NEW YORK STATE
DEPARTMENT OF FINANCIAL SERVICES
FINANCIAL FRAUDS AND CONSUMER PROTECTION DIVISION

One State Street
New York, NY 10004

PUBLIC SUMMARY

COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION

Date of Evaluation: December 31, 2012

Institution: Citizens Bank of Cape Vincent
154 E. Broadway
Cape Vincent, NY 13618

Note: This evaluation is not an assessment of the financial condition of this institution. The rating assigned does not represent an analysis, conclusion or opinion of the New York State Department of Financial Services concerning the safety and soundness of this financial institution.

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GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act ("CRA") performance of Citizens Bank of Cape Vincent ("CBCV") prepared by the New York State Department of Financial Services (the "Department" or "DFS"). The evaluation represents the Department's current assessment and rating of the institution's CRA performance based on an evaluation conducted as of December 31, 2012*.*

Section 28-b of the New York Banking Law, as amended, requires that when evaluating certain applications, the Superintendent of Financial Services shall assess a banking institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income ("LMI") areas, consistent with safe and sound operations.

Part 76 of the General Regulations of the Superintendent implements Section 28-b and further requires that the Department assess the CRA performance records of regulated financial institutions. Part 76 establishes the framework and criteria by which the Department will evaluate the performance. Section 76.5 further provides that the Department will prepare a written report summarizing the results of such assessment and will assign to each institution a numerical CRA rating based on a 1 to 4 scoring system. The numerical scores represent an assessment of CRA performance as follows:

(1) Outstanding record of meeting community credit needs;

(2) Satisfactory record of meeting community credit needs;

(3) Needs to improve record of meeting community credit needs; and

(4) Substantial noncompliance in meeting community credit needs.

Section 76.5 further requires that the CRA rating and the written summary (collectively, the "Evaluation") be made available to the public. Evaluations of banking institutions are primarily based on a review of performance tests and standards described in Section 76.7 and detailed in Sections 76.8 through 76.13. The tests and standards incorporate the 12 assessment factors contained in Section 28-b of the New York Banking Law.

For an explanation of technical terms used in this report, please consult the **GLOSSARY** at the back of this document.

OVERVIEW OF INSTITUTION'S PERFORMANCE

CBCV is evaluated according to the small bank performance criteria pursuant to Part 76.12 of the General Regulations of the Superintendent. This assessment period included calendar years 2008, 2009, 2010, 2011 and 2012. CBCV is rated "2," indicating a "Satisfactory**"** record of helping to meet community credit needs. At the prior assessment period, ending December 31, 2007 also the bank was rated "Satisfactory".

The rating is based on the following factors:

- **Loan-to-Deposit (LTD) Ratio and Other Lending-Related Activities***:* "Satisfactory"

CBCV's average LTD ratio was reasonable considering its size, business strategy, financial condition, and peer group activity.

The average LTD ratio for the 16 quarters during the evaluation period was 64.4%, which was slightly below its peer group (68.4%).

- **Assessment Area Concentration**: "Satisfactory"

During the evaluation period, considering both HMDA-reportable lending and consumer lending, CBCV originated a majority of lending by number (83.9%) and by dollar value (67.9%) within the assessment area. This majority of lending inside of its assessment area is a reasonable record of lending.

- **Distribution by Borrowers Characteristics**: "Satisfactory"

The distribution of loans based on borrower characteristics demonstrated a reasonable penetration rate of lending among individuals of different income levels. CBCV's HMDA-reportable loans demonstrated a reasonable penetration rate of lending among individuals of different income levels. The distribution of consumer loans based on the income of the borrowers demonstrated an excellent penetration rate of lending among borrowers of different income levels.

- **Geographic Distribution of Loans**: "Satisfactory"

The distribution of the HMDA loans and consumer loans are reasonably distributed in the three distressed middle-income census tracts that make up its assessment area.

- **Action Taken in Response to Written Complaints With Respect to CRA**:

Neither CBCV nor the New York State Department of Financial Services has received any written complaints related to CBCV's CRA performance since the last CRA evaluation.

This evaluation was conducted based on a review of the 12 assessment factors set forth in Section 28-b of the New York Banking Law and Part 76 of the General Regulations of the Superintendent.

PERFORMANCE CONTEXT

Institution Profile:

Chartered in 1919, Citizens Bank of Cape Vincent ("CBCV" or the "Bank") is a commercial bank headquartered at Cape Vincent, New York. In addition to the main office, CBCV operates two branches in Jefferson County: one in Chaumont and the other in La Fargeville. In addition, one automated teller machine ("ATM") is located at each of these offices. These ATMs do not accept deposits. There are no off-site ATMs. All bank offices offer the same services except that the Chaumont Branch also offers "drive through" service from 9-12 on Saturdays.

