



**NEW YORK STATE
DEPARTMENT OF FINANCIAL SERVICES
FINANCIAL FRAUDS AND CONSUMER PROTECTION DIVISION**

One State Street
New York, NY 10004

PUBLIC SUMMARY

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Date of Evaluation: December 31, 2010

Institution: Solvay Bank
1537 Milton Avenue
Solvay, NY 13209

Note: This evaluation is not an assessment of the financial condition of this institution. The rating assigned does not represent an analysis, conclusion or opinion of the New York State Department of Financial Services concerning the safety and soundness of this financial institution.

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GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (“CRA”) performance of Solvay Bank (“Solvay” or the “Bank”) prepared by the New York State Department of Financial Services¹ (“Department” or “DFS”). The evaluation represents the Department’s current assessment and rating of the institution’s CRA performance based on an evaluation conducted as of December 31, 2010.

Section 28-b of the New York Banking Law, as amended, requires that when evaluating certain applications, the Superintendent of Banks shall assess a banking institution’s record of helping to meet the credit needs of its entire community, including low- and moderate-income (“LMI”) areas, consistent with safe and sound operations.

Part 76 of the General Regulations of the Banking Board implements Section 28-b and further requires that the Department assess the CRA performance records of regulated financial institutions. Part 76 establishes the framework and criteria by which the Department will evaluate the performance. Section 76.5 further provides that the Department will prepare a written report summarizing the results of such assessment and will assign to each institution a numerical CRA rating based on a 1 to 4 scoring system. The numerical scores represent an assessment of CRA performance as follows:

1. Outstanding record of meeting community credit needs;
2. Satisfactory record of meeting community credit needs;
3. Needs to improve record of meeting community credit needs; and
4. Substantial noncompliance in meeting community credit needs

Section 76.5 further requires that the CRA rating and the written summary be made available to the public (“Evaluation”). Evaluations of banking institutions are primarily based on a review of performance tests and standards described in Section 76.7 and detailed in Sections 76.8 through 76.13. The tests and standards incorporate the 12 assessment factors contained in Section 28-b of the New York Banking Law.

For an explanation of technical terms used in this report, please consult the **GLOSSARY** at the back of this document.

¹ Effective October 3, 2011, the New York State Banking Department merged with the New York State Insurance Department and was renamed as the New York State Department of Financial Services.

OVERVIEW OF INSTITUTION'S PERFORMANCE

Solvay was evaluated according to the intermediate small bank performance criteria. Solvay is rated "2," indicating a "Satisfactory" record of helping to meet community credit needs. This rating is downgraded from the prior New York State Banking Department evaluation conducted as of December 31, 2008.

The rating is based on the following factors:

Lending Test: "Satisfactory"

- **Loan-to-Deposit (LTD) Ratio and Other Lending-Related Activities:** "Satisfactory"

Solvay's average LTD ratio was reasonable considering its size, business strategy, financial condition, aggregate and peer group activity. During the evaluation period Solvay's average LTD ratio of 70.9% trailed the peer group average LTD of 82.5%. Both Solvay and its peer group's ratios have been trending downward during this evaluation period. However, the gap between Solvay's average LTD ratio and that of its peer has narrowed slightly since the prior evaluation period.

- **Assessment Area Concentration:** "Outstanding"

During the evaluation period, Solvay originated 93.8% by number, and 92.5% by dollar value of its HMDA-reportable and small business loans within the assessment area. This percentage represents a substantial majority of lending inside of the Bank's assessment area and is an outstanding record of lending.

- **Distribution by Borrowers Characteristics:** "Satisfactory"

The distribution of loans based on borrower characteristics demonstrated a reasonable penetration rate of lending among individuals of different income levels and businesses of different revenue sizes operating within the assessment area.

Although Solvay's HMDA-reportable penetration rates to LMI Borrowers were below those of its peer group, other mitigating factors were considered. Small business loan penetration rates to businesses with annual revenues of less than \$1 million were excellent.

- **Geographic Distribution of Loans:** "Satisfactory"

The distribution of loans based on lending in census tracts of varying income levels demonstrated a reasonable penetration rate of lending.

During the evaluation period, Solvay originated 6.8% by number of its HMDA-reportable loans within LMI geographies which slightly trailed the aggregate penetration ratio of

7.1%. Solvay's distribution of lending also trailed the demographics for owner occupied homes in LMI census tracts. However, Solvay's penetration rate of small business lending to LMI census tracts of 27.2% by number of loans exceeded the aggregate rates of 21.3%, and also exceeded the LMI business demographic.

- **Action Taken in Response to Written Complaints With Respect to CRA:** "Satisfactory"

Neither Solvay nor the New York State Department of Financial Services (formerly the New York State Banking Department) has received any written complaints regarding Solvay's CRA performance during this evaluation period.

Community Development Test: "Satisfactory"

Solvay's community development performance demonstrated adequate responsiveness to the community development needs of its assessment area through community development loans, investments, and services.

- **Community Development Loans:** "Satisfactory"

During the evaluation period, Solvay originated \$3.4 million in new community development loans, and had \$1.4 million outstanding from prior evaluation periods. This amount was 22.5% less than the \$6.2 million recorded during the prior evaluation period.

