



Office of the
Comptroller of the Currency
Washington, DC 20219

INTERMEDIATE SMALL BANK

PUBLIC DISCLOSURE

March 20, 2017

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Lyons National Bank
Charter Number 1027

35 William Street
Lyons, New York 14489

Office of the Comptroller of the Currency

5000 Brittonfield Parkway, Suite 102B
East Syracuse, New York 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, and should not be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Satisfactory.

The primary factors supporting the CRA rating are as follows:

- The bank had a reasonable loan-to-deposit ratio during the evaluation period.
- A majority of the home mortgage loans originated during the evaluation period were within the bank's assessment area (AA).
- The bank had an excellent dispersion of home mortgage loans among census tracts of different income designations within the AA.
- The bank had a reasonable penetration of home mortgage loans to borrowers of different income levels within the AA.
- The bank's community development performance represented adequate responsiveness to the community development needs of the AA.

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

Census Tract (CT): A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community Development: Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or outside the assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

Community Reinvestment Act (CRA): the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor

vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

Full Review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

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 statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn), loan pricing, the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

Home Mortgage Loans: Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited Review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Metropolitan Area (MA): Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget and any other area designated as such by the appropriate federal financial supervisory agency.

Metropolitan Division: As defined by Office of Management and Budget, a county or group of counties within a Metropolitan Statistical Area that contains a population of at least 2.5 million. A Metropolitan Division consists of one or more counties that represent an employment center or centers, plus adjacent counties associated with the main county or counties through commuting ties.

Metropolitan Statistical Area: An area, defined by the Office of Management and Budget, as having at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties, plus adjacent outlying counties having a high degree of social and economic integration with the central county as measured through commuting.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Other Products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

Small Loan(s) to Business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

Small Loan(s) to Farm(s): A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Tier One Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Upper-Income: Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

Description of Institution

The Lyons National Bank (LNB), a \$956 million community bank headquartered in Lyons, NY, operates thirteen branches in Monroe, Onondaga, Ontario, Seneca, Wayne and Yates Counties in the Central NY and Finger Lakes Regions of New York State. LNB's Monroe County branch, located in Fairport, NY, opened in September 2015. The remaining branches have been open during the entire evaluation period. LNB is wholly owned by Lyons Bancorp, Inc., a one-bank holding company. LNB has one subsidiary, Lyons Realty Associates Corp.

LNB offers traditional deposit and loan products and services through its full service branches. Management's strategic focus is on retail loan growth. As of December 31, 2016, LNB's balance sheet includes \$679 million in total loans consisting of 36 percent residential real estate mortgages, 20 percent commercial real estate mortgages, 14 percent commercial loans, 13 percent agricultural loans, nine percent home equity lines of credit, four percent consumer loans, three percent multi-family real estate mortgages, and one percent loans to organizations (i.e. government entities and not-for-profit organizations). Deposits, sourced substantially from the bank's market area, total \$854 million.

LNB has no legal, financial or other impediments hindering its ability to help meet the credit needs in its AAs. LNB demonstrated satisfactory performance at its last CRA evaluation dated December 2, 2013, receiving satisfactory ratings under the Lending and Community Development Tests.

Description of Assessment Areas

Rochester MSA AA

The Rochester MSA AA consists of Ontario, Wayne and Yates County in their entirety, and six towns in eastern Monroe County. LNB included the Monroe County towns of Webster, Penfield, East Rochester, Pittsford, Perinton, and Mendon in the AA to coincide with the September 2015 opening of the Fairport, NY branch. The AA is reasonable and does not arbitrarily exclude low- or moderate-income areas.

The AA consists of 87 census tracts designated as follows: nine moderate-income, 44 middle-income, 33 upper-income, and one not classified for income representing the Lake Ontario shoreline in Wayne County. The AA does not include any low-income census tracts. LNB's 11 branches are located mainly in Wayne County where seven branches are located, followed by two branches in Ontario County, one branch in Monroe County and one branch in Yates County.

The AA's 397,540 persons live predominately in middle- and upper-income census tracts with 7.15 percent located in moderate-income tracts. The majority of the AA population, 170,489 are located in the 34 census tracts in Monroe County, followed by 107,931 persons in the 25 census tracts in Ontario County, 93,772 persons in the 23 census tracts in Wayne County and 25,348 persons in the five census tracts in Yates County.