Per CBCV's Consolidated Report of Condition (the "Call Report") as of December 31, 2012, filed with the Federal Deposit Insurance Corporation ("FDIC"), the Bank reported total assets of $52.9 million, of which $29.6 million were net loans and lease finance receivables. It also reported total deposits of $47.1million, resulting in a loan-to-deposit ratio of 62.8%. According to the latest available comparative deposit data as of June 30, 2012, CBCV maintained 3.5% of the market in its assessment area, with $47.8 million in a market of $1.4 billion, ranking it 7th among 12 deposit-taking institutions in the area.

The following is a summary of CBCV's loan portfolio, based on Schedule RC-C[1] of the Call Reports from December 31, 2008 through December 31, 2012.

TOTAL GROSS LOANS OUTSTANDING										
	12/31/2008		12/31/2009		12/31/2010		12/31/2011		12/31/2012	
Loan Type	$000's	%	$000's	%	$000's	%	$000's	%	$000's	%
1-4 Family Residential Mortgage Loans	16,232	74.7	19,063	75.7	20,399	75.6	21,700	73.7	22,811	75.2
Commercial & Industrial Loans	258	1.2	401	1.6	399	1.5	376	1.3	499	1.6
Commercial Mortgage Loans	1,786	8.2	1,893	7.5	2,253	8.4	3,287	11.2	3,557	11.7
Multifamily Mortgages	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Consumer Loans	3,275	15.1	3,696	14.7	3,578	13.3	3,663	12.4	3,048	10.1
Agricultural Loans	14	0.1	8	0.0	51	0.2	23	0.1	100	0.3
Construction Loans	0	0.0	0	0.0		0.0	0	0.0	0	0.0
Obligations of States & Municipalities	157	0.7	105	0.4	296	1.1	391	1.3	301	1.0
Other Loans	4	0.0	6	0.0	5	0.0	8	0.0	10	0.0
Lease financing	0	0.0		0.0		0.0		0.0		0.0
Total Gross Loans	21,726	100	25,172	100	26,981	100	29,448	100	30,326	100

As illustrated in the above chart, CBCV is primarily a residential real estate lender, with 75% of its loan portfolio in residential real estate and 10% of its loan portfolio in consumer loans in 2012.

There were no known financial or legal impediments that had an adverse impact on

1 Total Gross Loans outstanding should be the amount as indicated on Lines 1 through 10.

CBCV's ability to meet the credit needs of its community.

<u>Assessment Area</u>:

CBCV's assessment area is comprised of Jefferson County only. The three census tracts that make up the entire assessment area are all middle-income geographies and encompass the townships of Cape Vincent, Lyme, Clayton and Orleans. The Federal Financial Institutions Examination Council ("FFIEC") designated these three census tracts as distressed non-metropolitan census tracts by for the years of 2008 to 2011. There are no tracts with no-income indicated.

Assessment Area Census Tracts by Income Level							
County	N/A	Low	Mod	Middle	Upper	Total	LMI %
Jefferson	0	0	0	3	0	3	0.0
Total	0	0	0	3	0	3	0.0

The assessment area appears reasonable based upon the location of CBCV's offices and its lending patterns. There is no evidence that CBCV has arbitrarily excluded LMI areas.

<u>Demographic & Economic Data</u>

The assessment area had a population of 16,096 during the examination period. About 16% of the population was over the age of 65 and 19.7% was under the age of 16.

There were 4,468 families and 6,262 households in the assessment area. Of the 4,468 families, 14.2% were low-income, 18.9% were moderate-income, 22.4% were middle-income and 44.5% were upper-income families. Of the 6,262 households, 12% of the households had income below the poverty level, and 1.4% were on public assistance.

The weighted average median family income in the assessment area was $58,361. The assessment area consists of Jefferson County only. Hence, there are no differences within the assessment area.

There were 11,041 housing units within the assessment area, of which 96.5% were one- to four-family units, and 3.5% were multifamily units. 41.1% of the area's housing units were owner-occupied, 17.2% were rental units, and very high percentages (43.3%) of the housing units were vacant. The median age of the housing stock was 42 years and the median home value in the assessment area was $139,851.

There were 1,369 non-farm businesses in the assessment area. Of these, 72.5%

were businesses with reported revenues of less than or equal to $1 million, 3.7% reported revenues of more than $1 million and 23.8% did not report their revenues. Of all the non-farm businesses in the assessment area, 82.8% were businesses with less than fifty employees while 92% operated from a single location. The largest industries in the area were services (37.9%), followed by retail trade (12.3%) and construction (11.2%); 12.3% of businesses in the assessment area were not classified.

