

PUBLIC DISCLOSURE

September 10, 2007

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Cortland Savings and Banking Company
846619

194 West Main Street
Cortland, Ohio 44410

Federal Reserve Bank of Cleveland

P.O. Box 6387
Cleveland, OH 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.

TABLE OF CONTENTS

Institution's CRA Rating	1
Scope of examination	1
Description of Institution.....	3
Conclusion with Respect to Performance Tests	4
Description of the Assessment Areas	7
• Youngstown-Warren-Boardman, OH/PA Metropolitan Statistical Area (Full Review)	
• Akron Metropolitan Statistical Area (Full Review)	
• Ohio Nonmetropolitan Statistical Area (Limited Review)	
Appendix A: Assessment Area Maps.....	23

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

The Lending Test is rated: "Satisfactory."

The Community Development Test is rated: "Satisfactory."

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 substantial majority of loans and other lending-related activities are in the assessment area;
- Geographic distribution of loans reflects a poor dispersion throughout the assessment areas;
- Excellent penetration among individuals of different income (including low-and moderate-income individuals) levels and businesses of different sizes;
- There have been no complaints filed against the bank since the previous CRA examination; and
- The bank's community development performance demonstrates adequate responsiveness to community development needs of its assessment area through community development loans, qualified investments, and community development services, as appropriate, considering the bank's capacity and the need and availability of such opportunities for community development in the bank's assessment area.

The previous CRA examination (August 22, 2005) resulted in a rating of "Satisfactory." At the previous examination, Cortland Savings and Banking Company ("Cortland") was evaluated under the large bank performance standards.

SCOPE OF EXAMINATION

The CRA public evaluation is based on the level of the bank's lending within its assessment area, including the distribution to borrowers of different income levels and to small businesses of different revenue sizes, and is based on loans originated from January 1, 2005 to December 31, 2006. In addition, the bank's community development activity from January 1, 2005 to August 31, 2007 was evaluated using the interagency intermediate small bank examination procedures. Under this examination method, the bank is evaluated by considering lending and community development activity. The lending test includes the analysis of:

- The loan-to-deposit ratio;
- The volume of loans extended inside and outside of the bank's assessment areas;
- The extent of lending to borrowers of different income levels, including low-and moderate-income borrowers and businesses of different sizes, including small businesses; and
- The bank's record of taking action in response to written complaints about its performance in helping to meet credit needs in its assessment areas.

The loan products evaluated included consumer loans, mortgage loans reported under the Home Mortgage Act ("HMDA"), and small business loans. Consumer loans are made up of motor vehicle, other secured, other unsecured and home equity loan types. Consumer loans accounted for 52.6% of total loan volume for loans originated during the review period. Mortgages are made up of refinance, purchases, and home improvement. Mortgage loans accounted for 31.7% of total loan volume for loans originated for this review period. Small business loans are made up of 15.6% of total loan volume for loans originated for this review period. As a result, consumer loans received the greatest weight, followed by mortgage loans and then small business loans.

As part of the overall lending test, the bank's geographic distribution with respect to consumer loans was assessed by comparing the percentage of loans made in each geography type (low-moderate-, middle-, and upper-income) to the percentage of households in each geographic category. The bank's geographic distribution with respect to HMDA loans was assessed by comparing the percentage of loans made in each geography type (low- moderate- middle-upper-income) to the percentage of owner-occupied units in each geography type. Small business loans considered CRA loans were compared to the percentage of businesses within each geographic income category, regardless of revenue size of the business. It is noted the bank's lending patterns to low-and moderate-income geographies in particular are weighted the most heavily in this analysis.

The bank's borrower income distribution with respect to consumer loans was assessed by comparing the percentage of loans made to consumers in each income category (low-, moderate- middle-, and upper-income) to the households in each income category. The bank's borrower distribution with respect to mortgage loans was assessed by comparing the percentage of loans made to borrowers in each income category to the percentage of families in each income category. In addition, poverty levels were considered. Poverty level is determined by both income and family size. Generally, a larger proportion of families at poverty level are found in the low-income category, and, to some extent, in the moderate-income category. Borrowers at poverty level often do not qualify for real-estate loans, so the percentage of families below poverty level was considered when evaluating lending performance to low-and moderate-income borrowers.

The bank's borrower distribution with respect to small business loans was assessed by comparing the percentage of loans made to businesses in each revenue category (less than or equal to \$1 million or greater than \$1 million) to the percentage of total businesses in each revenue category. The bank's lending pattern to businesses with \$1 million or less in revenue is weighted the most heavily in the analysis.

Further the bank's performance was also compared to the aggregate performance of all lenders required to report HMDA data within the respective assessment areas. Lastly, the bank's market share of lending is also discussed to give the reader a better understanding of how Cortland ranked within the respective areas.

The community development test included an analysis of the following factors:

- The number and dollar amount of community development loans;
- The number and dollar amount of qualified investments;
- The extent to which the bank provides community development services; and
- The bank's responsiveness to community development needs of its assessment area through community development loans, qualified investments, and community development services.

A full-scope review was performed for both the Youngstown Metropolitan Area 49660 (Trumbull and Mahoning Counties) and Akron Metropolitan Area 10420 (Portage County).

A limited-scope review was performed on the Ohio Nonmetropolitan Area, which consists of only two middle-income census tracts within Ashtabula County. Furthermore, Cortland only has one branch located in this area, and lending only constitutes 5.3% of the bank's total lending.

DESCRIPTION OF INSTITUTION

Cortland is a full-service retail bank headquartered in Cortland, Ohio. As of March 31, 2007, Cortland had total assets of \$478 million, which is an 8.9% increase from the \$439 million as of March 31, 2005. Cortland is the sole banking subsidiary of Cortland Bancorp.

As of March 31, 2007, loans represent 43% of total assets, with investments in municipal and U.S. government securities representing most of the remaining assets. Of the \$209 million in loans, 36% are secured by 1-4 family dwellings, 47% secured by commercial real estate, 6% commercial and industrial and 4% consumer loans.

Cortland serves all of Portage and Trumbull Counties and portions of Ashtabula and Mahoning Counties. The bank has 100 census tracts in its assessment area. Within the assessment area, are two low-income, 12 moderate-income, 69 middle-income, and 17 upper-income tracts. The bank's assessment areas include portions of Ashtabula and Mahoning Counties, and all of Portage and Trumbull Counties. In addition to the main office, the bank has 12 branch locations serving these areas and all but one branch office has an ATM. Only one branch is located in a moderate-income tract the remainder are located in upper- and middle-income tracts. No branch offices have been closed since the previous evaluation; however, in May 2007, the Windham Office was relocated to a new building across the street from its previous location and now has an ATM. The new location is across the street from the previous location. The following is a list of the branch locations:

- Main office is located at 194 W Main Street, Cortland, Ohio (MSA 49660)
- 8580 South Avenue, Youngstown, Ohio (MSA 49660)
- 6538 South Avenue, Youngstown, Ohio (MSA 49660)
- 815 Youngstown-Warren Road, Niles, Ohio (MSA 49660)
- 8950 Maple Grove Road, Windham, Ohio (MSA 10420)
- 11611 State Hwy 44, Mantua, Ohio (MSA 10420)
- 2935 Elm Road, Warren, Ohio (MSA 49660)
- 8837 State Hwy 45, N. Bloomfield, Ohio (MSA 49660)
- 6090 State Hwy 45, Bristolville, Ohio (MSA 49660)
- 4434 Warren Sharon Road, Vienna, Ohio (MSA 49660)
- 7325 Warren Sharon Road, Brookfield, Ohio (MSA 49660)
- 890 West Liberty Street, Hubbard, Ohio (MSA 49660)
- 5917 US Hwy 322, Williamsfield, Ohio (OH Non-MSA)

There are no legal or financial constraints preventing Cortland from meeting the credit needs of its assessment area consistent with its asset size, business strategy, resources, and local economy.

