



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

One State Street
New York, NY 10004

**PUBLIC SUMMARY
OFF-SITE EVALUATION**

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Date of Evaluation: December 31, 2003

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

Note: This evaluation is not an assessment of the financial condition of this institution. The rating assigned does not represent an analysis, conclusion or opinion of the New York State Banking Department concerning the safety and soundness of this financial institution.

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GENERAL INFORMATION

This document is an off-site evaluation of the Community Reinvestment Act (“CRA”) performance of Bank of Utica (“BOU”) prepared by the New York State Banking Department. The evaluation represents the Banking Department’s current assessment and rating of the institution’s CRA performance based on an evaluation conducted as of December 31, 2003.

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 an institution’s 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 written summary (“Evaluation”) be made available to the public. 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 of the regulation. These tests and standards incorporate the 12 assessment factors contained in Section 28-b of the New York State Banking Law.

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

OVERVIEW OF INSTITUTION'S PERFORMANCE

Overall Rating

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

I. Lending Test - "High Satisfactory"

- ***Lending Activity:*** The bank's lending volume reflects good responsiveness to the credit needs of the community. During the evaluation period, BOU originated 80 HMDA-reportable loans totaling \$4.1 million and 376 small business loans totaling \$16.6 million.
- ***Assessment Area Lending:*** High percentages of the bank's HMDA-reportable and small business loans were originated within the assessment area. During the evaluation period, the bank originated 70% by number and 64.9% by dollar volume of its HMDA-reportable loans inside the assessment area. For small business loans, the bank made 89.1% by number and 90.6% by dollar volume of its originations inside the assessment area.
- ***Geographic Distribution of Loans:*** The geographic distribution of loans reflects a good dispersion among census tracts of different income levels.
 - In 2002, the bank did not originate any HMDA-reportable loans in LMI areas, whereas the market aggregate originated 6.5% by number and 2.8% by dollar volume of its loans in LMI areas. In 2003, BOU originated 26.6% of its HMDA-reportable loans in LMI areas based on number of loans and 21.2% by dollar volume. Aggregate data for 2003 were not yet available when this evaluation was conducted.
 - In 2002, the bank outperformed the market aggregate. To be specific, BOU originated 32.8% by number and 27.1% by dollar volume of its small business loans to firms located in LMI areas. By comparison, the aggregate originated 22.5% by number and 20.2% by dollar volume of its loans to businesses in LMI geographies. In 2003, the bank's LMI penetration ratio for small business loans increased to 42.1% by number and 46.3% by dollar volume. As mentioned above, aggregate data for 2003 were not yet available when this evaluation was conducted.
- ***Distribution by Borrower Characteristics:*** The distribution of BOU's loans based on borrower characteristics reflects good penetration among individuals of different income levels and businesses of different revenue sizes.
 - BOU's penetration ratio of HMDA-reportable loans to LMI individuals in 2002 was substantially above the aggregate's LMI penetration ratio. In 2003, the bank's

LMI penetration ratio was slightly lower than 2002 because the number of loans originated increased by 15.4%, whereas the number of loans made to LMI borrowers did not change.

- In 2002, BOU's loan penetration among businesses with gross annual revenues of \$1 million or less was more than double that of the market aggregate. During 2003, the percentage of the bank's small business loans made to businesses with revenue of \$1 million or less increased by 6.2%, resulting in a penetration rate of 84.1%.
- **Community Development Lending:** The bank is a leader in making community development loans. During the current evaluation period, BOU's community development loans totaled \$9.0 million, which is an increase of \$2.4 million from the prior evaluation period. New commitments accounted for \$5.1 million of the total.
- **Innovative/flexible Lending:** The bank uses innovative and/or flexible lending practices infrequently. BOU participates in one government-sponsored program. Management is encouraged to participate in other qualified government programs.

II. Investment Test - "High Satisfactory"

- BOU has a significant level of qualified community development investments and occasionally takes a leadership position in providing investments in the community. During the current evaluation period, the bank's qualified investments totaled \$2.2 million, including approximately \$1.6 million in new money. The total for the evaluation period is approximately one-half the amount reported during the prior evaluation. Further deterioration in this area could result in a lower rating for this component at the next examination.

