



NEW YORK STATE BANKING DEPARTMENT
CONSUMER SERVICES DIVISION
One State Street Plaza
New York, NY 10004

PUBLIC SUMMARY

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Date of Evaluation: December 31, 2002

Institution: BSB Bank and Trust Company
58-68 Exchange Street
Binghamton, NY 13902-1056

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 BSB Bank And Trust Company ("BSB") 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, 2002.

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

BSB is rated "2," indicating a satisfactory record of helping to meet community credit needs. This rating is based on the following factors:

- **Lending Test - "High Satisfactory"**

- **Lending Activity** – The bank's level of Home Mortgage Disclosure Act ("HMDA")-reportable and small business loans demonstrated excellent responsiveness to the credit needs of its assessment area.

According to the 2001 Lending Market Share Report, based on its number of HMDA loans the bank ranked 2nd, with a 4.9% market share, among 276 lenders in its assessment area. Based on its dollar volume, the bank ranked 9th, with a 3.4% market share.

For its number of small business loans, BSB ranked 6th, with a 6.7% market share, among 90 lenders in its assessment area. The bank ranked 2nd based on dollar volume, with a 19.8% market share, behind Manufacturers & Traders Bank.

- **Assessment Area Concentration** – The bank originated a high percentage of its HMDA-reportable and small business loans in the assessment area.

For the evaluation period, BSB made 78.6% and 75.3% of its number and dollar volume, respectively, of HMDA loans in the assessment area. For small business loans, the bank made 89.4% based on number and 84.6% based on dollar amount, within the assessment area. The weighted totals of assessment area lending for the two products were 83% by number and 81% by dollar amount.

- **Geographic Distribution of Loans** – The bank's geographic distribution of HMDA and small business loans, based on census tract income, reflected adequate dispersion throughout the assessment area.

HMDA loans: In 2001 the bank made 8.1% of its number and 5.4% of its dollar amount of loans in LMI areas, comparable to the aggregate's 8.2% and 6.1% respective LMI penetration rates. The bank's LMI penetration rates for number and dollar amount declined in 2002, to 6.5% and 3.6%, respectively. It is noted that between 2001 and 2002, 1-4 family residential lending increased significantly, as a percentage of the bank's portfolio.

Small Business Loans: In 2001, the bank extended 18.5% of its number and 21.2% of its dollar amount of small business loans in LMI areas, trailing the aggregate's LMI penetration rates of 20.5% and 23.8%, respectively. The bank's LMI penetration improved in 2002 for loan number, to 22.2%, while declining for dollar volume, to 20.9%.

- **Borrower Characteristics** – The bank's distribution for HMDA and small business loans reflects adequate penetration among borrowers of different income levels and businesses of different sizes.

HMDA Loans: In 2001, BSB's 23.4% LMI penetration rate for the number of loans was comparable to the HMDA aggregate's 23.1% rate, while the bank outperformed the aggregate for dollar amount, based on respective LMI penetration rates of 15.8% and 13.8%. In 2002 the bank's lending penetration with LMI borrowers fell to 20.9% and 12.1% for the number and dollar amount of loans, respectively.

Small Business Loans: In 2001, the bank made 30.9% of its total number of small business loans to small businesses with gross annual revenues of \$1 million or less, while the aggregate achieved a 39.9% penetration rate with small businesses. The bank also trailed the aggregate based on its dollar amount of lending, with penetration rates of 18.2% and 23.4%, respectively. The bank's performance improved in 2002, when it made 54.8% and 35.5% of its number and dollar amount of loans to small businesses.

Additionally, in 2001 the bank made 60.6% of its total small business loans in amounts equal to/less than \$100 thousand, well behind the aggregate's 88.5% small loan concentration. As a result, the bank made a larger percentage of its loans in higher origination amounts, than did the aggregate. BSB's lending distribution was relatively unchanged in 2002.

- **Community Development Lending** – BSB was a leader in making community development loans during the evaluation period, with nearly \$23 million in community development loan commitments provided by the bank between evaluations. All loan commitments are deemed "new money." While neither innovative nor complex, the size of the commitment represents an excellent response to local needs, particularly in support of economic development activities.
- **Innovative and Flexible Lending Practices** – The bank made use of innovative and/or flexible lending practices in serving its assessment area credit needs. Its most successful flexible lending programs include the *Great Beginnings* product for residential mortgages and SBA loans for small businesses.

Investment Test - “Outstanding”

For the evaluation period, the bank had an excellent level of qualified community development investments, including grants, which totaled nearly \$5.7 million, including \$3 million, or 52.6%, as “new money.” Between evaluations, qualified investments grew about 211%, with grants nearly tripling from the level reported at the prior evaluation. While neither innovative nor complex, the significant volume of activity demonstrates an excellent response to the community development needs of the bank’s service area.

- **Service Test - “High Satisfactory”**

- **Retail Banking Services – “High Satisfactory”**

For the evaluation period, the bank’s delivery systems were readily accessible to all portions of its assessment area. Overall, 10, or 50%, of the bank’s 20 full-service offices were located in or adjacent to LMI tracts.

The bank’s record of closing and opening branches has not adversely affected the accessibility of its delivery systems. Of the three branches located in or adjacent to LMI census tracts that were closed, all were sold to other banks.

The bank’s branch business hours and services do not vary in a way that inconveniences certain portions of its assessment area.

- **Community Development Services – “Outstanding”**

The bank is a leader in providing community development services to its community. Over fifty officers, directors and employees of the bank actively participate in more that 125 community organizations that promote economic development, quality of life, neighborhood revitalization, educational and health, and social service programs.

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:

BSB incorporated as a state-chartered mutual savings bank in 1867, converted to a state-chartered stock savings bank in 1985, and later became a state-chartered commercial bank in 1995. It is a wholly owned subsidiary of BSB Bancorp, Inc., a one-bank holding company incorporated in Delaware and located in Binghamton, New York. BSB is headquartered in the same city and conducts business primarily in Central New York and the Southern Tier Region of New York State.