Below is a demographic table of the bank's entire market area.

Combined Demographics Report

Cortland Bank

Analysis Year: 2005 & 2006

Assessment Group(s): Overall

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	2	2.0	474	0.4	166	35.0	19,117	16.5
Moderate-income	12	12.0	9,775	8.4	1,887	19.3	20,662	17.8
Middle-income	69	69.0	81,069	69.9	5,193	6.4	27,178	23.4
Upper-income	17	17.0	24,589	21.2	698	2.8	48,950	42.2
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	100	100.0	115,907	100.0	7,944	6.9	115,907	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	1,002	215	0.2	21.5	582	58.1	205	20.5
Moderate-income	18,168	8,370	6.8	46.1	7,859	43.3	1,939	10.7
Middle-income	122,930	86,610	70.6	70.5	29,170	23.7	7,150	5.8
Upper-income	35,050	27,565	22.5	78.6	5,897	16.8	1,588	4.5
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	177,150	122,760	100.0	69.3	43,508	24.6	10,882	6.1
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low-income	266	2.5	220	2.3	39	4.0	7	3.0
Moderate-income	879	8.3	779	8.2	80	8.3	20	8.4
Middle-income	7,530	70.7	6,677	70.7	688	71.2	165	69.6
Upper-income	1,977	18.6	1,773	18.8	159	16.5	45	19.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	10,652	100.0	9,449	100.0	966	100.0	237	100.0
Percentage of Total Businesses:			88.7		9.1		2.2	
	Total Farms by Tract	Farms by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low-income	1	0.3	1	0.3	0	0.0	0	0.0
Moderate-income	8	2.2	8	2.2	0	0.0	0	0.0
Middle-income	323	88.7	319	88.6	3	100.0	1	100.0
Upper-income	32	8.8	32	8.9	0	0.0	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	364	100.0	360	100.0	3	100.0	1	100.0
Percentage of Total Farms:			98.9		0.8		0.3	

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

Lending Test

The bank is rated satisfactory under the lending test.

Loan-to-Deposit Ratio

A financial institution’s loan-to-deposit ratio (“LTD”) compares the institution’s aggregate loan balances outstanding to its total deposits outstanding. The ratio is a measure of an institution’s lending volume relative to its capacity to lend and is derived by adding the quarterly loan-to-deposit ratios and dividing the total by the number of quarters.

Cortland’s loan-to-deposit ratio is reasonable given the bank’s size, financial condition, and assessment area credit needs. The bank averaged 55.5% over the past 8 quarters of operation and is below the aggregate of all lenders group average ratio of 86.6%. The bank’s LTD ratio has consistently lagged behind aggregate of all lenders over the 8 quarters reviewed. The bank did not experience extreme fluctuations in its LTD ratio. Specifically, the bank’s high LTD ratio was 57.4% and its low was 52.6%.

Over the past several years, major steel companies and employers such as Delphi have closed plants in the area, which negatively impacted the area in terms of employment and income for the individuals residing in the assessment area. This is supported by the unemployment numbers within the bank’s assessment area. According to the Ohio Department of Job and Family Services, the United States unadjusted unemployment rate is currently 4.9% and the state of Ohio’s unadjusted unemployment rate is 5.7%. All four counties that make up the bank’s assessment area are above both the United States unadjusted rate and the State of Ohio’s unadjusted rate for unemployment. Having such high unemployment rates, therefore, affects the bank’s ability to make loans.

In addition, the bank is located in a heavily competitive market, which affects the bank’s ability to make loans within its assessment area. According to the FDIC’s Deposit Market Share Report (FDIC/OTS Summary of Deposits website: www.fdic.gov), within the bank’s assessment area, there are 26 institutions insured by the FDIC operating 286 offices. Out of those 26 institutions, Cortland ranked eighth with only 3.1% of the market share within the counties it serves (Ashtabula, Portage, Mahoning, and Trumbull). Given these reasons, the bank’s LTD ratio was considered reasonable.

The table illustrates Cortland’s quarterly loan-to-deposit ratios for 8 quarters since the previous evaluation, along with the average loan-to-deposit for the same period.

Loan-to-Deposit Ratios			
As of Date	Net Loans (000s)	Total Deposits (000s)	Ratio
June 30, 2007	213,624	372,303	57.4
March 31, 2007	207,019	362,352	57.1
December 31, 2007	202,997	358,782	56.6
September 30, 2006	196,555	356,717	55.1
June 30, 2006	195,856	346,633	56.5
March 31, 2006	187,529	350,125	53.6
December 31, 2005	186,034	353,492	52.6
September 30, 2005	190,194	346,468	54.9
Quarterly Loan-to-Deposit Ratio since previous examination			55.5

Lending in the Assessment Area

The following table illustrates that the percentage of loans made inside the assessment area was approximately 85.3%. This table depicts that a substantial majority of loans, as measured by the number of loans, were originated inside the bank's assessment area. Further, a substantial majority of loans, taken as dollar amount, were also made inside the assessment area.

Lending Inside and Outside the Assessment Area								
Loan Type	Inside the Assessment Area				Outside the Assessment Area			
	# of Loans	%	\$ (000s)	%	# of Loans	%	\$ (000s)	%
HMDA	559	83.7	34,947	76.9	109	16.3	10,518	23.1
Small Business	275	81.1	54,286	83.7	64	18.9	10,547	16.3
Consumer	927	87.6	16,911	77.9	131	12.4	4,790	22.1
Total	1,761	85.3	106,144	80.4	304	14.7	25,855	19.6

Geographic and Borrower Distribution

The bank's geographic distribution was considered poor and the bank's borrower distribution was considered excellent. Refer to each assessment area's performance ratings for further details.

Response to Consumer Complaints

No CRA-related complaints were filed against Cortland during this evaluation period.

Community Development Test

The bank is rated satisfactory under the community development test.

For the evaluation period, Cortland originated four community development loans totaling \$875,000 with \$162,600 outstanding on the loans. In addition, the bank made approximately \$28,000 in donations over the course of this evaluation period. The bank also purchased a mortgage backed security totaling \$1.5 million, of which \$95,200 directly impacted the bank's assessment area. Since the previous evaluation in 2005, the bank has outstanding balances on various investments in the amount of \$3.4 million, of which \$1.2 million directly impacts the bank's assessment area.

Cortland participates in the following loan programs products to individuals in need of affordable housing, which includes: Welcome Home Program, House America Program, My Community 100 Program, and Affordable Gold 97 Program. In addition, the bank instituted its own loan program to help reach low- and moderate-income families who have limited funds for down payment on a home with their Right at Home Program. These loan products were offered throughout the bank's assessment area.

