



**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, 2017

**Institution:** Cattaraugus County Bank  
120 Main Street  
Little Valley, NY 14755

**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 Cattaraugus County Bank (“CCB”) prepared by the New York State Department of Financial Services (“DFS” or the “Department”). This evaluation represents the Department’s current assessment and rating of the institution’s CRA performance based on an evaluation conducted as of September 30, 2017.

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 (“GRS”) 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 institutions’ 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 in 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 (“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.

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## **OVERVIEW OF INSTITUTION'S PERFORMANCE**

The Department evaluated CCB according to the small banking institution performance standards pursuant to Sections 76.7 and 76.12 of the GRS. The assessment period included calendar years 2011 through 2017. CCB is rated "Satisfactory" or "2." This rating means CCB had a satisfactory record of helping to meet community credit needs.

The rating is based on the following factors:

### **Lending Test: Satisfactory**

#### **Loan-to-Deposit Ratio and Other Lending-Related Activities: "Satisfactory"**

CCB's HMDA-reportable lending activities were reasonable considering its size, business strategy, and financial condition, as well as aggregate and peer group activity and the demographic characteristics and credit needs of its assessment area. CCB's average loan-to-deposit ("LTD") ratio for the evaluation period of 71.5% was comparable to its peer group's average of 72.9%.

To further help address the credit and investment needs of its assessment area, CCB made nine qualified community development loans and investments totaling \$845,452 during the evaluation period.

#### **Assessment Area Concentration: "Outstanding"**

During the evaluation period, CCB originated 96.9% by number and 92.8% by dollar value of its total HMDA-reportable loans within its assessment area. This substantial majority of lending inside the bank's assessment area reflects an excellent concentration of lending.

#### **Distribution by Borrower Characteristics: "Needs to Improve"**

CCB's HMDA-reportable lending demonstrated a less than adequate distribution of loans among individuals of different income levels.

During the evaluation period, CCB's average rates of lending to LMI borrowers of 22.8% by number and 9.9% by dollar value of loans were less than its aggregate's averages of 32.9% and 20.5%, respectively.

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

CCB's origination of HMDA-reportable loans in census tracts of varying income levels demonstrated a reasonable distribution of lending.

For the current evaluation period, CCB's average rate of lending to LMI census tracts was higher than the aggregate by number of loans (10% versus 8.3%), but lower by dollar value of loans (4.6% versus 5.2%).

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Action Taken in Response to Written Complaints with Respect to CRA: “Not Rated”

Neither DFS nor CCB received any written complaints during the evaluation period regarding the Bank’s CRA performance.

*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 GRS Part 76.*

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## PERFORMANCE CONTEXT

### Institution Profile

CCB is a New York state-chartered bank, headquartered in Little Valley, Cattaraugus County, NY. Cattaraugus County is within the Chautauqua/Allegheny region, located in the southeast corner of Western New York. CCB, a commercial bank, provides traditional banking and lending services primarily in this region, as well as in the southern parts of Erie County bordering Cattaraugus and Chautauqua counties.

Per the Consolidated Report of Condition (the "Call Report") as of December 31, 2017, filed with the Federal Deposit Insurance Corporation ("FDIC"), CCB reported total assets of \$232.9 million, of which \$179.1 million were net loans and lease finance receivables. It also reported total deposits of \$207.4 million, resulting in a LTD ratio of 86.4%. According to the latest available comparative deposit data, as of June 30, 2017, CCB had a market share of 0.5%, or \$203.8 million in a market of \$40 billion, ranking it 12<sup>th</sup> among 18 deposit-taking institutions in the assessment area.

The following is a summary of CCB's loan portfolio, based on Schedule RC-C of CCB's December 31, 2011, 2012, 2013, 2014, 2015, 2016, and 2017 Call Reports:

<b>TOTAL GROSS LOANS OUTSTANDING</b>								
Loan Type	2011		2012		2013		2014	
	\$000's	%	\$000's	%	\$000's	%	\$000's	%
1-4 Family Residential Mortgage Loans	43,808	44.1	43,605	43.4	46,240	41.5	45,889	36.3
Commercial & Industrial Loans	16,632	16.8	18,133	18.0	19,433	17.5	20,159	16.0
Commercial Mortgage Loans	25,802	26.0	25,235	25.1	33,436	30.0	43,080	34.1
Multifamily Mortgages	4,527	4.6	5,441	5.4	4,962	4.5	9,172	7.3
Consumer Loans	3,874	3.9	4,337	4.3	3,408	3.1	2,636	2.1
Agricultural Loans	2,442	2.5	2,119	2.1	2,671	2.4	2,950	2.3
Construction Loans	1,496	1.5	1,114	1.1	739	0.7	1,324	1.0
Secured by Farmland	579	0.6	433	0.4	344	0.3	996	0.8
Obligations of States and Municipalities	0	0.0	0	0.0	0	0.0	116	0.1
Other Loans	76	0.1	63	0.1	68	0.1	58	0.0
<b>Total Gross Loans</b>	<b>99,236</b>		<b>100,480</b>		<b>111,301</b>		<b>126,380</b>	

