



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks  
Washington, DC 20219

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## **PUBLIC DISCLOSURE**

**June 20, 2006**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Connecticut River Bank, National Association  
Charter Number 23137**

**270 River St  
Springfield, VT 05156**

**Comptroller of the Currency  
New England Field Office  
20 Winthrop Square, Suite 200  
Boston, MA 02110**

**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 COMMUNITY REINVESTMENT ACT (CRA) RATING

**Institution's CRA Rating:** This institution is rated **Outstanding**.

State Rating – New Hampshire: **Outstanding**

State Rating – Vermont: **Satisfactory**

The major factors that support this rating include:

- A substantial majority of the bank's primary loan products were originated within the bank's assessment area (AA).
- An excellent loan-to-deposit ratio given the significant dollar volume of loans sold in the secondary market.
- A good distribution of loans originated to businesses of different sizes in the New Hampshire combined assessment areas (AAs).
- An excellent volume of community development lending in New Hampshire that promoted affordable housing opportunities.
- Excellent involvement by bank employees in New Hampshire in community development services.
- An excellent distribution of residential refinance mortgage loans to moderate-income borrowers in the Vermont AA.
- A good level of community development activities in Vermont.

## DESCRIPTION OF INSTITUTION

Connecticut River Bank, National Association (CRBNA or "the bank") is a locally operated community bank, established in 1831 in Charlestown, New Hampshire (NH) and chartered in 1864 as a national bank. As of December 31, 2005, the bank had \$234 million in total assets, 100 employees, and twelve locations along the Connecticut River Valley from Lancaster, NH to Keene, NH. The bank is headquartered in Springfield, VT, which is directly across the New Hampshire state line. The main banking office remains located in Charlestown, NH. All of the bank's offices are located in NH except the one Springfield, VT office. The NH branches are located in Bethlehem, Charlestown, Claremont, Franconia, Keene, Lancaster, Langdon, Littleton, Meadowview, and Walpole. The bank serves numerous communities in VT and NH that are contiguous to towns with a bank branch. CRBNA is wholly owned by Connecticut River Bancorps, a one bank holding company located in Charlestown, NH.

CRBNA grew significantly, since the prior CRA evaluation of April 26, 1999, when the bank received an "**Outstanding**" rating. At that period, CRBNA had total assets of \$153 million and

six banking offices (one in VT and five in NH). Since 1999, the bank has had merger activity as well as branch openings and closings that contributed to its growth:

- Littleton, NH - In July 2000, the People's Bank of Littleton merged into CRBNA resulting in a northern NH assessment area with communities contiguous to Littleton.
- Swanzey, NH – A full service branch was established in the Wilbur's Market building in August 2001 and subsequently closed in August 2004 with customers transferred to the Keene, NH office.
- Claremont, NH – The bank closed its full service branch at the Wal-Mart Shopping Complex on January 14, 2002. Accounts at this location were transferred to the Broad Street banking office in Claremont. The remaining location is on a primary city street and is easily accessible for all customers
- Springfield, VT – In October 2003, CRBNA purchased the Springfield, VT branch of Factory Point National Bank, which became the primary banking office in Springfield, VT.
- Littleton, NH – A stand-alone automated teller machine (ATM) was removed from the Littleton, NH Wal-Mart in May 2004. The Littleton locations have two banking offices.
- Langdon, NH – The bank installed an ATM in its Langdon, NH office in October 2004.

The bank offers standard banking products and services including Internet account access and online bill payment. CRBNA's Internet website, [www.crbna.com](http://www.crbna.com) provides detailed information on products and services offered for both consumers and businesses. Detailed product information is also available in the bank's public file. In June 2002, the bank's holding company invested in 49% of the New Hampshire Trust Company, enabling the organization to offer trust services. At December 31, 2005, the bank held \$176 million in loans and \$200 million in deposits representing 76% and 84% of total assets, respectively. A snapshot of the bank's loan portfolio mix is provided in **Table 1** below.