The bank has the following wholly owned subsidiaries: BSB Mortgage Corporation (a mortgage subsidiary); BSB Preferred Capital Corporation (holds real estate investment trust mortgages); BSB Financial Services Inc. (markets brokerage and insurance services); BSB NEWPRO, Inc. (holds "Other Real Estate") and B-Save Corporation (holds investments for the bank).

In early 2002, the bank created the Business Banking Unit to work with the bank's Community Banking Officers to provide a wide range of banking services to small business in the communities served. The lending programs offered by this unit are designed to expand a business customer's relationship beyond traditional deposit products and are focused on the identification of the customer's credit needs.

At evaluation date, BSB had a network of 20 full-service banking offices among four counties: nine in Broome County, nine in Onondaga County, and one each in Chenango Tioga counties. Supplementing the branches was a network of 16 deposit-taking automated teller machines ("ATMs") and 32 non-deposit-taking ATMs. The bank also had 12 "StoreTeller Banking" facilities at Southern Tier Giant Food Markets, where customers can make deposits and withdrawals as well as mortgage and other banks' loan payments.

According to the Federal Deposit Insurance Corporation's ("FDIC") Consolidated Report of Condition and Income (the Call Report) at December 31, 2002, the bank reported total assets of about \$2 billion, of which net loans and leases totaled approximately \$1.3 billion, or 65%. Total deposits were reported at \$1.5 billion.

According to the latest available comparative deposit data (FDIC Deposit Market Share Report) dated June 30, 2002, the bank had a deposit market share of 15.2%, or \$1.5 billion, ranking it 2nd among 25 institutions in its assessment area. In its home county (Broome), the bank ranked 1st among seven banking institutions with a deposit market share of 50.5%, or \$1.1 billion, of total county deposits of \$2.1 billion. In Broome County, BSB generated the lion's share, or \$1.1 billion (73.3%) of its total deposits of \$1.5 billion, in Broome County. Refer to the following table for a breakdown of the bank's deposits by County:

Bank's Deposits by County as of June 30, 2002 (\$ in millions)						
Deposits	Broome \$1,081	Tioga \$31	Chenango \$59	Chemung \$49	Onondaga \$312	Total \$1,532

BSB provides a wide variety of loan and deposit products to its commercial and consumer customers, as well as mortgage banking, trust, municipal and other related services.

The following details the bank's loan portfolio as of December 31, 2000, 2001 and 2002, according to Schedule RC-C of the Call Report:

TOTAL GROSS LOAN PORTFOLIO						
LOAN TYPE	12/31/2000		12/31/2001		12/31/2002	
	\$*	%	\$*	%	\$*	%
1-4 Family Residential Mortgages	293,668	16.0%	307,566	20.5%	435,943	32.2%
Multifamily Residential Mortgages	37,941	2.1%	27,273	1.8%	13,055	1.0%
Commercial Mortgages	427,994	23.3%	364,258	24.3%	339,588	25.1%
Farmland/Other Improvements	696	0.0%	544	0.0%	468	0.0%
Construction&Land Development	10,505	0.6%	3,676	0.2%	9,630	0.7%
Commercial&Industrial Loans	670,381	36.4%	460,932	30.7%	248,533	18.4%
Consumer Loans	392,401	21.3%	325,117	21.7%	301,448	22.3%
Agricultural Loans	2,109	0.1%	1,917	0.1%	1,024	0.1%
Other Loans	4,914	0.3%	9,698	0.6%	3,696	0.3%
TOTAL	1,840,609	100.0%	1,500,981	100.0%	1,353,385	100.0%

* In thousands

As shown in the chart above, at the evaluation date 1-4 family residential mortgage constituted the largest percentage of the bank's loan portfolio, increasing by \$142.3 million, or 48.5%, since year-end 2000. During the same period, commercial and industrial loans decreased by \$421.8 million, or 62.9%, and represented just 18.4% of the total loan portfolio at the evaluation date, the smallest percentage among the four major type of loans (1-4 family mortgages, commercial mortgages, consumer loans and commercial and industrial loans).

At evaluation date, the overall loan portfolio had decreased by \$487.2 million, or 26.5%, to \$1.35 billion, from \$1.84 billion at the end of 2000. The decline is attributable primarily to the decrease in commercial loans, which reflects the bank's efforts to reconstruct its assets portfolio by de-emphasizing commercial and industrial lending and building on real estate lending and consumer loans.

BSB's participation in governmentally insured, guaranteed or subsidized loan programs for housing, small business or small farms include:

- Small Business Administration loans for working capital, machinery and equipment, or the acquisition of real estate for expansion.
- Regional Economic Development loans for business start-ups or expansions that result in direct job creation or retention.

- New York Business Development Corporation loans for working capital, equipment or renovation, construction or acquisition real estate.

The bank received a rating of “2,” reflecting a satisfactory record of helping to meet community credit needs, at its most recent Performance Evaluation by the New York State Banking Department on April 10, 2000.

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

Assessment Area:

Between evaluation dates, the bank’s assessment area changed. For this evaluation BSB’s assessment area includes Broome, Tioga, Chenango, Chemung, and Onondaga counties in their entirety. Portions of Oswego County, which were part of the bank’s assessment area at the previous evaluation, were eliminated. Refer to the table below for details.

REGION	MSA/NON-MSA	COUNTY	CENSUS TRACTS TOTAL	LOW- AND MODERATE-INCOME (LMI)	% OF LMI
Southern Tier	Binghamton 0960	Broome	57	16	28.1%
		Tioga	11	2	18.2%
	Elmira 2335	Chemung	23	5	21.7%
		Non-MSA	Chenango	10	2
Central N.Y.	Syracuse 8160	Onondaga	143	39	27.3%
Total			244	64	26.2%

While the counties of Broome, Tioga, Chemung and Chenango are adjacent to one another, Onondaga County lies north of the above-mentioned counties and is part of the Syracuse MSA # 8160. Cayuga and Madison counties, which are part of the Syracuse MSA are not part of the bank’s assessment area.

