NEW YORK STATE BANKING DEPARTMENT

CONSUMER SERVICES DIVISION

One State Street
New York, NY 10004

PUBLIC SUMMARY

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Date of Evaluation: December 31, 2002

Institution: Solvay Bank
1537 Milton Avenue
Solvay, NY 13209

Note: This evaluation is not an assessment of the financial condition of this institution. The rating assigned does not represent an analysis, conclusion or opinion of the New York State 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 Solvay Bank ("Solvay") 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 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

Solvay Bank 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:* Lending levels reflect good responsiveness to assessment area credit needs. According to the Lender Market Share Report for 2002, out of 57 lenders within the assessment area, Solvay ranked 7th by number and 4th by dollar volume of small business loans originated within the assessment area. In HMDA-reportable loans, the bank ranked 16th by number and 15th by dollar volume out of 232 lenders in the assessment area. At this evaluation period, the number and dollar volume of loans that the bank originated within the assessment area increased by 29.5% and 68.1%, respectively, over the prior evaluation levels.

❖ *Assessment Area Concentration:* A substantial majority of loans were made in the bank's assessment area. In 2001, the bank originated 96.2% of the number and 97.5% of the dollar volume of small business loans within the assessment area, while in 2002, the ratios decreased slightly to 94.6% and 96%, respectively.

In 2001, Solvay originated 94.6% of the number and 94.1% of the dollar volume of HMDA-reportable loans inside the assessment area, while in 2002, the ratios decreased slightly to 93.8% and 92.9%, respectively.

❖ *Geographic Distribution of Loans:* The geographic distribution of loans reflects good dispersion of small business loans and a marginally adequate dispersion of HMDA-reportable loans throughout the assessment area. In 2001, the bank originated 25.2% of the number and 29.6% of the dollar volume of small business loans in LMI geographies within the assessment area, well above the 20.8% and 24.6%, respectively, reported for the aggregate. In 2002, the bank's ratios improved to 34.3% and 37.7%, respectively, well above 19.8% and 25.6%, respectively, for the aggregate.

In 2001, the bank extended 4.7% by number and 2.7% by dollar volume of HMDA-reportable loans in LMI geographies, well below the 6.0% and 4.8%, respectively, reported for the aggregate. In 2002, the bank's ratios declined to 4.3% and 1.6%, respectively, well below 5.4% and 3.7%, respectively, for the aggregate.

❖ *Borrowers' Characteristics:* Solvay has a good distribution of lending by borrower income, reflecting an adequate distribution of HMDA-reportable loans and an excellent distribution of small business lending. In 2001, the bank extended 83.9% of the number and 38.8% of the dollar volume of small business loans within the assessment area in the amounts of $100 thousand or less. This trails the aggregate number ratio of 89.0%, but surpasses the aggregate dollar volume ratio of 27.7%. In 2002, the bank's number and dollar volume ratios declined to 80.1% and 35.5%, respectively. The number ratio

still trails the aggregate ratio of 89.4%, while the dollar volume ratio still surpasses the aggregate ratio of 28.7%.

In 2001, Solvay originated 73.0% of the number and 53.6% of the dollar volume of small business loans within the assessment area to small businesses (businesses with annual gross revenue of $1 million or less), well above the 40.7% and 30.3%, respectively, reported for the aggregate. In 2002, the bank's ratios declined slightly to almost 69.0% and 47.6%, respectively, but still well above 31.2% and 33.1%, respectively, for the aggregate.

In 2001, the bank extended 19.0% of the number of HMDA-reportable loans to LMI individuals within the assessment area, below 21.4% for the aggregate. In 2002, the bank's ratio improved to 22.9%, slightly better than the 22.5% for the aggregate.

- *Community Development Lending:* Solvay has made an excellent level of community development loans. At this evaluation, community development loan commitments totaled $2.3 million, including $489 thousand outstanding since the prior evaluation. Of this total, about $1.8 million was new money.

- *Innovative and/or Flexible Lending Practices:* The bank makes limited uses of innovative and/or complex lending practices in serving assessment area credit needs.

- **Investment Test:** "Low Satisfactory"

- Although Solvay did not make any new significant investments to any entities during this evaluation period, its existing qualified investments are adequate in responding to the needs of its assessment area. As of the evaluation date, qualified investments totaled $889 thousand, including grants of $36 thousand which represent new money.

- While not innovative and/or complex, the bank's investments and grants show an adequate level of responsiveness to needs of their community.

- **Service Test:** "Outstanding"

- The bank's delivery systems are readily accessible to all portion of its assessment area. Of the six full service branches, one branch is in an upper-income area, four are in middle-income areas and one is in a moderate-income census tract. Two of the branches located in non-LMI areas are adjacent to LMI areas.

- The bank's alternative delivery systems are readily accessible to all portions of its assessment area. Solvay has seven ATMs in its network, of which two are located in a moderate-income area and two others are adjacent to LMI areas. The only off-site ATM is located in a moderate-income area.

