



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

June 11, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Connecticut Community Bank, National Association
Charter Number 23664

1495 Post Road East
Westport, CT 06881-0309

Office of the Comptroller of the Currency
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New York, NY 10017-2613

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.

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Satisfactory.

The major factors supporting the institution's rating are:

- Connecticut Community Bank's (CCB) loan-to-deposit ratio for the evaluation period is more than reasonable given its size, financial condition, and the credit needs in the assessment areas (AA);
- CCB originated the majority of its loans within its AA;
- Loans originated during the evaluation period reflect a reasonable level of dispersion among different geographies and to borrowers of different income levels; and
- CCB's level of community development (CD) activities demonstrates adequate responsiveness to the community development needs and opportunities of its AA.

Scope of Examination

CCB was examined under the Intermediate Small Bank Examination Procedures which include a lending test and a CD test. The lending test evaluates the bank's record of meeting the credit needs of its AA through its lending activities. The CD test assesses the bank's responsiveness to CD needs in its AA through CD lending, qualified investments, and CD services. The assessment period for CCB's CD activities was January 1, 2009 to December 31, 2011.

CCB's primary lending products consist of commercial loans and consumer loans (residential, home equity loans, auto loans, and consumer loans). The lending test covers the bank's performance from January 1, 2009 to December 31, 2011. To assess CCB's performance under the lending test, we relied on the bank's reported Home Mortgage Disclosure Act (HMDA) data for residential loans and submitted data for small business loans. Both HMDA and the small business information were found to be reliable during a data integrity review performed in February 2012.

CCB's performance under the Community Reinvestment Act was last evaluated in April 2008, based on standards applicable to Intermediate Small Bank. The Bank's overall level of performance was rated satisfactory.

Description of Institution

CCB is a \$402.9 million intrastate bank headquartered in Westport, CT. CCB is 100 percent owned by Associated Community Bancorp, Inc.

CCB is primarily a commercial bank with nine full-service branches within the bank's AA. CCB operates its branches as divisions doing-business-as Darien Bank & Trust, The Greenwich Bank & Trust Company, Norwalk Bank & Trust, Stamford Bank & Trust, and Westport National Bank.

CCB offers a variety of credit and deposit products to meet both commercial and consumer banking needs. CCB's products and service portfolio ranges from personal and commercial checking to money market savings, online banking, and remote deposit capture. The Bank's business strategy focuses primarily on commercial real estate (CRE) and to a lesser extent on residential real estate and commercial and industrial loans. As of December 31, 2011, the Bank reported net loans and leases of \$291.2 million which represented 80.06 percent of total deposits and 72.28 percent of total assets.

The Bank's loan portfolio mix as of December 31, 2011 was comprised of non-farm non-residential loans (43.30 percent), 1-4 family residential loans (23.46 percent), commercial and industrial loans (18.79 percent), construction and development loans (12.58 percent), multi-family housing loans (1.24 percent), and consumer and other loans (0.63 percent).

The banking industry within CCB's AA is highly competitive. In 2012, the AA contained 32 FDIC insured financial institutions with at least \$20 million in deposits. Competing institutions range from large national banks to smaller regional banks. CCB currently controls 1.2 percent of insured deposits located within the Bridgeport-Stamford-Norwalk Metropolitan Statistical Area (MSA). Conversely, People's United Bank, Wells Fargo, Bank of America, JPMorgan Chase, and Citibank together control 64 percent of insured deposits. Despite the competitive environment and current market conditions, the Bank has the capacity to help meet the credit needs in its AA. Furthermore, CCB does not face any significant legal, financial, or other factors which may impact their ability to help meet the credit needs of its community.

Description of Assessment Area(S)

CCB's AA is located within Fairfield County, Connecticut and includes the towns of Darien, Fairfield, Greenwich, Norwalk, Stamford, Westport, and new additions New Canaan and Wilton. According to the 2000 Census, the AA had a population of 365,548. All towns are contiguous and share a natural water boundary with the Long Island Sound. The Bank has a total of nine branches and all are located in the Bank's AA.

