



PUBLIC DISCLOSURE

September 23, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The National Bank of Delaware County, Walton
Charter Number 4495

131-135 Delaware Street
Walton, NY 13856

Office of the Comptroller of the Currency

5000 Brittonfield Parkway
Suite 102
East Syracuse, NY 13057

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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

- The National Bank of Delaware County, Walton (NBDC) had a reasonable average loan-to-deposit ratio during the evaluation period.
- A majority of the loans originated during the evaluation period were inside the bank's assessment area (AA).
- NBDC had an excellent distribution of consumer loans to borrowers of different income levels within the AA.
- NBDC did not receive any CRA-related complaints during the evaluation period.

SCOPE OF EXAMINATION

The evaluation period covers the time period from February 5, 2009 through September 23, 2013. We sampled loans originated during the period of January 1, 2010 and December 31, 2011. The sample period was representative of the entire evaluation period. We determined that consumer loans, including home equity loans, were the bank's primary loan product.

DESCRIPTION OF INSTITUTION

NBDC is a \$271 million community bank headquartered in Walton, New York (NY), with six offices serving the Leatherstocking and Catskill regions of NY State. NBDC is part of Delaware Bancshares, Inc., a one-bank holding company. As of June 30, 2013, total assets consisted of \$143 million (53%) in investments and \$95 million (35%) in loans. The bank's deposits totaled \$229 million. The loan portfolio consists of \$50 million (52%) in residential real estate loans, \$22 million (24%) in commercial and commercial real estate loans, \$3 Million (3%) in agricultural loans and \$20 million (21%) in consumer loans (including home equity products).

The bank's six offices are located in Walton, Franklin, Andes, Hamden, Stamford, and Roxbury, NY. Management did not add or close any branches since the last CRA examination. The bank has automated teller machines (ATM) at the Big M Market in Walton, NY, and a cash-only ATM at Tyco, a major employer in the county, located in Hobart, NY. NBDC offers traditional banking products and services, including telephone, online, and mobile banking, and also has a small trust department.

NBDC does not have any legal, financial or other factors that would impede its ability to help meet the credit needs in its AA. At the last CRA examination dated February 5, 2009, NBDC received a rating of "Satisfactory" CRA performance.

DESCRIPTION OF ASSESSMENT AREA (AA)

The AA consists of 14 census tracts in Delaware County including 13 middle-income census tracts and one upper-income census tract. The AA is reasonable and meets the requirements of the regulation.

According to 2000 U.S. Census data, the total population of the AA is 48,055, with 12,791 families and 19,245 households. The distribution of households in the AA, used to evaluate borrower distribution of consumer loans, is 24.48% low-income, 18.40% moderate-income, 20.95% middle-income and 36.17%% upper-income. The 2000 U.S. Census Median Family Income for the Non-Metropolitan Statistical Area (Non-MSA) of NY State is \$39,779, which is used to determine the income designation of the census tracts in the AA. The Department of Housing and Urban Development (HUD) Updated Median Family Income for 2010 and 2011 was \$55,300 and \$56,100, respectively, which is used to determine the income designation of the borrower. The median household income for the AA is \$32,725. The percentage of households in the AA below the poverty level is 12.47%.

The August 2013 unemployment rates for NY State and Delaware County were approximately 7.5%. However, the NY State unemployment rate exceeded 8% for the majority of the evaluation period, peaking at 8.9% for several months in early 2010. The unemployment rate for Delaware County fluctuates throughout the year, and typically ranged between 8% and 10.5% during the evaluation period. Major employers in Delaware County include local governments and school districts, hospitals, and some industrial employers such as Kraft Foods in Walton, Morningstar /Ultra-Dairy in Hamden, Tyco in Hobart, and Amphenol Aerospace in Sidney, NY.

NBDC faces significant competition from a variety of institutions, including credit unions and other banks. Competitors include smaller institutions, such as, Sidney Federal Credit Union and The Delaware National Bank of Delhi, as well as, branches of larger institutions, such as, NBT Bank, N.A. and Community Bank, N.A.

During our examination, we contacted two local community development organizations. Both contacts reported the credit needs of the community include senior housing, home mortgages, home equity loans and lines and home improvement loans, and that banks in the area are doing a good job meeting area credit needs. The community contacts noted that employment opportunities are low and many of the jobs available are low paying and lack benefits. Both also noted the higher and increasing percentage of senior citizens in the AA. Both contacts specifically mentioned NBDC as being active in supporting low and moderate-income borrower credit needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

NBDC’s average loan- to-deposit ratio during the evaluation period was reasonable. Since the last CRA examination, NBDC’s average loan-to-deposit ratio was 47.63%. In comparison, four similarly sized and regionally similar banks had average loan-to-deposit ratios ranging from 41.24% to 72.84%. The bank that shares the same AA with NBDC had an average loan-to-deposit ratio of 41.24%.

Lending in Assessment Area

A majority of consumer loans originated during the evaluation period were inside the bank’s AA. Approximately 67% by number and 60% by dollar amount of consumer loans were originated in the AA. Refer to the table below.

Lending in the AA										
Loan Type	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
					(000’s)		(000’s)		(000’s)	
Consumer	36	67%	18	33%	54	210,933	60%	141,162	40%	352,095

Source: Consumer loan sample

Lending to Borrowers of Different Incomes

NBDC had an excellent penetration of consumer loans to borrowers of different income levels within the AA. The percentage of loans to low-income borrowers significantly exceeded the percentage of low-income households within the AA. The percentage of loans to moderate-income borrowers also exceeded the percentage of moderate-income households within the AA. Refer to the table below.

Borrower Distribution of Consumer Loans in AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer	24.48%	47.22%	18.40%	22.22%	20.95%	8.33%	36.17%	22.22%

Source: 2000 U.S. Census data; consumer loan sample

Community Development Lending

During the evaluation period, the bank granted a \$1 million line of credit to an organization that provides residential living assistance to developmentally challenged adults in Delaware County. The people served primarily have low or moderate incomes.

Geographic Distribution of Loans

We did not complete an analysis of the geographic distribution of loan originations, as the results would not be meaningful since the AA does not contain any low or moderate-income census tracts.

Responses to Complaints

NBDC did not receive any CRA-related complaints during the evaluation period.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.