



NEW YORK STATE BANKING DEPARTMENT
CONSUMER SERVICES DIVISION
One State Street
New York, NY 10004

PUBLIC SUMMARY

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Date of Evaluation: December 31, 2009

Institution: North Country Savings Bank
127 Main Street
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 Banking Department 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 Banking Department. The evaluation represents the Banking Department’s current assessment and rating of the institution’s CRA performance based on an evaluation conducted as of December 31, 2009.

Section 28-b of the New York State Banking Law, as amended, requires that when evaluating certain applications, the Superintendent of Banks 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 Banking Board implements Section 28-b and further requires that the Banking 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 Banking 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 record of 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 be made available to the public (“Evaluation”). Evaluations of banking institutions are primarily based on a review of performance tests and standards described in Section 76.7 and detailed in Sections 76.12. The tests and standards incorporate the 12 assessment factors contained in Section 28-b of the New York State 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

NCSB's performance was evaluated according to the small bank performance criteria pursuant to Part 76.12 of the General Regulations of the Banking Board. This assessment period included calendar years 2008 and 2009. NCSB is rated "2," indicating a "**Satisfactory**" record of helping to meet community credit needs. The rating is unchanged from the prior rating of "2," ("Satisfactory") based on the NYSBD Performance Evaluation dated December 31, 2007.

This rating is based on the following factors:

- **Loan-to-Deposit (LTD") Ratio and Other Lending-Related Activities:** "Outstanding"
NCSB's average LTD ratio was more than reasonable considering its size, business strategy, financial condition, aggregate and peer group activity. The bank's average LTD for the 8 quarters ending December 31, 2009 was 111.3%. In addition, NCSB was evaluated under the small bank performance standards, and was not required to have its community development activities evaluated during CRA examinations. Nevertheless, NCSB made \$730,000 in community development loans.
- **Assessment Area Concentration:** "Outstanding"
During the evaluation period, NCSB originated 96.4% by number, and 94.7% by dollar value of its HMDA-type loans within its assessment area. This substantial majority of lending inside of its assessment area was an "Outstanding" record of lending within NCSB's assessment area.
- **Distribution by Borrowers Characteristics:** "Satisfactory"
The distribution of HMDA-type loans based on borrower characteristics demonstrated a reasonable rate of lending among individuals of different income levels. During the two-year evaluation period, NCSB extended 25.1% by number and 17.1% by dollar value of its HMDA-type loans to LMI borrowers in its assessment area. These LMI penetration ratios were significantly lower than the percentage of LMI families in the assessment area, but similar to the aggregate's penetration ratios. In addition, NCSB's LMI penetration ratios improved from 2008 to 2009.
- **Geographic Distribution of Loans:** "Needs to Improve"
The distribution of HMDA-type loans based on lending in census tracts of varying income levels has improved since the prior evaluation period, but is still considerably below both the market opportunity and the aggregate penetration ratios. Moderate-income tracts received 10% of the mortgage loans done by all banks within the bank's assessment area, while NCSB made 3.9% of its mortgage loans in these census tracts.
- **Action Taken in Response to Written Complaints With Respect to CRA:** "Satisfactory"

Neither NCSB nor the New York State Banking Department has received any written complaints regarding its CRA performance.

- **Other Factors**

In addition, to the community development lending noted above, NCSB also made community development investments totaling \$739,000 and provided a significant level of community development services. Community groups contacted indicated that NCSB is a great partner.

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

PERFORMANCE CONTEXT

Institution Profile:

Chartered in 1909, NCSB is a mutually owned savings bank with its main offices located in Canton, New York. In addition to the main office in Canton, NY, it has four other locations in St. Lawrence County (SLC) in the North Country Region of New York State. It merged with Potsdam Savings and Loan Association in 1972 and acquired Canton Savings and Loan Association in 1999. NCSB serves the credit and other banking needs of SLC and its primary lending product is residential mortgages. SLC is not part of any Metropolitan Statistical Area (MSA).

Per the Consolidated Report of Condition (the Call Report) as of December 31, 2009, filed with the Federal Deposit Insurance Corporation ("FDIC"), NCSB reported total assets of \$237.5 million, of which \$201.9 million were net loans and lease finance receivables. It also reported total deposits of \$183.4 million, resulting in a loan-to-deposit ratio of 110.1%.

According to the latest available comparative deposit data, as of June 30, 2009, NCSB obtained a market share of 16.0%, or \$187.5 million out of \$1.17 billion inside its market area and, since 2000, has ranked second among ten deposit-taking institutions in Saint Lawrence County.

