



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

April 8, 2005

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Connecticut Community Bank, N.A.
Charter Number 23664**

**1495 Post Road East
Westport, CT 06880**

**The Office of the Comptroller of the Currency
New York Metro Field Office
830 Morris Turnpike, 2nd Floor
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NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

Block Numbering Area (BNA): A statistical subdivision of a county for grouping and numbering blocks in non-metropolitan counties where local census statistical area committees have not established census tracts. A BNA does not cross county lines.

Census Tract (CT): A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community Development: Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

Community Reinvestment Act (CRA): the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

Full Review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A census tract or a block numbering area delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application (e.g., approved, denied, and withdrawn).

Home Mortgage Loans: such loans include home purchase and home improvement loans, as defined in the HMDA regulation. This definition also includes loans for multifamily (five or more families) dwellings, loans for the purchase of manufactured homes and refinancing of home improvement and home purchase loans.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited Review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Metropolitan Area (MA): Any primary metropolitan area (PMA), metropolitan area (MA), or consolidated metropolitan area (CMA), as defined by the Office of Management and Budget, with a population of 250,000 or more, and any other area designated as such by the appropriate federal financial supervisory agency.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Other Products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multi-state metropolitan area. For an institution with domestic

branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

Small Loan(s) to Business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by non-farm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by non-farm residential real estate as "small business loans" if the loans are reported on the TFR as non-mortgage, commercial loans.

Small Loan(s) to Farm(s): A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Tier One Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Upper-Income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent, in the case of a geography.

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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of Connecticut Community Bank, National Association, Westport, CT as prepared by The Office of the Comptroller of the Currency (OCC), the institution's supervisory agency. The agency rates the performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

The lending performance of Connecticut Community Bank, N.A. is satisfactory given its size, financial condition, and the credit needs of its assessment area. The primary factors supporting the bank's overall rating include:

- Residential mortgage lending products reflect a reasonable distribution of loans to low- and moderate-income borrowers given the limited volume of affordable homes in the bank's assessment area.
- The distribution of loans to small businesses reflects reasonable penetration.
- The average loan-to-deposit ratio is more than reasonable given the bank's capacity and the lending opportunities within the assessment area.
- A majority of the bank's loans, 76 percent by number and 64 percent by dollar amount, are within the designated assessment area.

DESCRIPTION OF INSTITUTION

Connecticut Community Bank, N.A. (CCB) is headquartered in Westport, Connecticut with total assets of \$252 million as of our evaluation period dated December 31, 2004. The bank operates seven offices in Fairfield County with its main office located at 1495 Post Road East in Westport. The branches are full service banking offices located in Darien, Fairfield, Greenwich(3), and Norwalk. The seven locations have automated teller machines (ATMs). All of the offices are located within the Bridgeport-Stamford-Norwalk, CT Metropolitan Statistical Area (MSA).

CCB offers a wide variety of credit and deposit products to meet consumer and commercial banking needs. The bank’s Internet website, www.westportnationalbank.com, provides detailed information on products and services for both consumers and businesses. Deposit product offerings are standard with the addition of debit cards, and on-line banking with bill payment options.

CCB primarily offers a variety of commercial and residential mortgage products, in addition to consumer and commercial loans. As of December 31, 2004, the bank had \$224 million in total loans and \$215 million in total deposits, representing 89 percent and 85 percent of total assets, respectively. See **Table 1** on the next page for detailed information on the composition of the bank’s loan portfolio.

Table 1 - Connecticut Community Bank, N.A. - Loan Portfolio Composition		
Loan Category	Amount (\$000s)	Percent of Total Loans
Residential Real Estate	\$61,101	28.62%
Commercial Real Estate	57,798	27.08%
Commercial	47,045	22.03%
Construction, Land Development, Other Land Loans	45,969	21.53%
Consumer	1,144	0.54%
Other Loans	399	0.19%
Total	\$213,456	100.00%

*Source: December 31, 2004 FFIEC Call Report Data

The bank was assigned a “Satisfactory” CRA rating at the previous examination dated December 6, 1999. CCB faces no impediments, legal or otherwise, that hinder its ability to help meet the credit needs of its assessment area.

DESCRIPTION OF ASSESSMENT AREA

CRA requires a financial institution to identify one or more assessment areas in which it intends to meet that area’s credit needs. CCB’s assessment area meets the technical and regulatory requirements as defined by the regulation.