III. Service Test - "High Satisfactory"

- BOU's delivery systems are accessible to essentially all portions of the assessment area. The bank operates one full service office and two offsite, non-deposit taking ATMs. These facilities are complemented by telephone and Internet banking services that are accessible 24 hours per day, seven days a week ("24/7").
- BOU's board of directors and senior officers volunteer their time and expertise to provide community development services to various non-profit organizations

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

PERFORMANCE CONTEXT

Institution's Profile:

BOU received its charter in 1927 under the name Industrial Bank of Utica, but changed its name to Bank of Utica in 1958. The institution operates from a single brick-and-mortar location and does not have any branches or a holding company. BOU provides retail and commercial banking services to customers primarily in the City of Utica and surrounding suburbs.

On its Call Report for December 2003, BOU reported total assets of \$951.1 million.

According to a 2003 Deposit Market Share Report prepared by the Federal Deposit Insurance Corporation ("FDIC"), Bank of Utica holds 25.5% of all deposits in Oneida County. With total deposits of \$835.8 million as of June 30, 2003, BOU ranked first out of 17 FDIC-insured institutions in Oneida County.

The bank is primarily a commercial and industrial lender. As of year-end 2003, commercial and industrial loans and commercial mortgage loans accounted for 76.3% of BOU's loan portfolio, while residential mortgage and consumer loans accounted for 14.4% and 8.9% of the portfolio, respectively.

The table below illustrates the bank's loan portfolio based on year-end Call Report data for calendar years 2001, 2002 and 2003.

GROSS LOANS OUTSTANDING						
Loan Type	12/31/2001		12/31/2002		12/31/2003	
	\$000s	%	\$000s	%	\$000s	%
Residential Mortgages	8,362	11.6	7,878	12.1	8,226	14.4
Commercial Mortgages	28,979	40.3	27,661	42.6	21,875	38.3
Commercial & Industrial (C & I)	29,318	40.8	24,512	37.8	21,723	38.0
Consumer	5,216	7.3	4,693	7.2	5,085	8.9
Other	58	0.1	169	0.3	232	0.4
Gross Loans	71,933	100.0	64,913	100.0	57,141	100.0

The bank was rated "2" at its prior CRA evaluation, conducted by the Banking Department as of December 31, 2001. This rating reflects a satisfactory record of helping to meet community credit needs.

There are no known legal or financial issues that would prevent the bank from responding to the credit needs of its assessment area.

Assessment Area:

BOU's assessment area comprises a portion of Oneida County that is also part of the Utica-Rome Metropolitan Statistical Area (MSA 8680). The municipalities within the assessment area are the City of Utica and the surrounding towns of New Hartford, Clinton, Kirkland, Deerfield, Marcy, Whitestown, Whitesboro, New York Mills, Yorkville and Orinskany.

The assessment area contains 42 census tracts, including nine (21.4%) low-income, eight (19.0%) moderate-income, 14 (33.3%) middle-income and 11 (26.2%) upper-income tracts.

Details of Assessment Area:

Chart # 1: Population and Income Demographics.

Chart # 2: Housing Characteristics

Chart # 3: Business Demographics

According to the New York Department of Labor, the average unemployment rate for Oneida County was 5.2% in both 2002 and 2003. By comparison, the statewide unemployment rate was 6.1% in 2002 and 6.3% in 2003.¹

The assessment area appears reasonable based on the bank's lending patterns and the location of its retail banking office. There is no evidence that the bank has arbitrarily excluded LMI census tracts from its assessment area.

¹ These unemployment rates are 12-month averages for the calendar year specified. The numbers have not been seasonally adjusted.

