



**NEW YORK STATE BANKING DEPARTMENT
CONSUMER SERVICES DIVISION**

One State Street
New York, NY 10004

PUBLIC SUMMARY

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Date of Evaluation: December 31, 2001

Institution: Bank of Utica
220-222 Genesee Street
Utica, NY 13502

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 Banking Department 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 Bank of Utica (“BOU”) prepared by the New York State Banking Department. The evaluation represents the Banking Department’s current assessment and rating of the institution’s CRA performance based on an evaluation conducted as of December 31, 2001.

Section 28-b of the New York State 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 Banking 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 Banking 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 are primarily based on a review of performance tests and standards described in Section 76.7 and detailed in Sections 76.8 – 76.13. The tests and standards incorporate the 12 assessment factors contained in Section 28-b of the New York State Banking Law.

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

OVERVIEW OF INSTITUTION'S PERFORMANCE

Overall Rating

Bank of Utica is rated "2", indicating a satisfactory record of helping to meet community credit needs, notwithstanding weak or only marginally satisfactory performance in a number of ratable categories. The bank is advised to address these shortcomings in order to retain a satisfactory rating going forward.

Lending Test: "Low Satisfactory"

- BOU's lending volume is less than reasonable, as it continues to be very weak relative to the bank's asset size and deposit base. The bank's average LTD ratio for the five quarters ending December 31, 2001 was 12.7%, well below the peer group average of 82.4%. The bank grew by \$216 million (or 45%) to \$695 million since the prior assessment. Ninety-seven percent of this growth went to the securities portfolio, and not to loans. While the stagnant economy in the assessment area appears to have been a factor, the growth in the investment portfolio and low volume of lending is of significant concern, given the bank's large deposit presence in the community. BOU is advised to develop a strategy to identify and address additional credit needs in the community going forward.
- The low volume notwithstanding, BOU originated a relatively high percentage of its loans within the assessment area. The assessment area concentration averaged 75.9% by number, and 80.7% by dollar volume for Home Mortgage Disclosure Act ("HMDA")-reportable loans, and 83.1% by number, and 80.9% by dollar volume for small business loans.
- The geographic distribution of loans reflects good dispersion throughout the assessment area.
 - BOU's percentage of small business loans extended in LMI areas exceeded that of the aggregate in both 2000 and 2001.
 - While the number of loans is small, BOU's HMDA lending to LMI areas, given the Performance Context, is adequate. During the evaluation period, the bank made four loans in LMI areas within its assessment area.
- The distribution of loans based on borrower characteristics reflects good penetration among customers of different income levels and businesses of different sizes.
 - For 2000, the bank extended 20.8% of its number of HMDA-related loans to LMI borrowers, trailing the aggregate's 28.3% LMI penetration rate. The bank's performance improved relative to the aggregate in 2001, with BOU originating

35.0% of its loans to LMI borrowers, while the aggregate of all assessment area lenders achieved an LMI penetration rate of 27.0%.

- In 2000, 87.7% of the bank's small business assessment area loans were originated in amounts of \$100 thousand or less, below the 92.5% for the aggregate. In 2001, the bank's percentage of originations in the smallest loan size category improved to 92.2%, consistent with that of the aggregate.
- Additionally, in 2000 approximately 64.3% of small business loans within the assessment area were to businesses that had gross annual revenues of less than \$1 million, well above 45% for the aggregate. In 2001, the bank's percentage increased to 75.6%, while the aggregate's performance was relatively unchanged at 44.6%.
- The bank made a high level of community development loans. At this evaluation period, community development commitments increased to \$6.6 million, from \$1.7 million reported at prior evaluation.
- BOU makes little use of innovative and/or flexible lending practices in serving assessment area credit needs. Its limited range of special products may be one of several factors contributing to the bank's low volume of lending activity.

Investment Test: "High Satisfactory"

- The bank had a high level of qualified investments, improving significantly to \$4.4 million at this evaluation from the \$93.5 thousand recorded at the prior evaluation.
- The investments are neither innovative nor complex, but given limited opportunities, the bank meets performance standards. Approximately 95.4% of the total qualified investments are comprised of targeted mortgage-backed securities. Additionally, the level of grants is low, reflecting only adequate responsiveness to community needs.
- While the total dollar volume of activity reflects a meaningful commitment to invest in the community, the bank is encouraged to enhance its strategy for responsive investing and grant making, going forward.

