



# INTERMEDIATE SMALL BANK

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## PUBLIC DISCLOSURE

October 12, 2010

### COMMUNITY REINVESTMENT ACT (CRA) PERFORMANCE EVALUATION

The Lyons National Bank  
Charter Number: 1027

35 William Street  
Lyons, NY 14489

Office of the Comptroller of the Currency

Upstate New York (Syracuse)  
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.

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

**The Lending Test is rated: Satisfactory**

**The Community Development Test is rated: Satisfactory**

The primary factors supporting the overall rating are:

- The average loan-to-deposit ratio since the last examination is reasonable when compared to similarly situated institutions.
- A substantial majority of commercial and home mortgage loans originated are within the bank's assessment areas (AAs).
- The borrower distribution of home loans and business loans indicate a reasonable penetration across different income and revenue levels, respectively.
- The geographic distribution of home loans and business loans indicate a reasonable dispersion across geographies.
- The bank's community development performance demonstrates satisfactory responsiveness to community development needs.

## **Scope of Examination**

The evaluation period for this examination covers the period of April 23, 2007 through October 12, 2010 and represents the time period between the start of the bank's last and current CRA exams. The lending test portion of the examination included loans originated from January 1, 2008 through September 30, 2010. During our assessment of lending activity, we determined loans reported on the Home Mortgage Disclosure Act (HMDA) Loan Application Register (LAR) and business loans to be the primary loan product types. HMDA loans include home purchase, home refinance, and home improvement loans. The bank originated 1,721 HMDA loans totaling \$130 million between January 1, 2008 and September 30, 2010. The bank originated 653 business loans totaling \$80 million for the same time period. HMDA lending was given more weight due to its volume of originations. A data integrity exam conducted in June 2010 verified the accuracy of the home mortgage loan data used in this examination. Conclusions regarding business loans were reached based on loan samples detailed elsewhere in various sections of this report. The loan samples were chosen from originations between January 1, 2008 and September 30, 2010 and were representative of the bank's business strategy since the last examination. The evaluation period for Community Development (CD) loans, investments, and services is April 23, 2007 through October 12, 2010.

We performed full scope reviews of the AA located in the Rochester Metropolitan Statistical Area (MSA) and the AA located in a Non-MSA area. A limited scope review

was performed on the AA located in the Syracuse MSA. We considered the level of lending activity and deposits, number of branches, and other resources in selecting the AAs to receive the full scope reviews. The AAs are described later in another section of this report.

## Description of Institution

The Lyons National Bank (LNB) is a \$488 million community bank headquartered in Lyons, New York; a town located midway between Rochester and Syracuse in the central part of New York State. LNB is the only subsidiary of Lyons Bancorp, a one-bank holding company. LNB is an intrastate bank with eleven offices located in five counties: Wayne, Ontario, Yates, Seneca, and Onondaga. LNB opened a full service branch office in Seneca Falls and relocated one office in Macedon since the last evaluation.

LNB's loan portfolio totals \$296 million (61% of total assets), and \$423 million in deposits as of June 30, 2010. Lending is targeted toward small and mid-sized businesses, and individuals through real estate mortgages and consumer loans. The loan portfolio consists of 41% commercial and commercial real estate loans, 27% residential real estate loans, 13% farm and farm real estate loans, 9.5% home equity lines of credit, and 9.5% consumer loans. The bank's net Tier I Capital was approximately \$40.5 million as of June 30, 2010.

LNB operates in a competitive financial services market with multinational banks, large regional banks, local community banks, mortgage companies, and credit unions. LNB is reasonably positioned to help meet the credit needs of the community. The bank has no legal or financial impediments that would hinder its ability to help meet the credit needs of the community in a safe and sound manner.

During our examination, we contacted a local economic development organization and one non-profit housing organization. The economic development community contact identified the need for flexible terms for small business loans and assistance with financial planning for entrepreneurs. For community development, the organization emphasized the need not only for job creation but also for sustaining current employment levels. The housing community contact identified the need for flexible loan programs to reduce the costs associated with home purchase loans.

LNB's performance at the last CRA examination of April 23, 2007 was rated "Outstanding".

## Description of Assessment Areas (AAs)

Management has identified three AAs for the purposes of CRA. The first AA consists of 31 census tracts in Wayne County and portions of Ontario County located in the Rochester Metropolitan Statistical Area (MSA 40380). The second AA consists of 14 census tracts in portions of Yates, Seneca, and Cayuga Counties that are not located in a defined MSA. The third AA consists of one census tract in Onondaga County located in the Syracuse MSA (45060).

