BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
Washington, D.C. 20551

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2008

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _______________ to ___________________________

FDIC Certificate Number 57690

THE CONNECTICUT BANK AND TRUST COMPANY

(Exact name of registrant as specified in its charter)

CONNECTICUT	**90-0115.348**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
58 STATE HOUSE SQUARE	**06103**
(Address of principal executive offices)	(Zip Code)

(860) 246-5200
(Registrant's telephone number, including area code)

[None]
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] No [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," and "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer [ ] Accelerated filer [ ]
Non-accelerated filer [ ] (do not check if a smaller reporting company) Smaller reporting company [X]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes [ ] No [X]

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date

COMMON STOCK, $1 par value per share	3,572,450 shares at October 31, 2008

THE CONNECTICUT BANK AND TRUST COMPANY
FORM 10-Q

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements - Unaudited

THE CONNECTICUT BANK AND TRUST COMPANY
Balance Sheets
(Unaudited)

ASSETS

(Dollars in thousands)	September 30, 2008	December 31, 2007
Cash and due from banks	$ 7,564	$ 3,411
Federal funds sold	11,545	8,080
Cash and cash equivalents	19,109	11,491
Securities available for sale, at fair value	28,381	19,894
Certificates of deposit	491	76
Federal Reserve Bank stock, at cost	585	635
Federal Home Loan Bank stock, at cost	1,585	945
Loans	169,467	142,686
Less: allowance for loan losses	(2,572)	(1,693)
Loans, net	166,895	140,993
Premises and equipment, net	2,710	3,053
Accrued interest receivable	867	830
Other assets	2,842	822
	$ 223,465	$ 178,739

LIABILITIES AND STOCKHOLDERS' EQUITY

	September 30, 2008	December 31, 2007
Deposits	$ 169,936	$ 137,800
Short-term borrowings	2,529	2,255
Long-term debt	30,450	17,450
Other liabilities	2,480	793
Total liabilities	205,395	158,298
Commitments and Contingencies Note 5		
Stockholders' equity;		
Common stock, $1.00 par value; 10,000,000 shares authorized; 3,572,450 shares issued and outstanding at September 30, 2008 and December 31, 2007	3,572	3,572
Common stock warrants	853	853
Additional paid-in capital	29,759	29,700
Restricted stock unearned compensation	(172)	(279)
Retained deficit	(15,320)	(13,142)
Accumulated other comprehensive loss	(622)	(263)
Total stockholders' equity	18,070	20,441
	$ 223,465	$ 178,739

The accompanying notes are an integral part of these unaudited financial statements.

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

(Dollars in thousands, except share data)	Three Months Ended September 30, 2008	Three Months Ended September 30, 2007	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007
Interest and dividend income:				
Interest and fees on loans	$ 2,651	$ 2,423	$ 7,805	$ 6,708
Debt securities	356	254	938	749
Dividends	10	26	61	71
Federal funds sold/other	37	196	149	340
Total interest and dividend income	3,054	2,899	8,953	7,868
Interest expense:				
Deposits	1,039	1,236	3,282	3,325
Borrowed funds	281	185	781	528
Total interest expense	1,320	1,421	4,063	3,853
Net interest income	1,734	1,478	4,890	4,015
Provision for loan losses	1,316	111	1,537	238
Net interest income, after provision for loan losses	418	1,367	3,353	3,777
Noninterest income:				
Service charges and fees	69	44	172	127
Brokerage commissions	77	65	213	189
Gains(losses) from sales of available-for-sale securities,net	-	-	65	(42)
Total noninterest income	146	109	450	274
Noninterest expense:				
Salaries and benefits	1,102	1,104	3,244	3,276
Occupancy and equipment	467	386	1,333	1,067
Data processing	76	58	218	157
Marketing	90	118	230	339
Professional services	115	138	325	359
Other general and administrative	201	202	631	613
Total noninterest expense	2,051	2,006	5,981	5,811
Net loss	$ (1,487)	$ (530)	$ (2,178)	$ (1,760)
Net loss per share:				
Basic	$ (0.42)	$ (0.15)	$ (0.61)	$ (0.50)
Diluted	$ (0.42)	$ (0.15)	$ (0.61)	$ (0.50)

The accompanying notes are an integral part of these unaudited financial statements.

THE CONNECTICUT BANK AND TRUST COMPANY
Statements of Changes in Stockholders' Equity
Nine Months Ended September 30, 2008 and 2007
(Unaudited)

(Dollars in thousands)	Common Stock	Common Stock Warrants	Additional Paid-in Capital	Unearned Compensation	Retained Deficit	Accumulated Other Comprehensive Loss	Total
Balance at December 31, 2006	$3,567	$ 853	$ 29,582	$ (426)	$(10,994)	$ (497)	$ 22,085
Comprehensive loss:							
Net loss	-	-	-	-	(1,760)	-	(1,760)
Change in net unrealized loss on securities available for sale, net of reclassification adjustment of $42	-	-	-	-	-	61	61
Total comprehensive loss							(1,699)
Issuance of restricted stock award	5	-	34	(39)	-	-	-
Activity related to stock option grants	-	-	62	-	-	-	62
Activity related to restricted stock awards	-	-	-	147	-	-	147
Balance at September 30, 2007	$3,572	$ 853	$ 29,678	$ (318)	$(12,754)	$ (436)	$ 20,595
Balance at December 31, 2007	$3,572	$ 853	$ 29,700	$ (279)	$(13,142)	$ (263)	$ 20,441
Comprehensive loss:							
Net loss	-	-	-	-	(2,178)	-	(2,178)
Change in net unrealized loss on securities available for sale, net of reclassification adjustment of $65	-	-	-	-	-	(359)	(359)
Total comprehensive loss							(2,537)
Activity related to stock option grants	-	-	59	-	-	-	59
Activity related to restricted stock awards	-	-	-	107	-	-	107
Balance at September 30, 2008	$3,572	$ 853	$ 29,759	$ (172)	$(15,320)	$ (622)	$ 18,070

The accompanying notes are an integral part of these unaudited financial statements.

