



# INTERMEDIATE SMALL BANK

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## PUBLIC DISCLOSURE

October 31, 2012

### COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Ledyard National Bank  
Charter Number 22210

320 Main Street  
Norwich, VT 05055

Office of the Comptroller of the Currency

99 Summer Street, Suite 1400  
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.

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

**The Lending Test is rated: Satisfactory.**

**The Community Development Test is rated: Satisfactory.**

- The bank's level of lending, as reflected by loan-to-deposit ratio, is reasonable.
- A substantial majority of lending is within the assessment area (AA).
- The distribution of loans reflects a reasonable penetration among businesses of different sizes. While the distribution of loans reflects a poor penetration among individuals of different income levels, new loan programs designed to expand penetration among low- and moderate-income individuals is improving performance.
- The bank's community development performance demonstrates adequate responsiveness to community development needs.

## **Scope of Examination**

Ledyard National Bank (LNB) was evaluated using Intermediate Small Bank (ISB) examination procedures, which include a lending test and a community development (CD) test. The lending test evaluates the bank's record of meeting the credit needs of AA through its lending activities. The CD test evaluates the bank's responsiveness to CD needs in its AA through CD lending, qualified investments, and community development services.

The evaluation period for the lending test covers performance from January 1, 2010 through October 31, 2012. The evaluation period for the CD test is from November 30, 2009, the date of the last CRA examination, through October 31, 2012. Community development loans, investments, and services submitted by management were verified to ensure they met the regulatory definition for community development.

LNB's primary loan product, based on loan originations during the evaluation period, was residential real estate mortgage loans including home purchase, refinance, and home equity loans. The bank's secondary product, based on originations, was commercial loans including commercial and industrial loans, and commercial real estate loans. Residential real estate loans represented 60%, business loans comprised 23%, and other loans represented 17% of the bank's loan originations by number during the evaluation period.

We reviewed bank generated reports and tested the accuracy of the output for our analysis. To evaluate the bank's lending inside its assessment area we used a random sample 20 residential real estate loans and 20 commercial loans originated from January 1, 2010 to December 31, 2011. We used a random sample of 64 and 60 residential real estate loans originated or purchased in New Hampshire (NH) and

Vermont (VT), respectively, to evaluate the bank's residential lending during the evaluation period. To evaluate the bank's business lending we used a random sample of 22 and 23 in NH and VT, respectively.

## Description of Institution

Ledyard National Bank is a full-service interstate bank opened in 1991 in Hanover, NH; the main office was subsequently relocated to Norwich, VT. As of September 30, 2012, LNB had total assets of \$402 million and Tier 1 Capital of \$36.8 million. LNB is wholly owned by Ledyard Financial Group, Inc., a one bank holding company. The bank has an affiliate, Ledyard Financial Advisors, a wealth management firm providing investment, tax and wealth management services in the Dartmouth-Lake Sunapee Region.

During the evaluation period, the bank did not close or open any branches. LNB has a total of seven full-service facilities with the main office in Norwich, VT, and branches in NH in the towns of Lebanon, Lyme, New London, and West Lebanon and two offices in Hanover. Automated teller machines (ATMs) are located at all seven offices. The bank also operates a remote ATM at Dartmouth College Collis Center in Hanover, NH.

LNB offers a full range of consumer and commercial banking products and services. Consumer loan products include fixed and adjustable rate mortgages, second mortgages, home improvement, home equity lines of credit, mobile home, land, vacation home, automobile, personal, collateral, overdraft protection, personal lines of credit, and credit cards. Commercial loan products include commercial mortgages, term loans, lines of credit, Small Business Administration Guaranteed, and Letters of Credit. Detailed product information can be found on the bank's Internet website, [www.ledyardbank.com](http://www.ledyardbank.com).

Bank management has identified affordable housing, employment opportunities for persons with limited formal education or training, and transportation as the primary concerns in the bank's AAs. As a result of the downturn in the economy, the bank also identified health and/ or dental care as additional needs in the AAs.