- **Community Development Investments:** "Outstanding"

Solvay's level of qualified community development investments reflected an excellent responsiveness to the credit needs of the assessment area. During the evaluation period Solvay made \$5.1 million in new community development investments, which was approximately 50% greater than what was recorded during the prior evaluation period. In addition, Solvay made \$84,000 in donations and grants to various organizations providing community services.

- **Community Development Services:** "Satisfactory"

Solvay demonstrated an adequate level of community development services over the course of the evaluation period. Solvay's management and staff participate with a variety of community development organizations within its community, and provide technical assistance to organizations and programs that promote affordable housing, economic development and community services in the assessment area.

This evaluation was conducted based on a review of the 12 assessment factors set forth in Section 28-b of the New York State Banking Law and Part 76 of the General Regulations of the Banking Board.

PERFORMANCE CONTEXT

Institution Profile:

Solvay is a State-chartered commercial bank, founded in 1917 and headquartered in Solvay, New York, where its main office is located. In addition, Solvay operates seven other full-service branches in or around Syracuse, New York, in Onondaga County.

Per the Consolidated Report of Condition ("Call Report") as of December 31, 2010 filed with the Federal Deposit Insurance Corporation ("FDIC"), Solvay reported total assets of \$587.9 million of which \$359.2 million were net loan and lease finance receivables. Solvay also reported total deposits of \$531.8 million, resulting in a loan-to-deposit ratio of 67.5%. According to the latest available comparative deposit data as of June 30, 2010, Solvay obtained a market share of 6.0%, or \$527.0 million in a market of \$8.7 billion in its market, ranking it 6th among 18 deposit-taking institutions in Onondaga County.

The following is a summary of Solvay's loan portfolio based on Schedule RC-C of the bank's December 31, 2010 and December 31, 2009 call reports:

TOTAL GROSS LOANS OUTSTANDING				
LOAN TYPE	12/31/2009		12/31/2010	
	\$(000s)	%	\$(000s)	%
1-4 Residential Mortgage Loans	212,885	57.8	214,037	58.6
Commercial & Industrial Loans	69,446	18.9	65,759	18.0
Commercial Mortgage Loans	44,837	12.2	46,858	12.8
Consumer Loans	22,574	6.1	22,272	6.1
Construction Loans	13,120	3.6	11,053	3.0
Multifamily Mortgage Loans	4,899	1.3	5,111	1.4
Other Loans	242	0.1	358	0.1
Total Gross Loans	368,003	100.0	365,448	100.0

As illustrated in the above chart, Solvay is primarily a residential mortgage lender with 58.6% of its loan portfolio in 1 - 4 family residential mortgage loans and 18% in commercial and industrial loans. Solvay also participates in various SBA loan programs that include SBA 504, SBA Express, SBA LowDoc and SBA (7a) Guaranteed Loans

Solvay operates eight banking offices, all of which are located in Onondaga County and have automated teller machines ("ATM"). Solvay's main office has an additional ATM at its drive-thru. In addition, Solvay has one off-site non-deposit taking ATM at a remote location in Syracuse. Three of Solvay's eight offices are located in low- and moderate-income ("LMI") areas. The off-site ATM is located in a middle-income

geography.

There are no known financial or legal impediments that adversely impacted Solvay's ability to meet the credit needs of its community.

Assessment Area:

Solvay has delineated all of Onondaga County as its assessment area.

There are 144 census tracts in the area, of which 21 are low-income, 23 are moderate-income, 56 are middle-income, and 44 are upper-income.

Assessment Area Census Tracts by Income Level							
County	N/A	Low	Moderate	Middle	Upper	Total	LMI %
Onondaga	0	21	23	56	44	144	44
	0.0%	14.6%	16.0%	38.9%	30.6%	100.0%	30.6%

The assessment area appears reasonable based upon the location of the bank's offices and its lending patterns. There is no evidence that LMI areas have been arbitrarily excluded.

Demographic & Economic Data

The assessment area had a population of 458,000. About 13.8% of the population were over the age of 65 and 23% were under the age of 16.

Of the 116,136 families in the assessment area, 19.7% were low-income, 17.1% were moderate-income, 21.1% were middle-income, and 42.2% were upper-income families. There were 181,369 households in the assessment area, of which 12.3% had income below the poverty level and 3.4% were on public assistance.

The MSA median family income within the assessment area was \$50,000. The U.S. Department of Housing and Urban Development ("HUD") estimated median family income for the area was \$64,000 in 2010

There were 196,633 housing units within the assessment area, of which 79.8% were one-to four-family units, and 18.9% were multifamily units. A majority (59.4%) of the area's housing units were owner-occupied, while 32.7% were rental occupied units. Of the 116,815 owner-occupied housing units, 11.8% were in LMI census tracts while 88.3% were in middle- and upper-income census tracts. The median age of the housing stock was 52 years and the median home value in the assessment area was \$85,000.

There were 30,039 non-farm businesses in the assessment area. Of these, 74.7%

were businesses with reported revenues of less than or equal to \$1 million, 5.2% reported revenues of more than \$1 million and 20.2% did not report their revenues. Of all the businesses in the assessment area, 88.5% were businesses with less than fifty employees while 86.9% operated from a single location. The largest industries in the area were services (49.2%), followed by retail trade (15.5%) and construction (7.8%), while 4.0% of businesses in the assessment area were not classified.