<b>Table 1. CRBNA: Loan Portfolio Mix at 12/31/2005</b>		
<b>Loan Category:</b>	<b>\$ Outstanding (000s)</b>	<b>% of Loan Portfolio</b>
Commercial Real Estate	42,144	24%
Commercial & Industrial	37,890	21%
<b>Total Commercial Loans</b>	<b>80,034</b>	<b>45%</b>
1 <sup>st</sup> Lien 1-4 Family Mortgages	68,815	39%
Home Equity Lines of Credit	15,913	9%
Multi-family Residential Mtgs.	2,256	1%
2 <sup>nd</sup> Lien Residential Mortgages	1,676	1%
<b>Total Residential Mtgs</b>	<b>88,660</b>	<b>50%</b>
<b>Total Consumer Loans</b>	<b>9,214</b>	<b>5%</b>
<b>Gross Loans</b>	<b>177,908</b>	<b>100%</b>

*Source: December 31, 2005 Bank's Report of Condition*

The bank's loan portfolio is divided between residential mortgage products and business loans (commercial/industrial, construction, and commercial real estate) as part of its business strategy. CRBNA also offers creative, innovative, and flexible lending programs such as loans for flood victims in late 2005 in the Alstead region. The bank faces no legal or other impediments that hinder its ability to help meet the credit needs of its assessment areas.

## DESCRIPTION OF CRBNA'S ASSESSMENT AREA

CRA regulations require a financial institution to identify one or more assessment areas (AA) in which it intends to meet that area's credit needs. Bank management identified two AAs as the lower and the upper Connecticut River Valley. The lower valley has two separate AAs that serve communities in NH and VT. The CRA examination process requires each state to have a separate CRA rating and an overall bank rating. The assessment areas in southern and northern NH were combined for this evaluation as they are both located in non-metropolitan statistical areas (MSAs), contain similar demographics, and similar loan products. The VT AA is also located in a non-MSA. Demographic information on each AA is provided in **Table 2** below:

<b>Table 2. Demographic/Economic Characteristics for CRBNA Assessment Areas in VT and NH</b>			
	VT AA	S. NH AA	N. NH AA
<b>Population/Family Information:</b>			
Population	69,135	132,884	13,305
Total Families	18,540	33,553	3,572
<b>Geographies:</b>			
Total Number of Census Tracts (CTS)	20	28	4
Percentage of Low-Income CTS	0%	0%	0%
Percentage of Moderate-Income CTS	0%	7%	0%
Percentage of Middle-Income CTS	80%	82%	100%
Percentage of Upper-Income CTS	20%	11%	0%
<b>Percentage of Families in AAs by Income Level:</b>			
Low	16%	16%	21%
Moderate	17%	19%	22%
Middle	24%	27%	26%
Upper	43%	38%	31%
<b>Economic Indicators:</b>			
Median Family Income (MFI)*			
2003	\$52,800	\$58,400	\$58,400
2004/2005	\$55,500	\$59,600	\$59,600
Median Housing Value	\$122,504	\$109,238	\$95,684
Number of Housing Units	35,852	56,667	10,497
Vacant Housing Units (Second or vacation homes)	7,048	5,435	4,988
Mobile Homes or Trailers	2,781	4,575	706
% of Households below Poverty-level	9%	9%	10%
Average Monthly Gross Rent	\$566	\$591	\$481
Number of Businesses (non-farm)	5,905	10,252	1,464
<b>Unemployment Information at 12/31/2005:**</b>			
State of Vermont	3.3%		
State of New Hampshire			3.5%
National Average			4.7%

Source: 2000 U.S. Census data; \*Updated HUD adjusted figures; \*\*Bureau of Labor Statistics.

The demographic information in Table 2 above reflects the difficulty for low- and moderate-income (LMI) individuals and families to obtain affordable housing. CRBNA has no low-income census tracts and only two moderate-income tracts in Claremont, NH, out of a combined total of 52 census tracts. There is a significant volume of LMI families living in the middle and upper income tracts, however their income levels would not qualify for a mortgage loan with median housing prices. Due to the desirable four season recreation areas and relaxing mountain scenery, out of state purchases of vacation and second homes have driven up housing values and reduced the available stock of homes. Second homes (vacation homes) total 20% of all housing in the VT AA, 10% in the southern NH AA, and 48% in the more mountainous northern NH AA. Vermont, New Hampshire, and Maine have the highest volume of second homeownership in the nation.