- The bank has not opened or closed any branch during the evaluation period.

- Business hours and services are generally tailored to the convenience and needs of the assessment area.

- Solvay provides a relatively high level of community development services in its assessment area. Board members, officers and employees of the bank perform a wide array of community development services designed to help local organizations address financial issues.

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 1917, Solvay is a community-based commercial bank located in Solvay, Onondaga County, New York. It is the only subsidiary of Solvay Bank Corporation, a bank holding company established in 1987.

Solvay operates six full-service banking offices in Onondaga County and the branches are in Solvay (Main Office), Westvale, Camillus, State Tower (Downtown Syracuse), Fairmount and North Syracuse. Supplementing the banking offices is an Automated Teller Machine ("ATM") network consisting of seven ATMs, of which there are two ATMs at the main branch, one each at Camillus, Fairmount, State Tower and North Syracuse and an off-site cash only disbursal ATM at the New York State Fairgrounds.

As of December 31, 2002, the bank reported total assets of $409.9 million, which primarily consists of net loans of $272.2 million (66.4%) and securities of $66.1 million (16.1%). At the same date, deposits totaled almost $374 million, resulting in a loan-to-deposit ("LTD") ratio of 72.8%. According to the latest available comparative deposit data, dated June 30, 2002, Solvay captured 6.1% of the market share deposit in Onondaga County, ranking the bank sixth out of eighteen deposit taking institutions in its assessment area.

Solvay offers a wide variety of lending products, including:

- Residential 1-4 family mortgage loans
- Residential multifamily mortgage loans
- Commercial Mortgage loans
- Consumer loans
- Commercial and industrial loans

The following is a summary of Solvay's lending portfolio based on Schedule RC-C as of December 31, 2001 and 2002:

TOTAL GROSS LOANS OUTSTANDING				
	12/31/01		12/31/02	
LOAN TYPE	$000's	%	$000's	%
1-4 Residential Mortgage Loans	147,065	53.6	152,930	54.8
Commercial Mortgage Loans	34,893	12.7	34,062	12.2
Multifamily Mortgage Loans	1,723	0.6	2,122	0.8
Consumer Loans	19,113	7.0	19,331	6.9
Commercial & Industrial Loans	58,607	21.4	58,271	20.9
Construction Loans	12,447	4.5	12,153	4.4
Other Loans	646	0.2	209	0.1
Total Gross Loans	**274,494**	**100.0**	**279,078**	**100.0**

As of December 31, 2002, Solvay's loan portfolio increased by 1.7% over the level at December 31, 2001. Residential mortgage loans comprised 55.6% of gross loans in 2002, reflecting the bank's primary product focus.

Solvay received a rating of "2", reflecting a Satisfactory record of helping to meet community credit needs at its prior Performance Evaluation conducted by the New York State Banking Department as of December 31, 2000.

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

Assessment Area:

Solvay's assessment area includes the entire Onondaga County, which is part of the Metropolitan Statistical Area ("MSA") 8160 (Syracuse). Excluding one zero-income census tract, the county has 142 census tracts based on the 1990 census, of which 17 (12.0%) are low-income tracts, 22 (15.5%) are moderate-income, 65 (45.8%) are middle-income and 38 (26.7%) are upper-income tracts.

According to the U.S Census Bureau, Onondaga County had a population of almost 469 thousand in 1990 and decreased by 2.4% to 457.9 thousand in 2001. Almost 60.5 thousand (12.9%) of the 1990 population was over the age of 65 and 103.5 thousand (22.1%) was under the age of 18.

There were 119.2 thousand families in the county, of which 20.1 thousand (16.9%) were low-income families, 20.6 thousand (17.2%) were moderate-income, 28.7 thousand (24.1%) were middle-income and 49.8 thousand (41.8%) were upper-income. Of the 40.7 thousand LMI families, about 13.8 thousand (33.9%) lived in LMI census tracts and these families accounted for 66.4% of all the families (20.8 thousand) that lived in LMI census tracts. There were almost 178 thousand households in the county, of which 18.9 thousand (10.6%) had income below the poverty level.

There were 190.9 thousand housing units in Onondaga County, of which 148.5 thousand (77.8%) were 1- 4 family units, 37.7 thousand (19.8%) were multifamily units and 3.1 thousand (1.6%) mobile homes and/or trailers. About 112.9 thousand (59.1%) of all housing units were owner-occupied and 10.7 thousand (9.5%) of these were located in LMI areas. A further 65 thousand (34.1%) of all housing units were renter-occupied and 30.8 thousand (47.4%) of these were located in LMI areas. About 13.3 thousand (7.0%) of all the housing units were vacant and/or boarded up. The median housing value was $77.8 thousand and the median age of the housing was 34 years.

In 1990, the weighted average income of median family tracts was $39.8 thousand and the weighted average of MSA/Non-MSA's census median family income was $36.7 thousand. The Housing and Urban Development's estimated median family income for the MSA was $47.9 thousand in 2001 and $50.3 thousand in 2002.