As of September 30, 2012, LNB reported loans of \$228 million and had a loan to total assets ratio of 55%. The bank's loan portfolio has grown \$24 million since the prior CRA examination in 2009. The loan portfolio is comprised of 86% real estate, 10% commercial, and 4% consumer loans. As a result of the recession, the loan mix has shifted since the prior examination. Commercial real estate decreased from 38% to 29% of average loans and leases as demand for commercial loans slowed and residential mortgages increased from 34% to 52% as borrowers took advantage of the low rate environment.

The following table provides a summary of the loan mix.

Loan Portfolio Summary by Loan Product September 30, 2012	
Loan Category	% of Average Gross Loans and Leases
Commercial Real Estate	29.0%
1-4 Family Residential Mortgage	45.5%
Commercial & Industrial	10.0%
Construction and Development	5.2%
Home Equity	6.7%
Consumer	3.6%
Other	< 1%

The bank has no financial or legal impediments to meeting the credit needs of the community. The bank was rated "Needs to Improve," using intermediate small bank procedures, at the last CRA examination dated November 30, 2009.

## Selection of Areas for Full-Scope Review

LNB has offices in two states, NH and VT. We selected the bank's entire AA and reviewed it as two AAs, one in each state. Both AAs received a full-scope review.

## Ratings

The bank's overall rating is a blend of the state ratings. Performance in the state of NH was most heavily weighted in arriving at overall conclusions as the large majority of bank branches, loans, and deposits are located here. Six of the seven offices/branches are located in NH, and approximately 73% of deposits and 68% in loans by dollar amount are attributed to operations in NH. During the evaluation period, residential real estate loans represented 60% of new originations by number followed by business loans, representing 23%, and other loans, representing 17%, of the bank's loan originations by number in the NH AA. As a result, home loans received more weight in evaluating the Lending Test than loans to businesses. In addition, with the bank offering a new home loan product in 2012 targeting low- to moderated-income borrowers, 2012 performance was given more weight in the assessment. Refer to the "Scope" section under each State Area Rating section for details regarding how the areas were weighted in arriving at the respective ratings.

## Conclusions with Respect to Performance Criteria

LNB's performance under the lending test is satisfactory. More weight was placed on performance in NH as the majority of loans and deposits are generated in this state. LNB's loan-to-deposit ratio is reasonable and a substantial majority of loans are originated inside the bank's AA. The distribution of loans over the entire evaluation period reflects a poor penetration among individuals of different income levels and reasonable penetration among businesses of different sizes. However, in 2012 the bank introduced new loan products designed to improve loan penetration to low- and moderate-income individuals. The "Kwikcash" program has improved the distribution of residential loans in 2012 to a satisfactory level and improvement is expected to continue as the bank has added the "Kwikcash" program to its permanent listing of loan products. Geographic distribution of loans is not meaningful as there are no low-or moderate-income census tracts in the bank's AA.

### Loan-to-Deposit Ratio

Ledyard National Bank's loan-to-deposit ratio is reasonable given the bank's size, financial condition, and AA credit needs. The net loan-to-deposit ratio averaged 65% over the last 11 quarters since the previous CRA examination dated November 30, 2009. During the period since the last examination, the loan-to-deposit ratio ranged from a quarterly low of 62% to a high of 67%.

The bank's ratio is consistently below the national peer group, which averaged 77% over the last 11 quarters since the previous examination, and ranged from a low of 73% to a high of 83%. The lower than peer loan-to-deposit ratio reflects the bank's competitive market area. In addition, the ratio does not include loans sold to the secondary market, which totaled \$38.1 million, or 163 loans, since the previous examination. Other factors also impacting the loan-to-deposit ratio included reduction in problem loans and generally lower demands for commercial loans.

### Lending in Assessment Area

A substantial majority of the bank's primary loan products were originated within its assessment area, with 92.5% of the number and 94.6% of the dollar amount. The following table details the bank's lending within the AA by number and dollar amount of loans.

