



**NEW YORK STATE
DEPARTMENT OF FINANCIAL SERVICES
FINANCIAL FRAUDS AND CONSUMER PROTECTION DIVISION**

One State Street
New York, NY 10004

PUBLIC SUMMARY

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Date of Evaluation: June 30, 2013

Institution: North Country Savings Bank
127 Main Street, PO Box 230
Canton, NY 13617

Note: This evaluation is not an assessment of the financial condition of this institution. The rating assigned does not represent an analysis, conclusion or opinion of the New York State Department of Financial Services concerning the safety and soundness of this financial institution.

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GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (“CRA”) performance of North Country Savings Bank (“NCSB”) prepared by the New York State Department of Financial Services (“DFS” or the “Department”). This evaluation represents the Department’s current assessment and rating of the institution’s CRA performance based on an evaluation conducted as of June 30, 2013.

Section 28-b of the New York Banking Law, as amended, requires that when evaluating certain applications, the Superintendent shall assess a banking institution’s record of helping to meet the credit needs of its entire community, including low- and moderate-income (“LMI”) areas, consistent with safe and sound operations.

Part 76 of the General Regulations of the Superintendent implements Section 28-b and further requires that the Department assess the CRA performance records of regulated financial institutions. Part 76 establishes the framework and criteria by which the Department will evaluate the performance. Section 76.5 further provides that the Department will prepare a written report summarizing the results of such assessment and will assign to each institution a numerical CRA rating based on a 1 to 4 scoring system. The numerical scores represent an assessment of CRA performance as follows:

- (1) Outstanding record of meeting community credit needs;
- (2) Satisfactory record of meeting community credit needs;
- (3) Needs to improve in meeting community credit needs; and
- (4) Substantial noncompliance in meeting community credit needs.

Section 76.5 further requires that the CRA rating and the written summary (“Evaluation”) be made available to the public. Evaluations of banking institutions are primarily based on a review of performance tests and standards described in Section 76.7 and detailed in Sections 76.8 through 76.13. The tests and standards incorporate the 12 assessment factors contained in Section 28-b of the New York Banking Law.

For an explanation of technical terms used in this report, please consult the **GLOSSARY** at the back of this document.

OVERVIEW OF INSTITUTION'S PERFORMANCE

DFS evaluated NCSB according to the small bank performance criteria pursuant to Parts 76.7 and 76.12 of the General Regulations of the Superintendent of Financial Services. The assessment period included calendar years 2010, 2011, 2012 and the six months ended June 2013. NCSB is rated "1," indicating an "Outstanding" record of helping to meet community credit needs.

This rating is based on the following factors:

- **Loan-to-Deposit Ratio and Other Lending Related Activities:** "Outstanding"

NCSB's average loan-to-deposit ("LTD") ratio was more than reasonable considering its size, business strategy, financial condition and peer group activity. NCSB's average LTD ratio for the 14 quarters ending June 30, 2013 was 103.0 percent which was far above the peer group's average of 81.4 percent.

In addition, NCSB engaged in a significant amount of community development activity that helped the bank achieve its rating. NCSB became a member of the Community Lending Corporation and agreed to lend up to \$510,000 for "low-income lending purposes." NCSB also made \$32,075 in community development investments to stabilize and revitalize LMI communities.

- **Assessment Area Concentration:** "Outstanding"

During the evaluation period, NCSB originated 99.3 percent by number, and 98.6 percent by dollar value of its HMDA-reportable loans within the assessment area. This substantial majority of lending inside its assessment area is an excellent record of lending.

- **Distribution by Borrower Characteristics:** "Satisfactory"

The distribution of loans by borrower income level demonstrated reasonable rates of lending to individuals of different income levels. NCSB outperformed the aggregate throughout the evaluation period in distribution of loans to low- and moderate-income ("LMI") borrowers.

- **Geographic Distribution of Loans:** "Outstanding"

NCSB's loans demonstrated an excellent distribution of lending in census tracts of varying income levels. NCSB had a higher percentage of lending in LMI tracts than the aggregate throughout the evaluation period.

- **Action Taken in Response to Written Complaints with Respect to CRA:**

Neither NCSB nor the New York State Department of Financial Services received any

written complaints regarding NCSB's CRA performance.

This evaluation was conducted based on a review of the 12 assessment factors set forth in Section 28-b of the New York Banking Law and Part 76 of the General Regulations of the Superintendent.

