



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

April 28, 2003

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

**The First National Bank of Groton
Charter Number 1083**

**161 Main Street
Groton, NY 13073**

**Comptroller of the Currency
ADC-Upstate New York (Syracuse)
231 Salina Meadows Parkway 105
Syracuse, NY 13212**

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

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INSTITUTION'S CRA RATING

This institution is rated Outstanding.

- The average loan-to-deposit ratio since the last examination of 61% meets the standard for satisfactory performance based on the bank's financial condition and assessment area credit needs.
- The First National Bank of Groton (FNBG) meets the standard for satisfactory performance for originating loans within its combined assessment area.
- Distribution of credit based on borrower income level and business size exceeds the standard for satisfactory performance.
- FNBG has not received any CRA-related complaints during this evaluation period.

DESCRIPTION OF INSTITUTION

FNBG is a \$90 million community bank with its main office located in Groton, New York. One branch office opened in February 1999, and is located in Moravia, New York, approximately ten miles from the main office. Groton and Moravia, New York, are rural communities approximately fifty miles north of Binghamton, New York, forty-five miles south of Syracuse, New York, and within fifteen miles of Cortland and Ithaca, New York. Both offices have a drive-up facility and an automated teller machine (ATM). There is also an off-site ATM located at a convenience store in Moravia. Additionally, FNBG is a member of the STAR network, giving customers access to their accounts at various locations worldwide. FNBG offers a variety of traditional banking products and services. Both branches maintain traditional banking hours during the week, and are open on Saturday morning. Extended hours are offered each day at the drive-up facilities, or by appointment.

As of December 31, 2002, the bank's asset base included \$52 million (58%) in loans and \$33 million (37%) in investments. Total deposits were \$79 million. Real estate loans, both consumer and commercial, total \$31 million, or 60% of the loan portfolio. The remainder of the loan portfolio consists of \$7 million (14%) in business loans, \$13 million (25%) in consumer loans, and \$518 thousand (1%) in farm loans. FNBG is primarily a consumer lender.

There are no legal, financial or other factors that would impede the bank's ability to help meet the credit needs in its defined assessment area. At the last CRA examination, dated February 9, 1997, FNBG received a satisfactory rating of its performance in helping to meet the credit needs of the community.

DESCRIPTION OF THE ASSESSMENT AREAS

FNBG's combined assessment area (AA) consists of six contiguous geographies in Cayuga and Tompkins counties. All geographies are designated middle-income. Since the combined AA contains geographies in a metropolitan statistical area (MSA) of New York State, and there is a branch located in this MSA, the combined AA actually consists of two smaller AAs. These two smaller AAs are evaluated individually under the CRA with respect to borrower distribution. The first AA (Syracuse) consists of two census tracts in Cayuga County in the Syracuse MSA (MSA 8160). The Moravia office and the off-site ATM are located in this AA. The second AA (non-MSA) consists of four block-numbering areas (BNA) in Tompkins County in a non-metropolitan area of New York State. The main office is located in this AA. The AAs meet the requirements of the regulation and do not arbitrarily exclude low- or moderate-income geographies.

The New York State unemployment rate for January 2003 was 6.9%; the Syracuse MSA and the non-MSA rates were 6.2% and 6.4%, respectively. The unemployment rate for Tompkins County, which encompasses the majority of the bank's AA population, is low at 3.5%. However, the unemployment rate for Cayuga County is higher at 7.1%. Employment in the combined AA is primarily with area colleges, universities and school districts, as well as local retail and service establishments. General economic conditions are viewed as generally stable. Competition is relatively strong from various other financial institutions with offices in and around FNBG's combined AA.

SYRACUSE ASSESSMENT AREA

The Syracuse AA has a total population of 8,813 in 2,085 families and 2,631 households. The AA consists of 22% low-income, 23% moderate-income, 29% middle-income, and 26% upper-income families. Of the 3,308 housing units in the AA, 66% are owner-occupied, 16% are rental units, and 21% are vacant. The median housing value in the AA is \$57,657 with a median housing age of 51 years. The 1990 U.S. Census median family income for the Syracuse MSA is \$31,580, which is used to determine the income designation of the MSA's geographies (all geographies in the AA are middle-income). The 2002-updated median family income for the MSA is \$50,300. This figure is used to determine the income designation of individuals residing in this MSA, and to evaluate the distribution by borrower income in the Syracuse AA. The updated median family income is based on information from the Department of Housing and Urban Development (HUD). Approximately 33% of the population in the bank's combined AA resides in this AA.

NON-MSA ASSESSMENT AREA

The non-MSA AA has a total population of 18,253 in 4,986 families and 6,733 households. The AA consists of 13% low-income, 18% moderate-income, 22% middle-income, and 46% upper-income families. Of the 7,101 housing units in the assessment area, 71% are owner-occupied, 24% are rental units, and 6% are vacant. The median housing value in the AA is \$77,710 with a median housing age of 43 years. The 1990 U.S. Census median family income for the non-MSA is \$35,155, which is used to determine the income designation of the non-MSA's geographies (all the geographies in the AA are middle-income). The 2002-updated median family income for the non-MSA is \$43,600. This figure is used to determine the income designation of individuals residing in the non-MSA and to evaluate the distribution by borrower income in the non-MSA AA. The majority, or 67%, of the population in the bank's combined AA resides in this AA.