**Table 1 - Lending in LNB's AA (000's)**

Loan Type	Number of Loans				Dollars of Loans				Total	
	Inside		Outside		Total	Inside		Outside		
	#	%	#	%		\$	%	\$		
Residential Real Estate Loans	18	90%	2	10%	20	5,826	93%	441	7%	6,267
Commercial Loans	19	95%	1	5%	20	2,193	95.6%	100	4.4%	2,213
Totals	37	92.5%	3	7.5%	40	8,019	94.6%	541	6.4%	8480

Source: Selected sample of residential and commercial loans for the period of 1/1/2010 to 12/31/11.

## **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 Ratings**

### **State of New Hampshire**

**CRA Rating for New Hampshire: Satisfactory.**

**The Lending test is rated: Satisfactory.**

**The Community Development test is rated: Satisfactory.**

The major factors that support this rating include:

- The distribution of loans reflects adequate penetration among individuals of different income levels, when weighted toward current year performance, and reasonable penetration among businesses of different sizes.
- The bank's community development performance demonstrates adequate responsiveness to community development needs.

### **DESCRIPTION OF INSTITUTION'S OPERATIONS IN NEW HAMPSHIRE**

The bank operates primarily in the state of New Hampshire (NH). The area includes the Upper Valley and Lake Sunapee regions. The NH AA includes six branch offices and deposit-taking ATMs, as well as, the contiguous towns/cities around these offices. There are 17 continuous census tracts in a non-metropolitan area and the AA includes towns in portions of Grafton, Merrimack, and Sullivan counties. The AA consists of 14 middle-income tracts and three upper-income tracts and the population is approximately 72 thousand. The AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income (LMI) areas.

LNB operates in a competitive market with competition from large regional commercial banks and local savings banks. The bank's local competitors include Lake Sunapee Bank FSB, NH; Mascoma Savings Bank, NH; Bank of America, N.A., Claremont Savings Bank, and Sugar River Bank. Based on the Federal Deposit Insurance Corporation's deposit market share report, as of June 30, 2011, LNB ranked third in market share in the NH AA and held 11.2% of deposits.

Economic indicators show that the NH economy has started to recover from the national recession. Statewide unemployment rates have steadily declined from a 10 year high of 6.7% in December 2010 to 5.1% as of June 2012. NH's unemployment rates still remain well below the national average of 8.2%. Major employers are primarily in the education and healthcare sectors and include Dartmouth Hitchcock Medical Center, Dartmouth College, Hypertherm, New London Hospital, Alice Peck Day Hospital, Colby Sawyer College, as well as the local school systems.

Demographic information of LNB's NH AA is broken out in the table below.

Demographic Information for LNB's NH AA					
Income Level	Total #	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts)	17	0%	0%	82%	18%
Family Distribution by Income Level	18,744	13%	18%	25%	44%
Household Distribution by Income Level	27,725	17%	15%	22%	46%
2000 Census Median Family Income (MFI)	\$50,942		2006-2010 Median Housing Value Range (3 NH Counties)*	\$181,800 to \$243,600	
			Median Age of Housing	44 years	
HUD Updated MFI: 2011	\$69,400		Families Below the Poverty Level		6.61%
2000 Census Median Housing Value	\$133,731		Unemployment Rate **		5.1%

Source: 2000 US Census data

\* Data from the US Census quick facts for the three counties in the NH AA

\*\* Data from US Bureau of Labor Statistics as of 6/12. Rate is for the entire state of NH.

## SCOPE OF EVALUATION IN NEW HAMPSHIRE

Performance in the NH AA was most heavily weighted in arriving at overall conclusions as the large majority of bank branches and loans and deposits are located here. Six of the seven offices/branches are located in NH; and approximately 73% of deposits and 68% of new loan originations are attributed to operations in NH.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN NEW HAMPSHIRE

### LENDING TEST

The bank's performance under the lending test in NH is rated "Satisfactory." The distribution of loans reflects an adequate penetration among individuals of different income levels and reasonable penetration businesses of different sizes. The NH AA has no low-or moderate-income census tracts; therefore, we did not evaluate the geographic distribution of loans.