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CHART # 1

ASSESSMENT AREA POPULATION AND INCOME CHARACTERISTICS BY COUNTY																					
County	Total Population	Age 65 and Over		Age 16 and Under		Median Family Income(MFI)	HUD MSA MFI (2003)	Total Households	HH below poverty level		Total Families	Low income		Moderate income		Middle income		Upper income		LMI families in LMI tracts	
		#	%	#	%	\$	\$	#	#	%	#	#	%	#	%	#	%	#	%	#	%
Onieda*	123,971	22,896	18.47	24,521	19.78	45,451	47,600	48,132	7,503	16	29,936	6,499	21.71	5,013	16.74	6,345	21.20	12,079	40.35	5,320	64.21
Total A/A**	123,971	22,896	18.47	24,521	19.78	45,451	47,600	48,132	7,503	16	29,936	6,499	21.71	5,013	16.74	6,345	21.20	12,079	40.35	5,320	64.21

* Partial County ** Assessment Area

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CHART # 2

ASSESSMENT AREA HOUSING CHARACTERISTICS BY COUNTY																			
County	Total Housing Units	1-4 family Units		Multifamily Units		Owner-Occupied Units (O-O)		O-O Units in Low-income Tracts		O-O Units in Mod-income Tracts		O-O Units in Mid-income Tracts		O-O Units in Upp-income Tracts		Rental Units		Vacant/ Boarded-up Units	
	#	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%
Onieda*	53,363	45,061	84.00	7,158	13.00	29,572	55.00	2,085	7.05	3,637	12.30	11,625	39.31	12,225	41.34	18,516	35.00	5,275	9.89%
Total A/A**	53,363	45,061	84.00	7,158	13.00	29,572	55.00	2,085	7.05	3,637	12.30	11,625	39.31	12,225	41.34	18,516	35.00	5,275	9.89%

* Partial County ** Assessment Area

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CHART # 3

BUSINESS DEMOGRAPHICS BY COUNTY											
County	Total Businesses	Businesses with Rev. of \$1 million or less		Businesses with Rev. of more than \$1 million		Businesses with no revenues reported		Businesses with less than 50 employees		Operating from a single location	
	#	#	%	#	%	#	%	#	%	#	%
Onieda (partial)	7,189	4,516	62.82	492	6.84	2,181	30.34	5,629	78.3	5,949	82.75
Total A/A	7,189	4,516	62.82	492	6.84	2,181	30.34	5,629	78.3	5,949	82.75

PERFORMANCE TESTS AND ASSESSMENT FACTORS

This performance evaluation incorporates a review of Bank of Utica's lending, investment and service activities within the assessment area during calendar years 2002 and 2003.

Statistics utilized in this evaluation came from various sources. In addition to bank-specific loan information submitted by BOU, aggregate data for HMDA-reportable and small business loans were obtained from the Federal Financial Institutions Examination Council ("FFIEC") and PCi Corporation's CRA Wiz[®] software. Demographic data were obtained from the 1990 and 2000 U.S. Censuses. Estimated median income figures for 2003 were obtained from the United States Department of Housing and Urban Development ("HUD"). Peer comparisons for the bank's HMDA-reportable and small business loans were based on aggregated market data for 2002.

I. Lending Test: "High Satisfactory"

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

During this evaluation period, the bank's HMDA and small business lending were considered; however, more emphasis was placed on small business lending because it accounts for 82.5% and 80.1% of the combined number and dollar volume, respectively, of CRA-reportable lending during the evaluation period.

- **Lending Activity: "High Satisfactory"**

HMDA-Reportable Lending

In 2002, BOU originated 26 HMDA-reportable loans totaling \$1.1 million. This level of lending ranked BOU 26th among 141 lenders in the assessment area based on number of loans. BOU's market share within the assessment area was 0.7% based on number of loans and 0.5% based on dollar volume.

In 2003, BOU's HMDA-reportable lending activity increased 15.4% in number of loans and 30.7% in dollar volume, to 30 loans totaling \$1.5 million. These increases are attributable to historically low interest rates, which have prompted a surge in demand for refinance loans.

Small Business Lending

In 2002, the bank originated 171 small business loans totaling \$8.7 million. This activity placed the bank 10th among 41 institutions in the assessment area and gave BOU a market share of 3.7% based on number of loans and 6.4% based on dollar volume.

In 2003, BOU's lending within the assessment area decreased 4.1% based on number of loans and 27.7% based on dollar volume compared to 2002 levels. In 2003, BOU made 164 small business loans totaling \$6.3 million.