TOTAL GROSS LOANS OUTSTANDING						
Loan Type	2015		2016		2017	
	\$000's	%	\$000's	%	\$000's	%
1-4 Family Residential Mortgage Loans	52,288	34.1	56,674	32.6	59,449	32.7
Commercial & Industrial Loans	28,948	18.9	29,528	17.0	29,986	16.5
Commercial Mortgage Loans	49,063	32.0	61,202	35.2	65,793	36.2
Multifamily Mortgages	14,149	9.2	14,837	8.5	17,071	9.4
Consumer Loans	2,117	1.4	1,775	1.0	1,363	0.7
Agricultural Loans	2,209	1.4	1,968	1.1	1,706	0.9
Construction Loans	1,644	1.1	3,474	2.0	2,312	1.3
Secured by Farmland	2,150	1.4	2,787	1.6	2,590	1.4
Obligations of States and Municipalities	321	0.2	1,517	0.9	1,398	0.8
Other Loans	233	0.2	210	0.1	197	0.1
<b>Total Gross Loans</b>	<b>153,122</b>		<b>173,972</b>		<b>181,865</b>	

As illustrated in the above table, CCB is primarily a commercial lender, with 52.7% of its loan portfolio in commercial loans (16.5% in commercial and industrial and 36.2% in commercial mortgage loans); 42.1% of CCB's portfolio is residential real estate lending (32.7% in 1-4 family residential mortgages and 9.4% in multifamily mortgages).

CCB operates eight full-service branches. Five branches are in Cattaraugus County, two are in Chautauqua County, and one is in the southern part of Erie County. All branches are supported by withdrawals-only automated teller machines and drive-up windows.

*Examiners did not find evidence of financial or legal impediments that had an adverse impact on CCB's ability to meet the credit needs of its community.*

### **Assessment Area**

CCB's assessment area is comprised of Cattaraugus and Chautauqua counties in their entireties and the southern part of Erie County.

There are seventy census tracts in the area, of which three are low-income, seven are moderate-income, fifty-six are middle-income, two are upper-income, and two are tracts with no income indicated.

<b>Assessment Area Census Tracts by Income Level</b>							
County	N/A	Low	Mod	Middle	Upper	Total	LMI %
Cattaraugus	1	1	2	17		21	14.3
Chautauqua		2	4	27	2	35	17.1
Erie*	1		1	12		14	7.1
<b>Total</b>	<b>2</b>	<b>3</b>	<b>7</b>	<b>56</b>	<b>2</b>	<b>70</b>	<b>14.3</b>

\* *Partial County*

### **Demographic & Economic Data**

The assessment area had a population of 255,318 during the evaluation period. About 17.1% of the population were over the age of 65 and 18.7% were under the age of 16.

Of the 64,565 families in the assessment area, 23.2% were low-income, 18.7% were moderate-income, 22.3% were middle-income, and 35.9% were upper-income. There were 102,059 households in the assessment area, of which 16% had income below the poverty level and 3.5% were on public assistance.

The weighted average median family income in the assessment area was \$57,037.

There were 126,694 housing units within the assessment area, of which 85.2% were one-to-four family units and 6.4% were multifamily units. A majority (58%) of the area's housing units were owner-occupied, while 22.5% were rental units. Of the 73,527 owner-occupied housing units, 8.6% were in LMI census tracts while 91.4% were in middle- and upper-income census tracts. The median age of the housing stock was 62 years, and the median home value in the assessment area was \$91,603.

There were 12,424 non-farm businesses in the assessment area. Of these, 77.5% were businesses with reported revenues of less than or equal to \$1 million, 6.9% reported revenues of more than \$1 million, and 15.7% did not report their revenues. Of all the businesses in the assessment area, 96.4% were businesses with less than fifty employees while 84.63% operated from a single location. The largest industries in the area were services (41.9%), retail (16.2%), and construction (7.5%); 5.3% of businesses were not classified.