According to a Dun and Bradstreet survey, in 2002, there were 29.4 thousand businesses in Onondaga County, of which 21.6 thousand (73.4%) had revenues of $1 million or less. Approximately 2.1 thousand (7.2%) had revenues of more than $1 million and 5.7 thousand (19.4%) were businesses on which no revenues were reported. About 22.5 thousand (76.4%) businesses in the county had fewer than 50 employees and 24.3 thousand (82.6%) operated from a single location.

Approximately 10.8 thousand firms (36.9%) were service providers, 4.8 thousand (16.5%) were in retail trade, 2.3 thousand (7.7%) were in construction, 2 thousand (6.7%) were in finance, insurance and real estate and 1.5 thousand (5.2%) were in wholesale trade.

About 4.9% of the people in Onondaga County were unemployed in 2002, compared with 5.5% in Syracuse MSA and 6.1% in the state of New York.

According to a community group in the Syracuse area, the main problem is that the housing market has been weak causing negative equity in the market. However, there is a desperate need for financing for home improvements, but because homeowners are unable to use their homes as collateral, given the loss in value, they are taking out personal loans from high cost lenders.

Several manufacturers have closed their plants in the area and have taken their business out of New York State, to areas such as Boston and North and South Carolina; approximately 10% of the employees followed their employers, while the other 90% were left to find jobs in the service industry or to start their own businesses.

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

PERFORMANCE TESTS AND ASSESSMENT FACTORS

The Banking Department assesses the bank's CRA performance by evaluating its lending, investment and service tests, and applies the lending, investment and service tests, as provided in section 76.8, 76.9 and 76.10 of the General Regulations in evaluating the performance of the institution. This performance evaluation covers 2001 and 2002.

Statistics employed in this evaluation were derived from various sources. In addition to bank-specific loan information submitted by the institution, aggregate data for small business and HMDA-reportable loans was obtained from the Federal Financial Institution Examination Council ("FFIEC") and PCI Services, Inc. CRA Wiz, an external vendor. Demographics are from the 1990 U.S. Census data supplemented with the 2002 HUD estimates.

Comparisons for the bank's loans are to the 2001 and 2002 aggregate.

I. Lending Test: "High Satisfactory"

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

Lending Activity: "High Satisfactory"

Lending levels reflect good responsiveness to assessment area credit needs.

The bank originated 1,925 small business and HMDA-reportable loans totaling almost $148.9 million during this evaluation period, compared with 1,486 small business and HMDA-reportable loans totaling $88.6 million at the prior evaluation. At this evaluation period, the number and dollar volume of loans increased by 29.5% and 68.1%, respectively, over the prior evaluation levels.

The following chart shows Solvay's loan origination during the evaluation period:

Solvay Total Loans						
Loan Type	**2001**		**2002**		**Total**	
	#	**$000's**	**#**	**$000's**	**#**	**$000's**
Small Business	664	50,631	612	50,166	1,276	100,797
HMDA-Reportable	300	20,018	349	28,059	649	48,077
TOTAL	**964**	**70,649**	**961**	**78,225**	**1,925**	**148,874**

Small Business Lending

According to the Lender Market Share Report for 2002, out of 57 lenders within the assessment area, Solvay ranked 7th by number and 4th by dollar volume for small business loans originated within the assessment area.

During 2001, Solvay Bank originated 664 small business loans totaling $50.6 million within the assessment area, while in 2002, the number of small business loans declined by 7.8% to 612 loans and the accompanying dollar volume decreased by 0.8% to $50.2 million. Solvay originated 1,276 small business loans totaling $100.8 million within the assessment area at this evaluation compared with 761 loans totaling $38.8 million at the prior evaluation. These represent 67.7% and 159.8% increases, respectively, over the prior evaluation levels.

HMDA Lending

The Lender Market Share Report for 2002 indicates that out of 232 lenders within the assessment area, Solvay ranked 16th by number and 15th by dollar volume in HMDA loan originations in the assessment area.

In 2001, the bank originated 300 HMDA-reportable loans totaling $20 million, while in 2002, the number of loans increased by 16.3% to 349 and the dollar volume by 40.5% to almost $28.1 million. The bank originated a total of 649 HMDA-reportable loans totaling $48.1 million during this evaluation period, compared with 725 loans totaling $49.7 million at the prior evaluation period. These represent a decline of 10.5% by number and 3.2% by dollar volume from prior evaluation levels.

Assessment Area Lending: "Outstanding"

A substantial majority of loans were made in the bank's assessment area.

The following chart shows that the bank originated 2,026 small business and HMDA-reportable loans totaling $156.5 million during the evaluation period, of which 1,925 loans (95%) totaling $148.9 million (95.1%) were within the assessment area.

