



SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

June 29, 2005

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Dryden
Charter Number 6487**

**7 W. Main Street
Dryden, NY 13053**

**Comptroller of the Currency
Syracuse Field Office
231 Salina Meadows Parkway, Suite 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.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of the **First National Bank of Dryden (FNBD)** prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, **as of December 31, 2004**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A of 12 CFR Part 25.

INSTITUTION'S CRA RATING: This institution is rated Satisfactory based on the following:

- The average loan-to-deposit ratio at 40.31% meets the standards for satisfactory performance, although we consider it on the low end of meeting the standard.
- FNBD exceeds the standard for satisfactory performance for loans originated within the bank's assessment area (AA).
- Borrower distribution of loan originations exceeds the standard for satisfactory performance for the distribution of credit to borrowers of different income levels.
- FNBD's AA does not include low- or moderate-income geographies, therefore, an analysis of the geographic distribution of loan originations in FNBD's AA would not be meaningful for this examination.
- FNBD has not received any CRA-related complaints during the evaluation period.

DESCRIPTION OF INSTITUTION

The First National Bank of Dryden (FNBD) is an \$86 million community bank with its main office at 7 West Main Street, in the Village of Dryden. FNBD also has a branch office at 120 North Street, Dryden, within one mile of the main office, and another branch office, which opened in 2004, located at 853 Route 13, Cortland, NY. FNBD is located in a rural community approximately 40 miles north of Binghamton, NY, and 45 miles south of Syracuse, NY. At December 31, 2004, total assets were \$86 million consisting mainly of \$28 million in loans (33%) and \$54 million (63%) in investments. The bank's deposits total \$75 million. Consumer installment loans represent 42% of the loan portfolio. Real estate loans, including consumer and commercial real estate loans, are 47% of the loan portfolio. The remainder of the loan portfolio consists of 11% commercial loans. The primary lending focus is consumer installment and real estate lending.

The bank's Main Street Office offers regular lobby banking hours from 9:00 a.m. to 2:00 p.m. Monday through Thursday, and extended hours of 9:00 a.m. to 5:30 p.m. on Friday and 9:00 a.m. to 12:00 noon on Saturday. The North Street Office has regular lobby banking hours from 9:00 a.m. to 2:00 p.m. Monday through Wednesday, and extended lobby hours from 9:00 a.m. to 5:30 p.m. on Thursday and Friday. The North Street Office also offers lobby banking on Saturday from 9:00 a.m. to 12:00 noon. The drive-in window tellers at the Main Street and North Street locations are available to customers one hour before the lobby opens. At the Main Street and North Street locations, on Monday through Wednesday, the drive-in window teller is also available to customers two and one-half hours after the regular lobby hours. The Cortland Office has regular lobby banking hours from 8:30 a.m. to 4:00 p.m. Monday through Wednesday and extended hours of 8:30 a.m. to 5:30 p.m. Thursday and Friday. Saturday lobby hours are 8:30 a.m. to 12:00 noon. On Monday through Saturday, the Cortland Office drive-in window teller is open one-half hour before the lobby hours. On Monday through Wednesday the drive-in window teller is also open one-half hour after lobby hours. Non-deposit taking Automated Teller Machines (ATMs) are located at each location.

FNBD has no legal or financial impediments that would hinder its ability to help meet the credit needs in its defined AA. At the last CRA examination dated July 26, 1999, FNBD demonstrated a satisfactory level of performance, meeting the credit needs of the community. This current evaluation period covers from July 1, 1999 through December 31, 2004. The loan sample used in our analysis was from the period January 1, 2002 through December 31, 2004.

DESCRIPTION OF ASSESSMENT AREA

At December 31, 2004, FNBD's AA consists of 18 geographies located in Tompkins, Tioga and Cortland Counties, all in New York State. The geographies are distributed as follows: 0 low-income, 0 moderate-income, 16 middle-income, and 2 upper-income. One of the middle-income geographies is located in the Binghamton Metropolitan Statistical Area (MSA). FNBD also includes portions of an MSA where they do not have a physical branch location. This geography borders the non-MSA geography containing the main office. The AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income geographies.