Fairfield County is one of the wealthiest counties in the country due to the average incomes of Darien, Greenwich, Fairfield, New Canaan, Westport, and Wilton. The cities of Stamford and Norwalk are more densely populated and contain 13 of the AA's 14 low to moderate census tracts. According to information from the US Department of

Housing and Urban Development (HUD), the adjusted median family income for the AA was \$105,3001 in 2011. The geographical income distribution of the AA includes 90 census tracts: 5 low-income, 9 moderate-income, 30 middle-income, and 46 upper-income census tracts. Within the AA, 31 percent of families are characterized as low-to-moderate income (LMI) and 70 percent of these families reside in the 14 LMI census tracts.

Job growth in the Bridgeport-Stamford-Norwalk MSA declined each year from 2007 to 2011 and began to recover in 2011 led by the Healthcare and Education industries. At the same time, the region's largest income generator, Financial Services, has continued to modestly contract and remains susceptible to further economic downturn.

Lack of affordable housing for LMI individuals represents an additional problem in the Bank's AA. According to the 2000 Census, the Bank's AA had a median housing value of \$427,832 while the top of the range for low and moderate family income was \$51,597 and \$83,187 respectively.

In assessing the Bank's performance, we conducted an interview with a representative of a local community development organization that focuses on housing development. The organization partners with financial institutions to provide 1-4 family mortgages to first time home buyers; second lien loan participations to fund the initial down-payment; credit counseling; foreclosure intervention; and funding for multi-family housing development. The contact confirmed that the area lacks sufficient amounts of affordable housing for LMI residents and that the issue remains one of the community's greatest needs. The area is also impacted by disinvestment in troubled multi-family housing. Further, the community development organization stated that one of their primary needs is to have more banks participating in the lending programs.

Conclusions with Respect to Performance Tests

LENDING TEST

CCB's performance under the lending test is satisfactory. The loan-to-deposit ratio is more than reasonable. A majority of loans and other lending related activities are made within the Bank's AA. The geographic distribution of loans to different geographies and borrowers with different income levels reflects reasonable penetration.

Loan-to-Deposit Ratio

CCB's average loan-to-deposit (LTD) ratio is more than reasonable given the Bank's size, financial condition, and AA credit needs. The average LTD ratio was calculated using the quarterly net loans and leases to deposits ratio reported in the Call Report during the period of January 1, 2009 to December 31, 2011. The bank's net LTD ratio

1 2011 HUD updated MFI

averaged 88 percent over the CRA testing period and had a range between a quarterly low of 78 percent and a quarterly high of 100 percent.

The bank's net LTD ratio is more than reasonable when compared to other financial institutions of similar size, location, and product offerings. The average net LTD ratio from four similarly situated banks (all based in Connecticut with total assets ranging from \$100 million to \$700 million) averaged 67 percent over the same time-period.

Lending in Assessment Area

CCB meets the standard for satisfactory performance for lending within its AA. A majority of CCB's home mortgage and business loans were made within the Bank's AA. Specifically, CCB originated 69 percent of home mortgage and business loans within its AA.

The following table details CCB's lending within the AA by the number of loans and by loan amounts during the evaluation period.

Lending in Darien, Fairfield, Greenwich, Norwalk, Stamford, Westport, New Canaan and Wilton AA.										
(dollar amount in thousands)										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Mortgage Products	55	53%	48	47%	103	\$24,650	65%	\$13,524	35%	\$38,174
Business Loans	446	71%	178	29%	624	\$86,634	68%	\$40,099	32%	\$126,733
Totals	501	69%	226	31%	727	\$111,284	67%	\$53,623	33%	\$164,907

Source: Home Mortgage and Business Loan data obtained from HMDA reporting and Bank submitted data

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

The distribution of loans to businesses of different sizes and borrowers of different incomes reflects reasonable penetration compared to the local demographic data and the Bank's lending capacity.