The following is a summary of the bank's loan portfolio, based on Schedule RC-C of the bank's December 31, 2009 and December 31, 2008 Call Reports:

Loan Type	2008		2009	
	\$000's	%	\$000's	%
1-4 Family Residential Mortgage Loans	189,727	93.1	186,894	92.1
Commercial & Industrial Loans	907	0.4	1,763	0.9
Commercial Mortgage Loans	3,046	1.5	3,173	1.6
Multifamily Mortgages	839	0.4	858	0.4
Consumer Loans	7,769	3.8	6,535	3.2
Construction Loans	1,511	0.7	3,547	1.7
Other Loans	71	0.0	53	0.0
Total Gross Loans	203,870		202,823	

As illustrated in the above chart, NCSB is primarily a residential real estate lender, with 92.1% of its loan portfolio in 1-4 family residential mortgage loans as of December 31, 2009.

NCSB operates five full service branches in the municipalities of Canton, Massena, Ogdensburg and Potsdam. Four of these branches are located in middle-income

census tracts, while the branch at the St. Lawrence University (SLU) campus in Canton is in a census tract with no known income level.

24-Hour ATMs are located at all branch locations, with additional remote ATMs at SLU, SUNY Potsdam and Canton-Potsdam Hospital. NCSB is also part of Allpoint ATM Network with 37,000 surcharge-free ATMs nationwide. Within the assessment area are seven Allpoint Network ATMs located in Sunoco gas stations.

There are no known financial or legal impediments that adversely impacted the bank's ability to meet the credit needs of its community.

Assessment Area:

The bank's assessment area is comprised of almost all of St. Lawrence County. The sole census tract not in its assessment area is a large tract that consists primarily of Adirondack State Park.

Of the 27 census tracts in the assessment area, one is low-income, three are moderate-income, twenty are middle-income, two are upper-income and one tract has no income indicated.

County	N/A	Low	Mod	Middle	Upper	Total	LMI %
*St.Lawrence	1	1	3	20	2	27	14.8
Total	1	1	3	20	2	27	14.8

*Partial County

The assessment area appears reasonable based upon the location of the bank's offices and its lending patterns. There is no evidence that LMI areas have been arbitrarily excluded.

Demographic & Economic Data

The assessment area had a population of 109.1 thousand during the examination period. About 12.9% of the population were over the age of 65 and 20.6% were under the age of 16.

Of the 26.3 thousand families in the assessment area, 22.7% were low-income, 19.5% were moderate-income, 22.0% were middle-income and 35.8% were upper-income families. There were 39.3 thousand households in the assessment area, of which 16.13% had income below the poverty level and 3.8% were on public assistance.

The median family income within the assessment area was \$39.02 thousand. The U.S. Department of Housing and Urban Development ("HUD") updated median family income for the area was \$54.9 thousand.

There were 47.2 thousand housing units within the assessment area, of which 78.6% were one- to four-family units, and 7.1 % were multifamily units. A majority (58.54%) of the area’s housing units were owner-occupied, while 27.5% were rental units. Of the 27.6 thousand owner-occupied housing units, 10.0% were in moderate-income geographies while 86.2% were in middle-income tracts. The median age of the housing stock was 52 years and the median home value in the assessment area was \$59.9 thousand.

There were 7.0 thousand non-farm businesses in the assessment area. Of these, 72.7% were businesses with reported revenues of less than or equal to \$1 million, 3.7% reported revenues of more than \$1 million and 23.6% did not report their revenues. Of all the businesses in the assessment area, 85.2% were businesses with less than fifty employees while 87.5% operated from a single location. The largest industries in the area were service providers (47.4%), followed by retail trade industry (14.5%) and construction (6.3%), while 8.1% of businesses in the assessment area were not classified.

The New York State 2009 Mortgage Foreclosure Law approved on December 15, 2009 requires that a pre-foreclosure notice be sent at least 90 days before the lender commences legal action against all borrowers with home loans. Of the 134,000 90-day pre-foreclosure notices mailed between February 13, 2010 and August 31, 2010, St. Lawrence County borrowers received 372 notices, which represented less than 1% (0.3 %) of the total. In addition, St. Lawrence County’s rate of foreclosure notices compared to mortgages (2.2%) was lower than the statewide average (5.2%).

According to the New York State Department of Labor, the average unemployment rate for New York State has escalated from 5.3% in 2008 to 8.4% in 2009. The unemployment rate in St. Lawrence County was 7.0% and 9.8% in 2008 and 2009, respectively, above the state average in both years.