Service Test : "High Satisfactory"

- BOU's delivery systems are accessible to essentially all portions of the bank's assessment area. The bank operates out of one main office, located in a low-income area, with a drive-thru and a walk-up facility. It also operates two non-deposits taking ATMs located in the lobbies of two local hotels within walking distance of the bank.
- Other services offered by the bank include: Free Personal Checking, Around the Clock Banking, Electronic Benefits Transfer Program, Internet Banking, and Bank by Mail.

- BOU provides a relatively high level of community development services by providing technical assistance regarding financial matters, through staff involvement on boards and committees of various housing and social service organizations in the community.

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's Profile:

Chartered in 1927, the Bank of Utica operates out of one main office in downtown Utica, in Oneida County, New York. The institution provides retail and commercial banking services to customers primarily in the City of Utica and surrounding suburbs. Ranked by deposits, Bank of Utica is the second largest bank in Oneida County, with \$556.7 million, or 18.9% of County deposits. Off-premises ATMs are located in the lobbies of two hotels, within walking distance of the bank.

The bank offers a variety of lending products including residential mortgage loans, home improvement loans, home equity lines of credit, commercial mortgages, commercial and industrial loans and consumer loans.

The bank participates in the New York State Excelsior Linked Deposit Program. The program provides small businesses with access to lower interest rate loans for "eligible" projects that create new jobs or stimulate the retention of jobs.

Since the prior evaluation on June 30, 1999, the bank has experienced considerable growth. For year ended December 31, 2001, the bank reported total assets of \$695.8 million, an increase of \$216 million or 45.0% during the course of the 30-month period. Net loans, however, increased by only \$588 thousand or 0.9%, to \$69.3 million, while investments, primarily U.S. Treasury and Agency Securities, grew by \$210 million or 52.6%. As of the assessment date, total investments of \$609.8 million comprised 86.1% of total average assets while net loans account for only 11.35%. This contrasts most unfavorably to the peer group, which averaged 66.22% in net loans and 23.05% in total investments, respectively.

The table below illustrates the bank's loan portfolio as of December 31, 2001 and December 31, 2000, based on *Call Report* submissions to bank regulators.

TOTAL GROSS LOANS OUTSTANDING				
<i>Loan Type</i>	12/31/2001		12/31/2000	
	\$000s	%	\$000s	%
Residential Mortgages	8,362	11.6	9,241	12.4
Commercial Mortgages	28,979	40.3	27,352	36.7
Commercial & Industrial (C & I)	29,318	40.8	33,799	45.4
Consumer	5,216	7.3	4,038	5.4
Other	58	0.1	53	0.1
Total Gross Loans	71,933	100.0	74,483	100.0

As shown above, the bank emphasizes commercial mortgages and C&I lending; these two categories represent a combined 81.1% of the gross loan portfolio. Only the commercial mortgage category has grown steadily. On a combined basis, residential mortgage and consumer lending comprised only 18.9% of the gross loan portfolio.

The bank received a rating of “2” at its last Performance Evaluation by the New York State Banking Department on June 30, 1999, reflecting “satisfactory” performance in helping to meet the credit needs of its assessment area.

This CRA evaluation did not reveal any legal or financial impediments that would prevent the bank from helping to meet the credit needs of the assessment area.

Assessment Area:

Bank of Utica’s assessment area comprises a portion of Oneida County, including the City of Utica and the surrounding towns of New Hartford, Clinton, Kirkland, Deerfield, Marcy, Whitestown, Whitesboro, New York Mills, Yorkville and Orinskany.

The assessment area consists of 48 census tracts, excluding two zero income census tracts, of which four tracts (8%) are low-income, 11 (22%) are moderate-income, 19 (38%) are middle-income and 14 (28%) are upper-income. According to the 1990 U.S Census, the total population of the assessment area is 132,042, including 50.5 thousand households, of which 20.8 thousand (41.1%) households are LMI and 12.2 thousand (24.2%) are located in LMI geographies. There are 7,257 (14.36%) assessment area households living below the poverty level.

There are 54.4 thousand housing units in the assessment area, of which 83.3% are 1-4 family units, 56.5% are owner-occupied, 36.7% are rental units, and 6.9% are vacant/boarded up. In LMI census tracts, the owner-occupancy and vacant rates are 36.9% and 24.7%, respectively. The median home value in the assessment area is \$67.3 thousand.