Residential Loans

The distribution of loans to borrowers of different incomes reflects reasonable penetration among borrowers of different incomes given the demographics of the area and the bank's performance context. The bank originated 3.6 percent of home loan originations to low-income borrowers and 18.2 percent to moderate-income borrowers

in the AA versus the demographic comparator of 16.57 percent of low-income borrowers and 14.26 percent of moderate-income borrowers residing in the AA. The primary drivers behind the penetration variance for low-income borrowers is the high cost of housing in lower Fairfield County, the AA's competitive banking environment, and sluggish economic performance within the region.

The following table details CCB's lending to borrowers of different incomes compared to demographic data.

Borrower Distribution of Residential Real Estate Loans in AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	16.57%	0%	14.26%	21.43%	16.49%	35.71%	52.67%	42.86%
Home Refinance	16.57%	2.86%	14.26%	20.00%	16.49%	22.86%	52.67%	54.29%
Home Improvement	16.57%	100%	14.26%	0%	16.49%	0%	52.67%	0%

Source: 2000 U.S. Census Data and Bank Submitted HMDA Data

Small Business Loans

The distribution of loans to businesses reflects poor penetration among businesses of different sizes. CCB originated 49 percent of business loans within the AA to businesses with \$1 million or less in annual revenue compared to demographic data that shows approximately 68 percent of businesses in the AA with similar revenue amounts. In terms of total dollars, CCB originated 38 percent of loans to businesses with \$1 million or less in annual revenue.

The penetration variances can be partially attributed to the sluggish local economic environment which has led to weakened earnings performance among small businesses and has created a decrease in loan demand. In some cases, borrowers substituted commercial loans for more obtainable home equity loans.

The following table details CCB's business lending results compared to demographic data.

Borrower Distribution of Loans to Businesses in AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	68%	32%	-	100%
% of Bank Loans in AA by #	49%	51%	-	100%
% of Bank Loans in AA by \$	38%	62%	-	100%

Source: 2000 U.S. Census Data and Bank Submitted Loan Data

Geographic Distribution of Loans

CCB's record of originating residential mortgages and small business loans among the AA geographies of different income levels reflects a reasonable level of dispersion throughout the AA.

Residential Loans

The geographic distribution of real estate loans reflects reasonable dispersion throughout the AA. The AA demographic information derived from the 2000 Census Data states that the AA has 97,120 owner occupied housing units. Of that number, only 1.86 percent and 6.44 percent of owner occupied housing units are located in low and moderate income census tracts, respectively. Conversely, middle and upper income census tracts account for 91.71 percent of all owner occupied housing units. Each of the LMI census tracts are in Norwalk (9), Stamford (4), and Greenwich (1).

The following table highlights the distribution of residential real estate loans originated by CCB in its AA among geographies of different income levels.

Table 3 – Geographic Distribution of Residential Real Estate Loans								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Owner Occupied Housing	% of Number of Loans						
Home Purchase	1.86%	0%	6.44%	7.14%	33.03%	28.57%	58.68%	64.29%
Home Mortgage Refinance	1.86%	0%	6.44%	2.56%	33.03%	38.46%	58.68%	58.97%
Home Improvement	1.86%	0%	6.44%	0%	33.03%	0%	58.68%	100%

Source: 2000 US Census and Bank Submitted HMDA Data

Over the evaluation period, CCB originated zero residential real estate loans within its low-income census tracts and two residential real estate loans (one home purchase and one home refinance) within its moderate-income census tracts. This level of distribution is reasonable given that the AA's low-income census tracts make up less than two percent of owner occupied housing. Within the moderate-income census tracts, CCB's origination of two residential real estate loans represented 3.6 percent of the number of residential real estate loans made. This percentage is near the proportion of owner-occupied housing units located within the AA.