According to the New York State Department of Labor, the average unemployment rate for New York State has decreased from 8.3% in 2011 to 4.6% in 2017. Although the unemployment rates in CCB's assessment area also improved during the evaluation period, the rates in Cattaraugus and Chautauqua counties remained consistently higher than the New York State rates. Erie County's unemployment rates

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were comparable to the New York state rates.

<b>Assessment Area Unemployment Rates</b>				
	<b>NY State</b>	<b>Cattaraugus</b>	<b>Chautauqua</b>	<b>Erie*</b>
2011	8.3	9.3	8.2	8.0
2012	8.5	9.3	8.5	8.3
2013	7.7	8.5	8.0	7.4
2014	6.3	7.0	6.8	6.1
2015	5.3	6.3	6.0	5.3
2016	4.8	5.9	5.8	4.9
2017	4.6	6.0	6.1	5.2
<b>Average</b>	<b>6.5</b>	<b>7.5</b>	<b>7.1</b>	<b>6.5</b>

\* CCB's assessment area included only a portion of Erie County.

### **Community Information**

Two community contacts that support economic development and community service were interviewed for this evaluation. One was a local organization in Little Valley, NY that works to improve all the communities in Cattaraugus County through retention and expansion of employment, encouraging private sector investment, and promoting tourism in the area. The second community contact was a local organization whose mission is to improve the quality of life for the region's inhabitants, and assure that the people of the Southern Tier West region have access to adequate occupational, educational, and recreational opportunities, as well as environmental, health care, housing, public safety, and transportation services.

The organizations indicated a need for more flexible loan products to accommodate LMI individuals and small businesses, financial education for small businesses, and assistance in revitalizing "zombie" properties.

The community contacts mentioned that economic conditions in Cattaraugus County are improving slightly; however, local farms are struggling. Population loss has stabilized, yet people 55 and older have continued to increase, while the youth, ages 18-25 have decreased. The county consists mainly of middle-income census tracts; however, there are three LMI census tracts located within the county. The casino in Salamanca is a major employer and brings \$2 million in tourism annually, and Allegany State Park and Ellicottville each bring in \$1.5 million annually, according to the contact. There are job opportunities in the area but a low supply of skilled workers to fill the vacancies. Training is strongly needed to resolve this issue. Additionally, it was noted that small businesses are facing challenges with obtaining the needed financing to support their operations. The local banks have been taking a conservative lending approach. One community contact mentioned local banks, including CCB, have been more receptive to LMI individuals in the community.

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## **PERFORMANCE STANDARDS AND ASSESSMENT FACTORS**

*The Department evaluated CCB under the small banking institution performance standards in accordance with Sections 76.7 and 76.12 of the GRS, which consist of the following lending test criteria:*

- 1. Loan-to-deposit ratio and other lending-related activities;*
- 2. Assessment area concentration;*
- 3. Distribution of loans by borrower characteristics;*
- 4. Geographic distribution of loans; and*
- 5. Action taken in response to written complaints regarding CRA.*

*DFS also considered the following factors in assessing the bank's record of performance:*

- 1. The extent of participation by the board of directors or board of trustees in formulating CRA policies and reviewing CRA performance;*
- 2. Evidence of practices intended to discourage credit applications;*
- 3. Evidence of prohibited discriminatory or other illegal credit practices;*
- 4. The institution's record of opening and closing offices and providing services at offices; and*
- 5. Process factors, such as activities to ascertain credit needs and the extent of marketing and special credit related programs.*

*Finally, DFS considered other factors as delineated in Section 28-b of the New York Banking Law that reasonably bear upon the extent to which the bank helps meet the credit needs of its entire community.*

DFS derived statistics employed in this evaluation from various sources. CCB submitted bank-specific information both as part of the evaluation process and on its Call Report submitted to the FDIC. DFS obtained aggregate lending data from the Federal Financial Institutions Examination Council ("FFIEC") and deposit data from the FDIC. DFS calculated loan-to-deposit ratios from information shown in the Bank's Uniform Bank Performance Report submitted to the FDIC.

DFS derived the demographic data referred to in this report from the 2010 U.S. Census and the FFIEC. DFS based business demographic data on Dun & Bradstreet reports, which Dun & Bradstreet updates annually. DFS obtained unemployment data from the New York State Department of Labor. Some non-specific bank data were only available on a county-wide basis, and DFS used this information even though CCB's assessment area includes only a portion of Erie County.

The evaluation period included calendar years 2011 through 2017.

