of \$1,316,000 compared to \$111,000 in the third quarter of 2007.

CBT remains well capitalized and we look forward to reaching profitability in the near future. Although it is hard to predict anything in these difficult times, it appears that on an operating level, we will get close to a break-even situation in the fourth quarter. Further Federal Reserve interest rate reductions or more weakening in our local economy could adversely affect our results.

For the nine-month period ended September 30, 2008, CBT reported a net loss of \$2,178,000, or \$0.61 per share, compared to a loss of \$1,760,000, or \$0.50 per share, for the nine-month period ended September 30, 2007. In the 12 months ended September 30, 2008, the Federal Open Market Committee acted seven times to lower the Fed Funds Target Rate and the Prime Rate a total of 2.75%. These unprecedented actions taken by the Federal Reserve will take time to work through the local economy.

Quarterly Results of Operations. Net interest income rose \$256,000 to \$1,734,000 for the three-month period ended September 30, 2008 over the same period in the prior year. CBT's net interest income grew by increasing interest-earning assets and lowering its costs of funding. Average interest-earning assets grew \$40 million in the quarter ended September 30, 2008 over the same period in 2007. The net interest margin decreased 19 basis points to 3.39%, compared to 3.58% for the quarter ended September 30, 2007.

Noninterest income was \$146,000 in the quarter ended September 30, 2008, an increase of 33% compared to the same period a year earlier primarily due to the increase in fee-based services. Noninterest expense increased \$45,000 or 2%, to \$2,051,000 for the three-month period ending September 30, 2008, compared to the same period in the prior year. The increase is primarily the result of higher occupancy costs, including rent, taxes and utilities. CBT's efficiency ratio, which measures recurring operating expenses as a percentage of net interest income plus noninterest income, for the current quarter improved to 1.09%, compared to 1.26%, in the same period last year.

Balance Sheet Performance. Total assets grew \$44.8 million, or 25%, to \$223.5 million at September 30, 2008, compared to \$178.7 million at December 31, 2007. Total loans outstanding grew \$26.8 million to \$169.5 million and total investments grew \$8.5 million to \$28.4 million at September 30, 2008. Cash and cash equivalents increased \$7.6 million to \$19.1 million to ensure

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adequate liquidity and provide funding for future growth. Asset growth was funded through a combination of increased deposits and increased borrowings from the Federal Home Loan Bank of Boston. Total deposits were \$169.9 million at September 30, 2008, an increase of \$32.1 million from December 31, 2007. Borrowings from the Federal Home Loan Bank of Boston totaled \$30.5 million, increasing \$13.0 million from the \$17.5 million at December 31, 2007. The Bank continues to be well capitalized, with stockholders' equity of \$18.1 million at September 30, 2008. The ratio of stockholders' equity to total assets was 8.1%.

Asset Quality. Asset quality remains strong at CBT. Total nonaccrual loans were \$2.0 million and represented 1.21% of total loans outstanding at September 30, 2008. The allowance for loan losses is \$2.6 million at September 30, 2008, or 1.52% of outstanding loans, compared to \$1.7 million, or 1.19% of outstanding loans at December 31, 2007. The coverage ratio, which measures the ratio of allowance for loan losses to nonperforming loans, was 126% at September 30, 2008. CBT had no other loans that were past due 90 days or more.

With our strong capital position, our outlook remains positive about our ability to meet the continuing financial needs of our marketplace.

For a more in-depth discussion of CBT's recent performance, please visit our website at www.thecbt.com. I encourage you to stop in at one of our locations and check out what CBT can do for you. On behalf of the Board of Directors and Management, I want to 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	Sept 30, 2007	Dec 31, 2007	Mar 31, 2008	June 30, 2008	Sept 30, 2008	Nine months ended	
						Sept 30, 2007	Sept 30, 2008
Total assets (EOP)	\$ 181,457	\$ 178,739	\$ 204,205	\$ 200,128	\$ 223,465	\$ 181,457	\$ 223,465
Net operating loss	\$ (530)	\$ (388)	\$ (396)	\$ (295)	\$ (1,487)	\$ (1,760)	\$ (2,178)
Net interest margin	3.58%	3.64%	3.37%	3.43%	3.39%	3.57%	3.40%
Net interest spread	2.54%	2.58%	2.45%	2.75%	2.79%	2.54%	2.67%
Ratio of total stockholders' equity to total assets (EOP)	11.35%	11.44%	9.82%	9.65%	8.09%	11.35%	8.09%
Weighted avg shrs outstanding	3,534	3,537	3,545	3,550	3,552	3,534	3,548
Loss per share	\$ (0.15)	\$ (0.11)	\$ (0.11)	\$ (0.08)	\$ (0.42)	\$ (0.50)	\$ (0.61)
Book value per share (EOP)	\$ 5.77	\$ 5.72	\$ 5.62	\$ 5.40	\$ 5.06	\$ 5.77	\$ 5.06
Allowance for loan losses to total loans (EOP)	1.23%	1.19%	1.19%	1.21%	1.52%	1.23%	1.52%

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

	ASSETS		
	September 30, 2008	December 31, 2007	September 30, 2007
	<u>(Unaudited)</u>	<u></u>	<u>(Unaudited)</u>
Cash and cash equivalents	19,109	11,491	21,992
Investments	31,042	21,550	22,714
Loans	169,467	142,686	132,172
Less: allowance for loan losses	<u>(2,572)</u>	<u>(1,693)</u>	<u>(1,622)</u>
Loans, net	166,895	140,993	130,550
Other assets	6,419	4,705	4,201
Total Assets	<u>\$ 223,465</u>	<u>\$ 178,739</u>	<u>\$ 181,457</u>
LIABILITIES AND STOCKHOLDERS' EQUITY			
Deposits	\$ 169,936	\$ 137,800	\$ 140,607
Short-term borrowings	2,529	2,255	2,028
Long-term debt	30,450	17,450	17,450
Other liabilities	<u>2,480</u>	<u>793</u>	<u>777</u>
Total liabilities	205,395	158,298	160,862
Total stockholders' equity	18,070	20,441	20,595
Total Liabilities and Stockholders' Equity	<u>\$ 223,465</u>	<u>\$ 178,739</u>	<u>\$ 181,457</u>

Summarized Statements of Loss
(Unaudited)

	Three Months Ended September 30,		Six Months Ended September 30,	
<i>(Dollars in thousands, except share data)</i>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Total interest and dividend income	\$ 3,054	\$ 2,899	\$ 8,953	\$ 7,868
Total interest expense	<u>1,320</u>	<u>1,421</u>	<u>4,063</u>	<u>3,853</u>
Net interest income	1,734	1,478	4,890	4,015
Provision for loan losses	1,316	111	1,537	238
Total noninterest income	146	109	450	274
Total noninterest expense	<u>2,051</u>	<u>2,006</u>	<u>5,981</u>	<u>5,811</u>
Net loss	<u>\$ (1,487)</u>	<u>\$ (530)</u>	<u>\$ (2,178)</u>	<u>\$ (1,760)</u>
Net loss per share:				
Basic	\$ (0.42)	\$ (0.15)	\$ (0.61)	\$ (0.50)
Diluted	\$ (0.42)	\$ (0.15)	\$ (0.61)	\$ (0.50)

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

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7 Sycamore Street
Glastonbury, CT 06033

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

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

West Hartford
Ph: 860-521-5930
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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Independent Auditor

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www.wolfandco.com