The U.S. Department of Commerce - Bureau of Economic Analysis revealed that in 2000, the largest industries in the Utica-Rome MSA 8680 were services, providing 29.0% of the MSA earnings. State and local government and manufacturing accounted for 20.4% and 12.3% of the earnings, respectively. In 1990, the largest industries were state and local government with 20% of earnings; services provided 19.6%, and manufacturing, generated 16.6%.

According to the New York Department of Labor, the average unemployment rate for the assessment area MSA 8680 increased to 4.6% in 2001 from 4.1 % in 2000, compared with 4.9% for New York State in 2001 and 4.6 % in 2000.

The assessment area appears reasonable based upon the location of the banking office and lending patterns. There is no evidence that the bank arbitrarily excluded LMI areas.

PERFORMANCE TESTS AND ASSESSMENT FACTORS

This performance evaluation incorporates a review of Bank of Utica's lending, investment, and service activities within its assessment area for calendar years 2000 and 2001.

Statistics utilized in this evaluation came from various sources. In addition to bank-specific loan information, which was submitted by the bank, aggregate data for HMDA-reportable and small business loans were obtained from the Federal Financial Institutions Examination Council ("FFIEC") and PCI Services, Inc. CRA Wiz©, an external vendor. Demographic data came from the 1990 U.S. Census, with 2001 estimated income figures provided by the United States Department of Housing and Urban Development ("HUD"). Peer comparisons for the bank's HMDA-reportable and small business loans were based upon the 2000 and 2001 aggregate data, respectively.

I. Lending Test: "Low Satisfactory"

The bank's lending performance was evaluated pursuant to the following criteria: (1) Lending Activity; (2) Assessment Area Lending; (3) Geographic Distribution; (4) Borrower Characteristics; (5) Community Development Lending; and (6) Flexible Lending Practices.

Examiners considered both HMDA-reportable and small business lending, with greater emphasis on the bank's small business lending activities.

Lending Activity: "Needs to Improve"

BOU's lending volume is less than reasonable and needs improvement, as it continues to be very weak relative to the bank's asset size and deposit base.

As revealed in the table below, the bank's average LTD ratio for the quarters ending December 31, 2001 and December 31, 2000, respectively was 12.83%, significantly below the peer group average of 82.17%. Additionally, BOU's average LTD ratio for the five quarters ending December 31, 2001 was 12.7%, well below the peer group average of 82.4%.

Lending Activity	Bank of Utica		
Net Loans and Leases to Deposits	12/31/2001	12/31/2000	Average
Bank of Utica	11.06%	14.60%	12.83%
Peer Group	82.61%	81.72%	82.17%

As noted in the *Institution's Profile* section of this assessment, the bank's assets have grown, by \$216 million (45.0%), to \$695 million during the 30-month period since the prior evaluation. Net loans however, increased by only \$588 thousand or 0.9%, to \$69 million. Growth was allocated to the investment portfolio, primarily in the form of U.S Treasury and Agency securities. Total investments grew by \$210 million or 52.6% over the same period, representing 97% of asset growth.

The bank ranked 9th, out of 48 lenders, with market shares of 5.35% by number and 6.95% by dollar volume for its small business lending, and 50th, out of 174 lenders, with market shares of 0.42% by number and 0.32% by dollar volume for its HMDA-reportable loans. As noted above, ranked by deposits the bank is the second largest bank in Oneida County, with a deposit market share of 18.9%.

Management notes that the stagnant economy significantly limited lending opportunities in the local area. Economic factors notwithstanding, the growth in the bank’s investment portfolio relative to its lending portfolio is of significant concern. BOU is advised to develop a strategy to better identify and respond to local credit needs going forward.

Assessment Area Lending: “High Satisfactory”

Although the volumes of HMDA-related and small business loans originated by the bank declined during this evaluation period and were quite low, the bank originated a relatively high percentage of its loans within the assessment area.