According to the New York State Department of Labor the average unemployment rate for New York State increased to 8.6% in 2010 from 8.3% in 2009, while the average unemployment rate in Onondaga County increased to 8.1% in 2010 from 7.7% in 2009. The unemployment rate for Onondaga County remained below the state-wide rate in both years. The increase in unemployment rate was attributed to the economic downturn in the U.S.

Assessment Area Unemployment Rate		
Year	Statewide	Onondaga
2009	8.3%	7.7%
2010	8.6%	8.1%

Community Information

Representatives of two organizations located within Solvay's assessment area were contacted to share information on the credit needs of the area and the extent to which those needs are met by banks serving the area.

One representative was the Executive Director of a not-for-profit community housing development agency that provides homeownership opportunities for underserved LMI households on Syracuse's northeast side by providing pre and post purchase counseling programs. These programs include the basics of buying a home, determining eligibility, managing finances, foreclosure prevention, and planning for maintenance and repairs to a home.

The second representative was the Executive Director of a not-for-profit organization that works towards the revitalization of the Southwest side of the City of Syracuse by providing home ownership and/or rental opportunities for LMI people. The organization builds and rehabilitates permanently affordable owner-occupied homes and rental units in the neighborhood and supports small business and commercial development on the Southwest-side through economic development initiatives.

These community representatives noted that there is an increased demand for LMI housing due to relocations to the area as a result of increased job opportunities at two local companies, General Electric and Carrier Corporation. Neither individual had any concerns or adverse comments regarding Solvay or any other banks in the area.

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

Solvay was evaluated under the intermediate small banking institution's performance standards in accordance with Parts 76.7 and 76.12 of the General Regulations of the Banking Board. Solvay's performance was evaluated according to the intermediate small bank performance criteria, which consists of the lending test and the community development test. The lending test includes

- 1. Loan-to-deposit ratio and other lending-related activities;*
- 2. Assessment area concentration;*
- 3. Distribution by borrower characteristics;*
- 4. Geographic distribution of loans; and*
- 5. Action taken in response to written complaints regarding CRA*

The community development test includes:

- Community development lending;*
- Community development investments;*
- Community development services;*
- Innovative or complex practices; and*
- Responsiveness to community development needs*

The following factors were also considered in assessing the bank's record of performance:

- 1. Extent of participation by the board of directors or board of trustees in formulating CRA policies and reviewing CRA performance;*
- 2. Any practices intended to discourage credit applications,*
- 3. Evidence of prohibited discriminatory or other illegal credit practices;*
- 4. Record of opening and closing offices and providing services at offices; and*
- 5. Process factors, such as activities to ascertain credit needs and the extent of marketing and special credit related programs*

Finally, the evaluation considered other factors as delineated in Section 28-b of the Banking Law that reasonably bear upon the extent to which a banking institution is helping to meet the credit needs of its entire community.

Statistics employed in this evaluation were derived from various sources. Bank-specific information was submitted by the bank both as part of the examination process and on its Call Report submitted to FDIC. Aggregate lending data was obtained from the Federal Financial Institutions Examination Council ("FFIEC") and deposit data was obtained from the FDIC. Loan-to-deposit ratios were calculated from information shown in the bank's Uniform Bank Performance Report ("UBPR") as submitted to the FDIC.

The demographic data referred to in this report were derived from the 2000 U.S. Census and the U.S. Department of Housing and Urban Development ("HUD"). Business demographic data used in this report provides information on US businesses, enhanced

by Dun & Bradstreet reports and updated annually. Unemployment data was obtained from the New York State Department of Labor. Some non-specific bank data is only available on a county-wide basis, and was used even where the institution's assessment area includes partial counties.

The assessment period included calendar years 2009 and 2010.

Examiners considered Solvay's small business, and HMDA-reportable loans in evaluating factors (2), (3), and (4) of the lending test as noted previously.

Small business/small farm loan aggregate data are shown for comparative purposes. As an Intermediate Small Bank, Solvay is not required to report this data. As such Solvay is not included in the aggregate data. As Solvay did not make any small farm loans, all analyses was based on small business lending only.

Solvay received a rating of "1" reflecting an "Outstanding" record of helping to meet community credit needs at its **prior** Performance Evaluation conducted by the New York State Banking Department as of December 31, 2008.

Current CRA Rating: "Satisfactory"

Lending Test: "Satisfactory"

Solvay's small business and HMDA-reportable lending activities were reasonable in light of aggregate and peer group activity and demographics.

Loan-to-Deposit Ratio and other Lending-Related Activities: "Satisfactory"

Solvay's average LTD ratio was reasonable considering its size, business strategy, financial condition, aggregate and peer group activity.

During the evaluation period Solvay's average LTD ratio of 70.9% trailed the peer group average LTD of 82.5%. Both Solvay and its peer group's ratios have been trending downward during this evaluation period. The gap between Solvay's average LTD ratio and that of its peer has narrowed slightly since the prior evaluation period.

The chart below shows Solvay's LTD ratios in comparison with the peer group's ratios for the eight quarters since the prior evaluation.