PERFORMANCE CONTEXT

Institution Profile:

NCSB was chartered in 1909 as St. Lawrence County Savings Bank and was located in Ogdensburg, New York. On October 1, 1972, the bank changed its name to North Country Savings Bank. On July 1, 1999, NCSB moved to its current location at 127 Main Street, Canton, New York 13617. It maintains the Ogdensburg office as a branch location. It is a mutually owned, state chartered, FDIC insured savings bank.

Per the Consolidated Report of Condition (the "Call Report") as of June 30, 2013, filed with the Federal Deposit Insurance Corporation ("FDIC"), NCSB reported total assets of \$233.9 million, of which \$186.7 million were net loans and lease finance receivables. It also reported total deposits of \$190.4 million, resulting in a loan-to-deposit ratio of 98.1 percent. According to the latest available comparative deposit data as of June 30, 2013, NCSB had a market share of 16.6 percent, or \$190.4 million inside its market of \$1.1 billion, ranking it second among the ten deposit-taking institutions in St. Lawrence County.

The following is a summary of NCSB's loan portfolio, based on Schedule RC-C of NCSB's Call Reports from December 31, 2010 through June 30, 2013:

TOTAL GROSS LOANS OUTSTANDING								
Loan Type	2010		2011		2012		6/30/2013	
	\$000's	%	\$000's	%	\$000's	%	\$000's	%
1-4 Family Residential Mortgage Loans	186,405	93.3	182,728	93.9	177,555	94.0	175,145	93.4
Commercial & Industrial Loans	1,072	0.5	928	0.5	710	0.4	683	0.4
Commercial Mortgage Loans	4,337	2.2	4,326	2.2	4,365	2.3	4,738	2.5
Multifamily Mortgages	1,061	0.5	1,243	0.6	978	0.5	931	0.5
Consumer Loans	5,152	2.6	4,308	2.2	3,557	1.9	3,896	2.1
Agricultural Loans	0	0.0	0	0.0	0	0.0	0	0.0
Construction Loans	1,715	0.9	1,093	0.6	1,588	0.8	2,030	1.1
Obligations of States & Municipalities	0	0.0	0	0.0	0	0.0	0	0.0
Other Loans	64	0.0	54	0.0	76	0.0	65	0.0
Lease Financing	0	0.0	0	0.0	0	0.0	0	0.0
Total Gross Loans	199,806		194,680		188,829		187,488	

As illustrated in the above table, NCSB is primarily a residential real estate lender, with 93.9 percent of its loan portfolio in residential real estate as of June 30, 2013.

NCSB operates four full service banking branches, located in Canton, Massena, Ogdensburg and Potsdam. NCSB has one limited service office located at the St. Lawrence University Student Center in Canton. All five branches are located in St. Lawrence County. Supplementing the banking branches is an automated teller machine ("ATM") network consisting of 11 machines at full service branches and off-site locations within the assessment area. All ATMs operate 24 hours a day, seven days a week except the three located at the St. Lawrence University Student Center,

St. Lawrence Book Store and SUNY-Carson Hall, Potsdam. Those three are open during building hours only. The ATMs at full service branches, the limited service office and the drive-up at 20 Court Street, Canton accept deposits. NCSB also was part of Allpoint's ATM Network with 40,000+ surcharge-free ATMs worldwide.

The remote ATM at 8 Clarkson Avenue, Potsdam (Clarkson University Student Center) does not accept deposits and is located in a low-income neighborhood. In addition, the remote ATM at 51 Leroy Street, Potsdam (Hospital Center) does not accept deposits and is located in a moderate-income neighborhood. The branch office at Ogdensburg is located in a moderate-income neighborhood and the office at 22-24 Phillips Street, Massena is located in a middle-income neighborhood. The remaining offices and the other remote ATMs are located in upper-income neighborhoods.

According to the 2010 census, NCSB's assessment area has one low-income census tract and five moderate-income census tracts. NCSB does not have a branch office in the low-income census tract but it has an office in one of the moderate-income census tracts.

DFS examiners did not find evidence of financial or legal impediments that had an adverse impact on NCSB's ability to meet the credit needs of its community.

Assessment Area:

NCSB's assessment area is comprised of all of St. Lawrence County which has 28 census tracts. The chart below gives the breakdown of the demographic information of these tracts.

Assessment Area Census Tracts by Income Level							
County	N/A	Low	Mod	Middle	Upper	Total	LMI %
St. Lawrence	1	1	5	18	3	28	21.4
Total	1	1	5	18	3	28	21.4

The assessment area appears reasonable based upon the location of NCSB's offices and its lending patterns. DFS examiners did not find evidence to suggest that NCSB has arbitrarily excluded any LMI areas.