As the table below illustrates, the bank made a relatively high proportion of its HMDA loans, by number and dollar volume, within the delineated assessment area. In 2000, the bank originated 24 (72.7%) or \$1.4 million (73.7%) of its HMDA-reportable loans within the assessment area. The corresponding figures for 2001 were 20 (80%) or \$937 thousand (91.3%). In addition, the bank originated 154 (81.1%) small business loans approximating \$8.8 million (84.6%) in 2000 and 180 (84.5%) small business loans totaling \$7.4 million (76.9%), within the assessment area.

Bank of Utica				
Assessment Area Lending		Year	Year	Two-Year
HMDA Summary		2000	2001	Weighted Avg
		Number of Loans		
Total Originations		33	25	
Total AA Originations		24	20	
% In Assessment Area		72.7%	80.0%	75.9%
		By \$ Volume (000s)		
Total Originations		\$ 1,860	\$ 1,026	
Total AA Originations		\$ 1,393	\$ 937	
% In Assessment Area		74.9%	91.3%	80.7%
Small Business Loans				
		2000	2001	Two-Year
		Number of Loans		
		Weighted Avg		
Total Originations		189	213	
Total AA Originations		154	180	
% In Assessment Area		81.5%	84.5%	83.1%
		By \$ Volume (000s)		
Total Originations		\$ 10,381	\$ 9,586	
Total AA Originations		8,784	\$ 7,370	
% In Assessment Area		84.6%	76.9%	80.9%

Geographic Distribution of Loans: “High Satisfactory”

BOU’s geographic distribution of loans based on census tract income reflects good penetration throughout the assessment area.

Small Business Loans

The distribution of small business loans based on census tract income was good, with LMI penetration rates exceeding those of the aggregate for both number and dollar volume in 2000 and 2001.

The tables below illustrate the small business lending distribution by number and dollar volume for the bank and by all reporting lenders in the bank’s assessment area for 2000 and 2001.

In 2000, BOU originated 50 small business loans (32.5%) for \$3.0 million (34.2%) to LMI geographies, well above the 21.7% and 21.3% LMI penetration rates achieved by the aggregate for the number and dollar volume of loans, respectively. While the absolute number of loans in LMI areas increased slightly in 2001, the percentage of LMI loans dipped to 29.4%.

The dollar volume of loans declined by nearly 50%, to \$1.8 million, accompanied by a significant drop in the LMI penetration rate to 24.7%. The declines notwithstanding, the bank’s LMI penetration rates continued to surpass those of the aggregate in 2001.

Small Business Loans		Bank of Utica				Aggregate		AA-Only	
AA Originations		2000		2001		2000		2001	
Tract Income		Count	\$000's	Count	\$000's	Count	\$000's	Count	\$000's
Low Income		26	\$1,625	15	603	104	\$ 4,461	112	\$ 5,186
Moderate Income		24	\$1,375	38	1,213	373	\$ 12,762	424	\$ 13,667
Middle Income		61	\$2,682	62	3,293	893	\$ 31,646	858	\$ 39,200
Upper Income		42	\$2,748	63	1,886	790	\$ 27,391	819	\$ 26,698
N/A		1	\$ 354	2	375	39	\$ 4,521	43	\$ 4,020
Total		154	\$8,784	180	7,370	2,199	\$ 80,781	2,256	\$ 88,771
<i>LMI Totals</i>		<i>50</i>	<i>\$ 3,000</i>	<i>53</i>	<i>\$ 1,816</i>	<i>477</i>	<i>\$ 17,223</i>	<i>536</i>	<i>\$ 18,853</i>
Percentage		Count	\$000's	Count	\$000's	Count	\$000's	Count	\$000's
Tract Income		%	%	%	%	%	%	%	%
Low Income		16.9%	18.5%	8.3%	8.2%	4.7%	5.5%	5.0%	5.8%
Moderate Income		15.6%	15.7%	21.1%	16.5%	17.0%	15.8%	18.8%	15.4%
Middle Income		39.6%	30.5%	34.4%	44.7%	40.6%	39.2%	38.0%	44.2%
Upper Income		27.3%	31.3%	35.0%	25.6%	35.9%	33.9%	36.3%	30.1%
N/A		0.6%	4.0%	1.1%	5.1%	1.8%	5.6%	1.9%	4.5%
Total		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
<i>LMI Totals</i>		<i>32.5%</i>	<i>34.2%</i>	<i>29.4%</i>	<i>24.6%</i>	<i>21.7%</i>	<i>21.3%</i>	<i>23.8%</i>	<i>21.2%</i>

HMDA Loans

In 2000, the bank made three HMDA-reportable loans for \$67 thousand in LMI areas, representing 12.5% by number and 4.8% by dollar volume of its assessment area loans. For 2001, the bank originated only one HMDA-reportable loan for \$17 thousand in LMI geographies, representing a significant decline to 5.0% by number and 1.8% by dollar volume of its total. The corresponding aggregate ratios were 10.4% by number and 5.0% by dollar volume in 2000, and 7.4% by number and 3.1% by dollar volume in 2001.