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

##### *Home Loans*

The distribution of home loans to borrowers reflects adequate penetration among borrowers of different income levels. The percent of residential real estate loans to low-income families is significantly lower than the percent of low-income families in the AA. Lending opportunities to low-income borrowers are limited given the average median home price in the AA ranges from \$181,800 to \$243,600. The maximum income that is considered low-income is \$34,700; therefore, low-income borrowers would have difficulty qualifying for a home purchase loan.

In 2010 and 2011, LNB did not purchase or originate any home loans to moderate-income families in the AA; therefore, the percent of residential real estate loans is significantly lower than the percent of moderate-income families in the AA. Although LNB does not report under the Home Mortgage Disclosure Act (HMDA), based on 2010 HMDA Peer Mortgage Data, HMDA lenders extended 310 home loans to moderate-income borrowers in the NH AA. With an income range of \$34,700 to \$55,520, moderate-income families may encounter some difficulty qualifying for home loans; however, the volume of loan originations demonstrates that financing is attainable. Although market competition for these loans is high; LNB has strong deposit market share, ranking third in the AA. In an effort to improve the level of home loans to low- and moderate-income families, the bank introduced its "Kwikcash" loan program in 2012. Since introducing the program, the bank has made 8 home loans to low-income families and 18 home loans to moderate-income families resulting in an adequate year-to-date performance. Our sample prior to the "Kwikcash" program did not identify any home loans to moderate-income families. Home loans to moderate-income families increased from zero to 9.22% in 2012 as a result of the new loan program. Bank management expects the success of the "Kwikcash" program to continue and the distribution of home loans to low- and moderate-income families to continue to improve.

The following table shows the distribution of residential real estate loans among borrowers of different income levels as compared to the percent of families in each income category over the entire rating period. The overall assessment gave weight to 2012 performance.

Table 2 - Borrower Distribution of Residential Real Estate Loans in NH AA									
Borrower Income Level	Low		Moderate		Middle		Upper		NA
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	% of Number of Loans
Residential Real Estate Loans	13	2	18	4	25	9	44	89	0

Source: Loan sample (1/1/2010 to 10/31/12); 2000 US Census

### *Business Loans*

The distribution of loans to businesses/farms reflects reasonable penetration among businesses of different sizes. The bank originated 68% in loans to small businesses/farms with gross annual revenues of \$1 million or less. This is considered reasonable as it is near to the demographic data with 71% of the areas businesses/farms being considered small businesses.

The following table shows the distribution of commercial loans among businesses/farms of different sizes in the NH AA.

<b>Table 2A - Borrower Distribution of Loans to Businesses/Farms in NH AA</b>				
Business/Farms Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses/Farms	71	3	26	100%
% of Bank Loans in AA by #	68	32	0	100%
% of Bank Loans in AA by \$	49	51	0	100%

Source: *Loan sample (1/1/2010 to 12/31/11); 2000 US Census*

## **Geographic Distribution of Loans**

An analysis of the distribution of loans by income level of geography is not meaningful as the NH AA contains no low- or moderate-income geographies.

## **Responses to Complaints**

LNB did not receive any CRA complaints during the evaluation period.

## **COMMUNITY DEVELOPMENT TEST**

The bank's performance under the community development test in NH is rated "Satisfactory."

Performance under the community development test is satisfactory. LNB's community development performance demonstrates adequate responsiveness to community development needs in its assessment area through community development loans and investments.

## **Number and Amount of Community Development Loans**

Community development lending is adequate. During the evaluation period, the bank made two qualified CD loans totaling \$200 thousand that benefited the NH AA and the greater statewide area. The CD loans were used to help finance affordable housing, an identified need in the AA. The loans were extended to a Community Loan Fund that provides loans to small businesses and LMI individuals who would not otherwise qualify for bank loans. Projects include mobile home ownership programs, multifamily housing, affordable housing, and child care facilities in the greater statewide region.