CCB’s assessment area has changed since the preceding CRA examination in 1999 and currently includes the towns of Darien, Fairfield, Greenwich, Norwalk, and Westport. All of the communities that the bank serves are located within Fairfield County. The assessment area is also part of the Bridgeport-Stamford-Norwalk MSA. The geographies in the assessment area consist of thirty-eight upper-income, thirty-two middle-income, thirteen moderate-income, and six low-income census tracts. The income level of families that live in the eighty-nine census tracts are primarily upper-income and middle-income at 42.70 percent and 35.96 percent, respectively. Low-income families make up 6.74 percent and moderate-income families make up 14.61 percent of all families in the assessment area, based on 2000 Census data.

According to the 2000 Census, the population of the assessment area is 363,831 with 138,033

households. The 2000 weighted average median family income for the assessment area was \$102,584. The 2004 Housing and Urban Development Agency (HUD) updated family income level decreased to \$89,500. **Table 2** reflects the assessment area demographics based on 2000 Census results and updated 2004 HUD data.

Table 2 - Assessment Area Demographic & Economic Characteristics	
Population:	
Number of Families	94,139
Number of Households	138,033
Geographies:	
Number of Census Tracts	89
% Low-Income Census Tracts	6.74%
% Moderate-Income Census Tracts	14.61%
% Middle-Income Census Tracts	35.96%
% Upper-Income Census Tracts	42.70%
Weighted Average Median Family Income (MFI):	
2000 MFI of Census Tracts	\$102,584
2004 HUD-Adjusted MSA/Non-MSA MFI	\$89,500
Economic Indicators:	
Unemployment Rate – Fairfield County, CT	4.1%
2003 Median Housing Value – Fairfield County	\$406,071
2003 Statewide Median Housing Value	\$226,202
% Of Households Below Poverty Level	6%

There are approximately 143,467 housing units within the bank’s assessment area, of which 65 percent are owner occupied, 31 percent are rented, and approximately 4 percent are vacant. The housing units are primarily 1-4 family units (79 percent). The remaining units are multifamily (21 percent) and less than 1 percent are mobile home/trailers.

The median housing value in the assessment area is \$406,071, higher than the statewide median value of \$226,202. The median gross rent is \$1,059 per month, also higher than the statewide median of \$766. The median age of the housing stock in the assessment area is 32 years. The housing affordability ratio in the assessment area, calculated by dividing median family income by median housing value, was 22.04 percent, indicating greater challenges for low- and moderate-income borrowers to purchase a home.

The 2004 unemployment rate for the MSA is consistent with the statewide unemployment rate. Service producing industries are the dominant employers and include all services oriented businesses, retail, finance, insurance, real estate, and government employers. The majority of the businesses are small with revenues of less than \$1 million and typically do not hire a large volume of employees.

During this evaluation, we contacted a local community development organization to assist in gauging the credit needs of the communities served by the bank. The contact was a community development/non-profit organization. The organization confirmed the area lacks a sufficient volume of affordable housing for low- and moderate-income residents. Affordable housing is

one of the assessment area's greatest needs given the substantial increase in housing prices over the past few years. The community contact stated area banks are active in the community and had no specific complaints regarding lending efforts.

Several other institutions operate within the assessment area and compete with CCB for loans and deposits. Local competition in the assessment area is strong and includes a variety of financial institutions, including large regional banks. Similarly situated institutions include First County Bank, Patriot National Bank, and Cornerstone Bank. The bank has 0.93 percent of the market share of deposits in Fairfield County, based on Federal Deposit Insurance Corporation (FDIC) deposit market share reports as of June 30, 2004.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

The bank's lending performance meets the standards for a satisfactory rating. The lending performance is based on five performance criteria that are described in this section. Lending since the previous CRA performance evaluation has increased and is concentrated in both residential and commercial mortgages. Commercial lending is also predominant in loan originations. We focused our lending sample on commercial loans and home equity loans as they represent the two primary loan products of the bank.

The home equity sample included a random selection of loans originated from January 1, 2004 through December 31, 2004. Our sample was derived from obtaining loan files from the bank and obtaining the data contained within. The commercial loan sample included forty-three randomly selected loans from the twelve-month period ending December 31, 2004. The loan samples were used to determine the volume of lending in the assessment area. The loans identified in the assessment area were further evaluated for income and revenue distribution. We compared the income/revenue levels of borrowers who received loans with the income-level and business revenue-level demographics of the assessment area.

Loan-to-Deposit Ratio

CCB's loan-to-deposit (LTD) ratio is considered more than reasonable given the bank's assessment area demographics and available lending opportunities. The average LTD ratio was calculated using quarterly Call Report data filed with the FDIC since the previous examination. The LTD ratio averaged 98.41 percent for the period (20 quarters) beginning January 1, 2000 to December 31, 2004.

The bank's LTD ratio predominantly trended upward from 77.50 percent at January 1, 2000 to 92.33 percent over a twelve-month period. The upward trend continued and at year end 2003 reached 105.65 percent. The ratio has remained high and at December 31, 2004, the LTD ratio was 116.83 percent.