Specific details of community development activities are discussed in the respective assessment area sections of this report .

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified. The bank continues the use of fair lending policies and procedures, and has an effective fair lending training program.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN YOUNSTOWN-WARREN-BOARDMAN MSA, OH/PA

The Youngstown-Warren-Boardman MSA 49660 consists of the entirety of both Mahoning and Trumbull Counties in the State of Ohio and Mercer County in the Commonwealth of Pennsylvania. The bank's assessment area, however, only includes portions of Mahoning and all of Trumbull Counties in the State of Ohio. As a result, the bank's assessment area consists of two low-income tracts, eight moderate-income tracts, 43 middle-income tracts, and 14 upper-income tracts.

According to the June 30, 2006 FDIC Deposit Market Share Report, Cortland ranked seventh out of 153 institutions in the market with a deposit share of 4.7% within the counties it serves. Sky Bank ranked first with 22.9% of the market share of deposits with 31 office locations, First Place Bank ranked second with 19.1% of the market share with 19 office locations, Home Savings & Loan Co. ranked third with 14.9% of the market share of deposits with 14 office locations. In addition, National City Bank, JPMorgan Chase Bank NA and Farmers National Bank of Canfield all had higher deposit shares than Cortland.

Two community contacts were conducted within this assessment area. One community contact served Mahoning County and the other contact served Trumbull County. The community contact for Mahoning County was a non-profit organization that focused on economic development for the counties of Mahoning, Trumbull, Geauga, Ashtabula, Portage, and Columbiana. The contact stressed that Mahoning County's unemployment rate is higher than both the country's and the state's unemployment rates and that attracting and retaining small businesses is key in order to increase employment opportunities within the area. The second community contact interview was conducted with a member of a non-profit organization that provides affordable housing within Trumbull County. The contact indicated there is a need for more affordable housing programs and first-time home buyer mortgage loan programs for low- and moderate-income individuals within the county.

Population

According to the 2000 U.S. Census, the population within Cortland's assessment area is primarily White not-Hispanic at 91.0% and Black not-Hispanic at 6.8%, with the total minority population at 9.0%. Of the assessment area's population, 23.9% are age 17 years and younger, 7.60% are age 18 to 24 years, 52.1% are age 25 to 64 years, and 16.4% are age 65 and older.

Income Characteristics

Based on the 2000 U.S. Census, the median family income for the bank's assessment area is \$47,789 compared to the State of Ohio's median family income of \$50,037 and the Youngstown-Warren-Boardman MSA's median family income of \$36,310.

Additionally, there are 111,487 households with 78,011 (70.0%) designated as families. Of the families in the assessment area, 15.8% are low-income, 17.5% are moderate-income, 22.8% are middle-income and 43.9% upper-income. Of these, 5,465 families (7.0%) have incomes below the poverty level.

Housing

According to the 2000 U.S. Census, there were 118,647 housing units in the assessment area, of which 85.2% are one-to-four family units. Additionally, 71.1% of the housing units in this assessment area are owner-occupied, while 22.9% are rental units and 6.0% are vacant. The median age of the housing stock is 39 years. U.S. Census data indicated that the median housing value is \$88,396 in the assessment area.

The 2000 U.S. Census data revealed that 1,002 housing units are located in low-income census tracts and 11,301 housing units are located in moderate-income census tracts. Furthermore, there are 78,128 housing units located in middle-income geographies and 28,216 housing units in upper-income census tracts.

Economics

The Ohio Department of Development¹ indicated that manufacturing, health care and social assistance, and retail trade are the largest industries in the assessment area based on average annual employment for 2006.

According to the Ohio Department of Job and Family Services² for July 2007, the unemployment rate for Trumbull County is 6.1% and the unemployment rate for Mahoning County is 6.2%. The U.S. unadjusted unemployment rate is 4.9% and the State of Ohio unadjusted unemployment rate is 5.7%. Therefore, the bank's assessment area's average unemployment rate exceeds both the U.S. unemployment rate and the State of Ohio's unemployment rate.

The following demographic table illustrates this assessment area.

1 www.odod.state.oh.us

2 www.lmi.state.oh.us

Combined Demographics Report

Cortland Bank

Analysis Year: 2005 & 2006

Assessment Area(s): Youngstown-Warren-Boardman OH-PA MSA 49660

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	2	3.0	474	0.6	166	35.0	12,334	15.8
Moderate-income	8	11.9	6,362	8.2	1,393	21.9	13,651	17.5
Middle-income	43	64.2	51,623	66.2	3,340	6.5	17,758	22.8
Upper-income	14	20.9	19,552	25.1	566	2.9	34,268	43.9
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	67	100.0	78,011	100.0	5,465	7.0	78,011	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	1,002	215	0.3	21.5	582	58.1	205	20.5
Moderate-income	11,301	5,539	6.6	49.0	4,489	39.7	1,273	11.3
Middle-income	78,128	56,377	66.8	72.2	17,306	22.2	4,445	5.7
Upper-income	28,216	22,251	26.4	78.9	4,760	16.9	1,205	4.3
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	118,647	84,382	100.0	71.1	27,137	22.9	7,128	6.0
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
Low-income	266	4.3	220	4.0	39	7.2	7	5.5
Moderate-income	582	9.4	508	9.2	58	10.8	16	12.6
Middle-income	4,011	65.1	3,585	65.2	347	64.4	79	62.2
Upper-income	1,302	21.1	1,182	21.5	95	17.6	25	19.7
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	6,161	100.0	5,495	100.0	539	100.0	127	100.0
Percentage of Total Businesses:				89.2		8.7		2.1
	Total Farms by Tract	Farms by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
Low-income	1	0.6	1	0.6	0	0.0	0	0.0
Moderate-income	3	1.9	3	1.9	0	0.0	0	0.0
Middle-income	128	80.0	126	79.7	2	100.0	0	0.0
Upper-income	28	17.5	28	17.7	0	0.0	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	160	100.0	158	100.0	2	100.0	0	0.0
Percentage of Total Farms:				98.8		1.3		0.0

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

Lending Test

The assessment area's lending test is considered adequate. The bank's performance for geographic distribution consistently fell below the demographics within the assessment area, as well as the aggregate of all lenders. The bank does not have any branches in low-income or moderate-income tracts, which explains why the bank's penetration of low- and moderate-income tracts is poor. The bank's performance for borrower distribution was either comparable or exceeded the aggregate of all lenders and comparable or exceeded the demographics within the assessment area. Borrower distribution was given a greater weight because low and moderate income individuals can live in any census tract and the bank does not have any branches in low and moderate-income tracts in this portion of the bank's assessment area.

Lending Activity

Cortland's lending activity reflects an adequate responsiveness to assessment area credit needs. For this assessment area, consumer loans were given the most weight, followed by HMDA-reportable loans and small business loans. Because there were enough loans to make a meaningful analysis, this analysis includes an analysis of each individual product type.

Geographic Distribution

The geographic distribution of loans reflects a poor penetration throughout this assessment area. The bank's lending performance consistently fell below the demographics and aggregate of all lenders. The bank has no branch offices located in any of the low or moderate-income tracts, which impacts its ability to penetrate these areas.

