



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

September 05, 2012

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

Champlain National Bank  
Charter Number 9405

3900 New York State Route 22  
Willsboro, NY 12996

Office of the Comptroller of the Currency  
Syracuse Field Office  
5000 Brittonfield Parkway  
Suite 102B  
East Syracuse, NY 13057

**NOTE:** This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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

The primary factors supporting the institution's overall rating are:

- Champlain National Bank (CNB) had a reasonable average loan-to-deposit ratio during the evaluation period.
- A substantial majority of commercial loans originated during the evaluation period were inside the bank's assessment area (AA).
- CNB had reasonable penetration of lending to small businesses.
- CNB had excellent dispersion of commercial loans in the moderate-income census tracts within the AA.
- CNB did not receive any CRA-related complaints during the evaluation period.

**SCOPE OF EXAMINATION**

The evaluation period covers the time period from September 14, 2006 through September 4, 2012. However, the sampled loans were originated during the period of January 1, 2009 through December 31, 2011. This sample period was representative of the entire evaluation period, as no strategic changes or changes in lending standards took place. We determined that commercial loans were the bank's primary product after evaluating originations during the period by both number and dollar amount, and by discussing the matter with bank management. We relied on a random sample of 30 commercial loan originations to evaluate the bank's lending performance.

**DESCRIPTION OF INSTITUTION**

Champlain National Bank (CNB) is a \$227 million community bank headquartered in Willsboro, New York (NY). The bank is the only subsidiary of Champlain Bank Corporation. CNB's branch network of nine locations remains contained within Clinton and Essex Counties, with no branch openings or closings during the evaluation period. Location lobby hours and drive-up availability differ by location. All locations offer automated teller machines (ATM) with 24-hour access. CNB offers traditional banking products and services, including online banking and bill pay.

CNB continues to focus on commercial lending, with the commercial lending operations headquartered in Plattsburgh, NY. As of June 30, 2012, commercial and commercial real estate loans totaled approximately \$74 million, or 62% of total loans. The bank was successful in a residential mortgage loan origination effort in 2011, increasing home mortgage loans, both senior and junior liens, to \$28 million, or 24% of total loans. Home equity lines of credit and consumer loans represent the bulk of the remaining

portion of the loan portfolio at \$6 million (5%) and \$5 million (4%), respectively. The bank is primarily deposit funded, with core deposits amounting to approximately 83% of total assets.

There are no legal, financial, or other factors that would impede the bank's ability to help meet the credit needs in its AA. At the last CRA evaluation dated September 14, 2006, CNB received a rating of "Satisfactory" CRA performance.

## **DESCRIPTION OF ASSESSMENT AREA**

The bank's assessment area (AA) consists of all 32 census tracts in Clinton County (19 census tracts) and Essex County (16 census tracts). These are rural non-metropolitan counties located in the northeast corner of New York State. For the purpose of this evaluation, the two counties are combined and the bank's performance evaluated as one AA. The area is not located within any Metropolitan Statistical Area (MSA). The AA meets all regulatory guidelines, with no low- or moderate-income areas being arbitrarily excluded.

Based on the 2000 U.S. Census, the AA contains zero low-income, two moderate-income (6.25%), twenty-six middle-income (81.25%), and three upper-income (9.38%) census tracts. One tract (3.13%) representing a local college has no income classification. The two moderate-income tracts are located in the Town of Plattsburgh.

Total population in the AA is 118,745, with 79,894 living in Clinton County and 38,851 living in Essex County. In the entire AA, the population consists of 29,286 families and 44,494 households. Of these families, 17.8% are designated low-income, 17.02% moderate-income, 22.8% middle-income, and 42.4% upper-income. There are 56,206 housing units in the AA, of which 55.6% are owner-occupied, 23.5% are renter-occupied, and 20.9% are vacant. Approximately 13.3% of the households are below the poverty level. The median housing value in the AA is \$78,945. The 2000 U.S. Census Median Family Income for the Non-MSA portions of New York State is \$41,761, with a 2011 Updated Median Family Income of \$56,100. This figure is based on information from the Department of Housing and Urban Development (HUD) and is used to determine the income designation of individuals residing in the AA.