Unemployment in Jefferson County was higher than the New York State average throughout the examination period. According to NYS Department of Labor, Jefferson County unemployment was between 6.8% at its lowest (2008) and 10.1% at its highest (2012) during the examination period. For New York State, the corresponding low and high unemployment rates were 5.4% (2008) and 8.6% (2010).

Assessment Area Unemployment Rate		
	Statewide	Jefferson County
2008	5.4%	6.8%
2009	8.4%	9.0%
2010	8.6%	9.6%
2011	8.3%	10.0%
2012	8.5%	10.1%

Community Information

The northern part of Jefferson County belongs to the Thousand Island Region of New York State, where tourism is an important component of the local economy. The tourist season peaks during summer and fall, yet is weak in winter months with many lodging facilities closed for the winter.

DFS examiners contacted a non-profit community based organization (the “CBO”) to gather information about CBCV’s performance in addressing community needs. The CBO was established in 1977 with the primary objective of providing and managing affordable housing and related services for LMI individuals and families and participating in community renewal projects throughout northern Jefferson County. Specifically, Alexandria, Antwerp, Cape Vincent, Clayton, Le Ray, Orleans, Pamela, Philadelphia, Theresa, and Wilma towns and villages that are in the CBO’s service area which are largely rural in nature. Officers from the CBO stated that they receive funding from State and federal sources. In turn, they provide grant funds to low income families and individuals for home improvement and rehabilitation needs.

The individuals interviewed stated that the community has a small minority population base and is aging, as many young adults are leaving the area upon graduation from college. They stated that the community needs additional financing for affordable housing, both rental and owner-occupied. In addition, financing for home repairs is an urgent need, due to aging housing stock. According to the CBO, the moderate-income individuals occupying the housing are unable to obtain the financing necessary to make home repairs, and they are not eligible to receive grants offered by the CBO because these grants are only available to low-income individuals.

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

CBCV was evaluated under the small banking institution's performance standards in accordance with Parts 76.7 and 76.12 of the General Regulations of the Superintendent. CBCV's performance was evaluated according to the small bank performance criteria, which consists of the lending test, which includes (1) loan-to-deposit ratio and other lending-related activities; (2) assessment area concentration; (3) distribution by borrower characteristics; (4) geographic distribution of loans; and (5) action taken in response to written complaints regarding CRA. The following factors also were considered in assessing the bank's record of performance: the extent of participation by the board of directors or board of trustees in formulating CRA policies and reviewing CRA performance; any practices intended to discourage credit applications, evidence of prohibited discriminatory or other illegal credit practices; the institution's record of opening and closing offices and providing services at offices; and process factors, such as activities to ascertain credit needs and the extent of marketing and special credit related programs. Finally, the evaluation considered other factors as delineated in Section 28-b of the Banking Law that reasonably bear upon the extent to which a banking institution is helping to meet the credit needs of its entire community.

Statistics employed in this evaluation were derived from various sources. Bank-specific information was submitted by the bank both as part of the examination process and on its Call Report submitted to the FDIC. Aggregate lending data were obtained from the Federal Financial Institutions Examination Council ("FFIEC") and deposit data were obtained from the FDIC. Loan-to-deposit ratios were calculated from information shown in the bank's Uniform Bank Performance Report ("UBPR") as submitted to the FDIC.

The demographic data referred to in this report was derived from the 2010 U.S. Census and the U.S. Department of Housing and Urban Development ("HUD"). Business demographic data used in this report is based on Dun & Bradstreet reports which are updated annually. Unemployment data were obtained from the New York State Department of Labor. Some non-specific bank data is only available on a countywide basis, and were used even where the institution's assessment area includes partial counties.

The assessment period included calendar years 2008, 2009, 2010, 2011 and 2012.

The examination considered CBCV's HMDA-reportable, and consumer loans in evaluating factors (2), (3) and (4) of the lending test as noted above.

HMDA-reportable and consumer loan results were extrapolated from a random sample of 103 and 243 loans respectively.

Consumer loans constituted a substantial majority of CBCV's business and thus were evaluated. Aggregate consumer data are not available for comparative purposes.

At its **prior** Performance Evaluation as of December 31, 2007, DFS assigned CBCV a rating of “2” reflecting a “Satisfactory” record of helping to meet community credit needs.

Current CRA Rating: “Satisfactory”

<u>Lending Test</u>: “Satisfactory”

CBCV’s HMDA-reportable and consumer lending activities are reasonable in light of aggregate and peer group activity and demographics.

<u>Loan-to-Deposit Ratio and other Lending-Related Activities</u>: “Satisfactory”

CBCV’s average LTD ratio was reasonable considering its size, business strategy, financial condition, and peer group activity.