## **Number and Amount of Qualified Investments**

The level of community development investments is adequate. During the evaluation period, LNB made 33 investments, grants, and donations totaling \$1.7 million to 21 community development organizations in the NH AA.

Larger investments and grants included:

- A commitment of \$1.5 million to a community investment fund that supports affordable housing in New Hampshire and Maine. One of the projects supported by the fund will help create affordable housing in the bank's NH AA, helping to meet an identified need.
- A \$25 thousand investment in a Community Development Investment Program that promotes economic development by supporting job creation for LMI individuals in a portion of LNB's NH AA and the greater statewide region.
- A \$25 thousand donation to an organization that strives to prevent foreclosures by providing second mortgage loans to LMI persons. This program helps support affordable housing by keeping LMI individuals in their homes.
- A \$25 thousand donation to support an individual development program that helps low- and moderate-income families accumulate savings by providing matching contributions for pre-approved withdrawals including down-payment and closing costs on home purchases and education or job-training.

### **Extent to Which the Bank Provides Community Development Services**

The bank provides an adequate level of community development services. During the evaluation period, four bank officers/employees provided financial expertise and/or leadership services to four community development organizations serving the NH AA. In addition, bank officers/employees provided financial expertise and/or leadership services to five community development organizations which serve both the NH AA and the VT AA. Some of these services included assisting organizations that promote affordable housing and/or provide healthcare, identified needs in the AA.

LNB also services, free of charge, 11 residential real estate loans for an affordable housing organization. The bank waived ATM usage fees for LMI individuals in NH and VT, helping provide improved access to financial services for these individuals. LNB worked with a community service organization that strives to break the cycle of poor financial decision making by using the car buying process as an opportunity to increase financial literacy as well as a way to address the need for transportation. The bank provided free meeting space to the organization and funded nine vehicle loans, seven in NH and two in VT, to borrowers who completed the program. The bank also participates in a program which uses the Interest on Lawyers Trust Accounts to help fund improvements in the administration of justice and delivery of legal services to low-income individuals.

## **Responsiveness to Community Development Needs**

Considering the bank's capacity and the need and availability of CD opportunities, LNB's community development performance, through CD loans and investments demonstrates adequate responsiveness to the needs of its AA.

## **State of Vermont**

**CRA Rating for Vermont: Satisfactory.**

**The Lending test is rated: Satisfactory.**

**The Community Development test is rated: Satisfactory.**

The major factors that support this rating include:

- The distribution of loans reflects a reasonable penetration among individuals of different income levels.
- The bank's community development performance demonstrates adequate responsiveness to community development needs.

## **DESCRIPTION OF INSTITUTION'S OPERATIONS IN VERMONT**

Ledyard National Bank has its main office in Norwich, Vermont (VT). This office also serves as the only full-service location in VT. The VT assessment area (AA) lies west of the Connecticut River and includes towns in Orange County and parts of Windsor County. The VT AA has a total population of 35,000. All census tracts in the VT AA are middle or upper-income tracts. The AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas.

Competition in the VT AA is strong with several banks competing for customers. LNB ranked fifth in market share with 10.2% of deposits, based on the Federal Deposit Insurance Corporation's deposit market share report, as of June 30, 2011. Competitors in the VT AA include Mascoma Savings Bank, People's United Bank, and The Merchants Bank. Larger regional banks such as Bank of America, N.A. and RBS Citizens, N.A. also compete for customers.

Economic indicators show that the VT economy has started to recover from the national recession. Statewide unemployment rates have steadily declined from a 10 year high of 7.2% in June 2009 to 4.7% as of June 2012. VT's unemployment rates still remain well below the national average of 8.2%. The bank's VT AA is heavily reliant on the education and health care industries as well as the manufacturing and retail trade industries. Top employers in the VT AA include: Dartmouth Hitchcock Medical Center, Dartmouth College, Hypertherm, New London Hospital, Alice Peck Day Hospital, Colby Sawyer College, as well as the local school systems.

