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: Tioga State Bank
One Main Street
P.O. Box 386
Spencer, NY 14883

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.

TABLE OF CONTENTS

	Section
General Information	1
Overview of Institution's Performance	2
Performance Context	3
Institution's Profile	
Assessment Area	
Performance Standards and Assessment Factors	4
Loan-to-Deposit Analysis and Other Lending-Related Activity	
Proportion of Lending Within Assessment Area	
Geographic Distribution of Lending	
Borrower Distribution of Lending	
Action Taken in Response to Written Complaints With Respect to CRA	
Services	
Discrimination or Other Illegal Practices	
Process Factors	
Other Factors	
Exhibits	5
Glossary	6

GENERAL INFORMATION

This document is an on-site evaluation of the Community Reinvestment Act ("CRA") performance of Tioga State Bank 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 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

Tioga State Bank ("TSB" or the "bank") is rated "2", indicating a satisfactory record of helping to meet community credit needs. The rating is based on the following factors:

- *Loan-to-Deposit ("LTD") Ratio and Other Lending-Related Activities:* TSB's LTD was reasonable given the bank's size, financial condition and the credit needs of its assessment area. According to the Uniform Bank Performance Report for the prior eight quarters ending December 31, 2001, the bank's LTD was 64.6%, below the 77.0% ratio achieved by the national peer group.

  Enhancing the bank's record of performance, TSB made 10 community development loans totaling $2.4 million, with the entire amount representing new money. The loans were extended to entities engaged in the creation of affordable housing, provision of community services and promotion of economic development. Additionally, during the evaluation period, TSB made one qualified investment for $20.3 thousand.

- *Assessment Area Lending:* The bank had a majority of its lending within the assessment area.

  - In 2000, the bank extended 94.6% by number and 90.5% by dollar volume of its HMDA reportable loans within the assessment area. In 2001, the ratios sharply declined, however, to 72.2% and 66.9%, respectively.

  - In 2000, TSB extended 79.9% by number and 67.2% by dollar volume of its small business loans within the assessment area. In 2001, the number ratio improved to 83.3% while the dollar ratio declined to 56.1%.

  - In 2000, the bank extended 90.8% by number and 90.3% by dollar volume of its consumer loans within the assessment area. In 2001, the ratios were 87.8% and 89.4%, respectively.

- *Geographic Distribution of Lending:* The geographic distribution of the bank's lending within the assessment area is considered reasonable.

  - In 2000, the bank extended 13.9% by number and 14.8% by dollar volume of its HMDA-reportable loans in moderate-income geographies, compared with 13.3% and 10.9%, respectively, for the aggregate. In 2001, the bank's ratios were 14.5% and 10.9%, respectively. Aggregate data were not available.

  - In 2000, the bank originated 10.4% by number and 8.3% by dollar volume of its small business loans in moderate-income geographies within the assessment area. In 2001, the ratios were 12.3% and 10.6%, respectively, showing an increase.

- In 2000, the bank extended 15.3% by number and 13.6% by dollar volume of its consumer loans in moderate-income geographies within the assessment area. In 2001, both ratios were 14.4%.

➢ *Borrower Distribution of Lending:* The bank's distribution of lending among borrowers of different income levels is considered reasonable. In 2000, the bank extended 27.3% by number and 13.8% by dollar volume of its HMDA reportable loans to low – to moderate-income borrowers, compared with 30.3% and 20.8%, respectively, for the aggregate. In 2001, the bank's ratios declined to 22.9% and 12.8%, respectively. Aggregate data were not available.

The distribution of small business loans based on revenues of the borrower was not available. However, the bank originated a substantial majority of its small business loans at amounts of $100 thousand or less.

➢ *Services:* The bank's services and banking hours are tailored to the needs and convenience of its community.

A few of the bank's officers served as members of boards of directors and as a member of a loan advisory committee for nonprofit organizations and quasi-governmental agencies during the evaluation period.

➢ *Complaints:* There have been no complaints filed against the bank with the Banking Department concerning its performance in helping to meet the credit needs of its community or other CRA-related matters.

This on-site 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 1884, Tioga State Bank ("TSB" or the "bank") is a retail commercial bank located in Spencer, New York, in the Finger Lakes Region of the Southern Tier of New York State. TSB is a wholly owned subsidiary of TSB Services Inc, a one-bank holding company.

Tioga State Bank operates seven full-service banking offices in three counties in upstate part of New York. Five of the banking offices, including the main office, are located in Tioga County and one banking office each is located in Chemung and Tompkins Counties. Each banking office is equipped with an Automated Teller Machine ("ATM") that is non-deposit taking. In addition, the bank has a non-deposit taking off-site ATM located within its assessment area.