Consumer Loans

Motor Vehicle Loans

The bank originated zero loans within its low-income tracts, compared to the percentage of total households in these geographies at 0.72%. The bank made 1 loan (0.5%) in the moderate-income tracts, which was significantly lower than the percentage of total households in these geographies at 8.9%. More loans were made in the middle-income tracts by the bank at 68.0% than the percentage of total households, which was 66.2%. In addition, the bank made more loans in upper-income tracts at 31.5% compared to the percentage of total households, which was 24.1%. Based on this analysis, the bank's lending activity in the low-and moderate-income geographies is considered poor

Other-Secured Loans

The bank made one loan (0.5%) in the low-income tracts, which was comparable to the percentage of total households. The bank made four (2.0%) in the moderate-income tracts, which was significantly lower than the percentage of total households. Loans made in middle-income geographies of 66.0% almost equaled the demographics. Furthermore, more loans were made in the upper-income tracts by the bank at 31.5% compared to the demographics. Based on this analysis, the bank's lending activity in the low-income geographies is considered adequate, while lending in the moderate-income areas is considered poor.

Other Unsecured Loans

The bank originated zero loans within its low-income tracts which was well below the percentage of total households. The bank made only one loan (0.6%) in the moderate-income tracts, which fell well below demographics. More loans in the middle-income geographies were made by the bank at 71.9% and upper income geographies at 27.5% compared to the demographics of 66.2% and 24.1% respectively. Based on this lending analysis, lending in low- and moderate-income geographies is considered poor.

Home Equity Loans

The bank did not originate any loans within its low-income tracts and the bank made only one loan (0.6%) in the moderate-income tracts. The bank's lending in upper-income geographies was higher at 35.2% compared to the demographics. Based on this lending analysis, lending in low- and moderate-income geographies is considered poor.

Geographic Distribution of Consumer Loans										
Assessment Area/Group: Youngstown-Warren-Boardman OH-PA MSA 49660										
	Total Consumer Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies	
	#	% of Total	% of Hhlds	% Bank Loans	% of Hhlds	% Bank Loans	% of Hhlds	% Bank Loans	% of Hhlds	% Bank Loans
Home Equity	162	21.5	0.7	0.0	8.9	0.6	66.2	64.2	24.1	35.2
Motor Vehicle	219	29.1	0.7	0.0	8.9	0.5	66.2	68.0	24.1	31.5
Other - Secured	200	26.6	0.7	0.5	8.9	2.0	66.2	66.0	24.1	31.5
Other - Unsecured	171	22.7	0.7	0.0	8.9	0.6	66.2	71.9	24.1	27.5

Mortgage Loans (HMDA)

Refinance Loans

The bank made no loans to low-income tracts compared to the percentage of owner-occupied housing units at 0.3% and the aggregate of all lenders, which was 0.2%. The bank made no loans to moderate-income tracts, compared to the percentage of owner-occupied housing units at 6.6% and aggregate of all lenders at 5.2%. More loans were made by the bank in middle-income geographies at 71.5% compared to the percentage of owner-occupied housing units at 66.8% and aggregate of all lenders at 68.2%. More loans were made by the bank in upper-income geographies at 28.5% compared to the owner-occupied housing units at 26.4% and aggregate of all lenders at 26.3%. Based on this analysis, the bank's lending activity in the low- and moderate-income geographies is considered poor.

Home Purchase Loans

The bank made no loans to low-income tracts compared to the demographics and aggregate of all lenders. The bank made four loans (2.4%) in moderate-income tracts, which was significantly lower than the demographics and aggregate of all lenders. The bank's lending in middle-income tracts at 62.5% was comparable to the demographics and aggregate of all lenders. The bank's lending in upper-income tracts at 35.1% was higher than the demographics and aggregate of all lenders. Based on this analysis, the bank's lending activity in the low- and moderate-income geographies is considered poor.

Home Improvement Loans

The bank made no loans to low-income tracts compared to the proxy at 0.3% and aggregate of all lenders at 0.1%. The bank made three loans (2.1%) to moderate-income tracts, which was significantly lower than the demographics and aggregate of all lenders at 6.8%. More loans were made in the middle-income tracts by the bank at 74.0% than the demographics and aggregate of all lenders at 68.0%. The bank's lending in the upper-income tracts at 24.0% was comparable to the demographics at 26.4% and aggregate of all lenders at 25.1%. Based on this analysis, the bank's lending activity in the low-and moderate-income geographies is considered poor.

Geographic Distribution of HMDA Loans										
Assessment Area/Group: Youngstown-Warren-Boardman OH-PA MSA 49660										
	Total HMDA Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies	
	#	% of Total	% of Owner Occ Units	% Bank Loans	% of Owner Occ Units	% Bank Loans	% of Owner Occ Units	% Bank Loans	% of Owner Occ Units	% Bank Loans
Home Purchase	168	34.6	0.0	0.0	6.6	2.4	66.8	62.5	26.4	35.1
Refinance	172	35.4	0.0	0.0	6.6	0.0	66.8	71.5	26.4	28.5
Home Improvement	146	30.0	0.0	0.0	6.6	2.1	66.8	74.0	26.4	24.0

Small Business Loans

The bank made 4 loans (1.6%) to low-income tracts compared to the total businesses within the low-income tract at 4.3% and aggregate of all lenders at 0.2%. The bank made 13 loans (5.2%) to moderate-income tracts, which was considered adequate when compared to the total businesses within the moderate-income tracts at 9.4% and aggregate of all lenders at 5.5%. The bank's lending in middle-income tracts at 55.4% was lower than the total businesses within the middle-income tracts at 65.1% and aggregate of all lenders at 66.5%. The bank's lending in upper-income tracts at 37.8% was lower than the total businesses within the upper-income tracts at 21.1% and aggregate of all lenders at 27.9%.

Borrower Distribution

The distribution of borrowers reflects an excellent penetration among borrowers of different income levels. Cortland has an excellent penetration of borrowers to different income levels and an adequate distribution of lending to businesses with revenues of \$1 million or less.

Consumer Loans

Motor Vehicle Loans

The bank made 40 loans (18.3%) to low-income borrowers, which was comparable to low-income households in the assessment area at 19.8%. The bank made 58 loans (26.5%) to moderate-income borrowers, which surpassed the percentage of moderate-income borrowers at 15.8%. Middle-income borrowers received 27.4% of the loans in the assessment area, which surpassed the percentage of borrowers at 19.4%. Upper-income borrowers received 17.8% of loans in the assessment area, which was significantly less than the percentage of upper-income borrowers at 45.0%. Based on this analysis, the bank's penetration to low-income borrowers is considered good and moderate-income borrowers is considered excellent.

Other Secured Loans

The bank made 45 loans (22.5%) to low-income borrowers, which exceeded the demographics at 19.8%. The bank made 38 loans (19.0%) to moderate-income borrowers, which exceeded the demographics at 15.8%. Middle-income borrowers received 17.5%, which was comparable to the demographics at 19.4%. Upper-income borrowers received 20.0% of the loans in the assessment area, which was significantly less than the demographics at 45.0%. Based on this analysis, the bank's penetration to low- and moderate-income borrowers is considered excellent.

