NEW YORK STATE BANKING DEPARTMENT

CONSUMER SERVICES DIVISION

One State Street
New York, N.Y. 10004

PUBLIC SUMMARY

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Date of Evaluation: December 31, 2002

Institution: Oneida Savings Bank
182 Main Street
Oneida, N.Y. 13421

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 Oneida Savings Bank ("OSB") 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

OSB is rated "2," indicating a satisfactory record of helping to meet community credit needs.

- **Lending Test – "Outstanding"**

  - ***Lending Activity:*** For the evaluation period, the bank's overall lending activity levels based on Home Mortgage Disclosure Act ("HMDA")-reportable, small business and consumer loans reflected excellent responsiveness to community credit needs.

    According to the 2001 HMDA "Lender Market Share Report," the bank ranked first (among 166 lenders), with a 10.4% share of the number and a 9.5% share of the dollar volume of residential loan originations in the assessment area. For its small business loans, the bank ranked 16th (among 82 lenders) by number and 10th by dollar volume, with corresponding market shares of 2.1% and 3.2%, respectively. In its home county of Madison, the bank ranked 2nd, with a 14.9% market share by number, and first, with a 29.8% market share, based on dollar amount.

  - ***Assessment Area Concentration:*** The bank made a substantial majority of its HMDA, small business and consumer loans in the assessment area, demonstrating excellent responsiveness to community credit needs.

    Overall, OSB made 86.2% of the total number and 87.7% of its total dollar volume of loans in the assessment area. The assessment area concentration for small business loans, at 94% by number and 94.5% by dollar volume, was particularly high. The bank also made just over 85% of its HMDA loans, and just below 85% of its consumer loans within the assessment area.

  - ***Geographic Distribution of Loans:*** The bank's overall geographic distribution of HMDA-reportable, small business and consumer loans reflected excellent penetration throughout the assessment area, with the predominance of loans extended in middle-income census tracts.

    In 2001, with 10.2% of the number and 8% of the dollar volume of its HMDA-reportable loans extended in moderate-income census tracts, the bank significantly outperformed the aggregate of all lenders in its assessment area. OSB's moderate-income penetration rate increased slightly in 2002, reflecting continued strong performance.

    The bank's moderate-income tract penetration for small business loans was also strong, with OSB achieving rates of 13.9% by number and 14.9% by dollar

volume, compared 9.9% and 9.3%, respectively, for the aggregate in 2001. OSB's moderate-income tract penetration decreased in 2002 to 11.1% by number and 6.3% by dollar volume.

OSB's moderate-income tract penetration for consumer loans was also excellent, relative to area demographics. In 2001, the bank made 19.8% by number and 25.1% by dollar volume of such loans in moderate-income tracts in the assessment area. While declining in 2002 to 15.9% and 14%, respectively, the bank's proportion of lending in moderate-income tracts remained high, given the census tract composition and distribution of population within the assessment area.

***Distribution by Borrower Characteristics**:* The bank's overall lending distribution based on borrowers' characteristics reflected excellent penetration among individuals of different income levels and businesses of different revenue size in the assessment area.

In 2001, OSB extended 18.8% by number and 10.9% by dollar amount of its HMDA loans in LMI areas, below the aggregate's rates of 21.9% and 11.9%, respectively. The bank's performance improved in 2002, to somewhat above 2001 aggregate levels.

With almost 82% of its number of small business loans extended to firms with gross annual revenues of less than $1 million in 2001, the bank far exceeded the aggregate's nearly 50% small business penetration rate. On the other hand, with 83.4% of its number of small business loans extended in amounts of equal to or less than $100 thousand, the bank's small loan penetration was below the 91.4% rate achieved by the aggregate. The bank's small loan penetration rate increased in 2002.

The bank's 51.8% LMI penetration rate for consumer loans in 2001 compared favorably to assessment area population demographics.

- ***Community Development Lending:*** For the evaluation period, the bank made a relatively high level of community development loans, which totaled about $9.2 million. "New money" amounted to $8.3 million, or just over 90% of the total. The proceeds generally went to support community services for LMI individuals.

- ***Innovative or Flexible Lending Practices:*** The bank made limited use of innovative or flexible lending practices in serving its assessment area credit needs.

- **<u>Investment Test</u> – "Low Satisfactory"**

Given the bank's size and capacity, OSB's qualified investment activity is considered adequate. These investments totaled slightly over $2 million, of which about $1.1 million, or 55%, is considered "new money." The total includes several securities whose proceeds support public improvements in LMI areas outside of, but adjacent to, the bank's assessment area.

- **<u>Service Test</u> – "High Satisfactory"**

  - The bank's delivery systems are accessible to all portions of its assessment area. Two, or 25%, of the bank's branches are located in moderate-income areas, and one, or 16.7%, is situated in a census tract adjacent to LMI geographies. Overall, 37.5% of the branches are in moderate-income areas or tracts adjacent to LMI census tracts.