As of December 31, 2001, the bank reported total assets of $163.6 million, consisting of total loans of $92.2 million and securities of $61.1 million. Total deposits were $132.5 million, resulting in a loan-to-deposit ("LTD") ratio of 69.6%. According to the latest available comparative deposit data dated June 30, 2001, the bank with total deposits of $132.9 million (out of $2.5 billion total deposits) captured a market share of 5.4%, ranking TSB, seventh out of 16 banks within its assessment area. Of eight banks within Tioga County, TSB ranked first with a market share of 30.8%, or $105.5 million out of the total deposits of $342.5 million in the county. TSB's deposits in Tioga accounted for 79.4% of the bank's total deposits as of June 30, 2001.

The following table, based on the Consolidated Report of Condition, shows a breakdown of the bank's gross loans as of December 31, 2001, 2000 and 1999:

TOTAL GROSS LOANS OUTSTANDING						
LOAN TYPE	12/31/2001		12/31/2000		12/31/1999	
	$000	%	$000	%	$000	%
1-4 residential loans	56,583	60.7%	50,972	57.7%	47,192	58.5%
Commercial Mortgage Loans	13,917	14.9%	14,724	16.7%	15,527	19.2%
Mutifamily Mortgages	1,861	2.0%	244	0.3%	752	0.9%
Consumer Loans	11,035	11.8%	12,826	14.5%	11,621	14.4%
Agricultural Loans	133	0.1%	181	0.2%	246	0.3%
Commercial Loans	9,271	9.9%	7,729	8.7%	5,127	6.4%
Other Loans	128	0.1%	44	0.0%	63	0.1%
Construction loans	347	0.4%	0	0.0%	-	0.0%
Obligations of states & political subdivisions	0	0.0%	1,636	1.9%	160	0.2%
Total Gross Loans	**93,275**	**100.0%**	**88,356**	**100.0%**	**80,688**	**100.0%**

The above table shows that the bank is primarily a residential real estate lender and that gross loans increased 15.6% between evaluations.

Tioga State Bank offers a wide variety of lending products including:

- Commercial Loans
- Small Business Loans
- 1 – 4 Family Residential Mortgages
- Multi-family Residential Mortgages
- Construction Loans
- Small Farm Loans
- Consumer Loans
- Home Improvement Loans
- Home Equity Loans

The bank's participation in governmentally insured, guaranteed or subsidized loan programs for housing, small business or small farms includes:

- Small Business Administration (SBA) guaranteed loan programs
- New York Business Development Corporation
- New York State Link Deposit Program
- Southern Tier Business Development Fund
- Tioga County Local Development Corp.
- Empire State Certified Development Corporation

There are no financial or legal constraints or local economic conditions that would impact the institution's ability to help meet the community credit needs.

Assessment Area:

TSB has defined its assessment area to include portions of MSA 0960 (Binghamton) and MSA 2335 (Elmira) and two non-MSA areas. The assessment area is rural and covers the entire county of Tioga in MSA 0960, a portion of Chemung in MSA 2335 and portions of Schuyler and Tompkins Counties, both in non-MSAs. The area has 16 census tracts and/or block numbering areas ("BNAs"), of which two (12.5%) are moderate-income tracts, nine (56.2%) are middle-income tracts and three (18.8%) are upper-income tracts. In addition, the area has two (12.5%) zero-income tracts and has no low-income areas.

According to the U.S. Census Bureau, in 1990 the assessment area had a population of 75 thousand, of which 8.3 thousand (11.1%) were over the age of 65 and 20.8 thousand (27.7%) were under the age of 16.

There were 20.7 thousand families in the assessment area, of which 3.8 thousand (18.3%) were low-income families, 3.8 thousand (18.4%) were moderate-income, 5.3 thousand (25.8%) were middle-income and 7.8 thousand (37.6%) were upper-income families. Of the 7.6 thousand low-income and moderate-income ("LMI") families, 1.3 thousand (16.9%) lived in moderate-income census tracts and they accounted for 52.8% of all the families (2.4

thousand) that lived in moderate-income tracts. There were 27.3 thousand households in the area, of which 2.7 thousand (9.8%) had incomes below the poverty level.

The assessment area had 29.3 thousand housing units in 1990, of which 22.4 thousand (76.4%) were 1-4 family units, 1thousand (3.4%) were multifamily units and 5.5 thousand (18.9%) were mobile homes or trailers. Approximately 21.4 thousand (73.1%) of all housing units were owner-occupied, of which 2.4 thousand (11.1%) were located in moderate-income areas. In addition, 5.8 thousand (19.8%) of all housing units were rental occupied and 1 thousand (17.7%) of these units were in moderate-income areas. Approximately 2.1 thousand (7.3%) of the housing units were vacant or boarded up units. In 1990, the median age of the housing was 30 years and the median housing value was $66.5 thousand.