Other Unsecured Loans

The bank made 31 loans (18.1%) to low-income borrowers, which was comparable the demographics. The bank made 56 loans (32.7%) to moderate-income individuals and significantly exceeded demographics. Middle-income borrowers received 15.2% of loans made in the assessment area compared to the demographics at 19.4%. Upper-income borrowers received 23.4% of the loans made in the assessment area as compared to the demographics at 45.0%. Based on this analysis, the bank's penetration to low-income borrowers is considered good and the bank's penetration to moderate-income borrowers is considered excellent.

Home Equity Loans

The bank made 17 loans (10.5%) to low-income borrowers compared to the demographics. The bank made 32 loans (19.8%) to moderate-income borrowers which exceeded the demographics. Middle-income borrowers received 23.5% of the loans compared to the demographics. Upper-income borrowers received 37.0% of the loans compared to the demographics. Based on this analysis, the bank's lending activity to low-income borrowers is considered adequate and the bank's lending activity for moderate-income borrowers is considered excellent.

Borrower Distribution of Consumer Loans										
Assessment Area/Group: Youngstown-Warren-Boardman OH-PA MSA 49660										
	Total Consumer Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers	
	#	% of Total	% of Hhlds	% Bank Loans	% of Hhlds	% Bank Loans	% of Hhlds	% Bank Loans	% of Hhlds	% Bank Loans
Home Equity	162	21.5	19.8	10.5	15.8	19.8	19.4	23.5	45.0	37.0
Motor Vehicle	219	29.1	19.8	18.3	15.8	26.5	19.4	27.4	45.0	17.8
Other - Secured	200	26.6	19.8	22.5	15.8	19.0	19.4	17.5	45.0	20.0
Other - Unsecured	171	22.7	19.8	18.1	15.8	32.7	19.4	15.2	45.0	23.4

Mortgage Loans (HMDA)

Refinance Loans

The bank made 24 loans (14.0%) to low-income borrowers compared to the percentage of low-income families at 15.8% and exceeded the aggregate of all lenders at 6.9%. The bank made 35 loans (20.3%) to moderate-income borrowers, which exceeded the percentage of moderate-income families at 17.5% and aggregate of all lenders at 18.7%. Middle-income borrowers received 29.7% of loans made in the assessment area, which exceeded the percentage of middle-income families at 22.8% and aggregate of all lenders at 26.6%. Upper-income borrowers received 30.8% of loans made in the assessment area, which fell below the percentage of upper-income families at 43.9% and was comparable to aggregate of all lenders at 33.5%. Based on this analysis, the bank's lending activity to low-income borrowers is

considered good and the bank's lending activity to moderate-income borrowers is considered excellent.

Home Purchase Loans

The bank made 17 loans (10.1%) to low-income borrowers, which is less than the demographics but exceeded the aggregate of all lenders at 9.1%. The bank made 37 loans (22.0%) to moderate-income borrowers, which surpassed the demographics and was comparable to aggregate of all lenders at 24.9%. Middle-income borrowers received 25.6% of loans made in the assessment area compared to the demographics and met the aggregate of all lenders at 25.8%. Upper-income borrowers received 38.1% of loans made in the assessment area, which fell below the demographics and exceeded aggregate of all lenders at 27.7%. Based on this analysis, the bank's lending to low-income borrowers is considered good and the bank's lending to moderate-income borrowers is considered excellent.

Home Improvement Loans

The bank made 19 loans (13.0%) to low-income borrowers, which was comparable to the demographics and slightly exceeded aggregate of all lenders at 12.5%. The bank made 38 loans (26.0%) to moderate-income borrowers, which exceeded both the demographics at 17.5% and aggregate of all lenders at 21.7%. Middle-income borrowers received 26.7% of loans made in the assessment area, which exceeds the demographics and was comparable to the aggregate of all lenders at 26.8%. Upper-income borrowers received 30.1% of loans, which fell below the demographics at 43.9% and slightly below the aggregate of all lenders at 37.4%. Based on this analysis, the bank's lending activity to low-income borrowers is considered good and the bank's lending to moderate-income borrowers is considered excellent.

Borrower Distribution of HMDA Loans										
Assessment Area/Group: Youngstown-Warren-Boardman OH-PA MSA 49660										
	Total HMDA Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers	
	#	% of Total	% of Families	% Bank Loans	% of Families	% Bank Loans	% of Families	% Bank Loans	% of Families	% Bank Loans
Home Purchase	168	34.6	15.8	10.1	17.5	22.0	22.8	25.6	43.9	38.1
Refinance	172	35.4	15.8	14.0	17.5	20.3	22.8	29.7	43.9	30.8
Home Improvement	146	30.0	15.8	13.0	17.5	26.0	22.8	26.7	43.9	30.1

Small Business Loans

The bank made 145 loans (57.8%), which fell below the percentage of total businesses (89.2%) with revenues of \$1 million or less; however, Cortland exceeded the aggregate of all lenders at 36.5% within this assessment area. 58.2% of loans to small businesses were for \$100,000 or less. Based off this analysis, the bank's lending to small businesses is considered adequate.

Community Development Test

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

Community Development Loans

Cortland made four loans that qualified for community development purposes. The total loan amounts extended for these four loans was \$875,000. The outstanding balances on the loans are \$162,600. The primary purpose of all four loans was for economic development. One of the loans was used to construct a building that will house small businesses; the other three loans were used to finance small businesses and start-up businesses.

Qualified Investments

For the evaluation period, the bank made investments totaling \$114,850. The bank's investments were made up of a mixture of mortgage backed securities, donations, and municipal bonds. In addition, the bank had one outstanding investment from the previous evaluation with a current balance of \$1.01 million.

The following list is an example of organizations where Cortland has made donations:

- Christmas Family Basket Program- (2005 and 2006) purchase of holiday gift baskets for low- and moderate-income families which were identified by school districts within the assessment area.
- Warren Kiwanis Club (2006 and 2007) benefiting the Children's Rehabilitation Center-funds are divided between education and support services to low-and moderate-income children.
- Heart Reach Ministries- (2006 and 2007) the organization targets the Youngstown area and directs its services to low- and moderate-income children who live in the Youngstown inner-city. In addition, it supports head-start programs.
- Children's Museum of the Valley (2007)-low- and moderate-income individuals the ability to come to the museum without having to pay for admission.
- Second Harvest Food Bank- (2007)- food bank.
- Habitat for Humanity- provides affordable housing to low- and moderate-income individuals.
- Consumer Credit Counseling- (2006 and 2007) provides workshops for low- and moderate-income individuals.
- Handy Man Mission of Mercy- (2006) funds went towards home repairs for low- and moderate-income individuals.
- Trumbull County American Red Cross- (2006 and 2007) funds went to local low- and moderate-income families who have suffered disasters.
- Greater Warren Youngstown Urban League (2006) provides low- and moderate-income individuals in need of financial assistance.
- FNMA Morgan Keegan MBS Pool bought July 2007- provides for affordable housing.

Community Development Services

All of the bank's offices within the assessment area are located in middle-income and upper-income census tracts. The bank has 10 branch offices, six offices are located in a middle-income tract and the other offices are located in upper-income tracts. All the branches except for one (located in a middle-income tract) have an ATM. The branch distribution is representative of the overall makeup of tracts in the assessment area as 85.1% of the geographies are middle and upper-income tracts.