Distribution of Loans Inside and Outside of the Assessment Area										
Loan Category or Type	Number of Loans					Dollars in Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		$	%	$	%	
Small Business Loans										
2001	664	96.2	26	3.8	690	50,631	97.5	1,324	2.5	51,955
2002	612	94.6	35	5.4	647	50,166	94.5	2,897	5.5	53,063
Sub-total	**1,276**	**95.4**	**61**	**4.6**	**1,337**	**100,797**	**96.0**	**4,221**	**4.0**	**105,018**
HMDA Loans										
2001	300	94.6	17	5.4	317	20,018	94.1	1,245	5.9	21,263
2002	349	93.8	23	6.2	372	28,059	92.9	2,139	7.1	30,198
Sub-total	**649**	**94.2**	**40**	**5.8**	**689**	**48,077**	**93.4**	**3,384**	**6.6**	**51,461**
Total	**1,925**	**95.0**	**101**	**5.0**	**2,026**	**148,874**	**95.1**	**7,605**	**4.9**	**156,479**

Small Business Lending

The above chart shows that the bank originated 690 small business loans totaling almost $52 million in 2001, of which 664 loans (96.2%) totaling $50.6 million (97.5%) were within the assessment area. In 2002, Solvay originated 647 small business loans totaling $53.1 million, of which 612 loans (94.6%) totaling $50.2 million (96%) were within the assessment area.

HMDA Lending

The above chart also shows that the bank originated 317 HMDA-reportable loans totaling $21.3 million in 2001, of which 300 (94.6%) loans totaling $20 million (94.1%) were inside the assessment area. In 2002, the bank originated 372 loans totaling $30.2 million, of which 349 loans (93.8%) totaling $28.1 million (92.9%) were inside the assessment area.

Geographic Distribution of Lending: "Low Satisfactory"

The geographic distribution of loans in 2001 and 2002 reflected good dispersion of small business loans and a marginally adequate dispersion of HMDA reportable loans throughout the assessment area.

Small Business Lending

The chart below shows that in 2001, the bank originated 664 small business loans totaling $50.6 million within the assessment area, of which 167 loans (25.2%) totaling $15 million (29.6%) were extended in LMI geographies, well above 20.8% and 24.6%, respectively, for the aggregate. In 2002, the bank originated 612 loans totaling $50.2 million within the assessment area, of which 210 loans (34.3%) totaling $18.9 million (37.7%) were extended in LMI geographies, well above 19.8% and 25.6%, respectively, for the aggregate.

Distribution of Small Business Loans By Geography Income Level								
	2001							
	Bank				Aggregate			
Geography	#	%	$000's	%	#	%	$000's	%
Low	61	9.2%	5,014	9.9%	991	10.5%	52,614	10.6%
Moderate	106	16.0%	9,993	19.7%	969	10.3%	69,560	14.0%
Middle	324	48.8%	22,124	43.7%	4,701	50.0%	249,645	50.3%
Upper	173	26.1%	13,500	26.7%	2,744	29.2%	124,044	25.0%
N/A	-	0.0%	-	0.0%	3	0.0%	48	0.0%
Total	**664**	**100.0%**	**50,631**	**100.0%**	**9,408**	**100.0%**	**495,911**	**100.0%**
	2002							
	Bank				Aggregate			
Geography	#	%	$000's	%	#	%	$000's	%
Low	103	16.8%	8,676	17.3%	967	9.6%	57,363	11.7%
Moderate	107	17.5%	10,239	20.4%	1,026	10.2%	68,256	13.9%
Middle	300	49.0%	22,696	45.2%	5,043	50.0%	243,951	49.8%
Upper	102	16.7%	8,555	17.1%	3,042	30.2%	119,845	24.5%
N/A	-	0.0%	-	0	1	0.0%	10	0.0%
Total	**612**	**100.0%**	**50,166**	**100.0%**	**10,079**	**100.0%**	**489,425**	**100.0%**

HMDA Lending

The geographic distribution of HMDA-reportable loans reflects poor penetration throughout the assessment area.

In 2001, the bank originated 300 HMDA-reportable loans totaling $20 million within the assessment area, of which 14 loans (14.7%) totaling $536 thousand (2.7%) were extended in LMI geographies, well below 6.0% and 4.8%, respectively, for the aggregate. In 2002, the bank originated 349 loans totaling $28.1 million within the assessment area, of which 15 loans (4.3%) totaling $458 thousand (1.6%) were extended in LMI geographies, well below 5.4% and 3.7%, respectively, for the aggregate.