Demographic & Economic Data:

The assessment area had a total population of 111,944 people during the examination period. About 13.5 percent of the population were over the age of 65 and 18.8 percent were under the age of sixteen.

Of the 28,089 families in the assessment area, 23.6 percent were low-income, 18.5

percent were moderate-income, 21.7 percent were middle-income and 36.2 percent were upper-income families. There were 42,019 households in the assessment area, of which 16.0 percent had income below the poverty level and 3.1 percent were on public assistance.

The weighted average median family income in the assessment area was \$51,077.

There were 51,845 housing units within the assessment area, of which 92.9 percent were one- to four-family units, and 7.1 percent were multifamily units. A majority (58.1 percent) of the area’s housing units were owner-occupied, while 24.6 percent were rental units. Of the 30,144 owner-occupied housing units, 17.0 percent were in LMI census tracts while 83.0 percent were in middle- and upper-income census tracts. The median age of the housing stock is 53 years and the median home value was \$82,479.

There were 6,182 non-farm businesses in the assessment area. Of these, 69.9 percent were businesses with reported revenues of less than or equal to \$1 million, 4.0 percent reported revenues of more than \$1 million, and 26.2 percent did not report their revenues. Of all the businesses in the assessment area, 83.7 percent were businesses with less than fifty employees and 86.5 percent operated from a single location. The largest industries in the area were services (43.3 percent), followed by retail trade (14.2 percent), and agriculture, forestry & fishing (7.1 percent), while 9.3 percent of businesses in the assessment area were unclassified.

According to the New York State Department of Labor, the average unemployment rate for New York State was around 8.5 percent from 2010 through 2012. In 2013, it was around 7.9 percent. However, the unemployment rate in St. Lawrence County was at least two percentage points higher than the New York State rates during the assessment period.

Assessment Area Unemployment Rate		
	Statewide	St. Lawrence County
2010	8.6%	10.6%
2011	8.3%	10.5%
2012	8.5%	10.5%
* 2013	7.9%	10.2%

* *Partial year*

Community Information:

NCSB’s assessment area covers St. Lawrence County, which is the largest county in New York in terms of land area. The county is very thinly populated, and its average median family income is \$51,077. St. Lawrence County experienced a high level of unemployment throughout the evaluation period. According to NCSB, older

homes in the area lack sufficient insulation and functional maintenance. A number of houses suffer from “deferred maintenance.” In addition, home prices in the area are out of reach for local working families.

NCSB has cooperated with local development authorities and with North Country Housing Council in encouraging necessary home improvements and making improvement funds available.

The examiner contacted Adirondack Community Housing Trust and St. Lawrence County Planning Office (“SLCPO”) to obtain their input about community credit needs and NCSB’s performance in meeting those needs.

The St. Lawrence County Housing Council (“SLCHC”) stated that the local and regional banks including North Country Savings Bank are “good” at providing credit and financial services to the local communities. SLCHC stated that NCSB has an excellent reputation for its home mortgage services as a “hometown” bank and for its willingness to assist and give back to local communities. Most borrowers have a high “comfort level” when dealing with the local banks such as NCSB. Moreover, its First-Time Home-Buyer Program has been extremely successful.

SLCPO stated that the local banks and credit unions, including NCSB are “good” at providing credit and financial services to the local communities. SLCPO further stated that NCSB is a tremendous partner in affordable housing in the local communities.

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

DFS evaluated NCSB under the small bank performance criteria in accordance with Parts 76.7 and 76.12 of the General Regulations of the Superintendent of Financial Services, which consists of the lending test. The lending test includes (1) loan-to-deposit (“LTD”) ratio and other lending-related activities; (2) assessment area concentration; (3) distribution by borrower characteristics; (4) geographic distribution of loans; and (5) action taken in response to written complaints regarding CRA. DFS examiners also considered the following factors in assessing the bank’s record of performance: The extent of participation by the board of directors or board of trustees in formulating CRA policies and reviewing CRA performance; any practices intended to discourage credit applications, evidence of prohibited discriminatory or other illegal credit practices; the institution’s record of opening and closing offices and providing services at offices; and process factors, such as the NCSB’s activities to ascertain the credit needs of its assessment area and the extent of marketing and special credit related programs. Finally, the evaluation considered other factors as delineated in Section 28-b of the New York Banking Law that reasonably bear upon the extent to which a banking institution is helping to meet the credit needs of its entire community.

DFS derived statistics employed in this evaluation from various sources. NCSB submitted bank-specific information both as part of the examination process and in its Call Report filed with the FDIC. DFS obtained aggregate lending data from the Federal Financial Institutions Examination Council (FFIEC) and deposit data from the FDIC. DFS calculated LTD ratios from information shown in the bank’s Uniform Bank Performance Report as submitted to the FDIC.