The AA includes 169,449 total housing units of which 120,705 or 71.23 percent are owner-occupied. The remaining units are rental units (33,781 or 19.94 percent) or vacant units (14,963 or 8.83 percent). Owner-occupied housing (OOH) in moderate-income tracts represents 6.17 percent of OOH in the AA. The AA median housing value (MHV) of \$149,580 reflects the \$189,973 MHV in the Monroe County portion of the AA, \$136,510 MHV in the Ontario County, \$105,879 MHV in Wayne County and \$123,593 MHV in Yates County

The AA includes 107,092 families with a median family income (MFI) of \$68,100 (based on the 2010 U. S. Census updated in 2016 by the Federal Financial Institutions Examining Council (FFIEC)). Low- and moderate-income families represent 15.13 percent and 15.53 percent of all families living in the AA respectively. Low-income families earn less than 50 percent of the MFI or \$34,050. Moderate-income families earn less than 80 percent of the MFI or \$54,480, but no less than 50 percent of the MFI.

The AA includes 154,486 households, 7.83 percent of which are living below the poverty level. Households in the AA living below the poverty level total 12,097 with 3,302 in Monroe County, 3,845 in Ontario County, 3,692 in Wayne County and 1,258 in Yates County.

The AA includes 22,656 businesses with the majority located in middle- and upper-income census tracts. Businesses and farms located in moderate income census

tracks represented 7.57 percent and 6.24 percent of AA businesses and farms respectively. The majority of businesses (82 percent) in the AA report revenues of \$1 million or less, with 6 percent reporting revenues more than \$1 million, and 12 percent did not report revenues. The AA includes very few farms, 1,363 in total. The February 2017 unemployment rates for Monroe, Ontario, Wayne and Yates Counties were 5.3, 5.5, 6.0 and 5.3 percent respectively. The unemployment rate for the counties within the AA exceeded both the national and New York State rates of 4.9 and 5.1 percent respectively, for the same period.

Table A – Demographic Information of the Assessment Area						
Assessment Area: 2017 Lyons Rochester AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	87	0.0	10.3	50.6	37.9	1.1
Population by Geography	397,540	0.0	7.1	49.9	43.0	0.0
Housing Units by Geography	169,449	0.0	7.9	53.3	38.8	0.0
Owner-Occupied Units by Geography	120,705	0.0	6.2	48.3	45.5	0.0
Occupied Rental Units by Geography	33,781	0.0	13.1	63.5	23.4	0.0
Vacant Units by Geography	14,963	0.0	10.1	71.1	18.7	0.0
Businesses by Geography	22,656	0.0	7.6	45.7	46.7	0.0
Farms by Geography	1,363	0.0	6.2	67.0	26.8	0.0
Family Distribution by Income Level	107,092	15.1	15.5	21.7	47.7	0.0
Household Distribution by Income Level	154,486	18.5	14.8	17.5	49.2	0.0
Updated Median Family Income MSA – 40380 Rochester NY MSA		\$68,100	Median Housing Value			\$149,580
			Median Gross Rent			\$753
			Households Below the Poverty Level			7.83%
<i>Source: 2010 U.S. Census and 2016 D&B Data Due to rounding, totals may not equal 100.0 (*) The NA category consists of geographies that have not been assigned an income classification. Updated 2016 FFIEC Median Family Income</i>						

Economic conditions in the Rochester MSA AA, which includes the Finger Lakes Region of New York State, are improving although growth rates are below the national and New York State level. The Rochester area's once dominant employers, Xerox, Kodak and Bausch & Lomb, have been replaced by growing healthcare and education sectors. Largest area employers include the University of Rochester, Rochester Regional Health, and Wegmans Food Markets, which collective employ more than 56,000 persons. The area's highly skilled workforce, affordable housing, and high quality of life are positive attributes used to attract new area employers. The area is

also known for its tourism with the draw of the Finger Lakes and the businesses that serve tourists.