The following table provides a breakdown of the distribution of families in the bank’s assessment area, according to census tract income:

NUMBER OF FAMILIES* BY INCOME LEVEL OF TRACT IN ASSESSMENT AREA												
Census Tract Income Level	Census Tracts		Total Families		Low-Income Families		Moderate-Income Families		Middle-Income Families		Upper-Income Families	
	#	%	#	%	#	%	#	%	#	%	#	%
Low	21	8.6	8,263	3.6	5,240	13.1	1,453	3.5	1,052	1.9	518	0.6
Moderate	43	17.6	30,457	13.4	10,208	25.4	7,591	18.3	6,672	12.2	5,986	6.6
Middle	122	50.0	125,311	55.1	19,949	49.7	24,766	59.5	33,826	61.9	46,770	51.2
Upper	53	21.7	63,588	27.9	4,727	11.8	7,795	18.7	13,089	24.0	37,977	41.6
NA	5	2.1	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Total	244	100.0	227,619	100.0	40,124	100.0	41,605	100.0	54,639	100.0	91,251	100.0

* 1990 Census Data

Other Demographics - According to the 1990 U.S. Census, the bank’s assessment area had a population of 880.4 thousand, of which about 13.6% (119.5 thousand) were over

the age of 65 and approximately 22.1% (194.7 thousand) were below the age of 16. As shown in the table above, there were about 81.7 thousand LMI families, or 35.9% of the total.

There were about 332.8 thousand households in the assessment area, of which about 255.7 thousand households, or 76.8%, were wage and salary earners; about 34.4 thousand households, or 10.3%, were self-employed in non-farm businesses; approximately 3.6 thousand households, or 1.1%, were self-employed in farm businesses; 22.3 thousand households, or 6.7%, were on public assistance, and about 36 thousand, or 10.8%, were below the poverty line.

Of the total number of households, about 18.5 thousand (5.6%) were located in low-income census tracts, 53.8 thousand (16.2%) lived in the moderate-income tracts, about 177.5 thousand (53.3%) lived in middle-income tracts and 83 thousand (24.9%) lived in upper-income tracts.

In 1990, the assessment area had approximately 358.6 thousand housing units, of which about 219.6 thousand (61.2%) were owner-occupied, about 123.3 thousand (34.4%) were rental units and 26.2 thousand (7.3%) were vacant or boarded up. Approximately 282.8 thousand (78.9%) were 1-4 family units, about 54.7 thousand (15.3%) were multifamily units and 17.8 thousand (5%) were mobile homes.

The 2002 HUD estimated weighted average of MSA/Non-MSA's median family income was \$48,597. The average median age for housing was 36 years and the weighted average of median housing price was almost \$73.3 thousand.

Business Demographics - According to the 2002 Dun and Bradstreet survey, there were over 49 thousand businesses (both farm and non-farm) in the bank's assessment area, of which 74.7%, or 36.6 thousand, had revenues of \$1 million or less and 6.7%, or 3.3 thousand, had revenues greater than \$1 million. Businesses that did not report revenues accounted for 18.6%, or 9.1 thousand businesses.

Businesses with fewer than 50 employees accounted for 77.6%, or 38 thousand, of all the businesses in the assessment area. Approximately 82.8% (40.6 thousand) of the businesses operated from a single location. Also, 36.9% (18.1 thousand) of all firms were in the services industry, 17.5% (8.6 thousand) were in the retail trade and 7.5% (3.7 thousand) were in the construction industry. In addition, 6.4% (3.2 thousand) were in the finance, insurance and real estate industry, and 14.1% (6.9 thousand) were in non-classifiable establishments. Manufacturing and wholesale trades constituted only 4.1% and 4.8%, respectively

Onondaga County – According to the 1990 U.S. Census data, this county had a population of approximately 469 thousand persons, constituting about 53.3% of the entire assessment area population. It had 119.2 thousand families, of which about 40.7 thousand, or 34.1%, were LMI. Of the nearly 178 thousand households, about 11.7 thousand, or 6.5%, received public assistance, and another 18.9 thousand, or 10.6%,

were below the poverty level. About 138.7 thousand, or nearly 78%, were wage earners and/or salaried persons.

The county had about 190.9 thousand housing units, of which approximately 112.9 thousand, or 59.1%, were owner-occupied units. Vacant housing units totaled about 13.3 thousand, or nearly 7%. There were about 37.7 thousand, or 19.7%, multifamily units and approximately 148.5 thousand, or 77.8%, one- to four-family units.

Broome County – The bank's home county had a population of about 212.2 thousand persons, or 24.1%, of the total assessment area population. There were almost 55.1 thousand families, of which 20.8 thousand, or 37.7%, were LMI. Households totaled about 81.7 thousand, of which nearly 61.7 thousand, or 75.5%, earned wages or salaries, 5.2 thousand, or 6.4%, received public assistance, and almost 9 thousand, or 11%, were below the poverty level.

There were almost 88 thousand housing units, of which 53.5 thousand, or 60.8%, were owner-occupied units, 70.7 thousand, or 80%, were 1-4 family units, and 11.5 thousand, or 13.1%, were multifamily units. Almost 6.3 thousand units, or 7.2%, were vacant or boarded up.

Chemung County – This County had a population of nearly 95.2 thousand, or 10.8% of the total assessment area population. There were 24.9 thousand families, of which 9.4 thousand, or 9.9%, were LMI. Households totaled 35.2 thousand, of which 25.6 thousand, or 72.7%, were wage earners or salaried persons. About 4.2 thousand, or 11.9%, were below the poverty level and 2.9 thousand, or 8.2%, received public assistance.

Housing units totaled nearly 37.3 thousand, of which 24.1 thousand, or 64.6%, were owner-occupied units, 31.5 thousand, or 84.5%, were 1-4 family units, and 3.5 thousand, or 9.4%, were multifamily units. Almost 8.1 thousand, or 5.6%, were vacant or boarded up units.

Tioga County – According to the 1990 U.S. Census, this county had a population of 52.3 thousand persons, constituting 5.9% of the total population in the bank's assessment area. The number of families living in the county totaled almost 14.5 thousand, of which 5.3 thousand, or 36.6%, were LMI. There were almost 18.8 thousand households, of which 15 thousand, or 79.8%, earned a wage or salary, 1.9 thousand, or 10.1%, were below the poverty level, and 1.1 thousand, or 5.9%, received public assistance.