  - The bank's record of opening and closing branches did not adversely affect the accessibility of its delivery systems. During the evaluation period, the bank added two branches in middle-income census tracts and did not close any branches.

  - The bank's business hours and services are reasonably tailored to the convenience and needs of the assessment area.

  - The bank provides a relatively high level of community development services.

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

PERFORMANCE CONTEXT

Institution's Profile:

Chartered in 1866, OSB is a savings bank located in Oneida, Madison County, New York. OSB is a wholly owned subsidiary of Oneida Financial Corporation, a Delaware mutual holding company. The bank acquired the State Bank of Chittenango ("SBC"), effective May 31, 2002. OSB operates in a rural economy, with eight full-service banking offices distributed between two counties (six branches in Madison County and two branches in Oneida County). The main office, in Oneida, is a full service branch. OSB supplements its banking offices with an automated teller machine ("ATM") network comprised of nine locations, one at each branch and one off-site location within the assessment area.

State Bank of Chittenango, a wholly owned subsidiary of the bank, retained its commercial banking charter after the acquisition. However, the certificate of incorporation was amended to limit the scope to the solicitation and servicing of municipal deposits. As of the evaluation date, its assets totaled $8.5 million

Oneida Financial Corporation reported total assets of $416.7 million as of December 31, 2002. In addition to owning OSB, the company owns an insurance and financial service company, Baily & Haskell Associates Inc., doing business as Baily Haskel & LaLonde.

As per the December 31, 2002 Consolidated Report of Condition and Income (the "Call Report"), OSB reported total assets of $408 million, including $200 million (49% of total assets) in gross total loans and $148 million (36%) in investments. It reported $289 million in total deposits and equity capital of $42 million. The bank had a net income of $3 million for the calendar year ending December 31, 2002. Between evaluations, the bank's total assets grew by 38%, from $295 million at the prior evaluation as of March 31, 2000.

The following table illustrates a breakdown of the bank's loan portfolio as of December 31, 2001 and 2002 in accordance with the Call Report:

TOTAL GROSS LOANS OUTSTANDING				
	12/31/2001		12/31/2002	
LOAN TYPE	$*	%	$*	%
Residential Mortgage Loans	88,004	50.9	97,799	48.8
Commercial Mortgage Loans	7,271	4.2	7,060	3.5
Multifamily Mortgages	1,003	0.6	1,983	1.0
Commercial & Industrial Loans	39,361	26.3	52,613	22.8
Consumer Loans	37,184	21.5	40,773	20.4
Agricultural Loans	0	0.0	95	0.0
Other Loans	23	0.0	34	0.0
Total Gross Loans	**172,846**	**100.0**	**200,357**	**100.0**

* In thousands

The bank is primarily a residential real estate lender, with nearly 49% of its loan portfolio in residential mortgage loans, almost 23% in commercial and industrial loans and 20% in consumer loans as of December 31, 2002.

OSB offers a variety of loan products ranging from commercial and industrial loans to consumer loans, including government-sponsored loan products for small businesses and mortgages. These products include all of the Small Business Administration ("SBA") loan programs, Federal Housing Administration ("FHA") insured mortgage loans, Veterans Administration ("VA") Guaranteed Loan Program and State of New York Mortgage Agency ("SONYMA") first–time homebuyer loan program. The bank is also an approved correspondent lender with several investors.

The bank originates loans for resale and for retention in its portfolio. Generally, adjustable rate mortgages are retained in the portfolio while fixed rate mortgages are sold or at times retained. The majority of loans sold are on a servicing retained basis. As of December 31, 2002 the bank sold and serviced for others a total of approximately $70 million. This strategy provides liquidity, enabling the bank to extend significantly more mortgage loans to more families.

OSB's home county (Madison County) provided about 74% of its deposits according to the latest available comparative deposit data report, dated June 30, 2002. OSB's deposits in this county represented approximately 37% of the market share, placing the bank first among all of the banks operating in the county.

The bank faces competition from smaller community banks, larger financial institutions, mortgage bankers, finance companies, credit unions, insurance companies and brokerage firms. In addition, the absence of low-income geographies and limited moderate-income geographies, restrict the qualified investment opportunities in its assessment area somewhat. The Town of Brookfield, in a moderate-income census tract not originally included in the assessment area, was added by management during the evaluation.

This is the bank's first evaluation as a large bank for CRA purposes. The bank received a rating of "2," reflecting a satisfactory record of helping to meet community credit needs, at its most recent Performance Evaluation on May 31, 2000 by the New York State Banking Department.

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 evaluations, the bank's assessment area expanded and now includes Madison County, in its entirety, and partial counties of Oneida and Onondaga (new).

Distribution of Assessment Area Census Tracts by Income Level							
County	Zero	Low	Moderate	Middle	Upper	Total	LMI %
Madison	-	-	3	11	2	16	18.8
Oneida	-	-	-	6	-	6	-
Onondaga	-	-	-	3	7	10	-
Total	-	-	3	20	9	32	9.4

As illustrated above, the bank's assessment area comprises 32 census tracts, of which three, or 9.4%, are considered moderate-income, 20, or 62.5%, are middle-income and nine, or 28%, are upper-income. There are no zero- or low-income census tracts.