THE CONNECTICUT BANK AND TRUST COMPANY
Statements of Cash Flows
(Unaudited)

(Dollars in thousands)	Nine Months Ended September 30, 2008	2007
Cash flows from operating activities:		
Net loss	$ (2,178)	$ (1,760)
Adjustment to reconcile net loss to net cash used by operating activities:		
Provision for loan losses	1,537	238
Net (gains) losses from sales of available-for-sale securities	(65)	42
Depreciation and amortization	461	373
Net amortization of premiums on available-for-sale securities	35	20
Net (accretion) amortization of deferred loan costs and fees	(23)	5
Share-based compensation plans	166	209
Increase in accrued interest receivable	(37)	(207)
(Increase) decrease in other assets	(159)	50
(Decrease) increase in other liabilities	(153)	76
Net cash used by operating activities	(416)	(954)
Cash flows from investing activities:		
Activity in available-for-sale securities:		
Sales	2,994	3,330
Maturities and calls	7,248	1,000
Purchases	(21,347)	(6,105)
Principal payments	2,268	1,423
Purchases of certificates of deposit	(415)	-
Redemption of FRB stock	50	58
Purchases of FHLB stock	(640)	(186)
Net loan originations and purchases	(27,416)	(25,267)
Purchases of premises and equipment	(118)	(808)
Net cash used by investing activities	(37,376)	(26,555)
Cash flows from financing activities:		
Net increase in deposits	32,136	40,862
Net increase in short-term borrowings	274	575
Proceeds from long-term borrowings	13,000	5,000
Net cash provided by financing activities	45,410	46,437
Net change in cash and cash equivalents	7,618	18,928
Cash and cash equivalents at beginning of period	11,491	5,064
Cash and cash equivalents at end of period	$ 19,109	$ 23,992
Supplemental disclosures of cash flow information:		
Interest paid	$ 4,089	$ 3,807
Due to broker	$ 1,840	$ -
Due from broker	$ 1,860	$ -

(1) Organization

The Connecticut Bank and Trust Company ("CBT" or "Bank") is a state chartered bank and trust company operating primarily in North Central Connecticut. CBT operates out of its main office at 58 State House Square, Hartford, Connecticut and branch offices at 7 Sycamore Street, Glastonbury, Connecticut; 66 Cedar Street, Newington, Connecticut; 435 Hartford Turnpike, Vernon, Connecticut; 68 South Main Street, West Hartford, Connecticut; 396 Cromwell Avenue, Rocky Hill, Connecticut; and 148 Broad Street Windsor, Connecticut. CBT is subject to competition from other financial institutions, including but not limited to commercial banks, savings banks, credit unions and mortgage banking companies. CBT is also subject to the regulations of, and periodic examinations by, the Connecticut Department of Banking ("DOB") and the Board of Governors of the Federal Reserve System ("Fed") through the Federal Reserve Bank of Boston ("FRBB"). CBT's deposits are insured up to the limits specified by the Federal Deposit Insurance Corporation ("FDIC").

(2) Basis of Presentation

In the opinion of CBT's management ("Management"), the accompanying unaudited interim financial statements contain all adjustments necessary to present fairly the financial position as of September 30, 2008 and December 31, 2007, the results of operations for the three and nine month periods ending September 30, 2008 and 2007, and changes in stockholders' equity and cash flows for the nine month periods ended September 30, 2008 and 2007 in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). These adjustments consist only of normal recurring adjustments. Certain amounts in prior periods have been reclassified to conform to the current presentation. The results of operations for the three and nine month periods are not necessarily indicative of the results to be expected for the full year. The unaudited interim financial statements should be read in conjunction with the financial statements and accompanying notes found on pages 30-59 of CBT's Annual Report on Form 10-KSB for the year ended December 31, 2007, filed with the Board of Governors of the Federal Reserve System on March 26, 2008.

(3) Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses, other than temporary impairment of investment securities, and the valuation of deferred tax assets.

(4) Earnings (Loss) Per Share

Basic earnings (loss) per share represents income available to common stockholders divided by the weighted-average number of common shares outstanding during the period. Diluted earnings (loss) per share reflects additional common shares that would have been outstanding if dilutive potential common shares had been issued. Potential common shares that may be issued by CBT are primarily associated with outstanding warrants, stock awards, and stock options and are determined using the treasury stock method.

Earnings (loss) per common share for the three and nine months ended September 30, 2008 and 2007 have been computed based upon the following (dollars in thousands, except per share amounts):

	Three Months Ended September 30, 2008	Three Months Ended September 30, 2007	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007
Net loss	$ (1,487)	$ (530)	$ (2,178)	$ (1,760)
Average number of common shares outstanding	3,552	3,537	3,548	3,534
Effect of dilutive potential common shares	-	-	-	-
Average number of common shares outstanding used to calculate diluted earnings per share	3,552	3,537	3,548	3,534
Net loss per share:				
Basic	$ (0.42)	$ (0.15)	$ (0.61)	$ (0.50)
Diluted	$ (0.42)	$ (0.15)	$ (0.61)	$ (0.50)

For the three and nine months ended September 30, 2008 and 2007, 170,500 common stock warrants, 61,817 restricted stock awards, and 143,500 stock options were anti-dilutive and therefore not included in the diluted earnings (loss) per share calculation.

(5) Loan Commitments

CBT is a party to credit related financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit. Such commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the balance sheets. CBT's commitments to extend credit include unfunded loans as well as unused lines of credit. CBT has commitments to originate loans totaling $7.7 million at September 30, 2008 compared to $17.0 million at December 31, 2007. CBT also has unfunded commitments under existing lines of credit aggregating $40.5 million at September 30, 2008, and $41.9 million at December 31, 2007.

(6) Allowance for Loan Losses

The allowance for loan losses is established through provisions for loan losses charged to expense. Loans are charged against the allowance for loan losses when Management believes that the uncollectibility of a loan balance is confirmed. The allowance is an amount that Management believes will be adequate to absorb losses inherent in existing loans, based on evaluations of collectability and historical loss experience. The evaluations take into consideration such factors as changes in the nature and volume of the portfolio, overall credit quality, industry concentrations, specific problem loans, commitments, current economic conditions that may affect the borrowers' ability to pay, and other economic factors related to the collectability of loans in CBT's portfolio. Formal evaluations occur on a quarterly basis or sooner if conditions warrant.

(7) Fair Value of Assets and Liabilities

Effective January 1, 2008, CBT adopted Statement of Financial Accounting Standard No.157 (SFAS 157) *"Fair Value Measurements"*, which provides a framework for measuring fair value in accordance with U.S. GAAP.

CBT also adopted SFAS No. 159 (SFAS 159), *"The Fair Value Option for Financial Assets and Financial Liabilities", including an amendment of FASB Statement No. 115.* SFAS 159 allows an entity the irrevocable option to elect fair value for the initial and subsequent measurement for certain financial assets and liabilities on a contract by contract basis. CBT did not elect fair value treatment for any financial assets or liabilities upon adoption.

In accordance with SFAS 157, CBT groups its financial assets and financial liabilities measured at fair value in three levels, based on markets in which the assets and liabilities are traded and reliability of the assumptions used to determine fair value.

Level 1. Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities that are traded on an active exchange market. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2. Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3. Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The balance of assets and liabilities measured at fair value on a recurring basis as of September 30, 2008 are as follows:

(Dollars in Thousands) Assets	Level 1	Level 2	Level 3	Assets/Liabilities at Fair Value
Securities available for sal	$ -	$ 28,381	$ -	$ 28,381
Total	$ -	$ 28,381	$ -	$ 28,381

Also, CBT may be required from time to time, to measure certain other financial assets on a nonrecurring basis in accordance with U.S. GAAP. These adjustments to fair value usually result from the application of write downs of individual assets. The amount of loans represents the carrying value less related write downs which are based on the appraised value of the collateral securing the loan. The following table includes the balance of assets and liabilities measured at fair value on a nonrecurring basis as of September 30, 2008, and the related gains/(losses) for the three month and nine month period ending September 30, 2008. The resulting gains/(losses) were recognized in earnings through the provision for loan losses.