Distribution of HMDA-Reportabl Loans By Geography Income Level								
	2001							
	Bank				Aggregate			
Geography	#	%	$000's	%	#	%	$000's	%
Low	3	1.0%	71	0.4%	146	1.1%	6,948	0.6%
Moderate	11	3.7%	465	2.3%	659	4.9%	47,648	4.2%
Middle	159	53.0%	9,052	45.2%	6,404	47.3%	469,569	41.3%
Upper	127	42.3%	10,430	52.1%	6,325	46.7%	612,922	53.9%
N/A	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Total	**300**	**100.0%**	**20,018**	**100.0%**	**13,534**	**100.0%**	**1,137,087**	**100.0%**
	2002							
	Bank				Aggregate			
Geography	#	%	$000's	%	#	%	$000's	%
Low	1	0.3%	12	0.0%	169	1.0%	10,628	0.7%
Moderate	14	4.0%	446	1.6%	726	4.4%	44,469	3.0%
Middle	170	48.7%	10,841	38.6%	7,699	47.2%	640,891	43.3%
Upper	164	47.0%	16,760	59.7%	7,720	47.3%	784,033	53.0%
N/A	-	0.0%	-	0	2	0.0%	107	0.0%
Total	**349**	**100.0%**	**28,059**	**100.0%**	**16,316**	**100.0%**	**1,480,128**	**100.0%**

Borrower Characteristics: "High Satisfactory"

Solvay has a good distribution of lending by borrower income, reflecting an adequate distribution of HMDA-reportable loans and an excellent distribution of small business lending.

Small Business Lending

The following chart shows that in 2001, the bank extended 83.9% of the number and 38.8% of the dollar volume of small business loans within the assessment area (in the amounts of $100 thousand or less), which trails the aggregate number ratio of 89.0% and surpasses the aggregate dollar volume ratio of 27.7%. In 2002, the bank's ratios declined to 80.1% and 35.5%, respectively. The bank's number ratio still trails the aggregate ratio of 89.4%, while the dollar volume ratio still surpasses the aggregate ratio of 28.7%.

Distribution of Small Business Loans by Loan Size								
Loan Size	**2001**							
	Bank				**Aggregate**			
($000's)	#	%	$000's	%	#	%	$000's	%
=<$100	557	83.9%	19,669	38.8%	8,372	89.0%	137,397	27.7%
>$100=<$250	66	9.9%	11,711	23.1%	542	5.8%	96,948	19.5%
>$250=<$1,000	41	6.2%	19,251	38.0%	494	5.3%	261,566	52.7%
Total	**664**	**100.0%**	**50,631**	**100.0%**	**9,408**	**100.0%**	**495,911**	**100.0%**
Loan Size	**2002**							
	Bank				**Aggregate**			
($000's)	#	%	$000's	%	#	%	$000's	%
=<$100	490	80.1%	17,866	35.6%	9,012	89.4%	140,320	28.7%
>$100=<$250	73	11.9%	11,955	23.8%	572	5.7%	99,417	20.3%
>$250=<$1,000	49	8.0%	20,345	40.6%	495	4.9%	249,688	51.0%
Total	**612**	**100.0%**	**50,166**	**100.0%**	**10,079**	**100.0%**	**489,425**	**100.0%**

In 2001, Solvay originated 73.0% of the number and 53.6% of the dollar volume of small business loans within the assessment area to small businesses (businesses with annual gross revenue of $1 million or less), well above 40.7% and 30.3%, respectively, for the aggregate. In 2002, the bank's ratios declined slightly to almost 69.0% and 47.6%, respectively, but still well above 31.2% and 33.1%, respectively, for the aggregate.

HMDA Lending

The following chart shows that in 2001, Solvay originated 19.0% of the number of HMDA-reportable loans to LMI individuals within the assessment area, compared with 21.4% for the aggregate. In 2002, the bank's ratio improved to 22.9%, slightly better than 22.5% for the aggregate.

Distribution of HMDA Reportable Loans By Borrower Income Level				
	2001			
	Bank		Aggregate	
Borrower Income	#	%	#	%
Low	12	4.0%	606	4.5%
Moderate	45	15.0%	2,287	16.9%
Middle	74	24.7%	3,297	24.4%
Upper	155	51.7%	6,502	48.0%
N/A	14	4.7%	842	6.2%
Total	**300**	**100.0%**	**13,534**	**100.0%**
	2002			
	Bank		Aggregate	
Geography	#	%	#	%
Low	22	6.3%	924	5.7%
Moderate	58	16.6%	2,745	16.8%
Middle	77	22.1%	4,123	25.3%
Upper	178	51.0%	7,495	45.9%
N/A	14	4.0%	1,029	6.3%
Total	**349**	**100.0%**	**16,316**	**100.0%**

Community Development loans: "Outstanding"

Solvay has made an excellent level of community development loans.

At this evaluation, community development loan commitments totaled $2.3 million, including $489 thousand outstanding since the prior evaluation. Of this total, about $1.8 million was new money.

The following is a brief description of the bank's community development lending during the evaluation period.

- **Intrepid Lane Realty: –** During this evaluation period, the bank extended $2.3 million in a construction/permanent loan for an outpatient surgery facility in an LMI area, of which $1.5 million was participated out. Between November 2001 and 2002, the bank funded about $822 thousand.

- **Specialist One Day Surgery Center: –** Solvay extended a $1.4 million term loan to this entity during the evaluation period, of which $431.4 thousand was participated out and $971.6 was retained by the bank. The loan was made to finance the purchase of new equipment plus working capital for an ambulatory surgery center in an LMI geography.