The partial county of Oneida includes the Townships of Annsville, Florence, Camden, Vienna, Verona, Vernon and the City of Sherrill. The partial county of Onondaga includes the Townships of Cicero and Manlius.

The assessment area appears to be 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.

Demographics:

Assessment Area - According to the 1990 US Census data, the bank's assessment area had a population of approximately 131.6 thousand. The 1990 weighted-average median family income for the area was about $39.4 thousand. The weighted-average of MSA/Non-MSA's median income was about $35.7 thousand and the MSA/Non-MSA's weighted-average median family income updated in 2002 was about $48.8 thousand.

There were approximately 51.5 thousand housing units, of which 82% were 1-4 family structures, 7% were multifamily, and 9% were mobile homes. Of the total housing units, 10% were vacant, 20% were renter-occupied, and 68% were owner-occupied. The weighted-average median housing value was nearly $77.9 thousand.

There were approximately 34.4 thousand families in the area, of which almost 11.5 thousand, or 33.4%, were LMI families. About 8.6 thousand, or 25%, were middle-income, and nearly 14.3 thousand, or 41.6%, were upper-income families. There were approximately 46.3 thousand households in the assessment area, of which 8% had incomes below the poverty level.

Approximately 1.4 thousand of the LMI families lived in LMI census tracts, accounting for almost 54% of all the families (2.6 thousand) that lived in LMI census tracts.

Madison County - This County had a population of approximately 69 thousand. The 1990 weighted-average median family income for the area was about $34.4 thousand. The weighted-average of MSA/Non-MSA's census median family income was approximately $36.7 thousand and the weighted-average of MSA/Non-MSA's median family income

updated in 2002 was $50.3 thousand.

There were approximately 26.6 thousand housing units, of which 81% were 1-4 family structures and 10% were mobile homes. Eleven percent of the total housing units were vacant, 22% were renter-occupied units and 65% were owner-occupied. The weighted-average median housing value was $68.8 thousand.

There were about 17.4 thousand families in the area, of which approximately 7.2 thousand were LMI families, about 26% were middle-income and almost 33% were upper-income families. LMI families totaling 1,364 lived in LMI census tracts. There were approximately 23.7 thousand households in the county.

PERFORMANCE TESTS AND ASSESSMENT FACTORS

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

Loan products considered include HMDA-reportable, small business and consumer loans. The bank submitted for consideration its consumer loans, which included originations by SBC. Due to limitations in the consumer loan data provided for 2001, the analysis of "assessment area concentration," "geographic distribution of loans" and "distribution by borrowers' characteristics" was based on a sample of 86 consumer loans. The "lending activity" analysis for the same year was based on the total of consumer loans as submitted by the bank.

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. Aggregate comparisons are based on 2001 data, only. The 2002 aggregate data was not available for purposes of this evaluation.

I. Lending Test: "Outstanding"

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

In the analysis of factors (1), (2), and (3) above, examiners focused on the bank's HMDA-reportable, small business and consumers loans.

Lending Activity: "Outstanding"

The bank's lending activity levels reflect excellent responsiveness to community credit needs. Refer to the following table for details:

Lending Activity Summary by Products												
	2001				2002				Total			
Type	#	%	$	%	#	%	$	%	#	%	$	%
HMDA	469	15.3	34,354	40.9	477	19.2	37,081	50.0	946	17.0	71,435	45.1
Small Business	302	9.9	21,559	25.6	280	11.2	14,973	20.2	582	10.5	36,532	23.1
Consumer	2,290	74.8	28,197	33.5	1,734	69.6	22,085	29.8	4,024	72.5	50,282	31.8
Total	3,061	100.0	84,110	100.0	2,491	100.0	74,139	100.0	5,552	100.0	158,249	100.0

As illustrated above, the bank originated a combined-product total of 5,552 loans totaling $158.2 million for the evaluation period. By number of loans, consumer loans constituted 72.5% of the total number of loans, HMDA loans comprised 17% and small business loans made up 10.5%. By dollar volume, however, HMDA loans represented 45.1% of the total dollar volume while consumer and small business lending constituted 31.8% and 23.1%, respectively.

HMDA Loans - According to the 2001 HMDA "Lender Market Share Report," OSB ranked first among 166 lenders in its assessment area, with a 10.4% market share of the number of loans originated. By the corresponding dollar volume, the bank also ranked first, with a 9.59% market share. The average loan size was $73 thousand. In its home county, OSB ranked first, with a 13.1% market share by number of loans and a 13.8% market share based on dollar volume. The average loan size was $76 thousand.

Small Business Loans – According to the 2001 small business "Lender Market Share Report," the bank ranked 16th among 82 small business lenders in the assessment area, with a market share of 2.1% by number of small business loans originated. Based on the corresponding dollar volume, the bank ranked 10th, with a 3.2% market share. The average loan size was $71 thousand. In its home county, OSB ranked 2nd, with a 14.9% market share by number, while ranking first, with a 29.8% market share by dollar volume.

