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PUBLIC DISCLOSURE

December 6, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Westport National Bank
Charter Number 23664
1495 Post Road East
Westport, Connecticut 06881-0309

Office of the Comptroller of the Currency
New York Metro Field Office
830 Morris Turnpike, 2nd Floor
Short Hills, New Jersey 07078

NOTE: 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

The following terms and abbreviations are used throughout this Performance Evaluation. 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 by another company. A company is under common control with another company if both companies are directly or indirectly controlled by the same company. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Census Tract (CT) - Small, locally defined statistical areas within metropolitan statistical areas. These areas are determined by the United States Census Bureau in an attempt to group homogenous populations. A CT has defined boundaries per ten year census and an average population of 4,000.

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 statistical area to file annual summary reports of their mortgage lending activity.

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

LMI - Low and moderate income.

Low-Income - Income levels that are less than 50% of the median family income.

Median Family Income (MFI) - The median income determined by the United States 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 Statistical Area (MSA) - Area defined by the Director of the United States Office of Management and Budget. MSAs consist of one or more counties, including large population centers and nearby communities that have a high degree of interaction.

Middle-Income - Income levels that are at least 80% and less than 120% of the MFI.

Moderate-Income - Income levels that are at least 50% and less than 80% of the MFI.

Small Business or Small Farm - A business or farm with annual revenues of \$1 million or less .

Small Business Loans - Loans with original amounts of \$1 million or less that are: (1) secured by nonfarm nonresidential properties; or (2) commercial and industrial loans to U.S. addresses.

Upper-Income - Income levels that are 120% or more of the MFI.

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 operation 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 **Westport National Bank** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **December 6, 1999**. The agency rates the CRA 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.**" Primary factors supporting the bank's overall rating include:

- ◆ The average of the bank's quarterly loan-to-deposit ratio is reasonable based upon the bank's recent opening and increasing quarterly ratio,
- ◆ The majority of loans originated are within the bank's assessment area, and
- ◆ The distribution of loans to various borrowers, given the demographics of the Assessment Area (AA), indicates a reasonable penetration among individuals of different income levels and businesses of different sizes.

DESCRIPTION OF INSTITUTION

Westport National Bank (WNB) is a single office, full service retail intrastate bank. WNB commenced banking operations in December of 1998. This is the initial review of WNB under this regulation. WNB currently does not have any affiliates or subsidiaries, nor is it part of any holding company.

As of September 30, 1999, total bank assets were \$35 million, including investments of \$8 million and loans of \$15 million. The loan portfolio consists of the following: real estate related loans \$7 million (47%), commercial loans \$7 million (47%), and retail loans of \$1 million (6%). Total deposits were \$29 million. There are no impediments, legal or otherwise, that would hinder the bank's ability to help meet the credit needs of its AA.

The lending portfolio is primarily comprised of small business and home equity loans. The latter are not reported for Home Mortgage Disclosure Act (HMDA) purposes. These loans will be used to analyze the bank's lending activities.

The single office is located along a main commuter road lined with retail and commercial establishments. The office provides off-street parking and offers electronic services through its one ATM, telephone banking, and drive-in banking. In addition, internet banking capabilities are being developed.

WNB competes with large, more established, banking institutions in a very competitive market. There are 13 financial institutions with 64 branches operating within the assessment area (AA). These offices combined have over \$3 billion in deposits. In the immediate surrounding area, there are another 91 branches vying for deposit and loan business. It should be noted that several of the competitors are headquartered outside of Connecticut.

DESCRIPTION OF BANK'S ASSESSMENT AREA

WNB's single AA consists of 22 census tracts all located within Fairfield County, Connecticut and encompasses the towns of Westport and Fairfield. The AA is part of the Bridgeport, Connecticut and Norwalk-Stamford, Connecticut Metropolitan Statistical Areas (MSA). The geographies comprising the AA are contiguous and meet regulatory requirements.

