



Comptroller of the Currency
Administrator of National Banks

Northeastern District
1114 Avenue of the Americas, Suite 3900
New York, New York 10036

PUBLIC DISCLOSURE

May 12, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of Northern New York
Charter Number 10895
53 W. Main Street, P.O. Box 760
Norfolk, New York 13667

Comptroller of the Currency
Syracuse Duty Station
Interstate Place II
100 Elwood Davis Road
North Syracuse, New York 13212

NOTE: 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 Northern New York** prepared by **The Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of May 12, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

INSTITUTION'S CRA RATING: This institution is rated satisfactory.

The First National Bank of Northern New York has satisfactory CRA performance based on the following conclusions:

- The average loan-to-deposit ratio over the last eight quarters is 69%.
- Management originates a substantial majority of loans within the bank's assessment area.
- The distribution of loans to borrowers of different incomes and businesses of various sizes is adequate.
- The geographic distribution of loans within the bank's assessment area is reasonable.

The following table indicates the performance level of The First National Bank of Northern New York with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>First National Bank of Northern New York</u> Performance levels		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		X	
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to businesses of Different sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	No CRA Received	Related Since the	Complaints Last Exam.

DESCRIPTION OF INSTITUTION

The First National Bank of Northern New York (FNB Northern NY) is an \$85 million community bank with its main office located in Norfolk, New York, and four branches located in Canton, Malone, Massena, and Potsdam. The loan portfolio represents approximately 67% of the bank's total assets. Fifty-seven percent of total loans are real estate secured loans (residential and commercial), 29% are consumer loans, and 14% are business and farm loans. The bank's business focus is on all types of lending. Competition is strong from several other community and regional bank branches. There are no legal, financial or other impediments hindering the bank's ability to help meet the credit needs of the community.

FNB Northern NY offers traditional loan and deposit products at its five offices. The Norfolk office has extended hours on Friday. The four branches have extended lobby and drive-up facility hours on Friday and Saturday. Automated teller machines (ATM's) are available at the Malone, Massena and Potsdam locations.

DESCRIPTION OF ASSESSMENT AREA

FNB Northern NY's assessment area consists of 37 block numbering areas (BNA) located in Franklin and St. Lawrence Counties. Three BNAs are designated low-income, twelve are designated moderate-income, one is upper-income and the remaining BNAs are designated middle-income. FNB Northern NY's assessment area meets the criteria of the regulation and does not arbitrarily exclude any low or moderate income areas.

The assessment area consists mainly of small rural communities. The total population within the assessment area is 144 thousand. The average of MSA/Non-MSA census median family income is \$31,473. The income levels of families within the assessment area are: 25% low income families, 19% moderate income families, 23% middle income families and 32% upper income families.

Local economic conditions are stable. Employment is primarily distributed among government, education, agriculture, factory production, and the forestry and mining business segments. Major industrial employers include ALCOA Aluminum and Reynolds Metals.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

Loan to Deposit Ratio

The level of FNB Northern NY's loan-to-deposit ratio is reasonable and indicates a commitment to meeting the credit needs of the community. For eight calendar quarters since the last CRA examination, dated December 31, 1994, FNB Northern NY's average loan-to-deposit ratio is 69%. In comparison, similarly situated banks' loan-to-deposit ratios ranged from 65% to 76%. Similarly situated banks include two institutions of similar size located in the bank's trade area. The bank's ratio is consistent with the national peer group average of 68%.

Lending in the Assessment Area

A substantial majority of loan originations is within the bank's assessment area. Management reports covering all types of lending show 93% of loan originations since January 1995, or 91% based on dollar volume, are located within the bank's assessment area. A sample of small business and farm loan originations for the same time period disclosed 92% were in the assessment area. Lastly, our sample of consumer loans originated in 1996 indicated 80% were in the assessment area.

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

FNB Northern NY maintains adequate loan penetration across different income levels, and a majority of commercial loan originations are to small businesses and small farms.

The distribution of loans to borrowers of different income levels is reasonable, as indicated in the graph below.

Income Distribution of Consumer Loans*

Income Designation of the Borrower	% of Families in the Assessment Area	# of Loans Based on Sample	% of Loans Based on Sample
Low	25%	4	16%
Moderate	19%	8	32%
Middle	23%	6	24%
Upper	33%	7	28%
Total	100%	25	100%

*Analysis based on consumer instalment loan originations from 1/1/96 to 5/19/97. Total number of loans sampled constitutes 2% of total number of loans originated.

Loan originations to small businesses (businesses with revenues less than \$1 million) and small farms is satisfactory. Eighty percent of the loans reviewed went to small businesses and eighty-nine percent of loan amounts were less than \$100,000. See the following tables for a complete breakdown.

Distribution of Business Loans by Revenue*

	# of Loans Reviewed	% of Loans Reviewed
Loans to Small Businesses (Revenues < \$1MM)**	32	80%
Loans to Large Businesses (Revenues > \$1MM)	8	20%
Total Loans Reviewed	40	100%

** MM indicates millions
M indicates thousands

Distribution of Business Loans by Size*

Outstanding Balance of Business Loans	# of Business Loans	% of Business Loans
Loans >= 1MM	1	.3%
Loans >= 500M<1MM	4	1.3%
Loans >= 250M<500M	3	1.0%
Loans >=100M<250M	26	8.3%
Loans <100M	281	89.1%
Total	315	100.0%

*Analysis based on management's report of business and farm loan originations from 1/1/95 to 5/19/97. Total number of loans sampled constitutes 13% of total number of loans originated.

Geographic Distribution of Loans

There is reasonable lending activity throughout the assessment area, including the low and moderate BNAs. A review of mortgage related loans indicated lending in all BNAs within the assessment area. Our sample of consumer loans disclosed 3, or 12% were to borrowers located in

low income BNAs and 4 or 16% were to borrowers in moderate income BNAs. Our sample of small business and farm loans indicated 5 or 13%, of small business loan originations were to borrowers in low income BNAs.

Response to Complaints

FNB Northern NY has not received any CRA related consumer complaints since the last examination. During the concurrent Fair Lending Examination, we did not identify any violations of the substantive provisions of antidiscrimination or fair lending laws and regulations.