The AAs consist of contiguous census tracts that are serviced by the bank's branches and deposit taking ATMs. Our review of the AAs and surrounding areas utilizing mapping software did not identify any arbitrary exclusion of low- or moderate-income geographies. The AAs meet legal requirements and do not reflect any illegal discrimination.

### Assessment Area I

Assessment Area I (AA I) consists of 31 census tracts in Wayne and Ontario Counties. The AA contains one low-income, four moderate-income, 24 middle-income, and two upper-income tracts. Total population for the AA is 136,799 consisting of 36,181 families and 51,275 households. Of these families, 20.6% are designated as low-income, 20.4% moderate-income, 25.7% middle-income, and 33.3% upper-income. There are 56,769 housing units in the AA, of which 68.3% are owner-occupied, 21.9% are renter-occupied, and 9.8% are vacant. Approximately 9% of the households are below the poverty level. The median housing value in the AA is \$81,279. The table below further describes the distribution of the population, families, and households based on geographic income categories.

Selected Characteristics by Income Category of the Census Tract					
Geographic Income Category	Census Tracts	Population	Families	Households	Owner-Occupied Units
Low	3.23%	1.96%	1.59%	2.23%	1.05%
Moderate	12.90%	10.14%	9.55%	10.35%	8.43%
Middle	77.42%	78.32%	78.71%	78.69%	79.88%
Upper	6.45%	9.58%	10.15%	8.73%	10.64%
Total	100%	100%	100%	100%	100%

The 2000 U.S. Census Median Family Income for the Rochester MSA is \$53,852. This figure is used to determine the income designation of the MSA's census tracts. The 2009 Updated Median Family Income for the MSA is \$66,500. This figure is used to evaluate the income level of borrowers. The Updated Median Family Income is based on information from the Department of Housing and Urban Development (HUD).

Eight of the bank's eleven branches are located in AA I. LNB originated approximately 59% of its HMDA and business loans in this AA. Deposits reported in AA I represent 73% of the bank's total deposits at June 30, 2010. Approximately 58% of the bank's deposits are attributed to Wayne County. According to the FDIC's Deposit Market Share Report as of June 30, 2010, LNB's 30.92% market share in Wayne County

ranked first among financial institutions. In Ontario County, LNB's deposit market share was 3.87% which ranked sixth in that county.

The largest employers in AA I are Finger Lakes Health Care, Hobart and William Smith College, Garlock Sealing Technology, and local county governments and school districts. While agriculture has remained an important part of the local economy, the area has seen a decline in manufacturing and a move to service and retail type industries. Many of the communities attempt to attract new mid-sized and small businesses through the use of the NY State Empire Zone tax credits. Each town or county in the AA has an Industrial Development Agency (IDA) or business development corporation to help relocating businesses, start-ups, and existing businesses increase or retain employment.

Wayne County and Ontario County had unemployment rates of 8.1% and 6.3%, respectively, as of September 30, 2010, compared to the state and national unemployment rates of 8.0% and 9.2%, respectively.

## **Assessment Area II**

Assessment Area II (AA II) consists of 14 census tracts in Cayuga, Seneca, and Yates Counties. The AA contains thirteen middle-income tracts, and one upper-income tract. Total population for the AA is 56,886 consisting of 14,953 families and 21,496 households. Of these families, 17.5% are designated as low-income, 19.2% moderate-income, 22.8% middle-income, and 40.5% upper-income. There are 25,895 housing units in the AA, of which 62% are owner-occupied, 20.5% are renter-occupied, and 17.5% are vacant. Approximately 11% of the households are below the poverty level. The median housing value in the AA is \$71,981. The table below further describes the distribution of the population, families, and households based on geographic income categories.

<b>Selected Characteristics by Income Category of the Census Tract</b>					
<i>Geographic Income Category</i>	Census Tracts	Population	Families	Households	Owner-Occupied Units
<i>Low</i>	0%	0%	0%	0%	0%
<i>Moderate</i>	0%	0%	0%	0%	0%
<i>Middle</i>	92.86%	93.6%	93.24%	93.64%	92.97%
<i>Upper</i>	7.14%	6.4%	6.76%	6.36%	7.03%
<i>Total</i>	100%	100%	100%	100%	100%

The 2000 U.S. Census Median Family Income for the Non-MSA portions of New York State is \$41,761. The 2009 Updated Median Family Income for the Non-MSA is \$54,900.