DFS derived the demographic data referred to in this report from the 2010 U.S. Census and the U.S. Department of Housing and Urban Development. DFS based business demographic data used in this report on Dun & Bradstreet reports, which Dun & Bradstreet updates annually. DFS obtained unemployment data from the New York State Department of Labor.

The assessment period included 2010, 2011, 2012, and the first six months of 2013.

Examiners considered NCSB’s HMDA-reportable loans in evaluating factors (2), (3) and (4) of the lending test noted above. NCSB did not have a significant amount of small business or consumer loans for evaluation.

DFS extrapolated HMDA-reportable loan data for analysis from a random sample of 241 loans.

At its **prior** Performance Evaluation, as of December 31, 2009, DFS assigned NCSB a rating of “2,” reflecting a “satisfactory” record of helping to meet community credit needs.

Current CRA Rating: “Outstanding”

Lending Test: “Outstanding”

NCSB’s HMDA-reportable lending activities were excellent in light of aggregate and peer group activity and the demographics of the assessment area.

Loan-to-Deposit Ratio and Other Lending-Related Activities: “Outstanding”

NCSB’s average LTD ratio was excellent considering its size, business strategy, financial condition, and peer group’s activity.

NCSB maintained a consistently higher LTD ratio than its peer group did throughout the evaluation period.

The table below shows NCSB’s LTD ratios in comparison with the peer group’s ratios for the 14 quarters since the prior evaluation.

Loan-to-Deposit Ratios															
	2010 Q1	2010 Q2	2010 Q3	2010 Q4	2011 Q1	2011 Q2	2011 Q3	2011 Q4	2012 Q1	2012 Q2	2012 Q3	2012 Q4	2013 Q1	2013 Q2	Avg.
Bank	107.5	105.7	107.5	106.1	105.7	103.7	103.3	103.5	100.0	98.9	102.1	100.6	99.3	98.0	103.0
Peer	85.0	84.7	85.0	83.3	80.8	81.6	81.9	81.3	78.9	79.0	80.2	79.8	78.4	79.3	81.4

DFS evaluated NCSB under the small bank performance standards, which do not require NCSB to submit community development activities for CRA evaluation. Nevertheless, in 2010 NCSB invested \$32,075 in trust notes from Community Preservation Corporation in order to stabilize and revitalize LMI communities. NCSB had a balance of \$305,729 from the prior period.

NCSB also had \$129,600 in equity shares outstanding of Statewide Zone Capital Corporation, which provides loans to businesses in designated economic development zones.

NCSB made three grants totaling \$25,000 to the St. Lawrence County Housing Council, to be used for affordable housing purposes.

In addition, NCSB’s CRA public statement notes that the bank has become a member of the Community Lending Corporation and has agreed to lend up to \$510,000 for “low-income lending purposes.” The public statement further states that the bank has cooperated with North Country Housing Council in providing mortgage funds for construction of new homes for lower income residents.

NCSB works closely with the St. Lawrence County Housing Council, a community organization, to assist low- and moderate-income individuals and families with their housing needs.

NCSB operates two remote ATMs at Clarkson University and Canton Potsdam Hospital; they are located in low-income and moderate-income census tracts, respectively. Also,

Assessment Area Concentration: “Outstanding”

During the evaluation period, NCSB originated 99.3% by number and 98.6% by dollar value of its HMDA-reportable loans within its assessment area. This substantial majority of lending inside of its assessment area is an excellent record of lending.

HMDA-Reportable Loans:

During the evaluation period NCSB originated 99.3% by number and 98.6% by dollar value its HMDA-reportable loans within the assessment area. This substantial majority of lending is an excellent record of lending.

The following table shows the percentages of NCSB’s HMDA-reportable loans originated inside and outside of the assessment area.

Distribution of Loans Inside and Outside of the Assessment Area										
Loan Type	Number of Loans					Loans in Dollars (in thousands)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
HMDA-Reportable										
2010	284	100.0%	0	0.0%	284	20,685	100.0%	0	0.0%	20,685
2011	258	100.0%	0	0.0%	258	19,567	100.0%	0	0.0%	19,567
2012	255	100.0%	0	0.0%	255	20,516	100.0%	0	0.0%	20,516
2013(June 30)	104	94.5%	6	0.0%	110	8,803	89.8%	1,000	10.2%	9,806
Subtotal	901	99.3%	6	0.7%	907	69,571	98.6%	1,000	1.4%	70,574
Grand Total	901	99.3%	6	0.7%	907	69,571	98.6%	1,000	1.4%	70,574

For 2013, inside and outside loans in dollars do not add up to total because of extrapolation.