Consumer Loans – The bank had a considerable volume of consumer loans. Inasmuch as consumer loans are not publicly reported, however, comparative market share data is not available for this product.

Assessment Area Concentration: "Outstanding"

The bank originated a substantial majority of its HMDA, small business and consumer loans in its assessment area. Overall, the bank made 86.2% of the total number of loans and 87.7% of the corresponding dollar volume in its assessment area. Refer to the following table for details by product:

Distribution of Loans Inside and Outside of the Assessment Area										
Loan Type	Number of Loans					Dollars (in thousands)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		$	%	$	%	
HMDA										
2001	469	87.0	70	13.0	539	34,354	87.5	4,909	12.5	39,263
2002	477	84.6	87	15.4	564	37,081	84.2	6,943	15.8	44,024
Subtotal	946	85.8	157	14.2	1,103	71,435	85.8	11,852	14.2	83,287
Small Business										
2001	302	94.1	19	6.0	321	21,559	95.8	947	4.2	22,506
2002	280	93.3	20	6.7	300	14,973	92.6	1,198	7.4	16,171
Subtotal	582	93.7	39	6.3	621	36,532	94.5	2,145	5.5	38,677
Consumer										
2001	81	94.2	5	5.8	86	334	2.8	26	7.2	360
2002	1,734	83.9	332	16.1	2,066	22,085	83.7	4,313	16.3	26,398
Subtotal	1,815	84.3	337	15.7	2,152	22,419	83.8	4,339	16.2	26,758
Total	**3,343**	**86.2**	**533**	**13.8**	**3,876**	**130,386**	**87.7**	**18,336**	**12.3**	**148,722**

Geographic Distribution of Loans: "Outstanding"

The bank's overall geographic distribution of HMDA, small business and consumer loans reflected excellent penetration among census tracts of different income levels in the assessment area.

HMDA-reportable Loans:

In 2001, the bank performed well above the aggregate with respect to its lending penetration in moderate- and middle-income census tracts. Refer to the chart below for details.

The bank achieved an LMI penetration rate of 10.2%, compared to the aggregate's rate of 6.2%, based on the number of loans originated in moderate-income census. OSB's margin above the aggregate, based on dollar volume, was even greater. The bank's performance remained strong, and relatively unchanged in 2002.

Distribution of HMDA-reportable Loans by Geographic Income Level*								
	Year 2001							
Geography	Bank				Aggregate			
Income Level	#	%	$**	%	#	%	$**	%
Low	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Moderate	48	10.2%	2,745	8.0%	283	6.2%	15,540	4.3%
Middle	383	81.7%	27,329	79.6%	2,927	64.6%	190,931	53.0%
Upper	38	8.1%	4,280	12.5%	1,322	29.2%	153,868	42.7%
Total	469	100.0%	34,354	100.0%	4532	100.0%	360,339	100.0%
	Year 2002							
Geography	Bank				Aggregate			
Income Level	#	%	$	%	#	%	$	%
Low	-	0.0%	-	0.0%	-	-	-	-
Moderate	49	10.3%	2,735	7.4%	-	-	-	-
Middle	377	79.0%	29,004	78.2%	-	-	-	-
Upper	51	10.7%	5,342	14.4%	-	-	-	-
Total	477	100.0%	37,081	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% of the MSA median income, middle-income is 80% to <120%, and upper-income is at least 120%.

** In thousands.

Small Business Loans: As illustrated in the chart below, in 2001 the bank's small business loan penetration in moderate- and middle-income census tracts was also significantly greater than that of the aggregate.

In moderate-income areas, the bank extended 13.9% of its number and 14.9% by dollar volume of its loans in moderate-income tracts, well above 9.9% and 9.3%, respectively, for the aggregate. The bank's strong performance relative to the aggregate is partially attributable to its growth during the evaluation period.

In 2002, when the bank's percentage of lending in moderate-income tracts declined, its penetration rate remained above the prior year's aggregate, based on number, but fell below the prior year's aggregate based on dollar volume. During the same period, middle-income tract penetration increased as upper-income tract penetration decreased

Distribution of Small Business Loans by Geographic Income Level*								
	Year 2001							
Geography	Bank				Aggregate			
Income Level	#	%	$*	%	#	%	$*	%
Low	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Moderate	42	13.9%	3,219	14.9%	213	9.9%	8,204	9.3%
Middle	217	71.9%	13,706	63.6%	1,388	64.3%	49,864	56.5%
Upper	43	14.2%	4,634	21.5%	558	25.8%	30,128	34.2%
Total	302	100.0%	21,559	100.0%	2,159	100.0%	88,196	100.0%
	Year 2002							
Geography	Bank				Aggregate			
Income Level	#	%	$	%	#	%	$	%
Low	-	0.0%	-	0.0%	-	-	-	-
Moderate	31	11.1%	940	6.3%	-	-	-	-
Middle	226	80.7%	12,925	86.3%	-	-	-	-
Upper	23	8.2%	1,108	7.4%	-	-	-	-
Total	280	100.0%	14,973	100.0%	-	-	-	-

* In thousands

Consumer Loans: Since peer data is not available for consumer loans, the chart below shows a comparison of the bank's performance against the assessment area census tract composition. On this basis, the bank's geographic distribution of consumer loans reflects excellent penetration of moderate- and middle-income census tracts. Specifically, while only 9.4% of census tracts, representing 7.6% of the population in the assessment area were moderate-income, the bank extended 19.8% in 2001 and 15.9% in 2002 of its consumer loans in such tracts. Middle-income tract lending penetration was also greater than the proportion of census tracts in the assessment area with a middle-income designation.