We compared CCB's LTD ratio with a peer group of banks located in Connecticut that were between \$50 million and \$300 million in total assets. Our analysis revealed the bank was almost 20 basis points above its peer group ratio of 97 percent as of December 31, 2004. The LTD ratio for banks in this peer group ranged from a low of 87 percent to a high of 99 percent, positioning

CCB consistently above peer.

Lending in Assessment Area

A majority of the bank’s loans were made to borrowers within the banks assessment area. We reviewed the distribution of loan originations for CCB’s primary categories of loans for the time period beginning January 1, 2004 to December 31, 2004.

The loan products sampled and the results of our analysis are detailed in **Table 3** below. Our sample of 103 loans represented 54.50 percent of the number of loans originated for the product types sampled. Based on our sample, we concluded that 76 percent by number and 64 percent by dollar volume of loans were within the bank’s assessment area.

Table 3 - Lending in Assessment Area								
LOAN TYPE	INSIDE ASSESSMENT AREA				OUTSIDE ASSESSMENT AREA			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Commercial Loans	34	79.06%	\$8,636	56.13%	9	20.93%	\$6,751	43.87%
Home Equity	44	73.33%	\$8,132	74.60%	16	26.67%	\$2,769	25.40%
Total Reviewed	78	75.73%	\$16,768	63.79%	25	24.27%	\$9,520	36.21%

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

The bank’s lending to low- and moderate-income individuals is satisfactory overall. Our analysis was based on the same time period and limited to the 78 loans that were located in the bank’s assessment area as described in **Table 3**. All home equity loan products (44) are broken out by income level in **Table 4** below. The commercial loan sample (34) is broken out by revenues less than and more than \$1 million in **Table 5** below.

Table 4 – Borrower Distribution of Home Equity Loans in Assessment Area								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% Of AA Families	6.74%		14.61%		35.96%		42.70%	
	% Of Number	% Of Amt.	% Of Number	% Of Amt.	% Of Number	% Of Amt.	% Of Number	% Of Amt.
Home Equity Loans	4.55%	3.07%	6.82%	8.12%	13.64%	11.56%	75.00%	77.25%

Table 4 reflects the bank’s lending to low-income families is significantly less than the distribution of families with low-income in the bank’s assessment area. There is a limited volume of low-income housing stock making it difficult for this income group to afford or qualify for available homes. Lending to moderate-income families is equally as disproportionate as the assessment area consists of a majority of middle and upper income families.

As noted in the section, “Description of CCB Assessment Area,” the opportunities to lend to low and moderate-income families is limited. However, of the number of loans originated in the bank’s assessment area, CCB is consistently outperforming peer with a strong loan to deposit ratio.

Table 5 – Borrower Distribution of Loans to Businesses		
Business Revenues	≤\$1,000,000	>\$1,000,000
% Of AA Businesses	64.98%	8.01%
% Of Bank Loans in AA by #	44.12%	55.88%
% Of Bank Loans in AA by \$	31.50%	68.50%

Source, Loan sample; 2004 Business Geodemographic Data; *27.01% of AA businesses did not report revenue data.

Table 5 reflects reasonable penetration of CCB’s lending activity to small businesses. Small businesses are defined as those with gross annual revenues of one million dollars or less. The competition for commercial loans in the area is heavy from the numerous community and large financial institutions. Further analysis found that 9 loans or 26.47 percent of the commercial loans in the AA sampled were made to businesses with revenues of less than \$500 thousand.

Geographic Distribution of Loans

CCB’s geographic distribution of home equity loans reflects a reasonable dispersion throughout the assessment area. Lending to low- and –moderate income tracts is proportionate given the percentage of population of owner occupied housing. CCB exceeded the level of owner occupied housing in the low income census tract and not surprisingly in the upper income tract. As indicated in **Table 6**, within the assessment area demographic data indicated that 2.10 percent of owner occupied housing is in low-income census tracts and 10.40 percent of the owner occupied housing is within moderate-income census tracts. The bank originated 4.55 percent and 6.82 percent of their home equity loans in low and moderate-income census tracts, respectively.

Table 6 - Geographic Distribution of Residential Real Estate Loans								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of # of Loans	% of AA Owner Occupied Housing	% of # of Loans	% of AA Owner Occupied Housing	% of # of Loans	% of AA Owner Occupied Housing	% of # of Loans
Home Equity	2.10%	4.55%	10.40%	6.82%	37.16%	13.64%	50.34%	75.00%

Source: 2000 U.S. Census data.

Responses to Complaints

Neither the bank nor the OCC received CRA related complaints on CCB since the prior examination of December 6, 1999.

Fair Lending Review

We found no evidence of illegal discrimination or other illegal credit practices.