Clinton County is in the northeastern corner of New York State, just west of Vermont and south of the Canadian province of Quebec. The population density is 77 people per square mile. In 1995, the area's major employer, the Plattsburgh Air Force Base, closed. The economic re-development of the base has been led by the Plattsburgh Airbase Redevelopment Corporation (PARC). PARC has been successful in creating a new home to businesses, nonprofits, and residential neighborhoods. It is now home to Plattsburgh International Airport. In addition, a diverse group of manufacturers and distributors have relocated to facilities on the former base. Bombardier operates a facility that assembles commuter rail cars for numerous transit systems in the U.S. Fujitsu consolidated its manufacturing operations for self-checkout and POS equipment

in Plattsburgh during 2011. Schonbek Crystal, a division of Swarovski Crystal, manufacturers lighting fixtures in a facility on the former base. Significant employers in the AA also include CVPH Medical Center and Georgia Pacific. Both Plattsburgh State University College and Clinton Community College are located in Plattsburgh.

Essex County is located in the heart of New York State's Adirondack Park, a six-million acre park comprised of both public and private lands, and contains the largest protected areas in the continental United States. The Park is home to 130,000 full-time residents and is visited annually by eight million people. The population density is 22 people per square mile. Essex County is heavily dependent on tourism to support its local economy. North Country Community College is located in Essex County. Lake Placid is best known as the two-time site of the Winter Olympics.

Four state penitentiaries are located in the AA (two in each county) and the inmate populations are included within the population totals. The rural nature of the AA includes a significant portion of farmland, some of which is not in use. Also, a substantial portion of the AA is comprised of uninhabited mountain terrain, much of which is classified as "Forever Wild" by the New York State Constitution.

According to the Bureau of Labor Statistics, the unemployment rate in Clinton County increased from 5.6% as of the last CRA exam to 10.5% as of July 2012. Essex County increased from 4.9% to 9.0%. In comparison, the New York State unemployment rate increased from 4.2% to 9.1% during the same time period.

CNB faces heavy competition from larger regional and national institutions, smaller community and savings banks, and credit unions in both Clinton and Essex Counties. The bank ranks seventh in deposit market share within the AA with \$186 million, or 10.35% of total deposits, as of June 2011.

During our examination, we contacted a local economic development officer to provide insight concerning economic conditions and local business credit needs. The contact stated that the area has benefited from Canadian investment and tourism due to the relative strength of the Canadian dollar. Business growth has centered in the service industry to meet the demand of increased tourist traffic to the area. The contact also stated that the most vital need for small business borrowers is a source of capital for those that do not meet banks' tightened loan underwriting standards. According to the contact, locally based community banks are more willing to lend to businesses that are not considered attractive to larger institutions, due to familiarity with the borrower.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

Based on a review of the bank's loan origination reports, we determined the bank's primary product to be commercial (including commercial real estate) loans. Commercial loans accounted for 30% of the number of loans originated and 73% of the dollar amount of loans originated in the time period reviewed. CNB's performance with regard

to the lending test meets the standard for satisfactory performance. Lending performance was based on four factors: loan-to-deposit ratio, lending in the AA, lending to businesses of different sizes, and the geographic dispersion of commercial loans.

**Loan-to-Deposit Ratio**

CNB’s average loan-to-deposit ratio during the evaluation period was reasonable. The bank’s average quarterly loan-to-deposit ratio from the last examination through June 30, 2012 was 59.28%. In comparison, two similarly situated institutions operating in similar markets and/or competing directly with CNB had average quarterly loan-to-deposit ratios of 57.33% and 72.52%. The institution with the higher loan-to-deposit ratio had a branch network that extended well beyond the CNB’s AA with greater opportunities for lending.