- **Assessment Area Lending: "High Satisfactory"**

The bank originated a high percentage of its loans within the assessment area. The following table shows the distribution of BOU's HMDA-reportable and small business loans within and beyond the assessment area:

Distribution of Loans Inside and Outside of the Assessment Area										
Loan Type	Number of Loans					Dollar Volume (in thousands)				
	Inside		Outside		Total	Inside		Outside		Total
	#	% by #	#	% by \$		\$	% by #	\$	% by \$	
HMDA										
2002	26	72.2	10	27.8	36	1,145	75.4	374	24.6	1,519
2003	30	68.2	14	31.8	44	1,496	58.6	1,056	41.4	2,552
<i>Subtotal: HMDA</i>	<i>56</i>	<i>70.0</i>	<i>24</i>	<i>30.0</i>	<i>80</i>	<i>2,641</i>	<i>64.9</i>	<i>1,430</i>	<i>35.1</i>	<i>4,071</i>
Small Business										
2002	171	92.4	14	7.6	185	8,734	93.7	585	6.3	9,319
2003	164	85.9	27	14.1	191	6,313	86.7	968	13.3	7,281
<i>Subtotal: SB</i>	<i>335</i>	<i>89.1</i>	<i>41</i>	<i>10.9</i>	<i>376</i>	<i>15,047</i>	<i>90.6</i>	<i>1,553</i>	<i>9.4</i>	<i>16,600</i>
Total	391	85.7	65	14.3	456	17,688	85.3	3,043	14.7	20,731

In 2002, the bank originated 72.2% by number and 75.4% by dollar volume of its HMDA-reportable loans within the assessment area. That same year, BOU originated 92.4% and 93.7% of its number and dollar volume, respectively, of small business loans inside the assessment area.

Compared to 2002, BOU's lending within the assessment area during 2003 declined as a percentage of total lending. The bank's total HMDA-reportable lending increased in dollar volume between 2002 and 2003, while its percentage of lending within the assessment area fell to 68.2% based on number of loans and 58.6% by dollar volume. In contrast, total small business lending decreased both in number and dollar volume and the percentage of total small business lending occurring within the assessment area fell to 85.9% based on number of loans and 86.7% based on dollar volume.

- **Geographic Distribution of Loans: "High Satisfactory"**

The geographic distribution of loans reflects good penetration throughout the assessment area. The following paragraphs summarize the geographic distribution of loans by product category:

HMDA-Reportable Loans

The geographic distribution of HMDA-reportable loans reflects adequate dispersion among census tracts of different income levels.

The following chart summarizes the bank's HMDA-reportable lending distribution during the evaluation period:

Distribution of HMDA-reportable Loans by Geographic Income Level*								
Geographic Income Level	2002							
	Bank				Aggregate			
	#	% by #	\$000	% by \$	#	% by #	\$000	% by \$
Low	0	0.0	0	0.0	18	0.5	613	0.2
Moderate	0	0.0	0	0.0	210	6.0	6,432	2.6
<i>Subtotal: LMI</i>	<i>0</i>	<i>0.0</i>	<i>0</i>	<i>0.0</i>	<i>228</i>	<i>6.5</i>	<i>7,045</i>	<i>2.8</i>
Middle	16	61.5	635	55.5	1,344	38.4	71,301	28.5
Upper	10	38.5	510	44.5	1,924	55.0	172,050	68.7
Total for 2002	26	100.0	1,145	100.0	3,496	100.0	250,396	100.0
Geographic Income Level	2003							
	Bank				Aggregate			
	#	% by #	\$000	% by \$	#	% by #	\$000	% by \$
Low	4	13.3	113	7.6				
Moderate	4	13.3	203	13.6				
<i>Subtotal: LMI</i>	<i>8</i>	<i>26.7</i>	<i>316</i>	<i>21.1</i>				
Middle	5	16.7	284	19.0				
Upper	17	56.7	896	59.9				
Total for 2003	30	100.0	1,496	100.0	n/a	n/a	n/a	n/a

* Geographic income levels for 2002 and 2003 are based on 1990 and 2000 Census data, respectively. Income levels are determined using the median family income for the MSA in which the mortgaged property is located. A census tract is assigned to an income category based on the following criteria: 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%. Aggregate data for 2003 are not yet available.