Local economic conditions are stable. The New York State unemployment rate for December 2004 was 5.4%. The December 2004 unemployment rate for Tompkins, Tioga and Cortland Counties is 3.4%, 5.2% and 6.2%, respectively. The main employers in the FNBD AA include small businesses, local school districts, Tompkins Cortland Community College, Cornell University, Ithaca College, SUNY Cortland and NYSEG.

During our examination we contacted two local non-profit organizations that assist low- and moderate-income individuals with financial counseling and support. Both community contacts confirmed that there is a continuing strong need for affordable home financing and affordable home repair.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

This current evaluation period covers from July 1, 1999 through December 31, 2004. The loan sample used in our analysis was from the period January 1, 2002 through December 31, 2004. Based on a discussion with management and a review of the new loan reports for these three years, we determined the bank's primary products to be home mortgages and consumer loans. Our analysis and conclusions are based on the Home Mortgage Disclosure Act-Loan Application Register (HMDA-LAR) and Consumer Loan data for 2002, 2003 and 2004.

Loan-to-Deposit Ratio

FNBD's loan-to-deposit ratio meets the standards for satisfactory performance, although we consider it on the low end of meeting the standard. For each year, the bank is below its peers for the loan-to-deposit ratio. The bank's average loan-to-deposit ratio since the last examination was 40.31% compared to the peer banks' range of 50.58% to 64.90%. FNBD's low ratio is due primarily to FNBD's significant holdings of public funds deposits, which are generally considered short-term in nature. The bank's public funds ranged from 23.94% to 32.30% the last 12 quarters.

Lending in the Assessment Area (AA)

FNBD's lending within its AA exceeds the standards for satisfactory performance for the period being examined with 85.73% of the number of loans and 81.67% of the dollars of loans made in the AA.

Lending to Borrowers of Different Incomes

FNBD's record of lending to borrowers of different incomes exceeds the standard for satisfactory performance based on our analysis of home mortgage lending and consumer lending.

Borrower Distribution of Home Mortgage Loans in AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Year	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Total 2002	15.82	05.36	16.40	21.43	22.27	28.57	45.51	44.64
Total 2003	16.26	09.62	17.02	21.15	23.44	28.85	43.28	40.38
Total 2004	17.90	22.03	18.76	22.03	24.57	27.12	38.77	28.81

Source: % of AA Families is from the 1990 (for the year 2002) and 2000 (for the years 2003 and 2004) U.S. Census. % of Number of Loans is from the HMDA loan data.

Borrower distribution of home mortgage loans to low-income borrowers in the AA is significantly below the percentage of low-income families in the AA in 2002, below the percentage in 2003 and exceeds the percentage in 2004. The borrower distribution of home

mortgage loans to moderate-income borrowers in the AA is consistently above the percentage of families with moderate-income in the AA for 2002, 2003, and 2004.

Borrower Distribution of Consumer Direct and Indirect Loans in AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Year	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Total 2002	17.75	45.00	15.38	30.00	18.97	25.00	47.90	0.00
Total 2003	21.96	40.00	15.95	30.00	18.61	25.00	43.48	5.00
Total 2004	21.96	30.00	15.95	35.00	18.61	30.00	43.48	5.00

Source: % of AA Households is from the 1990 (for 2002) and 2000 (for years 2003 and 2004) U.S. Census. % of Number of Loans is from our sample of 60 consumer loans which we believe to be an adequate sample size to obtain a true picture of the banks lending activity.

The borrower distribution of consumer loans to low- and moderate-income households in the AA significantly exceeded the percentage of low- and moderate-income households in the AA for 2002, 2003, and 2004.

Geographic Distribution of Loans

An analysis of FNBD's geographic distribution of loan originations within its AA would not be meaningful for this examination. FNBD's AA did not include low- or moderate-income geographies based on the 1990 census data, which was used for the 2002 portion of this examination. The 2000 census data, which was used for the 2003 portion of this examination, reclassified one geography from middle- to moderate-income. However, this geography included only 2.21% of the moderate-income owner occupied housing within the AA for 2003. There were no other low- or moderate-income geographies in the bank's AA for 2003. With the MSA adjustments of 2004, this geography was once again re-classified middle-income, and therefore, for 2004, the bank's AA did not include low- or moderate-income geographies.

Response to Complaints

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

Fair Lending Review

We found no evidence of illegal discrimination or other illegal credit practices.