



February 2, 2009

Dear Stockholder:

Even though an unprecedented deterioration of U.S. and world financial systems during 2008 resulted in disastrous operating results for many banks and financial institutions, we are pleased to report that Connecticut River Community Bank had its strongest annual operating performance ever, since opening for business in November of 2002.

Net income after tax was \$419,701, or \$0.28 per share for the year ended December 31, 2008 as compared to a net loss of \$7,254, or \$0.01 per share loss for the year ended December 31, 2007.

Net income before tax increased from \$3,145 for the year ended December 31, 2007 to \$634,185 for the year ended December 31, 2008.

### **Year to Year Comparison**

Outstanding loans increased from \$115.1 million at December 31, 2007 to \$133.1 million at December 31, 2008, an \$18 million and 16% year to year increase.

The recessionary economy and the softness of Connecticut's real estate market have negatively impacted most banks' loan portfolios. At Connecticut River Community Bank non-performing loans increased by \$802,697 over the past year to \$1,035,481 at December 31, 2008, representing 0.78% of total loans. As a result, the Bank increased its allowance for loan losses to a total of \$2,096,481 at December 31, 2008, representing 1.57% of total loans outstanding and 202% of non-performing loans.

Deposits increased from \$121.6 million at December 31, 2007 to \$133.9 million at December 31, 2008, a \$12.3 million and 10% year to year increase.

At December 31, 2008 the Bank's Tier I Capital Ratio was 7.79% and the Bank's Total Risk-based Capital Ratio was 11.28%, both of which make the Bank "well-capitalized" by bank regulatory standards.

The significant improvement in core operating earnings is attributed to the following:

- The net interest margin of the Bank increased from 2.92% for the year 2007 to 3.28% for the year 2008, as the decrease in the Bank's cost of funds was greater than the decrease in the yield on loans and investments.
- Net interest and dividend income increased from \$3,944,413 for the year 2007 to \$5,185,472 for the year 2008, a 31% increase due to growth and improved margin.
- Total noninterest income, exclusive of gains on calls of securities, increased from \$129,467 for the year 2007 to \$241,808 for the year 2008, an 87% increase, reflecting greater activity levels on transaction accounts.

- Total noninterest expense increased from \$3,585,735 for the year 2007 to \$4,155,404 for the year 2008, an increase of only 16%, despite increased staffing for operational and compliance support to accommodate growth, as well as carrying the operating expenses of the new West Hartford Office for most of the last two quarters of 2008.

As a result of the above, net income before tax increased from \$3,145 for the year ended December 31, 2007 to \$634,185 for the year ended December 31, 2008, and net income after tax increased from a net loss of \$7,254, or a \$0.01 per share loss for the year ended December 31, 2007 to a net profit of \$419,701, or \$0.28 per share for the year ended December 31, 2008.

### **Quarter to Quarter Results**

Net interest and dividend income increased from \$1,057,711 for the fourth quarter of 2007 to \$1,363,952 for the fourth quarter of 2008, a 29% increase.

Net income after tax was \$101,235, or \$0.07 per share for the quarter ended December 31, 2008 as compared to a net loss of \$62,068, or a \$0.04 per share loss for the quarter ended December 31, 2007.

Connecticut River Community Bank, like many other banks, applied for funds from the Treasury Department's "TARP" Capital Purchase Program. While approved for \$3.9 million in additional capital in early January, the Bank had already notified our regulators, after a thorough review of the terms of the TARP agreement, that we were withdrawing our application for the following reasons:

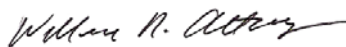
- We are currently considered well-capitalized and our strategic plan does not require additional capital at this time.
- The additional capital and related preferred stock dividends would significantly dilute earnings per share for our common stockholders.
- Provisions in the program, which allow the Treasury to unilaterally amend any provision of the agreement to comply with any changes in applicable federal statutes, create great uncertainty as to future requirements that could be imposed on participating banks.

A more detailed presentation of the Bank's results for the years ended December 31, 2008 and December 31, 2007, with accompanying key financial ratios and a graphic representation of financial results, will be included in the Annual Report, which will be forwarded to you in April, and will include the Independent Auditor's Report and Notice of Annual Meeting.

Sincerely,



John R. Harvey  
Chairman



William R. Attridge  
President and CEO

**CONNECTICUT RIVER COMMUNITY BANK**  
**BALANCE SHEETS (Unaudited)**

	<b>December 31,</b>	<b>September 30,</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>
<b><u>ASSETS</u></b>			
Cash and due from banks	\$ 1,761,951	\$ 3,263,553	\$ 2,693,436
Federal funds sold and interest-bearing deposits with other banks	1,044,202	800,484	5,664,727
Investments in available-for-sale securities (at fair value)	35,769,469	32,345,517	28,486,811
Investments in held-to-maturity securities	1,499,717	1,499,693	1,499,705
Federal Home Loan Bank stock, at cost	1,497,600	1,156,300	1,443,200
Loans	133,140,818	115,149,575	125,938,013
Allowance for loan losses	(2,096,481)	(1,527,873)	(1,857,572)
Loans, net	131,044,337	113,621,702	124,080,441
Premises and equipment, net	1,496,766	1,376,467	1,347,827
Accrued interest receivable	753,068	787,857	726,979
Other assets	856,238	1,157,311	892,716
<b>Total Assets</b>	<b><u>\$175,723,348</u></b>	<b><u>\$156,008,884</u></b>	<b><u>\$ 166,835,842</u></b>
<b><u>LIABILITIES AND STOCKHOLDERS' EQUITY</u></b>			
Deposits:			
Noninterest-bearing	\$ 14,036,282	\$ 12,910,757	\$ 12,694,578
Interest-bearing	119,896,533	108,709,702	114,264,672
Total deposits	133,932,815	121,620,459	126,959,250
Federal Home Loan Bank advances	26,881,361	20,504,824	25,412,986
Other liabilities	808,740	510,020	685,762
<b>Total liabilities</b>	<b><u>161,622,916</u></b>	<b><u>142,635,303</u></b>	<b><u>153,057,998</u></b>
Stockholders' equity:			
Common stock, \$.01 par value; authorized 2,500,000 shares; issued and outstanding 1,490,731 shares.	14,907	14,907	14,907
Paid-in capital	14,709,979	14,693,050	14,698,256
Accumulated deficit	(1,027,325)	(1,447,025)	(1,128,560)
Accumulated other comprehensive income	402,871	112,649	193,241
<b>Total stockholders' equity</b>	<b><u>14,100,432</u></b>	<b><u>13,373,581</u></b>	<b><u>13,777,844</u></b>
<b>Total Liabilities and Stockholders' Equity</b>	<b><u>\$175,723,348</u></b>	<b><u>\$156,008,884</u></b>	<b><u>\$ 166,835,842</u></b>