As noted above, the geographic distribution for 2001 was done based on a sample of 81 loans, while the 2002 distribution was based on the total number of consumer loans as submitted by the bank. Refer to the chart for details.

Distribution of Consumer Loans by Geographic Income Level*							
	Year 2001						
Geography	Bank				Census Tracts		
Income Level	#	%	$*	%	#	%	
Low	-	0.0%	-	0.0%	-	0.0%	-
Moderate	16	19.8%	84	25.1%	3	9.4%	-
Middle	63	77.8%	244	73.1%	20	62.5%	-
Upper	2	2.5%	6	1.8%	9	28.1%	-
Total	81	100.0%	334	100.0%	32	100.0%	-
	Year 2002						
Geography	Bank				Census Tracts		
Income Level	#	%	$	%	#	%	-
Low	-	0.0%	-	0.0%	-	0.0%	-
Moderate	275	15.9%	3,086	14.0%	3	9.4%	-
Middle	1,324	76.4%	16,826	76.2%	20	62.5%	-
Upper	135	7.8%	2,173	9.8%	9	28.1%	-
Total	1,734	100.0%	22,085	100.0%	32	100.0%	-

* In thousands

Distribution by Borrowers' Characteristics: "Outstanding"

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

HMDA Loans:

Distribution of HMDA-reportable Loans by Borrower Income Level*								
	Year 2001							
Borrower	Bank				Aggregate			
Income Level	#	%	$**	%	#	%	$**	%
Low	14	3.0%	503	1.5%	196	4.3%	7,483	2.1%
Moderate	74	15.8%	3,245	9.4%	797	17.6%	35,164	9.8%
Middle	126	26.9%	7,942	23.1%	1,097	24.2%	68,784	19.1%
Upper	237	50.5%	21,529	62.7%	2,257	49.8%	233,875	64.9%
Inc. not Avail.	18	3.8%	1,135	3.3%	185	4.1%	15,033	4.2%
Total	469	100.0%	34,354	100.0%	4,532	100.0%	360,339	100.0%
	Year 2002							
Borrower	Bank				Aggregate			
Income Level	#	%	$	%	#	%	$	%
Low	27	5.7%	889	2.4%	-	-	-	-
Moderate	84	17.6%	3,977	10.7%	-	-	-	-
Middle	124	26.0%	7,888	21.3%	-	-	-	-
Upper	228	47.8%	23,310	62.9%	-	-	-	-
Inc. not Avail.	14	2.9%	1,017	2.7%				
Total	477	100.0%	37,081	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.

As shown in the chart above, in 2001 OSB lent 18.8% by number and 10.9% by the corresponding dollar amount of its HMDA loans to LMI borrowers in the assessment area. The bank's LMI borrower penetration trailed the aggregate, which lent 21.9% and 11.9%, respectively, of its loans to LMI borrowers. For details refer to the chart above.

In 2002, the bank made 23.3% by number and 13.1% by dollar amount of its loans to LMI borrowers, reflecting an increase in lending penetration among this segment. For details refer to the chart above.

Small Business Loans:

As illustrated in the chart below, in 2001 OSB made 246, or 81.5% by number, and 55.4% by dollar volume of its assessment area small business and farm loans to firms and farms with gross annual revenues of less than $1 million. The bank far surpassed the aggregate's small business penetration rates of 49.7% and 41.9%, respectively. For details refer to the chart below:

Distribution of Small Business Loans by Business Revenue Size								
	Year 2001							
Revenue	Bank				Aggregate			
Size	#	%	$*	%	#	%	$*	%
$1million or less	246	81.5%	11,936	55.4%	1,074	49.7%	36,998	41.9%
Over $1 million	56	18.5%	9,623	44.6%	1,085	50.3%	51,198	58.1%
No Revenue Info	-	-	-	-	-	-	-	-
Total	302	100.0%	21,559	100.0%	2,159	100.0%	88,196	100.0%
	Year 2002							
Revenue	Bank				Aggregate			
Size	#	%	$	%	#	%	$	%
$1million or less	251	89.6%	11,214	74.9%	-	-	-	-
Over $1 million	29	10.4%	3,759	25.1%	-	-	-	-
No Revenue Info	-	-	-	-	-	-	-	-
Total	280	100.0%	14,973	100.0%	-	-	-	-

* In thousands

In 2002, the bank's lending penetration with this segment strengthened, with small business loans to small businesses (with gross annual revenues of less than $1 million) representing 89.6% of the number and 74.9% of the dollar volume of total loans extended.

