

PUBLIC DISCLOSURE

November 15, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Bank of Westport
34859**

**180 Post Road East
Westport, Connecticut 06880**

Federal Deposit Insurance Corporation

**15 Braintree Hill Office Park
Braintree, Massachusetts 02184**

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.

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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 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 **Bank of Westport** prepared by the Federal Deposit Insurance Corporation, the institution's supervisory agency, as of **November 15, 1999**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.*

INSTITUTION RATING

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

Bank of Westport's record of helping to meet the credit needs of its community meets the standard for Satisfactory performance. The following factors were considered in the final rating:

- Bank of Westport's distribution of lending to small businesses of different incomes and by loan amount is reasonable. Lending to businesses with gross annual incomes of less than \$1,000,000 equaled 71 percent of the total loans, and 94 percent of the loans were for less than \$500,000.
- All of Bank of Westport's small business lending is within their assessment area.
- The bank exhibits a reasonable dispersion of lending to small businesses throughout the assessment area. The percentage of the number of loans made in moderate-income census tracts is double the percentage of moderate-income census tracts in the assessment area.

DESCRIPTION OF INSTITUTION

The Bank of Westport (BW) was chartered on October 1, 1998, and is a commercial bank with its only office located in Westport, Connecticut. As of October 31, 1999, BW had total assets of \$16,135,000, of which \$6,135,000 was in the form of loans.

Although the volume of residential loans currently exceeds that of commercial loans, BW's primary business focus is commercial lending. By dollar volume, commercial loans are 35 percent of total loans and residential loans are 53 percent of total loans. Commercial loan products offered include commercial real estate loans, working capital loans, lines of credit, and equipment financing. Residential loan products offered include fixed and adjustable rate home purchase mortgages, refinancing of home mortgages, and home equity lines of credit. BW also offers consumer loan products, including overdraft lines of credit, automobile loans, and secured and unsecured installment loans. BW offers a BanKey card, which may be used at their own Automatic Teller Machine (ATM) located at their branch office and allows account access at most other bank ATM locations.

No legal or financial impediments exist which would prohibit the bank from meeting the credit needs of the community. As a newly-chartered bank, BW is still increasing its deposit base and developing lender relationships within the assessment area. It is anticipated that BW's financial capacity and opportunities to lend will increase as the bank becomes established within the assessment area.

DESCRIPTION OF BANK OF WESTPORT'S ASSESSMENT AREA

A bank's assessment area is the area within which the FDIC evaluates the bank's record of helping to meet the credit needs of the community. BW's assessment area consists of the towns of Westport, Fairfield, and Norwalk, which are located in Fairfield County, in Southeastern Connecticut. The assessment area is composed of 44 census tracts, which include 3 low-income, 5 moderate-income, 21 middle-income, and 15 upper-income census tracts. All of the low- and moderate-income census tracts are located in or near the central business district of Norwalk. The assessment area has a total population, according to 1990 census data, of 156,173. Norwalk and Westport are located within the Stamford – Norwalk Metropolitan Statistical Area (MSA), and Fairfield is located within the Bridgeport MSA. The entire assessment area is within the New York Consolidated MSA. BW's assessment area does not arbitrarily exclude any low- or moderate-income census tracts.

Westport and Fairfield are affluent bedroom communities, largely made up of upper-income census tracts. The HUD adjusted 1999 median family income for Westport and Fairfield are \$90,400 and \$67,900, respectively. Norwalk has a much less affluent population, with a median family income of \$44,366. A substantial number of large businesses are located in Norwalk. Of

the 50 largest employers in Fairfield County, 8 are located in Norwalk. None of the 50 employers is located in Westport or Fairfield. All three towns are within the commuting area for New York City, which is easily accessible by both highway and rail travel, as are New Haven, Connecticut and to a lesser degree, Hartford, Connecticut.