(Dollars in Thousands) Assets	Level 1	Level 2	Level 3	Gains/(Losses) Three months ended September 30, 2008	Gains/(Losses) Nine months ended September 30, 2008
Loans	$ -	$ 1,831	$ -	$ (954)	$ (972)
Total	$ -	$ 1,831	$ -	$ (954)	$ (972)

In October, 2008, the FASB issued FASB Staff Position No. FAS 157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active* ("FSP 157-3"). FSP 157-3 clarifies the application of SFAS 157 in a market that is not active and provides an example to illustrate key considerations in determining the fair value of a financial asset when the market for that financial asset is not active. FSP 157-3 was effective immediately upon issuance, and includes prior periods for which financial statements have not been issued. The Bank applied the guidance contained in FSP 157-3 in determining fair values at September 30, 2008, and it did not have a material impact on the consolidated financial statements.

Recent Accounting Pronouncements

In December 2007, the FASB issued Statement No. 141 (revised), "Business Combinations." This Statement replaces FASB Statement No. 141, and applies to all business entities, including mutual entities that previously used the pooling-of-interests method of accounting for some business combinations. Under Statement No. 141 (revised) an acquirer is required to recognize at fair value the assets acquired, liabilities assumed, and any non-controlling interest in the acquiree at the acquisition date. This replaces the cost-allocation process under Statement No. 141, which resulted in the non-recognition of some assets and liabilities at the acquisition date, and in measuring some assets and liabilities at amounts other than their fair values at the acquisition date. This Statement requires that acquisition costs and expected restructuring costs be recognized separately from the acquisition, and that the acquirer in a business combination achieved in stages recognize the identifiable assets and liabilities, as well as the non-controlling interest in the acquiree, at the full amounts of their fair values. This Statement also requires an acquirer to recognize assets acquired and liabilities assumed arising from contractual contingencies as of the acquisition date, while Statement 141 allowed for the deferred recognition of pre-acquisition contingencies until certain recognition criteria were met, and an acquirer is only required to recognize assets or liabilities arising from all other contingencies if it is more likely than not that they meet the definition of an asset or a liability. Under this Statement, an acquirer is required to recognize contingent consideration at the acquisition date, whereas contingent consideration obligations usually were not recognized at the acquisition date under Statement 141. Further, this Statement eliminates the concept of negative goodwill and requires gain recognition in instances in which the total acquisition-date fair value of the identifiable net assets acquired exceeds the fair value of the consideration transferred plus any non-controlling interest in the acquiree. This Statement makes significant amendments to other Statements and other authoritative guidance, and applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. An entity may not apply it before that date. This Statement is not expected to have a material impact on the Bank's financial statements.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis is designed to assist you in better understanding the financial condition, results of operations, liquidity and capital resources of CBT, as well as any significant changes and trends related thereto. This discussion should be read in conjunction with the accompanying unaudited financial statements and the notes appearing in Part I of this Form 10-Q and the financial statements and accompanying notes found on pages 30 through 59 of CBT's Annual Report on Form 10-KSB for the year ended December 31, 2007, filed with the Board of Governors of the Federal Reserve System on March 26, 2008.

General

CBT provides a broad range of banking services to business enterprises and business sponsors as well as individual consumers in its market areas from its seven banking centers and through its website, www.thecbt.com. CBT is a full service commercial bank providing a comprehensive set of loans and deposit services to local businesses, business owners, professionals, and other individuals. CBT actively seeks to finance the credit needs of local businesses and actively markets deposit and loan products to businesses and individuals. CBT also offers certain investment management products to its customers. An important dimension of CBT's strategy is to provide customers with access to well-trained, experienced bank personnel, including the senior management team.

Forward–Looking Statements Safe-harbor Statement

This report may contain forward-looking statements that are subject to numerous assumptions, risks and uncertainties. Statements pertaining to future periods are subject to numerous uncertainties because of the possibility of changes in underlying factors and assumptions. Actual results could differ materially from those contained in or implied by such forward-looking statements for a variety of factors including: sharp and rapid changes in interest rates; significant changes in the economic scenario from the current anticipated scenario which could materially change anticipated credit quality trends and the ability to generate loans; significant delay in or inability to execute strategic initiatives designed to grow revenues and/or control expenses; and significant changes in accounting, tax or regulatory practices or requirements. Because of the risks and uncertainties inherent in forward-looking statements, readers are cautioned not to place undue reliance on them, whether included in this report or made elsewhere from time to time by CBT or on its behalf. CBT does not undertake to update any forward-looking statements.

Critical Accounting Policies

In the ordinary course of business, Management makes a number of estimates and assumptions relating to reporting results of operations and financial condition in preparing its financial statements in conformity with accounting principals generally accepted in the United States. Actual results could differ significantly from those estimates under different assumptions and conditions. Management believes that the critical accounting policies which rely on material estimates that are susceptible to significant differences between actual results and estimates are the determination of allowance for loan losses, other than temporary impairment of investments, and valuation of deferred tax assets. Management believes its accounting policy and estimates relating to the provision and allowance for loan losses is very important to the portrayal of CBT’s financial condition and results and requires its most difficult, subjective and complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. A detailed description of the estimation processes and methodology related to the allowance for loan losses is included in CBT’s notes to the unaudited financial statements appearing in Part I of this Form 10-Q. A description of the estimation process and methodology related to the allowance for loan losses, other than temporary impairment of investments and the valuation of deferred tax assets is included in CBT’s financial statements and accompanying notes included in CBT’s Annual Report on Form 10-KSB for the year ended December 31, 2007, filed with the Board of Governors of the Federal Reserve on March 26, 2008.

Comparison of Financial Condition at September 30, 2008 and December 31, 2007

Total assets were $223.5 million at September 30, 2008, an increase of $44.8 million, or 25.0%, compared to $178.7 million at December 31, 2007. Total loans outstanding at September 30, 2008 were $169.5 million, compared to $142.7 at December 31, 2007 continuing to reflect our primary strategy of lending to commercial and commercial real estate enterprises in the North-Central Connecticut market. The fair value of the investment portfolio totaled $28.4 million at September 30, 2008 compared to $19.9 million at December 31, 2007. Growth in the investment portfolio primarily resulted from an opportunity to purchase investments at a spread greater than the rate on advances from the Federal Home Loan Bank of Boston (FHLB).

The growth in loans was supported primarily through growth in deposits while the growth in investments was supported by term borrowings from the FHLB. Total deposit balances grew $32.1 million from $137.8 million at December 31, 2007 to $169.9 million at September 30, 2008. The balance of the asset growth was funded through additional advances from the FHLB. FHLB advances were $30.5 million at September 30, 2008 compared to $17.5 million at December 31, 2007.

Investment securities

At September 30, 2008, the fair value of the securities portfolio, all of which were classified as available for sale, amounted to $28.4 million, or 12.7% of assets. The following table sets forth at the dates indicated information regarding he amortized cost and fair market values of CBT's investment securities.