As illustrated below, in 2001 the bank made 83.4% of its number of small business loans in amounts of equal to/less than $100 thousand, below the aggregate's 91.4% small loan penetration rate. As a result, the bank showed a greater relative percentage of its loans in the larger loan size categories. By the corresponding dollar amount, the bank's performance was comparable to that of the aggregate.

Refer to the chart below for details.

Distribution of Small Business Loans by Loan Size								
	Year 2001							
Loan Size	Bank				Aggregate			
($ in thousands)	#	%	$*	%	#	%	$*	%
<= $100	252	83.4%	7,506	34.8%	1,973	91.4%	30,543	34.6%
>$100 - <=$250	32	10.6%	5,287	24.5%	102	4.7%	17,178	19.5%
>$250 - <$1,000	18	6.0%	8,766	40.7%	84	3.9%	40,475	45.9%
Total	302	100.0%	21,559	100.0%	2,159	100.0%	88,196	100.0%
	Year 2002							
Loan Size	Bank				Aggregate			
	#	%	$	%	#	%	$	%
<=$100	247	88.2%	6,653	44.4%	-	-	-	-
>$100 - <=$250	25	8.9%	4,363	29.1%	-	-	-	-
>$250 - <$1,000	8	2.9%	3,957	26.4%	-	-	-	-

* In thousands

In 2002, the bank increased its lending penetration in the *"<=$100 thousand"* loan size category both by number and dollar amount, to 88.2% and 44.4%, respectively. Refer to the chart for details.

Consumer Loans:

The bank's consumer loan distribution reflected excellent lending penetration among borrowers of different income levels, particularly LMI individuals.

Based on a sample of consumer loans extended in 2001 in the assessment area, the bank extended 51.8% of its number and 42.9% of its corresponding dollar volume of loans to LMI borrowers. Refer to the chart below for details.

For 2002, when lending volume soared, the bank's relative LMI penetration rate declined by both the number and corresponding dollar amount of loans extended. However, lending penetration with this segment remained excellent, relative to household demographics. As noted above, approximately 33.3% of families in the assessment area are LMI.

Distribution of Consumer Loans by Borrower Income Level*						
	Year 2001					
Borrower	Bank				Total Households	
Income Level	#	%	$**	%	#	%
Low	18	22.2%	79	23.7%	8,807	19.0%
Moderate	24	29.6%	64	19.2%	6,932	15.0%
Middle	24	29.6%	104	31.1%	9,625	20.8%
Upper	11	13.6%	73	21.9%	20,966	45.3%
Not Available	4	4.9%	14	4.2%	0	0.0%
Total	81	100.0%	334	100.0%	46,330	100.0%
	Year 2002					
Borrower	Bank				Total Households	
Income Level	#	%	$	%	#	%
Low	379	21.9%	3,191	14.4%	8,807	19.0%
Moderate	422	24.3%	4,330	19.6%	6,932	15.0%
Middle	406	23.4%	5,187	23.5%	9,625	20.8%
Upper	423	24.4%	7,612	34.5%	20,966	45.3%
Not Available	104	6.0%	1,765	8.0%	0	0.0%
Total	1,734	100.0%	22,085	100.0%	46,330	100.0%

Community Development Lending: "High Satisfactory"

The bank's level of community development lending is considered good, in light of the performance context, OSB's size and capacity. While not considered innovative or complex, they are responsive to community development needs. All proceeds are targeted at programs that provide community services to LMI individuals.

For the evaluation period, the bank had approximately $9.2 million in community development loan commitments, of which $8.3 million, or 90.2%, is considered "new money." Total commitments include about $852 thousand outstanding as of December 31, 2002 on community development loans made prior to this evaluation.

A brief description of OSB's community development loans follows:

- During the evaluation period, the bank provided four lines of credit totaling about $5.6 million to a nonprofit organization (local chapter) located in Oneida County, New York, which provides services to disabled individuals. This chapter operates residential, vocational, early intervention, recycling, family support, clinic, and waiver and transportation programs. The majority of revenues and receivables are derived from Medicaid and the New York State Office of Mental Retardation and Developmental Disabilities ("OMRDD"), which supports and administers this organization's programs.

- In October 2002, the bank committed a $1 million interim construction mortgage loan to a nonprofit corporation located in Madison County. Incorporated in 1993, this entity became eligible for both public and private funding to develop programs

recognizing the needs of the elderly and their families. To this end, and to carry out its "Senior Nutrition Program," ("SNACK") which provides breakfast, lunch and dinner to seniors aged 60 and older at designated sites or home, this nonprofit entity needed to consolidate its office staff and "SNACK" program into a new location, including a kitchen, that it would own. The United States Department of Agriculture-New York Rural Development is committed to provide the permanent financing of the new construction by taking-out the bank's interim financing.