Based upon 1990 U.S. Census Data, the bank's assessment area contains a total of 59,338 households, of which 72 percent are considered to be families. The Census Bureau defines a household as all persons occupying a housing unit who are unrelated to one another, while a family consists of one or more occupants who are related to the householder by birth, marriage, or adoption. Single people living alone are not considered in the family figure. Low-income and moderate-income households account for 21 percent and 17 percent of the total, respectively. Of a total of 62,274 housing units, 68 percent are owner-occupied and 27 percent are rental units. One-to-four family housing predominates, comprising 85 percent of the total units. Multifamily housing, comprising five or more units, makes up 14 percent of the total. The median age of the housing stock is 45 years and the median housing value in 1990 was \$268,346.

BW is operating in a highly competitive banking environment. In 1998, a total of 276 HMDA reporters originated at least 1 home mortgage loan within the assessment area, with 14 originating more than 200. The leading lenders in the assessment area, which include large national and regional banks, are also commercial lenders.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Small banks (banks with total assets less than \$250 million that are not owned by a holding company with assets exceeding \$1 billion) are rated using five criteria: Lending to borrowers of different incomes, geographic distribution of loans, lending within the assessment area, loan-to-deposit ratio, and response to complaints. BW has been in operation for approximately one year and has originated and purchased a very limited number of loans. There was almost no lending activity during the last quarter of 1998; therefore, only the home mortgage and small business loans originated or purchased from January 1, 1999, through November 15, 1999, were reviewed.

A total of 20 home purchase and refinance loans, totaling \$3,379,944, were originated or purchased by BW during the rating period. Of that total, only four, totaling \$786,900, were originated by the bank, and they were all within the assessment area. The remaining 16 purchased loans were all outside of the assessment area. The analysis of lending to borrowers of different incomes and the geographic distribution of loans includes only those loans within the assessment area. Because of the extremely small sample, no meaningful analysis of home mortgage lending to borrowers of different incomes, or geographic distribution of loans within the assessment area is possible. Therefore, this evaluation focuses only on small business lending in evaluating the bank's performance in those areas.

Small business loans originated during 1999 included 17 loans, totaling \$2,475,000, all of which were within the assessment area. The facts and data compiled in evaluating the bank's performance criteria are detailed below. The reader is cautioned that because of the very low volume of lending during the rating period, small changes in the number or dollar amount of loans originated would result in large changes in the percentages.

Lending to Small Businesses of Different Incomes

BW's distribution of small business loans to borrowers of different sizes reflects a reasonable penetration among businesses of different gross annual revenues. Table 1 shows the distribution of small business loans to businesses of different gross annual revenues. The number of loans to businesses with a gross annual revenue of less than \$1,000,000 equals 70.6 percent of the total, and 41.2 percent are to businesses with a gross annual revenues of up to \$499,999. This percentage indicates that the bank is focusing on the credit needs of small- and medium-sized businesses.

Table 1 Distribution of Small Business Loans By Gross Annual Revenues Bank of Westport				
Gross Annual Revenues \$ (000)	Year-to-date 1999			
	#	%	\$ (000)	%
< 100	1	5.9	14	0.6
100 to <500	6	35.3	1,326	53.6
500 to <1,000	5	29.4	235	9.5
>=1,000	5	29.4	900	36.3
Totals	17	100.0	2,475	100.0

Source: Bank loan files

Table 2 shows the distribution of small business loans by loan amount. All commercial loans originated during the rating period were less than \$1,000,000, and are considered small business loans by definition. Approximately 94 percent were less than \$500,000, and 53 percent were less than \$100,000. This indicates that BW is predominantly offering credit in amounts that are compatible with the credit needs of smaller businesses.