**CONNECTICUT RIVER COMMUNITY BANK**

**STATEMENTS OF INCOME (Unaudited)**

*December 31, 2008 and December 31, 2007*

	<i>Quarter Ended</i>		<i>Year Ended</i>	
	<u>Dec. 31, 2008</u>	<u>Dec. 31, 2007</u>	<u>Dec. 31, 2008</u>	<u>Dec. 31, 2007</u>
Interest and dividend income:				
Interest and fees on loans	\$ 2,216,148	\$ 2,078,007	\$ 8,591,031	\$ 7,529,079
Interest and dividends on securities and interest-bearing deposits	398,082	456,580	1,638,309	1,778,947
Total interest and dividend income	<u>2,614,230</u>	<u>2,534,587</u>	<u>10,229,340</u>	<u>9,308,026</u>
Interest expense:				
Interest on deposits and borrowings	1,250,278	1,476,876	5,043,868	5,363,613
Net interest and dividend income	<u>1,363,952</u>	<u>1,057,711</u>	<u>5,185,472</u>	<u>3,944,413</u>
Provision for loan losses	255,000	280,000	665,000	485,000
Net interest and dividend income after provision for loan losses	<u>1,108,952</u>	<u>777,711</u>	<u>4,520,472</u>	<u>3,459,413</u>
Noninterest income:				
Gain on call of securities	-	-	27,309	-
Residential mortgage referral fees	11,105	7,715	48,383	65,210
Service fees and charges	57,940	25,755	193,425	64,257
Total noninterest income	<u>69,045</u>	<u>33,470</u>	<u>269,117</u>	<u>129,467</u>
Noninterest expense:				
Salaries and employee benefits	603,801	497,035	2,364,705	1,953,688
Occupancy expense	103,865	90,399	398,719	353,565
Furniture and equipment expense	39,837	38,592	141,604	156,886
Data processing and outside service fees	86,488	57,424	270,121	286,379
Printing and supplies	29,449	20,028	99,260	70,545
Advertising and promotions	41,679	49,023	178,819	173,604
Professional fees	63,859	37,026	176,098	147,943
Insurance expense	8,560	6,012	35,050	27,398
Stockholder related costs	5,352	3,096	26,700	22,009
Other expense	133,646	111,174	464,328	393,718
Total noninterest expense	<u>1,116,536</u>	<u>909,809</u>	<u>4,155,404</u>	<u>3,585,735</u>
Net income (loss) before income tax expense	<u>88,770</u>	<u>(98,628)</u>	<u>634,185</u>	<u>3,145</u>
Income tax expense (benefit)	(12,465)	(36,560)	214,484	10,399
Net income (loss)	<u><b>\$ 101,235</b></u>	<u><b>\$ (62,068)</b></u>	<u><b>\$ 419,701</b></u>	<u><b>\$ (7,254)</b></u>
 Net income (loss) per common share (basic)	 <u><b>\$ 0.07</b></u>	 <u><b>\$ (0.04)</b></u>	 <u><b>\$ 0.28</b></u>	 <u><b>\$ (0.01)</b></u>

<b>KEY FINANCIAL RATIOS</b>	<i>Quarter Ended</i>		<i>Year Ended</i>	
	<u>Dec. 31, 2008</u>	<u>Dec. 31, 2007</u>	<u>Dec. 31, 2008</u>	<u>Dec. 31, 2007</u>
Net Interest Income	\$ 1,363,952	\$ 1,057,711	\$ 5,185,472	\$ 3,944,413
Net Income (Loss)	\$ 101,235	\$ (62,068)	\$ 419,701	\$ (7,254)
Net Income (Loss) Per Common Share (basic)	\$ 0.07	\$ (0.04)	\$ 0.28	\$ (0.01)
Weighted Average Number of Shares (basic)	1,490,731	1,465,515	1,490,731	1,379,385
Stockholders' Equity	\$ 14,100,432	\$ 13,373,581	\$ 14,100,432	\$ 13,373,581
Book Value Per Share	\$ 9.46	\$ 8.97	\$ 9.46	\$ 8.97
Tier 1 Capital Ratio	7.79%	8.57%	7.79%	8.57%
Net Interest Margin	3.29%	2.86%	3.28%	2.92%
Net Interest Spread	2.77%	2.35%	2.73%	2.34%
Efficiency Ratio	77.92%	83.38%	76.18%	88.02%
Return (Loss) On Average Assets (annualized)	0.24%	-0.16%	0.35%	-0.01%
Return (Loss) On Average Equity (annualized)	2.91%	-1.90%	4.08%	-0.06%
Non-Performing Loans	\$ 1,035,481	232,784	\$ 1,035,481	232,784