Loan-to-Deposit Ratios									
	2009	2009	2009	2009	2010	2010	2010	2010	Average LTD
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Bank	75.7	74.5	71.8	72.5	68.9	68.7	67.9	67.5	70.9
Peer	86.8	86.0	84.8	82.6	80.9	80.4	79.7	78.9	82.5

Assessment Area Concentration: “Outstanding”

During the evaluation period, Solvay originated 93.8% by number, and 92.5% by dollar value of its loans of all HMDA-reportable and small business loans within the assessment area. This percentage represented a substantial majority of lending inside of its assessment area and was an outstanding record of lending.

HMDA-Reportable Loans:

During the evaluation period, for HMDA-reportable lending, Solvay originated 94.5% by number and 92.1% by dollar value of its loans within the assessment area. This percentage represented a substantial majority of lending inside of its assessment area and was an outstanding record of lending.

Small Business Loans:

During the evaluation period, for small business lending, Solvay originated 93.6% by number and 92.7% by dollar value of its loans within the assessment area. This percentage represented a substantial majority of lending inside of its assessment area and was an outstanding record of lending.

The following table shows the percentages of Solvay’s s small business and HMDA-reportable loans originated inside and outside of the assessment area:

Distribution of Loans Inside and Outside of the Assessment Area										
Loan Type	Number of Loans					Loans in Dollars (in thousands)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
HMDA-Reportable										
2009	284	95.0%	15	5.0%	299	25,534	91.8%	2,290	8.2%	27,824
2010	218	94.0%	14	6.0%	232	21,125	92.5%	1,713	7.5%	22,838
Subtotal	502	94.5%	29	5.5%	531	46,659	92.1%	4,003	7.9%	50,662
Small Business										
2009	656	93.4%	46	6.6%	702	61,322	93.1%	4,575	6.9%	65,897
2010	626	93.7%	42	6.3%	668	59,277	92.3%	4,925	7.7%	64,202
Subtotal	1,282	93.6%	88	6.4%	1,370	120,599	92.7%	9,500	7.3%	130,099
Grand Total	1,784	93.8%	117	6.2%	1,901	167,258	92.5%	13,503	7.5%	180,761

Distribution by Borrower Characteristics: “Satisfactory”

The distribution of loans based on borrower characteristics demonstrated a reasonable penetration rate of lending among individuals of different income levels and businesses of different revenue sizes operating within the assessment area.

HMDA-Reportable Loans:

Solvay's HMDA-reportable loans demonstrated a reasonable penetration rate of lending among borrowers of different income levels.

During the evaluation period, Solvay's penetration rate to LMI Borrowers of 25.9% by number of loans and 13.0% by dollar value trailed the aggregate penetration rates of 28.4% and 18.4%, respectively.

In 2009, Solvay's penetration ratio of 23.6% by number of HMDA-reportable loans to LMI borrowers trailed the aggregate penetration rate of 28.8%. However, in 2010, Solvay's penetration rate improved to 28.9%, and exceeded the aggregate ratio of 27.9%.

The following chart provides a summary of the HMDA-reportable lending distribution based on borrower income.

Distribution of HMDA-Reportable Lending by Borrower Income									
2009									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	18	6.3%	746	2.9%	786	7.3%	49,247	3.8%	19.7%
Moderate	49	17.3%	2,277	8.9%	2,314	21.5%	193,574	15.1%	17.1%
LMI	67	23.6%	3,023	11.8%	3,100	28.8%	242,821	18.9%	36.8%
Middle	67	23.6%	5,422	21.2%	2,915	27.1%	302,205	23.5%	21.1%
Upper	131	46.1%	15,426	60.4%	4,416	41.0%	697,431	54.3%	42.2%
Unknown	19	6.7%	1,663	6.5%	339	3.1%	41,519	3.2%	0.0%
Total	284	100.0%	25,534	100.0%	10,770	100.0%	1,283,976	100.0%	100%
2010									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	15	6.9%	708	3.4%	754	7.9%	47,881	4.2%	19.7%
Moderate	48	22.0%	2,349	11.1%	1,921	20.0%	153,976	13.5%	17.1%
LMI	63	28.9%	3,057	14.5%	2,675	27.9%	201,857	17.7%	36.8%
Middle	44	20.2%	2,979	14.1%	2,500	26.1%	258,232	22.7%	21.1%
Upper	97	44.5%	13,522	64.0%	4,212	43.9%	651,512	57.3%	42.2%
Unknown	14	6.4%	1,567	7.4%	198	2.1%	26,068	2.3%	0.0%
Total	218	100.0%	21,125	100.0%	9,585	100.0%	1,137,669	100.0%	100%
GRAND TOTAL									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	33	6.6%	1,454	3.1%		7.6%		4.0%	
Moderate	97	19.3%	4,626	9.9%		20.8%		14.4%	
LMI	130	25.9%	6,080	13.0%	5,777	28.4%	444,677	18.4%	
Middle	111	22.1%	8,401	18.0%		26.6%		23.1%	
Upper	228	45.4%	28,948	62.0%		42.4%		55.7%	
Unknown	33	6.6%	3,230	6.9%		2.6%		2.8%	
Total	502		46,659	100.0%		100.0%		100.0%	

Small Business Loans:

The distribution of small business loans based on the revenue size of the business demonstrated an excellent penetration rate of lending among businesses of different revenue sizes.

During the evaluation period, in the assessment area, Solvay's lending to small businesses with revenue sizes less than or equal to \$1 million was 58.6% by number of loans and 35.6% by dollar value, significantly outperformed the corresponding aggregate ratios of 25.8% and 25.0%, respectively.