Examiners considered CCB's HMDA-reportable loans in evaluating factors (2), (3), and

(4) of the lending test noted above. HMDA-reportable loan data evaluated in this performance evaluation represented actual originations. Examiners did not consider CCB's small business loans for this evaluation.

At its **prior** Performance Evaluation, as of December 31, 2010, DFS assigned CCB a rating of "2," reflecting a "Satisfactory" record of helping to meet the credit needs of CCB's communities.

**Current CRA Rating: "Satisfactory"**

**Lending Test: "Satisfactory"**

CCB's HMDA-reportable lending activities were reasonable in light of its size, business strategy, and financial condition, as well as aggregate and peer group activity and the demographic characteristics and credit needs of its assessment area.

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

CCB's average LTD ratio was reasonable considering its size, business strategy, and financial condition, as well as the lending activity of its peer group and the demographic characteristics and credit needs of its assessment area. CCB's LTD ratios were mostly in line with its peer group during the twenty-eight quarters of the evaluation period, averaging 71.8% for the period compared to the peer group's average of 72.9%. This was an increase over the bank's prior evaluation period ratio of 69.1%.

The table below shows CCB's LTD ratios in comparison with the peer group's ratios for the twenty-eight quarters since the prior evaluation.

<b>Loan-to-Deposit Ratios</b>																
	2011 Q1	2011 Q2	2011 Q3	2011 Q4	2012 Q1	2012 Q2	2012 Q3	2012 Q4	2013 Q1	2013 Q2	2013 Q3	2013 Q4	2014 Q1	2014 Q2	2014 Q3	2014 Q4
Bank	60.5	60.9	60.0	59.0	56.9	59.1	61.5	61.2	60.3	63.6	64.9	65.2	67.1	70.7	73.3	71.5
Peer	72.1	73.1	72.8	71.4	68.5	70.3	70.0	68.9	67.4	70.0	71.0	71.2	69.3	71.6	73.0	72.9

<b>Loan-to-Deposit Ratios</b>												
2015 Q1	2015 Q2	2015 Q3	2015 Q4	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3	2017 Q4	Avg.
71.5	76.8	80.1	82.8	82.3	84.2	86.3	88.7	84.4	85.6	86.6	86.4	71.8
71.8	74.4	75.3	74.8	74.7	76.4	77.3	76.1	74.9	77.2	77.9	77.2	72.9

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As a small bank, CCB is not required to have community development activities. However, to further help address the credit and investment needs of its assessment area, CCB made nine qualified community development loans and investments totaling \$845,452 during the evaluation period to support the following assessment area needs:

#### *Economic Development*

- In 2015 CCB extended a \$100,000 working capital line of credit to a Regional Planning and Development Board, whose mission is to help coordinate and enhance planning and development activities in the region. The line was renewed the following two years for total qualified community development lending of \$300,000.

#### *Revitalize/Stabilize*

- CCB purchased two local city-issued municipal bonds totaling \$115,452 in years 2012 and 2017. The funds were used to purchase a vehicle for public utilities and radio equipment for the fire department. The city government serves communities located in LMI census tracts.
- In 2011 CCB purchased \$105,000 worth of public improvement bonds issued by a local city government that encompasses LMI communities. The funds were used to finance the cost of various municipal construction projects and improvements. In addition to this, CCB had outstanding municipal bonds of \$145,000 which were purchased in 2010.

#### *Community Services*

- In 2011, CCB invested \$30,000 in municipal general obligation bonds issued by a local central school district where almost 50% of the student population receive free or reduced cost lunches.
- Outstanding from prior period, CCB had a \$150,000 public improvement serial bonds issued by a local central school district with majority or 60% of its students receive free or reduced cost lunches. Funds were used to finance reconstruction of various school buildings and facilities.

#### Assessment Area Concentration: "Outstanding"

During the evaluation period, CCB originated 96.9% by number and 92.8% by dollar value of its total HMDA-reportable loans within the assessment area. This substantial majority of lending reflects an excellent concentration of lending within the bank's assessment area.

CCB's HMDA-reportable lending inside the assessment area fluctuated during the evaluation period, from a high of 118 originations in 2013 to a low of 47 originations in 2014; however, all of the HMDA-reportable loans CCB originated in 2014 were within the assessment area.