Small Business Loans

The bank's geographic distribution of business loans reflects reasonable dispersion throughout the census tracts of different income levels. The percentage of loans made in low-income census tracts exceeds the percentage of businesses located within these census tracts. Businesses in the low-income census tracts account for approximately 5 percent of all businesses located in the AA while the level of CCB's lending within these census tracts represents 10.99 percent of its small business portfolio. The Bank originated 7.85 percent of loans in moderate-income census tract while businesses in these tracts represent 11.56 percent of all businesses located within the AA. This level of penetration is reasonable given the Bank's small business lending distribution to low-income geographies.

The following table details the CCB's geographic distribution of business loans compared to demographic data.

Table 3A - Geographic Distribution of Loans to Businesses in AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business Loans	5.0%	10.99%	11.56%	7.85%	29.88%	37.67%	53.56%	43.50%

Source: 2000 US Census and Bank Submitted Loan Data

Responses to Complaints

CCB did not receive any complaints about its performance in helping to meet the credit needs in the bank's AA during this evaluation period.

COMMUNITY DEVELOPMENT TEST

CCB's CD performance is rated Satisfactory. The Bank's level of CD loans, investments, and services reflects adequate responsiveness to the needs of its AA

considering the bank's capacity and the need and availability of such opportunities for community development.

Number and Amount of Community Development Loans

The number and amount of CD loans originated by CCB reflects adequate performance. During the evaluation period, CCB originated four loans totaling \$3,475,000 to help meet the CD needs of its AA. Of the Bank's four CD loans, two were targeted towards financing affordable housing, one financed a local homeless shelter, and one financed transportation services for LMI individuals.

Number and Amount of Qualified Investments and Donations

The number and amount of qualified investments and donations reflects adequate performance. During the evaluation period, CCB made 39 charitable contributions to local organizations that target the needs of LMI individuals. These investments consist of 25 monetary contributions totaling \$15,578 and 14 non-monetary contributions made in the form of food, clothing, as well as toys for disadvantaged children.

Extent to Which the Bank Provides Community Development Services

The bank provides CD services through the availability of branch services and employee participation in low and moderate income areas. CCB maintains a full service branch in Norwalk, Stamford, and Greenwich which include all of the AA's low to moderate income census tracts. These branches include basic services such as ATMs and adequate banking hours. CCB does not have any free standing ATMs.

Three Bank employees provided CD services to five qualifying programs in the AA. One bank employee has served in various leadership roles in three different community development organizations. The employee served as the Chairman of a local Chamber of Commerce Small Business Council which provides networking opportunities and seminars to small businesses; as the Treasurer of an area Redevelopment Agency which enhances the community's physical, economic, and social environment through small business loans, transit development, and construction of affordable housing; and as a Board member of the Open Door Shelter which addresses the causes and complexities of the homeless and working poor by providing shelter, food, clothing, counseling, treatment, education, and employment planning.

Another employee of the bank has provided CD services to Habitat for Humanity of Coastal Fairfield County as a member both the Board of Directors and the Finance Committee. Additionally, a third employee has provided CD services to The Umbrella Club as a fundraiser and a member of the Finance Committee. The Umbrella Club assists children in need with pediatric health care in the Stamford and Greenwich areas.

Responsiveness to Community Development Needs

CCB's CD activities demonstrate adequate responsiveness to the CD needs of its AA through CD loans, qualified investments, and CD services considering the bank's capacity. Identified needs within the AA include more affordable housing for LMI residents and a need for more lending institutions to participate in housing development programs. Of the Bank's four CD loans, two were targeted towards financing affordable housing, one financed a local homeless shelter, and one financed transportation services for LMI individuals. Over the CRA evaluation period, the Bank provided a total of \$15,578 in donations to organizations that provide community services to LMI individuals. Three of the Bank's employees participated in five different qualified organizations that provided needed community services to the LMI population in the AA.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.