Dollars in Thousands September 30, 2008	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Government-sponsored enterprises				
Debt securities	$ 5,127	$ 17	$ (76)	$ 5,068
Mortgage-backed securities	22,877	82	(167)	22,792
Other Bonds	999	-	(478)	521
	$ 29,003	$ 99	$ (721)	$ 28,381

December 31, 2007	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Government-sponsored enterprises				
Debt securities	$ 13,375	$ 74	$ (10)	$ 13,439
Mortgage-backed securities	5,783	12	(35)	5,760
Other Bonds	999	-	(304)	695
	$ 20,157	$ 86	$ (349)	$ 19,894

The fair value of securities available-for-sale increased $8.5 million from December 31, 2007. The net unrealized loss on the portfolio was $622,000 as of September 30, 2008 representing 2.2% of the fair value of the portfolio. The net unrealized loss increased $359,000 from December 31, 2007. Management does not consider the net unrealized losses to be other than temporary. For the nine month period ending September 30, 2008, CBT realized a net gain of $65,000 on the sale of securities.

Loans

It remains CBT's strategy to originate commercial and commercial real estate (CRE) loans within its primary market area, funding loans mainly through the growth in deposits from its commercial customers. Loans generally produce higher yields than investment securities and other interest-earning assets. CBT's loan portfolio grew $26.7 million, or 18.7%, since December 31, 2007. CBT continues to maintain a strong loan pipeline for prospective loan originations. At September 30, 2008, CBT's loan portfolio totaled $169.5 million, or 75.8% of total assets.

The following table sets forth the composition of CBT's loan portfolio in dollar amounts and as a percentage of the respective portfolio at the dates indicated.

Dollars in Thousands	September 30, 2008		December 31, 2007	
Mortgage loans on real estate	Balance	Percent of Total	Balance	Percent of Total
CRE Owner occupied	$ 50,029	29.5 %	$ 39,419	27.6 %
CRE Non-owner occupied	35,206	20.8	31,772	22.3
Construction	15,341	9.1	11,361	8.0
Equity lines of credit	6,403	3.8	4,895	3.4
Residential real estate	2,877	1.7	1,724	1.2
Total mortgage loans on real estate	$ 109,856	64.9 %	$ 89,171	62.5 %
Commercial and industrial	$ 55,964	33.0 %	$ 52,787	37.0 %
Consumer	3,618	2.1	739	0.5
Total loans	$ 169,438	100.0 %	$ 142,697	100.0 %
Allowance for loan losses	(2,572)		(1,693)	
Net deferred loan costs (fees)	29		(11)	
Loans, net	$ 166,895		$ 140,993	

Allowance for Loan Losses

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when Management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by Management and is based upon Management's periodic review of the collectability of the loans. Factors considered in this review include historical loss experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

The allowance consists of allocated and general components. The allocated component relates to loans that are individually assessed for impairment based on probable or observed credit weaknesses. The general component covers all other loans and is based on historical loss experience adjusted for qualitative factors.

A loan is considered impaired when, based on current information and events, it is probable that CBT will be unable to collect the scheduled payments of principal or interest when due according to the terms of the loan agreement. Factors considered by Management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan by loan basis for commercial and construction loans by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral dependent.

Large groups of smaller balance homogeneous loans are collectively evaluated for impairment. Accordingly, the Bank does not separately identify individual consumer and residential loans for impairment. Total charged-off loans for the nine month period ending September 30, 2008 were $659,000. There were no charged off loans for the comparable period a year earlier. The balance of the allowance for loan losses was $2.6 million as of September 30, 2008 compared to $1.7 million as of December 31, 2007. The allowance for loan losses as a percent of total loans was 1.52% and 1.19%

respectively. All nonaccrual loans are considered impaired loans. The following is a summary of impaired loans and nonaccrual loans as of the dates indicated:

	September 30, 2008	December 31, 2007
Impaired loans without a valuation allowance	$ 2,248	$ 1,077
Impaired loans with a valuation allowance	1,760	1,263
Total impaired loans	$ 4,008	$ 2,340
Valuation allowance related to impaired loans	$ 428	$ 91
Total nonaccrual loans	$ 2,044	$ 599

Deposits

Deposits from our primary market have provided a relatively stable funding source for CBT's loan portfolio and other earning assets. In addition, CBT is a well-capitalized institution and can accept brokered deposits without limitation. CBT offers a full range of interest bearing and non-interest bearing accounts with a range of maturity date options. The sources of deposits are local businesses, including owners and employees of businesses, and consumers of the North-Central Connecticut market area. The table below sets forth the composition of CBT's deposits in dollar amounts and as a percentage of total deposits at the dates indicated.

	September 30, 2008		December 31, 2007	
(Dollars in thousands)	Balance	Percent of Total	Balance	Percent of Total
Demand deposits	$ 25,455	15.0 %	$ 26,115	19.0 %
NOW deposits	6,695	3.9	5,138	3.7
Money market deposits	32,046	18.9	23,307	16.9
Savings deposits	1,504	0.9	963	0.7
	$ 65,700	38.7 %	$ 55,523	40.3 %
Certificates of deposit less than $100,000	69,561	40.9	49,909	36.2
Certificates of deposit greater than $100,000	34,675	20.4	32,368	23.5
Total deposits	$ 169,936	100.0 %	$ 137,800	100.00 %

Total deposits increased by $32.1 million, or 23.3%, to $169.9 million at September 30, 2008 from $137.8 million at December 31, 2007. Money market deposits increased $8.7 million and certificates of deposit increased $19.7 million with more modest increases in savings and NOW deposits. Certificates of deposit less than $100,000 include $33.4 million and $20.0 million in brokered certificates of deposit for September 30, 2008 and December 31, 2007, respectively.

Contractual Obligations

CBT is required to pay certain obligations under various contracts. Listed in the table below are the obligations for payments in the time frame specified as of September 30, 2008.

(Dollars in Thousands)	Total	Less Than 1 year	1-3 Years	3-5 Years	More than 5 Years
			Payments Due by Period		
Long-term debt obligations	$ 30,450	$ -	$ 1,000	$ 5,000	$ 24,450
Lease obligations	3,215	547	907	750	1,011
Short-term borrowings	2,529	2,529	-	-	-
Due to broker	1,840	1,840	-	-	-
Total	$ 38,034	$ 4,916	$ 1,907	$ 5,750	$ 25,461

Comparison of Operating Results for the Three Months Ended September 30, 2008 and 2007

General

CBT reported a net loss of $1.5 million or $0.42 per diluted share for the three month period ended September 30, 2008 compared to $530,000 or $0.15 per diluted share for the same period in the prior year. Net interest income grew to $1.7 million for the three month period ending September 30, 2008 compared to $1.5 million in the prior year. Net interest income increased $256,000 as average interest earning assets rose $39.4 million. Interest income on earning assets rose $155,000 up to $3.1 million for the three month period ending September 30, 2008 compared to the same period a year earlier. Interest expense declined $101,000 to $1.3 million for the three month period ending September 30, 2008.