The following table shows the distribution of CCB's HMDA-reportable 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										
2011	97	99.0%	1	1.0%	98	8,658	99.3%	60	0.7%	8,718
2012	111	95.7%	5	4.3%	116	12,809	94.1%	806	5.9%	13,615
2013	118	95.2%	6	4.8%	124	11,182	95.1%	578	4.9%	11,760
2014	47	100.0%	-	0.0%	47	6,695	100.0%	-	0.0%	6,695
2015	93	96.9%	3	3.1%	96	15,253	89.5%	1,797	10.5%	17,050
2016	114	96.6%	4	3.4%	118	13,310	95.4%	647	4.6%	13,957
2017	100	97.1%	3	2.9%	103	10,600	82.5%	2,243	17.5%	12,843
Total	680	96.9%	22	3.1%	702	78,507	92.8%	6,131	7.2%	84,638

\*DFS based its analysis of HMDA-reportable lending on actual loans.

#### Distribution by Borrower Characteristics: "Needs to Improve"

CCB's HMDA-reportable lending demonstrated a less than adequate distribution of loans among individuals of different income levels.

During the evaluation period, CCB's average rates of lending to LMI borrowers of 22.8% by number of loans and 9.9% by dollar value were less than its aggregate's averages of 32.9% and 20.5%, respectively. CCB's rates of lending to LMI borrowers were below the aggregate, in both number and dollar value of loans, in each year of the evaluation period. During the evaluation period, LMI families constituted 41.9% of the assessment area's families.

<b>Distribution of 1-4 Family Loans by Borrower Income</b>									
<b>2011</b>									
<b>Borrower</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Fam.Dem.</b>
<b>Income</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Low	5	5.4%	171	2.0%	309	9.5%	12,678	4.5%	19.0%
Moderate	20	21.7%	713	8.5%	701	21.5%	40,228	14.3%	19.9%
LMI	25	27.2%	884	10.5%	1,010	31.0%	52,906	18.8%	38.9%
Middle	28	30.4%	1,487	17.7%	868	26.7%	64,780	23.0%	24.0%
Upper	39	42.4%	6,011	71.7%	1,258	38.6%	153,714	54.7%	37.1%
Unknown	0	0.0%	0	0.0%	119	3.7%	9,695	3.4%	0.0%
<b>Total</b>	<b>92</b>		<b>8,382</b>		<b>3,255</b>		<b>281,095</b>		
<b>2012</b>									
<b>Borrower</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Fam.Dem.</b>
<b>Income</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Low	5	4.7%	135	1.1%	329	8.6%	14,101	4.1%	21.2%
Moderate	18	17.0%	945	7.6%	796	20.9%	46,770	13.6%	18.6%
LMI	23	21.7%	1,080	8.7%	1,125	29.6%	60,871	17.8%	39.8%
Middle	32	30.2%	2,148	17.3%	1,059	27.8%	76,686	22.4%	23.4%
Upper	51	48.1%	9,218	74.1%	1,481	38.9%	191,259	55.8%	36.8%
Unknown	0	0.0%	0	0.0%	139	3.7%	13,942	4.1%	0.0%
<b>Total</b>	<b>106</b>		<b>12,446</b>		<b>3,804</b>		<b>342,758</b>		
<b>2013</b>									
<b>Borrower</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Fam.Dem.</b>
<b>Income</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Low	7	6.1%	88	0.8%	355	9.1%	15,925	4.7%	21.2%
Moderate	28	24.6%	1,293	11.8%	866	22.3%	51,519	15.1%	18.6%
LMI	35	30.7%	1,381	12.6%	1,221	31.4%	67,444	19.7%	39.8%
Middle	25	21.9%	1,907	17.3%	1,030	26.5%	79,594	23.3%	23.4%
Upper	54	47.4%	7,710	70.1%	1,506	38.8%	179,991	52.7%	36.8%
Unknown	0	0.0%	0	0.0%	129	3.3%	14,602	4.3%	0.0%
<b>Total</b>	<b>114</b>		<b>10,998</b>		<b>3,886</b>		<b>341,631</b>		
<b>2014</b>									
<b>Borrower</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Fam.Dem.</b>
<b>Income</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Low	1	2.2%	34	0.5%	307	10.6%	12,849	5.4%	21.3%
Moderate	5	11.1%	243	3.7%	663	22.9%	38,487	16.1%	18.6%
LMI	6	13.3%	277	4.2%	970	33.5%	51,336	21.5%	39.8%
Middle	15	33.3%	1,381	21.2%	782	27.0%	57,572	24.1%	23.5%
Upper	24	53.3%	4,870	74.6%	1,035	35.8%	118,224	49.5%	36.7%
Unknown	0	0.0%	0	0.0%	106	3.7%	11,914	5.0%	0.0%
<b>Total</b>	<b>45</b>		<b>6,528</b>		<b>2,893</b>		<b>239,046</b>		

