



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

December 29, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Tupper Lake National Bank
Charter Number: 8153**

**75 Park Street
Tupper Lake, New York 12986**

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

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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 **Tupper Lake National Bank (TLNB)** prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency, as of December 29, 2003. 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.

The primary reasons supporting this rating are:

- The average loan to deposit ratio at 64% meets the standards for satisfactory performance.
- TLNB meets the standard for satisfactory performance for loans originated within the bank's assessment area.
- Borrower distribution meets the standard for satisfactory performance based on the distribution of credit to borrowers of different income levels and to businesses of different sizes.
- Geographic distribution of loan originations meets the standard for satisfactory performance based on the distribution of credit to borrowers and businesses in different geographies.
- TLNB has not received any CRA-related complaints during the evaluation period.

DESCRIPTION OF INSTITUTION

TLNB is a \$78 million community bank headquartered in Tupper Lake, New York, located in the rural Adirondack Mountains in northern New York State. TLNB is owned by TLNB Financial Corp., a one-bank holding company. As of September 30, 2003, TLNB's total assets were \$78 million, consisting mainly of \$40 million (51%) in loans and \$30 million (38%) in investments. The bank's deposits total \$60 million. The loan portfolio consists of \$19 million in residential real estate loans, \$17 million in commercial and commercial real estate loans, and \$4 million in consumer loans. During the majority of the evaluation period, management focused on commercial lending and residential real estate lending.

TLNB has four locations serving the Tupper Lake and Plattsburgh, New York, regions in two assessment areas (AAs). The first AA consists of nine geographies and covers an area with an approximate radius of 30 miles from two banking offices located in the Village of Tupper Lake and one banking office in the Village of Saranac Lake, New York. This AA covers portions of Franklin, Essex, Hamilton, and St. Lawrence counties. All three banking offices offer drive-up window service, extended banking hours and provide a full range of deposit and loan services. The main banking office, located in Tupper Lake, has the only Automated Teller Machine (ATM) available in the village. The two banking offices in the Village of Tupper Lake are located in moderate-income geographies while the Saranac Lake banking office is in a middle-income geography.

The second AA consists of 10 geographies and covers the greater Plattsburgh, New York, area extending to the Vermont border. The banking office in Plattsburgh offers drive-up window service, extended banking hours and provides a full range of deposit and loan services. This banking office is located in a middle-income geography.

TLNB does not have any legal, financial, or other factors that would impede its ability to help meet the credit needs in its defined AAs. At the last CRA examination dated June 22, 1999, TLNB demonstrated a satisfactory level of performance, meeting the credit needs of the community.

DESCRIPTION OF ASSESSMENT AREA

Tupper Lake-Saranac Lake AA

The Tupper Lake-Saranac Lake AA consists of nine geographies. Eight of these geographies are middle-income, and one is a moderate-income geography. This AA does not contain any low-income geographies. The AA meets the requirements of the regulation and does not arbitrarily exclude low-or moderate-income geographies.

The AA has a total population of approximately 26,044 in 6,301 families and 9,689 households. The table below further describes the distribution of the population, families and households based on geographic income categories. The AA consists of 18.97% low-income, 19.96%

moderate-income, 23.62% middle-income, and 37.45% upper-income families. Of the 15,405 housing units in the AA, 40% are owner-occupied, 22% are rental-occupied, and 38% are vacant. The median housing value in the AA is \$64,601, with a median housing age of 56 years.

Selected Characteristics by Income Category of the Geography					
Geographic Income Category	Percentage				
	Geographies	Population	Families	Households	Owner-Occupied Units
Moderate	11.11	15.68	16.14	15.39	15.27
Middle	88.89	84.32	83.86	84.61	84.73
Total	100.00	100.00	100.00	100.00	100.00

Source: 1990 U.S. Census

The 1990 U.S. Census Median Family Income for the AA is \$31,472. This figure is used to determine the income designation of the geographies. The 2002 Updated Median Family Income for the AA is \$43,600. This figure is used to evaluate borrower income distribution in this AA. The Updated Median Family Income is based on information from the Department of Housing and Urban Development (HUD).

The New York State unemployment rate for December 2003 was 6.1%; the non-MSA portion of NYS was 6.0%. The unemployment rates for Franklin, Essex, Hamilton, and St. Lawrence counties are as follows: 7.6%, 7.5%, 9.6% and 8.1%, respectively. The AA is considered to be very rural with much of the area outside of the two major villages containing mountainous geological barriers. Economic conditions in the area around the Village of Tupper Lake are stable but stagnant. The area around the Village of Saranac Lake is experiencing moderate growth in housing and business. Major employers are O.W.D. Plastics Inc., New York State mental and prison facilities, federal prison facilities, Paul Smith’s College, and local elementary and high schools. There are several logging firms and other service type businesses located throughout the area.