Assessment Area Unemployment Rate		
	New York State	St.Lawrence Cty
2008	5.30%	7.00%
2009	8.40%	9.80%

Community Information

Twenty-seven of the 28 census tracts in NCSB’s assessment area are located in SLC. The county is sparsely populated with residents centered in the few large towns and cities where the bank’s branches are located. The county is also home to several universities and state colleges such as St. Lawrence University in Canton, Clarkson University in Potsdam and SUNY Canton and Potsdam. Therefore, college education is the county’s primary industry. Major employers include these schools,

as well as divisions of two worldwide manufacturers, Corning Glass and ALCOA, and three Wal-Mart stores. In addition to the unemployment rate of SLC being historically above the statewide average, the county has one of the lowest per capita income levels in New York State. One of the local contacts interviewed for this examination indicated that the poverty level has remained constant, even during the recent economic downturn.

NCSB stated that the primary credit needs of the community are affordable and safe housing; energy programs for low- and moderate-income residents and specialized housing for special needs populations (handicapped residents and senior citizens). The two community contacts interviewed during this examination reaffirmed these needs.

NYSBD contacted the St. Lawrence County Housing Council, Inc. ("SLCHC") and the St. Lawrence County Planning Office. SLCHC is a non-profit organization that provides homeownership assistance to low- and moderate-income first time homebuyers; assists current homeowners in transforming their unsafe houses into safe, affordable homes; and provides property management of federally subsidized elderly and/or disabled rental properties. St. Lawrence County Planning Office is an agency of the county government involved in assisting first time homebuyers with down payment and closing costs and credit counseling through its Direct Homeownership Assistance program, which is funded by federal grants. It also funds applications to rehabilitate residential and commercial projects in the county.

Housing in SLC is typically old; as noted earlier, the median age of the housing stock is 52 years. Much of the housing is in need of rehabilitation. A number of the older homes suffer from deficiencies such as lack of sufficient insulation, a need for structural repairs and other age-related concerns. One community contact noted that in many cases, people whose homes have been in their families for decades have trouble keeping them in reasonable condition given the costs of home repair.

While the community's largest industry is education, the contact indicated that these college graduates do not choose to stay after graduation and that the population is getting older. Aside from the need for affordable housing, there is also a need for good jobs in the county and the North Country region in general. The closure of the General Motors plant in Massena and layoffs at Alcoa and other employers have significantly reduced the number of well-paying jobs.

Both contacts indicated that NCSB is a great partner in meeting the credit needs of the community, as well as providing community services geared to low- and moderate-income community members. In addition to financing loans with interest rate reductions to qualified homebuyers, the bank provides financial support and training assistance to organizations involved in homeownership counseling. NCSB is also involved in sponsoring seminars for first-time homebuyers, as well as seminars about fair housing, credit counseling and housing rehabilitation.

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

NCSB was evaluated under the small banking institution's performance standards in accordance with Parts 76.7 and 76.12 of the General Regulations of the Banking Board. NCSB performance was evaluated according to the small bank performance criteria, which consists of the lending test including (1) loan-to-deposit 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. The following factors were also considered 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; record of opening and closing offices and providing services at offices; and process factors, such as activities to ascertain credit needs and the extent of marketing and special credit related programs. Finally, the evaluation considered other factors as delineated in Section 28-b of the Banking Law that reasonably bear upon the extent to which a banking institution is helping to meet the credit needs of its entire community.

Statistics employed in this evaluation were derived from various sources. Bank-specific information was submitted by the bank both as part of the examination process and on its Call Report submitted to the Federal Deposit Insurance Corporation ("FDIC"). Aggregate lending data were obtained from the Federal Financial Institutions Examination Council ("FFIEC") and deposit data were obtained from the FDIC. Loan-to-deposit ratios were calculated from information shown in the bank's Uniform Bank Performance Report ("UBPR") as submitted to the FDIC.

The demographic data referred to in this report were derived from the 2000 U.S. Census and the U.S. Department of Housing and Urban Development ("HUD"). Business demographic data used in this report provide information on US businesses, enhanced by Dun & Bradstreet reports and updated annually. Unemployment data were obtained from the New York State Department of Labor. Some non-specific bank data were only available on a county-wide basis, and were used even though the institution's assessment area includes partial counties.