Two of the bank's eleven branches are located in AA II. LNB originated approximately 38% of its HMDA and business loans in this AA. Deposits reported in AA II as of June 30, 2010 represent 20% of the bank's total deposit base and are concentrated in Yates County where LNB held the third highest deposit market share with 27.95%. LNB's deposit market share in Seneca County was 0.65%.

The largest employers in AA II are Gould Pumps/ITT, Geneva General/Taylor Brown Hospital, the Waterloo Premium Outlets, Keuka College, and local county governments and school districts. The local economy is similar to AA I with a steady agricultural base, a declining manufacturing sector, and movement towards service and retail type industries. The local communities are also attempting to attract new mid-sized and small businesses or assist existing businesses increase or retain employment through their local IDAs or business development corporations and through use of the NY State Empire Zone tax credits.

Seneca, Yates, and Cayuga County had unemployment rates of 7.1%, 5.8%, and 7.1%, respectively, as of September 30, 2010, compared to the state and national unemployment rates of 8.0% and 9.2%, respectively.

### **Assessment Area III**

Assessment Area III (AA III) consists of one census tract in Onondaga County. The sole census tract in this AA is designated as middle-income. Total population for the AA is 6,091 consisting of 1,681 families and 2,326 households. Of these families, 17.5% are designated as low-income, 20.7% moderate-income, 22.3% middle-income, and 39.5% upper-income. There are 2,513 housing units in the AA, of which 75% are owner-occupied, 17% are renter-occupied, and 8% are vacant. Approximately 8% of the households are below the poverty level. The median housing value in the AA is \$81,400.

The 2000 U.S. Census Median Family Income for the Syracuse MSA is \$49,907. The 2009 Updated Median Family Income for the MSA is \$63,700.

One of the bank's eleven branches is located in AA III. LNB originated approximately 3% of its HMDA and business loans in this AA. Deposits reported in AA III represent 7% of the bank's total deposits at the June 30, 2010. According to the FDIC's Deposit Market Share Report as of June 30, 2010, LNB's market share in Onondaga County was only 0.34%.

Onondaga County had an unemployment rate of 7.1% as of September 30, 2010, compared to the state and national unemployment rates of 8.0% and 9.2%, respectively.

## **Conclusions with Respect to Performance Tests**

Our evaluation of LNB's lending performance under the lending test was based on loans originated between January 1, 2008 and September 30, 2010. We determined through an assessment of lending activity that loans reported on the HMDA-LAR and business loans to be the bank's primary product types. Loans reported on the HMDA LAR include home purchase, home improvement, and refinance loans. The number of home purchase, home improvement, and home refinance loan originations represented 36%, 27%, and 37% of HMDA loans originated in the AAs, respectively. Our evaluation of

community development activities represents the time period from the commencement of the last CRA examination at April 23, 2007 through the time this examination which commenced on October 12, 2010. Most weight for conclusions was given to AA I due to the level of lending and deposits and number of branches in that AA. The least amount of weight for conclusions was given to AA III.

Our evaluation of borrower distribution focused primarily on lending activity in AAs I and II. In order to evaluate the distribution of business loans by business size, we sampled 20 business loans from each of the full scope AAs. We reviewed all eight business loans originated during the evaluation period in the limited scope review of AA III.

Our evaluation of geographic distribution was limited to AA I. Only AA I's geographic distribution is meaningful as the other AAs do not have any low- and moderate-income tracts. In order to evaluate the geographic distribution of business loans, we sampled 20 business loans originating within AA I.

## **LENDING TEST**

LNB's performance under the Lending Test is "Satisfactory."

### **Full Scope AA**

The bank's overall lending performance in AA I is "Satisfactory".  
The bank's overall lending performance in AA II is "Satisfactory".

### **Limited Scope AA**

The bank's overall lending performance in AA III is "Satisfactory".

### **Loan-to-Deposit Ratio**

The bank's quarterly average loan-to-deposit (LTD) ratio since the last CRA examination of 66.23% is reasonable. The LTD ratio is below the average of ten financial institutions of similar size located in rural areas of New York State. The average LTD ratios for those institutions range from 61% to 130% with the average of all eleven institutions being 89%. The primary factor contributing to the lower than average LTD is the heavier reliance placed by many of the other banks on borrowed funds as a funding source for their balance sheets.