The 2015 Upstate Revitalization Initiative details plans to grow several industries in Rochester and the Finger Lakes Region (Optics, Photonics & Imaging, Agriculture & Food Production, Next Generation Manufacturing & Technology). Between 2010 and 2015, the population of Monroe and Ontario Counties is estimated to have grown by 0.45 percent and 1.60 percent respectively, while Wayne and Yates Counties experienced population declines of 3.15 percent and 1.69 percent respectively.

Competition from other financial institutions operating in the area is significant. LNB competes against 19 other institutions with 217 locations. LNB ranks eighth (8th) with 4.68 percent in deposit market share and competes against much larger institutions including M&T Bank, JPMorgan Chase Bank, NA, The Canandaigua National Bank and Trust Company, Citizens Bank, NA, First Niagara Bank, NA/Key Bank, NA, and Bank of America, NA. Collectively, these top competitors operate 162 locations in Monroe, Ontario, Wayne and Yates Counties garnering 81 percent of the deposit market share.

Syracuse MSA AA

The Syracuse MSA AA consist of the Town of Elbridge in Onondaga County. The AA consists of one (1) upper-income census tract in Jordan, NY, with 5,922 persons. The AA is reasonable and does not arbitrarily exclude low- or moderate-income areas.

The AA includes 2,370 total housing units of which 1,845 or 77.85 percent are owner-occupied. The remaining units are rental units (328 or 13.84 percent) or vacant units (197 or 8.31 percent). The AA median housing value (MHV) is \$101,300. The AA includes 2,173 households, 7.46 percent of which are living below the poverty level.

The AA includes 1,577 families with a median family income (MFI) of \$69,200 (based on the 2010 U. S. Census updated in 2016 by the Federal Financial Institutions Examining Council (FFIEC)). Low- and moderate-income families represent 15.47 percent and 14.65 percent respectively, of all families living in the AA. Low-income families earn less than 50 percent of the MFI or \$34,600. Moderate-income families earn less than 80 percent of the MFI or \$55,360, but no less than 50 percent of the MFI.

The AA includes 305 businesses and 27 farms, the majority of which report revenues of \$1 million or less. The February 2017 unemployment rate for Onondaga County was 5.1 percent which was in line with the 5.1 percent unemployment rate in New York State in February 2017.

Table A – Demographic Information of the Assessment Area						
Assessment Area: 2017 Lyons Syracuse AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	1	0.0	0.0	0.0	100.0	0.0
Population by Geography	5,922	0.0	0.0	0.0	100.0	0.0
Housing Units by Geography	2,370	0.0	0.0	0.0	100.0	0.0
Owner-Occupied Units by Geography	1,845	0.0	0.0	0.0	100.0	0.0
Occupied Rental Units by Geography	328	0.0	0.0	0.0	100.0	0.0
Vacant Units by Geography	197	0.0	0.0	0.0	100.0	0.0
Businesses by Geography	305	0.0	0.0	0.0	100.0	0.0
Farms by Geography	27	0.0	0.0	0.0	100.0	0.0
Family Distribution by Income Level	1,577	15.5	14.6	19.5	50.3	0.0
Household Distribution by Income Level	2,173	15.8	16.4	13.7	54.1	0.0
Updated Median Family Income MSA - 45060 Syracuse, NY MSA		\$69,200	Median Housing Value			\$101,300
			Median Gross Rent			\$569
			Households Below Poverty Level			7.46%
<i>Source: 2010 U.S. Census and 2016 D&B Data</i> <i>Due to rounding, totals may not equal 100.0</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i> <i>Updated 2016 FFIEC Median Family Income</i>						

The Syracuse MSA AA economy, once bolstered by several manufacturing firms, has deteriorated as those jobs are replaced by lower paying jobs. The area has yet to rebound from the loss of manufacturing. Healthcare providers now dominate the list of major employers. The area remains attractive for its affordable housing and educational system. Between 2010 and 2015, the population of Onondaga County declined 0.19%. Major employers include Upstate University Health System, Syracuse University, St. Joseph's Hospital Health Center, and Wegmans Food Markets.

Competition from other financial institutions in the AA is minimal with M&T as its only competitor. However, competition within the county is significant with 14 other institutions operating 125 branches. Within Onondaga County, LNB has one branch with 0.35% deposit share which is the smallest of all competitors. The Onondaga County market is dominated by M&T Bank, First Niagara Bank, NA/Key Bank, NA, Bank of America, NA, and JPMorgan Chase Bank, NA, which collectively represent 73 percent of the deposit market share at June 30, 2016.