In 2009, Solvay's lending to small businesses with revenue sizes less than or equal to \$1 million was 57.0% by number of loans, exceeding the aggregate ratio of 26.1%. In 2010, Solvay's lending to these small businesses increased slightly to 60.2%, again exceeding the aggregate rate of 25.4%.

The following chart provides a summary of Solvay's small business lending distribution based on revenue size during the evaluation period:

Distribution of Small Business Lending by Revenue Size of Business									
2009									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	374	57.0%	22,611	36.9%	1,635	26.1%	76,991	25.9%	74.6%
Rev. > \$1MM	282	43.0%	38,711	63.1%	4,623	73.9%	220,104	74.1%	5.8%
Rev. Unknown		0.0%		0.0%					19.6%
Total	656	100.0%	61,322	100.0%	6,258	100.0%	297,095	100.0%	100.0%
2010									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	377	60.2%	20,288	34.2%	1,469	25.4%	68,025	24.0%	74.6%
Rev. > \$1MM	249	39.8%	38,989	65.8%	4,309	74.6%	214,925	76.0%	5.8%
Rev. Unknown		0.0%		0.0%					19.6%
Total	626	100.0%	59,277	100.0%	5,778	100.0%	282,950	100.0%	100.0%
GRAND TOTAL									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	751	58.6%	42,899	35.6%	3,104	25.8%	145,016	25.0%	
Rev. > \$1MM	531	41.4%	77,700	64.4%	8,932	74.2%	435,029	75.0%	
Rev. Unknown	-	0.0%	-	0.0%					
Total	1,282	100.0%	120,599	100.0%	12,036	100.0%	580,045	100.0%	

Geographic Distribution of Loans: "Satisfactory"

The distribution of loans based on lending in census tracts of varying income levels

demonstrated a reasonable penetration rate of lending.

HMDA-Reportable Loans:

The distribution of HMDA-reportable loans based on the income level of the geography demonstrated a reasonable penetration rate of lending.

During the evaluation period, Solvay originated 6.8% by number of its HMDA-reportable loans within LMI geographies, which slightly trailed the aggregate penetration ratio of 7.1%. Solvay also trailed the demographics for owner occupied homes in LMI census tracts.

In 2009, Solvay originated 6.3% by number of its HMDA-reportable loans within LMI geographies, which was lower than the aggregate rate of 7.4%. However, in 2010, Solvay's LMI-geography lending increased to 7.3% and exceeded the aggregate LMI rate of 6.7%.

The following chart provides a summary of Solvay's HMDA-reportable lending distribution based on the income level of the geography.

Distribution of HMDA-Reportable Lending by Geographic Income of the Census Tract									
2009									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	4	1.4%	196	0.8%	187	1.7%	14,134	1.1%	3.4%
Moderate	14	4.9%	650	2.5%	615	5.7%	39,443	3.1%	8.4%
LMI	18	6.3%	846	3.3%	802	7.4%	53,577	4.2%	11.8%
Middle	144	50.7%	11,571	45.3%	4,997	46.4%	509,733	39.7%	47.3%
Upper	122	43.0%	13,117	51.4%	4,971	46.2%	720,666	56.1%	41.0%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0%	0.0%
Total	284	100%	25,534	100%	10,770	100%	1,283,976	100%	100%
2010									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	4	1.8%	389	1.8%	166	1.7%	12,315	1.1%	3.4%
Moderate	12	5.5%	408	1.9%	478	5.0%	28,509	2.5%	8.4%
LMI	16	7.3%	797	3.8%	644	6.7%	40,824	3.6%	11.8%
Middle	119	54.6%	9,539	45.2%	4,338	45.3%	435,775	38.3%	47.3%
Upper	83	38.1%	10,789	51.1%	4,603	48.0%	661,070	58.1%	41.0%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Total	218	100%	21,125	100%	9,585	100%	1,137,669	100%	100%
GRAND TOTAL									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	8	1.6%	585	1.3%	353	1.7%	14,134	1.1%	3.4%
Moderate	26	5.2%	1,058	2.3%	515	5.4%	39,443	2.8%	8.4%
LMI	34	6.8%	1,643	3.5%	1,446	7.1%	94,401	3.9%	11.8%
Middle	263	52.4%	21,110	45.2%	1,171	45.9%	435,775	39.0%	47.3%
Upper	205	40.8%	23,906	51.2%	938	47.0%	661,070	57.1%	41.0%
Unknown	-	0.0%	-	0.0%	0	0.0%	0	0.0%	0.0%
Total	502		46,659		2,067		1,283,976		

Small Business Loans:

The distribution of small business loans based on the income level of the geography of the business demonstrated a reasonable penetration rate of lending.

During the evaluation period, Solvay's penetration rate of lending to LMI census tracts of 27.2% by number of loans and 26.1% by dollar value exceeded the aggregate rates of 21.3% and 25.6%, respectively. Solvay also exceeded the LMI business demographic by number of loans in both 2009 and 2010.

The following chart provides a summary of Solvay's small business lending distribution based on the income level of the geography.