The information in the following table provides key demographic data about the bank's VT AA.

Demographic Information for LNB's VT AA					
Income Level	Total #	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts)	10	0%	0%	50%	50%
Family Distribution by Income Level	9,563	14%	16%	24%	46%
Household Distribution by Income Level	14,442	18%	16%	19%	47%
2000 Census Median Family Income (MFI)	\$46,084		2010-2011 Median Home Price*	\$156,706 to \$180,000	
			Median Age of Housing	47 years	
HUD Updated MFI: 2011	\$62,900		Families Below the Poverty Level	7.65%	
2000 Census Median Housing Value	\$137,260		Unemployment Rate **	4.7%	

Source: 2000 US Census data

\* Data from Vermont Housing Finance Agency for Orange and Windsor Counties

\*\*Data from US Bureau of Labor Statistics as of 6/12. Rate is for the entire state of VT.

## SCOPE OF EVALUATION IN VERMONT

Performance in the VT AA was weighted less than performance in the NH AA in arriving at overall conclusions as the large majority of bank branches and loans and deposits are located in NH.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN VERMONT

Discuss the institution's CRA performance within the state. The facts, data, and analyses that were used to form a conclusion about the rating must be reflected in the performance evaluation. The narrative should clearly demonstrate how the lending and the community development tests, and their respective performance criteria, as well as relevant information from the performance context, factored into the state rating. Indicate whether the institution's performance in the assessment areas reviewed using a limited-scope review is consistent with the institution's record in assessment areas reviewed using a full-scope review in the state area.

Tables may be used in the PE to present data used in analyzing the institution's performance. However, tables are optional. If tables are included in the PE then the ones shown in the Small Bank CRA Tool Kit are required to be used.

In order to make it easier for the reader to find the support for the rating, describe the bank's performance using the following headings, and address all the performance criteria.

## LENDING TEST

The bank's performance under the lending test in VT is rated "Satisfactory."

The distribution of loans reflects a reasonable penetration among individuals of different income levels and excellent penetration to businesses of different sizes. More weight was placed on the distribution of loans to individuals as during the evaluation period, residential mortgages represented a majority, 76%, of the bank's loan originations by number.

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

#### *Home Loans*

The distribution of home loans to borrowers reflects reasonable penetration among borrowers of different income levels. LNB did not purchase or originate any home loans to low-income families in the AA; the percent of residential real estate loans is significantly lower than the percent of low-income families in the AA. While the national downturn in the economy and real estate is being seen in the area, median housing prices remain high relative to median incomes. Lending opportunities to this group are limited given the average median home price in the AA ranges from \$156,796 to \$180,000. In the town of Norwich, where the bank's main office is located, the median home price is \$384,250, which exceeds the median home prices in the AA. The maximum income that is considered low-income is \$31,450; therefore, low-income borrowers would have difficulty qualifying for a home purchase loan in the AA.

The distribution of residential real estate loans to moderate-income families is lower than percent of moderate-income families in the AA. These families also would encounter difficulty qualifying for home purchase loans with an income range of \$31,450 to a maximum income of \$50,320. In addition, market competition for these loans is high, making it more difficult for LNB's to originate mortgages to both low- and moderate-income families.

The following table shows the distribution of residential real estate loans among borrowers of different income levels as compared to the percent of families in each income category.

Table 2 - Borrower Distribution of Residential Real Estate Loans in VT AA									
Borrower Income Level	Low		Moderate		Middle		Upper		NA
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	% of Number of Loans
Residential Real Estate Loans	14	0	16	7	24	10	46	83	0

Source: Loan sample (1/1/2010 to 12/31/11); 2000 US Census

## *Business Loans*

The distribution of loans to businesses reflects excellent penetration among businesses of different sizes. The bank originated 83% in loans to small businesses with gross annual revenues of \$1 million or less. The bank's lending exceeds the demographics as 69% of the area's businesses are considered small businesses. This is notable as commercial lending in the VT market area is dominated by larger financial institutions.