Non MSA AA

The Non MSA AA consists of a small portion (two census tracts) of Cayuga County and a majority of census tracts (nine of ten tracts) in Seneca County. LNB included the Cayuga County towns of Conquest, Mentz and Brutus in the AA. The AA is reasonable and does not arbitrarily exclude low- or moderate-income areas.

The AA consists of 11 middle-income census tracts with 41,758 persons. The AA does not include any low-income census tracts. LNB has one branch in this AA located in Waterloo, NY, in Seneca County.

The AA includes 18,222 total housing units, of which 12,039 or 66.07 percent are owner-occupied. The remaining units are rental units (3,487 or 19.14 percent) or vacant units (2,696 or 14.80 percent). The AA median housing value (MHV) is \$91,565. The AA includes 15,526 households, 11.10 percent (or 1,724) of which are living below the poverty level.

The AA includes 10,805 families with a median family income (MFI) of \$58,900 (based on the 2010 U. S. Census updated in 2016 by the Federal Financial Institutions Examining Council (FFIEC)). Low- and moderate-income families represent 18.82 percent and 18.46 percent respectively, of all families living in the AA. Low-income families earn less than 50 percent of the MFI or \$29,450. Moderate-income families earn less than 80 percent of the MFI or \$47,120, but no less than 50 percent of the MFI.

The AA includes 1,841 businesses and 206 farms, the majority of which report revenues of \$1 million or less. The February 2017 unemployment rate for Cayuga and Seneca Counties was 6.2 and 5.5 percent respectively, exceeding both the national and New York State rates of 4.9 and 5.1 percent respectively, for the same period.

Table A – Demographic Information of the Assessment Area						
Assessment Area: 2017 Lyons Non MSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	11	0.0	0.0	100.0	0.0	0.0
Population by Geography	41,758	0.0	0.0	100.0	0.0	0.0
Housing Units by Geography	18,222	0.0	0.0	100.0	0.0	0.0
Owner-Occupied Units by Geography	12,039	0.0	0.0	100.0	0.0	0.0
Occupied Rental Units by Geography	3,487	0.0	0.0	100.0	0.0	0.0
Vacant Units by Geography	2,696	0.0	0.0	100.0	0.0	0.0
Businesses by Geography	1,841	0.0	0.0	100.0	0.0	0.0
Farms by Geography	206	0.0	0.0	100.0	0.0	0.0
Family Distribution by Income Level	10,805	18.8	18.5	24.3	38.4	0.0
Household Distribution by Income Level	15,526	20.3	17.6	19.8	42.3	0.0
Updated Median Family Income Non-MSAs - NY		\$58,900	Median Housing Value			\$91,565
			Median Gross Rent			\$697
			Households Below the Poverty Level			11.10%

Source: 2010 U.S. Census and 2016 D&B Data
Due to rounding, totals may not equal 100.0
(*) The NA category consists of geographies that have not been assigned an income classification.
Updated 2016 FFIEC Median Family Income

Economic conditions in the area are stable. Significant industries in the area include, agriculture, manufacturing and tourism. The area is also known for its historical significance as the birthplace of women’s rights with the Seneca Falls Convention and proximity to the Finger Lakes and local wineries. Major area employers in Seneca County include Goulds Pumps, Waterloo Premium Outlets, and ARG Trucking Corp. In Cayuga County, major employers are located in Auburn, NY.

Between 2010 and 2015, the population of Cayuga and Seneca Counties experienced population declines of 2.68 percent and 1.32 percent respectively.

Competition from other financial institutions operating in the area is moderate. LNB competes against 13 other institutions operating 37 branches. LNB ranks 11th in deposit market share with 3.25 percent of the market. Competition comes mainly from regional and local institutions including First Niagara Bank, NA/Key Bank NA, Community Bank, NA, Five Star Bank, Generations Bank and Tompkins Trust Company, which collectively represent 60 percent of the deposit market share at June 30, 2016.

Scope of the Evaluation

Evaluation Period/Products Evaluated

Our assessment of the bank's performance covered the time period from December 3, 2013, through March 20, 2017, which represents the evaluation period. Our assessment of the performance under the Lending Test was based on the loan originations and loan purchases of the bank's primary loan product, home mortgage loans, during the period January 1, 2014, through December 31, 2016.