Minimal rental units remain available for occupancy in the bank's AAs in VT and NH. Increasing the volume of affordable housing is a critical need of the bank's VT and NH AAs. Over the past three years, however, the trend of multi-family and single-family housing permits flattened and in the past year has declined. The ability of LMI families to afford home purchases is limited with a high volume of families living below the poverty level at 9% for VT and southern NH, and 10% for northern NH. The development or creation of affordable housing for low- and moderate-income families has become reliant on state, non-profit, and federal programs in partnership with area banks.

Business demographic data identified that the lower CT river valley in NH has a larger volume of non-farm businesses than the upper CT river valley (10,262 businesses versus 1,497 businesses). The variance is reasonable given the population variance of 133,000 versus 13,000. Despite this variance, both AAs had 64% of total businesses with revenues less than \$1 million. The NH businesses are primarily service oriented at 38 to 40% and retail trade at 18%. In each of the NH AAs, 27% of the businesses were sole proprietorships and 24% were corporations. Of all businesses, 60% had less than 4 employees. Vermont businesses in the bank's AA totaled 5,905 with 68% having revenues less than \$1 million. The Vermont businesses reflected a similar distribution of 40% service and 15% retail trade. Corporations in the VT AA were 33% of total businesses and 27% were sole proprietorships.

### *Competition*

Competition is intense in each of the bank's AAs. In VT, there are 11 institutions in the market place with CRBNA having the smallest deposit market share. In southern NH, there are 12 institutions and CRBNA ranked tenth. These areas are heavily banked by Chittenden Bank, Citizens Bank, and TD Banknorth. Smaller banks in VT and southern NH communities increase the competition. CRBNA has a stronger footprint in northern NH due to the merger in 2000 of People's Bank. The bank ranks third out of seven institutions in the lower populated northern NH AA. The largest institutions in northern NH are Woodsville Guaranty Savings Bank and Laconia Savings Bank.

### *Community Contact*

We contacted a non-profit organization in Littleton, NH that develops rental housing through renovation as well as providing education for purchasing homes. The organization serves primarily Grafton and Coos Counties in northern NH through funding from contributions, offering tax credits for bank investments, and from fees at loan closings. The director of the organization stated credit needs of Grafton/Coos County include:

- Classes for credit education (general and home purchases).
- Cashing checks at banks rather than check cashing shops used by LMI individuals.
- Increasing the inventory of affordable housing.
- Programs to help individuals with less than stellar credit histories.
- More affordable mortgage products for LMI families/individuals.

The contact stated Connecticut River Bank has been a leader in meeting area credit needs by sponsoring education programs, making loans through the Federal Home Loan Bank of Boston (FHLBB) Affordable Housing Partnership and other programs, offering low-rate construction loans, and participating in investments for affordable housing. The CRA regulation however does not require small banks (less than \$250 million in total assets) to participate in community development programs.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

Overall the bank's lending performance is good with more reliance placed on the volume of lending activity in the NH assessment areas. The bank's NH loans comprise 86% of total CRBNA loans and therefore more weighting is placed on the lending performance in that state.

The lending performance is based on five performance criteria. Loans originated in the bank's AA, the loan-to-deposit ratio, and the review of lending complaints are located in this section of the evaluation. Geographic distribution analysis was not conducted as the bank had no low-income census tracts and only two moderate-income census tracts located in Claremont, NH out of 52 census tracts. An analysis of the two moderate tracts would not be meaningful. The remaining test for borrower income distribution of loans was considered in the separate state analyses to determine a CRA rating for each state. Please refer to the state rating sections for a discussion of lending activity in NH and VT.

Our loan sample was based on primary loan products offered during the evaluation period from April 1999 to December 2005. As the same loan products were offered for the entire evaluation period, we limited our sample to 2003, 2004, and 2005 as being representative of the entire evaluation period. We reviewed bank reports to determine the primary loans originated based on dollar and volume, and held discussions with management to support our findings. Our loan sample was based on residential refinance mortgages and business loans, with 60 loans randomly selected for each loan product for a total of 120 loans from the NH and VT AAs.