For HMDA-reportable lending, analysis was performed on a sample of 68 loans in year 2010, 59 loans in year 2011, 59 loans in year 2012, and 55 loans in year 2013. Number and dollar volume of loans were then extrapolated from the resulting percentages and are not actual results.

Distribution by Borrower Characteristics: “Satisfactory”

The distribution of loans based on borrower characteristics demonstrated reasonable rates of lending to individuals of different income levels.

HMDA-Reportable Loans:

NCSB’s HMDA-reportable loans demonstrated a reasonable distribution of loans among individuals of different income levels. Although NCSB outperformed aggregate lending to LMI borrowers overall, NCSB did underperformed by comparison to the demographics of the assessment area.

The following table provides a summary of the distribution of HMDA-reportable lending based on borrower income.

Distribution of 1-4 Family Loans by Borrower Income									
2010									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	33	11.8%	1,099	5.3%	61	6.1%	1,470	2.1%	22.7%
Moderate	50	17.6%	2,837	13.7%	205	20.6%	8,778	12.4%	19.5%
LMI	84	29.4%	3,936	19.0%	266	26.7%	10,248	14.5%	42.2%
Middle	75	26.5%	4,680	22.6%	265	26.6%	16,487	23.3%	22.1%
Upper	121	42.6%	11,934	57.7%	441	44.2%	42,054	59.4%	35.7%
Unknown	4	1.5%	135	0.7%	25	2.5%	1,980	2.8%	0.0%
Total	284		20,685		997		70,769		
2011									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	13	5.1%	1,062	5.4%	87	8.0%	2,610	3.2%	22.7%
Moderate	44	16.9%	3,610	18.4%	183	16.8%	8,600	10.4%	19.5%
LMI	57	22.0%	4,672	23.9%	270	24.8%	11,210	13.6%	42.2%
Middle	52	20.3%	3,391	17.3%	283	26.0%	17,980	21.8%	22.1%
Upper	136	52.5%	10,156	51.9%	500	46.0%	50,166	60.9%	35.7%
Unknown	13	5.1%	1,348	6.9%	35	3.2%	3,020	3.7%	0.0%
Total	258		19,567		1,088		82,376		
2012									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	9	3.4%	542	2.6%	87	7.0%	2,992	3.1%	23.6%
Moderate	61	23.7%	3,696	18.0%	223	18.0%	9,772	10.0%	18.5%
LMI	69	27.1%	4,239	20.7%	310	25.0%	12,764	13.1%	42.1%
Middle	69	27.1%	4,796	23.4%	311	25.0%	21,431	22.0%	21.8%
Upper	112	44.1%	10,818	52.7%	577	46.5%	59,496	61.1%	36.2%
Unknown	4	1.7%	663	3.2%	44	3.5%	3,636	3.7%	0.0%
Total	255		20,516		1,242		97,327		
2013 (June 30)									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	8	7.7%	274	3.1%	Data Not Available				23.6%
Moderate	26	25.0%	1348	15.3%					18.5%
LMI	34	32.7%	1,622	18.4%					42.1%
Middle	28	26.9%	2006	22.8%					21.8%
Upper	38	36.5%	4478	50.9%					36.2%
Unknown	4	3.8%	697	7.9%					0.0%
Total	104		8,803						
GRAND TOTAL									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	63	7.0%	2,977	4.3%	235	7.1%	7,072	2.8%	
Moderate	180	20.0%	11,491	16.5%	611	18.4%	27,150	10.8%	
LMI	244	27.0%	14,468	20.8%	846	25.4%	34,222	13.7%	
Middle	225	25.0%	14,874	21.4%	859	25.8%	55,898	22.3%	
Upper	407	45.2%	37,386	53.7%	1,518	45.6%	151,716	60.6%	
Unknown	26	2.8%	2,843	4.1%	104	3.1%	8,636	3.4%	
Total	901		69,571		3,327		250,472		

Geographic Distribution of Loans: “Outstanding”

NCSB’s distribution of loans demonstrated excellent rates of lending in census tracts of varying income levels.

This was a notable improvement from the prior evaluation where DFS rated NCSB “Needs to improve” for this component.

HMDA-Reportable Loans:

NCSB’s distribution of HMDA-reportable loans demonstrated excellent rates of lending among areas of varying income levels, outperforming both aggregate lending and the demographics of the assessment area.

The following table provides a summary of NCSB’s HMDA-reportable loans distribution by the income level of the geography.