The provision for loan losses during the quarter was $1.3 million for the three month period ending September 30, 2008 compared to $111,000 for the comparable period a year earlier. The provisions were primarily the result of two charge offs on a commercial construction project that is experiencing an extended period to sell the completed properties and a fitness equipment establishment that closed their locations during the quarter. In addition, the provision was increased due to deterioration in a number of economic indicators in the local economy.

Net Interest Income

Net interest income is the difference between income on interest-earning assets and expense on interest-bearing liabilities.

The following table depicts the condensed averages of the major balance sheet categories that generate interest income or interest expense and the resulting asset yields or cost of funds for the three month periods ending September 30, 2008 and 2007. The difference between asset yields and the cost of funds equals the net interest spread. The difference between interest income and interest expense equals net interest income, which is divided into the average balance of interest earning assets to arrive at the net interest margin. The total dollar amount of interest income from assets and the subsequent yields are calculated on a taxable equivalent basis.

	Three Months Ended September 30,					
	2008			2007		
	(Dollars in Thousands)					
	Average Balance	Interest Income/ Expense	Average Yield Rate	Average Balance	Interest Income/ Expense	Average Yield Rate
Interest-earning assets:						
Loans	$ 164,468	$ 2,651	6.39%	$ 126,629	$ 2,423	7.59%
Investment securities	28,454	356	4.96%	20,376	254	4.95%
Federal funds sold/other	10,081	47	1.85%	16,637	222	5.29%
Total interest-earning assets	203,003	3,054	5.97%	163,642	2,899	7.03%
Allowance for loan losses	(1,971)			(1,602)		
Cash and due from banks	4,123			4,840		
Other assets	4,504			4,175		
Total assets	$ 209,659			$ 171,055		
Interest-bearing liabilities:						
Savings, NOW and money market deposits	$ 36,652	$ 208	2.25%	$ 32,135	$ 286	3.53%
Time deposits	95,463	831	3.45%	76,654	950	4.92%
Borrowed funds	32,410	281	3.44%	16,774	185	4.38%
Total interest-bearing liabilities	164,525	1,320	3.18%	125,563	1,421	4.49%
Demand deposits	25,082			23,985		
Total deposits and borrowed funds	189,607			149,548		
Other liabilities	944			895		
Stockholders' equity	19,108			20,612		
Total liabilities and stockholders' equity	$ 209,659			$ 171,055		
Net interest income		$ 1,734			$ 1,478	
Interest rate spread			2.79%			2.54%
Net interest margin			3.39%			3.58%
Ratio of interest-earning assets to interest-bearing liabilities			123.39%			130.33%

Rate/Volume Analysis

The following table presents the extent to which changes in interest rates and changes in the volume of interest-earning assets and interest-bearing liabilities have affected CBT's tax equivalent interest income and interest expense during the periods indicated. Information is provided in each category with respect to: (i) changes attributable to changes in volume (changes in volume multiplied by prior rate); (ii) changes attributable to changes in rate (changes in rate multiplied by prior volume); and (iii) the net change. The changes attributable to the combined impact of volume and rate have been allocated proportionately to the changes due to volume and the changes due to rate.

	Three Months Ended September 30, 2008 compared to 2007		
	Increase (Decrease) Due to		Net
	Volume	Rate	
	(In Thousands)		
Interest-earning assets:			
Loans	$ 649	$ (421)	$ 228
Investments securities	101	1	102
Federal funds sold/Other	(66)	(109)	(175)
Total interest earning assets	684	(529)	155
Interest-bearing liabilities:			
Savings, NOW and money market deposits	$ 36	$ (114)	$ (78)
Time deposits	202	(321)	(119)
Borrowed funds	143	(47)	96
Total interest-bearing liabilities	381	(482)	(101)
Increase(decrease) in net interest income	$ 303	$ (47)	$ 256

Total average interest earning assets increased $39.4 million to $203.0 million for the quarter ended September 30, 2008 compared to the same period in the preceding year. Average loan balances increased $37.8 million, or 29.9%, on new commercial loan originations and advances on existing lines of credit. Average investments increased $8.1 million as a result of restructuring the investment portfolio. The change in the investment portfolio was two-fold; government sponsored bonds were called in the first quarter of 2008, and mortgage-backed agency securities were purchased to improve the yield on the portfolio. Average Federal funds declined $6.6 million due to meeting the daily cash demands of our customers as well as supplying funds for growth in the loan portfolio. Average interest bearing liabilities rose $39.0 million primarily resulting from increased certificates of deposit and borrowings from the Federal Home Loan Bank of Boston. Demand deposit balances rose $1.1 million at September 30, 2008 and allows the Bank to lower its cost of funding.

The net interest margin narrowed 19 basis points to 3.39% for the three months ended September 30, 2008 from 3.58% in 2007. The Federal Open Market Committee acted seven times to lower the target Federal funds rate a total of 275 basis points, which also has a similar effect on the Bank's prime rate. The growth in the loan portfolio lessened the negative impact to the net interest margin. The growth in the balance sheet, particularly commercial loans, contributed $303,000 in net interest for the three month period ending September 30, 2008 compared to the prior year. However, the decline in rates reduced net interest income $47,000 for the period ending September 30, 2008 compared to the prior year.

Provision for Loan Losses

Provisions are added to the allowance for loan losses for loan growth as well as for Management's evaluation of risk including the qualitative factors affecting the composition of the loan portfolio. Qualitative factors affecting Management's analysis of the adequacy of the loan loss reserve include but are not limited to individual loans, industry trends and concentrations, and national and local economic conditions. Based upon Management's analysis of the qualitative and quantitative factors, CBT's provision for loan losses was $1.3 million for the three month period ending September 30, 2008, compared to $111,000 for the comparable period in the prior year. The provisions were primarily the result of two charge offs on a commercial construction project that is experiencing an extended period to sell the completed properties and a fitness equipment establishment that closed their locations during the quarter. In addition, the provision was increased due to deterioration in a number of economic indicators in the local economy.

Noninterest Income

Total noninterest income for the quarter ended September 30, 2008 was $146,000 compared to $109,000 in the preceding year. The primary sources of noninterest income were fee based services on deposit accounts and brokerage commissions. Fees and charges totaled $69,000 for the quarter ending September 30, 2008, compared to $44,000 for the comparable period a year earlier. Brokerage commissions, resulting from our affiliation with Raymond James Financial Services, totaled $77,000 in the three month period ended September 30, 2008 compared to $65,000 in the preceding year.

Noninterest Expenses

Noninterest expenses increased $45,000, or 2.2%, to $2.1 million for the quarter ending September 30, 2008. For the three month period ending September 30, 2008, expenses for occupancy and equipment rose $81,000 due to the addition of costs incurred by the Rocky Hill banking location in the three month period ending September 30, 2008, and increased costs for lease escalation clauses and utilities related to the operation of the branch network. Data processing costs rose $18,000 for the same period as the costs associated with processing our daily items has risen in both volume and price. Control and management of all other costs resulted in a decrease in all other noninterest expenses of $54,000.