In 1990, the weighted average MSA/non-MSA median family income was $34.6 thousand and the 2001 HUD estimated weighted average MSA/non-MSA median family income was $43.2 thousand.

According to the 2001 Dun and Bradstreet survey, there were 9.2 thousand businesses in the bank's assessment area, of which 8.1 thousand (87.3%) had revenues of $1 million or less and 635 (6.9%) had revenues greater than $1 million. An additional 535 (5.8%) were businesses on which no revenues were reported. Approximately 8.5 thousand (91.9%) of all businesses in the assessment area had fewer than 50 employees and 7.3 thousand (78.8%) operated from a single location.

Furthermore, 3.9 thousand (42.7%) of all firms in the assessment area were service providers, 2.0 thousand (21.9%) were in the retail trade, 689 (7.5%) were in construction, 617 (6.7%) were in finance, insurance and real estate industry and 524 (5.7%) were in agriculture, forestry and fishing.

The assessment area appears reasonable based upon the locations of branches and lending patterns. There is no evidence that LMI areas are arbitrarily excluded.

Details of the Assessment Area:

<u>MSA 0960 (Binghamton)</u> – the bank has designated one of the two counties in this MSA as part of its assessment area.

Tioga County - Tioga County has 11 census tracts, of which two (18.2%) are moderate-income tracts, five (45.4%) middle-income and two (18.2%) upper-income tracts. There are two (18.2%) zero-income tracts and there are no low-income tracts.

According to the U.S. Census Bureau, the county had a 1990 population of 52.3 thousand, which increased by 0.4%, to 52.5 thousand in 2000. Approximately 5.7 thousand (10.9%) of the 1990 population was over the age of 65 and 14.7 thousand (28.2%) were under the age of 16.

There were 14.5 thousand families in the county in 1990, of which 2.7 thousand (18.9%) were low-income families, 2.6 thousand (18.0%) were moderate-income, 3.7 thousand (25.7%) were middle-income and 5.4 thousand (37.4%) were upper-income families. Of the 5.3 thousand LMI families, 1.3 thousand (24.0%) lived in moderate-income areas and accounted for 52.8% of all families (2.4 thousand) that lived in moderate-income areas. One thousand (7.0%) of all the families had income below the poverty level. There were 18.8 thousand households in the county, of which 1.9 thousand (9.9%) had incomes below the poverty level.

In 1990, the area had 20.3 thousand housing units, of which 15.9 thousand (78.4%) were 1-4 family units, 760 (3.8%) were multifamily units and 3.4 thousand (16.6%) were mobile homes. Moreover, 14.8 thousand (73.3%) of all housing units were owner-occupied and 2.4 thousand (15.9%) of these units were in moderate-income geographies. Four thousand (19.7%) housing units were rental-occupied and 1.0 thousand (25.7%) of these were in moderate-income geographies. An additional 1.5 thousand (7.2%) housing units were vacant or boarded up. In 1990, the median age of the housing was 31 years and the median value was $69.8 thousand.

In 1990, the county median family income was $36.0 thousand and the MSA median family income was $35.9 thousand. The 2001 HUD estimated median family income for the MSA was $44.7 thousand.

According to the U.S. Department of Commerce's Bureau of Economic Analysis, the largest sources of earnings in the county in 2000 were durable goods manufacturing (52.0%), state and local government (13.0%) and services (12.0%). In 1990, the major sources of earnings were durable goods manufacturing[1], state and local government (12.1%) and services 11.8%.

According to Dun and Bradstreet, in 2001, there were 1.7 thousand businesses in Tioga County, of which 1.5 thousand (88.2%) had revenues of $1 million or less and 90 (5.2%) had revenues greater than $1 million. One hundred and thirteen (6.6%) were businesses on which no revenues were reported. Additionally 1625 (94.5%) businesses had fewer than 50 employees and 1.5 thousand (85.8%) operated from a single location.

Six hundred and thirty-one (36.7%) of all the firms were service providers, 371 (21.6%) were in the retail trade, 180 (10.5%) were in agriculture, forestry and fishing, and 173 (10.1%) were in construction. A further 88 (5.1%) were in finance, insurance and real estate, 82 (4.8%) were in manufacturing and 81 (4.7%) were in wholesale trade.

According to the New York State Department of Labor, the county's average unemployment rates were 3.3% and 4.2% in 2000 and 2001, respectively, compared with 3.4% and 4.2%, respectively, for the MSA. The county's average unemployment rates were slightly lower than the New York State average rates of 4.6% and 4.9%, respectively.