In 2002, the bank did not originate any HMDA-reportable loans in LMI geographies; however, the aggregate originated 6.5% by number and 2.8% by dollar volume of its loans in LMI tracts. In middle-income census tracts, the bank originated 16 HMDA-reportable loans (61.5%) totaling \$635 thousand (55.5%), significantly outperforming the aggregate's penetration ratios of 38.4% and 28.5% respectively.

During 2003, the bank significantly improved its geographic distribution by originating eight HMDA-reportable loans (26.6%) totaling \$316 thousand (21.2%) in LMI geographies. The number and dollar amount of HMDA-reportable loans originated in middle-income geographies declined to five loans (16.7%) totaling \$284 thousand (19.0%) during 2003.

Small Business Loans

The bank's geographic distribution of small business loans reflects excellent dispersion among census tracts of different income levels.

In 2002, the bank originated 56 small business loans (32.8%) totaling \$2.4 million (27.1%) in LMI census tracts. The bank's LMI penetration ratio of 32.8% by number of loans was well above the aggregate's 22.5%. In 2003, the bank originated 23.2% more loans in LMI areas than it did in 2002, originating 69 small business loans (42.1%) totaling \$2.9 million (46.3%). This increase in LMI lending occurred despite a drop in BOU's total number and dollar volume of small business lending.

The following chart provides a summary of the bank's small business lending distribution during the evaluation period:

Distribution of Small Business Loans by Geographic Income Level								
Geography Income Level	2002							
	Bank				Aggregate			
	#	%	\$000	%	#	%	\$000	%
Low	14	8.2	555	6.4	137	5.3	5,569	6.0
Moderate	42	24.6	1,809	20.7	443	17.2	13,226	14.2
<i>Subtotal: LMI</i>	56	32.8	2,364	27.1	580	22.5	18,785	20.2
Middle	58	33.9	3,011	34.5	1,012	39.3	38,727	41.7
Upper	53	31.0	2,579	29.5	954	37.0	31,886	34.3
N/A	4	2.3	780	8.9	32	1.2	3,445	3.7
Total for 2002	171	100.0	8,734	100.0	2,578	100.0	92,843	100.0
Geography Income Level	2003							
	Bank				Aggregate*			
	#	%	\$000	%	#	%	\$000	%
Low	51	31.1	2,044	32.4				
Moderate	18	11.0	877	13.9				
<i>Subtotal: LMI</i>	69	42.1	2,921	46.3				
Middle	34	20.7	1,104	17.5				
Upper	61	37.2	2,288	36.2				
Total for 2003	164	100.0	6,313	100.0	n/a	n/a	n/a	n/a

* Aggregate data for 2003 was not yet available when this evaluation was conducted.

- **Distribution by Borrower Characteristics: "High Satisfactory"**

The distribution of loans based on borrower characteristics reflects good penetration among individuals of different income levels and businesses of different revenue sizes.

HMDA Loans

The distribution of HMDA-reportable loans reflects good penetration among individuals of different income levels.

In 2002, 42.3% (11 loans) of BOU's origination were made to LMI individuals, which compares favorably to the market aggregate's LMI penetration rate of 23.0%.

In 2003, the number of loans BOU made to LMI borrowers did not change, however, the bank's LMI penetration ratio declined to 36.7% because four more loans were made to middle-income (i.e., non-LMI) borrowers during 2003.