2015									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	8	9.4%	413	3.2%	327	10.4%	14,899	5.3%	21.3%
Moderate	5	5.9%	327	2.5%	800	25.4%	50,922	18.1%	18.6%
LMI	13	15.3%	740	5.6%	1,127	35.8%	65,821	23.4%	39.8%
Middle	17	20.0%	1,708	13.0%	832	26.4%	66,678	23.7%	23.5%
Upper	55	64.7%	10,657	81.3%	1,090	34.6%	137,887	49.1%	36.7%
Unknown	0	0.0%	0	0.0%	101	3.2%	10,729	3.8%	0.0%
<b>Total</b>	<b>85</b>		<b>13,105</b>		<b>3,150</b>		<b>281,115</b>		
2016									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	12	11.2%	700	6.3%	344	10.3%	15,711	5.0%	21.3%
Moderate	12	11.2%	837	7.5%	780	23.4%	49,241	15.7%	18.6%
LMI	24	22.4%	1,537	13.7%	1,124	33.7%	64,952	20.7%	39.8%
Middle	18	16.8%	966	8.6%	831	24.9%	68,820	21.9%	23.5%
Upper	63	58.9%	8,605	76.9%	1,257	37.7%	164,431	52.4%	36.7%
Unknown	2	1.9%	88	0.8%	120	3.6%	15,754	5.0%	0.0%
<b>Total</b>	<b>107</b>		<b>11,196</b>		<b>3,332</b>		<b>313,957</b>		
2017									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	7	7.1%	424	4.0%	376	11.9%	18,013	5.8%	23.2%
Moderate	15	15.2%	920	8.7%	769	24.3%	52,315	16.8%	18.7%
LMI	22	22.2%	1,344	12.7%	1,145	36.1%	70,328	22.6%	41.9%
Middle	25	25.3%	2,145	20.3%	862	27.2%	73,779	23.7%	22.3%
Upper	49	49.5%	6,833	64.5%	1,066	33.6%	151,079	48.5%	35.9%
Unknown	3	3.0%	265	2.5%	96	3.0%	16,389	5.3%	0.0%
<b>Total</b>	<b>99</b>		<b>10,587</b>		<b>3,169</b>		<b>311,575</b>		
GRAND TOTAL									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	45	6.9%	1,965	2.7%	2,347	10.0%	104,176	4.9%	
Moderate	103	15.9%	5,278	7.2%	5,375	22.9%	329,482	15.6%	
LMI	148	22.8%	7,243	9.9%	7,722	32.9%	433,658	20.5%	
Middle	160	24.7%	11,742	16.0%	6,264	26.7%	487,909	23.1%	
Upper	335	51.7%	53,904	73.6%	8,693	37.0%	1,096,585	51.9%	
Unknown	5	0.8%	353	0.5%	810	3.4%	93,025	4.4%	
<b>Total</b>	<b>648</b>		<b>73,242</b>		<b>23,489</b>		<b>2,111,177</b>		

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### Geographic Distribution of Loans: "Satisfactory"

CCB's origination of HMDA-reportable loans in census tracts of varying income levels demonstrated a reasonable distribution of lending.

CCB's assessment area has three low-income and seven moderate-income census tracts out of a total of 70 census tracts. In the prior evaluation period, CCB's assessment area consisted of 66 census tracts, of which there were three low-income census tracts, 11 moderate-income census tracts, and 16 middle-income census tracts in Cattaraugus that were designated as distressed. In 2011, the distressed designation was removed from those census tracts. The increase in the number of census tracts is due to the addition of four new tracts in Chautauqua and Erie counties.

For the current evaluation period, CCB's average rate of lending to LMI census tracts was higher than the aggregate by number of loans (10% versus 8.3%), but lower by dollar value of loans (4.6% versus 5.2%). CCB's average rate of lending to LMI census tracts by number of loans was better than the aggregate's during four of the seven years of the evaluation period. CCB's lowest rate of lending in LMI geographies occurred during 2017 when the bank originated only four loans in moderate-income geographies, resulting in a 4% rate of lending to LMI geographies by number of loans and 1.5% by dollar value for that year.

CCB's rates of lending in LMI geographies of 15.6% by number of loans and 8.3% by dollar value were higher in the prior evaluation period (2008-2010) than in the current evaluation period. In contrast, the aggregate's rate of lending in LMI geographies was lower at 6.6% by number of loans and 3.5% by dollar value for the prior evaluation period.