- **Micro Credit –** In August 2002, the bank extended a $10 thousand credit to this not-for-profit organization to assist LMI individuals in developing entrepreneurial skills.

Flexible and/or Innovative Lending: "Low Satisfactory"

Solvay makes limited uses of innovative and/or complex lending practices in serving assessment area credit needs.

The bank has a special loan program for low-income individuals. The program assists Onondaga County healthcare workers to finance either the acquisition of vehicles or vehicle repairs, so as to enable these employees to meet employment opportunities. Through this program, the bank made seven loans totaling $26.5 thousand in 2001 and six loans totaling $37.6 thousand in 2002. The bank also offers a wide variety of small business loans that address start-up businesses, working capital, inventory and equipment where the borrower is looking for a small term loan or line.

II. **Investment Test:** "Low Satisfactory"

This 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 level or degree of innovativeness and/or complexity, their responsiveness to community development needs, and the degree to which these investments are not routinely provided by private investors.

Although Solvay did not make any new significant investments to any entities during this evaluation period, its existing qualified investments are an adequate response to the needs of its assessment area.

As of the evaluation date, qualified investments totaled $889 thousand, including grants of $36 thousand, which represent new money.

The following is a summary of the bank's qualified investments.

- *Community Preservation Corporation ("CPC"):* During the evaluation period, Solvay had $53 thousand in a collateral trust note commitment with CPC. CPC is a private mortgage lender sponsored by 94 banks and insurance companies specializing in financing affordable housing for LMI individuals.

- *Bond Anticipation Notes ("BAN"):* As of the evaluation date, the bank had BAN commitments totaling $800 thousand to the Village of Solvay for municipal improvements in an area adjacent to an LMI census.

The following is a brief description of some of the grants made during the evaluation period:

- *Federal Home Loan Bank of New York ("FHLBNY"):* The bank is a member of the FHLBNY and consequently participates in the FHLBNY's Affordable Housing Program ("AHP"). The AHP is funded through a 10% set aside of the FHLBNY's annual income and Solvay's pro rata share of this set aside, which, based upon its percentage of ownership, was almost $12 thousand in 2001 and $10 thousand in 2002.

- *Home Headquarters of S.N.H.S., Inc. ("Home Headquarters"):* The bank gave this community development organization a $2 thousand grant during the evaluation period. Home headquarters, formerly called the Syracuse Housing Partnership, is an

organization that works in tandem with banks to leverage private financing for home improvement and home purchase loans. It also educates participants about home finance with particular emphasis on LMI first-time homebuyers. The three main elements of the initiative include a Home Improvement Loan Program, Down Payment and Closing Cost Assistance Program and Purchase/Rehabilitation Program. This home purchase program allows a $500 down payment, grant money is made available for closing costs, closing costs are reduced and underwriting standards are tailored to meet the needs of LMI individuals.

- *Appleseed Trust:* The bank made a $2 thousand donation to this organization. Appleseed Trust is a non-profit organization whose mission is to assist LMI community residents starting or expanding their own small businesses. Appleseed Trust provides access to training, peer support, technical assistance, and credit that may otherwise be unavailable to them. The program teaches LMI individuals the basics of setting a budget, preparing a business plan and operating their own small business.

- *Rebuilding Together with Christmas in April:* This organization received a $4 thousand grant from the bank during the evaluation period. The entity is a nonprofit volunteer organization dedicated to preserving and revitalizing homes of low-income individuals and their communities. The mission of this organization places all its emphasis on low-income, disabled or elderly homeowners and families with children.

- *On Point for College, Inc.:* This entity received a $1 thousand grant from the bank during the evaluation period. The organization opens the door to higher education for academically and economically challenged youth, to identify and break down the barriers that hinder potential students from entering college and provides support that empowers them to succeed, fostering their self-sufficiency in setting and achieving their educational goals. This program serves young people in the Greater Syracuse area who believe that college is unattainable because of financial, personal, or academic reasons, despite their desire to attend college. From August of 1999 through January 2002, *On Point for College, Inc.* helped 181 youths enroll in college. Many came from low-income neighborhoods.

- *Urban Delights City-Wide Youth Farm Stand Project*: The bank provided a grant of $500 to this entity during the evaluation period. This innovative program teaches LMI children how to own and run a small business. The children then spend the summer maintaining small farm stands throughout Syracuse.

- *Syracuse Choice:* The bank provided a $500 grant to this program during the evaluation period. The program is a nationally renowned, intensive, community-based, family-oriented service program for at risk youth.

- *Food Pantry:* The bank has made over $4 thousand in contributions to several food pantries for Thanksgiving and Christmas.

Innovative, Complexity and Responsiveness: “Low Satisfactory”

The investments are not innovative and/or complex, but are responsive to community needs.

III. <u>Service Test</u>: "Outstanding"

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

Retail Banking Services: "Outstanding"

<u>Accessibility of Delivery Systems</u>

The bank's delivery systems are readily accessible to all portions of its assessment area. Of the six full service branches, one branch is in an upper-income area, four are in middle-income areas and one is in a moderate-income census tract. Two of the branches located in non-LMI areas are adjacent to LMI areas.