The average LTD ratio for the 16 quarters during the evaluation period was 64.4%, which was slightly below its peer group (68.4%).

The chart below shows CBCV’s LTD ratios in comparison with the peer group’s ratios for the 16 quarters since the prior evaluation.

Loan-to-Deposit Ratios

	2008 Q1	2008 Q2	2008 Q3	2008 Q4	2009 Q1	2009 Q2	2009 Q3	2009 Q4	2010 Q1	2010 Q2	2010 Q3	2010 Q4	2011 Q1	2011 Q2	2011 Q3	2011 Q4	2012 Q1	2012 Q2	2012 Q3	2012 Q4	Avg.
Bank	53.9	60.0	64.9	71.2	68.2	68.8	68.9	68.8	65.9	68.7	66.2	67.6	62.6	61.9	63.7	65.6	56.4	60.3	61.5	62.8	64.4
Peer	71.3	72.9	75.1	73.9	71.6	72.6	73.3	70.3	69.2	70.5	70.1	68.1	64.4	66.1	66.6	65.4	60.4	62.2	63.0	61.2	68.4

<u>Assessment Area Concentration</u>: **“**Satisfactory”

During the evaluation period, considering both HMDA-reportable lending and consumer lending, CBCV originated a majority of its loans by number (83.9%) and by dollar value (67.9%) within the assessment area. This majority of lending inside of its assessment area is a reasonable record of lending as noted below.

<u>HMDA-Reportable Loans</u>:

During the evaluation period, for HMDA-reportable lending, CBCV originated 70.2% by number, and 62.9% by dollar value of its loans within the assessment area. This majority of lending is a reasonable record of lending.

<u>Consumer Loans:</u>

During the evaluation period, for consumer lending, CBCV originated 88.8% by number, and 84% by dollar value of its loans within the assessment area. This majority of lending is a reasonable record of lending.

The following chart shows the percentages of CBCV's HMDA-reportable and consumer loans originated inside and outside of the assessment area.

Distribution of Loans Inside and Outside of the Assessment Area										
Loan Type	Number of Loans					Loans in Dollars (in thousands)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		$	%	$	%	
HMDA-Reportable										
2008	82	69.0%	37	31.0%	119	6,295	68.7%	2,868	31.3%	9,163
2009	57	72.2%	22	27.8%	79	3,815	65.7%	1,991	34.3%	5,806
2010	33	64.7%	18	35.3%	51	2,938	61.4%	1,847	38.6%	4,785
2011	28	66.7%	14	33.3%	42	1,888	47.1%	2,120	52.9%	4,008
2012	35	79.2%	9	20.8%	44	2,950	63.3%	1,711	36.7%	4,661
Subtotal	235	70.2%	100	29.8%	335	17,886	62.9%	10,537	37.1%	28,423
Consumer										
2008	188	93.3%	14	6.7%	202	1,992	95.4%	96	4.6%	2,088
2009	178	86.7%	27	13.3%	205	1,365	73.2%	500	26.8%	1,865
2010	176	96.7%	6	3.3%	182	1,864	98.1%	36	1.9%	1,900
1011	153	86.7%	24	13.3%	177	1,349	83.3%	270	16.7%	1,619
2012	128	79.3%	34	20.7%	162	863	62.7%	513	37.3%	1,376
Subtotal	824	88.8%	104	11.2%	928	7,432	84.0%	1,416	16.0%	8,848
Grand Total	1,059	83.9%	204	16.1%	1,263	25,318	67.9%	11,953	32.1%	37,271

For HMDA-reportable and consumer lending, analysis was performed on a sample of 103 and 243 loans. Number and dollar volume of loans were then extrapolated from the resulting percentages and are not actual results.

Distribution by Borrower Characteristics: "Satisfactory"

The distribution of loans based on borrower characteristics demonstrated a reasonable penetration rate of lending among individuals of different income levels.

HMDA-Reportable Loans:

CBCV's HMDA-reportable lending demonstrated a reasonable penetration rate of lending among individuals of different income levels.

As a percentage of the number of loans originated to LMI borrowers, CBCV's HMDA lending activity was higher-35%, 18%, 30%, 25% than that of its peer group (17%, 13%, 15%, 17.7%) in 2008, 2010, 2011 and 2012 respectively. In 2009, the percentage of loans originated among LMI borrowers (15%) was relatively close to the peer group's percentage (17%) among the same group of borrowers.

The following chart provides a summary of the distribution by borrower income of HMDA-reportable lending.