The State of New York has designated parts of Tioga County as Empire Zones (formerly Economic Development Zone). The zones consist of three non-contiguous areas (Waverly/Barton area, the Owego area and the Appalachian area) all near the Susquehanna

1 Percentage suppressed by data provider

River. This designation was based on community economic distress. Firms located in these areas may be eligible for assistance including various tax credits, such as wage tax credits, investment tax credits, zone capital credits, sales tax refunds, real property tax abatements, technical assistance and utility rate savings.

Chemung County - Chemung County has 23 census tracts, of which the bank has designated only two census tracts for its assessment area. The two tracts are middle-income tracts.

According to the U.S. Census Bureau, the portion of the county had a 1990 population of 7.6 thousand, of which 827 (0.9%) were over the age of 65 and 1.9 thousand (25.0%) were under the age of 16.

There were 2.1 thousand families in the portion of the county in 1990, of which 390 (18.4%) were low-income families, 501 (23.6%) were moderate-income, 590 (27.8%) were middle-income and 639 (30.2%) were upper-income families. There were 2.7 thousand households in the portion of the county, of which 289 (10.7%) had incomes below the poverty level.

In 1990, the area had 3.0 thousand housing units, of which 2.1 thousand (71.1%) were 1-4 family units, 33 (1.1%) were multifamily units and 774 (26.1%) were mobile homes. A total of 2283 (76.9%) housing units were owner-occupied and 383 (12.9%) were rental-occupied. An additional 314 (10.6%) were vacant or boarded up. In 1990, the median age of the housing was 28 years and median value was $44.4 thousand.

In 1990, the county's median family income was $28.7 thousand and the MSA median family income was $32.0 thousand. The 2001 HUD estimated median family income for the MSA was $43.2 thousand.

According to the U.S. Department of Commerce's Bureau of Economic Analysis, the largest sources of earnings in the county in 2000 were services (24.4%), durable goods manufacturing (20.3%) and state and local government (17.6%). In 1990, the major sources of earnings were services (23.7%), durable goods manufacturing (20.3%) and state and local government (17.7%).

According to Dun and Bradstreet, in 2001, there were 177 businesses in the portion of the county, of which 163 (92.1%) had revenues of $1 million or less and two (1.1%) had revenues greater than $1 million. Twelve (6.8%) were businesses on which no revenues were reported. One hundred and seventy-two (97.2%) businesses had fewer than 50 employees and 160 (90.4%) operated from a single location.

Sixty (33.9%) firms were service providers, 30 (17.0%) were in construction, 28 (15.8%) were in agriculture, forestry and fishing and 23 (13.0%) were in retail trade.
According to the New York State Department of Labor, the county's average unemployment rates were 4.8% in 2000 and 5.3% in 2001. The county's average unemployment rates were slightly above New York State's average rates of 4.6% and 4.9%, respectively.

The State of New York has designated part of Chemung County as an Empire Zone (formerly Economic Development Zone). Based on community economic distress, part of the City of Elmira has been designated an Enterprise Zone. Firms located in this area may be eligible for assistance including various tax credits, such as wage tax credits, investment tax credits, zone capital credits, sales tax refunds, real property tax abatements, technical assistance and utility rate savings.

Non-MSA (Schuyler and Tompkins Counties) – TSB has chosen only one BNA (9505.00) in Schuyler County and three BNAs (0010.00, 0018.00 and 0019.00) in Tompkins County as part of its assessment area. One (25.0%) BNA is a moderate-income area, 2 (50.0%) are middle-income area and 1 (25.0%) is an upper-income area.

According to the U.S. Census Bureau, the non-MSA had a 1990 population of 19.2 thousand, of which 2.4 thousand (12.7%) were over the age of 65 and 4.3 thousand (22.6%) were under the age of 16.

There were 5.0 thousand families in the non-MSA in 1990, of which 967 (19.3%) were low-income families, 887 (17.7%) were moderate-income, 1.2 thousand (23.0%) were middle-income and 2.0 thousand (40.0%) were upper-income families. Of the 1.9 thousand LMI families, 501 (27.0%) lived in moderate-income areas and accounted for 54.5% of all families (919) that lived in moderate-income areas. There were 7.7 thousand households in the non-MSA, of which 944 (12.3%) had income below the poverty level.

In 1990, the area had 8.0 thousand housing units, of which 5.4 thousand (67.7%) were 1-4 family units, 838 (10.4%) were multifamily units and 1.6 thousand (19.8%) were mobile homes. Five thousand and thirty-three (62.7%) of all housing units were owner-occupied and 749 (14.9%) of these were in moderate-income areas. A further 2.6 thousand (31.8%) of all housing units were rental-occupied and 1.1 thousand (44.0%) of these were in moderate-income areas. Four hundred and fifty-six (5.7%) of all the housing units were vacant or boarded up. In 1990, the median age of the housing was 30 years and median housing value was $70.1 thousand.

