



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

April 03, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Gouverneur Savings & Loan Association
Charter Number 706199

42 Church Street
Gouverneur, NY 13642-1416

Office of the Comptroller of the Currency

ADC-SYRACUSE Field Office
5000 Brittonfield Parkway, Suite 102
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 Outstanding.

- Gouverneur Savings & Loan Association (GS&LA) had an average loan-to-deposit ratio during the evaluation period that was more than reasonable compared to similarly situated institutions.
- A substantial majority of the loans originated during the evaluation period were inside the bank's assessment area (AA).
- GS&LA had an excellent penetration of home mortgage loans to borrowers of different income levels during the evaluation period.
- GS&LA had an excellent dispersion of home mortgage loans to borrowers located in moderate-income census tracts.

SCOPE OF EXAMINATION

The evaluation period covers the time period from February 28, 2007 through April 2, 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 home mortgage 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 chose a random sample of 40 loans of the primary product for evaluating the bank's lending performance.

DESCRIPTION OF INSTITUTION

GS&LA is a \$149 million stock institution, which is wholly-owned by Gouverneur Bancorp, Inc., a mid-tier stock holding company that is the majority-owned subsidiary of Cambray Mutual Holding Company. The main office is located in Gouverneur, New York, and there is a full-service branch located in Alexandria Bay, New York. There were no branch openings or closings during the evaluation period. Both locations have drive-up facilities to complement lobby services, and are normally open Monday through Friday. Both locations offer automated teller machines (ATM) with 24-hour access. In addition, the bank has a stand-alone ATM located in a Gouverneur office building with 24-hour access. GS&LA offers traditional banking products and services, including online banking and bill pay.

GS&LA maintains a traditional thrift posture, and provides banking services mainly rural areas in a three- county area in northern New York State. As of December 31, 2011, the loan portfolio remained heavily concentrated in 1-4 family residential real estate loans at \$98.6 million (85% of total loans), followed by commercial real estate at \$8.8 million (8%), consumer loans at \$5 million (4%), and commercial loans at \$2 million

(2%). The bank also has a small amount of loans secured by multi-family units and raw land. The bank is primarily deposit funded, with a fair amount of borrowings at 20% of total assets.

There are no legal or financial factors that would impede the bank's ability to help meet the credit needs in its AA. At the last CRA evaluation dated February 28, 2007, GS&LA received a rating of "Satisfactory" CRA performance.

DESCRIPTION OF ASSESSMENT AREA

GS&LA's AA consists of 26 contiguous census tracts in rural, non-MSA areas of St. Lawrence, Jefferson, and northern Lewis Counties. Although the AA does not include the entire portion of any county, it consists of whole census tracts that the bank can reasonably be expected to serve based on lending patterns and the presence of other institutions. By county, the AA consists of 15 tracts in St. Lawrence County, nine in Jefferson County, and two in northern Lewis County. Based on 2000 census data, 21 tracts are designated middle-income, four are moderate-income, and one tract does not have income data, as it exclusively consists of a local college. There are no low- or upper-income census tracts in the AA. The bank's main office is located in a moderate-income census tract in St. Lawrence County, while the full-service branch is located in a middle-income census tract in Jefferson County.

The AA has a total population of 125,105, including 30,834 families and 42,728 households. Of the 61,538 housing units located in the AA, 47% are owner-occupied and 25% are rental units. Of these housing units, almost 31% are vacant. The high vacancy rate is primarily due to the substantial proportion of vacation homes in the AA. The median housing value in the AA is \$60,622 with a median age of 49 years. The 2011 Updated Median Family Income for non-MSA New York State census tracts was \$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. For loans to individuals originated in 2010 and 2009, the appropriate Updated Median Family Income values were used. In 2011, the AA consisted of 22% low-income, 21% moderate-income, 24% middle-income, and 33% upper-income families. Approximately 13% of the households in the AA were living below the poverty level.

According to the Bureau of Labor Statistics, the February 2012 New York State unemployment rate was 8.5%, and the unemployment rates for St. Lawrence, Jefferson, and Lewis Counties were between 11.2% and 11.8%. The bank's AA is mostly rural, with more densely populated areas in Gouverneur, Ogdensburg, and Canton, New York. Just outside the AA is the more highly populated area of Watertown, New York, and the Fort Drum military installation. Fort Drum continues to be the largest employer in the area, as well as, a major customer for other businesses. Within the AA, the education industry is a major employer due to the presence of St. Lawrence University and SUNY Canton. The bank faces competition from small community banks, as well as, larger regional and national institutions. Within the three counties that are included

in the AA, GS&LA ranked ninth in deposit share with just under \$90 million, or 3% of total deposits, as of June 2011.