### **Loan-to-Deposit Ratio**

The bank's loan-to-deposit (LTD) ratio of 89%, as of December 31, 2005, is good when compared to nine similar banks in NH and VT, but excellent when we consider the \$89 million in residential mortgage loans that were sold in the secondary market. By selling loans in the secondary market, the bank is able to obtain additional funding for mortgage loan originations. CRBNA's LTD ratio was 82% based on a 27 quarter average since the last CRA evaluation in April 1999. The result falls in the middle range of LTD ratios for similarly situated banks in VT and NH. The bank's LTD ratio has been steadily increasing since it acquired a branch in Keene in 2003.

## Lending in Assessment Area

To determine the bank's level of lending inside its assessment areas, we reviewed a sample of 120 mortgage refinance and business loans. Of the sample, 9 lacked sufficient information and were excluded. Based on our sample, a substantial majority of loans were made to customers within the bank's market area. The sample results reflected 87 % of the number and 90% of the dollar amount of loans benefited customers inside the AA, and supports the conclusion that the bank does an excellent job originating loans within its community as shown in **Table 3** below.

Loan Type	Number of Loans					Dollars of Loans (000s)				
	Inside		Outside		Total #	Inside		Outside		Total \$
	#	%	#	%		\$	%	\$	%	
Commercial Loans	49	92%	4	8%	53	5,326	94%	369	6%	5,695
Refinance Mtg. Loans	48	83%	10	17%	58	5,845	88%	810	12%	6,655
Totals	97	87%	14	13%	111	11,171	90%	1,179	10%	12,350

*Source: Loan sample derived from bank internally generated reports of commercial and residential mortgage refinance loans for 2003, 2004, and 2005.*

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

Overall the bank's lending to borrowers of different incomes and businesses of different sizes is good with greater weight placed on the volume of loans inside the NH AA. Refer to the separate analysis conducted for each state of the bank's AA for details.

## Geographic Distribution of Loans

A geographic analysis was not conducted as the bank had no low-income geographies and only two moderate-income geographies (in Claremont, NH) out of a total of 52 census tracts. A geographic analysis would not be meaningful.

## Flexible and Innovative Lending Activities

CRBNA offers creative, innovative, and flexible lending programs. In response to the October 2005 flooding in the Monadnock and Connecticut River Valley regions, CRBNA initiated several loan programs to help home owners and businesses during the crisis. The following provides examples of the bank's innovative loan programs targeted to homeowners and businesses in Cheshire and Sullivan Counties who were flood victims during the period of October 9 through October 16, 2005:

- Loan payment moratoriums – Allow payments to be skipped for up to three months on residential mortgage, home equity, or installment loans;
- Accelerated loan program – Up to two months salary to a maximum of \$10 thousand, no payments for 90 days, low interest rates of 5.99% with no fees;
- Rebuild and repair options for customers and non-customers – Consumer home rehabilitation or construction of a new home or business loans at 6.99% fixed rate for five

- years;
- Home equity loans – No closing costs and a low introductory rate.

During the evaluation period, the bank demonstrated flexible lending practices that met additional credit needs of the communities it serves. The bank offered a variety of loan products, although standard to the industry in some respects, which exhibited flexibility in underwriting criteria and application procedures to reach a broader customer base. Such efforts included first-time homebuyer mortgages through the Vermont Housing Finance Agency and New Hampshire Housing Finance Authority, which typically benefit low- and moderate-income borrowers. The bank also participated in government guaranteed loans through Federal National Mortgage Association and mortgages through Federal Home Loan Bank programs.

In 2006, the bank applied and was approved for several programs through the Federal Home Loan Bank of Boston (FHLBB) that enables it to participate in the Affordable Housing Program for up to \$400 thousand. The funds are targeted for a project in a rural area (Mt. Eustus Commons) that will provide 22 units designated as low-income housing and one unit designated as moderate-income housing. The bank also received approval to participate in the FHLBB Equity Builder Program for up to \$100 thousand. The bank can make requests for up to \$15 thousand per household to assist income-eligible households in purchasing a home.