Table 2 Distribution of Small Business loans by loan amount Bank of Westport				
Loan Amount \$ (000)	Year-to-Date 1999			
	#	%	\$ (000)	%
<100	9	52.9	305	12.3
100 to < 500	7	41.2	1,570	63.5
500 to <1,000	1	5.9	600	24.2
Totals	17	100.0	2,475	100.0

Source: Bank loan files

Geographic Distribution of Loans

BW's geographic distribution of small business lending reflects a reasonable dispersion throughout the assessment area. Table 3 shows that while no small business loans were originated in low-income census tracts, the percentage of the number of loans originated in moderate-income census tracts, 24 percent, was double the percentage of moderate-income census tracts in the assessment area. The dollar amounts of the loans originated in moderate-income census tracts were small, with the result that only nine percent of the total dollar amount of small business loans was within those census tracts.

Table 3 Distribution of Small Business Loans by Income Category Bank of Westport						
Census Tract Income Level	# of Census Tracts	% of Census Tracts	Year-to-Date 1999			
			#	%	\$ (000)	%
Low	3	6.8	0	0	0	0
Moderate	5	11.4	4	23.5	215	8.7
Middle	21	47.7	4	23.5	826	33.4
Upper	15	34.1	9	53.0	1,434	57.9
Total	44	100.0	17	100.0	2,475	100.0

Source: Bank loan files

Lending In the Assessment Area

BW is doing an excellent job of concentrating its small business lending efforts within the assessment area. The bank made 100 percent of its small business loans within the assessment area. BW originated four home mortgage loans during the rating period, all of which were within the assessment area. An additional 16 home mortgage loans were purchased, all of which were out of the assessment area, which is 80 percent of the total mortgage loans originated and purchased during the rating period.

Loan-To-Deposit Ratio

The analysis of the loan-to-deposit ratio includes the ratio for each quarter during the rating period and the average ratio of all quarters during the same period. An analysis of BW's loan-to-deposit ratio includes only four quarters, from the quarter ending December 31, 1998, through the quarter ending September 30, 1999. During that period, total loans were less than \$200,000 for the first two quarters, exceeded \$2,000,000 by the end of the third quarter, and exceeded \$6,000,000 by the end of the fourth quarter. Deposits rose from approximately \$6,000,000 at the end of the first quarter of the rating period to approximately \$12,000,000 at the end of the fourth quarter. For the first two quarters the loan-to-deposit ratio was less than 2 percent, at the end of the third quarter, the loan-to-deposit ratio rose to 18 percent, and further increased to 53 percent at the end of the fourth quarter. The quarterly loan-to-deposit ratios during this initial period of growth are not considered reflective of what the ratios will be when the bank has had time to mature and are therefore not considered in this examination.

Response to Complaints

BW has had no complaints during the rating period.

OTHER INFORMATION

Compliance with Antidiscrimination

No violations of the substantive provisions of the antidiscrimination laws and regulations were identified.

Definitions

Census Tract

Census tracts are small, relatively permanent statistical subdivisions of a county. Census tracts usually have between 2,500 and 8,000 persons and are designed to be similar with respect to population characteristics, economic status, and living conditions.

Household

A household includes all the persons who occupy a housing unit. A housing unit is a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied (or if vacant, is intended for occupancy) as separate living quarters.

Metropolitan Statistical Area (MSA)

A large population area that has a high degree of economic and social integration. The MSAs are designated by the Federal Office of Management and Budget. The total population in a MSA in New England must be at least 75,000.

Median Family Income (MFI)

That income which is determined by the U.S. Census Data to be the middle income of all incomes collected in a given Metropolitan Statistical Area (MSA) or non-MSA. The following table displays the estimated median family household incomes for 1999 that were relied upon in this report.

MSA	1999
Stamford – Norwalk	\$94,300
Bridgeport	\$63,300

Low-Income

Category of income which is less than 50% of the median family income for the MSA or non-MSA.

Moderate-Income

Category of income which is at least 50% and less than 80% of the median family income for the MSA or non-MSA.

Middle-Income

Category of income which is at least 80% and less than 120% of the median family income for the MSA or non-MSA.

Upper-Income

Category of income which is 120% or more of the median family income for the MSA or non-MSA.