- In early 2002, the bank committed to participate with $1.7 million in a $6.2 million refinancing of a New York State Dormitory Authority Bond related to a 120-bed, one-story skilled nursing facility in Morrisville, Madison County. This for-profit nursing facility is licensed by the New York State Department of Health, and is certified for Medicare and Medicaid participants. Approximately 80% of its revenues were generated from Medicaid during the evaluation period, indicating that it primarily services LMI persons.

Innovative or Flexible Lending Practices: "Low Satisfactory"

The bank makes limited use of innovative and or/flexible lending practices in serving its assessment area credit needs. The bank provides residential mortgages to first-time homebuyers through several special loan programs. Refer to the following chart for details:

SPECIAL LOAN PROGRAMS SUMMARY– YEAR 2001 AND 2002						
Residential/ Small Business Loan Programs	**2001**		**2002**		**Total**	
	Number	$*	Number	$*	Number	$*
Community Action Program	11	461	4	185	15	646
Affordable PMI	75	6,579	88	7,722	163	14,301
FHA	22	1,291	22	1,468	44	2,759
VA	10	760	7	471	17	1,231
SONYMA	19	1,209	4	229	23	1,438
SBA	12	810	10	1,768	22	2,578
Linked-Deposit Program	0	0	1	328	1	328
Total	**149**	**11,110**	**136**	**12,171**	**285**	**23,281**

* In thousands

The following is a brief description of the loan programs shown in the above chart:

Madison County Community Action Program ("CAP") – This program administers state and federal grants/loans for first-time homebuyers in Madison County. For this program, and at various times, the board approves liberalized underwriting standards that include reduced loan costs and down payment requirements.

FHA – The bank currently underwrites and closes FHA insured mortgage loans in accordance with HUD underwriting guidelines, without prior review by HUD.

SONYMA – Since January 2000, the bank has been a SONYMA approved lender. OSB

follows SONYMA underwriting guidelines, which include low interest rate home financing.

Among the bank's various investors as an approved correspondent lender is the Federal Home Loan Mortgage Corporation ("Freddie Mac"). During the evaluation period, the bank made 555 FHLMC mortgage loans totaling about $42 million that were sold in the secondary market.

The bank also offers the "Linked-Deposit" program through the New York State Short Term Investment Pool, a program that allows lenders to offer loans with a lower rate to businesses that are able to meet criteria set by the state for business development and creation of additional employees. The bank, in return, receives funds to open a certificate of deposit equal to the loan amount and for the two-year period of the loan.

To reach the credit needs of LMI borrowers, the bank currently offers a consumer loan with a minimum amount of $2 thousand.

II. Investment Test: "Low Satisfactory"

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

For the evaluation period, OSB's qualified investments reflect adequate responsiveness to community needs, given the performance context and the institution's size and capacity. Qualified investments totaled just over $2 million, of which about $1.1 million, or 55%, is deemed "new money." This evaluation considered several securities whose proceeds supported public improvements in the City of Rome, New York, an LMI area outside of, but adjacent to the bank's assessment area. In addition, grants provided by the Oneida Charitable Foundation (partial owner of the bank's parent) and Oneida Financial Corp. (parent of the bank) was considered.

The bank's qualified investments are not considered innovative or complex.

SUMMARY OF QUALIFIED INVESTMENTS – YEAR 2001 & 2002 ($ IN THOUSANDS)				
Type	**Affordable Housing**	**Economic Development**	**Revitalization/ Rehabilitation**	**Community Services**
Securities (Bonds)		690	955	
Equity Invest.		300		
Grants	34			55
Total	**34**	**990**	**955**	**55**

As summarized above, the bank's equity investment consists of shares of the Statewide Zone Capital Corporation, a private investment fund whose capital is used to promote the expansion and growth of new and existing businesses located in New York State's "Empire

Zones" (formerly known as Economic Development Zones).

Securities consist of five municipal bonds, and grants include the bank's pro-rata share ($34 thousand) of the Federal Home Loan Bank of New York's ("FHLBNY") 10% set-aside of net income calculated based on the percentage ownership of the FHLBNY's shares. The FHLBNY uses the set-aside to support its Affordable Housing Program, which advances funds to member institutions for financing the purchase, construction, and/or rehabilitation of (1) owner-occupied housing for low- and moderate-income households; or (ii) rental housing, where at least 20% of the rental units will be occupied by, and affordable to, very low-income households for the remaining useful life of such housing or the mortgage term.

III. Service Test: "High Satisfactory"

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

Retail Banking Services: "High Satisfactory"

Accessibility of Delivery Systems - The bank's delivery systems are accessible to all portions of its assessment area. Of the eight branches in its network, two (including the main office branch), or 25%, are located in moderate-income geographies in Madison County. Of the remaining six branches, one, or 16.7%, is located in a census tract adjacent to LMI areas. Overall, three, or 37.5%, are in moderate-income areas or tracts adjacent to LMI geographies. It is noted that 9% of census tracts, comprising only 6.6% of the population in the assessment area were LMI.