Data Integrity

Our assessment of home mortgage loans included home purchase, home improvement and refinance loans as reported on the loan application register (LAR), submitted as required by the Home Mortgage Disclosure Act (HMDA), and the accuracy of which was verified by examiners.

Selection of Areas for Full-Scope Review

We conducted a full scope review on all LNB designated AAs. The AAs for this evaluation period consist of portions of the Rochester, NY Metropolitan Statistical Area (MSA), (MSA 40380), the Syracuse, NY MSA (MSA 45060) and a non MSA AA.

Ratings

The bank's overall rating is based primarily on those areas that received full-scope reviews.

We gave performance in the Rochester MSA AA the most weight since the majority of the bank's loans, deposits, and branches, as well as, the only moderate-income geographies are located in this AA. We placed lesser weight on the Syracuse MSA AA and non-MSA AA which have fewer branches and a much lower percentage of the bank's deposits and loans.

Other

Outreach with affordable housing and community service organizations serving the Rochester MSA indicate a need for financial institution involvement in affordable housing loan programs, first time home buyer programs, financial and credit counseling, and small business loans. Outreach with an affordable housing organization serving the Syracuse MSA indicates a need for financial institution involvement in affordable housing loan programs, first time home buyer programs, and financial and credit counseling.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c) and 195.28(c), in determining a national bank's (bank) or federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development (HUD), and the Consumer Financial Protection Bureau (CFPB).

The OCC did not identify evidence of discriminatory or other illegal credit practices with respect to this institution.

The OCC will consider any evidence of discriminatory or other illegal credit practices relative to this institution that other regulators may provide to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information provided concerns activities that occurred during the evaluation period addressed in this performance evaluation.

Conclusions with Respect to Performance Tests

LENDING TEST

Performance under the Lending Test is satisfactory based on a reasonable loan-to-deposit ratio, a reasonable percentage of lending in the AAs, a reasonable penetration of home mortgage loans to borrowers of different income levels within the AAs, and an excellent dispersion of home mortgage loans in census tracts of different income levels. LNB has not received any CRA related complaints.

Loan-to-Deposit Ratio

The average quarterly loan-to-deposit ratio for Lyons NB for the CRA evaluation period is reasonable. The ratio was calculated using the 12 quarter average of loan-to-deposit (LTD) ratios from the date of the last evaluation, December 3, 2013, or quarter end December 31, 2013, through December 31, 2016. During this period, the average ratio was 75.34 percent. In comparison, the average over the same period for five similarly-situated financial institutions ranged from 65.50 percent to 95.36 percent with an average of 81.17 percent.

Lending in Assessment Area

A majority of the home mortgage loans originated during the evaluation period were inside the bank's AAs. The amount of home mortgage loans within the AA was 86 percent by number and 83 percent by dollar. Refer to the following table for more information.

Lending in the Assessment Areas										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
HMDA	2,031	85.73	338	14.27	2,369	230,742	82.58	48,662	17.42	279,404

Source: HMDA data from 1/1/2014 to 12/31/2016.

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

The borrower distribution of HMDA loans reflects reasonable penetration among borrowers of different income levels in the Rochester, Syracuse and Non-MSA AAs. Refer to the tables for supporting details.

Rochester MSA AA

Home mortgage lending to borrowers of different income levels in the Rochester MSA AA reflects reasonable penetration of the demographic.

Borrower Distribution of HMDA Loans in the Rochester MSA AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	15.13	9.88	15.53	20.98	21.67	21.34	47.67	47.80
Home Improvement	15.13	16.10	15.53	23.90	21.67	23.90	47.67	36.10
Refinance	15.13	6.99	15.53	22.65	21.67	25.30	47.67	45.06

Source: HMDA data; US Census Data

Note: Borrower income level reported as NA for 14 home purchase loans representing 1.67 percent of home purchase loans, 13 home improvement loans representing 3.3 percent of home improvement loans, and 16 refinances representing 3.7 percent of refinances.