Distribution of 1-4 Family Loans by Borrower Income									
2008									
Borrower	**Bank**				**Aggregate**				**Fam.Dem.**
Income	#	%	$000's	%	#	%	$000's	%	%
Low	4	5.0%	183	2.9%	13	4.6%	880	2.6%	17.4%
Moderate	25	30.0%	982	15.6%	34	12.1%	2,957	8.6%	20.3%
LMI	29	35.0%	1,165	18.5%	47	16.7%	3,837	11.2%	37.7%
Middle	12	15.0%	453	7.2%	62	22.1%	6,253	18.3%	25.7%
Upper	41	50.0%	4,677	74.3%	170	60.5%	24,007	70.1%	36.6%
Unknown	0	0.0%	0	0.0%	2	0.7%	156	0.4%	0.0%
Total	**82**	**100.0%**	**6,295**	**100.0%**	**281**	**100.0%**	**34,253**	**100.0%**	**100.0%**
2009									
Borrower	**Bank**				**Aggregate**				**Fam.Dem.**
Income	#	%	$000's	%	#	%	$000's	%	%
Low	4	7.7%	107	2.8%	11	3.5%	775	1.9%	17.4%
Moderate	4	7.7%	233	6.1%	44	13.9%	3,520	8.6%	20.3%
LMI	9	15.4%	340	8.9%	55	17.4%	4,295	10.5%	37.6%
Middle	26	46.1%	1,942	50.9%	85	26.8%	9,082	22.1%	25.7%
Upper	22	38.5%	1,534	40.2%	165	52.0%	26,032	63.3%	36.6%
Unknown	0	0.0%	0	0.0%	12	3.8%	1,692	4.1%	0.0%
Total	**57**	**100.0%**	**3,815**	**100.0%**	**317**	**100.0%**	**41,101**	**100.0%**	**100.0%**
2010									
Borrower					**Aggregate**				**Fam.Dem.**
Income	#	%	$000's	%	#	%	$000's	%	%
Low	6	18.2%	267	9.1%	5	2.0%	135	0.4%	17.4%
Moderate	0	0.0%	0	0.0%	27	11.0%	2,366	6.9%	20.3%
LMI	6	18.2%	267	9.1%	32	13.0%	2,501	7.3%	37.7%
Middle	9	27.2%	949	32.3%	66	26.8%	6,238	18.3%	25.7%
Upper	18	54.6%	1,722	58.6%	141	57.3%	23,905	69.9%	36.6%
Unknown	0	0.0%	0	0.0%	7	2.9%	1,539	4.5%	0.0%
Total	**33**	**100.0%**	**2,938**	**100.0%**	**246**	**100.0%**	**34,183**	**100.0%**	**100.0%**
2011									
Borrower					**Aggregate**				**Fam.Dem.**
Income	#	%	$000's	%	#	%	$000's	%	%
Low	0	0.0%	0	0.0%	14	4.9%	744	2.0%	17.4%
Moderate	8	30.0%	491	26.0%	28	9.8%	2,357	6.3%	20.3%
LMI	8	30.0%	491	26.0%	42	14.7%	3,101	8.3%	37.7%
Middle	11	40.0%	617	32.7%	69	24.1%	7,141	19.1%	25.7%
Upper	8	30.0%	780	41.3%	163	57.0%	25,253	67.6%	36.6%
Unknown	0	0.0%	0	0.0%	12	4.2%	1,873	5.0%	0.0%
Total	**28**	**100.0%**	**1,888**	**100.0%**	**286**	**100.0%**	**37,368**	**100.0%**	**100.0%**
2012									
Borrower	**Bank**				**Aggregate**				**Fam.Dem.**
Income	#	%	$000's	%	#	%	$000's	%	%
Low	2	8.3%	41	2.0%	15	4.1%	906	2.0%	14.2%
Moderate	4	16.7%	126	6.2%	49	13.5%	3,806	8.3%	18.9%
LMI	6	25.0%	166	8.2%	64	17.7%	4,712	10.2%	33.1%
Middle	7	33.3%	597	29.5%	97	26.8%	9,797	21.3%	22.4%
Upper	9	41.7%	1,262	62.3%	188	51.9%	29,151	63.4%	44.5%
Unknown	0	0.0%	0	0.0%	13	3.6%	2,315	5.0%	0.0%
Total	**22**	**100.0%**	**2,025**	**100.0%**	**362**	**100.0%**	**45,975**	**100.0%**	**100.0%**
GRAND TOTAL									
Borrower	**Bank**				**Aggregate**				**Fam.Dem.**
Income	#	%	$000's	%	#	%	$000's	%	%
Low	16	7.4%	597	3.5%		3.3%		1.9%	
Moderate	41	18.5%	1,831	10.8%		10.5%		8.2%	
LMI	57	25.8%	2,428	14.3%	240	13.9%	18,446	10.1%	
Middle	66	29.8%	4,559	26.9%		21.9%		15.7%	
Upper	99	44.4%	9,974	58.8%		47.7%		70.1%	
Unknown	0	0.0%	0	0.0%		2.7%		4.1%	
Total	**222**		**16,961**			**100.0%**		**100.0%**	

Consumer Loans:

CBCV's consumer lending demonstrated an excellent penetration rate among borrowers of different income levels.