The following chart provides a summary of the bank's HMDA lending distribution during the evaluation period:

Distribution of HMDA-reportable Loans by Borrower Income Level*								
Income Level	2002							
	Bank				Aggregate			
	#	% by #	\$000	% by \$	#	% by #	\$000	% by \$
Low	5	19.2	96	8.4	200	6.0	6,833	2.9
Moderate	6	23.1	187	16.3	568	17.0	25,432	10.9
<i>Subtotal: LMI</i>	11	42.3	283	24.7	768	23.0	32,265	13.8
Middle	5	19.2	194	16.9	832	24.9	44,234	18.9
Upper	10	38.5	668	58.3	1,741	52.1	157,614	67.3
Total	26	100.0	1,145	100.0	3,341	100.0	234,113	100.0
Borrower Income Level	2003							
	Bank				Aggregate			
	#	% by #	\$000	% by \$	#	% by #	\$000	% by \$
Low	3	10.0	57	3.8				
Moderate	8	26.7	276	18.4				
<i>Subtotal: LMI</i>	11	36.7	333	22.3				
Middle	9	30.0	538	36.0				
Upper	10	33.3	625	41.8				
Total	30	100.0	1,496	100.0	n/a	n/a	n/a	n/a

* Aggregate data for 2003 is not yet available

Small Business Loans

The bank's small business lending distribution based on borrower characteristics reflects excellent penetration among businesses of different revenue sizes.

The following chart provides a summary of the bank's small business lending distribution during the evaluation period based on borrower revenues:

Distribution of Small Business Loans by Business Revenue Size								
Revenue Size	2002							
	Bank				Aggregate			
	#	% by #	\$000	% by \$	#	% by #	\$000	% by \$
\$1million or less	130	76.0	5,566	63.7	924	35.8	38,391	41.3
Over \$1 million	41	24.0	3,168	36.3	1,654	64.2	54,462	58.7
Total	171	100.0	8,734	100.0	2,578	100.0	92,853	100.0
Revenue Size	2003							
	Bank				*Aggregate			
	#	% by #	\$000	% by \$	#	% by #	\$000	% by \$
\$1million or less	138	84.1	4,552	72.1				
Over \$1 million	26	15.9	1,761	27.9				
Total	164	100.0	6,313	100.0	n/a	n/a	n/a	n/a

* Aggregate data for 2003 is not yet available.

In 2002, the bank's penetration ratios were significantly higher than the aggregate. BOU originated 130 small business loans (76.0%) totaling \$5.6 million (63.7%) to businesses with annual revenues of \$1 million or less. By comparison, the aggregate's penetration ratios were 35.8% based on number loans and 41.3% based on dollar volume.

During 2003, BOU's lending to businesses with gross annual revenues of \$1 million or less increased 6.2% based on number of loans but decreased 17.9% based on dollar volume. To be specific, during 2003 the bank originated 138 small business loans (84.1%) totaling \$4.6 million (72.1%) to businesses with revenues of \$1 million or less.

- **Community Development Lending:** "Outstanding"

Community development (CD) loans for the current evaluation period totaled \$9.0 million, an increase of \$2.4 million (36.4%) from the prior evaluation period. New commitments accounted for \$5.1 million, or 56.7%, of the total. BOU extended 53.8% of its CD loans to support revitalization or stabilization efforts and 45.6% to support community service activities in its assessment area.

The table below summarizes the bank's community lending activities during the evaluation period:

Community Development Loans (Dollars in Thousands)						
Loans Outstanding from the Prior Evaluation Period						
Loan Type	Community Development Purpose				Original Amount	Balance as of 12/31/03
	AH	ED	CS	R/S		
Term				4,000	4,000	3,833
Revolving		220			220	21
<i>Subtotal</i>	<i>0</i>	<i>220</i>	<i>0</i>	<i>4,000</i>	<i>4,220</i>	<i>3,854</i>
Loans Originated During the Current Evaluation Period						
Loan Type	Community Development Purpose				Original Amount	Balance as of 12/31/03
	AH	ED	CS	R/S		
Term	30				30	29
Term				1,000	1,000	1,000
Commercial Mortgage			670		670	559
Term			2,500		2,500	2,103
Term			923		923	890
<i>Subtotal</i>	<i>30</i>	<i>0</i>	<i>4,093</i>	<i>1,000</i>	<i>5,123</i>	<i>4,581</i>
Total	30	220	4,093	5,000	9,343	8,435

AH – Affordable Housing, ED – Economic Development, CS – Community Services, R/S – Revitalization/Stabilization

Innovative/Flexible Lending

Bank of Utica participates in New York State's Linked Deposit program and originated one loan for \$30 thousand under this program during the evaluation period. The Linked Deposit program gives small businesses access to low-cost loans for projects that will retain existing jobs or create new jobs in designated areas. In return for originating these loans, a bank receives compensating low-cost deposits from the State of New York. In effect, the low-cost deposits serve as an indirect subsidy for the loan.