In light of the small number of LMI loans, a percentage-based comparison with the aggregate may not be the most meaningful way to evaluate bank's performance. However, with over 150 lenders originating a total of only 209 LMI area loans for \$5.8 million in 2000 and 214 loans for \$6.3 million in 2001, it would appear that BOU's participation, given the Performance Context, is adequate.

Geographical Distribution of Assessment Area HMDA-Reportable Lending								
2000	Bank of Utica				Aggregate			
Assessment Area Originations								
Tract Income	Count	%	\$000's	%	Count	%	\$000's	%
Low Income	-	0.0%	-	0.0%	10	0.5%	\$ 289	0.2%
Moderate Income	3	12.5%	67	4.8%	199	9.6%	\$ 5,554	4.8%
Middle Income	5	20.8%	223	16.0%	849	40.9%	\$ 37,778	32.6%
Upper Income	16	66.7%	1,103	79.2%	1,015	48.9%	\$ 72,037	62.2%
N/A	-	0.0%	-	0.0%	3	0.1%	\$ 111	0.1%
Total	24	100.0%	1,393	100.0%	2,076	100.0%	\$ 115,769	100.0%
LMI Totals	3	12.5%	\$ 67	4.8%	209	10.1%	\$ 5,843	5.0%
2001	Bank of Utica				Aggregate			
Assessment Area Originations								
Tract Income	Count	%	\$000's	%	Count	%	\$000's	%
Low Income	-	0.0%	\$ -	0.0%	17	0.6%	\$ 665	0.3%
Moderate Income	1	5.0%	\$ 17	1.8%	197	6.8%	\$ 5,631	2.8%
Middle Income	11	55.0%	\$ 517	55.2%	1,142	39.2%	\$ 74,056	36.4%
Upper Income	8	40.0%	\$ 403	43.0%	1,553	53.3%	\$ 122,801	60.4%
N/A	-	0.0%	\$ -	0.0%	6	0.2%	\$ 219	0.1%
Total	20	100.0%	\$ 937	100.0%	2,915	100.0%	\$ 203,372	100.0%
LMI Totals	1	5.0%	\$ 17	1.8%	214	7.3%	\$ 6,296	3.1%

Borrower Characteristics: "High Satisfactory"

The distribution of borrowers reflects, given the product lines offered, good penetration among customers of different income levels and businesses of different sizes.

HMDA Loans

For 2000, the Bank of Utica originated five HMDA-related loans for \$164 thousand to LMI borrowers. Originations to LMI borrowers totaled 20.8% by number and 11.8% by volume, comparing unfavorably to the aggregate's LMI penetration rates of 28.3% by number and 17.8% by dollar volume.

The bank's performance improved relative to the aggregate in 2001. The bank originated seven loans totaling \$281 thousand to LMI borrowers, resulting in an LMI penetration rate of 35.0% by number and 30.0% by dollar volume. The aggregate of all assessment area lenders originated 27.0% by number and 11.4% by dollar volume of its loans to LMI borrowers.

