

PUBLIC DISCLOSURE

November 4, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Cortland Savings and Banking Company
RSSD # 846619

194 West Main Street
Cortland, Ohio 44410

Federal Reserve Bank of Cleveland

P.O. Box 6387
Cleveland, Ohio 44101-1387

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 Lending Test is rated: "Satisfactory"
The Community Development Test is rated: "Outstanding"

The major factors and criteria contributing to this rating include:

- A reasonable loan-to-deposit ratio, given the bank's size, financial condition, and assessment area credit needs;
- A majority of loans and other lending-related activities are in the assessment area;
- The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area;
- A reasonable penetration among individuals of different income levels (including low- and moderate-income individuals) and businesses of different sizes;
- No CRA-related complaints about the institution's performance in meeting the assessment area credit needs; and,
- The bank's community development performance demonstrates an excellent responsiveness to the community development needs of its assessment area, considering the bank's capacity and the need and availability of such opportunities in the bank's assessment area.

The bank was evaluated as an intermediate small bank and was rated "Satisfactory" at the previous CRA evaluation dated October 17, 2011.

Borrower Distribution of Lending

Cortland's lending to borrowers of different income levels and businesses of different revenue sizes are reasonable. Small business lending, which received the greatest weight, is adequate. HMDA lending and consumer lending are also adequate. The respective analyses can be found within each assessment area discussion later in this report.

Response to Consumer Complaints

The bank has not received any CRA-related complaints since the previous examination.

Community Development Test

Cortland's overall performance under the community development test is considered outstanding.

The bank demonstrates an excellent responsiveness to the needs of its assessment area through community development loans and qualified investments and services, considering the bank's capacity and the need and availability of opportunities in the bank's assessment area.

Community Development Loans

During the review period, Cortland did not originate any community development loans. However, the bank received credit for seven community development loans totaling \$9.4 million on the books from the previous evaluation.

Community Development Investments

During this evaluation period, Cortland made three investments and 37 donations aggregating \$4.5 million.

The bank received credit for one investment for \$2.0 million in an Ohio equity fund for housing that promotes the construction, rehabilitation, and preservation of affordable housing throughout Ohio primarily through low-income housing tax credits (LIHTCs). The bank also received credit for another \$2.0 million investment in a loan fund intended to provide small business loans throughout the assessment area. Because these investments benefit Cortland's overall assessment area, funds were prorated within each assessment area based on the percent of the bank's deposits in that area. The third investment is a municipal bond with a book value of \$465,525 that supports classroom facilities improvements in a school district in a moderate-income tract within the bank's assessment area. Cortland also received credit for \$34,612 in donations during this review period.

Additionally, the bank made four community development investments outside its assessment area totaling \$1.8 million. These investments benefited moderate-income areas in the bank's regional area in Ohio and Pennsylvania.