TLNB has some competitors in Franklin, Essex, Hamilton, and St. Lawrence counties. In Franklin County, six commercial banks have 16 offices. In Essex County, five commercial banks have 17 offices. Hamilton County has two commercial banks with three offices. In Hamilton County and St. Lawrence County, the bank does not have a physical presence, but management considers a portion of the counties as part of the AA.

Plattsburg AA

The Plattsburg AA consists of ten geographies in Clinton County. One of these geographies is upper-income, five are middle-income, three are moderate-income, and one is not classified and consists entirely of SUNY Plattsburg. This AA does not contain a low-income geography. The AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

The AA has a total population of approximately 38,496 in 8,826 families and 13,415 households. The table below further describes the distribution of the population, families, and households based on geographic income categories. The AA consists of 18.64% low-income, 21.11% moderate-income, 23.22% middle-income, and 37.03% upper-income families. Of the 14,192 housing units in the AA, 44% are owner-occupied, 50% are rental-occupied, and 6% are vacant. The median housing value in the AA is \$75,006 with a median housing age of 49 years.

Selected Characteristics by Income Category of the Geography					
Geographic Income Category	Percentage				
	Geographies	Population	Families	Households	Owner-Occupied Units
Moderate	30.00	34.34	32.59	34.30	14.70
Middle	50.00	47.75	55.23	53.80	67.64
Upper	10.00	11.47	12.18	11.80	17.66
Income not Designated	10.00	6.44	0.00	0.10	0.00
Total	100.00	100.00	100.00	100.00	100.00

Source: 1990 U.S. Census

The 1990 U.S. Census Median Family Income for the AA is \$31,472. This figure is used to determine the income designation of the geographies. The 2002 Updated Median Family Income for the AA is \$43,600. This figure is used to evaluate borrower income distribution in this AA. The Updated Median Family Income is based on information from the Department of Housing and Urban Development (HUD).

The New York State unemployment rate for December 2003 was 6.1%; the non-MSA portion of NYS was 6.0%. The unemployment rate for Clinton County was 6.0%. Employment in the area is heavily dependent on tourism and a positive impact from interaction with Canadian citizens and companies. In 2000, the Plattsburgh-North County Chamber of Commerce released an assessment of the economic impact of Canada on Clinton County. They determined Canadian citizens and companies contributed \$1.33 billion annually to the area through employment, real estate purchases, property taxes, professional services, exports, and health care. Major employers in the area include NYS Department of Corrections, Wyeth-Ayerst Laboratories, International Paper, State University of New York at Plattsburgh, local governments, and schools.

In Clinton County, TLNB competes with eight commercial banks with 24 offices, 16 of which are in Plattsburg.

During the examination, we contacted three agencies involved in the local development of TLNB's AAs. The agencies indicated that local community credit needs included flexible financing terms for small business loans to help maintain tourism in the area. One contact noted that lack of affordable housing was currently an issue and was expected to worsen as property values increase while salaries of employees working in the tourism industry remain stagnant.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

This evaluation of TLNB's performance covers the period from June 22, 1999, to December 31, 2002. The evaluation includes an analysis of each of the two non-MSA AAs.

Based on a discussion with management and a review of the new loan reports for 2001 and 2002, we determined the bank's primary products to be residential real estate loans and commercial loans. Our analysis and conclusions are based on a sample of 43 real estate loans and 54 commercial loans located in both AAs.

Loan to Deposit Ratio

TLNB's loan-to-deposit ratio meets the standard for satisfactory performance for similarly situated banks headquartered in the AAs. Since the last CRA examination dated June 22, 1999, TLNB's average loan-to-deposit ratio was 64%. TLNB's average loan-to-deposit ratio is within the range for similar sized rural banks, which had average loan to deposit ratios from 63% to 91%.

Lending in the Assessment Area

Lending within the AAs meets the standard for satisfactory performance with 76% of the number and 74% of the amount of loans originated within the bank's two AA's. Based on our sample of 54 commercial loans totaling \$6,959,531 originated or purchased by the bank during this evaluation period, there were 39 loans (72%) and \$5,030,980 (72%) within the banks two AAs. We selected a sample of 43 real estate loans totaling \$3,014,115 originated or purchased by the bank during this evaluation period. Of this sample, 35 of the loans (81%) and \$2,291,615 (76%) were within the banks two AAs.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

TLNB's record of lending to borrowers of different incomes and to businesses of different sizes meets the standard for satisfactory performance.

Borrower Distribution - Tupper Lake- Saranac Lake Assessment Area

Residential Mortgages

Income Designation of the Borrower	Number of Loans in Sample	CNT/Total (%)	Amount (\$)	Amt/Total (%)	Family Distribution (%)
Low	3	10.00	183,400	9.63	18.97
Moderate	9	30.00	458,980	24.10	19.97
Middle	6	20.00	330,787	17.36	23.62
Upper	12	40.00	931,648	48.91	37.44
Totals	30	100.00	1,904,815	100.00	100.00

The borrower distribution of residential mortgages to low-income borrowers in the Tupper Lake-Saranac Lake Assessment Area is good. While residential mortgages to low-income borrowers is lower than the distribution of families, this level of penetration is considered reasonable since 13% of the families in the AA are living below the poverty level and would unlikely be able to afford a home.