The following table shows the distribution of loans among businesses of different sizes in the VT AA.

Table 2A - Borrower Distribution of Loans to Businesses/Farms in VT AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses/Farms	69	3	28	100%
% of Bank Loans in AA by #	83	17	0	100%
% of Bank Loans in AA by \$	79	21	0	100%

Source: *Loan sample (1/1/2010 to 12/31/11); 2000 US Census*

## **Geographic Distribution of Loans**

An analysis of the distribution of loans by income level of geography is not meaningful as the VT AA contains no low- or moderate-income geographies.

## **Responses to Complaints**

LNB did not receive any CRA complaints during the evaluation period.

## **COMMUNITY DEVELOPMENT TEST**

The bank's performance under the community development test in VT is rated "Satisfactory."

Performance under the community development test is adequate. LNB's community development performance demonstrates adequate responsiveness to community development needs in its assessment area through community development loans, investments, and services.

## **Number and Amount of Community Development Loans**

Community development lending is adequate. During the evaluation period, the bank originated four CD loans totaling \$255 thousand to three qualified CD organizations. Two loans, totaling \$200 thousand, were made to a Community Loan Fund that provides loans to small businesses and LMI individuals who would not otherwise qualify for bank loans. Projects include mobile home ownership programs, multifamily housing,

affordable housing, and child care facilities in the greater statewide region. One loan, for \$30 thousand, was extended to support energy efficient updates for a home that serves as transitional housing for LMI individuals. A \$25 thousand line of credit was extended to a homeless shelter to help fund loans that the shelter will make directly to its clients in the Upper Valley. The loan will provide the clients of the homeless shelter with loans that they may not otherwise receive; including loans to obtain permanent housing, rental housing, or affordable vehicles.

### **Number and Amount of Qualified Investments**

The level of community development investments is adequate. During the evaluation period, LNB made 27 grants/donations totaling \$20.9 thousand to 11 community development organizations in the AA.

### **Extent to Which the Bank Provides Community Development Services**

The bank provides an adequate level of community development services in the VT AA. During the evaluation period, five bank officers/employees provided financial expertise and/or leadership services to five different community development organizations serving the VT AA. In addition, bank officers/employees also provided financial expertise and/or leadership services to five community development organizations which serve both the NH AA and the VT AA.

Some of these services helped organizations that promote affordable housing and/or provide healthcare, identified needs in the AA. LNB also services, free of charge, 10 residential real estate loans for an affordable housing organization.

### **Responsiveness to Community Development Needs**

LNB's community development performance, through CD loans, investments, and services, demonstrates adequate responsiveness to the needs of its AA, considering the bank's capacity and the need and availability of CD opportunities.

## Appendix A: Scope of Examination

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The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered.

<b>Time Period Reviewed</b>	Lending Test: (01/01/10 to 10/31/12) Community Development Test: (11/30/09 to 07/09/12)	
<b>Financial Institution</b>		<b>Products Reviewed</b>
Ledyard National Bank (LNB) Norwich, Vermont		Residential real estate loans, business/farm loans of different sizes. Community development loans, investments, and services.
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
None		
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
State of New Hampshire: Non-metropolitan area includes portions of Grafton, Sullivan, and Merrimack counties.	Full-Scope	
State of Vermont: Non-metropolitan area includes portions of Windsor and Orange counties.	Full-Scope	

## **Appendix B: Summary of State Ratings**

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Overall Bank:	Lending Test Rating	Community Development Test Rating	Overall Bank/State/ Rating
Ledyard National Bank	Satisfactory	Satisfactory	Satisfactory
New Hampshire	Satisfactory	Satisfactory	Satisfactory
Vermont	Satisfactory	Satisfactory	Satisfactory