The assessment period included calendar years 2008 and 2009. Examiners considered NCSB's performance in HMDA-type mortgage loans in evaluating factors (2), (3) and (4) of the lending test as noted above. NCSB was not a HMDA reporter, and therefore its mortgage lending activity was not part of the market aggregate data which was used in the report for comparative purposes.

NCSB received a rating of "2", reflecting a "Satisfactory" record of helping to meet community credit needs at its **prior** Performance Evaluation conducted by the New York State Banking Department as of December 31, 2007.

Current CRA Rating: "Satisfactory"

Lending Test: “Satisfactory”

HMDA-type lending activities are reasonable in light of aggregate and peer group activity and demographics.

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

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

The bank’s average LTD for the 8 quarters ending December 31, 2009 was 111.3%, a slight decrease from the prior evaluation period (December 31, 2007- 113.9%), but still a more than reasonable record. The decrease is consistent with the declining trend in the loan portfolio.

Since the third quarter ended September 30, 2005, NCSB’s LTD ratio has been over 100% mostly due to increased real estate lending which grew from \$175 million at December 31, 2005 to \$194 million as of December 31, 2009. Aside from the maximum utilization of deposits, NCSB uses borrowings from the Federal Home Loan Bank to fund its lending activities.

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

Loan-to-Deposit Ratios									
	2008 Q1	2008 Q2	2008 Q3	2008 Q4	2009 Q1	2009 Q2	2009 Q3	2009 Q4	Avg.
Bank	116.0	114.0	114.7	112.2	107.9	106.8	108.7	110.1	111.3
Peer	90.2	92.0	93.3	93.0	89.6	88.4	88.8	87.3	90.3

In addition, NCSB was evaluated under the small bank performance standards, and was not required to have its community development activities evaluated during CRA examinations. Nevertheless, NCSB had significant community development lending, services and investment activities. The lending activities are detailed in this section; community development investment and services are detailed in a later section.

- As part of its community development services, NCSB is a member of the Community Lending Corporation. NCSB has also agreed to lend up to \$510 thousand to finance affordable housing for low-income families in its assessment area.
- NCSB supported the Canton Village’s efforts regarding downtown revitalization, including the provision of grants to downtown building owners for the improvement of buildings in Main Street, Canton, NY. A \$220 thousand

community development loan towards neighborhood revitalization was made to the “Traditional Arts in Upstate New York”, to renovate their North Country Heritage Center in downtown Canton.

Assessment Area Concentration: “Outstanding”

During the evaluation period, NCSB originated 96.4% by number, and 94.7% by dollar value of its HMDA-type loans within its assessment area. This substantial majority of lending inside of its assessment area was an “Outstanding” record of lending within NCSB’s assessment area.

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

Distribution of Loans Inside and Outside of the Assessment Area - HMDA - type										
Loan Type	Number of Loans					Loans in Dollars (in thousands)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
HMDA-Reportable										
2008	468	97.5%	12	2.5%	480	28,573	95.2%	1,427	4.8%	30,000
2009	334	94.9%	18	5.1%	352	25,857	94.0%	1,648	6.0%	27,505
Grand Total	802	96.4%	30	3.6%	832	54,430	94.7%	3,075	5.3%	57,505

Distribution by Borrower Characteristics: “Satisfactory”

The distribution of HMDA-type loans based on borrower characteristics demonstrated a reasonable rate of lending among individuals of different income levels.

During the two-year evaluation period, NCSB extended 25.1% by number and 17.1% by dollar value of its HMDA-type loans to LMI borrowers in its assessment area. These LMI penetration ratios were significantly lower than the percentage of LMI families (42.2%) in the assessment area, but similar to the aggregate’s penetration ratios. In addition, NCSB’s LMI penetration ratios improved from 2008 to 2009. In 2009, its penetration ratios exceeded the aggregate’s penetration ratios for both number of loans and dollar value of loans to LMI families.