Distribution of HMDA-Reportable Lending by Geographic Income of the Census Tract									
2011									
Geographic	Bank				Aggregate				OO Hus
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	11	0.3%	537	0.2%	0.4%
Moderate	10	10.3%	457	5.3%	186	5.4%	8,004	2.7%	8.9%
LMI	10	10.3%	457	5.3%	197	5.8%	8,541	2.9%	9.4%
Middle	80	82.5%	7,507	86.7%	2,918	85.5%	249,787	85.8%	84.0%
Upper	7	7.2%	694	8.0%	298	8.7%	32,734	11.2%	6.6%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
<b>Total</b>	<b>97</b>		<b>8,658</b>		<b>3,413</b>		<b>291,062</b>		
2012									
Geographic	Bank				Aggregate				OO Hus
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	1	0.9%	58	0.5%	10	0.3%	4,425	1.2%	0.3%
Moderate	9	8.1%	546	4.3%	353	8.9%	19,683	5.4%	11.8%
LMI	10	9.0%	604	4.7%	363	9.1%	24,108	6.6%	12.1%
Middle	100	90.1%	12,074	94.3%	3,204	80.5%	293,508	80.0%	78.9%
Upper	1	0.9%	131	1.0%	411	10.3%	49,201	13.4%	9.0%
Unknown	0	0.0%	0	0.0%		0.0%	0	0.0%	0.0%
<b>Total</b>	<b>111</b>		<b>12,809</b>		<b>3,978</b>		<b>366,817</b>		
2013									
Geographic	Bank				Aggregate				OO Hus
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	1	0.8%	80	0.7%	11	0.3%	548	0.2%	0.3%
Moderate	11	9.3%	439	3.9%	367	9.0%	20,877	5.7%	11.8%
LMI	12	10.2%	519	4.6%	378	9.3%	21,425	5.9%	12.1%
Middle	104	88.1%	10,311	92.2%	3,290	80.8%	295,773	81.1%	78.9%
Upper	2	1.7%	352	3.1%	405	9.9%	47,272	13.0%	9.0%
Unknown	0	0.0%	0	0.0%	1	0.0%	160	0.0%	0.0%
<b>Total</b>	<b>118</b>		<b>11,182</b>		<b>4,074</b>		<b>364,630</b>		
2014									
Geographic	Bank				Aggregate				OO Hus
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	5	0.2%	598	0.2%	0.3%
Moderate	4	8.5%	240	3.6%	287	9.4%	15,993	6.0%	11.8%
LMI	4	8.5%	240	3.6%	292	9.5%	16,591	6.2%	12.1%
Middle	41	87.2%	6,169	92.1%	2,483	81.2%	219,751	82.5%	78.9%
Upper	2	4.3%	286	4.3%	283	9.3%	30,084	11.3%	9.0%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
<b>Total</b>	<b>47</b>		<b>6,695</b>		<b>3,058</b>		<b>266,426</b>		