### **Community Development Lending, Qualified Investments and CD Services (Optional)**

Overall the bank reflects excellent performance based on its level of community development lending, qualified investments and donations, and community development services. Refer to the separate state rating sections for NH and VT for details. The volume and nature of community development activities had a positive influence on the bank's overall CRA rating.

### **Responses to Complaints**

The bank or the OCC have not received any CRA related complaints since the prior CRA examination of April 26, 1999.

### **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.



## State Rating for New Hampshire

**CRA Rating for New Hampshire:** Outstanding  
**The lending test is rated:** Outstanding

The major factors that support this rating include:

- A good distribution of the volume of loans originated to businesses of different sizes.
- An excellent volume and dollar amount of community development lending that promoted affordable housing opportunities.
- Excellent participation by employees in community development services.

Connecticut River Bank N.A. (CRBNA) has full service branches located in Bethlehem, Charlestown, Claremont, Franconia, Keene, Lancaster, Langdon, Littleton, Meadowview, and Walpole. The bank has two assessment areas that are not contiguous but were combined for purposes of this CRA analysis. Competition is intense in each of the bank's assessment areas (AA).

At June 30, 2005, the bank ranked tenth out of 12 banks with 4.58% of deposit market share in the more populous southern AA. Larger banks included Bank of America, TD Banknorth, Citizens Bank, Claremont Savings Bank, and Mascoma Savings Bank. The bank had a higher deposit market share in the northern AA ranking third out of seven banks with 17% of the deposit market share. Larger banks were Woodsville Guaranty Savings Bank and Laconia Savings Bank.

The bank has 86% of total loans and 88% of total deposits in the NH assessment area. More weight was placed on New Hampshire lending performance than Vermont when considering the bank's overall CRA rating.

In 2002, the NH economy was hit by weakness in manufacturing and Information Technology (IT) sectors. Rural counties suffered from job losses in non-IT manufacturing industries, such as pulp and paper mills. In 2005, the NH economy added 5,400 new jobs with one-sixth in the construction industry. Construction employment however is highly variable over time and significantly influenced by behavior of housing prices. Given this relationship, the recent slowing in the rate of home price appreciation in 2006 may result in a decrease in construction employment growth. Multi-family and single-family building permits flattened in 2004 and declined in 2005, contributing to the limited stock of affordable housing (AH) in NH AAs.

The largest group of employers in the bank's southern NH assessment area includes Markem Corporation, Smith's Medical, C&S Wholesale Grocers, Keene State College, and Cheshire Medical Center. Major employers in the northern NH assessment area include Littleton Regional Hospital, Littleton Coin Company, and Hitchner Manufacturing.

NH has seen a decline in the young adult population in recent years. The Hillsborough and

Rockingham Counties have over half of the NH population and recorded losses of young adults of 12 and 16%, respectively. The sluggish recovery from the high technology bust in 2002 that restrained job growth in this sector is the most likely cause for the young adult population decline.

### Scope of Evaluation – New Hampshire

The examination scope in NH included a lending test based on loan samples from the southern and northern NH combined assessment areas as the demographics were similar. We determined that 1-4 family refinance mortgages and commercial loans were the primary lending products over the evaluation period of 2003, 2004, and 2005. We limited our loan sample to the latter three years as they were representative of lending activity for the entire period since the CRA evaluation in April 1999.

### Lending Test – Mortgage Loans

The bank’s distribution of 1-4 family refinance mortgage loans to low-income families reflects a lower level of penetration than NH area demographics (**Table 4**). Mitigating factors for the performance includes a high percentage of families that live below the poverty level as well as a limited volume of affordable homes. Many low-income families could not afford a home purchase loan thus limiting the number of low-income families that could seek a refinance mortgage. The distribution of loans to moderate-income borrowers reflects poor penetration when compared to area demographics of moderate-income families for similar reasons above that mitigate poor performance. Many low- and moderate-income families rent their homes due to a higher volume of rental units in the NH AAs combined with a limited stock of affordable homes for purchase.