### **Lending in Assessment Area (AA)**

LNB originated a substantial majority of its HMDA and business loans within the bank's AAs. For purposes of evaluating the bank's performance within the AAs, we chose a random sample of 20 business loans totaling \$3.4 million. As noted in the table below, 84% of the number and 77% of the dollar amount of loans originated are within the AAs.

Lending in Assessment Areas										
Loan Type	Number of Loans				Dollars of Loans (000s)					
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
HMDA	1,407	82	314	18	1,721	126,830	76	39,346	24	166,176
Business	17	85	3	15	20	2,905	85	507	15	3,412
Totals	1,424	84	317	16	1,741	129,735	77	39,853	23	169,588

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

The borrower distribution of HMDA and business loans reflects reasonable penetration among borrowers of different income levels and businesses of different sizes.

#### AA I

The borrower distribution of HMDA and business loans reflects reasonable penetration among borrowers of different income levels and businesses of different sizes in AA I.

HMDA lending to borrowers of different income levels in AA I meets the standard for satisfactory performance. Lending to moderate-income borrowers exceeded the level of moderate-income families in the AA for all HMDA product types. Lending to low-income borrowers for home improvement loans meets the standard for satisfactory performance. Lending to low-income borrowers was significantly less than the level of low-income families for home purchase and refinance loans in the AA. However, lending performance for home purchase and refinance loans to low-income borrowers meets the standard for satisfactory performance considering the affordability of area housing and the 9% level of households below the poverty level. The average housing price in the AA is \$81 thousand which makes affordability difficult for the low-income borrower who is earning less than \$33 thousand per year. Please refer to the following table. LNB ranked first of all HMDA reporters in home purchase loans in AA I in 2009.

Borrower Distribution of Residential Real Estate Loans in AA I								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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
Home Purchase	20.6	13.2	20.4	21.8	25.7	20.0	33.3	45.0
Home Improvement	20.6	19.5	20.4	27.6	25.7	25.2	33.3	27.7
Refinance	20.6	7.5	20.4	20.5	25.7	24.2	33.3	48.8
Total	20.6	12.7	20.4	22.2	25.7	22.1	33.3	38.9

Lending to businesses of different sizes meets the standard for satisfactory performance. Based on our loan sample of 20 loans, LNB originated 80% of its loans to businesses with \$1 million or less in revenues. Approximately 62% of the businesses in the AA reported revenues of less than or equal to \$1 million. A review of peer lending

data disclosed the bank's level of originations to companies with revenues of less than \$1 million are similar to other reporting institutions. Please refer to the following table.

<b>Borrower Distribution of Loans to Businesses in AA I</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	62	4	34	100%
% of Bank Loans in AA by #	80	20	0	100%
% of Bank Loans in AA by \$	73	17	0	100%

Source: 2010 Business Geodemographic Data

## AA II

The borrower distribution of HMDA and business loans reflects reasonable penetration among borrowers of different income levels and businesses of different sizes in AA II.

HMDA lending to borrowers of different income levels in AA II meets the standard for satisfactory performance. The number of home purchase and refinance loans represented 38% and 42%, respectively, of all HMDA lending during the evaluation period in this AA and accordingly given more consideration. HMDA lending to moderate-income borrowers exceeded the level of moderate-income families in the AA for home purchase and home improvement loans. Refinance loans were slightly below the demographic level of moderate-income families in the AA. HMDA lending to low-income borrowers were below the level of low-income families for all types of HMDA products in the AA, especially home improvement and refinance loans. However, lending for the HMDA products meets the standard for satisfactory performance when considering the affordability of area housing and the 11% level of households below the poverty level. The average housing price in the AA is \$72 thousand which makes affordability difficult for the low-income borrower who is earning less than \$27 thousand per year. Please refer to the following table.

<b>Borrower Distribution of Residential Real Estate Loans in AA II</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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
Home Purchase	17.5	11.0	19.2	21.5	22.8	17.0	40.5	50.5
Home Improvement	17.5	2.8	19.2	25.9	22.8	22.2	40.5	49.1
Refinance	17.5	5.6	19.2	17.1	22.8	27.3	40.5	50.0
Total	17.5	6.9	19.2	20.3	22.8	21.9	40.5	49.2

Lending to businesses of different sizes exceeds the standard for satisfactory performance. Based on our sample of 20 loans, LNB originated 95% of its loans to businesses with \$1 million or less in revenues. Approximately 59% of the businesses in the AA reported revenues of less than or equal to \$1 million. A review of peer lending data disclosed the bank's level of originations to companies with revenues of less than

\$1 million are similar to other reporting institutions. Please refer to the following table.