Comparison of Operating Results for the Nine Months Ended September 30, 2008 and 2007

General

CBT reported a net loss of $2.2 million or $0.61 per share for the nine months ended September 30, 2008, compared to $1.8 million or $.50 per share for the same period last year. Net interest income rose $875,000 for the nine months ending September 30, 2008 compared to the same period in the prior year principally due to higher interest and fees on loans lessened by higher interest expense on deposits and borrowed funds. Noninterest income increased $176,000 and noninterest expenses increased $170,000 for the nine month period ending September 30, 2008 compared to same period in the prior year.

Provisions for loan losses were $1.5 million for the nine month period ending September 30, 2008 compared to $238,000 in same period a year earlier. The provisions were primarily the result of two charge offs on a commercial construction project that is experiencing an extended period to sell the completed properties and a fitness equipment establishment that closed their locations during the quarter. In addition, the provision was increased due to deterioration in a number of economic indicators in the local economy.

Net Interest Income

Net interest income is the difference between income on interest-earning assets and expense on interest-bearing liabilities.

The following table depicts the condensed averages of the major balance sheet categories that generate interest income or interest expense and the resulting asset yields or cost of funds for the nine month periods ending September 30, 2008 and 2007. The difference between asset yields and the cost of funds equals the net interest spread. The difference between interest income and interest expense equals net interest income, which is divided into the average balance of interest earning assets to arrive at the net interest margin. The total dollar amount of interest income from assets and the subsequent yields are calculated on a taxable equivalent basis.

	Nine Months Ended September 30,					
	2008			2007		
	(Dollars in Thousands)					
	Average Balance	**Interest Income/ Expense**	**Average Yield Rate**	**Average Balance**	**Interest Income/ Expense**	**Average Yield Rate**
Interest-earning assets:						
Loans	$ 156,702	$ 7,805	6.63%	$ 119,101	$ 6,708	7.53%
Investment securities	25,124	938	4.97%	20,571	749	4.87%
Federal funds sold/Other	9,977	210	2.80%	10,512	411	5.23%
Total interest-earning assets	191,803	8,953	6.21%	150,184	7,868	7.01%
Allowance for loan losses	(1,857)			(1,505)		
Cash and due from banks	3,906			3,961		
Other assets	4,619			3,921		
Total assets	$ 198,471			$ 156,561		
Interest-bearing liabilities:						
Savings, NOW and money market deposits	$ 35,761	$ 605	2.25%	$ 28,096	$ 683	3.25%
Time deposits	87,808	2,677	4.06%	71,341	2,642	4.95%
Borrowed funds	29,190	781	3.56%	15,873	528	4.45%
Total interest-bearing liabilities	152,759	4,063	3.54%	115,310	3,853	4.47%
Demand deposits	24,854			19,176		
Total deposits and borrowed funds	177,613			134,486		
Other liabilities	1,099			833		
Stockholders' equity	19,759			21,242		
Total liabilities and stockholders' equity	$ 198,471			$ 156,561		
Net interest income		$ 4,890			$ 4,015	
Interest rate spread			2.67%			2.54%
Net interest margin			3.40%			3.57%
Ratio of interest-earning assets to interest-bearing liabilities			125.56%			130.24%

Rate/Volume Analysis

The following table presents the extent to which changes in interest rates and changes in the volume of interest-earning assets and interest-bearing liabilities have affected CBT's tax equivalent interest income and interest expense during the periods indicated. Information is provided in each category with respect to: (i) changes attributable to changes in volume (changes in volume multiplied by prior rate); (ii) changes attributable to changes in rate (changes in rate multiplied by prior volume); and (iii) the net change. The changes attributable to the combined impact of volume and rate have been allocated proportionately to the changes due to volume and the changes due to rate.

	Nine Months Ended September 30, 2008 compared to 2007		
	Increase (Decrease) Due to		Net
	Volume	Rate	
	(In Thousands)		
Interest-earning assets:			
Loans	$ 1,963	$ (866)	$ 1,097
Investments securities	173	16	189
Federal funds sold/Other	(20)	(181)	(201)
Total interest earning assets	2,116	(1,031)	1,085
Interest-bearing liabilities:			
Savings, NOW and money market deposits	$ 161	$ (239)	$ (78)
Time deposits	556	(521)	35
Borrowed funds	375	(122)	253
Total interest-bearing liabilities	1,092	(882)	210
Increase (decrease) in net interest income	$ 1,024	$ (149)	$ 875

Net interest income increased $875,000 to $4.9 million for the nine months ended September 30, 2008 from $4.0 million in the same period last year. Average interest-earning assets increased by $41.7 million to $191.8 million at September 30, 2008 with 90% of the growth centered in commercial and commercial real estate loan balances. Average loans grew $37.6 million principally due to new loan originations and advances on new and existing lines of credit. Average investments were $4.6 million higher principally due to the expansion of investment portfolio, which also allows the Bank to utilize as collateral for borrowing arrangements. Average Federal funds and other interest earning assets were flat, but the yield earned on these balances dropped from 5.23% for the period ending September 30, 2007 to 2.80% for the comparable period this year. Average interest bearing liabilities increased by $37.4 million, or 32%, across all deposit and funding sources for the nine month period ending September 30, 2008.

The net interest margin declined 17 basis points to 3.40% for the nine months ended September 30, 2008 from 3.57% in 2007 primarily as a result of the actions taken by the Federal Open Market Committee to lower the target Federal funds rate. These actions resulted in a 80 basis point decrease in yield on average interest earning assets and a 93 basis point drop in the cost of interest bearing liabilities, respectively. Balance sheet growth improved net interest $1.0 million, while the reductions in interest rates reduced net interest $145,000.

Provision for Loan Losses

Provisions are added to the allowance for loan losses for loan growth as well as for Management's evaluation of risk including the qualitative factors affecting the composition of the loan portfolio. Qualitative factors affecting Management's analysis of the adequacy of the loan loss reserve include but are not limited to individual loans, industry trends and concentrations, and national and local economic conditions. Based upon Management's analysis of the qualitative and quantitative factors, CBT's provision for loan losses was $1.5 million for the nine month period ending September 30, 2008, compared to $238,000 for the comparable period in the prior year. The provisions were primarily the result of two charge offs on a commercial construction project that is experiencing an extended period to sell the completed properties and a fitness equipment establishment that closed their locations during the quarter. In addition, the provision was increased due to deterioration in a number of economic indicators in the local economy.

Noninterest Income

Total noninterest income for the nine month period ending September 30, 2008 was $450,000 compared to $274,000 in the preceding year. The primary sources of noninterest income were fee based services on deposit accounts and brokerage commissions. Fees and charges grew $45,000 for the nine month period ending September 30, 2008, and brokerage commissions grew $24,000 compared to the same period in the prior year.

Nonrecurring sales of available-for-sale securities resulted in a gain of $65,000 for the nine month period ending September 30, 2008. In the comparable period in the prior year, the Bank recorded net losses of $42,000 on the sales of available-for-sale securities.