<b>Table 4. Borrower Income Distribution of Residential Refinance Mortgage Loans in NH AA Connecticut River Bank, N.A. (01/01/2003 to 12/31/2005)</b>								
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
2003-2005 Refinance Mtgs.	16	8	20	12	27	19	37	62

*Source: Loan information derived from bank internally generated reports; U.S. Census data.*

### Lending Test – Loans to Businesses

The volume of the bank’s business loans with revenues less than \$1 million reflect good penetration based on the number of loans. The dollar volume of loans is lower than area demographics and reflects larger sized loans originated to the commercial customers with revenues greater than \$1 million (**Table 5**). Management stated that commercial loan activity had increased in Keene, NH due to economic expansion between 2003 and 2005. Many of the bank’s existing customers experienced higher revenue levels over that same period.

Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000
% of AA Businesses*	64%	6%
% of Bank Loans in AA by #	63%	37%
% of Bank Loans in AA by \$	41%	59%

Source: Loan sample; Dunn and Bradstreet data. \* 30% of AA businesses did not report revenue data

### Community Development Activities – Loans:

The bank’s community development (CD) involvement in NH is excellent. The bank participates in CD lending, investments, donations, and services although it is not required for a bank with total assets less than \$250 million. CD activities are part of the bank’s overall strategic plan and contribute to programs that increase the volume of affordable housing. CD loans originated in NH reflect excellent performance in relation to capital levels. The total dollar volume of CD lending in NH was \$7.3 million, or 45% of capital, for the entire evaluation period of April 1999 to June 2006. The level of capital was based on the percentage of total loans that were located in NH or 86% and the \$16.2 million NH portion (86%) of the bank’s Tier 1 Capital of \$18.8 million. A summary of significant NH CD lending activity is summarized in **Table 6** below.

Borrower	Loan Type	Loan Amount	Area
<b>2000 Originations:</b>			
Participation with four banks and the Sullivan County EDC	Small Business Start Up	\$ 51,560	Charlestown
State Bar Foundation	2 Loans to a foundation that represents the needy	\$ 150,184	Concord
Development Service Org-houses mentally & physically challenged	Loan to purchase housing for LMI	\$ 82,093	Keene
<b>2001 Originations:</b>			
Mobile Home Park Loan with block grant and Affordable Housing Program from FHLB	Develop and maintain, infrastructure of a 103 pad mobile home park	\$1,084,788 Renewed 2005	Claremont
Nonprofit Organization that creates affordable housing	4 loans to purchase low-income rental units	\$ 66,520	Littleton
Limited Partnership that constructs affordable housing	Construction for low income senior housing	\$1,542,366	Littleton
Mobile Home Park that houses LMI individuals/families	Maintenance loan	\$ 304,026	Littleton

<b>2002 Originations:</b>			
Local apartment building	Loan to fund elderly LMI Housing	\$ 207,500	Alstead
Limited Partnership that constructs affordable housing	Construction for LMI senior housing	\$ 250,000	Littleton
<b>2003 Originations:</b>			
Participation with four banks and the Sullivan County EDC	Small Business Start Up Loan	\$ 50,000	Charlestown
<b>2004 Originations:</b>			
Real Estate Group	Redevelop old school into 13 LMI affordable housing units	\$ 1,646,617	Claremont

### **Community Development Activities – Qualified Investments/Donations:**

The bank’s volume of investments and donations in NH total \$333 thousand and equates to 2% of the NH portion of Tier 1 Capital (as calculated above in the CD loan section). The following **Table 7** summarizes significant investments and donations in NH.

<b>Table 7. Qualified Community Development Investments/Donations – New Hampshire</b>			
<b>Recipient of Funds</b>	<b>Type</b>	<b>Amount</b>	<b>Area</b>
Limited partnership to raise equity capital for affordable housing & neighborhood revitalization	2002 Equity Investment to construct low-income senior housing	\$ 212,000	Littleton
Affordable Housing Agency	2001-2005: Donations to increase AH	\$ 90,000	Littleton
Rehabilitation Project	2005 Donation for AH rehabilitation project	\$ 20,000	Claremont

### **Community Development Activities – Services:**

Bank management encourages and provides time for employees to participate in community development services that support various activities to assist low- and moderate-income families. Employees/staff also participate in economic development programs that seek to bring in new and retain existing businesses to enhance employment in the bank’s assessment area. The bank reflects excellent involvement in community development services. The following **Table 8** summarizes some of the NH activities supported by bank employees.