Information was obtained from two organizations serving the area that includes the bank's combined AA, a community development group that focuses on meeting the needs of local businesses and entrepreneurs and a community action agency that serves low-income residents. Both organizations have certain funding needs that are then, in turn, used to provide funding and assistance to their "customers." In addition to providing funds, these organizations also serve their customers in various other ways.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

This evaluation of FNBG's performance under the CRA covers the period from February 9, 1998 through December 31, 2002. Based on discussions with management and a review of total loan originations during the rating period, we determined that the primary loan products originated during the rating period, based on both dollar amount and number of loans, were personal purpose installment loans, consumer vehicle loans, and business loans. For the purpose of evaluating the bank's performance of lending within the combined AA, we chose a sample of 20 loans of each primary product type, or 60 loans totaling \$625,020. In order to evaluate the distribution of loans by borrower income and business size in each of the smaller AAs, we sampled 20 loans in each AA for each primary loan product, or 120 loans totaling approximately \$1.2 million.

Loan-to-Deposit Ratio

FNBG's loan-to-deposit ratio meets the standard for satisfactory performance. Since the last CRA examination, FNBG has had a quarterly average loan-to-deposit ratio of 61%. A group of thirteen banks considered by management to be FNBG's peer group based on location, size and business strategies, had average ratios ranging from 42% to 79%, with an overall average of approximately 59%.

Lending in the Assessment Area

Lending within the AA meets the standard for satisfactory performance. Our sample of personal installment loans disclosed fifteen loans (75%) totaling \$93,596 (89%) were made in the bank's combined AA. Our sample of consumer vehicle loans disclosed fourteen (70%) totaling \$92,859 (70%) were in the combined AA. Our sample of business loans disclosed sixteen (80%) totaling \$314,691 (81%) were in the combined AA. Overall, our sample disclosed 45 loans (75%) totaling \$501,146 (80%) were in the combined AA.

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

Lending to borrowers of different incomes and to businesses of different sizes exceeds the standard for satisfactory performance.

Consumer Loans

The borrower distribution of personal installment and vehicle loans in the Syracuse and non-MSA AAs is very good, particularly with respect to low- and moderate-income borrowers. Please refer to the following tables for additional information. The percentage of loans to low- and moderate-income borrowers, based on number and dollar amount, for both product types either meets or far exceeds the income distribution of households within the respective AAs.

MSA – Borrower Distribution based on sample

	Personal Installment Loans				Vehicle Loans				Household Distribution
	Count	Cnt/Total	Amount	Amt/Total	Count	Cnt/Total	Amount	Amt/Total	
Low	10	50.00%	\$23,056	19.46%	11	55.00%	\$49,809	49.73%	22.88%
Moderate	6	30.00%	\$53,865	45.46%	4	20.00%	\$18,083	18.05%	18.74%
Middle	4	20.00%	\$41,566	35.08%	3	15.00%	\$26,266	26.22%	23.98%
Upper	0	0.00%	\$0	0.00%	2	10.00%	\$6,000	5.99%	34.40%
Total	20	100.00%	\$118,487	100.00%	20	100.00%	\$100,158	100.00%	

Non-MSA - Borrower Distribution based on sample

	Personal Installment Loans				Vehicle Loans				Household Distribution
	Count	Cnt/Total	Amount	Amt/Total	Count	Cnt/Total	Amount	Amt/Total	
Low	11	55.00%	\$46,303	45.79%	9	45.00%	\$39,609	27.56%	14.84%
Moderate	4	20.00%	\$31,221	30.88%	5	25.00%	\$19,495	13.57%	16.80%
Middle	5	25.00%	\$23,595	23.33%	2	10.00%	\$28,235	19.65%	19.23%
Upper	0	0.00%	\$0	0.00%	4	20.00%	\$56,373	39.23%	49.13%
Total	20	100.00%	\$101,119	100.00%	20	100.00%	\$143,712	100.00%	100.00%

Business Loans

Lending to businesses of different sizes in both the Syracuse and Non-MSA AAs is excellent, as evidenced by the following tables. Lending to small businesses (i.e. businesses with annual revenue of \$1 million or less) well exceeds the standard based on both number and dollar amount of loans. Additionally, all loans in the samples were in an amount less than \$100,000.

Syracuse AA	#	\$		2002 Business Loans
Loans To:				
Business with revenue <= \$1MM	19	95.00%	\$327,499 92.64%	75.36%
Business with revenue > \$1MM	1	5.00%	\$26,000 7.36%	4.64%
Total Sample	20	100.00%	\$353,499 100.00%	

Non MSA AA	#	\$		2002 Business Loans
Loans To:				
Business with revenue <= \$1MM	18	90.00%	\$301,725 86.52%	78.23%
Business with revenue > \$1MM	2	10.00%	\$47,000 13.48%	5.39%
Total Sample	20	100.00%	\$348,725 100.00%	

Geographic Distribution of Loans

All geographies in both AAs are designated middle-income. Therefore, an analysis of the geographic distribution of loans would not be meaningful.

Responses to Complaints

NBG has not received any CRA-related complaints during this evaluation period.

Fair Lending Review

An analysis of public comments and consumer complaint information since the last CRA examination was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed in January 1998.