During our examination, we contacted a local community development program that serves low- and moderate-income families and individuals. The contact indicated that a large portion of the individuals that the organization assists are without deposit accounts or basic budgeting skills. These customers could benefit from community outreach classes that teach the basics of financial budgeting and banking concepts. Due to the age of the housing stock, combined with harsh weather conditions, home improvement financing is also vital.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

GS&LA's performance with regard to the lending test exceeds the standard for satisfactory performance. The performance level for the lending test was based on four individual factors: loan-to-deposit ratio, lending in the AA, lending to borrowers of different incomes, and the geographic distribution of loans.

Loan-to-Deposit Ratio

The bank's average loan-to-deposit ratio during the evaluation period was more than reasonable. The average quarterly loan-to-deposit ratio since the last CRA examination through December 31, 2011 was 130.33%. In comparison, three similarly situated institutions operating in similar markets and competing directly with GS&LA had average quarterly loan-to-deposit ratios ranging from 98.68% to 121.75%, with an overall quarterly average of approximately 110%.

Lending in the Assessment Area

A substantial majority of home mortgage loans originated during the evaluation period were inside the bank's AA. All 40 of the home mortgage loans originated between January 1, 2009 and December 31, 2011 in the sample were within the defined AA. This is similar to the results of the last CRA Performance Evaluation, in which 96% of the loans were originated inside the AA. Refer to the chart below for more information.

Lending in the Assessment Area										
Loan Type	Number of Loans					Dollars of Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Mortgage	40	100%	0	0%	40	2,422	100%	0	0%	2,422

Source: Loan sample of Home Mortgages originated between January 1, 2009 and December 31, 2011.

Lending to Borrowers of Different Incomes

GS&LA had an excellent penetration of loans to borrowers of different incomes during the evaluation period. For the borrower distribution test (as well as, the geographic dispersion test), we compared the bank's performance against aggregate Home Mortgage Disclosure Act (HMDA) data within the AA. This represents the lending activity reported by all HMDA reporters lending in the AA. By count, the percentage of home mortgage loans to low-income borrowers at 15% significantly exceeded the percentage of 2009 and 2010 HMDA-reported loans to those borrowers at 5.08% (2011 HMDA data was not available). The percentage of home mortgage loans to moderate-income borrowers at 12.5% was lower than the HMDA loans to those borrowers at 15.75%. When viewed as a whole, the home mortgage loans GS&LA originated to low- and moderate-income borrowers exceeded other lenders in the AA, as indicated by HMDA aggregate data. Of the sampled loans, one loan (2.50%) did not have income information available. For aggregate HMDA data, 11.28% of the loans did not have income available. For more information, refer to the chart below.

Borrower Distribution of Residential Real Estate Loans								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of HMDA Loans	% of Number of Loans	% of HMDA Loans	% of Number of Loans	% of HMDA Loans	% of Number of Loans	% of HMDA Loans	% of Number of Loans
Home Mortgage	5.08%	15.00%	15.75%	12.50%	25.82%	42.50%	42.07%	27.50%

Source: Loan sample of Home Mortgage loans originated between January 1, 2009 and December 31, 2011; Aggregate HMDA Data for 2009 and 2010 (2011 not available).

Geographic Distribution of Loans

The geographic dispersion of home mortgages during the evaluation period was excellent. By count, 40% of home mortgages in the sample were originated within moderate-income census tracts. This significantly exceeds performance of HMDA lenders in the AA, as aggregate 2009 and 2010 HMDA data indicated only 6.86% of the these loans were originated within moderate-income census tracts. One HMDA mortgage was originated in the census tract with no income data available, which accounts for the aggregate data being slightly less than 100%. Refer to the chart below for more information.

Geographic Distribution of Home Mortgages Loans in Assessment Area								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of HMDA Loans	% of Number of Loans	% of HMDA Loans	% of Number of Loans	% of HMDA Loans	% of Number of Loans	% of HMDA Loans	% of Number of Loans
Home Mortgage	0.00%	0.00%	6.86%	40.00%	93.11%	60.00%	0.00%	0.00%

Source: Loan sample of Home Mortgage loans originated between January 1, 2009 and December 31, 2011; Aggregate HMDA data for 2009 and 2010 (2011 data not available).

Responses to Complaints

GS&LA has not received any complaints regarding its CRA performance since the prior examination.

Fair Lending or Other Illegal Credit Practices Review

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