Distribution of HMDA-Reportable Lending by Geographic Income of the Census Tract									
2010									
Geographic Income	Bank				Aggregate				OO Hus
	#	%	\$000's	%	#	%	\$000's	%	%
Low	33	11.8%	1,099	5.3%	0		0		0.0%
Moderate	50	17.6%	2,837	13.7%	103	10.3%	6,479	9.2%	9.6%
LMI	84	29.4%	3,936	19.0%	103	10.3%	6,479	9.2%	9.6%
Middle	75	26.5%	4,680	22.6%	865	86.8%	60,748	85.8%	86.7%
Upper	121	42.6%	11,934	57.7%	29	2.9%	3,542	5.0%	3.7%
Unknown	4	1.5%	135	0.7%	0	0.0%	0		0.0%
Total	284		20,685		997		70,769		
2011									
Geographic Income	Bank				Aggregate				OO Hus
	#	%	\$000's	%	#	%	\$000's	%	%
Low	13	5.1%	1,062	5.4%	0	0.0%	0	0.0%	0.0%
Moderate	44	16.9%	3,610	18.4%	125	11.5%	9,503	13.6%	9.6%
LMI	57	22.0%	4,672	23.9%	125	11.5%	9,503	13.6%	9.6%
Middle	52	20.3%	3,391	17.3%	934	85.8%	69,949	84.9%	86.7%
Upper	136	52.5%	10,156	51.9%	29	2.7%	2,924	3.5%	3.7%
Unknown	13	5.1%	1,348	6.9%	0	0.0%	0		0.0%
Total	258		19,567		1,088		82,376		
2012									
Geographic Income	Bank				Aggregate				OO Hus
	#	%	\$000's	%	#	%	\$000's	%	%
Low	9	3.4%	542	2.6%	0	0.0%	0	0.0%	0.0%
Moderate	61	23.7%	3,696	18.0%	209	16.8%	15,655	16.1%	17.0%
LMI	69	27.1%	4,239	20.7%	209	16.8%	15,655	16.1%	17.0%
Middle	69	27.1%	4,796	23.4%	935	75.3%	73,206	75.2%	76.9%
Upper	112	44.1%	10,818	52.7%	98	7.9%	8,466	8.7%	6.1%
Unknown	4	1.7%	663	3.2%	0	0.0%	0	0.0%	0.0%
Total	255		20,516		1,242		97,327		
2013 (June 30)									
Geographic Income	Bank				Aggregate				OO Hus
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	Data Not Available				0.0%
Moderate	22	21.2%	1,177	13.4%					17.0%
LMI	22	21.2%	1,177	13.4%					17.0%
Middle	62	59.6%	5,648	64.2%					76.9%
Upper	20	19.2%	1,977	22.5%					6.1%
Unknown	0	0.0%	0	0.0%					0.0%
Total	104		8,802						
GRAND TOTAL									
Geographic Income	Bank				Aggregate				OO Hus
	#	%	\$000's	%	#	%	\$000's	%	%
Low	55	6.1%	2,703	3.9%	0	0.0%	0	0.0%	
Moderate	176	19.6%	11,320	16.3%	437	13.1%	31,637	12.6%	
LMI	232	25.7%	14,023	20.2%	437	13.1%	31,637	12.6%	
Middle	259	28.7%	18,515	26.6%	2,734	82.2%	203,903	81.4%	
Upper	389	43.2%	34,885	50.1%	156	4.7%	14,932	6.0%	
Unknown	22	2.4%	2,146	3.1%	0	0.0%	0	0.0%	
Total	901		69,570		3,327		250,472		

Action Taken in Response to Written Complaints with Respect to CRA: Not rated

Neither NCSB nor DFS received any written complaints related to the bank's CRA performance since the prior CRA evaluation.

Additional Factors

The extent of participation by the banking institution's board of directors or board of trustees in formulating the banking institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act

NCSB's board of directors reviews the bank's LTD ratio and loan-to-asset ratio in each of its monthly board meetings. Also, the board periodically reviews the bank's loan concentrations in relation to its assessment area.

The board has also made a policy decision (CRA public statement) to become a member of the Community Lending Corporation and agreed to lend up to \$510,000 for "low income lending purposes."

Any practices intended to discourage applications for types of credit set forth in the banking institution's CRA Public File

DFS examiners did not observe practices intended to discourage applications for the types of credit offered by NCSB.

Evidence of prohibited discriminatory or other illegal credit practices

DFS examiners did not find evidence of prohibited, discriminatory or other illegal practices.