The county had 20.3 thousand housing units, of which 14.8 thousand, or 72.9%, were owner-occupied units, 15.9 thousand, or 78.3%, were 1-4 family units, and 760, or 37.4%, were multifamily units. There were about 1.5 thousand, or 7.4%, vacant or boarded up units.

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

PERFORMANCE TESTS AND ASSESSMENT FACTORS

This performance evaluation is based on a review of the bank's lending, investment and service activities in its New York's assessment area during 2001 and 2002.

Statistics utilized in this evaluation were derived from various sources. In addition to loan information 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, along with the 2002 HUD-estimated median family income, are from the 1990 U.S. Census data.

The bank's 2001 HMDA and small business lending performance was compared to that of the 2001 aggregate, encompassing all lenders that reported such loans in BSB's assessment area. The 2002 aggregate data was not available for purposes of this evaluation.

I. Lending Test: "High Satisfactory"

The bank's lending performance is evaluated pursuant to the following criteria: (1) Lending Activity; (2) Assessment Area Concentration; (3) Geographic Distribution of Loans; (4) Borrower Characteristics; (5) Community development Lending; and (6) Innovative or Flexible Lending Practices.

Lending Activity: "Outstanding"

The bank's lending levels of both HMDA and small business loans for the evaluation period reflected excellent responsiveness to its assessment area credit needs. This determination was based primarily on BSB's lender market shares as well as a comparison to volumes reported at the prior evaluation.

HMDA-reportable loans – For the evaluation period, the bank made 2,597 HMDA-reportable loans totaling \$165 million in its assessment area. The number of loans was relatively unchanged from the level reported at the prior evaluation, while the corresponding dollar amount increased by 2.7%, from \$160.7 million at December 31, 1999 to \$165 million at December 31, 2002. Refer to the following table for details:

HMDA-REPORTABLE LOANS IN ASSESSMENT AREA – 2001 & 2002												
Products	2001				2002				Total			
	#	%	\$	%	#	%	\$	%	#	%	\$	%
Home Purchase	386	34.1	31,459	53.8	424	28.9	37,781	35.5	810	31.2	69,240	42.0
Refinance	411	36.3	23,878	40.8	700	47.8	64,706	60.7	1,111	42.8	88,584	53.7
Home Improvement	333	29.4	2,909	4.9	340	23.2	3,932	3.7	673	25.9	6,841	4.1
Multifamily	2	0.2	265	0.5	1	0.1	78	0.1	3	0.1	343	0.2
Total	1,132	100.0	58,511	100.0	1,465	100.0	106,497	100.0	2,597	100.0	165,008	100.0

According to the 2001 Lender Market Share Report on HMDA loans, the bank ranked 2nd among 276 lenders in the assessment area, based on the number of loans, with a

4.87% market share. For the corresponding dollar volume, the bank ranked 9th, with a 3.38% market share. As shown in the above chart, lending volume increased considerably between 2001 and 2002.

Small Business Loans – For the evaluation period, the bank made 1,887 small business loans totaling \$294.4 million in its assessment area, reflecting a 43.5% increase (from 1,315 at December 31, 1999) based on the number of loans and a 76.2% increase (from \$167.1 million at December 31, 1999) based on the corresponding dollar amount, between evaluations.

In 2001, BSB made 1,153 small business loans totaling \$179.0 million within its assessment area. In 2002, BSB originated 734 small business loans totaling \$115.4 million in the assessment area.

According to the 2001 Small Business Lender Market Share Report, BSB ranked 6th among 90 lenders in its assessment area based on the number of small business loans, with a 6.67% market share. The bank ranked 2nd based on the corresponding dollar amount, with a 19.78% market share, second only to Manufacturers & Traders Bank, which attained a 19.98% market share.

Assessment Area Concentration: “High Satisfactory”

Overall, the bank originated a high percentage of its HMDA-reportable and small business loans in its assessment area. Refer to the following chart for details:

Distribution of Loans Inside and Outside of the Assessment Area										
Loan Type	Number of Loans					Loans in Dollars (in thousands)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
HMDA										
2001	1,132	79.1%	299	20.9%	1,431	58,511	76.8%	17,711	23.2%	76,222
2002	1,465	78.2%	408	21.8%	1,873	106,497	74.6%	36,347	25.4%	142,844
Subtotal	2,597	78.6%	707	21.4%	3,304	165,008	75.3%	54,058	24.7%	219,066
Small Business										
2001	1,153	88.3%	153	11.7%	1,306	178,968	83.8%	34,707	16.2%	213,675
2002	734	91.3%	70	8.7%	804	115,428	85.9%	19,001	14.1%	134,429
Subtotal	1,887	89.4%	223	10.6%	2,110	294,396	84.6%	53,708	15.4%	348,104
Grand Total	4,484	82.8%	930	17.2%	5,414	459,404	81.0%	107,766	19.0%	567,170

As illustrated above, the bank’s overall assessment area concentration of 82.8%, based on the number of loans, reflects an improvement of over 60% from the prior evaluation’s (1998&1999) ratio of 51.9% (1,830 HMDA and small business loans in the assessment area over a total of 3,587 loans). Likewise, for corresponding dollar volume, the bank

made 81% of its loans inside the assessment area, nearly 48% better than the 54.8% concentration (\$327.8 thousand in the assessment area over the total of \$598.3 thousand) achieved at the previous evaluation.

Geographic Distribution of Loans: “Low Satisfactory”

For the evaluation period, the overall geographic distribution of BSB’s HMDA and small business loans throughout the assessment area was adequate.

HMDA-reportable loans – In 2001, the bank extended 8.1% of its number of loans in LMI areas, relatively consistent with the aggregate’s LMI penetration of 8.2%. Based on the corresponding dollar amount, the bank did 5.4% of its lending in LMI areas, slightly trailing the aggregate’s 6.1% penetration rate. As a result, the bank had a slightly higher penetration of middle- and upper-income areas, based on dollar volume.