Bank staff participate in the following community development organizations:

- Youngstown State University Small Business Institute- bank employees provide technical financial assistance to small businesses.
- Warren Trumbull County Mini-Loan Fund- employee serves as treasurer. Organization assists small businesses who do not qualify for traditional financing.
- Warren Area Regional Investment Corporation- employee serves as board member. Organization assists businesses for economic development purposes.
- SCOPE- employees served on Board of Directors and as Treasurer. Organization provides loans to small businesses who do not qualify for traditional financing.
- Mahoning Valley Mini Loan Fund- employee member of board. Organization provides loans to businesses who do not qualify for traditional financing.
- Family Service Association- employee serves on board. Organization provides credit counseling to low and moderate-income individuals.
- Northeast Ohio One Stop Association- employee serves on board. Organization provides assistance to former welfare recipients attempting to be placed in a job.
- Niles Council of the Youngstown Warren Regional Chamber of Commerce- employee serves as Treasurer. Organization works to bring businesses into the community for economic development.
- Niles Housing Appeal Board- employee serves as Chairman of the Board- Board deals with affordable housing for low and moderate-income individuals.

DESCRIPTION OF AKRON, OH METROPOLITAN AREA

The bank's assessment area includes all of Portage County, which consists of no low-income tracts, four moderate-income tracts, 24 middle-income tracts, and three upper-income tracts.

According to the June 30, 2006 FDIC Deposit Market Share Report (FDIC/OTS Summary of Deposits website: www.fdic.gov), there is a significant amount of competition throughout the bank's assessment area. There are 16 financial institutions insured by the FDIC operating 50 offices within Portage County. According to the FDIC's Deposit Market Share Report, Cortland is ranked twelfth with 2.2% of the market share of deposits within the county it serves. Huntington National Bank ranked first with 23.4% of the market share of deposits with 9 office locations, JPMorgan Chase Bank NA ranked second with 12.4% of the market share with 6 office locations. Sky Bank ranked third with 10.4% of the market share with 5 office locations and Portage Community Bank ranked fourth with 10.1% of the market share with 1 office location. In addition, the following institutions all had higher market deposit shares than Cortland: Key Bank, First Place Bank, Home Savings Bank, National City Bank, Middlefield Banking Co., and Fifth Third Bank.

Population

According to the 2000 U.S. Census, the population within Cortland's assessment area is primarily White at 93.3% and Black at 3.9%, with the total minority population at 6.7%. Of the assessment area's population, 23.5% are age 17 years and younger, 15.3% are age 18 to 24 years, 50.3% are age 25 to 64 years, and 10.8% are age 65 and older.

Income Characteristics

According to the 2000 U.S. Census, the median family income for the bank's assessment area is \$52,680 compared to the State of Ohio's median family income of \$50,037 and the Akron MSA median family income of \$42,939.

Additionally, there are 49,477 households with 33,966 (68.7%) designated as families. Of the families in the assessment area, 17.5% are low-income, 18.5% moderate-income, 24.8% middle-income, and 39.1% upper-income. Of these, 2,114 families (6.2%) have incomes below the poverty level. Since most of the families in the assessment area are middle- and upper-income families, the majority of lending would be expected in those categories.

Housing

According to the 2000 U.S. Census, there were 52,467 housing units in the assessment area, of which 75.7% are one-to-four family units. Additionally, 65.2% of the housing units in this assessment area are owner-occupied, while 29.2% are rental units and 5.6% are vacant. The median age of housing stock is 30 years. U.S. Census data indicated that the median housing value is \$118,012 in the assessment area.

The 2000 U.S. Census data revealed that 6,867 housing units are located in moderate-income census tracts and 38,766 housing units are located in middle-income geographies and 6,834 housing units are located in upper-income tracts. As a result, a substantial amount of the bank's mortgage lending would be expected in the middle- and upper-income census tracts.

Economics

The Ohio Department of Development³ indicated that manufacturing, government, retail trade, and accommodation and food services are the largest industries in the assessment area based on average annual employment for 2003.

According to the Ohio Department of Job and Family Services⁴ for July 2007, the unemployment rate for Portage County is 5.1%. The U.S. unadjusted unemployment rate is 4.9% and the State of Ohio unadjusted unemployment rate is 5.7%. Therefore, the bank's assessment area's average unemployment rate exceeds the U.S. unemployment rate, but falls below the State of Ohio's unemployment rate.

The demographic table on the following page illustrates this assessment area.

3 www.odod.state.oh.us

4 www.lmi.state.oh.us

Combined Demographics Report

Cortland Bank

Analysis Year: 2005 & 2006

Assessment Area(s): Akron MSA 10420

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	5,960	17.5
Moderate-income	4	12.9	3,413	10.0	494	14.5	6,285	18.5
Middle-income	24	77.4	25,516	75.1	1,488	5.8	8,440	24.8
Upper-income	3	9.7	5,037	14.8	132	2.6	13,281	39.1
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	31	100.0	33,966	100.0	2,114	6.2	33,966	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied		Rental		Vacant		
		#	%	%	#	%	#	%
Low-income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate-income	6,867	2,831	8.3	41.2	3,370	49.1	666	9.7
Middle-income	38,766	26,068	76.2	67.2	10,792	27.8	1,906	4.9
Upper-income	6,834	5,314	15.5	77.8	1,137	16.6	383	5.6
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	52,467	34,213	100.0	65.2	15,299	29.2	2,955	5.6
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	297	7.4	271	7.6	22	5.5	4	4.6
Middle-income	3,062	75.9	2,686	75.7	313	78.4	63	72.4
Upper-income	675	16.7	591	16.7	64	16.0	20	23.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	4,034	100.0	3,548	100.0	399	100.0	87	100.0
Percentage of Total Businesses:				88.0		9.9		2.2
	Total Farms by Tract	Farms by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	5	4.1	5	4.1	0	0.0	0	0.0
Middle-income	113	92.6	113	92.6	0	0.0	0	0.0
Upper-income	4	3.3	4	3.3	0	0.0	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	122	100.0	122	100.0	0	0.0	0	0.0
Percentage of Total Farms:				100.0		0.0		0.0

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

Lending Test

The lending performance for Akron Metropolitan Area is excellent. The bank demonstrates an excellent responsiveness to community credit needs. The bank demonstrates an excellent geographic distribution, as well as an excellent distribution of loans to borrowers of different income levels. Since there are no low-income tracts and only four moderate-income tracts within this assessment area, more weight was placed on the borrower distribution analysis, because low-income and moderate-income individuals can live in any census tract.

Lending Activity

The bank's lending activity within Akron Metropolitan Area is considered to be excellent. Although Cortland originated HMDA reportable loans and business loans, the amount of loans was not a large enough number to be considered statistically significant. Therefore, consumer loans were the only product line evaluated in the lending analysis for this portion of the bank's assessment area. The consumer loan category is made up of motor vehicle loans, home equity loans, other secured loans, and other unsecured loans. There were not enough loans made in each consumer loan product; therefore, all of the consumer loan products were combined in order to make the analysis statistically significant. It is noted that loans made in the Akron Metropolitan Area accounted for 9.9% of the loans evaluated during the review.