Record of opening and closing offices and providing services at offices

NCSB did not open or close any branches during the evaluation period. However, NCSB opened a remote ATM at the Clarkson University Student Center at 8 Clarkson Avenue in 2011. This location is in a low-income census tract.

Distribution of Branches within the Assessment Area								
County	N/A #	Low #	Moderate #	Middle #	Upper #	Total #	LMI %	LMI and Distressed or Underserved
St.Lawrence			1	1	3	5	20%	20%
Total	-	-	1	1	3	5	20%	20%

Process Factors

- Activities conducted by the banking institution to ascertain the credit needs of its community, including the extent of the banking institution's efforts to communicate with members of its community regarding the credit services being provided by the banking institution.

NCSB carried out several activities to ascertain the credit needs of its community. It conducted homebuyer workshops throughout its assessment area. It participated in the "First Time Homebuyer Program" organized by the St. Lawrence County Housing Council. NCSB also participated in community events such as the annual "Seniorama," "Ogdensburg Expo," and the county's "Really Big Show" expo, to elicit community needs and strengthen the bank's presence in the community. In addition, NCSB's loan originators visited area realtors to inform them of the bank's current loan options.

- The extent of the banking institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the banking institution.

NCSB advertised in local newspapers and real estate publications. It used deposit account statements to disseminate special advertising messages to account holders. NCSB also advertised on radio and used its website to feature videos on certain products.

Other factors that in the judgment of the Superintendent bear upon the extent to which a banking institution is helping to meet the credit needs of its entire community

NCSB's staff, officers and senior management participated in community organizations and events, such as homeowner assistance programs for rehabilitation projects, fair housing events, etc., that were identified for LMI residents.

NCSB also undertook a significant amount of community development activity during the assessment period that influenced the overall rating.

GLOSSARY

Aggregate Penetration Rate

The number of loans originated and purchased by all reporting lenders in specified categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the assessment area.

Community Development

“Community development”:

1. Affordable housing (including multifamily housing) for low- or moderate-income (“LMI”) individuals;
2. Community services targeted to LMI individuals;
3. Activities that promote economic development by financing business or farms that meet the size eligibility standards of the United States Small Business Administration (“SBA”) Development Company or Small Business Investment Company programs, or have gross annual incomes of \$1 million or less;
4. Activities that revitalize or stabilize LMI geographies; and
5. Activities that seek to prevent defaults and/or foreclosures in loans included in (1) and (3) above.

Community Development Loan

A loan that has its *primary purpose* community development. This includes but is not limited to loans to:

- Borrowers for affordable housing rehabilitation and construction, including construction and permanent financing for multifamily rental property serving low or moderate income (“LMI”) persons;
- Nonprofit organizations serving primarily LMI or other community development needs;
- Borrowers to construct or rehabilitate community facilities that are located in LMI areas or that primarily serve LMI individuals;
- Financial intermediaries including community development financial institutions, community development corporations, minority- and women-owned financial institutions, community loan funds or pools, micro-finance institutions, and low-income or community development credit unions that primarily lend or facilitate lending to promote community development;
- Local, state and tribal governments for community development activities; and
- Borrowers to finance environmental clean up or redevelopment of an industrial site as part of an effort to revitalize the LMI community in which the property is located.

Community Development Service

Service that has community development as its *primary purpose*, is related to the provision of financial services, and has not been considered in the evaluation of the banking institution's retail banking services. This includes but is not limited to:

- Providing technical assistance on financial matters to nonprofit, tribal or government organizations serving LMI housing or economic revitalization and development needs;
- Providing technical assistance on financial matters to small businesses or community development organizations;
- Lending employees to provide financial services for organizations facilitating affordable housing construction and rehabilitation or development of affordable housing;
- Providing credit counseling, home buyers and home maintenance counseling, financial planning or other financial services education to promote community development and affordable housing;
- Establishing school savings programs for LMI individuals;
- Providing seminars for LMI persons on banking and bank account record-keeping;
- Making ATM “Training Machines” available for extended periods at LMI community sites or at community facilities that serve LMI individuals; and
- Technical assistance activities to community development organizations such as:
 - ❖ Serving on a loan review committee;
 - ❖ Developing loan application and underwriting standards;
 - ❖ Developing loan processing systems;
 - ❖ Developing secondary market vehicles or programs;
 - ❖ Assisting in marketing financial services, including the development of advertising and promotions, publications, workshops and conferences;
 - ❖ Furnishing financial services training for staff and management;
 - ❖ Contributing accounting/bookkeeping services; and
 - ❖ Assisting in fund raising, including soliciting or arranging investments.