<u>Alternative delivery systems</u>

The bank's alternative delivery systems are readily accessible to all portions of its assessment area. Solvay has seven ATMs in its network, of which two are at the main branch, one each at Camillus, Fairmount, State Tower and North Syracuse and an off-site cash only disbursal ATM at the New York State Fairgrounds. Two ATMs are located in a moderate-income area and two others are adjacent to LMI areas. The only off-site ATM is located in a moderate-income area. All the ATMs are accessible 24 hours a day, seven days a week.

In addition, the bank has the following:

- *Bank-By-Mail:* To enhance its branch and ATM network, the bank offers Bank-By-Mail with self-addressed envelopes made available to customers at no charge.

- *Night Deposit:* Allows customers to make deposits after banking hours.

- *MoneyLine 24:* A telephone banking service available 24 hours a day ,7 days a week, to all Solvay customers. Access is available through a local, as well as a toll free, number for any one outside of the area. Through this service, customers can access account information, funds transfer, deposit and loan rates, investment and loan calculations, check verification, additional products and branch hours of operations. Personal representatives are available by telephone for those who desire to speak with a real person during regular banking hours regarding any deposit or loan account.

- *MoneyLink 24:* A real time banking website, which allows customers to access their

accounts, make inquiries, do statement balancing, transfer funds between Solvay accounts and apply for deposit and consumer unsecured credit.

- *Bill Pay Option*: Solvay also offers a Bill Pay Option that allows the payment of bills to any company or person in the USA. A monthly newsletter is also available providing banking information and general information.

- www.solvaybank.com: The bank's website provides detailed descriptions of all products, current rates for deposits and loans, a loan and investment calculator, branch locations and hours of operation, press releases, a community calendar and allows request for information.

- *Business Access 24:* Is an online real-time cash management system that delivers banking products and services directly to commercial customers. The program allows corporate cash managers to make immediate and accurate funds management decisions based on real-time information; direct deposit is available to all customers; payroll and various other deposits can be directly deposited into an individual's accounts. Customers can then use their checks, ATM card, or Visa Debit Card, MoneyLine 24, or MoneyLink 24 knowing their deposit is available. In addition to this service, customers receive a non-interest bearing checking account with no monthly maintenance or per-item charges and no minimum balance plus 200 free checks, no Solvay ATM transaction fees and free telephone transfers.

- Solvay Campus Connection offers college bound students with a Visa credit card up to $500 with a guarantor, no monthly maintenance or per-item charges and no minimum balances on a non-interest bearing checking account, the first 50 checks free and a Solvay Visa Debit Card.

- Visa Debit Card gives the convenience of 24 hour banking service plus shopping convenience. The card can be used at ATMs for cash transactions and to make purchases at merchants that accept Visa. The card draws on funds in the checking account rather than building up a credit balance on credit cards that charge interest.

- Other Alternative Retail Delivery Services include an interstate toll-free number for mortgage products, originators that are available after business hours to take mortgage loan applications and fax numbers.

- Solvay offers a transaction account geared to LMI customers that is more advantageous than the Basic Banking Account, as described in Part 9 of the General Regulations of the Banking Board. This transaction account is titled "Economy Checking" and customers have unlimited checkwriting. As of September 1999, 5,099 economy checking accounts were active. As of September 2000, there were 5,785 economy checking accounts open, an increase of 686 accounts (13.5%) in a single year. The success of the Economy Checking account demonstrates a firm commitment to affordable banking for LMI customers.

- Solvay also provides Basic Banking accounts to their customers.

Changes in Branch Locations

The bank has not opened or closed any branch during the evaluation period.

Reasonableness of Business Hours and Services in Meeting Assessment Area Needs

Business hours and services are generally tailored to the convenience and needs of the assessment area. All branches offer convenient banking hours, including early morning and late afternoon hours on weekdays with extended hours on Saturday at the North Syracuse, Westvale, Fairmount, and Camillus offices. Drive-in facilities are available at the Main Office in Solvay, as well as the branches in Camillus, Fairmount, and North Syracuse.

Community Development Services: "High Satisfactory"

Solvay provides a relatively high level of community development services in its assessment area.

Directors, officers and employees are involved with numerous organizations, including Home Headquarters, Appleseed Trust, Christmas in April, Jubilee Homes, Consumer Credit Association of Central New York, Syracuse Neighborhood Housing Services, Syracuse Model Neighborhood Services, Spanish Action League and Community Wide Dialogue.

The Board of Directors and Management are active and maintain memberships in civic and nonprofit organizations. Solvay management volunteer in a financial capacity or serve on the boards of Christmas in April, Syracuse Neighborhood Housing Services, Home Headquarters, Syracuse Model Neighbor Services, Community Wide Dialogue, Continuing Education for the Development of Affordable Housing, Jubilee Homes, PEACE and Appleseed Trust.