In 1990, the area's median family income was $31.4 thousand and the non-MSA median family income was $31.5 thousand. The 2001 HUD estimated median family income for the non-MSA was $41.4 thousand.

According to Dun and Bradstreet, in 2001, there were 756 businesses in the portion of the non-MSA, of which 652 (86.2%) had revenues of $1 million or less and 54 (7.1%) had revenues greater than $1 million. Fifty (6.6%) were businesses on which no revenues were reported. Seven hundred (92.6%) of all the businesses had fewer than 50 employees and 633 (83.7%) operated from a single location.

A total of 297 (39.3%) firms were service providers, 157 (20.8%) were in retail trade, 76 (10.1%) were in construction, 61 (8.1%) were in agriculture, forestry and fishing, 46 (6.1%) were in manufacturing and 41 (5.4%) were in finance, insurance and real estate.

According to the New York State Department of Labor, Schuyler County's average unemployment rates were 5.5% in 2000 and 6.7% in 2001. The county's average unemployment rates were slightly above New York State's average rates of 4.6% and 4.9%, respectively.

According to the New York State Department of Labor, Tompkins County's average unemployment rates were 2.7% in 2000 and 2.6% in 2001. The county's average unemployment rates were well below New York State's average rates of 4.6% and 4.9%, respectively.

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

TBS's performance for the years 2000 and 2001 was evaluated under the small bank performance criteria, which include the following: (1) Loan-to-Deposit Ratio and other Lending-Related Activities; (2) Proportion of Lending in the Assessment Area; (3) Geographic Distribution of Lending; (4) Distribution of Lending by Borrower Characteristics; and (5) Action Taken in Response to Written Complaints Regarding CRA. Based on optional information provided by the bank, TSB's services were also considered.

As noted above, TSB's primary business is the origination of residential mortgage loans. In addition to HMDA-reportable loans, small business and consumer loans were also analyzed for purposes of this evaluation.

The demographic data referred to in this report was obtained from the 1990 U.S. Census along with the updated HUD-estimated median family income.

- **Loan-to-Deposit Analysis and other Lending-Related Activities –** "Satisfactory"

TSB's loan-to-deposit ratio (LTD) was reasonable given the bank's size, financial condition and the credit needs of its assessment area.

According to the Uniform Bank Performance Report for the prior eight quarters ending December 31, 2001, TSB's LTD was 64.6%, below the 77.0% for the national peer group. For the four quarters ending December 31, 2000 and 2001, the bank's ratios were 61.6% and 67.5%, respectively, reflecting an upward trend. However, these were considerably below 76.8% and 77.2%, respectively, for the national peer group.

Community Development Lending:

Enhancing its performance record, during the evaluation period TSB extended 10 community development loans totaling $2.4 million, with the entire amount representing new money. The loans were extended to entities engaged in the creation of affordable housing, provision of community services and promotion of economic development.

The following is a brief description of the bank's community development loans:

Community Preservation Corporation ("CPC") - Between 2001 and 2000 the bank extended community development loans totaling $34.2 thousand to CPC, of which $25 thousand is outstanding as of the evaluation date. The CPC is a lending consortium that makes construction and permanent loans for the creation, rehabilitation and preservation of affordable housing throughout the State of New York. CPC's bank sponsors provide secured financing, under revolving bank lines of credit, for housing construction and rehabilitation, as well as permanent financing through purchases of collateral trust notes backed by CPC mortgages. The Community Lending Corporation (CLC) is the upstate division of CPC.

Candor Emergency Squad Inc. ("CESI") – In 2000, the bank extended a $123 thousand loan, with the entire amount outstanding as of the evaluation date, to CESI to purchase an ambulance that will serve the Town of Candor.

Spencer VE Community Service ("SVECS") – In 2000, the bank extended a $120 thousand loan, with $107 thousand outstanding as of the evaluation date, to SVECS for the construction of health facility in the Village of Spencer.

Tioga County Industrial Development Agency ("TCIDA") – In 2001, the bank extended a $60 thousand loan, with the entire amount outstanding as of the evaluation date, to TCIDA for the creation of 300 to 400 jobs.

Newark Valley Apartments LP ("NVP") – In 2000, the bank extended a $781 thousand loan, with the entire amount outstanding as of the evaluation date, to NVP for the creation of 24 housing units for low-income individuals.

Qualified Investments:

Additionally, during the evaluation period, TSB invested $20.3 thousand in the Southern Tier Business Development Fund, LLC ("STBDF") to help the entity defray its initial developmental and legal costs. STBDF is a community development corporation that was established to provide low cost financing to start-up small businesses or small businesses with growth potential that do not qualify for conventional financing in the Finger Lakes Region of the Southern Tier of Upstate New York.