In 2002, the bank’s LMI penetration rates for number and dollar amount decreased significantly to 6.5% and 3.6%, respectively. It is noted that while the bank’s LMI penetration rates for HMDA loans decreased between the evaluation years, its portfolio of 1-4 family residential mortgages went from representing 20.5% of the total gross loan portfolio in 2001 to 32.2% in 2002, a proportionally 57% higher. Refer to the chart below for details.

Distribution of HMDA-reportable Loans by Geographic Income Level*								
2001								
Geography Income Level	Bank				Aggregate			
	#	%	\$**	%	#	%	\$**	%
Low	6	0.5%	292	0.5%	173	0.7%	7,914	0.5%
Moderate	86	7.6%	2,842	4.9%	1,747	7.5%	96,328	5.6%
Middle	632	55.8%	29,167	49.8%	12,368	53.3%	804,059	46.5%
Upper	408	36.0%	26,210	44.8%	8,935	38.5%	822,364	47.5%
Total	1,132	100.0%	58,511	100.0%	23,223	100.0%	1,730,665	100.0%
2002								
Geography Income Level	Bank				Aggregate			
	#	%	\$	%	#	%	\$	%
Low	6	0.4%	327	0.3%	N/A	N/A	N/A	N/A
Moderate	89	6.1%	3,467	3.3%	N/A	N/A	N/A	N/A
Middle	726	49.6%	43,814	41.1%	N/A	N/A	N/A	N/A
Upper	644	44.0%	58,889	55.3%	N/A	N/A	N/A	N/A
Total	1,465	100.0%	106,497	100.0%	N/A	N/A	N/A	N/A

* 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% of the MSA median income, middle-income is 80% to <120%, and upper-income is at least 120%.

** In thousands.

Small Business Loans - In 2001 the bank made 18.5% of its number of loans in LMI areas, somewhat behind the aggregate’s 20.5% LMI penetration rate. The bank also trailed the aggregate on dollar amount, based on their respective LMI penetration rates of 21.2% and 23.8%. As a result, the bank had a slightly higher concentration of its

loans in middle- and upper-income tracts than did the aggregate. Refer to the chart below for details.

The bank's LMI penetration based on the number of loans increased in 2002, to 22.2%, while its dollar volume penetration declined to 20.9%. This can be attributed to the decline of commercial and industrial loans, which decreased to 18.4% of the bank's total loan portfolio at December 31, 2002 from 30.7% at December 31, 2001 (Refer to the Performance Context).

Distribution of Small Business Loans by Geographic Income Level								
2001								
Geography Income Level	Bank				Aggregate			
	#	%	\$*	%	#	%	\$*	%
Low	60	5.2%	14,463	8.1%	1,274	7.9%	78,605	9.1%
Moderate	153	13.3%	23,487	13.1%	2,046	12.6%	126,463	14.7%
Middle	665	57.7%	92,441	51.7%	8,691	53.7%	440,736	51.1%
Upper	275	23.9%	48,577	27.1%	4,172	25.8%	215,851	25.1%
Total	1,153	100.0%	178,968	100.0%	16,183	100.0%	861,655	100.0%
2002								
Geography Income Level	Bank				Aggregate			
	#	%	\$	%	#	%	\$	%
Low	55	7.5%	12,116	10.5%	N/A	N/A	N/A	N/A
Moderate	108	14.7%	11,994	10.4%	N/A	N/A	N/A	N/A
Middle	395	53.8%	59,169	51.3%	N/A	N/A	N/A	N/A
Upper	176	24.0%	32,149	27.9%	N/A	N/A	N/A	N/A
Total	734	100.0%	115,428	100.0%	N/A	N/A	N/A	N/A

Borrower Characteristics: "Low Satisfactory"

The bank's overall distribution of HMDA and small business loans based on borrower characteristics is considered adequate.

HMDA-reportable Loans – As detailed in the chart below, in 2001 the bank extended 23.1% of its loans to LMI borrowers, consistent with the aggregate's LMI penetration rate of 23.1%. The bank outperformed the aggregate, based on corresponding dollar amount, with LMI penetration rates of 15.8% and 13.8%, respectively.

In 2002, the bank's LMI penetration rate, based on the number of loans, fell moderately to 20.9%. BSB's LMI penetration rate based on dollar volume declined more dramatically, to 12.1%. As a result, the bank's lending penetration with middle- and upper-income borrowers increased between years.

Distribution of HMDA-reportable Loans by Borrower Income Level*								
2001								
Borrower Income Level	Bank				Aggregate			
	#	%	\$**	%	#	%	\$**	%
Low	63	5.6%	1,882	3.2%	1,269	5.5%	44,253	2.6%
Moderate	201	17.8%	7,383	12.6%	4,098	17.6%	194,496	11.2%
Middle	264	23.3%	11,118	19.0%	5,842	25.2%	342,219	19.8%
Upper	583	51.5%	37,202	63.6%	10,750	46.3%	998,656	57.7%
Inc. Not Avail.	21	1.9%	926	1.6%	1,265	5.4%	151,069	8.7%
Total	1,132	100.0%	58,511	100.0%	23,224	100.0%	1,730,693	100.0%
2002								
Borrower Income Level	Bank				Aggregate			
	#	%	\$	%	#	%	\$	%
Low	78	5.3%	3,020	2.8%	N/A	N/A	N/A	N/A
Moderate	228	15.6%	9,853	9.3%	N/A	N/A	N/A	N/A
Middle	360	24.6%	20,619	19.4%	N/A	N/A	N/A	N/A
Upper	754	51.5%	70,543	66.2%	N/A	N/A	N/A	N/A
Inc. Not Avail.	45	3.1%	2,462	2.3%	N/A	N/A	N/A	N/A
Total	1,465	100.0%	106,497	100.0%	N/A	N/A	N/A	N/A

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

** In thousands.

Small Business Loans – *The distribution of loans according to borrower characteristics is analyzed by using two methodologies: 1) the distribution of small business loans by business revenues size; and 2) the distribution of small business loans by loan size.*

Business revenue size - In 2001, the bank made 30.9% of its number of small business loans to businesses with gross annual revenues of \$1 million or less ("small businesses"), approximately 29% lower than the aggregate's 39.9% lending penetration with small businesses. BSB also trailed the aggregate based on dollar volume, with small business penetration rates of 18.2% and 23.4%, respectively.