Distribution by Borrower Characteristics								
2000								
Bank of Utica					Aggregate			
Assessment Area Originations								
Applicant Income	Count	%	\$000's	%	Count	%	\$000's	%
Low Income	-	0.0%	\$ -	0.0%	183	8.8%	\$ 5,272	4.6%
Moderate Income	5	20.8%	\$ 164	11.8%	405	19.5%	\$ 15,287	13.2%
Middle Income	7	29.2%	\$ 261	18.7%	545	26.3%	\$ 25,226	21.8%
Upper Income	12	50.0%	\$ 968	69.5%	886	42.7%	\$ 66,999	57.9%
N/A	-	0.0%	\$ -	0.0%	57	2.7%	\$ 2,985	2.6%
Total	24	100.0%	\$ 1,393	100.0%	2,076	100.0%	\$ 115,769	100.0%
LMI Totals	5	20.8%	\$ 164	11.8%	588	28.3%	\$ 20,559	17.8%
2001								
Bank of Utica					Aggregate			
Assessment Area Originations								
Applicant Income	Count	%	\$000's	%	Count	%	\$000's	%
Low Income	2	10.0%	\$ 21	2.2%	161	5.5%	\$ 4,754	2.3%
Moderate Income	5	25.0%	\$ 260	27.7%	482	16.5%	\$ 18,520	9.1%
Middle Income	6	30.0%	\$ 290	30.9%	704	24.2%	\$ 33,513	16.5%
Upper Income	7	35.0%	\$ 366	39.1%	1,450	49.7%	\$ 117,494	57.8%
N/A	-	0.0%	\$ -	0.0%	118	4.0%	\$ 29,091	14.3%
Total	20	100.0%	\$ 937	100.0%	2,915	100.0%	\$ 203,372	100.0%
LMI Totals	7	35.0%	\$ 281	30.0%	643	22.1%	\$ 23,274	11.4%

Small Business Loans

The distribution of small business loans according to loan size (using loans of less than \$100 thousand as a proxy for loans to small businesses) and borrower revenues indicates a good record of serving small- and medium- sized businesses.

As illustrated in the table below, in 2000, 87.7% of the bank's small business assessment area loans were originated in amounts of \$100 thousand or less, below 92.5% for the

aggregate. The bank's assessment area market shares of loans in this category were 6.6% by number and 12.4% by dollar volume.

Small Business Lending			Distribution by Loan Size	
2000	Bank of Utica		Aggregate	
Loan Size	Count	Amount	Count	Amount
<\$100K	135	\$ 3,806	2,034	\$ 30,639
\$100-\$250K	11	\$ 1,987	94	\$ 16,705
>\$250K	8	\$ 2,991	71	\$ 33,437
Total	154	\$ 8,784	2,199	\$ 80,781

Percentages				
2000	Bank of Utica		Aggregate	
Loan Size	Count	Amount	Count	Amount
<\$100K	87.7%	43.3%	92.5%	37.9%
\$100-\$250K	7.1%	22.6%	4.3%	20.7%
>\$250K	5.2%	34.1%	3.2%	41.4%
Total	100.0%	100.0%	100.0%	100.0%

As shown in the tables below, in 2001 BOU originated 92.2% by number and 50.2% by dollar volume of its small business loans in amounts of \$100 thousand or less. This is on par with the aggregate, which originated 92.2% by number and 32.3% by dollar volume. In terms of market penetration, the Bank of Utica number share in this loan size category increased to 7.9% while its dollar volume share declined to 8.3%.

2001	Bank of Utica		Aggregate	
Loan Size	Count	Amount	Count	Amount
<\$100K	166	\$ 3,703	2,080	\$ 28,640
\$100-\$250K	9	\$ 1,362	91	\$ 15,583
>\$250K	5	\$ 2,305	85	\$ 44,548
Total	180	\$ 7,370	2,256	\$ 88,771

Percentages				
2001	Bank of Utica		Aggregate	
Loan Size	Count	Amount	Count	Amount
<\$100K	92.2%	50.2%	92.2%	32.3%
\$100-\$250K	5.0%	18.5%	4.0%	17.6%
>\$250K	2.8%	31.3%	3.8%	50.2%
Total	100.0%	100.0%	100.0%	100.0%

Additionally, in 2000 approximately 64.3% of small business loans within the assessment area were to businesses that had gross annual revenues of less than \$1 million, well above 45% for the aggregate. In 2001, the bank's percentage increased to 75.6%, while the aggregate's performance was relatively unchanged at 44.6%.

Community Development Lending: “Outstanding”

The bank has a high level of community development loans. At this evaluation, community development commitments totaled \$6.6 million, a sizable increase from \$1.7 million reported at the prior evaluation. Of the total, 96.7% support stabilization and revitalization activities and the balance support economic development programs.

The following is a brief description of the bank’s notable community development lending:

Hotel Utica – In November 2001, the bank extended a \$4 million mortgage loan to Hotel Utica for the renovation of an abandoned hotel located in a New York State Empire Zone.