- **Proportion of Lending within Assessment Area** – "Satisfactory"

The bank originated a majority of its loans within the assessment area.

HMDA-reportable lending*:* In 2000, the bank originated 167 HMDA-reportable loans totaling $7.3 million, of which 158 (94.6%) totaling $6.7 million (90.5%) were within the assessment area. In 2001, the bank originated 230 HMDA reportable loans totaling $11.4 million, of which 166 (72.2%) totaling $7.6 million (66.9%) were originated within the assessment area, showing a substantial decline in the percentage of assessment area loans.

Small business lending*:* In 2000, TSB originated 229 small business loans totaling $9.7 million, of which 183 loans (79.9%) totaling $6.5 million (67.2%) were within its assessment area. In 2001, bank originated 245 small business loans totaling $10.4 million, of which 204 (83.3%) loans totaling $5.8 million (56.1%) were within its assessment area, showing an increased percentage in the number but a decreased percentage based on the dollar volume of assessment area loans.

Consumer lending*:* In 2000, the bank originated 632 consumer loans totaling $6.1 million, of which 574 (90.8%) totaling $5.5 million (90.3%) were within the assessment area. In 2001, the bank originated 452 loans totaling $4.3 million, of which 397 (87.8%) loans totaling $3.9 million (89.4%) were originated within the assessment area.

- **Geographic Distribution of Lending** – "Satisfactory"

The bank's geographic distribution of lending within the assessment area is considered reasonable.

HMDA-reportable lending*:* In 2000, the bank extended 22 (13.9%) HMDA-reportable loans totaling $986 thousand (14.8%) in low- and moderate-income ("LMI") geographies, compared with 13.3% and 10.9%, respectively, for the aggregate. The bank extended 121 (76.6%) loans totaling $4.9 million (73.2%) in middle-income geographies, comparing well against the aggregate's 58.3% and 52.5%, respectively. TBS also extended 15 (9.5%) loans totaling $795 thousand (12.0%) in upper-income geographies, compared with 28.4% and 36.7%, respectively, for the aggregate.

In 2001, the bank extended 24 (14.5%) HMDA-reportable loans totaling $828 thousand (10.9%) in LMI geographies, showing a slight increase in number percentage accompanied by a decrease in dollar volume percentage from the prior year. Additionally, 118 loans (71.0%) totaling $5 million (66.5%) were extended in middle-income geographies and 24 (14.5%) totaling $1.7 million (22.6%) were extended in upper-income geographies within the assessment area. Aggregate data were not available.

As noted above, 12.5% of the census tracts comprising 11.1% of all owner-occupied housing units in the assessment area are considered LMI.

Small business lending*:* In 2000, the bank originated 19 (10.4%) small business loans totaling $541.6 thousand (8.3%) within moderate-income geographies in its assessment area. In addition, the bank extended 153 (83.6%) loans for $5.6 million (86.3%) and 11 (6.0%) loans for $345.9 thousand (5.4%) in middle-income and upper-income geographies, respectively.

In 2001, the bank originated 25 (12.3%) small business loans totaling $620.1 thousand (10.6%) within moderate-income geographies in its assessment area, indicating an increase in the number and dollar volume percentages of loans extended in such tracts. The bank also extended 162 (79.4%) loans for $4.7 million (81.4%) and 17 (8.3%) loans for $466.9 thousand (8.0%) in middle-income and upper-income geographies, respectively.

Consumer lending*:* In 2000,TBS extended 88 (15.3%) consumer loans totaling $744.8 thousand (13.6%) in moderate-income geographies within its assessment area. In addition, the bank extended 451 (78.6%) loans totaling $4.2 million (77.4%) and 35 (6.1%) loans totaling $491.5 thousand (9.0%) in middle-income and upper-income geographies, respectively.

In 2001,TBS extended 57 (14.4%) consumer loans totaling $554.6 thousand (14.4%) in moderate-income geographies within its assessment area, showing a slight decline from the prior year. In addition, the bank extended 308 (77.6%) loans totaling $3.0 million (77.5%) and 32 (8.0%) loans totaling $314.0 thousand (8.1%) in middle-income and upper-income geographies, respectively.

- **<u>Borrower Distribution of Lending</u>** – “Satisfactory”

The bank’s distribution of lending among borrowers of different income levels is considered reasonable.

HMDA-reportable lending: In 2000, the bank extended 43 (27.3%) HMDA-reportable loans totaling $921 thousand (13.8%) to LMI borrowers, compared with 30.3% and 20.8%, respectively, for the aggregate. The bank extended 47 (29.7%) loans totaling $1.8 million (27.6%) to middle-income borrowers compared with 30.6% and 27.4%, respectively, for the aggregate. TSB also extended 60 (38.0%) loans totaling $3.5 million (52.6%) to upper- income borrowers compared with 36.3% and 49.0%, respectively, for the aggregate.