Noninterest Expenses

Noninterest expenses increased $170,000, or 3%, to $6.0 million for the nine month period ended September 30, 2008 compared to $5.8 million for the same period in 2007. The additional branch locations of Windsor and Rocky Hill contributed $266,000 of increased costs chiefly related to rental payments and costs of operations for the branch. Costs for data processing and the core systems used by the front and back office rose $61,000 due to increases in both the price and volume of work processed. Marketing expenditures decreased $109,000, as a result of less promotional spending and more targeted advertising strategies. The total of all other noninterest expenses declined $147,000 due to tightened management control over goods and costs of operations.

Liquidity

Liquidity is measured by our ability to meet our current and future short-term financial obligations. Consistent with the requirements of prudent banking practices necessary to maintain liquidity, we seek to match maturities and rates of loans and the securities portfolio with those of deposits, although exact matching is not always possible. Our primary sources of liquidity are cash and cash equivalents and our securities portfolio. Our securities portfolio consists primarily of marketable securities of government-sponsored enterprises and mortgage-backed securities, generally with varied maturities. Additional liquidity is provided by a Federal funds line of credit, the authority to borrow from the FHLB, and the Discount Window of the Federal Reserve.

The primary investing activities of CBT are the origination of commercial loans and commercial mortgages. To a lesser extent, CBT invests in the origination of consumer loans, primarily home equity loans and lines of credit, and other types of loans, and investments in mortgage-backed and government-sponsored enterprise securities. To support the growth in lending and investment activities, CBT principally utilizes deposit inflows, and principal and interest payments on outstanding loans and investment securities. CBT experienced a $32.1 million increase in total deposits during the nine months ended September 30, 2008. Deposit flows are affected by the overall level of interest rates and products offered by CBT and its local competitors and other factors.

While maturities and scheduled amortization of loans and securities are predictable sources of funds, deposit outflows and mortgage prepayments are greatly influenced by market interest rates and general economic conditions. When CBT requires funds beyond its ability to generate them internally, additional sources of funds are available through FHLB advances and a $2.0 million Federal funds borrowing line of credit from Bankers' Bank Northeast. At September 30, 2008, CBT had $30.5 million of borrowings outstanding with the FHLB-Boston and had not drawn on the Federal funds line of credit.

CBT has unfunded commitments under existing lines of credit aggregating $40.5 million at September 30, 2008. These commitments relate primarily to commercial and commercial real estate loans, including construction lines of credit. In addition, CBT has commitments to originate loans totaling $7.7 million as of September 30, 2008. Management of CBT anticipates that it will have sufficient funds available to meet its current loan commitments. Management believes that, although it is not possible to predict future offering terms and conditions, a significant portion of its deposits will remain with CBT.

Management believes that CBT's short-term assets, combined with access to alternative funding sources such as the FHLB and other short-term borrowing lines, provide sufficient liquidity to cover potential fluctuations in deposit accounts and loan demand and to meet other anticipated operating cash and investment requirements.

Interest Rate Sensitivity Management

The principal market factor affecting CBT's financial condition is interest rate risk ("IRR"). Management undertakes to quantify, analyze, and control IRR to maintain a stable net interest income ("NII") under varying interest rate environments. The asset liability management process undertakes to maximize net interest income while operating within acceptable limits established by the Board of Directors for IRR and maintain adequate levels of liquidity.

CBT's net earnings are dependent on its net interest income. Net interest income is susceptible to IRR to the degree that interest-bearing liabilities mature or reprice on a different basis and timing than interest-earning assets. This timing difference represents a potential risk to CBT's future earnings. When interest-bearing liabilities mature or reprice more quickly than interest-earning assets in a given period, a significant increase in market rates of interest could adversely affect CBT's NII. Similarly, when interest-earning assets mature or reprice more quickly than interest-bearing liabilities, falling interest rates could result in a decrease in CBT's NII.

Management is guided by a Risk Management policy that is designed to produce a stable net interest margin ("NIM") in periods of interest rate fluctuation. By adjusting CBT's asset/liability position, Management attempts to manage CBT's IRR while enhancing the NIM. At times, depending on the general level of interest rates, the relationship between long-term and short-term interest rates, market conditions and competitive factors, Management may establish and implement strategies that could add to the level of IRR in order to increase its NIM. Notwithstanding CBT's IRR management activities, the potential for changing interest rates is an uncertainty that can have an adverse effect on net earnings.

Interest-sensitive assets and liabilities are those that are subject to maturity or repricing within a given time period. Management attempts to administer this sensitivity through the development and implementation of investment, lending, funding and pricing strategies designed to achieve NII performance goals while minimizing the potential negative variations in NII under different interest rate scenarios. Investment strategies, including portfolio durations and cash flows, are formulated and continually adjusted during the implementation to assure attainment of objectives in the most effective manner. Loan and deposit pricing are adjusted as needed to reflect current interest rate and competitive market environments, with duration targets on both loan pricing and deposit pricing reviewed monthly.

The table below presents an analysis of the CBT's IRR resulting from an instantaneous and sustained parallel shift in the yield curve of 100 and 200 basis points. The simulated results measure the change in net interest income over a twelve month period beginning September 30, 2008 and December 31, 2007. Current interest rate levels make it improbable for rates to decline in excess of 100 basis points; therefore, those scenarios are not presented.

Net Interest Income At-Risk

	-100 bp	+100 bp	+200 bp
Sep-08	-1.1%	-1.7%	-3.3%
Dec-07	-2.9%	2.2%	3.8%

The analysis indicates that CBT is more sensitive to changes in interest rates for the period ending September 30, 2008 compared to the period ending December 31, 2007. The sensitivity to changes in interest rates has shifted as long term assets are currently being funded with shorter term liabilities. It is management's intention to act to mitigate any effects of changes in net interest income with changes in interest rates by offsetting the risk with alternative funding strategies.

Off-Balance Sheet Arrangements

Information relating to Off-Balance Sheet Arrangements is presented in CBT's Annual Report on Form 10-KSB for the year ended December 31, 2007 (see Notes #4, #9, #10 and #17 to the Financial Statements). There have been no material changes in CBT's off-balance sheet arrangements since December 31, 2007. CBT's commitments to extend credit include unfunded loans as well as unused lines of credit. CBT has commitments to originate loans totaling $7.7 million at September 30, 2008 compared to $17.0 million at December 31, 2007. CBT also has unfunded commitments under existing lines of credit aggregating $40.5 million at June 30, 2008, and $41.9 million at December 31, 2007.

Regulatory Capital

Federal law defines specific capital categories for depository institutions. The capital categories, in declining order, are: (i) well capitalized; (ii) adequately capitalized; (iii) undercapitalized; (iv) significantly undercapitalized; and (v) critically undercapitalized. To be considered "adequately capitalized," an institution must generally have a leverage ratio of at least 4%, a Tier 1 capital to risk-weighted assets ratio of at least 4% and total Tier 1 and Tier 2 capital to risk-weighted assets ratio of at least 8%. To be considered "well capitalized," an institution must generally have a leverage ratio of at least 8%, a Tier 1 capital to risk-weighted assets ratio of at least 6% and total Tier 1 and Tier 2 capital to risk-weighted assets ratio of at least 10%. As of September 30, 2008, the most recent notification from the FDIC categorized CBT as "well capitalized." To be categorized as "well capitalized," CBT must maintain minimum total risk-based, Tier 1 risk-based and Tier 1 leverage ratios as set forth in the table below.

