



SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

September 14, 2006

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Champlain National Bank
Charter Number 9405**

**Main and William Streets, 7558 Court Street
Elizabethtown, NY 12932**

**Comptroller of the Currency
Upstate New York (Syracuse)
231 Salina Meadows Parkway Suite 105
Syracuse, NY 13212**

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.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low and moderate income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **Champlain National Bank (CNB)** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **September 14, 2006**. The agency evaluates performance in the assessment area, as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.

Institution's CRA Rating: This institution is rated "**Satisfactory**".

The primary factors supporting the overall rating are:

- The average loan-to-deposit ratio since the last examination is 59%.
- A substantial majority of all loans originated are within the bank's assessment area.
- A majority of commercial loan originations are to small businesses and small farms.
- A reasonable percentage of commercial loan originations were to businesses and farms in moderate-income geographies.
- CNB did not receive any CRA-related complaints during the evaluation period.

DESCRIPTION OF INSTITUTION

Champlain National Bank ("CNB") is a \$159 million community bank headquartered in Willsboro, New York, a town in the northeast corner of New York State. CNB is the only subsidiary of Champlain Bank Corporation, a one-bank holding company. CNB is an intrastate bank with nine offices – six in Essex County and three in Clinton County. CNB has not closed any offices since the last examination, and has not been involved in any merger or acquisition activity since the last evaluation. On June 20, 2006, CNB opened a branch in Lake Placid, NY – a middle-income geography in Essex County. As of June 30, 2006, CNB had \$79 million in net loans (50% of total assets) and \$139 million in deposits. CNB's primary loan products are commercial and commercial real estate loans. The transition from a consumer lending focus to a commercial lending focus occurred over the last several years since the opening of the Plattsburgh office in the mid-1990's. Management anticipates a continued focus on commercial lending as part of its strategy, however, there will also be a renewed emphasis on consumer lending. As of June 30, 2006, commercial and commercial real estate loans totaled \$53 million, or 67% of the loan portfolio.

CNB is the only independent community bank headquartered within the assessment area and is reasonably positioned to help meet the credit needs of the community. The bank has no legal or financial impediments that would hinder its ability to help meet the credit needs of the community.

Competition stems from branches of larger banks, which include multinational and regional institutions, area community banks and non-bank mortgage companies.

We last evaluated CNB's performance under the CRA as of March 12, 2001, which resulted in a "Satisfactory" rating. The previous report used lending data through December 31, 2000. The time period for this public evaluation spans from March 13, 2001 through September 14, 2006.

DESCRIPTION OF THE ASSESSMENT AREA

The assessment area meets all regulatory guidelines with no low or moderate-income areas being arbitrarily excluded. CNB has defined one assessment area (AA) consisting of all 32 block-numbering areas (BNAs) within Essex and Clinton Counties. The area is not located within any Metropolitan Statistical Area (MSA). The BNAs are designated as follows: zero (0%) low-income; two (6%) moderate-income; twenty-six (81%) middle-income; and three (9%) upper-income. One (3%) BNA is not designated for income purposes. The two moderate-income tracts are located in the Town of Plattsburgh.

The total population of the assessment area is 119 thousand, with 39 thousand living in Essex County and 80 thousand living in Clinton County. Four of the towns in the AA house State penitentiaries whose inmate populations are included within the population totals. The rural nature of the AA includes a significant portion of farmland, some of which is fallow. Also, a substantial portion of the AA is comprised of uninhabited mountain terrain, much of which is classified as "Forever Wild" by the New York State Constitution.

The AA's 119 thousand residents represent 29 thousand families with the following family income distribution: 18% low-income, 17% moderate-income, 23% middle-income, and 42% upper-income. There is a relatively high level of poverty in the AA with 13% of households living below the poverty level. The 2004 U. S. Census median family income, used to determine the distribution of geographies, is \$41,761. The Housing and Urban Development (HUD) updated non-MSA statewide median family income for 2006, used to determine borrower income distribution, is \$49,600. Owner-occupied units are 56% of total housing units, 23% of total housing units are rentals and 21%, primarily due to seasonality, are vacant. The average housing cost in the AA is \$79 thousand.