**Table 8. Qualified Community Development Services – New Hampshire**

<b>Organization/Event</b>	<b>Nature of Involvement</b>	<b>Branch/Area</b>	<b>Employee</b>
Benefit for Langdon, NH 2005 Flood victims at area high school in form of a concert and dinner. Bank Sponsored.	Raise funds for Alstead Flood Relief and sponsor drive for non- perishable food donations	Main Office Charlestown & Langdon Branch	President/CEO and branch employee used organization and management skills
Small Business Resource Breakfast - March 22, 2006 Bank Sponsored	Provide education and assistance to small business lenders: How to network, eliminate waste in manufacturing, obtain training grants, and inform of technology trends in business	NH area	Lending and branch staff provides training
NH Business Seminar Program conducted by SCORE. Bank Sponsored.	Teach information to promote customer and non-customer business over the Internet	NH area	Branch employee uses Internet skills to teach attendees
CEDA	Promote businesses for job creation and to sustain existing jobs	NH area	President/CEO serves as treasurer and director
NH Partners in Education	Provides financial education to LMI families.	Charlestown area	Branch employee using banking skills to conduct training
Salvation Army	Organization that assists homeless and poor	NH area	Branch Employee serves as Unit Treasurer
Drop In Center Food Shelf	Offers budget assistance and budget management for LMI families	Walpole branch	Branch employee is a bookkeeper for the organization
Affordable Housing Organization-AHEAD	Training for area residents as first time home buyers	Littleton & Lancaster branches	Three branch loan officers instruct at the workshops
COOS EDF- Town funds for Education	Education on how to use town funds for micro- business lending where bank financing is not available	Lancaster Branch	Branch lender provides education for municipalities

***Table 8 Continued. Qualified Community Development Services – New Hampshire***

NH Main Street Fund-Lancaster	Economic Development	Lancaster Branch	Serves on Board and is a Finance Volunteer
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## State Rating for Vermont

**CRA Rating for Vermont:**                    Satisfactory  
**The lending test is rated:**                Satisfactory

The major factors that support this rating include:

- An excellent distribution of residential refinance mortgage loans to moderate-income borrowers.
- A good level of community development activities.

Connecticut River Bank N.A. has a smaller presence in VT compared to NH. The bank has 14% of its loans and 12% of its deposits in the VT assessment area (AA) and therefore more weight will be placed on the New Hampshire lending performance results when considering the bank's overall CRA rating.

There is also heavy competition in the VT AA for loans and deposits. At June 30, 2005, the bank ranked the lowest with 1.48% of deposit market share out of 11. Larger banks included Chittenden Trust Company, TD Banknorth, Citizens Bank, Brattleboro Savings & Loan, and Merchant's Bank.

In 2005, the VT economy added 2,100 new jobs primarily in construction, followed by professional and businesses services. State unemployment levels have declined in relation to national levels. Construction employment however is highly variable over time and is significantly influenced by the behavior of housing prices. Given this relationship, the recent slowing in the rate of home price appreciation may result in a decrease in construction employment growth. Multi-family and single-family building permits have declined contributing to the limited stock of affordable housing.

The largest employers in the VT assessment area include the State of VT (Offices & Prison), Lovejoy Machine, NBC Solid Services, Kiosko, Springfield Hospital, School District, PV Communications, and Lucas Industries.

Another issue that affects the VT economy is a 6% decline in the population, from 2000 to 2004, of 25 to 34 year olds. The sharp decline in young adults contributes to a rising median age of the population which is the second highest in the country. This young adult age group can typically set the pace for economic development of an area as they join the workforce and form households. The four southern most VT counties (Windham, Bennington, Windsor, and Rutland) all experienced double digit declines in the population of that age group. Income growth has also slowed in those counties.

All of the VT census tracts are upper and middle income. Due to the absence of low- and moderate-income tracts, a geographic analysis would not be meaningful.

## Scope of Evaluation – Vermont

Our scope in VT included a lending test based on loan samples from the Springfield VT assessment area. We determined that 1-4 family refinance mortgages and commercial loans were the primary lending products over the evaluation period of 2003, 2004, and 2005. We limited our loan sample to the latter three years as they were representative of lending activity for the entire period since the CRA evaluation in April 1999.