Lending to LMI borrowers was 70.2% by number of loans and 59.6% by dollar value during the evaluation period, well above the household demographics.

The following chart provides a summary of the distribution by borrower income of CBCV's consumer lending during the evaluation period:

Distribution of Consumer Lending by Borrower Income					
2008					
Borrower	**Bank**				**HH Dem.**
Income	#	%	$000's	%	%
Low	101	53.6%	390	19.6%	19.7%
Moderate	40	21.4%	540	27.1%	17.9%
LMI	141	75.0%	930	46.7%	37.6%
Middle	27	14.3%	683	34.3%	22.0%
Upper	20	10.7%	378	19.0%	40.4%
Unknown	0	0.0%	0	0.0%	0.0%
Total	**188**	**100.0%**	**1,992**	**100.0%**	**100.0%**
2009					
Borrower	**Bank**				**HH Dem.**
Income	#	%	$000's	%	%
Low	75	42.3%	276	20.2%	19.7%
Moderate	62	34.6%	748	54.8%	17.9%
LMI	137	76.9%	1,024	75.0%	37.6%
Middle	34	19.2%	325	23.8%	22.0%
Upper	7	3.8%	16	1.2%	40.4%
Unknown	0	0.0%	0	0.0%	0.0%
Total	**178**	**100.0%**	**1,365**	**100.0%**	**100.0%**
2010					
Borrower	**Bank**				**HH Dem.**
Income	#	%	$000's	%	%
Low	73	41.4%	519	27.8%	19.7%
Moderate	49	27.6%	755	40.5%	17.9%
LMI	121	69.0%	1,274	68.4%	37.6%
Middle	18	10.3%	142	7.6%	22.1%
Upper	36	20.7%	448	24.1%	40.3%
Unknown	0	0.0%	0	0.0%	0.0%
Total	**176**	**100.0%**	**1,864**	**100.0%**	**100.0%**
2011					
Borrower	**Bank**				**HH Dem.**
Income	#	%	$000's	%	%
Low	82	53.8%	538	39.9%	19.7%
Moderate	29	19.2%	365	27.1%	17.8%
LMI	112	73.1%	904	67.0%	37.5%
Middle	35	23.1%	392	29.1%	22.1%
Upper	6	3.8%	53	3.9%	40.4%
Unknown	0	0.0%	0	0.0%	0.0%
Total	**153**	**100.0%**	**1,349**	**100.0%**	**100.0%**
2012					
Borrower	**Bank**				**HH Dem.**
Income	#	%	$000's	%	%
Low	28	21.7%	96	11.2%	21.4%
Moderate	39	30.4%	202	23.4%	14.9%
LMI	67	52.2%	298	34.5%	36.3%
Middle	39	30.4%	390	45.2%	19.0%
Upper	22	17.4%	175	20.3%	44.7%
Unknown	0	0.0%	0	0.0%	0.0%
Total	**128**	**100.0%**	**863**	**100.0%**	**100.0%**
GRAND TOTAL					
Borrower	**Bank**				**HH Dem.**
Income	#	%	$000's	%	%
Low	359	43.6%	1,820	24.5%	
Moderate	219	26.6%	2,609	35.1%	
LMI	578	70.2%	4,430	59.6%	
Middle	154	18.7%	1,932	26.0%	
Upper	92	11.1%	1,071	14.4%	
Unknown	0	0.0%	0	0.0%	
Total	**823**		**7,433**		

Geographic Distribution of Loans: "Satisfactory"

CBCV's HMDA and consumer loans are reasonably distributed in the three distressed middle-income census tracts that make up its assessment area.

CBCV's entire assessment area consists of three distressed middle-income census tracts in Jefferson County. All of CBCV's HMDA and consumer loans are made in these three middle-income census tracts, as are its peer institutions in the same assessment area.

Action Taken In Response to Written Complaints With Respect to CRA:

Neither CBCV nor the New York State Department of Financial Services has received any written complaints related to its CRA performance since the last CRA evaluation.

Additional Factors

The extent of participation by the banking institution's board of directors or board of trustees in formulating the banking institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act

Currently, CBCV's Board of Directors does not have any specific direct involvement in the bank's CRA activities. The president of the bank indicated future board minutes will include the board's specific CRA activities for the current month.