Cortland made a total of 927 consumer loans; therefore, this product was given the greatest weight in lending analyses.

Geographic Distribution

The overall geographic distribution of lending is considered excellent. It reflects an excellent penetration throughout this assessment area. The bank's lending performance exceeded the proxy, which was the total households by income divided by total households in the assessment area.

Consumer Loans

The bank made 46 loans (40.4%) to moderate-income tracts which was significantly higher than the percentage of total households in these geographies at 12.4%. Fewer loans were made in the middle-income tracts by the bank at 59.1% than the percentage of total households in these geographies, which was 74.5%. In addition, fewer loans were made by the bank in the upper-income tracts totaling 0.9% than the proxy, which was 13.1%. Based on this analysis, the bank's lending activity in the moderate-income geographies is considered excellent.

Although the evaluation combined the products to make a significant analysis, the table below breaks down each product.

Geographic Distribution of Consumer Loans Assessment Area/Group: Akron MSA 10420								
	Total Consumer Loans		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies	
	#	% of Total	% of Hhlds	% Bank Loans	% of Hhlds	% Bank Loans	% of Hhlds	% Bank Loans
Home Equity	29	25.2	12.4	27.6	74.6	69.0	13.1	3.4
Motor Vehicle	29	25.2	12.4	44.8	74.6	55.2	13.1	0.0
Other - Secured	30	26.1	12.4	46.7	74.6	53.3	13.1	0.0
Other - Unsecured	27	23.5	12.4	40.7	74.6	59.3	13.1	0.0

Borrower Distribution

The distribution of borrowers reflects an excellent penetration among borrowers of different income levels. Cortland has an excellent penetration of loans to borrowers of different income levels. The bank's lending performance exceeded the proxy, which was the percentage of households by income category.

Consumer Loans

The bank made 36 loans (31.3%) to low-income borrowers which was significantly more than the percentage of low-income households in the assessment area at 21.4%. There were 32 loans (27.8%) to moderate-income borrowers, which surpassed the percentage of moderate-income households of 17.0%. Middle-income borrowers received 19.1% of the loans compared to the demographics of 20.2% and upper-income borrowers received 17.4% of the loans compared to the demographics of 41.4%. Based on this analysis, the bank's penetration among low- and moderate-income borrowers is considered excellent.

Borrower Distribution of Consumer Loans Assessment Area/Group: Akron MSA 10420										
	Total Consumer Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers	
	#	% of Total	% of Hhlds	% Bank Loans	% of Hhlds	% Bank Loans	% of Hhlds	% Bank Loans	% of Hhlds	% Bank Loans
Home Equity	29	25.2	21.4	13.8	17.0	37.9	20.2	20.7	41.4	27.6
Motor Vehicle	29	25.2	21.4	27.6	17.0	27.6	20.2	17.2	41.4	17.2
Other - Secured	30	26.1	21.4	26.7	17.0	30.0	20.2	20.0	41.4	20.0
Other - Unsecured	27	23.5	21.4	59.3	17.0	14.8	20.2	18.5	41.4	3.7

Community Development Test

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

Qualified Investments

Cortland made seven donations totaling \$6,924. The primary purpose for all seven donations was for the service of low- and moderate-income individuals. Donations were made to the following organizations:

- Windham Lions Club – Funds were donated to the Lions Club for the purchase of eye glasses and food baskets for low- and moderate-income children. Funds were donated in 2007.
- Christmas Family Basket Program – The bank purchased holiday gift baskets for low- and moderate-income families, which were identified by school districts within the assessment area. Funds were donated in 2005 and 2006.
- Windham Volunteer Fire Department – Funds were donated for the fire department's turkey raffle which benefited low- and moderate-income children to attend the circus.
- Windham Schools – Funds were donated to the school. Documentation was provided that a majority of the students in the school participate in the free or reduced lunch program. Funds were donated in 2007.
- Consumer Credit Counseling – Funds went towards providing workshops for low- and moderate-income individuals. Funds were donated in 2006 and 2007.

Community Development Services

The bank has two branch offices – one office is located in a moderate-income tract and the other office is located in a middle-income tract. Both branch offices are full service branches with ATMs. None of the branch staff within these two offices participated in any qualified community development service activities.

DESCRIPTION OF OHIO NONMETROPOLITAN AREA

There are only two middle-income census tracts comprising this assessment area within Ashtabula County.

In 2005 and 2006, Cortland originated a total of 1,761 loans. Of that total, 93 loans were made in this assessment area or 5.3% of the bank's overall lending volume.

Cortland has only one office location in this nonmetropolitan assessment area, which represents 7.7% of the total banking offices. Furthermore, as of the June 30, 2006 FDIC's Deposit Market Share Report (FDIC/OTS Summary of Deposits website: www.fdic.gov), Cortland ranked ninth with 0.74% of the market share of deposits within the county it serves. Sky Bank ranked first with 23.6% of the market share of deposits with 5 office locations. Andover Bank ranked second with 22.1% of the market share of deposits with 7 office locations; Key Bank National Association ranked third with 20.5% of the market share with 6 office locations, while First Merit Bank, N.A. ranked fourth with 16.6% of the market share of deposits with 5 office locations.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

While this was a limited scope review, it is noteworthy to mention that Cortland made approximately \$139,000 in investments in this assessment area since the previous evaluation. One of the bank's investments was in a mortgage backed security pool that as of 2007 had a balance of approximately \$741,000. Of the total amount, \$137,550 of the pool consisted of two mortgages to low- and moderate-income individuals within the bank's assessment area.

The bank's performance as it relates to the lending test in this assessment area was found to be consistent with the bank's lending in its other assessment areas. Community development service and investment activities, however, were found to be below what the bank provides in its other assessment areas.

Facts and data reviewed, including performance and demographic information, can be found in the core tables accompanying this report .