Distribution of Small Business Lending by Geographic Income of the Census Tract									
2009									
Geographic Income	Bank				Aggregate				Bus. Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	112	17.1	9,618	15.7	846	13.5	55,243	18.6	17.2
Moderate	68	10.4	7,006	11.4	472	7.5	25,476	8.6	9.6
LMI	180	27.4	16,624	27.1	1,318	21.1	80,719	27.2	26.8
Middle	334	50.9	31,331	51.1	2,747	43.9	129,943	43.7	42.5
Upper	142	21.6	13,367	21.8	2,193	35.0	86,433	29.1	30.7
Unknown	0	0.0	0	0.0	0	0.0	0	0.0	0.0
Total	656	100.0	61,322	100.0	6,258	100.0	297,095	100.0	100.0
2010									
Geographic Income	Bank				Aggregate				Bus. Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	114	18.2	10,193	17.2	796	13.8	49,557	17.5	16.1
Moderate	55	8.8	4,637	7.8	452	7.8	17,996	6.4	9.1
LMI	169	27.0	14,830	25.0	1,248	21.6	67,553	23.9	25.2
Middle	305	48.7	31,706	53.5	2,540	44.0	138,776	49.0	43.1
Upper	152	24.3	12,741	21.5	1,990	34.4	76,621	27.1	31.7
Unknown	0	0.0	0	0.0	0	0.0	0	0.0	0.0
Total	626	100.0	59,277	100.0	5,778	100.0	282,950	100.0	100.0
GRAND TOTAL									
Geographic Income	Bank				Aggregate				Bus. Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	226	17.6%	19,811	16.4	1,642	13.6%	104,800	18.1	
Moderate	123	9.6%	11,643	9.7	924	7.7%	43,472	7.5	
LMI	349	27.2%	31,454	26.1	2,566	21.3%	148,272	25.6	
Middle	639	49.8%	63,037	52.3	5,287	43.9%	268,719	46.3	
Upper	294	22.9%	26,108	21.6	4,183	34.8%	163,054	28.1	
Unknown	0	0.0%	0	0.0	0	0.0%	0	0.0	
Total	1,282	100.0%	120,599	100.0	12,036	100.00%	580,045	100.00	

Action Taken In Response to Written Complaints With Respect to CRA: "Satisfactory"

Neither Solvay nor the New York State Department of Financial Services has received any written complaints regarding Solvay's CRA performance since the latest CRA evaluation conducted as of December 31, 2008.

Community Development Test: "Satisfactory"

Solvay's community development performance demonstrated adequate responsiveness to the community development needs of its assessment area through community development loans, investments, and services. Solvay's capacity and the need and availability of such opportunities for community development in its assessment area were taken into consideration.

During the evaluation period, Solvay originated \$3.4 million in new community

development loans, and had \$1.4 million outstanding from prior evaluation periods. Solvay also made \$5.2 million in new community development investments and grants during the evaluation period.

Community Development Loans: “Satisfactory”

During the evaluation period, Solvay originated \$3.4 million in new community development loans, and had \$1.4 million outstanding from prior evaluation periods. This level of lending demonstrated a satisfactory level of community development lending.

Solvay’s total assets increased by 14.8% from December 31, 2008 to December 31, 2010; however, community development lending declined by approximately 22.5%, to \$4.8 million during this evaluation period from \$6.2 million during the prior evaluation period.

Community Development Loans				
Purpose	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Loans	\$000		\$000
Affordable Housing	11	2,200	12	176
Economic Development	10	1,249	6	1,196
Community Services				
Other (Please Specify)				
Total	21	3,449	18	1,372

Below are highlights of Solvay’s community development lending:

- In 2009, Solvay extended \$130,000 to a not-for-profit organization for the construction of 1 - 4 family LMI housing. This corporation was formed for the purpose of developing affordable housing for LMI households in the City of Syracuse and New York State.
- In 2009, Solvay extended a \$1 million line of credit to a construction management company that lends money to investors to rehab homes, after which the homes are sold to people in LMI areas, mainly in the City of Syracuse.
- In 2010 Solvay extended a \$122,000 SBA loan to a real estate company to promote economic development and revitalization to a low-income area within the City of Syracuse.

Community Development Investments: “Outstanding”

Solvay’s level of qualified community development investments reflected an excellent

responsiveness to the credit needs of the assessment area.

During the evaluation period Solvay made \$5.1 million in new community development investments. There were no community development investments outstanding from prior evaluation periods.

Solvay’s community development investments increased by approximately 50% from the \$3.4 million recorded during the prior evaluation period.

The investments consisted of eleven bond anticipation notes (“BANs”), totaling \$5.1million issued by the Village of Solvay. The village raises funds through BANs, to undertake various improvement projects, primarily on Milton Avenue, which is located in an LMI area.

In addition, Solvay made \$84,000 in donations and grants to various organizations providing community services, most notably food pantries serving the neediest segments of the population.

Community Development Investments and Grants				
	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Inv.	\$000	# of Inv.	\$000
CD Investments				
Affordable Housing				
Economic Development				
Community Services				
Revitalization & Stabilization	11	\$ 5,073		
Total	11	\$ 5,073	0	0
CD Grants	# of Grants	\$000	<i>Not Applicable</i>	
Affordable Housing				
Economic Development				
Community Services	54	\$ 84		
Other (Please Specify)				
Total	54	\$ 84		

Community Development Services: “Satisfactory”

Solvay demonstrated an adequate level of community development services over the course of the evaluation period.