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

Distribution of HMDA-type Loans by Borrower Income Level									
2008									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	36	7.7%	1,372	4.8%	110	8.8%	3,011	3.9%	22.7%
Moderate	78	16.7%	3,049	10.7%	253	20.4%	9,552	12.4%	19.5%
LMI	114	24.4%	4,421	15.5%	363	29.2%	12,563	16.2%	42.2%
Middle	115	24.6%	6,515	22.8%	361	29.0%	20,446	26.4%	22.0%
Upper	193	41.2%	13,972	48.9%	496	39.9%	42,805	55.4%	35.8%
Unknown	46	9.8%	3,665	12.8%	23	1.9%	1,521	2.0%	0.0%
Total	468		28,573		1,243		77,335		
2009									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	14	4.2%	575	2.2%	67	6.7%	1,908	2.5%	22.7%
Moderate	73	21.9%	4,295	16.6%	191	19.0%	8,719	11.6%	19.5%
LMI	87	26.0%	4,870	18.8%	258	25.6%	10,627	14.2%	42.2%
Middle	76	22.8%	4,976	19.2%	276	27.4%	18,216	24.3%	22.0%
Upper	156	46.7%	13,502	52.2%	431	42.8%	43,251	57.7%	12.8%
Unknown	15	4.5%	2,509	9.7%	42	4.2%	2,863	3.8%	0.0%
Total	334		25,857		1,007		74,957		
GRAND TOTAL									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	50	6.2%	1,947	3.6%		7.9%		3.2%	
Moderate	151	18.8%	7,344	13.5%		19.7%		12.0%	
LMI	201	25.1%	9,291	17.1%		27.6%		15.2%	
Middle	191	23.8%	11,491	21.1%		28.3%		25.4%	
Upper	349	43.5%	27,474	50.5%		41.2%		56.5%	
Unknown	61	7.6%	6,174	11.3%		2.9%		2.9%	
Total	802		54,430						

Geographic Distribution of Loans: "Needs to improve"

The distribution of HMDA-type loans based on lending in census tracts of varying income levels has improved since the prior evaluation period, but is still considerably below both the market opportunity and the aggregate penetration ratios.

There is only one low-income census tract within the Bank's assessment area; this tract has no owner-occupied housing, and therefore no opportunity for mortgage lending.

However, there are three moderate-income tracts that received 10% of the mortgage loans done by all banks within the bank's assessment area. In contrast, during the evaluation period, NCSB made 3.9% of its mortgage loans by number and 2.6% of its mortgage lending by dollars in these census tracts.

The following chart provides a summary of the NCSB's HMDA-type lending distribution based on the income level of the geography.

Distribution of HMDA-type Loans by Geographic Income of the Census Tract									
2008									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Moderate	20	4.3%	986	3.5%	144	11.6%	7,483	9.7%	10.0%
LMI	20	4.3%	986	3.5%	144	11.6%	7,483	9.7%	10.0%
Middle	435	92.9%	26,742	93.6%	1,060	85.3%	66,366	85.8%	86.2%
Upper	11	2.4%	791	2.8%	38	3.1%	3,368	4.4%	3.8%
Unknown	2	0.4%	54	0.2%	1	0.1%	118	0.2%	0.0%
Total	468		28,573		1,243		77,335		
2009									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Moderate	11	3.3%	424	1.6%	113	11.2%	8,070	10.8%	10.0%
LMI	11	3.3%	424	1.6%	113	11.2%	8,070	10.8%	10.0%
Middle	318	95.2%	25,118	97.1%	854	84.8%	62,616	83.5%	86.2%
Upper	5	1.5%	315	1.2%	40	4.0%	4,271	5.7%	3.8%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Total	334		25,857		1,007		74,957		
GRAND TOTAL									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%		0.0%		0.0%	
Moderate	31	3.9%	1,410	2.6%		11.4%		10.2%	
LMI	31	3.9%	1,410	2.6%		11.4%		10.2%	
Middle	753	93.9%	51,860	95.3%		85.1%		84.7%	
Upper	16	2.0%	1,106	2.0%		3.5%		5.0%	
Unknown	2	0.2%	54	0.1%		0.0%		0.1%	
Total	802		54,430						

Action Taken In Response to Written Complaints With Respect to CRA: "Satisfactory"

Since the latest CRA evaluation as of date, neither the bank nor the New York State Banking Department has received any written complaints regarding NCSB's CRA performance.

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

The board of trustees reviewed the CRA Public Statement and CRA-related policies annually, but did not review of CRA performance. While the bank is meeting the credit and service needs of its community, particularly with regard to community development activities, the board of trustees should regularly review CRA performance. This review should focus on the bank's record of meeting the credit needs in moderate-income

census tracts, an area noted as needing improvement.

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

NYSBD noted no practices that were intended to discourage applications for the types of credit offered by the institution.

Evidence of prohibited discriminatory or other illegal credit practices

NYSBD noted no evidence of prohibited discriminatory or other illegal practices.