**Lending in Assessment Area**

A substantial majority of commercial loans originated during the evaluation period were inside the bank's AA. Of the 30 commercial and commercial real estate loans we sampled, 25, or 83.33%, were within the defined AA. By loan amount, 91.51% were within the bank's AA. Refer to the chart below for more information.

| <b>Lending in the Assessment Area</b> |                 |        |         |        |       |                         |        |         |       |       |
|---------------------------------------|-----------------|--------|---------|--------|-------|-------------------------|--------|---------|-------|-------|
| Loan Type                             | Number of Loans |        |         |        |       | Dollars of Loans (000s) |        |         |       |       |
|                                       | Inside          |        | Outside |        | Total | Inside                  |        | Outside |       | Total |
|                                       | #               | %      | #       | %      |       | \$                      | %      | \$      | %     |       |
| Commercial and Commercial RE          | 25              | 83.33% | 5       | 16.67% | 30    | 8,098                   | 91.51% | 751     | 8.49% | 8,849 |

*Source: Sample of Commercial and Commercial Real Estate loans originated between January 1, 2009 and December 31, 2011.*

**Lending to Businesses of Different Sizes**

CNB had reasonable penetration of lending to small businesses during the evaluation period. Based on our sample of 25 commercial and commercial real estate loans originated in the bank’s AA, 17, or 68%, of the number of loans originated were to businesses with revenues of \$1 million or less. By dollar amount, 59.22% of the total amount of loans was extended to businesses with revenues of \$1 million or less. Dun and Bradstreet business demographic information indicates 62.46% of the businesses within the AA have revenues of \$1 million or less, 2.85% have revenues in excess of \$1 million, and 34.69% did not report revenue information. Refer to the chart below for more information.

| <b>Borrower Distribution of Loans to Businesses in the AA</b> |              |              |                         |       |
|---|--------------|--------------|-------------------------|-------|
| Business Revenues (or Sales)                                  | ≤\$1,000,000 | >\$1,000,000 | Unavailable/<br>Unknown | Total |
| % of AA Businesses  | 62.46%       | 2.85%        | 34.69%                  | 100%  |
| % of Bank Loans in AA by #                                    | 68.00%       | 32.00%       | 0.00%                   | 100%  |
| % of Bank Loans in AA by \$                                   | 59.22%       | 40.78%       | 0.00%                   | 100%  |

Source: Sample of Commercial and Commercial Real Estate loans originated between January 1, 2009 and December 31, 2011; Dun and Bradstreet data.

### Geographic Distribution of Loans

CNB had excellent dispersion of loans to census tracts of different income levels during the evaluation period. Based on our sample of 25 commercial and commercial real estate loans originated in the bank’s AA, 8.00% of the number of loans was to businesses located within the moderate-income census tracts. According to the 2000 U.S. Census, 4.39% of total businesses in the AA are located within the moderate-income census tracts. Refer to the chart below for more information.

| <b>Geographic Distribution of Loans to Businesses in the AA</b> |                       |                            |                       |                            |                       |                            |                       |                            |
|---|-----------------------|----------------------------|-----------------------|----------------------------|-----------------------|----------------------------|-----------------------|----------------------------|
| Census Tract<br>Income Level                                    | Low                   |                            | Moderate              |                            | Middle                |                            | Upper                 |                            |
| Loan Type   | % of AA<br>Businesses | % of<br>Number<br>of Loans | % of AA<br>Businesses | % of<br>Number<br>of Loans | % of AA<br>Businesses | % of<br>Number<br>of Loans | % of AA<br>Businesses | % of<br>Number<br>of Loans |
| Commercial and<br>Commercial RE                                 | 0%                    | 0%                         | 4.39%                 | 8.00%                      | 81.61%                | 72.00%                     | 13.71%                | 20.00%                     |

Sources: Sample of Commercial and Commercial Real Estate loans originated between January 1, 2009 and December 31, 2011; 2000 U.S. Census. Note: 0.29% of the AA businesses were located in the census tract with an “NA” income classification.

### Responses to Complaints

CNB has not received any complaints regarding its CRA performance since the prior examination.

### Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank’s (bank) or Federal savings association’s (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank’s or FSA’s lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.