<b>Borrower Distribution of Loans to Businesses in AA II</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	59	4	37	100%
% of Bank Loans in AA by #	95	5	0	100%
% of Bank Loans in AA by \$	97	3	0	100%

Source: 2010 Business Geodemographic Data

### AA III

HMDA lending to borrowers of different income levels in AA III meets the standard for satisfactory performance. We noted overall lending activity in AA III for all HMDA reporting financial institutions was limited to 344 loans in total for 2008 and 2009 according to market share reports. LNB originated 45 HMDA loans in AA III during the evaluation period (January 2008 through September 2010) which represents only 3% of the bank's HMDA lending. The originations consisted of 69% refinances, 4% home purchase, and 27% home improvements. The limited number of loans created wide variances in product types. For example, LNB originated only two home purchase loans during the evaluation period. The overall percentage of HMDA loans to low and moderate income borrowers were 13% and 22%, respectively. Please refer to the following table.

<b>Borrower Distribution of Residential Real Estate Loans in AA III</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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
Home Purchase	17.5	0.0	20.7	50.0	22.3	0.0	39.5	50.0
Home Improvement	17.5	25.0	20.7	16.7	22.3	25.0	39.5	33.3
Refinance	17.5	10.3	20.7	24.1	22.3	10.3	39.5	55.2
Total *	17.5	13.3	20.7	22.2	22.3	13.33	39.5	46.67

\* No information was available on 4.4% of the loans originated or purchased.

Lending to businesses of different sizes meets the standard for satisfactory performance. Based on the sample of eight loans, LNB originated 75% of its loans to businesses with \$1 million or less in revenues. Approximately 77% of the businesses in the AA reported revenues of less than or equal to \$1 million. Please refer to the following table.

<b>Borrower Distribution of Loans to Businesses in AA III</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	77	3	20	100%
% of Bank Loans in AA by #	75	25	0	100%
% of Bank Loans in AA by \$	81	19	0	100%

Source: 2010 Business Geodemographic Data

### Geographic Distribution of Loans

The bank's geographic distribution of HMDA loans and business loans indicate a reasonable dispersion across geographies. Geographic distribution of loans is based solely on AA I.

The geographic distribution of HMDA loans in low- and moderate-income census tracts is reasonable compared to the level of owner-occupied housing in the respective census tracts. Originations in the moderate-income tracts exceeded or were near the level of owner occupied housing in the AA. Although there were no home purchase or home improvement loans originated in the one low-income geography, only 1% of the AA's owner occupied housing is located there. Please refer to the following table.

<b>Geographic Distribution of Residential Real Estate Loans in AA I</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	1.0	0	8.4	8.0	79.9	96.1	10.7	3.9
Home Improvement	1.0	0	8.4	12.2	79.9	83.6	10.7	4.2
Refinance	1.0	1.5	8.4	8.7	79.9	82.6	10.7	7.2
Total	1.0	0.5	8.4	9.5	79.9	84.7	10.7	5.3

The geographic distribution of business loans is reasonable compared to the level of businesses in the respective census tracts. Based on a sample of 20 loans, LNB originated 0% and 15% of its loans to businesses in low-income and moderate-income geographies, respectively. Although the sample revealed no loans in the one low-income geography, less than 4% of businesses are located within those geographies. Loans in moderate-income tracts exceed the percentage of businesses located in moderate-income geographies.

<b>Geographic Distribution of Loans to Businesses in AA I</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business	3.6	0	10.2	15%	78.3	75%	7.9	5%

## **Responses to Complaints**

LNB has not received any CRA-related consumer complaints since the last CRA examination.

## **COMMUNITY DEVELOPMENT TEST**

LNB's community development performance demonstrates satisfactory responsiveness to community development needs through community development loans, qualified investments, and community development services, as appropriate, considering the bank's capacity and the need and availability of such opportunities for community development in the bank's AAs.

### **Full Scope AAs**

The bank's community development performance in AA I demonstrates satisfactory responsiveness to community development needs through qualified development lending, investments, and services. AA I was given most weight in the Community Development Test since the majority of the bank's resources, deposits, branches and the only low and moderate income geographies are in AA I.