Lending penetration among small businesses jumped dramatically in 2002, to 54.8% based on the number of loans and 35.5% based on their corresponding dollar amount. Refer to the chart below for details.

Distribution of Small Business Loans by Business Revenue Size								
Revenue Size	2001							
	Bank				Aggregate			
	#	%	\$*	%	#	%	\$*	%
\$1million or less	356	30.9%	32,559	18.2%	6,459	39.9%	262,824	23.4%
Over \$1 million	662	57.4%	123,817	69.2%	9,724	60.1%	861,655	76.6%
No Revenue Info	135	11.7%	22,592	12.6%	N/A	0.0%	N/A	0.0%
Total	1,153	100.0%	178,968	100.0%	16,183	100.0%	1,124,479	100.0%
Revenue Size	2002							
	Bank				Aggregate			
	#	%	\$	%	#	%	\$	%
\$1million or less	402	54.8%	40,996	35.5%	N/A	N/A	N/A	N/A
Over \$1 million	303	41.3%	68,837	59.6%	N/A	N/A	N/A	N/A
No Revenue Info	29	4.0%	5,595	4.8%	N/A	N/A	N/A	N/A
Total	734	100.0%	115,428	100.0%	N/A	N/A	N/A	N/A

Small Business Loans by Loan Size – As illustrated below, in 2001 the bank made 60.6% of its small business loans in amounts equal to or less than \$100 thousand (“small loans”), trailing the aggregate’s 88.5% small loan rate by approximately 46%. As a result, BSB’s lending percentages in the other two size categories (>\$100 thousand, but <=\$250 thousand, and >\$250 thousand, but <\$1,000 million) were well above the aggregate’s.

The bank’s lending distribution in 2002 was relatively unchanged from the prior year. Refer to the chart below for details:

Distribution of Small Business Loans by Loan Size								
Loan Size (\$ in thousands)	2001							
	Bank				Aggregate			
	#	%	\$	%	#	%	\$	%
<= \$100	699	60.6%	31,766	17.7%	14,328	88.5%	238,986	27.7%
>\$100 - <=\$250	246	21.3%	42,499	23.7%	1,005	6.2%	178,956	20.8%
>\$250 - <\$1,000	208	18.0%	104,723	58.5%	850	5.3%	443,713	51.5%
Total	1,153	100.0%	178,988	100.0%	16,183	100.0%	861,655	100.0%
Loan Size	2002							
	Bank				Aggregate			
	#	%	\$	%	#	%	\$	%
<=\$100	446	60.8%	19,868	17.2%	N/A	N/A	N/A	N/A
>\$100 - <=\$250	161	21.9%	27,722	24.0%	N/A	N/A	N/A	N/A
>\$250 - <\$1,000	127	17.3%	67,838	58.8%	N/A	N/A	N/A	N/A
Total	734	100.0%	115,428	100.0%	N/A	N/A	N/A	N/A

Community Development Lending: “Outstanding”

The bank is considered a leader in making community development loans. This is reflective of the bank’s approximately \$23.0 million in community development loan commitments provided between evaluations. All loan commitments are deemed “new money.” While neither innovative nor complex, the size of the commitment represents an excellent response to local needs.

The majority, or approximately 78%, of the loan proceeds went to support economic development activities, followed by lending to organizations involved in providing community development services. A couple of loans went to support organizations engaged in revitalization/stabilization efforts and the creation of affordable housing. A brief description of two of the bank’s community development loans follows:

- In early 2002, the bank provided a \$12 million loan commitment to a company located in Syracuse for the purchase and renovation of a 20-story hotel situated in a low-income census tract in the City of Syracuse, which is also part of an Empire Development Zone. This construction project is promotes economic development because of its location and the retention of dozens of LMI workers.
- In late 2002, the bank extended a new \$100 thousand line of credit to a not-for-profit organization that creates and sponsors training programs for child care providers throughout Onondaga County. Approximately half of the families assisted by this organization are considered low-income.

Innovative or Flexible Lending Practices – “High Satisfactory”

BSB makes good use of innovative and/or flexible lending practices in serving its assessment area credit needs.

The bank provides innovative lending programs that meet the credit needs of LMI individuals and areas, as well as small businesses. These programs offer non-traditional sources of credit and incorporate homeowner and credit counseling both before and during the life of the loan. The bank collaborates with affordable housing groups throughout its lending area to provide credit counseling to prospective homebuyers, including the Broome County Mortgage Outreach Partnership, the Consumer Credit Counseling of Central New York, HAMA Associates and Home Headquarters Association.

Refer to the following chart for information regarding the bank’s product lines specifically targeting LMI individuals, LMI neighborhoods and small businesses:

SPECIAL LOAN PROGRAMS – YEARS 2001 & 2002				
Residential Mortgage Products	2001		2002	
	Number of Loans	\$ (in thousands)	Number of Loans	\$ (in thousands)
Great Beginnings-LMI Borrowers&Areas	31	1,508	24	1,186
Great Beginnings-LMI Borrowers	19	801	8	471
Great Beginnings-With Grants	5	221	18	1,020
First Ward Action Council AHP	0	0	1	57
SU Staff/Employee Home Loan	2	249	4	451
SONYMA-Low interest rate	41	2,570	15	882
SONYMA-Construction Incentive Prog.	2	189	0	0
FHA-Fixed rate	24	1,688	28	1,823
Total	124	7,226	103	5,890
Small Business Loan Programs				
SBA-Time Loans	6	112	5	102
SBA-Term Loans	4	1,820	7	1,056
SBA-Guaranteed	4	126	0	0
Total	14	2,058	12	1,158

A brief description of some of the most successful programs of the bank follows:

- *Great Beginnings (LMI Census Tracts)* - This program offers loans for one- and two-family owner-occupied properties in selected LMI census tracts within the bank's service area. Loan terms include a below-market rate, with no points for a 10- to 30-year mortgage. There is a 3% down payment (1% from the borrower's own funds) and there are no income limits. The bank also may provide an unsecured consumer loan for remaining down payment or closing costs. Private Mortgage Insurance (PMI) is required. Underwriting standards are flexible and pre-purchase budget and credit counseling are required.
- *Great Beginnings (LMI Borrowers)* - This program offers one- and two-family owner-occupied purchase loans in selected New York counties. This loan is conventional, with a fixed rate and no points for a 10- to 30-year mortgage. The eligibility requirement is 80% or less of 2000 HUD Area Median Income. A three percent down payment is required, with 1% from borrower's own funds. Unsecured BSB consumer loans are available for the remaining down payment or closing costs, and PMI is required. This product is subject to flexible underwriting standards and pre-purchase budget and credit counseling are required.
- *Great Beginnings (with Grants)* - This program offers single-family owner-occupied purchase loans in selected New York counties. This loan is conventional, with a fixed rate and no points for a 10- to 30-year mortgage. Eligible borrowers must earn 80% or less of the 2000 HUD Area Median Income, adjusted for family size. A three percent down payment is required, with \$500 from the borrower own funds for cash down payment or closing costs. Unsecured consumer loans are available for the remaining down payment or closing costs. PMI is required. The product is subject to flexible underwriting

standards and pre-purchase budget and credit counseling are required. An affordable housing grant must come from an approved grant program.

- *SONYMA-Low Interest Rate Program* - This program offers one- to four-family (primary residence only) purchase loan with no points for 20, 25, and 30-year term for first-time homebuyer's in non-target areas, with below market interest rates. Maximum income limits vary by area. The program requires 3% down payment from borrower's own funds for one to two-family homes, with PMI. It requires a 10% down payment on three- and four-family homes, of which 5% must come from borrower's own funds. PMI is required.
- *SONYMA-Construction Incentive Program* - This program offers new construction of single-family primary residences for first-time homebuyers in all areas, and purchase loans in target areas for two-family homes. The bank provides fixed rates for the first four years. Borrower pays 1.5% points and there is no down payment, but the borrower must have 3% of own funds for closing costs. Income limits vary by location.
- *FHA-Fixed Rate Mortgages* - This program offers loans for one- to four-family owner-occupied properties, with a 15- to 30-year term, in selected New York counties. Down payment and closing costs may come entirely from gifts. The program allows for higher than conventional underwriting ratios, no reserves on one to two-family units, three months reserves on three to four-family, and there is no prepayment penalty. PMI is required. First-time homebuyers who have completed counseling qualify for a reduced up-front PMI premium of 1.75%.
- *First Ward Action Council (Affordable Home Program)* - This program offers single-family owner-occupied purchase loans in census tracts 2.00, 3.00, or 13.00 in the City of Binghamton. Regular conventional rates apply, with 10- to 30-year terms. Borrowers with an income of 60% of 2000 HUD Median Income, adjusted for family size, or less are eligible with maximum loan amount of \$71,500. A down payment of 3% is required, with at least \$500 coming from borrower's own funds. Borrowers must use a *First Ward Action Council grant*. Rehabilitation grants from the City of Binghamton may be available. Pre-purchase budget and credit counseling from Metro Interfaith is required.

The bank's business banking unit works closely with the Small Business Administration ("SBA") to offer SBA loan products to eligible businesses in its assessment area. Refer to the chart above for details.

II. **Investment Test:** "Outstanding"

The bank's investment performance is evaluated pursuant to criteria which may include the following: 1) The dollar amount of qualified investments; 2) The innovativeness or complexity of qualified investments; 3) The responsiveness of qualified investments to

credit and community development needs; and 4) The degree to which the qualified investments are not routinely provided by private investors.

At this evaluation, the bank had an excellent level of qualified community development investments, including grants, which totaled \$5.7 million, with \$3.0 million, or 53.1%, in “new money.” Compared to the prior evaluation level, qualified investments grew by nearly \$3.9 million, or about 211%, with “new money” increasing significantly, as well. Grants totaled about \$533 thousand, nearly tripling the letter reported at the prior evaluation.

QUALIFIED INVESTMENTS SUMMARY										
Type	Affordable Housing		Economic Development		Community Service		Rehabilitation/ Stabilization		Total	
	Comm't.	N.M.	Comm't.	N.M.	Comm't.	N.M.	Comm't.	N.M.	Comm't.	N.M.
Equity Investments	4,533	2,311	578	178					5,111	2,489
Deposit			50						50	
Grants	328	328	40	40	150	150	15	15	533	533
Total									5,694	3,022

The level of qualified investments reflects excellent responsiveness to the credit and community development needs of its service area. The bank invested \$4.5 million in collateral trust notes (“CTN”) issued by the Community Preservation Corporation (“CPC”), representing almost 80% of the total qualified investments. 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. Its bank sponsors provide secured financing, under revolving lines of credit, for housing construction and rehabilitation, as well as permanent financing through purchases of CTNs backed by the organization’s mortgages.

Other investments include equity investments in the Statewide Zone Capital Corporation of New York, the New York Business Development Corporation and the Southern Tier Equity Fund.

Of the total grants, \$328 thousand, or almost 62% represented BSB’s prorated share of the Federal Home Loan Bank of New York (“FHLBNY”)’s annual set-aside of earnings to fund its Affordable Housing Program. The prorated share is determined according to each bank’s ownership of FHLB stock.

Notable among the other major grants is the \$15 thousand (\$3,750 per year) pledge to a private, nonprofit organization, which serves as the economic development agency of the Elmira Standard Metropolitan Area. This agency plans, promotes and implements economic development programs and services in Chemung County, thereby creating and/or retaining jobs in the area.

BSB’s Charitable Contribution Committee meets monthly to allocate funds to support service providers for LMI individuals. These grants are primarily directed to United Way

agencies, housing, and small business development groups. The “BSB Neighborhood News” publication provides details on many of these programs.