Combined Demographics Report

Cortland Bank

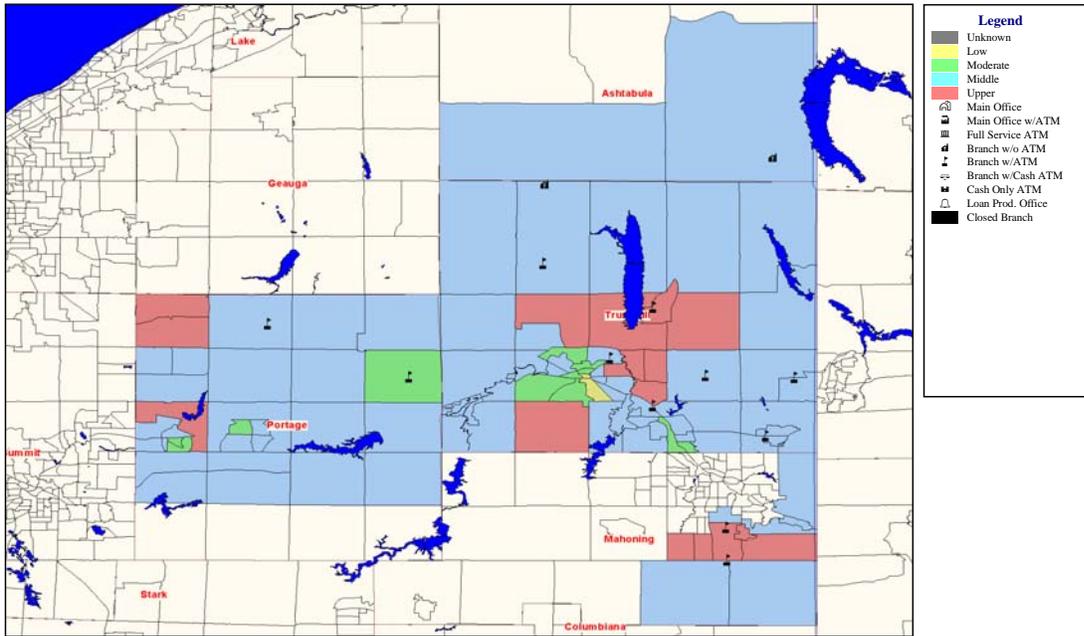
Analysis Year: 2005 & 2006

Assessment Area(s): Non-MSA OH

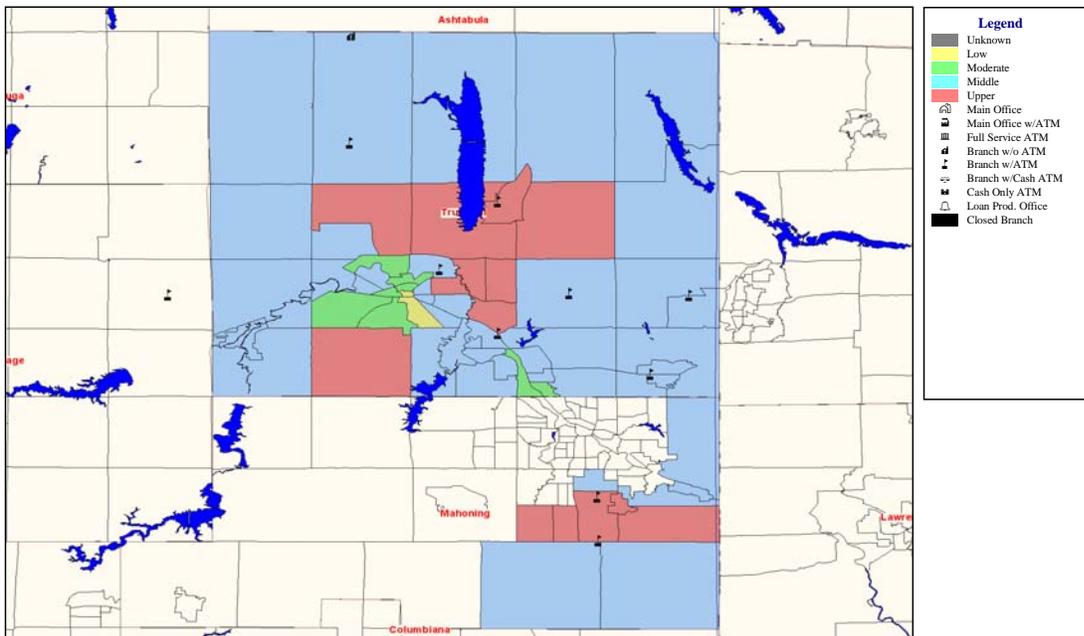
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	823	20.9
Moderate-income	0	0.0	0	0.0	0	0.0	726	18.5
Middle-income	2	100.0	3,930	100.0	365	9.3	980	24.9
Upper-income	0	0.0	0	0.0	0	0.0	1,401	35.6
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	2	100.0	3,930	100.0	365	9.3	3,930	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate-income	0	0	0.0	0.0	0	0.0	0	0.0
Middle-income	6,036	4,165	100.0	69.0	1,072	17.8	799	13.2
Upper-income	0	0	0.0	0.0	0	0.0	0	0.0
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	6,036	4,165	100.0	69.0	1,072	17.8	799	13.2
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	0	0.0	0	0.0	0	0.0	0	0.0
Middle-income	457	100.0	406	100.0	28	100.0	23	100.0
Upper-income	0	0.0	0	0.0	0	0.0	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	457	100.0	406	100.0	28	100.0	23	100.0
Percentage of Total Businesses:			88.8		6.1		5.0	
	Total Farms by Tract	Farms by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	0	0.0	0	0.0	0	0.0	0	0.0
Middle-income	82	100.0	80	100.0	1	100.0	1	100.0
Upper-income	0	0.0	0	0.0	0	0.0	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	82	100.0	80	100.0	1	100.0	1	100.0
Percentage of Total Farms:			97.6		1.2		1.2	

APPENDIX A
ASSESSMENT AREA MAPS

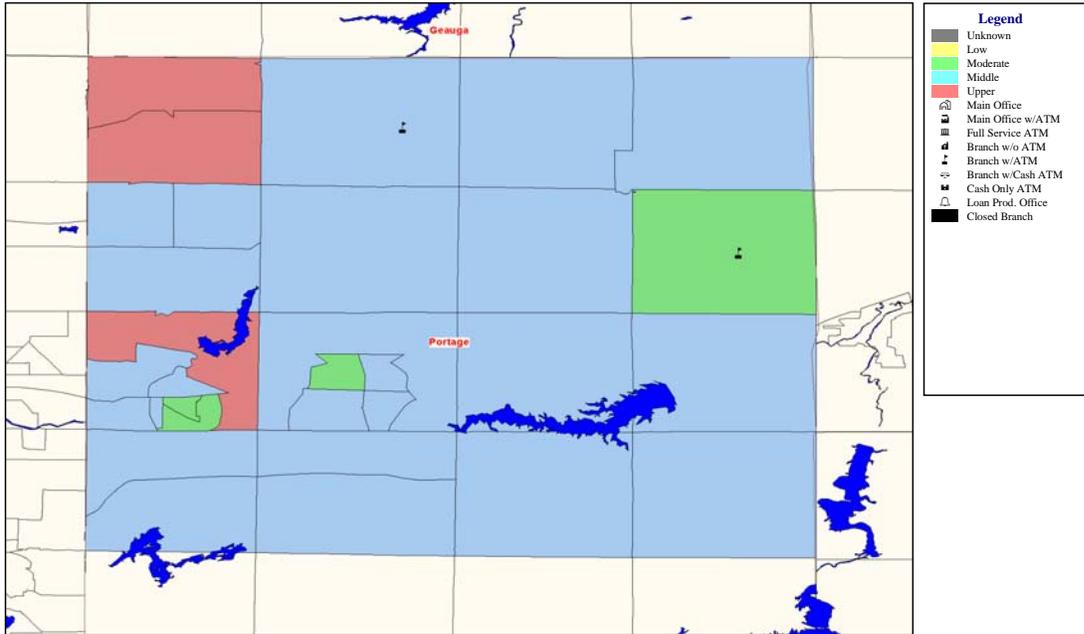
Cortland Bank
 Assessment Area: Overall



Cortland Bank
 Assessment Area: Youngstown-Warren-Boardman OH-PA MSA 49660



Cortland Bank
Assessment Area: Akron MSA 10420



Cortland Bank
Assessment Area: Non-MSA OH