The income designations for the AA geographies indicate no low- or moderate-income areas, 36% middle-income and 64% upper-income. Ninety-five percent of the housing units in the AA are one- to four-family units and 5% are multifamily units. Total occupied housing units is 95%, with owner-occupied homes at 77% and occupied rental units at 18%. Vacant housing is low at 4%. The median housing price in the AA is \$323 thousand. The high cost of housing makes home ownership difficult for low- and moderate-income (LMI) households. Fairfield County is among the most affluent areas in the United States based upon per capita income.

The population of the combined AA is 78 thousand. Demographic data indicates that 80% of families are middle- and upper-income. The 1998 Housing and Urban Development (HUD) Updated Median Family Income for the AA is \$54 thousand.

According to 1999 business demographics, there are 6,207 businesses in the AA reporting income. Farm businesses represent a very small portion (2%) of the above population. Small businesses represent 89% of the 5,297 businesses reporting revenues in the AA.

COMMUNITY CONTACTS

We made one community contact with a group involved with affordable housing. It was stated that there is a need for affordable single family housing despite the area being very affluent. It was further noted, however, that the cost of housing is high and that this is a barrier to organizations obtaining property for rehabilitation and/or resale. It was stated that there is a need for all financial institutions to provide funds to organizations either in the form of loans or donations so that properties may be purchased for rehabilitation.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan to Deposit Analysis

As stated, WNB commenced operations in December of 1998. The average quarterly loan-to-deposit ratio (LTD) was calculated using three quarters of 1999 only. The fourth quarter of 1998 data only reflected deposits and investments, no loans were generated until the first quarter of 1999. The calculated LTD for the first three quarters of 1999 is 22% compared to a peer average of 75%. This ratio is considered reasonable when considering that the peer group is comprised primarily of older established banks, that WNB's performance versus the peer average is not indicative of WNB's lending activities, and the bank's recent opening. The quarterly LTD has steadily increased during 1999 from 7% in the first quarter to 52% as of September 30, 1999.

Lending in Assessment Area

Using management prepared internal reports, it was ascertained that a majority of WNB's loans are within the AA. Since its inception, WNB has originated 22 home equity and 86 small business loans. Respectively, these totaled \$1.9 million and \$16.9 million. Of these totals, 58% of the number and 47% of the dollar amount were within the AA. The ratios in the following table show that a substantial majority of home equity loans was within the AA, while only a majority of small business loans was within the AA. However, an overall majority of the number of bank loans was originated within the AA.

Loan Originations - January 1, 1999 to September 30, 1999 (\$000)

	Total	#/\$ Originated in AA	% of #/\$ Originated in AA
Home Equity Loans	22/ \$1,951	19/ \$1,691	86/87
Small Business Loans	86/ \$16,827	44/ \$7,118	51/42
Totals	108/ \$18,778	63/ \$8,809	58/47

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

An analysis of the distribution of loans to various borrowers, given the demographics of the AA, indicates a reasonable penetration among individuals of different income levels and businesses of different sizes.

WNB had a good distribution of home equity loans to LMI borrowers compared to the household income distribution. The bank made 14% of its loans to moderate-income borrowers compared to a 12% distribution of moderate-income households. The bank's loan distribution to low-income households was adequate with a 5% distribution of loans to low-income borrowers compared to a 10% distribution of low-income households.

WNB also lends to businesses of various sizes. Based upon small business originations, 50% were to small businesses (businesses with gross annual revenues of less than or equal to \$1 million).

Additionally, 58% were for \$100 thousand or less, 16% were between \$100 thousand and \$250 thousand, and 26% of the loans were originated in an amount greater than \$250 thousand.

Geographic Distribution of Loans

An analysis of the geographic distribution of loans is not meaningful, as there are no LMI geographies within the AA.

Response to Complaints

No complaints were received relating to this bank's performance under CRA.

Record of Compliance with Antidiscrimination Laws

No violations of the substantive provisions of the antidiscrimination laws and regulations were identified. Our fair lending review was limited to a test for technical compliance with applicable regulations. This was because WNB did not have any HMDA-reportable loans and the small amount of consumer loan denials, which would preclude any meaningful analysis.