As indicated in the following table, the actual regulatory capital ratios of CBT at September 30, 2008 exceeded the minimum required ratios. There are no conditions that Management believes have changed CBT's category since its September 30, 2008 notification from regulators that it is "well capitalized." CBT's actual capital amounts and ratios as of September 30, 2008 and December 31, 2007 are presented in the table.

	Actual		Minimum Capital Requirement		Minimum To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(Dollars in Thousands)			
September 30, 2008						
Total capital (to risk weighted assets)	$ 20,912	11.52%	$ 14,528	8.00%	$ 18,160	10.00%
Tier 1 capital (to risk weighted assets)	18,642	10.27%	7,264	4.00%	10,896	6.00%
Tier 1 capital (to average assets)	18,642	8.86%	8,419	4.00%	10,524	5.00%
December 31, 2007						
Total capital (to risk weighted assets)	$ 22,347	14.78%	$ 12,097	8.00%	$ 15,121	10.00%
Tier 1 capital (to risk weighted assets)	20,654	13.66%	6,049	4.00%	9,073	6.00%
Tier 1 capital (to average assets)	20,654	11.85%	6,971	4.00%	8,714	5.00%

Item 3. Quantitative and Qualitative Disclosure About Market Risk

Not applicable

Item 4. Controls and Procedures

(a) Evaluation of disclosure controls and procedures

CBT's Management, including CBT's principal executive officer and principal financial officer, have evaluated the effectiveness of CBT's "disclosure controls and procedures," as such term is defined in Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Based upon their evaluation, the principal executive officer and principal financial officer concluded that, as of the end of the period covered by this report, CBT's disclosure controls and procedures were effective for the purpose of ensuring that the information required to be disclosed in the reports that CBT files or submits under the Exchange Act with the FRBB (1) is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and (2) is accumulated and communicated to CBT's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

As used herein, "disclosure controls and procedures" means controls and other procedures of CBT that are designed to ensure that information required to be disclosed by CBT in the reports that it files or submits pursuant to the Exchange Act is recorded, processed, summarized and reported, within the relevant time periods. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by CBT in the reports that it files or submits under the Exchange Act is accumulated and communicated to CBT's Management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decision regarding required disclosures.

(b) Changes in Internal Controls

There have been no significant changes in CBT's internal controls over financial reporting or in other factors identified in connection with the evaluation required by Rule 13a-15 that occurred during CBT's quarter ended September 30, 2008 that have materially affected, or are reasonably likely to materially affect, CBT's internal controls over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

CBT is not involved in any pending legal proceedings other than routine legal proceedings occurring in the ordinary course of business. Such routine legal proceedings, in the aggregate, are believed by Management to be immaterial to the financial condition and results of operations of CBT.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

Not applicable.

Item 4. Submission of Matters to a Vote of Security Holders.

Not applicable.

Item 5. Other Information.

Not applicable.

Item 6. Exhibits.

No.	Description
3(i)	Amended Certificate of Incorporation of The Connecticut Bank and Trust Company (incorporated by reference to Exhibit 3.1 to The Connecticut Bank and Trust Company's Registration Statement on Form 10-SB dated April 29, 2005)
3(ii)	Amended Bylaws of The Connecticut Bank and Trust Company (incorporated by reference to Exhibit 3.2 to The Connecticut Bank and Trust Company's Registration Statement on Form 10-SB dated April 29, 2005)
4.1	Form of Warrant of The Connecticut Bank and Trust Company (incorporated by reference to Exhibit 4.1 to The Connecticut Bank and Trust Company's Registration Statement on Form 10-SB dated April 29, 2005)
10.3	Endorsement contract dated January 11, 2008 with Geno Auriemma
11.1	Statement Re: Computation of Per Share Earnings (incorporated by reference to Part 1 of this Quarterly Statement on Form 10-Q – Earnings Per Share)
31.1	Rule 13a-14(a)/15d-14(a) Certification by Chairman and Chief Executive Officer
31.2	Rule 13a-14(a)/15d-14(a) Certification by Secretary and Chief Financial Officer
32.1	Section 1350 Certification by Chairman and Chief Executive Officer
32.2	Section 1350 Certification by Secretary and Chief Financial Officer

SIGNATURES

In accordance with the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

THE CONNECTICUT BANK AND TRUST COMPANY

Dated: November 11, 2008

By: /s/ David A. Lentini
David A. Lentini
Chairman of the Board, President and
Chief Executive Officer

Dated: November 11, 2008

By: /s/ Anson C. Hall
Anson C. Hall
Treasurer, Secretary and
Chief Financial Officer

EXHIBIT INDEX

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32.2	Section 1350 Certification by Secretary and Chief Financial Officer

EXHIBIT 31.1

CERTIFICATIONS PURSUANT TO RULE 13a-14(a)/15d-14(a)

CERTIFICATION

I, David A. Lentini, Chairman of the Board, President and Chief Executive Officer of The Connecticut Bank and Trust Company, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Connecticut Bank and Trust Company for the period ended September 30, 2008;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company is made known to us by others within the Company, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during our most recent fiscal quarter (the Company's fourth fiscal quarter in the case of an annual report) end that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting; and

5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: November 11, 2008

/s/ David A. Lentini
David A. Lentini
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, Anson C. Hall, Treasurer, Secretary and Chief Financial Officer of The Connecticut Bank and Trust Company, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Connecticut Bank and Trust Company for the period ended September 30, 2008;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company is made known to us by others within the Company, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during our most recent fiscal quarter (the Company’s fourth fiscal quarter in the case of an annual report) end that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting; and

5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company’s board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: November 11, 2008

/s/ Anson C. Hall
Anson C. Hall
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2004

In connection with the Quarterly Report of The Connecticut Bank and Trust Company ("CBT") on Form 10-QSB for the period ending September 30, 2008 as filed with the Federal Reserve Bank of Boston (the "Report"), I, David A. Lentini, Chief Executive Officer of CBT, certify, pursuant to 18 U.S.C.§ 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of CBT as of and for the period covered by the Report.

/s/ David A. Lentini
David A. Lentini
Chief Executive Officer
November 11, 2008

EXHIBIT 31.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2004

In connection with the Quarterly Report of The Connecticut Bank and Trust Company ("CBT") on Form 10-Q for the period ending September 30, 2008 as filed with the Federal Reserve Bank of Boston (the "Report"), I, Anson C. Hall, Chief Financial Officer of CBT, certify, pursuant to 18 U.S.C.§ 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of CBT as of and for the period covered by the Report.

/s/ Anson C. Hall
Anson C. Hall
Chief Financial Officer
November 11, 2008