In 2001, the bank extended 38 (22.9%) HMDA-reportable loans totaling $975 thousand (12.8%) to LMI borrowers, showing a decline from the prior year. Additionally, TSB extended 60 (36%) totaling $2.3 million (29.6%) to middle-income borrowers and 64 (38.6%) totaling $4.2 million (55.3%) to upper-income borrowers. Aggregate data were not available.

As noted above, 36.7% of the families in the assessment area are considered LMI.

Small business lending: The distribution of small business loans based on the revenues of the borrower was not available. However, an analysis of lending based on loan size was performed.

In 2000, TBS originated 170 (92.9%) small business loans totaling $3.4 million (53.0%) in amounts of $100 thousand or less. In 2001, the bank originated 194 (95.1%) small business loans totaling $3.9 million (66.4%) at $100 thousand or less, showing an increase.

The following table shows a distribution of the bank’s small business loans by loan size during the evaluation period:

Distribution of Small Business Loans By Loan Size								
Loan Size	2000				2001			
	Number		**Dollar**		**Number**		**Dollar**	
($000's)	#	#%	$000's	$%	#	#%	$000's	$%
<=$100	170	92.9%	3,438	52.9%	194	95.1%	3,868	66.4%
> $100 <=$250	10	5.5%	1,590	24.5%	9	4.4%	1,559	26.8%
> $250<=$1,000	3	1.6%	1,466	22.6%	1	0.5%	400	6.9%

- **Action Taken In Response to Written Complaints With Respect to CRA**

There have been no complaints filed against the bank with the Banking Department concerning the bank's performance in helping to meet the credit needs of its community or other CRA matters.

- **Services**

Tioga State Bank operates seven full-service banking offices in three counties in rural area of upstate New York. Five banking offices, including the main office, are located in Tioga County and one banking office each is located in Chemung and Tompkins Counties. Each banking office is equipped with an Automated Teller Machine ("ATM") that is non-deposit taking. In addition, the bank has a non-deposit taking off-site ATM located within its assessment area. TBS is a member NYCE and CIRRUS electronic networks. The bank also has a drive-up teller services.

Through its seven branches the bank provides a full range of banking services to individuals and small businesses primarily in the Finger Lakes Region of the Southern Tier of Upstate New York. In addition to normal banking hours, two banking offices and a drive-up facility are open on Saturdays, from 9:00 a.m. to 12:00 p.m.

TBS also provides the following services:

Telephone Banking Services – customers can telephone any banking office during normal business hours to obtain information on their accounts or any other product or service the bank offers.

Xpress Banking – allows customers 24-Hour telephone access to their accounts from their homes or place of employment.

TSB Online - the bank has Internet banking service at www.tiogabank.com, which encompasses *TSB Online Banking* and *TSB Online Bill Pay*.

- *TSB Online Banking* – allows customers to review transactions such as deposits, withdrawals and cleared checks, transfer funds between accounts and make loan payments 24 hours a day.

- *TSB Online Bill Pay* – allows customers to pay bills, schedule one-time or automatic payments and track payment history.

Save For America -The bank has established an internet-based school savings plan with five schools in Tioga County in conjunction with Cornell Cooperative Extension of Tioga County. The bank personnel go to schools and classrooms to teach children the importance of saving from an early age.

The bank has neither opened nor closed a branch office since the prior evaluation.

A handful of the bank's officers served as members of boards of directors and as a member of a loan advisory committee for nonprofit organizations and quasi-governmental agencies during the evaluation period.

- **<u>Discrimination or Other Illegal Practices</u>**

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

There were no practices noted that were intended to discourage applications for the types of credit offered by the institution.

Evidence of prohibited discriminatory or other illegal credit practices.

The most recent regulatory compliance report concurrent with this evaluation indicates a satisfactory performance in terms of adherence to anti-discrimination or other applicable laws and regulations. No evidence of prohibited discriminatory or other illegal credit practices was noted.

- **<u>Process Factors</u>**

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.

TSB ascertains the credit needs of its community through the bank's senior management, staff, advisory board and board of directors involvement in community affairs and through contacts with local organizations and customers. The bank has an 18-member advisory board that provides the bank with suggestions regarding the credit needs of the community.

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 utilizes print media to make the community aware of its credit products and services. Print media used regularly include the following: *Random Harvest (Spencer), Candor Chronicle, the Newfield News, Owego Pennysaver, Ithaca Journal, Binghamton Press* and *Sun Bulletin, and the Evening Press (Waverly/Sayre)*. The bank occasionally uses *Daily Review (Sayre/Towanda), Owego News* and *Ithaca Pennysaver*, as well.