III. Service Test: “High Satisfactory”

The evaluation of services includes a review of retail banking services and community development services. For retail banking services, the banks’ performance is evaluated for the availability and effectiveness of the institution’s delivery systems which may include: a) The current distribution of the bank’s branches among low-, moderate-, middle-, and upper-income geographies or primarily serving low- or moderate-income individuals; b) the bank’s record of opening and closing branches, particularly branches located in LMI areas or primarily serving LMI individuals; c) The availability and effectiveness of alternative delivery systems; and d) The range of services and the degree to which they are tailored to meet the needs of low-, moderate-, middle-, and upper-income geographies and individuals.

For its community development services, the bank’s performance is evaluated pursuant to criteria which may include the following: a) The extent to which the institution provides community development services; and b) Their innovativeness and responsiveness.

Retail Banking Services: “High Satisfactory”

Accessibility of Delivery Systems – The bank’s delivery systems are readily accessible to all portions of its assessment area.

At the evaluation date, five, or 25%, of the bank’s full-service offices were located in LMI census tracts. Of the 10 branches in middle- or upper-income tracts, five, or 50%, were located in census tracts adjacent to LMI areas. Overall, 10, or 50% of branches, were located in or adjacent to LMI census tracts.

Of the 16 full service ATMs, one, or 16%, is located in an LMI area. Of the remaining 15 full service ATMs, two, or 13.3%, are located in tracts adjacent to LMI census tracts. Overall, three, or almost 19%, are located in or adjacent to LMI census tracts.

The bank also has 32 non-deposit taking ATMs, of which five, or almost 16%, are in LMI geographies. Of the remaining 27 off-site ATMs, five, or almost 19%, are in areas adjacent to LMI census tracts. Overall, 10, or 31%, are located in or adjacent to LMI geographies.

Among its alternative delivery systems, the bank has bank by mail services, bank by phone services, online computer banking services and internet website options.

Changes in branch locations – The bank’s record of closing and opening branches during the evaluation period has not adversely affected the accessibility of its delivery systems. While the bank closed three branches, with two of them in moderate-income

areas and another adjacent to an LMI census tract, its customers were not adversely affected as the branches were actually bought by other banks. The three branches sold were: one located in a moderate-income census tract in Oswego County, and one each in moderate-income and middle-income areas (adjacent to a LMI geography) in Chemung County.

In the last quarter of 2001, the bank opened a new branch in an upper-income area in Onondaga County.

Reasonableness of Business Hours and Services In Meeting Assessment Area Needs –

The bank's branch business hours do not vary in a way that inconveniences certain portions of its assessment area. Eighteen of the branches open at 9:00 a.m. and two branches open earlier. All branches typically close at 3:00 p.m., but most stay open later (with closing times varying from 5:00 - 7:00 p.m.) twice a week.

Fifteen, or 75%, of all branches have Saturday hours (9:00 a.m. to 12:00 p.m.). Two others have Saturday and Sunday hours (9:00 a.m. to 2:00 p.m.), and the remaining three do not open on weekends. All but two branches have drive-up facilities, which have early opening hours and late closing hours.

The bank's retail products include an array of deposit products and services, including many specifically designed to serve LMI individuals. Some these products are as follows:

The bank offers a free checking account to all customers. Unlike its *Basic Banking account*, BSB's checking account has no minimum balance requirement, no activity fees, and offers unlimited check writing privileges. In addition, this checking account offers customers access to their account balances through a VISA Debit Card.

BSB also participates in the Electronic Benefit Transfer Program ("EBT") sponsored by the New York State Office of Temporary and Disability Assistance. This program enables recipients to have cash assistance benefits deposited directly to their debit card accounts.

Community Development Services: "Outstanding"

The institution is a leader in providing community development services to the community. Each quarter, senior bank officers are required to report on all CRA-related community development services performed either by themselves or their staff. This information is then compiled by the CRA Officer and incorporated in his report to the board.

Fifty-seven officers, directors and employees of BSB actively participate in over 125 community organizations that promote economic development, quality of life, neighborhood revitalization, education and health, and social service programs.

During the evaluation period, several bank officers volunteered their time with several local community organizations. Eleven officers serve on economic development boards of the following organizations that serve the bank's assessment area:

- Binghamton Local Development Corporation;
- Chenango County Area Corporation;
- City of Norwich, Delaware, Chenango;
- Otsego Workforce Development, Binghamton Empire Zone;
- Metropolitan Development Association of Syracuse;
- New York State Business Development Corporation;
- New York State Zone Capital Corporation;
- Rebuild Syracuse;
- Southern Tier Business Development Corporation; and
- Syracuse Neighborhood Development Corporation

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.

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

The most recent regulatory compliance examination report made concurrently with this evaluation indicates satisfactory adherence to anti-discrimination or other applicable laws and regulations. No evidence of prohibited discrimination or other illegal credit practices was noted.

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 participates with several community organizations and remains in constant contact with them to ascertain community credit needs and make them aware of the products and services offered by the bank.

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.

BSB uses electronic and print media, lobby posters, direct mailings, billboards and bus signs to market its credit and deposit services in its assessment area. Electronic media used include television and radio stations, Cable Television Station, and Time Warner

Cable Station. Print media used includes advertisements in the *Pennysaver* and local newspapers such as: the *Binghamton Press and Sun*, the *Post Standard* in Syracuse, and the *Evening Sun* in Norwich.

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

The CRA Officer reports monthly to the Board of Directors on all CRA-related issues. The board also reviews annually the bank's Consolidated Compliance Policy, including CRA statement, to determine whether any changes are warranted. In addition, the board approves all larger grants eligible for CRA consideration.

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.

BSB's investment portfolio includes a large holding of municipal bonds (issued by local government entities), the proceeds of which went primarily to enhance delivery of community services and to revitalize and/or stabilize its assessment area communities. For the evaluation period, BSB had invested \$17.9 million in municipal bonds, a total that includes several year 2000 purchases not mentioned in prior evaluation reports.

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.

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 - These individuals have income that 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.

LMI Penetration Rate

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

Small Business Loans

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