Matt Brewing – In December 2000, the bank provided \$1 million line of credit to this brewery located in a New York State Empire Zone, for working capital.

St. Elizabeth Medical Center – In March 2001, the bank extended a \$1 million line of credit to this hospital also located in New York State Empire Zone, for working capital.

Smith Packing – In November 1999, the bank provided a \$400 thousand line of credit to this meat packing plant located in a New York State Empire Zone, for operating capital.

Innovative/Flexible Lending: “Needs to Improve”

The bank makes little use of innovative and/or flexible lending practices in serving assessment area credit needs.

As noted above, the bank participates in the New York State Excelsior Linked Deposit Program. The program provides small businesses with access to lower interest rate loans for “eligible” projects that create new jobs or stimulate the retention of jobs. There were no new loans under this program during the evaluation period. BOU’s last origination under the program was a \$500 thousand loan in July 1998, which matured in July 2000.

The limited range of innovative/flexible products may be one of several factors contributing to the bank’s low volume of lending activity.

II. Investment Test: “High Satisfactory”

The Investment Test evaluates the bank's record of helping to meet the needs of its assessment area through qualified investments. Qualified investments are evaluated based on their dollar volume, their innovation or complexity, their responsiveness to community development needs, and the degree to which the investments are not routinely provided by private investors.

Volume: The bank's total qualified investments and grants improved significantly to \$4.4 million at this evaluation, from the \$93.5 thousand recorded at the prior evaluation. The current level of activity reflects a meaningful commitment to invest in the community.

Innovativeness/Responsiveness: The investments are neither innovative nor complex, but given limited opportunities, the bank meets performance standards. Almost \$4.2 million (95.4%) of total qualified investments are comprised of targeted mortgage-backed securities. Additionally, the level of grants is low, reflecting only adequate responsiveness to community needs. While the stagnant economy may limit somewhat the availability of locally based investment opportunities, BOU is encouraged to enhance its strategy for responsive investing and grant making, going forward.

The bank's qualified investments and grants include the following:

FHLMC-Pool – In March 2000, the bank invested approximately \$4.2 million in this mortgage pool backed by loans targeting LMI borrowers in New York State.

Statewide Zone Capital Corporation ("SWZCC") - In November 1999, the bank invested \$200 thousand in SWZCC of New York, an economic development zone corporation.

Community Lending Corporation ("CLC") – In 1996 the bank invested nearly \$52.5 thousand in CLC collateral trust notes backed by Community Preservation Corporation mortgages. As of the evaluation date, the bank had \$39 thousand outstanding in these notes. CLC is a consortium of Upstate New York savings banks, commercial banks, and savings and loan institutions, providing construction and permanent loans for the creation, rehabilitation and preservation of affordable housing throughout Upstate New York.

Grants - Qualified grants totaled \$15 thousand, including a \$10 thousand contribution to a nonprofit organization that provides loans and grants to people interested in refurbishing LMI areas of West Utica.

III. Service Test: "High Satisfactory"

The service test evaluates a banking institution's record of helping to meet the credit needs of its assessment area(s) by analyzing both the availability and effectiveness of a banking institution's systems for delivering both retail banking and community development services.

Retail Banking Services:

Delivery systems are accessible to essentially all portions of the bank's assessment area. The bank operates out of one main office, located in a low-income area. The office building has a drive-thru and a walk-up facility. The bank also operates two non-deposit taking ATMs located in the lobbies of two hotels, both within walking distance of the bank. The bank links its

ATMs with VISA, CIRRUS, and MAC networks, and provides recipients of New York State Public Assistance Quest Program with free access for cash withdrawals.

Other services offered by the bank, include:

- Free Personal Checking: This service has terms more favorable than those required by the General Regulations of the Banking Board – Part 9, *Basic Banking Accounts*. The account features no monthly service charge, no minimum balance, no limits on the number of checks customers may write, numbers of deposits and no per-check charge. The first 50 checks are imprinted free with customer's name, and customers have free use of the bank's Quickdraw VISA/ATM card. The bank requires a minimum opening balance of \$25.
- Around the Clock Banking – This is a 24-hour automated telephone service that allows customers to conduct banking business at any time. Customers can access accounts, get balances, transfer funds between accounts, and get information on recent deposits.
- Internet Banking—This service allows customers to access their accounts, check balances, transfer funds, make loan payments, retrieve account statements and see images of their checks and deposits twenty four hours a day, seven days a week.
- Electronic Benefits Transfer Program – This New York State program enables low-income families with dependent children to electronically access food stamps and cash benefits via a state-issued debit card.
- Bank by mail - the bank pays postage both ways.