Both Clinton and Essex County economies are doing well. The Clinton County economy is somewhat dependent on the area's proximity to the Canadian Border. Several existing and new businesses have ties to Canada. Major employers in Clinton County include CVPH Medical Center, Wyeth Labs, State and County Government, Bombardier, and Georgia Pacific. Essex County is heavily dependent on tourism to support its local economy. Major employers in the area include the State and County Government, International Paper, the Olympic Regional Development Authority and Word of Life Fellowship. Economic growth continues in Clinton County due to efforts of the local economic development community, which has been working to revitalize the community after the loss of the U.S. Air Force Base in Plattsburgh, New York in 1994. Additionally, in May 2007, Plattsburgh International Airport will open on the former AFB replacing the local county airport. According to the Bureau of Labor Statistics, the unemployment rate in the AA as of July 2006 is 5.6% in Clinton County and 4.9% in Essex County. In comparison, the unemployment rate for counties outside the AA is 4.8% and for all of New York State is 4.5%.

During the examination, we contacted a local economic development officer who provided insight on the economic condition of the region, a listing of largest employers and first hand knowledge on economic development activities in the region. Our contact indicated that financial institutions operating in the area are tailoring commercial products to assist both small and large businesses with the smallest banks accommodating the smaller customers. The contact indicated that collectively the banks are doing a good job meeting the commercial credit needs of the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Our examination focused on loans originated between January 1, 2004 and June 30, 2006. An evaluation of the bank's lending data and discussions with management indicated CNB's primary product lines to be commercial and commercial real estate loans. The findings detailed below are based on a sample of 50 commercial and commercial real estate loans totaling \$8.6 million.

Loan to Deposit Ratio

CNB's loan-to-deposit ratio meets the standard for satisfactory performance. CNB's average loan-to-deposit ratio for the last 22 quarters is 59%. This is consistent with similarly situated banks active in the AA whose average ratios range from 65% to 70%. Similarly situated banks include two banks with assets less than \$500 million who are actively competing in the AA.

Lending in the Assessment Area

CNB exceeds the standard for satisfactory performance for lending in the assessment area (AA). Our sample disclosed 94% of the commercial and commercial real estate loans, based on count and amount, were originated in the AA.

	Count	%	Amount	%
Loans in AA	47	94%	\$8,142,509	94%
Loans outside AA	3	6%	\$481,800	6%
Total sampled	50	100%	\$8,624,309	100%

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

CNB's record of lending to borrowers of different incomes and to businesses of different sizes meets the standard for satisfactory performance. CNB's lending to businesses of different sizes is adequate. Based on our sample of the 47 commercial loans originated in the bank's AA, 32, or 68% of the number of commercial loans originated, and \$5.5 million, or 68% of the dollar amount, are to businesses and farms with revenues of \$1 million or less. Dun and Bradstreet business demographic information indicates 55% of the businesses and farms within the AA have revenues of \$1 million or less, 5% have revenues in excess of \$1 million, and 40% did not report revenue information.

Revenues	Count	%	Amount	%	Revenue Distribution
<=\$1MM	32	68%	\$5,548,509	68%	55%
\$1MM+	15	32%	\$2,594,000	32%	5%
Did not report	0	0%	\$0	0%	40%
Total	47	100%	\$8,142,509	100%	100%

Geographic Distribution of Loans

CNB's geographic distribution of lending throughout the AA meets the standard for satisfactory performance. Based on our sample of commercial loans originated in the bank's AA, 4% of the number of commercial loans originated were to businesses located within the moderate-income geographies. Dun and Bradstreet business demographic information indicates 5% of total farms and businesses in the AA are located within the moderate-income geographies.

Geography	Count	%	Amount	%	Geographic Distribution of Businesses
Moderate	2	4%	\$273,500	3%	5%
Middle	31	66%	\$3,094,509	38%	81%
Upper	14	30%	\$4,774,500	59%	13%
NA	0	0%	\$0	0%	1%
Total	47	100%	\$8,142,509	100%	100%

Response to Complaints

CNB has not received any CRA-related consumer complaints since the last CRA examination.

Results of the Fair Lending Examination

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