Any practices intended to discourage applications for types of credit set forth in the banking institution's CRA Public File.

New York State Department of Financial Services noted no practices that were intended to discourage applications for the types of credit offered by CBCV.

Evidence of prohibited discriminatory or other illegal credit practices

New York State Department of Financial Services noted no evidence of prohibited discriminatory or other illegal practices.

Record of opening and closing offices and providing services at offices

CBCV did not open or close any office during this evaluation period.

Distribution of Branches within the Assessment Area									
County	N/A #	Low #	Moderate #	Middle #	Upper #	Total #	LMI %	Distressed or Underserved	LMI and Distressed or Underserved
Jefferson				3		3	0%		0%
Total	**-**	**-**	**-**	**3**	**-**	**3**	0%	**-**	0%
*Partial County									

Process Factors

- *<u>Activities conducted by the banking institution to ascertain the credit needs of its community, including the extent of the banking institution's efforts to communicate with members of its community regarding the credit services being provided by the banking institution</u>*.

  CBCV ascertains credit needs of the community mainly through direct contacts with its customers. In addition, CBCV works with local community organizations such as Clayton Housing Association and Neighbors of Watertown to gather information about the credit needs of the community in the organization's service area. Members of the Board of Director serve on the board or committee of various community organizations including Cape Vincent Town Zoning Board, Watertown Chamber of Commerce, Cape Vincent Housing Committee, and Cape Vincent Lions Club.

- *<u>The extent of the banking institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the banking institution</u>*

  CBCV reaches its community through business card advertising through the local newspaper, "Thousand Islands Sun"; CBCV's monthly newsletter, "What's happening"; real estate brochures; and restaurant place mat advertising.

Other factors that in the judgment of the Superintendent bear upon the extent to which a banking institution is helping to meet the credit needs of its entire community

DFS noted none.

GLOSSARY

Aggregate Penetration Rate

The number of loans originated and purchased by all reporting lenders in specified categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the assessment area.

Community Development

"Community development":

1. Affordable housing (including multifamily housing) for low- or moderate-income ("LMI") individuals;
2. Community services targeted to LMI individuals;
3. Activities that promote economic development by financing business or farms that meet the size eligibility standards of the United States Small Business Administration ("SBA") Development Company or Small Business Investment Company programs, or have gross annual incomes of $1 million or less;
4. Activities that revitalize or stabilize LMI geographies; and
5. Activities that seek to prevent defaults and/or foreclosures in loans included in (1) and (3) above.

Community Development Loan

A loan that has its *primary purpose* community development. This includes but is not limited to loans to:

- Borrowers for affordable housing rehabilitation and construction, including construction and permanent financing for multifamily rental property serving low or moderate income ("LMI") persons;
- Nonprofit organizations serving primarily LMI or other community development needs;
- Borrowers to construct or rehabilitate community facilities that are located in LMI areas or that primarily serve LMI individuals;
- Financial intermediaries including community development financial institutions, community development corporations, minority- and women-owned financial institutions, community loan funds or pools, micro-finance institutions, and low-income or community development credit unions that primarily lend or facilitate lending to promote community development;
- Local, state and tribal governments for community development activities; and
- Borrowers to finance environmental clean up or redevelopment of an industrial site as part of an effort to revitalize the LMI community in which the property is located.

Community Development Service

Service that has community development as its *primary purpose*, is related to the provision of financial services, and has not been considered in the evaluation of the banking institution's retail banking services. This includes but is not limited to:

- Providing technical assistance on financial matters to nonprofit, tribal or government organizations serving LMI housing or economic revitalization and development needs;
- Providing technical assistance on financial matters to small businesses or community development organizations;
- Lending employees to provide financial services for organizations facilitating affordable housing construction and rehabilitation or development of affordable housing;
- Providing credit counseling, home buyers and home maintenance counseling, financial planning or other financial services education to promote community development and affordable housing;
- Establishing school savings programs for LMI individuals;
- Providing seminars for LMI persons on banking and bank account record-keeping;
- Making ATM “Training Machines” available for extended periods at LMI community sites or at community facilities that serve LMI individuals; and
- Technical assistance activities to community development organizations such as:
  - ❖ Serving on a loan review committee;
  - ❖ Developing loan application and underwriting standards;
  - ❖ Developing loan processing systems;
  - ❖ Developing secondary market vehicles or programs;
  - ❖ Assisting in marketing financial services, including the development of advertising and promotions, publications, workshops and conferences;
  - ❖ Furnishing financial services training for staff and management;
  - ❖ Contributing accounting/bookkeeping services; and
  - ❖ Assisting in fund raising, including soliciting or arranging investments.