The business hours of the bank are 9:00 a.m. to 5:00 p.m., Monday through Friday. The drive-up facility is open until 5:30 p.m. on Friday. The bank does not offer Saturday or Sunday hours.

Community Development Services:

BOU provides a relatively high level of community development services by providing technical assistance to community development organizations regarding financial matters. Bank personnel participate with the following organizations in the various capacities indicated below:

Central Association for the Blind & Visually Impaired – Board Member
United Cerebral Palsy – Member
United Rescue Mission – Board President
Utica Industrial Development Corp. – Board Member
Community Foundation of Herkimer & Oneida Counties, Inc. – Member
Mohawk Valley Resource Center for Refugees – Board Member
United Cerebral Palsy Association of the Mohawk Valley – Board Member

Emmaus House – Advisory Board Member
Cosmopolitan Community Center Inc. – Board Member & Treasurer
Carton Foundation, Christian Youth Mission – Board Member
Mohawk Valley Chamber of Commerce – Board Member
GroWest – Member
Foster and Adoptive Support Services - Member

IV. Discrimination or Other Illegal Practices

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

The bank does not engage in any practices intended to discourage applications for the types of credit it offers.

Evidence of prohibited discriminatory or other illegal credit practices.

Examiners noted no evidence of prohibited discriminatory or other illegal credit practices during the review period. The most recent regulatory compliance report prepared concurrently with this assessment indicates satisfactory adherence to anti-discrimination or other applicable laws and regulations

V. 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.

The bank ascertains the credit needs of its community in a variety of ways, including the involvement of its directors, officers and employees in community organizations such as Mohawk Valley Chamber of Commerce, Utica Neighborhood Housing Partnership, Community Lending Corporation, New York Business Development Corporation and GroWest, Inc.

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.

The bank uses print media to advertise and inform members of the community about its products and services. Print media utilized include the Observer-Dispatch (the largest newspaper in the area), the Mid-York Weekly, and various non-profit publications. The bank also publishes and mails monthly newsletters with its statements, which highlight the products and services offered by the bank.

Directors, officers and employees of the bank are able to keep the community informed about the products and services offered by BOU through their active involvement in local community activities.

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

The board approves all lending and compliance policies. The bank maintains a CRA policy and statement approved annually by the board. In addition, the CRA officer submits an annual CRA report detailing the bank's CRA activities to the board. All board members are local residents and serve the community in various ways.

VI. Other Factors

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.

None noted.

GLOSSARY

Aggregate

The cumulative lending by all HMDA-reporting lenders in the same geographic area under evaluation.

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 business 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 (3), 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.

Demand-Adjusted Penetration Rate

The number of owner-occupied loans made by the institution (or aggregate as appropriate) in a geographic area per thousand owner-occupied housing units in that area. Mathematically, it is arrived at by dividing the number of owner-occupied housing units into the number of loans made and then multiplying by 1,000.

Demand-Adjusted Penetration Ratio

A ratio that depicts geographic penetration of loans by comparing demand-adjusted lending in LMI areas with non-LMI areas. Mathematically, it is arrived at by dividing the demand-adjusted penetration rate in non-LMI areas into the demand-adjusted penetration rate in LMI areas and then expressed as a percentage.

A ratio of 100% means that the institution (or aggregate as appropriate) made an equal number of loans proportionally in LMI and non-LMI areas. Less than 100 percent would indicate less lending in LMI areas on the same basis compared to non-LMI areas, whereas over 100 percent would indicate a greater level of lending in LMI areas versus non-LMI areas.

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.

Loans to Small Businesses

Small business loans to businesses with gross annual revenues of \$1 million or less.

Low or Moderate Income (“LMI”) Geographies

Those census tracts or block numbering areas (“BNAs”), where according to the 1990 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 nonmetropolitan 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 nonmetropolitan 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 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 nonmetropolitan median family income. In all instances, the area median family incomes used to measure individual income levels are updated annually by HUD.

Small Business Loans

Loans to businesses with original amounts of \$1 million or less.