Solvay maintains a Kiosk at Home Headquarters where literature with information on the bank's products and services are handed out. Home Headquarters is a non-profit organization whose mission is to promote home purchase, rehab and home improvement loans to the LMI population and first-time homebuyers.

Bank representatives meet regularly with community and professional organizations throughout the year to ascertain the credit needs of LMI customers and to impart financial insight. A small sample of the numerous outreach and community development services follows:

- Solvay contacted the Village of Solvay to organize a community home ownership meeting after first contacting community groups for their input.

- Bank representatives attended the Dollars for Scholars Advisory Board Meeting to discuss raising money for disadvantaged students of the City of Syracuse.

- Bank representatives met with the Community Wide Dialogue to inform the members of the benefits of Fair Lending.

- Bank representatives met with the Association for Better Living to discuss banking services and community involvement.

- Bank representatives met with Community Network to discuss a website geared especially to LMI customers and make computers available at nonprofit organizations throughout Onondaga County.

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.

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

Evidence of prohibited discriminatory or other illegal credit practices.

The most recent regulatory compliance report concurrent with this assessment indicates a satisfactory performance in terms of 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.

Bank representatives meet regularly with community and professional organizations throughout the year to ascertain the credit needs of its community, particularly LMI customers, and to impart financial insight. The following is small sample of the numerous contacts the bank had during the evaluation period:

- Village of Solvay
- Association for Better Living
- Community Network
- Syracuse United Neighbors
- Urban Delites

The extent of the banking institution's marketing and special credit-related programs

to make members of the community aware of the credit services offered by the banking institution.

Solvay utilizes newspapers, radio and television in an attempt to reach as many LMI households as possible. In addition, many of the bank's brochures are provided to non-profit organizations for display and meetings are held with those organizations to find ways to effectively serve their community.

Solvay meets regularly with community organizations concerned with how to better serve the needs of LMI individuals. The following are some of the groups that the bank reaches out to:

- Syracuse CRA Roundtable of Bankers
- Brady Faith Center
- Greater Syracuse Business Development Council
- Syracuse Chamber of Commerce
- Appleseed Trust
- Home Headquarters
- Center for Education and Development of Affordable Residences

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.

Solvay maintains a CRA Committee, consisting of the President, Executive Vice President, CRA/Compliance Officer, Operations Manager, Audit Manager, Consumer Loans Manager, Commercial Loan Manager, Indirect Loan Officer, Business Development Officer and Branch Management. The committee reviews quarterly reports to address any issues, review contacts, review new and current outreach programs and address any CRA areas that require attention. The Board is informed on a quarterly basis of the Bank's CRA Program, which includes a summary of the reports provided at the CRA Committee Meetings.

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.

Bank representatives meet regularly with organizations in their assessment area and also volunteer their time. Here is a small sample of the bank's involvement with local groups:

- A bank employee volunteered at Lakeland Elementary School with the Student Banking Program that Solvay implemented.

- Thirty-five employees volunteered to wrap gifts at Carousel Mall. All proceeds during

the event went to Vera House, a home for abused women and their children. Solvay provided pizza, soda, Christmas music, balloons, and Mr. and Mrs. Claus. Employees at the bank volunteered their time setting up, serving, cleaning up and generally making the event a success.

- Employees of the bank volunteer their time to answer questions that students and their parents had regarding financial aid and student loans.

GLOSSARY

Aggregate

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

Community Development

The term "community development" is defined to mean:

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

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

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

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

- Financial intermediaries (including community development financial institutions,

community development corporations, minority- and women-owned financial institutions, community loan funds, micro-finance institutions and low-income or community development credit unions) that primarily lend or facilitate lending in LMI areas or to LMI individuals in order to promote community development;

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

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

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

- Furnishing financial services training for staff and management;
- Contributing accounting/bookkeeping services; and
- Assisting in fund raising, including soliciting or arranging investments.

Demand-Adjusted Penetration Rate

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

Demand-Adjusted Penetration Ratio

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

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

Home Mortgage Disclosure Act ("HMDA")

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

Loans to Small Businesses

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

Low or Moderate Income ("LMI") Geographies

Those census tracts or block numbering areas ("BNAs"), where according to the 1990 US Census, the median family income is less than 80% of the area median family income. In the case of tracked 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 tracked areas that are not part of a MSA or PMSA, the area median family income would be the statewide non-metropolitan median family income.

LMI Borrowers

Borrowers whose income, as reported on the loan application which the lender relied upon in making the credit decision, is less than 80% of the area median family income. In the case where the residential property is located in a MSA or PMSA, this would relate to the median family income for that MSA or PMSA. Otherwise, the area median family income would be the statewide non-metropolitan median family income. In all instances, the area median family incomes used to measure borrower income levels are updated annually by the U.S. Department of Housing and Urban Development ("HUD").

LMI Individuals/Persons

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 non-metropolitan median family income. In all instances, the area median family incomes used to measure individual income levels are updated annually by HUD.

Small Business Loans

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