Home purchase lending to borrowers of different income levels reflects reasonable penetration of the demographic. Home purchase lending to low-income borrowers is below the percentage of low-income families in the AA, but reasonable when considering the affordability of housing in the AA. Home purchase lending to moderate-level income borrowers exceeded the percentage of moderate-income borrowers. When we consider the median housing value is \$149,580, a low-income family earning no more than \$34,043 per year would have difficulty qualifying for a mortgage. LNB ranked 3rd of 52 lenders who made home purchase loans to low-income borrowers in 2015, and 5th of 79 lenders who made home purchase loans to moderate-income borrowers. LNB has their main office and eight branches in the AA.

Home improvement lending to borrowers of different income levels reflects excellent penetration of the demographic. Home improvement lending to both low- and moderate-income borrowers exceeds the percentage of low and moderate-income families respectively in the AA. LNB ranked 3rd of 17 lenders who made home improvement loans in the low-income census tracts, and 3rd of 30 lenders in the moderate-income census tracts in 2015.

Home refinance lending to borrowers of different income levels reflects reasonable penetration of the demographic. Home refinance lending to moderate-income borrowers exceeds the percentage of moderate-income families in the AA. Home refinance lending to low-income borrowers is below the percentage of low-income families in the AA. LNB ranked 6th of 47 lenders to low-income borrowers, and ranked 3rd of 69 lenders to moderate-income borrowers.

Syracuse MSA AA

Home mortgage lending to borrowers of different income levels in the Syracuse MSA AA reflects reasonable penetration of the demographic.

Borrower Distribution of HMDA Loans in the Syracuse MSA AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	15.47	25.00	14.65	37.50	19.53	25.00	50.35	12.50
Home Improvement	15.47	0.00	14.65	45.45	19.53	27.27	50.35	27.27
Refinance	15.47	0.00	14.65	23.53	19.53	41.18	50.35	35.29

Source: HMDA data; US Census Data

Note: Borrower income level reported as NA one refinance totaling \$88,000.

Home purchase lending to borrowers of different income levels reflects excellent penetration of the demographic. Home purchase lending to both low- and moderate-level income borrowers exceeded the percentage of low- and moderate-income families in the AA. When we consider the median housing value is \$101,300, a low-income family earning no more than \$34,593 per year would have difficulty qualifying for a mortgage. LNB was one of five lenders who made six home purchase loans to low-income borrowers in 2015, and ranked 3rd of 14 lenders who made home purchase loans to moderate-income borrowers.

Home improvement lending to borrowers of different income levels reflects reasonable penetration of the demographic. Home improvement lending to moderate-income borrowers exceeds the percentage of moderate-income families in the AA, but the bank made no home improvement loans to low-income borrowers. LNB ranked 2nd of six lenders who made home improvement loans to moderate-income borrowers in 2015.

Home refinance lending to borrowers of different income levels reflects reasonable penetration of the demographic. Home refinance lending to moderate-income borrowers exceeds the percentage of moderate-income families in the AA, but the bank made no home refinance loans to low-income borrowers. LNB was the top lender out of nine lenders for home refinance loans to moderate-income borrowers in 2015.

Non-MSA AA

Home mortgage lending to borrowers of different income levels in the non-MSA AA reflects reasonable penetration of the demographic.

Borrower Distribution of HMDA Loans in the Non-MSA AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	18.82	5.38	18.46	23.66	24.28	18.82	38.45	52.15
Home Improvement	18.82	6.76	18.46	22.97	24.28	25.68	38.45	44.59
Refinance	18.82	5.88	18.46	13.24	24.28	20.59	38.45	60.29

Source: HMDA data; US Census Data

Note: Borrower income level reported as NA for one home purchase loan representing less than one percent of home purchase loans, and two home improvement loans representing 2.6 percent of home improvement loans.

Home purchase lending to borrowers of different income levels reflects reasonable penetration to borrowers of different income levels in the demographic. Home purchase lending to moderate-level income borrowers exceeded the percentage of moderate-income families, but the lending was significantly lower than the percentage of low-income families in the AA. When we consider the median housing value is \$91,565, a low-income family earning no more than \$29,450 per year would have difficulty qualifying for a mortgage. LNB was 1st out of 17 lenders who made six home purchase loans to low-income borrowers in 2015, and 1st of 34 lenders who made 19 home purchase loans to moderate-income borrowers.