II. Investment Test: “High Satisfactory”

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

BOU’s level of qualified community development investments is adequate considering the bank’s size, capacity and the needs of its assessment area.

Since the prior examination period, BOU’s volume of CRA-eligible investments has declined 50.0%, falling from \$4.4 million during the prior evaluation period to \$2.2 million during the current review period. New investments and grants represent \$1.6 million (72.6%) of total qualified investments from the current exam period.

The following is a summary of the bank’s investments and grants for the evaluation period.

Qualified Investments and Grants (Dollar Amounts Shown in Thousands)							
Investments Outstanding from the Prior Evaluation Period							
Name	Investment Type*	Community Development Purpose*				Total Original Commitment	Balance as of 12/31/03
		AH	ED	CS	R/S		
#2042	MBS	973				973	231
#2043	MBS	474				474	50
#2044	MBS	2,716				2,716	108
SZCC	Equity		200			200	200
CLC	Equity	53				53	6
<i>Subtotal - Prior Period</i>		<i>4,216</i>	<i>200</i>	<i>0</i>	<i>0</i>	<i>4,416</i>	<i>595</i>
Investments and Grants Originated During the Current Evaluation Period							
Name	Investment Type	Community Development Purpose*				Total Original Commitment	Exam Credit Amount
		AH	ED	CS	R/S		
#2614	MBS	1,544				1,544	1,544
Grants	--	25		6	1	32	32
<i>Subtotal - Current Period</i>		<i>1,569</i>	<i>0</i>	<i>6</i>	<i>1</i>	<i>1,576</i>	<i>1,576</i>
Total		5,785	200	6	1	5,992	2,171

* Amount shown represents the original commitment in thousands of dollars; MBS = Mortgage-Backed Security; AH = Affordable Housing; ED = Economic Development; CS = Community Service; R/S = Revitalization or Stabilization

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 by analyzing both the availability and effectiveness of the institution’s retail banking service-delivery systems and the extent and innovativeness of its community development services.

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

Accessibility of Delivery Systems

The bank operates from a single location that is accessible to essentially all portions of the bank’s assessment area. The bank’s sole office is located in a low-income area and offers walk-in and drive-up facilities. The bank also offers two off-site ATMs, neither of which accepts deposits. These ATMs are located in the lobbies of two hotels that are within walking distance of the bank’s office.

Through its ATMs, BOU provides participants in New York State’s public assistance Quest Program with free access for cash withdrawals.

Changes in Branch Locations

BOU did not open or close any branches during the evaluation period.

- **Reasonableness of Business Hours and Services: “High Satisfactory”**

Bank of Utica’s business hours are:

- Monday through Thursday: 9:00AM to 5:00PM
- Friday: 9:00AM to 5:30PM
- Saturday and Sunday: Closed

These hours are more than reasonable given the bank’s performance context.

BOU offers the following products and services that enhance the bank’s ability to address the needs of its assessment area:

- Free Personal Checking - This account is an approved alternative to the Basic Banking Account that institutions are required to offer in accordance with Part 9 of the General Regulations of the New York State Banking Board. The account has more favorable terms than required for the Basic Banking Account. BOU’s Free Personal Checking Account requires a minimum opening deposit of \$25, has no monthly service charge, no minimum balance and no limit on the number of checks a customer can write per month. In addition, customers receive their first 50 checks for free and are not charged a fee to have their cancelled checks (or images of their cancelled checks) returned with their monthly statements.

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- Around-the-Clock Banking: This service gives customers access to their accounts 24/7 over the telephone. Customers can view their accounts, obtain balance information, transfer funds between accounts and obtain information on recent deposits.
 - Internet Banking: This recently-added service gives customers access to their accounts via the Internet. Available services are the same as those offered through BOU's "Around-the-Clock Banking" program. In addition, customers can retrieve account statements and view images of their cancelled checks.
 - Electronic Benefits Transfer Program: This program enables low-income families with dependent children to access food stamps and cash benefits via state-issued debit cards.
 - Quickdraw ATM/VISA debit card: This program allows customers to conduct ATM and point-of-sale transactions at any location where VISA cards are accepted. There is no fee to obtain the card or to use it for purchases.