Solvay's management and staff volunteer with a variety of community development organizations within its community, and provide technical assistance to organizations and programs that promote affordable housing, economic development and community services in the assessment area. This activity includes membership on Boards, Committees or attendance at meetings that are intended to benefit the community. Among the organizations that Solvay's management and staff have been involved with in providing community development services are:

- Jubilee Homes – A not for profit organization which provides home ownership and/or rental opportunities for LMI individuals.
- Home Headquarters – A not for profit organization that works with LMI individuals and affordable housing.
- Syracuse Liberty Partner Dollars for Scholars – An organization that raises money to provide scholarship dollars to LMI high school students for college.

Innovative or Complex Practices:

Solvay made limited use of innovative or flexible community development practices.

Responsiveness to Community Development Needs:

Solvay demonstrated an adequate level of responsiveness to credit and community development needs.

Additional Factors

The extent of participation by the banking institution's board of directors or board of trustees in formulating the banking institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act

Solvay's Board of Directors reviews and approves the bank's CRA Policy on an annual basis. The Board last reviewed and approved the bank's CRA statement on February 16, 2010. The CRA officer reports to the Board quarterly, providing and presenting CRA-relevant information such as updates on CRA performance.

Discrimination and other illegal practices

- *Any practices intended to discourage applications for types of credit set forth in the banking institution's CRA Public File.*

New York State Department of Financial Services noted no practices that were intended to discourage applications for the types of credit offered by the institution.

- *Evidence of prohibited discriminatory or other illegal credit practices.*

New York State Department of Financial Services noted no evidence of prohibited discriminatory or other illegal practices.

Record of opening and closing offices and providing services at offices

Solvay operates eight full-service offices, including the main office, and one 24 hour stand-alone ATM. All branches are located in the Syracuse area in Onondaga County. Each branch has an ATM while the main office has an additional ATM at its drive-thru. Solvay has one branch in a low-income geography; two in moderate-income geographies; four in middle-income geographies; and, one branch in an upper income geography. The stand-alone ATM, located in a middle income tract in Syracuse, does not take deposits. All eight offices open weekdays by 8:45 AM, and normally close at 4:00 PM. In addition, all offices have extended hours at least one day per week, where they close at 5:00 PM or 6:00 PM. Six of the branches also open on Saturday mornings at 9:00 AM and close at noon or 1:00 PM.

Solvay opened its Cicero office in April, 2010, and did not close any branches during the evaluation period.

Distribution of Branches within the Assessment Area							
County	Low #	Moderate #	LMI #	Middle #	Upper #	Total #	LMI %
Onondaga	1	2	3	4	1	8	38%
Total	1	2	3	4	1	8	38%

Process Factors

- Activities conducted by the banking institution to ascertain the credit needs of its community, including the extent of the banking institution's efforts to communicate with members of its community regarding the credit services being provided by the banking institution.

Solvay ascertains the credit needs of its community mainly through active involvement by its directors, officers and employees with local businesses and for-profit and not-for-profit organizations. Loan officers work with businesses in development of business plans and work one-on-one with the applicant to develop a loan or program that would be in the best interest of the applicant. The loan officers also maintain a calling program and visit new businesses and current customers to ascertain how the Bank may best serve them.

- The extent of the banking institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the banking institution

Solvay's marketing and advertising programs are approved, reviewed and monitored by the Board, senior management and the Marketing Committee. The programs are intended to inform all parts of the community of the financial products and services offered by Solvay.

Among the methods used by Solvay to inform the community about credit products, services and rate information are the following:

- Internet Website – It provides information on all products and services available at Solvay;
- Newspaper ads – Solvay maintains a consistent advertising program in local newspapers;
- Publications – Loan and deposit rates are regularly published in the "Post Standard" newspaper. Solvay also regularly advertises in program books by local organizations;
- Branch Signage – Inside branch signage is used to promote credit specials.

Solvay personnel also participated in various community programs such as the Home Show where they handed out information on Solvay's products and services, and answered questions on purchasing and refinancing homes, including home improvement loans.

Other factors that in the judgment of the Superintendent and Banking Board bear upon the extent to which a banking institution is helping to meet the credit needs of its entire community

No additional factors were considered.

GLOSSARY

Aggregate Penetration Rate

The number of loans originated and purchased by all reporting lenders in specified categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the assessment area.

Community Development

The term “community development” is defined to mean:

1. Affordable housing (including multifamily housing) for low- or moderate-income (“LMI”) individuals;
2. Community services targeted to LMI individuals;
3. Activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the United States Small Business Administration (“SBA”) Development Company or Small Business Investment Company programs, or have gross annual incomes of \$1 million or less;
4. Activities that revitalize or stabilize LMI geographies; and
5. Activities that seek to prevent defaults and/or foreclosures in loans included in (1) and (4) above.

A “community development loan” is defined as a loan that has as its *primary purpose* community development. This includes but is not limited to loans to:

- Borrowers for affordable housing rehabilitation and construction, including construction and permanent financing for multifamily rental property serving low or moderate income (“LMI”) persons;
- Nonprofit organizations serving primarily LMI or other community development needs;
- Borrowers to construct or rehabilitate community facilities that are located in LMI areas or that primarily serve LMI individuals;
- Financial intermediaries including community development financial institutions, community development corporations, minority- and women-owned financial institutions, community loan funds or pools, micro-finance institutions, and low-income or community development credit unions that primarily lend or facilitate lending to promote community development;
- Local, state and tribal governments for community development activities; and
- Borrowers to finance environmental clean up or redevelopment of an industrial site as part of an effort to revitalize the LMI community in which the property is located.