Geography

A census tract delineated by the United States Bureau of the Census in the most recent decennial census

Home Mortgage Disclosure Act (“HMDA”)

The Home Mortgage Disclosure Act, enacted by Congress in 1975, and subsequently amended, requires institutions to annually report data about applications for residential (including multifamily) financing.

Income Level

The income level for borrowers is based on household or family income. A geography's income is categorized by median family income for the geography. In both cases, the income is compared to the MSA or statewide nonmetropolitan median income.

Income level of individual or geography	% of the area median income
Low-income	Less than 50
Moderate-income	At least 50 and less than 80
Middle-income	At least 80 and less than 120
Upper-income	120 or more

Loans to Small Businesses

Small business loans to businesses with gross annual revenues of \$1 million or less.

Low or Moderate Income ("LMI") Geographies

Those census tracts or block numbering areas where, according to the 2000 U.S. Census, the median family income is less than 80% of the area median family income. In the case of tracted areas that are part of a Metropolitan Statistical Area ("MSA") or Primary Metropolitan Statistical Area ("PMSA"), this would relate to the median family income for the MSA or PMSA in which the tracts are located. In the case of BNAs and tracted areas that are not part of a MSA or PMSA, the area median family income would be the statewide non-metropolitan median family income.

LMI Borrowers

Borrowers whose income, as reported on the loan application which the lender relied upon in making the credit decision, is less than 80% of the area median family income. In cases where the residential property is located in a MSA or PMSA, this would relate to the median family income for that MSA or PMSA. Otherwise, the area median family income would be the statewide non-metropolitan median family income. In all instances, the area median family incomes used to measure borrower income levels are updated annually by the U.S. Department of Housing and Urban Development ("HUD").

LMI Individuals/Persons

Individuals or persons whose income is less than 80% of the area median family income. In the case where the individual resides in a MSA or PMSA, this would relate to the median family income for that MSA or PMSA. Otherwise, the area median family income would be the statewide non-metropolitan median family income. In all instances, the area median family incomes used to measure individual income levels are updated annually by HUD.

LMI Penetration Rate

A number that represents the percentage of a bank's total loans (for a particular product) that was extended to LMI geographies or borrowers. For example, an LMI penetration rate of 20% would indicate that the bank made 20 out of a total of 100 loans in LMI geographies or to LMI borrowers.

Low-Income Housing Tax Credit (LIHTC)

A dollar for dollar tax credit for affordable housing, created under the Tax Reform Act of 1986, that provides incentives to invest in projects for the utilization of private equity in the development of affordable housing aimed at low income Americans. It is also more commonly called Section 42 credits in reference to the applicable section of the IRC. The tax credits are more attractive than tax deductions as they provide a dollar for dollar reduction in a taxpayer's federal income tax. It is more commonly attractive to corporations since the passive loss rules and similar tax changes greatly reduced the value of tax credits and deductions to individual taxpayers.

New Markets Tax Credit (NMTC)

The New Markets Tax Credits (NMTC) Program was established by Congress in December 2000 to stimulate economic and community development and job creation in low-income communities. It permits individual and corporate taxpayers to receive a credit against federal income taxes for making qualified equity investments in Community Development Entities (CDEs). The credit provided to the investor totals 39% of the cost of the investment and is claimed over a 7-year period. CDEs must use substantially all of the taxpayer's investments to make qualified investments in low-income communities. The Fund is administered by the US Treasury Department's Community Development Financial Institutions Fund (CDFI).

Qualified Investment

A lawful investment, deposit, membership share or grant that has community development as its *primary purpose*. This includes but is not limited to investments, deposits, membership shares or grants in or to:

- Financial intermediaries (including community development financial institutions, community development corporations, minority- and women-owned financial institutions, community loan funds, micro-finance institutions and low-income or community development credit unions) that primarily lend or facilitate lending in LMI areas or to LMI individuals in order to promote community development;
- Organizations engaged in affordable housing rehabilitation and construction;
- Organizations, including, for example, small business investment corporations that promote economic development by financing small businesses;

- Facilities that promote community development in LMI areas or LMI individuals, such as youth programs, homeless centers, soup kitchens, health care facilities, battered women's centers, and alcohol and drug recovery centers;
- Projects eligible for low-income housing tax credits;
- State and municipal obligations, such as revenue bonds that specifically support affordable housing or other community development needs;
- Organizations serving LMI housing or other community development needs, such as counseling for credit, home ownership, home maintenance, and other financial services education; and
- Organizations supporting activities essential to the capacity of LMI individuals or geographies to utilize credit to sustain economic development, such as day care operations and job training programs that facilitate access to permanent jobs.