## Lending Test – Mortgage Loans

The bank’s distribution of 1-4 family refinance mortgage loans to low-income borrowers is lower than the AA demographics, reflecting adequate performance. However, this is reasonable, as with the high price of homes, many low-income families could not afford a home purchase loan thus limiting the volume of low-income families that would seek a refinance mortgage.

The distribution of moderate-income loans reflects excellent penetration to moderate-income borrowers that exceeds demographics of moderate-income families in the VT AA, as shown in **Table 9**.

Borrower Income Level	Low		Moderate		Middle		Upper	
	% 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
2003-2005 Refinance Mtgs.	16	9	17	23	24	23	43	45

*Source: Loan information derived from bank internally generated reports; U.S. Census Data.*

## Lending Test – Loans to Businesses

The bank’s distribution of loans to businesses reflects performance lower than area demographics of businesses in the VT AA, as shown in **Table 10**. The bank’s AA in VT includes towns around Springfield. CRBNA acquired a branch of Factory Point National Bank in Springfield, VT during the evaluation period. The volume of business loans increased as CRBNA became the primary commercial lender in the area and resulted in a higher volume of businesses with revenues over \$1 million. In addition, some of the businesses in the loan sample had expanded operations and increased revenue levels in the past 3 years and now exceed \$1 million.

Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000
% of AA Businesses*	68%	5%
% of Bank Loans in AA by #	55%	45%
% of Bank Loans in AA by \$	38%	62%

*Source: Loan sample; Dunn and Bradstreet data. \* 27% of AA businesses did not report revenue data*



### Community Development Activities – Loans:

The bank's VT community development (CD) activities are good. The bank participates in CD lending and services although it is not required for a bank with total assets less than \$250 thousand. CD activities are part of the bank's overall strategic plan. CD investments are primarily related to the larger NH assessment areas.

CD loans originated in VT reflect good performance in relation to capital levels. The total dollar volume of CD lending in VT was \$650 thousand, or 25% of capital, for the entire evaluation period of April 1999 to June 2006. The level of capital was based on the percentage of total loans that were located in VT or 14% and the \$2.6 million VT portion (14%) of the bank's Tier 1 Capital of \$18.8 million. A summary of significant VT CD lending activity is summarized in **Table 11** below.

<b>Table 11. Community Development Loans – Vermont</b>			
<b>Borrower</b>	<b>Loan Type</b>	<b>Loan Amount</b>	<b>Area</b>
<b>2000 Originations:</b>			
Downtown redevelopment project	Development of affordable housing	\$ 62,661	Springfield
Area manufacturing firm	Loan to 3 local residents to keep the plant open and retain 112 local jobs	\$ 547,509	Springfield
Local Food Shelter	Working capital loan to food, shelter and help needy	\$ 3,894 Renewed 2004	Troy
<b>2005 Originations:</b>			
Recovery Center	Real estate loan for new facility that aids substance abusers- primarily LMI	\$ 32,732	Springfield

### Qualified Investments/Donations:

There were no qualified investments or donations specifically in the bank's VT AA.

### Community Development Services:

As the bank has only one office in VT, the majority of CD services and employee involvement was in the larger NH AA. Employee activities in CD services are summarized below in **Table 12**.

**Table 12. *Qualified Community Development Services – Vermont***

<b>Organization/Event</b>	<b>Nature of Involvement</b>	<b>Branch/Area</b>	<b>Employee</b>
Windsor VT Revolving Loan Committee	Member of loan committee that provides financing for micro-businesses	Springfield branch	Branch employee/loan officer
Alstead Food Victims Relief Fund Raiser - October 2005	Organized a concert and dinner to raise funds that assisted 30 to 40 LMI individuals that were impacted by the flood	Alstead area but focus was on VT victims	Lending and branch staff used organization and budget skills to aid in development of fund raiser
CRBNA - Charitable Contributions Committee	Assists in financial decisions of bank to distribute funds to aid LMI families	Springfield branch	Branch employee uses budget skills and customer knowledge to find appropriate use for funds