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 TBS's Board of Directors reviews and approves the bank's CRA statement annually, with the last approval in January 2002. In addition, the board receives a quarterly report detailing the bank's lending activities.

- **Other Factors**

Other factors that in the judgement 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.

Exhibits 1

Residential Real Estate Loans - Year 2000 - by Borrower Income Level*										
Borrower	**Total Lending**				**Assessment Area Lending**				**Aggregate****	
Income	**Applics.**		**Originations**		**Applics.**		**Originations**		**Originations**	
Level	#	%	#	%	#	%	#	%	#	%
Low	38	15.3	17	10.2	38	15.9	17	10.8	121	8.8
Moderate	43	17.3	26	15.6	43	18.0	26	16.5	297	21.5
Middle	75	30.2	47	28.1	75	31.4	47	29.7	422	30.6
Upper	83	33.5	69	41.3	74	31.0	60	38.0	501	36.3
N/A	9	3.6	8	4.8	9	3.8	8	5.1	39	2.8
Total	**248**	**100.0**	**167**	**100.0**	**239**	**100.0**	**158**	**100.0**	**1,380**	**100.0**

* Borrower income level is based upon the Department of Housing and Urban Development's annual estimate of median family income figure for the MSA of the mortgaged property. Low income is defined as <50% of the MSA median, moderate income is 50% to <80%, middle income is 80% to <120%, and upper income is at least 120%.

** The term "Aggregate" refers to loans originated in the bank's assessment area by all HMDA reporting lenders.

Exhibit 2

Residential Real Estate Loans - Year 2000 - by Geography Income Level*										
Geo	**Total Lending**				**Assessment Area Lending**				**Aggregate**	
Income	**Applics.**		**Originations**		**Applics.**		**Originations**		**Originations**	
Level	#	%	#	%	#	%	#	%	#	%
Low	-	0.0	-	0.0	-	0.0	-	0.0	-	0.0
Moderate	36	14.5	23	13.8	35	14.6	22	13.9	183	13.3
Middle	188	75.8	127	76.0	182	76.2	121	76.6	805	58.3
Upper	24	9.7	17	10.2	22	9.2	15	9.5	392	28.4
N/A	-	0.0	-	0.0	-	0.0	-	0.0	-	0.0
Total	**248**	**100.0**	**167**	**100.0**	**239**	**100.0**	**158**	**100.0**	**1,380**	**100.0**

* Geography income level is based upon 1990 Census data on median family income figure for the MSA of the mortgaged property. Low income is defined as <50% of the MSA median, moderate income is 50% to <80%, middle income is 80% to <120%, and upper income is at least 120%.

Exhibit 3

Residential Real Estate Loans - Year2001 - by Borrower Income Level*								
Borrower	**Total Lending**				**Assessment Area Lending**			
Income	**Applics.**		**Originations**		**Applics.**		**Originations**	
Level	**#**	**%**	**#**	**%**	**#**	**%**	**#**	**%**
Low	33	10.1	14	6.1	33	13.9	14	8.4
Moderate	40	12.2	24	10.4	40	16.9	24	14.5
Middle	88	26.8	65	28.3	81	34.2	60	36.1
Upper	87	26.5	73	31.7	78	32.9	64	38.6
N/A	80	24.4	54	23.5	5	2.1	4	2.4
Total	**328**	**100.0**	**230**	**100.0**	**237**	**100.0**	**166**	**100.0**

* Borrower income level is based upon the Department of Housing and Urban Development's annual estimate of median family income figure for the MSA of the mortgaged property. Low income is defined as <50% of the MSA median, moderate income is 50% to <80%, middle income is 80% to <120%, and upper income is at least 120%.

Exhibit 4

Residential Real Estate Loans - Year 2001 - by Geography Income Level*								
Geo	**Total Lending**				**Assessment Area Lending**			
Income	**Applics.**		**Originations**		**Applics.**		**Originations**	
Level	**#**	**%**	**#**	**%**	**#**	**%**	**#**	**%**
Low	-	0.0	-	0.0	-	0.0	-	0.0
Moderate	41	12.5	25	10.9	40	16.9	24	14.5
Middle	181	55.2	128	55.7	170	71.7	118	71.1
Upper	32	9.8	28	12.2	27	11.4	24	14.5
N/A	74	22.6	49	21.3	-	0.0	-	0.0
Total	**328**	**100.0**	**230**	**100.0**	**237**	**100.0**	**166**	**100.0**

***** Geography income level is based upon 1990 Census data on median family income figure for the MSA of the mortgaged property. Low income is defined as <50% of the MSA median, moderate income is 50% to <80%, middle income is 80% to <120%, and upper income is at least 120%.

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

Those 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.