The borrower distribution of residential mortgages to moderate-income borrowers in the Tupper Lake-Saranac Lake AA is excellent.

Borrower Distribution - Plattsburg Assessment Area

Residential Mortgages

Income designation of the Borrower	Number of Loans in Sample	CNT/Total (%)	Amount (\$)	Amt/Total (%)	Family Distribution (%)
Low	0	0.00	0	0.00	18.64
Moderate	0	0.00	0	0.00	21.10
Middle	0	0.00	0	0.00	23.23
Upper	5	100.00	386,800	100.00	37.03
Totals	5	100.00	386,800	100.00	100.00

The sample size in the table above is the entire volume of residential real estate loans closed by the bank over the three-year examination period. As a result of the low number of residential mortgages originated in the Plattsburg Assessment Area, this was not meaningful and therefore, excluded from our analysis.

Business Loans - Tupper Lake- Saranac Lake Assessment Area

Tupper Lake-Saranac Lake AA	Number of Loans in Sample	CNT/Total (%)	Amount (\$)	Amt/Total (%)	2002 Business Demographics (%)
Loans with Revenue <=\$1MM	18	90.00	1,694,480	95.50	94.12
Loans with Revenue \$1MM+	2	10.00	80,000	4.50	5.88
Totals	20	100.00	1,774,480	100.00	100.00

Lending to businesses of different sizes in the Tupper Lake-Saranac Lake AA is good. The number of loans to businesses with revenues less than or equal to \$1 million was slightly below the demographic.

Business Loans – Plattsburgh Assessment Area

Plattsburgh AA	Number of Loans in Sample	CNT/Total (%)	Amount (\$)	Amt/Total (%)	2002 Business Demographics (%)
Loans with Revenue <=\$1MM	15	79.00	2,981,500	91.60	91.04
Loans with Revenue \$1MM+	4	21.00	275,000	8.40	8.96
Totals	19	100.00	3,256,500	100.00	100.00

Lending to businesses of different sizes in the Plattsburgh AA is good. The number of loans to businesses with revenues less than or equal to \$1 million was reasonable compared to the demographic.

Geographic Distribution of Loans

TLNB’s geographic distribution of loans meets the standard for satisfactory performance.

Geographic Distribution – Tupper Lake-Saranac Lake Assessment Area

Residential Mortgages

Income Designation of the Geography	Number of Loans in Sample	CNT/Total (%)	Amount (\$)	Amt/Total (%)	Owner Occupied Housing (%)
Moderate	4	15.38	235,000	12.34	15.27
Middle	26	84.62	1,670,000	87.66	84.73
Totals	30	100.00	1,774,000	100.00	100.00

The geographic distribution for residential mortgages in moderate-income geographies is good. There are no low-income geographies in this AA.

Geographic Distribution - Plattsburg Assessment Area

Residential Mortgages

Income Designation of the Geography	Number of Loans in Sample	CNT/Total (%)	Amount (\$)	Amt/Total (%)	Owner Occupied Housing (%)
Moderate	0	0.00	0	0.00	14.70
Middle	0	0.00	0	0.00	67.64
Upper	5	100.00	386,800	100.00	17.66
Totals	5	100	386,800	100%	100%

The sample size in the table above is the entire volume of residential real estate loans closed by the bank over the three-year examination period. As a result of the low number of residential mortgages originated in the Plattsburg Assessment Area, this was not meaningful and therefore, excluded from our analysis.

Business Loans - Tupper Lake- Saranac Lake Assessment Area

Tupper Lake-Saranac Lake AA	Number of Loans in Sample	CNT/Total (%)	Amount (\$)	Amt/Total (%)	Business Distribution (%)
Moderate-income geographies	4	20.00	480,000	27.06	11.27
Middle-income geographies	16	80.00	1,294,000	72.94	88.73
Total	20	100.00	1,774,000	100.00	100.00

The geographic distribution of business loans in low-income geographies in the Tupper Lake-Saranac Lake AA is not applicable since the AA does not include any low-income geographies. The geographic distribution of business loans in moderate-income geographies is excellent.

Business Loans – Plattsburgh Assessment Area

Plattsburgh AA	Number of Loans in Sample	CNT/Total (%)	Amount (\$)	Amt/Total (%)	Business Distribution (%)
Moderate-income geographies	5	26.32	470,000	14.43	35.65
Middle-income geographies	12	63.15	2,694,000	82.71	50.13
Upper-income geographies	2	10.53	93,000	2.86	14.22
Total	19	100.00	1,774,000	100.00	100.00

The geographic distribution of business loans in low-income geographies in the Plattsburgh AA is not applicable since the AA does not include any low-income geographies. The geographic distribution of business loans in moderate-income geographies is adequate. The bank opened its banking office in the Plattsburgh AA in 2000.

Response to Complaints

TLNB 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.