A “qualified investment” is defined as a lawful investment, deposit, membership share or grant that has as its *primary purpose* community development. This includes but is not limited to investments, deposits, membership shares or grants in or to:

- Financial intermediaries (including community development financial institutions, community development corporations, minority- and women-owned financial institutions, community loan funds, micro-finance institutions and low-income or community development credit unions) that primarily lend or facilitate lending in LMI areas or to LMI individuals in order to promote community development;
- Organizations engaged in affordable housing rehabilitation and construction;
- Organizations, including, for example, small business investment corporations that promote economic development by financing small businesses;
- Facilities that promote community development in LMI areas or LMI individuals, such as youth programs, homeless centers, soup kitchens, health care facilities, battered women’s centers, and alcohol and drug recovery centers;
- Projects eligible for low-income housing tax credits;
- State and municipal obligations, such as revenue bonds that specifically support affordable housing or other community development needs;
- Organizations serving LMI housing or other community development needs, such as counseling for credit, home ownership, home maintenance, and other financial services education; and
- Organizations supporting activities essential to the capacity of LMI individuals or geographies to utilize credit to sustain economic development, such as day care operations and job training programs that facilitate access to permanent jobs.

A “community development service” is defined as a service that has as its *primary purpose* community development, is related to the provision of financial services, and has not been considered in the evaluation of the banking institution's retail banking services. This includes but is not limited to:

- Providing technical assistance on financial matters to nonprofit, tribal or government organizations serving LMI housing or economic revitalization and development needs;
- Providing technical assistance on financial matters to small businesses or community development organizations;
- Lending employees to provide financial services for organizations facilitating affordable housing construction and rehabilitation or development of affordable housing;
- Providing credit counseling, home buyers and home maintenance counseling, financial planning or other financial services education to promote community development and affordable housing;
- Establishing school savings programs for LMI individuals;
- Providing seminars for LMI persons on banking and bank account record-keeping;
- Making ATM “Training Machines” available for extended periods at LMI community sites or at community facilities that serve LMI individuals; and
- Technical assistance activities to community development organizations such as:
 - ❖ Serving on a loan review committee;
 - ❖ Developing loan application and underwriting standards;
 - ❖ Developing loan processing systems;

- ❖ Developing secondary market vehicles or programs;
- ❖ Assisting in marketing financial services, including the development of advertising and promotions, publications, workshops and conferences;
- ❖ Furnishing financial services training for staff and management;
- ❖ Contributing accounting/bookkeeping services; and
- ❖ Assisting in fund raising, including soliciting or arranging investments.

Home Mortgage Disclosure Act (“HMDA”)

The Home Mortgage Disclosure Act, enacted by Congress in 1975, and subsequently amended, requires institutions to annually report data about applications for residential (including multifamily) financing.

Income Level

The income level of the person, family or household is based on the income of person, family or household. A geography’s income is categorized by median family income for the geography. In both cases, the income is compared to the MSA or statewide nonmetropolitan median income.

Income level of individual or geography	% of the area median income
Low-income	Less than 50
Moderate-income	At least 50 and less than 80
Middle-income	At least 80 and less than 120
Upper-income	120 or more

Loans to Small Businesses

Small business loans to businesses with gross annual revenues (“GAR”) of \$1 million or less (“< = \$ 1MM”).

Low or Moderate Income (“LMI”) Geographies

Those census tracts or block numbering areas (“BNAs”), where according to the 2000 US Census, the median family income is less than 80% of the area median family income. In the case of tracted areas that are part of a Metropolitan Statistical Area (“MSA”) or Primary Metropolitan Statistical Area (“PMSA”), this would relate to the median family income for the MSA or PMSA in which the tracts are located. In the case of BNAs and tracted areas that are not part of a MSA or PMSA, the area median family income would be the statewide non-metropolitan median family income.

LMI Borrowers

Borrowers whose income, as reported on the loan application which the lender relied upon in making the credit decision, is less than 80% of the area median family income. In the case where the residential property is located in a MSA or PMSA, this would

relate to the median family income for that MSA or PMSA. Otherwise, the area median family income would be the statewide non-metropolitan median family income. In all instances, the area median family incomes used to measure borrower income levels are updated annually by the U.S. Department of Housing and Urban Development (“HUD”).

LMI Individuals/Persons

Individuals or persons whose income is less than 80% of the area median family income. In the case where the individual resides in a MSA or PMSA, this would relate to the median family income for that MSA or PMSA. Otherwise, the area median family income would be the statewide non-metropolitan median family income. In all instances, the area median family incomes used to measure individual income levels are updated annually by HUD.

LMI Penetration Rate

A number that depicts the percentage of a bank’s total loans (for a particular product) that was extended to LMI geographies or borrowers. For example, an LMI penetration rate of 20% would indicate that the bank made 20 out of a total of 100 loans in LMI geographies or to LMI borrowers.

Small Business Loans

Loans to businesses with original amounts of \leq \$1MM.