In addition, all branches have automated-teller-machines ("ATM"), with an off-site ATM in Morrisville College. All ATMs are deposit taking, except the one at the main office.

Record of Opening and Closing of Branches – The bank's record of opening and closing branches did not adversely affect the accessibility of its delivery systems. During the evaluation period, the bank did not close any branch. However, in 2002, it added two branches, which were acquired through the purchase of State Bank of Chittenango. These branches are located in middle-income census tracts, one each in Madison and Oneida counties.

Reasonableness of Business Hours and Services in Meeting Assessment Area Needs - The bank's business hours and services are reasonably tailored to the convenience and needs of the assessment area. The bank enhances the service capability of its branch network by adopting extra and flexible hours. All branch offices open at 9:00 a.m., except for the Bridgeport branch, which opens at 9:30 a.m.

Of the two branches in moderate-income areas, the main office closes generally at 3:00 p.m., but stays open one day a week until 5:00 pm., and the convenience branch closes

generally at 5:00 p.m., but remains open one day a week until 6:00 p.m. The branch also offers Saturday hours of 9:00 a.m. to 12:00 p.m.

Four of the branches close typically at 3:00 p.m., two close mostly at 5:00 p.m. and the remaining two close generally at 6:00 p.m. All branches have "drive-thru" facilities, of which five open at 7:00 a.m. and mostly close at 6:00 p.m., and two others open at 8:00 a.m. and close at 5:00 p.m. Five branches offer Saturday hours, including "drive-thru" service.

The bank's "alternative delivery services" include: Internet Banking; Automated Telephone Banking; Bank by Mail; Debit Card/ ATM cards accessible through MasterCard worldwide; and Mortgage Loan Originators who can take mortgage applications anywhere in the market area.

The bank offers a number of services that are particularly beneficial to LMI and elderly customers.

- A consumer loan of $2 thousand, one of the lowest for banks in the area
- Interest-bearing, no fee checking accounts with unlimited check writing for customers over 50 years of age;
- Loan officers will visit the customer's home to take mortgage applications; and
- Mobile banking utilized to take deposits from elementary school students in LMI areas in the city of Oneida.

Community Development Services: "High Satisfactory"

The bank provides a relatively high level of community development services.

The bank's board members, management and staff continually provide financial advice and technical assistance, and participate in fund raising efforts with various community organizations and programs that promote economic opportunities and/or provide services to LMI families.

Management and employees are members of the board or committees of various organizations, including the Madison County Industrial Development Agency, Community Memorial Hospital, Canastota Development Corporation, Village of Sylvan Beach, St. Patrick's Church, Partnership for Community Development, Madison County Habitat for Humanity and Canastota Community Chest. Through their participation with these organizations, employees provide banking and financial education, employment prospects and counseling on starting a small business.

Staff from OSB's residential mortgage-banking department has participated in the Madison County Community Action Program ("CAP") first-time homebuyers grant program since its inception in 1993.

During the evaluation period, bank staff participated in homebuyer fair and education programs, including the Bonaventure Development Homebuyer Fair and the CAP home financing segment of Homebuyer Education Series. Staff also participated in such other

community-sponsored events as the Oneida Chamber of Commerce Business Expo, to promote its residential loan services.

Moreover, in January 2002, a lending officer participated in a panel discussion, at University of Hamilton, regarding personal financing, and purchasing a car. In May 2002, a commercial lending officer offered information on how to obtain financing for agriculture related businesses to classes at Morrisville College. Additionally, a commercial lending officer served as a board member of a local chamber of commerce that has had several programs on community development, economic development and "Cities Block Grant."

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 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 examination dated March 31, 2002 indicates satisfactory adherence to antidiscrimination 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 utilizes various outreach methods to assess the credit needs of its communities and convey awareness of its credit products and services. The bank encourages its loan officers/origination staff to keep in close contact with area real estate agents and agencies. These individuals are expected to make weekly contact with their sources of referral in order to remain abreast of the home financing need of their community. They also interact with customers, attorneys, appraisers, and other professionals related to the real estate market. The bank considers the "word of mouth" method its most effective means to disseminate information on its credit services.

In addition, the bank participates in nearly every first time homebuyers program offered throughout the assessment area.

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 promotes its credit products by using print media like the *Oneida Daily Dispatch, Queen Central News, Mid York Weekly, Canastota Bee Journal and Oneida Madison Penny saver*.

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

The board's participation in CRA activities includes an active role in formulation and review of the bank's policies and performance in meeting the communities credit needs. In 1990, the bank established a Compliance Council, appointed by its board to, among other items, monitor CRA activities. The Compliance and CRA officer is the Chairperson of the Council, who reports quarterly to the Audit and Examination Committee of the Board of Directors. Also presented is a self-assessment of lending activity, which shows the geographic distribution of mortgages, small business and consumer loan originations. This analysis helps the bank to evaluate how well it is meeting the credit needs of its assessment area.

VI. 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.

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

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.

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.