Home improvement lending to borrowers of different income levels reflects reasonable penetration of the demographic. Home improvement lending to moderate-income borrowers exceeds the percentage of moderate-income families in the AA, but was significantly lower than the percentage of low-income families in the AA. LNB ranked 3rd of six lenders who made home improvement loans to low-income borrowers, and ranked 2nd of 59 lenders who made home improvement loans to moderate-income borrowers in 2015.

Home refinance lending to borrowers of different income levels reflects reasonable penetration of the demographic. Home refinance lending to moderate-income borrowers is somewhat lower than the ratio of moderate-income families in the AA, but was significantly lower than the percentage of low-income families in the AA. LNB was ranked 2nd for home refinance loans to moderate-income borrowers, but had no loans to low-income borrowers in 2015.

Geographic Distribution of Loans

The bank's geographic distribution of home purchase, home improvement and home refinancing loans reflects an excellent dispersion across census tracts of different income levels. The geographic distribution of loans is based solely on lending in the Rochester MSA AA, as it is the only AA that has moderate-income census tracts. None of the AAs have low-income census tracts.

The percentage of HMDA loan originations for home purchase, home improvement and home refinance in moderate-income census tracts exceeds the percentage of owner-occupied housing in the AA. Please refer to the following table.

Geographic Distribution of HMDA Loans in the Rochester MSA AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Owner-Occupied Housing	% of Number of Loans	% of AA Owner-Occupied Housing	% of Number of Loans	% of AA Owner-Occupied Housing	% of Number of Loans	% of AA Owner-Occupied Housing	% of Number of Loans
Home Purchase	0.00	0.00	6.17	8.63	48.28	69.78	45.54	21.58
Home Improvement	0.00	0.00	6.17	16.08	48.28	72.36	45.54	11.56
Refinance	0.00	0.00	6.17	11.40	48.28	66.74	45.54	21.86

Source: HMDA data; US Census Data

Responses to Complaints

LNB did not receive any CRA related complaints.

COMMUNITY DEVELOPMENT TEST

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

Number and Amount of Community Development Loans

LNB demonstrates adequate responsiveness through its level of CD lending activity.

Rochester MSA AA

During the evaluation period, LNB originated or renewed eleven CD loans totaling \$2.2 million. The proceeds of the largest loan the bank originated for \$712 thousand were

used to construct a 20-unit housing facility for developmentally challenged lower-income adults in Ontario County. A majority of this organization's funding is from Medicaid and NY State. The bank also originated a \$400 thousand line of credit for leasehold improvements to an organization in Wayne County which provides health and dental care services to low-income individuals, mainly agricultural workers and their families. The proceeds of a \$250 thousand loan to an economic development organization in Yates County were used to establish a Flood Relief Fund for businesses impacted by flooding in May 2014. The bank originated a \$175 thousand loan to an organization in Ontario County which provides meals and housing to veterans in need.

Syracuse MSA AA

During the evaluation period, LNB did not originate any CD loans in the Syracuse MSA AA.

Non-MSA AA

During the evaluation period, LNB did not originate any CD loans in the Non-MSA AA.

Number and Amount of Qualified Investments

LNB demonstrates adequate responsiveness through its level of CD investment activity.

Rochester MSA AA

During the evaluation period, LNB originated one qualified investment for \$70 thousand. This investment was a bond anticipation note to the moderate-income census tract of the Town of Wolcott for water system improvements.

LNB provided donations of approximately \$48.5 thousand to various CD organizations, which support affordable housing and provide community services or employment training for low- and moderate-income people and/or geographies.

Syracuse MSA AA

LNB provided donations of \$400 to an organization which provides services, including food, housing, and counseling to children who are the victims of abuse.

Non-MSA AA

LNB provided donations of approximately \$4.3 thousand to various CD organizations, which support affordable housing and provide community services or employment training for low- and moderate-income people and/or geographies.

Extent to Which the Bank Provides Community Development Services

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

Rochester MSA AA

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

Syracuse MSA AA

There were no services reported that qualified for CRA reporting.

Non-MSA AA

There were no services reported that qualified for CRA reporting.

Responsiveness to Community Development Needs

LNB demonstrated adequate responsiveness to community development needs.