- **Community Development Services: "High Satisfactory"**

Bank of Utica provides a relatively high level of community development services.

Bank management provides technical assistance to a variety of community development organizations that promote economic development or provide community service in LMI areas. Some of the organizations that have benefited from the bank's activities include:

- Mohawk Valley Chamber of Commerce, Inc. ("MVCC") – BOU's chairman is also a member of MVCC's board of directors.
- Central Association for the Blind and Visually Impaired ("CABVI") – This organization helps people who are blind or visually impaired achieve the highest level of independence feasible. The bank's president serves on CABVI's board or directors.
- Emmaus House – This organization shelters women and children who are in crisis situations. Emmaus House supplies food, clothing, and a variety of counseling services. One of the bank's directors serves on the board of this organization.

Representatives of the bank also volunteer their time and financial expertise to assist various community development organizations in the assessment area, including:

- Bank of Utica Foundation
- Utica Industrial Development Corporation
- United Cerebral Palsy
- Mohawk Hospital Equipment, Inc.
- Cosmopolitan Community Center
- Carton Foundation
- Mohawk Valley Financial Women Association
- Utica Rescue Mission
- Oneida County Industrial Development Agency
- Oneida Herkimer Community Foundation
- Masonic Association of Utica
- Adirondack North County Association

IV. Discrimination and other Illegal Practices

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

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

Evidence of prohibited discriminatory or other illegal credit practices.

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

V. Process Factors

Activities conducted by the banking institution to ascertain the credit needs of its community, including the extent of the banking institution's efforts to communicate with members of its community regarding the credit services being provided by the banking institution.

BOU's senior management and loan officers meet regularly with commercial customers, local elected officials, and business and civic leaders to discuss the credit needs of the community and identify ways the bank can meet these needs. In addition, the bank's officers and directors serve on the boards of various organizations where they provide technical assistance on financial issues.

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 continues to advertise in the local newspaper, the Utica Observer Dispatch, and in various community newsletters published by civic, religious, minority, cultural, and scholastic organizations. BOU also publishes a monthly newsletter that is enclosed in depositors' monthly statements.

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 of directors appoints a CRA management committee annually. The committee currently comprises the appointed CRA Officer, two senior vice presidents and the bank's auditor. The CRA Officer chairs the committee and submits an annual CRA report to the board of directors. The board also reviews and approves the bank's CRA policy.

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:

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- 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;

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- ❖ Developing secondary market vehicles or programs;
 - ❖ Assisting in marketing financial services, including the development of advertising and promotions, publications, workshops and conferences;
 - ❖ Furnishing financial services training for staff and management;
 - ❖ Contributing accounting/bookkeeping services; and
 - ❖ Assisting in fund raising, including soliciting or arranging investments.

Demand-Adjusted Penetration Rate

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

Demand-Adjusted Penetration Ratio

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

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

Home Mortgage Disclosure Act (“HMDA”)

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

Loans to Small Businesses

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

Low- or Moderate-Income (“LMI”) Geographies

Those census tracts or block numbering areas (“BNAs”), where according to the 1990 US Census, the median family income is less than 80% of the area median family income. In the case of tracted areas that are part of a Metropolitan Statistical Area (“MSA”) or Primary Metropolitan Statistical Area (“PMSA”), this would relate to the median family income for the MSA or PMSA in which the tracts are located. In the case of BNAs and tracted areas that are not part of a MSA or PMSA, the area median family income would be the statewide nonmetropolitan median family income.

LMI Borrowers

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

LMI Individuals/Persons

Those individuals, whose income is less than 80% of the area median family income. In the case where the individual resides in a MSA or PMSA, this would relate to the median family income for that MSA or PMSA. Otherwise, the area median family income would be the statewide nonmetropolitan median family income. In all instances, the area median family incomes used to measure individual income levels are updated annually by HUD.