The bank's community development performance in AA II demonstrates reasonable responsiveness to community development needs through qualified development lending, investments, and services.

### **Limited Scope AA**

The bank's community development performance in AA III demonstrates reasonable responsiveness to community development needs through qualified development lending, investments, and services.

### **Number and Amount of Community Development Loans**

The number and amount of community development lending reflects satisfactory responsiveness to community development needs. The bank originated \$5.2 million of qualified loans and commitments which represents over 12% of Tier 1 Capital.

### **Full Scope AAs**

During the evaluation period, LNB originated four loans in AA I totaling \$4.2 million and committed an additional \$1 million line of credit which is described below.

The bank originated a \$1.4MM bridge loan for a 90 day time period between the construction loan phase and permanent financing for a 32 unit housing project for low-to moderate-income families and senior citizens. The bank subsequently approved and provided \$200 thousand of the permanent mortgage loan.

During the evaluation period, LNB originated a \$1.9 million loan for an energy conservation and improvement project which primarily included low-income housing units.

The bank originated a \$740 thousand construction rehabilitation loan to an organization whose mission is to assist low-income families in organizing self-help housing projects in Wayne County.

For each year of the evaluation period, LNB annually renewed a commitment to lend to an economic development organization which provides loans to businesses in AA I to assist in growth and job retention. The wages of most jobs created are low- and moderate-income. The current commitment is for \$1 million.

During the evaluation period, LNB did not originate any community development loans in AA II.

### **Limited Scope AAs**

During the evaluation period, LNB did not originate any community development loans in AA III.

### **Number and Amount of Qualified Investments**

The number and amount of community development investments reflects adequate responsiveness to community development needs.

The bank invested \$350 thousand in a New York State Urban Development Corporation bond obligation which has potential benefits for its AAs. The purpose of the bond issuance includes programs designed to encourage economic development and neighborhood growth by providing municipalities with financial assistance for revitalization of commercial and residential properties within the state.

### **Full Scope AAs**

LNB made two qualified investments in AA I totaling \$114 thousand in a municipality located in a low-income geography to finance the cost of water system improvements and other public services.

During the evaluation period, LNB provided donations exceeding \$36 thousand to numerous community development organizations which support affordable housing and provide community services or employment for low- and moderate-income people and/or geographies.

During the evaluation period, LNB did not make any direct community development investments in AA II.

### **Limited Scope AAs**

During the evaluation period, the bank did not make any direct community development investments in AA III. There are limited community development investment opportunities in the AA.

### **Extent to Which the Bank Provides Community Development Services**

LNB provides an adequate level of community development services through its office locations, banking products and services. LNB's overall involvement with community development organizations in the three AAs is adequate.

The bank is appropriately providing banking services to low- and moderate-income geographies. Of the bank's eleven branches, one branch is located in a low-income census tract and two branches are located in moderate-income tracts. One-third of the bank's nine off-site ATMs are located in moderate-income tracts. LNB continues to operate its Jordan branch in AA III under an incentive program with New York State. LNB opened the branch several years ago after the town's only banking office was closed.

From a community involvement perspective, management is actively involved in many community development organizations. Four senior officers are actively involved as Board members, officers, or committee members in nine community development organizations serving the bank's AAs. Other employees are likewise involved with various organizations.

### **Full Scope AAs**

#### **AA I**

A senior executive officer serves as a Board member to two organizations whose missions are to advance economic development, encourage business investment, and create jobs through small business loans and available tax credits.

A senior executive officer serves as a Board member of a local nonprofit organization that provides skill development and rehabilitation services to adults with disabilities, provides services for children with special needs at no cost with a significant amount of the clients from low and moderate income families, participates in a welfare to work program, and offers other essential services for the local community.

A branch manager serves on committees of a local organization that is revitalizing a two block section of the downtown district of Geneva which is in a moderate-income geography.

An employee has served as the treasurer of an organization that provides early education and child development skills for the families of migrant workers and seasonal workers.

An employee has served as treasurer of an organization that provides care for adults and children with disabilities and programs for rehabilitation.

**AA II**

A senior executive officer serves as a Board member of three organizations that promote economic development, business investment and create jobs through small business loans and available tax credits.

A bank employee served as treasurer for an organization that provided child care services primarily for low income families.

**Limited Scope AA**

An employee serves as treasurer of a local organization that promotes business development within AA III.

**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.