Distribution of HMDA-Reportable Lending by Geographic Income of the Census Tract									
2015									
Geographic	Bank				Aggregate				OO Hus
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	5	0.1%	211	0.1%	0.3%
Moderate	12	12.9%	900	5.9%	312	9.3%	18,361	5.9%	11.8%
LMI	12	12.9%	900	5.9%	317	9.5%	18,572	6.0%	12.1%
Middle	79	84.9%	14,113	92.5%	2,686	80.5%	252,171	81.7%	78.9%
Upper	2	2.2%	240	1.6%	334	10.0%	38,032	12.3%	9.0%
Unknown	0	0.0%	0	0.0%	1	0.0%	5	0.0%	0.0%
<b>Total</b>	<b>93</b>		<b>15,253</b>		<b>3,338</b>		<b>308,780</b>		
2016									
Geographic	Bank				Aggregate				OO Hus
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	1	0.9%	100	0.8%	4	0.1%	125	0.0%	0.3%
Moderate	15	13.2%	645	4.8%	318	9.0%	18,447	5.6%	11.8%
LMI	16	14.0%	745	5.6%	322	9.2%	18,572	5.7%	12.1%
Middle	93	81.6%	12,005	90.2%	2,821	80.3%	261,932	79.9%	78.9%
Upper	5	4.4%	560	4.2%	369	10.5%	47,105	14.4%	9.0%
Unknown	0	0.0%	0	0.0%	2	0.1%	279	0.1%	0.0%
<b>Total</b>	<b>114</b>		<b>13,310</b>		<b>3,514</b>		<b>327,888</b>		
2017									
Geographic	Bank				Aggregate				OO Hus
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	9	0.3%	519	0.2%	0.8%
Moderate	4	4.0%	157	1.5%	162	5.1%	7,776	2.5%	7.8%
LMI	4	4.0%	157	1.5%	171	5.4%	8,295	2.7%	8.6%
Middle	95	95.0%	10,408	98.2%	2,952	93.2%	299,223	96.0%	89.7%
Upper	1	1.0%	35	0.3%	46	1.5%	4,057	1.3%	1.6%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
<b>Total</b>	<b>100</b>		<b>10,600</b>		<b>3,169</b>		<b>311,575</b>		
GRAND TOTAL									
Geographic	Bank				Aggregate				OO Hus
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	3	0.4%	238	0.3%	55	0.2%	6,963	0.3%	
Moderate	65	9.6%	3,384	4.3%	1,985	8.1%	109,141	4.9%	
LMI	68	10.0%	3,622	4.6%	2,040	8.3%	116,104	5.2%	
Middle	592	87.1%	72,587	92.6%	20,354	82.9%	1,872,145	83.7%	
Upper	20	2.9%	2,198	2.8%	2,146	8.7%	248,485	11.1%	
Unknown	0	0.0%	0	0.0%	4	0.0%	444	0.0%	
<b>Total</b>	<b>680</b>		<b>78,407</b>		<b>24,544</b>		<b>2,237,178</b>		

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Action Taken in Response to Written Complaints with Respect to CRA: “Not Rated”

Neither DFS nor CCB received any written complaints during the evaluation period regarding the Bank’s CRA performance.

**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**

It is the responsibility of the bank’s board of directors to ensure it has a clear understanding and working knowledge of the bank’s CRA and related community development activities. CCB’s board reviews the bank’s CRA policy and performance through periodic CRA self-assessments, with no more than eighteen months between each assessment. The latest board review and approval of the CRA policy was in October 2017.

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

DFS examiners did not note practices by CCB intended to discourage applications for the types of credit offered by CCB.

**Evidence of prohibited, discriminatory or other illegal credit practices**

DFS examiners did not note any evidence, by the bank, of prohibited, discriminatory or other illegal practices.

**Record of opening and closing offices and providing services at offices**

In 2012, CCB closed two branches in a very rural area, one in South Dayton (Cattaraugus County) and one in Cherry Creek (Chautauqua County). These branches were then consolidated into one newly constructed branch which is also located in South Dayton. The new branch is only a few blocks away from closed South Dayton branch, while the closed Cherry Creek branch is a 10-minute drive from the new branch.

These branch closures did not adversely impact the accessibility of CCB’s services, including services to LMI geographies and/or LMI borrowers.

Distribution of Branches within the Assessment Area							
County	N/A #	Low #	Moderate #	Middle #	Upper #	Total #	LMI %
Cattaraugus			1	4		5	20%
Chautauqua				1	1	2	0%
Erie*				1		1	0%
<b>Total</b>			<b>1</b>	<b>6</b>	<b>1</b>	<b>8</b>	<b>13%</b>

\* Partial County

## Process Factors

- *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*

CCB's efforts to ascertain the credit needs of its community include partnerships with local nonprofit organizations who serve LMI individuals. Several CCB senior bank officers and staff meet with these organizations periodically to determine the needs of their clients and members. Additionally, some senior bank officers, along with CCB's board members, serve on the board of these organizations. CCB's board members are also active members in local chambers of commerce and foundations.

- *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*

CCB uses traditional marketing strategies, such as website advertising and advertisements in local newspapers, local television stations, and local radio stations, to inform and reach out to its customer base.

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

Addressing credit needs of certain communities, CCB provides flexible 1-4 family loan programs to accommodate borrowers of the Amish and Mennonite communities who are mostly LMI individuals, primarily living in rural areas of the assessment area. Due to the community restrictions, their properties do not have running water and electricity as is normally required. Due to the nature of the property and limited marketability, loan-to-value is limited to 50%. And with no standard hazard insurance, CCB accepts a general aid form that must be completed by a representative of the church attesting to the borrower's "good standing" with the church.

## **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.

<b>Income level of individual or geography</b>	<b>% of the area median income</b>
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

## **Small Business Loan**

A small business loan is a loan less than or equal to \$1 million.

## **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.