Geography

A census tract delineated by the United States Bureau of the Census in the most recent decennial census

Home Mortgage Disclosure Act (“HMDA”)

The Home Mortgage Disclosure Act, enacted by Congress in 1975, and subsequently amended, requires institutions to annually report data about applications for residential (including multifamily) financing.

Income Level

The income level for borrowers is based on household or family income. A geography's income is categorized by median family income for the geography. In both cases, the income is compared to the MSA or statewide nonmetropolitan median income.

Income level of individual or geography	% of the area median income
Low-income	Less than 50
Moderate-income	At least 50 and less than 80
Middle-income	At least 80 and less than 120
Upper-income	120 or more

Loans to Small Businesses

Small business loans to businesses with gross annual revenues of $1 million or less.

Low or Moderate Income ("LMI") Geographies

Those census tracts or block numbering areas where, according to the 2000 U.S. Census, the median family income is less than 80% of the area median family income. In the case of tracted areas that are part of a Metropolitan Statistical Area ("MSA") or Primary Metropolitan Statistical Area ("PMSA"), this would relate to the median family income for the MSA or PMSA in which the tracts are located. In the case of BNAs and tracted areas that are not part of a MSA or PMSA, the area median family income would be the statewide non-metropolitan median family income.

LMI Borrowers

Borrowers whose income, as reported on the loan application which the lender relied upon in making the credit decision, is less than 80% of the area median family income. In cases where the residential property is located in a MSA or PMSA, this would relate to the median family income for that MSA or PMSA. Otherwise, the area median family income would be the statewide non-metropolitan median family income. In all instances, the area median family incomes used to measure borrower income levels are updated annually by the U.S. Department of Housing and Urban Development ("HUD").

LMI Individuals/Persons

Individuals or persons whose income is less than 80% of the area median family income. In the case where the individual resides in a MSA or PMSA, this would relate to the median family income for that MSA or PMSA. Otherwise, the area median family income would be the statewide non-metropolitan median family income. In all instances, the area median family incomes used to measure individual income levels are updated annually by HUD.

LMI Penetration Rate

A number that represents the percentage of a bank's total loans (for a particular product) that was extended to LMI geographies or borrowers. For example, an LMI penetration rate of 20% would indicate that the bank made 20 out of a total of 100 loans in LMI geographies or to LMI borrowers.

Low-Income Housing Tax Credit (LIHTC)

A dollar for dollar tax credit for affordable housing, created under the Tax Reform Act of 1986, that provides incentives to invest in projects for the utilization of private equity in the development of affordable housing aimed at low income Americans. It is also more commonly called Section 42 credits in reference to the applicable section of the IRC. The tax credits are more attractive than tax deductions as they provide a dollar for dollar reduction in a taxpayer's federal income tax. It is more commonly attractive to corporations since the passive loss rules and similar tax changes greatly reduced the value of tax credits and deductions to individual taxpayers.

New Markets Tax Credit (NMTC)

The New Markets Tax Credits (NMTC) Program was established by Congress in December 2000 to stimulate economic and community development and job creation in low-income communities. It permits individual and corporate taxpayers to receive a credit against federal income taxes for making qualified equity investments in Community Development Entities (CDEs). The credit provided to the investor totals 39% of the cost of the investment and is claimed over a 7-year period. CDEs must use substantially all of the taxpayer's investments to make qualified investments in low-income communities. The Fund is administered by the US Treasury Department's Community Development Financial Institutions Fund (CDFI).

Qualified Investment

A lawful investment, deposit, membership share or grant that has community development as its *primary purpose*. This includes but is not limited to investments, deposits, membership shares or grants in or to:

- Financial intermediaries (including community development financial institutions, community development corporations, minority- and women-owned financial institutions, community loan funds, micro-finance institutions and low-income or community development credit unions) that primarily lend or facilitate lending in LMI areas or to LMI individuals in order to promote community development;
- Organizations engaged in affordable housing rehabilitation and construction;
- Organizations, including, for example, small business investment corporations that promote economic development by financing small businesses;

- Facilities that promote community development in LMI areas or LMI individuals, such as youth programs, homeless centers, soup kitchens, health care facilities, battered women's centers, and alcohol and drug recovery centers;
- Projects eligible for low-income housing tax credits;
- State and municipal obligations, such as revenue bonds that specifically support affordable housing or other community development needs;
- Organizations serving LMI housing or other community development needs, such as counseling for credit, home ownership, home maintenance, and other financial services education; and
- Organizations supporting activities essential to the capacity of LMI individuals or geographies to utilize credit to sustain economic development, such as day care operations and job training programs that facilitate access to permanent jobs.