Record of opening and closing offices and providing services at offices

Distribution of Branches within the Assessment Area							
County	N/A	Low	Moderate	Middle	Upper	Total	LMI
	#	#	#	#	#	#	%
*St. Lawrence	1			4		5	0%
Total	1	-	-	4	-	5	0%

*Partial County

The assessment area is sparsely populated with 81.7% of the total population of 109.08 thousand living in middle income tracts. NCSB operates five full service branches in the municipalities of Canton, Massena, Ogdensburg and Potsdam. Four of these branches are located in middle-income census tracts, while the branch at the St. Lawrence University (SLU) campus in Canton is in a census tract with no known income level.

While there are no branches located in LMI census tracts, residents of two of the four LMI census tracts generally find the Ogdensburg and Potsdam branches convenient for their banking needs because of their proximity to these locations, as well as the availability of public transportation that can be used to take these residents to NCSB’s branch locations, particularly Canton, which is the capital of St. Lawrence County.

All of NCSB’s branches have ATMs; there are four additional remote bank-owned ATMs within the assessment area. The bank is also a member of the Allpoint ATM Network, which has seven ATMs (mostly located at Sunoco gas stations) available for cash withdrawals. There were no branches opened or closed during the current evaluation period.

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 has ascertained the primary credit needs of its assessment area to be affordable and safe housing and improvements to make housing for low- and moderate-income residents more energy-efficient.

Ascertainment efforts included participation by bank staff, including senior management in community based organizations. For example, the CRA Officer and Chief Lending Officer is the president of the board of the SLCHC. The bank also participated in credit related events sponsored by the County Board of Realtors, attended local Energy Fairs and worked with representatives from the NYS Energy Research and Development Authority (NYSERDA) to assist homeowners with property rehabilitation efforts. These efforts permitted NCSB to learn about community needs.

- *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 used several methods to make members of the community aware of its credit services, including: advertising on local radio and TV stations; making direct contact with present and potential customers using video screens located at the lobby in all of its branches; advertising in print media such as local daily and/or weekly newspapers; maintaining a website; e-mailing letters to online banking customers; and placing listings in yellow pages and realtor folders.

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

NCSB was evaluated under the small bank performance standards, and was not required to have its community development activities evaluated during CRA examinations. Nevertheless, NCSB had significant community development lending, services and investment activities. Lending activities were detailed in a prior section; service and investment activities include:

- NCSB invested \$524,000 in collateral trust notes issued by the Community Preservation Corporation, a non-profit corporation with a mission to stabilize, strengthen and sustain low- and mixed-income communities.
- NCSB made a community development investment of \$200 thousand to the Statewide Zone Capital Corporation, to provide loans to businesses in two designated economic development zones, both of which are located in its assessment area.
- NCSB made a \$15 thousand grant to the SLCHC, to support a revolving loan

fund for home improvement loans for low-income homeowners. In addition to financial support, NCSB provided community development services to first time homebuyers in classes sponsored by the SLCHC. SLCHC is the only homeownership counseling provider in St. Lawrence County. NCSB's assistance also included interest rate reductions to SLCHC clients who completed the class on Homebuyer Education.

- In addition to the \$510 thousand loan to the Community Lending Corporation noted above, NCSB is also a member of the Community Lending Corporation.
- In addition to the \$220,000 loan to "Traditional Arts in Upstate New York" noted above, NCSB also supported the Canton Village's downtown revitalization efforts by providing grants to downtown building owners for the improvement of buildings on Main Street.
- NCSB sponsored seminars that were conducted by the St. Lawrence County Planning Office, a county government agency involved in providing financial services to low- to moderate-income households throughout the county.
- The bank encouraged its employees and trustees to work with various community organizations, and speak at public functions on financial responsibility and credit. The bank also participated in credit-related events sponsored by the St. Lawrence County Board of Realtors

The two community contacts, SHLC and St. Lawrence County Planning Office indicated that NCSB is a great partner in their common goals of providing financial and educational assistance to low- and moderate-income individuals and special needs populations.

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

The term “community development” is defined to mean:

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.

A “community development loan” is defined as a loan that has as 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.

A “qualified investment” is defined as a lawful investment, deposit, membership share or grant that has as its *primary purpose* community development. 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.

A “community development service” is defined as a service that has as its *primary purpose* community development, 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.

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 of the person, family or household is based on the income of person, family or household. 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 (“GAR”) of \$1 million or less (“< = \$ 1MM”).

Low or Moderate Income (“LMI”) Geographies

Those census tracts or block numbering areas (“BNAs”), where according to the 2000 US 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 the case 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 depicts 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.

Small Business Loans

Loans to businesses with original amounts of \leq \$1MM.