



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, 2004

Institution: The Oneida Savings Bank
182 Main Street
New York, NY 13421

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

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GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (“CRA”) performance of The Oneida Savings Bank (“OSB”) prepared by the New York State Banking Department. The evaluation represents the Banking Department’s current assessment and rating of the institution’s CRA performance based on an evaluation conducted as of December 31, 2004.

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

The Oneida Savings Bank is rated "1," indicating an outstanding record of helping to meet community credit needs.

Lending Test - "Outstanding"

- Lending levels reflect excellent responsiveness to assessment area credit needs. For the period under evaluation, the bank originated 1,655 HMDA-reportable and small business loans totaling \$124.5 million.
- A substantial majority of loans were made in the bank's assessment area. The total assessment area percentages reflect lending of 91.0% and 88.5% in 2003 and 2004, respectively.
- The geographic distribution of loans reflects excellent penetration throughout the assessment area.
- The distribution by borrower characteristics reflects excellent penetration among customers of different income levels and businesses of different sizes.
- OSB used innovative and/or flexible lending practices in serving assessment area credit needs.
- The bank had an excellent level of community development lending. For the period under evaluation, OSB's community development lending activity totaled \$7.3 million of which \$4.5 million (61.6%) is considered new money.

Investment Test - "Outstanding"

- OSB has an excellent level of qualified community development investments. During the evaluation period, investments totaled \$2.2 million, with \$214 thousand (9.7%) defined as new money.

Service Test - "Outstanding"

- Delivery systems are readily accessible to all portions of the bank's assessment area. Two (25%) of the bank's eight branch offices are located within LMI areas.
- OSB offers an alternative basic banking account entitled *Totally Free Checking*, which is more advantageous to the consumer than mandated by New York State regulation.
- Services are tailored to the convenience and needs of the assessment area,

particularly LMI geographies and LMI individuals.

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

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

PERFORMANCE CONTEXT

Institution's Profile:

Chartered in 1866 as a mutual savings bank located in Oneida, Madison County, New York, OSB was converted into a stock savings bank in 1998. OSB is a wholly owned subsidiary of Oneida Financial Corporation ("OFC") and owns two banking related subsidiaries: Oneida Preferred Funding Corporation ("OPF") and State Bank of Chittenango ("SBC"). OPF invests in residential and commercial real estate mortgages. SBC is a special purpose commercial bank that accepts deposits from municipalities, school districts and other public sources.

The Oneida Savings Bank Charitable Foundation ("Foundation") is a stand-alone entity affiliated with the bank to make donations for public welfare or community development purposes. The Foundation's and OFC's qualified grants were considered in this evaluation and their combined activities will be referred to as OSB or "the bank."

As of December 31, 2004, the bank reported total assets of \$421.9 million, of which 49.6% were net loans and leases.

The bank is primarily a residential real estate lender, with 47.2% of its loan portfolio in 1-4 family residential mortgage loans, 20.0% in commercial real estate loans, 17.3% in consumer loans and 13.8% in commercial and industrial loans as of December 31, 2004.

The following table illustrates the composition of the bank's loan portfolio for year-ends 2002 through 2004:

OSB Total Gross Loans Outstanding						
<i>LOAN TYPE</i>	12/31/2004		12/31/2003		12/31/2002	
	\$ (000's)	%	\$ (000's)	%	\$ (000's)	%
1-4 Family Mortgage Loans	100,905	47.2	93,165	46.0	97,799	48.8
Commercial Real Estate Loans	42,761	20.0	32,009	15.8	6,927	3.5
Consumer Loans	37,026	17.3	39,317	19.4	40,773	20.4
Commercial & Industrial Loans	29,632	13.8	35,237	17.4	52,613	26.3
Multifamily Mortgage Loans	2,153	1.0	2,378	1.2	1,983	1.0
Farmland Loans	983	0.5	506	0.2	116	0.1
Construction & Land Development Loans	498	0.2	102	0.1	17	0.0
Other Loans	0	0.0	2	0.0	129	0.1
Total Gross Loans	213,958	100.0	202,716	100.0	200,357	100.0

OSB operates six branches in Madison County (including the main office), one in Oneida County and one in Onondaga County.

According to the Federal Deposit Insurance Corporation ("FDIC"), the bank's network of branches held \$311.4 million in deposits as of June 30, 2004. The bank was the 11th largest deposit-taking institution in Madison, Oneida and Onondaga counties combined,

with 3% of the total deposits in these counties. The following chart details OSB's retail deposits by county:

OSB County Market Share based on Deposits as of 6/30/2004						
County	Number of OSB Branches	Deposits \$ (000s)	Pct. Deposits per County	County Market Share Pct.	OSB's County Ranking	Competing FDIC- Insured Institutions
Madison	6	286,835	92.1	42.45	1	7
Oneida	1	20,137	6.5	0.63	16	16
Onondaga	1	4,466	1.4	0.07	19	19
Assessment Area	8	311,438	100.0	3.01	11	26

The bank received a rating of "2," reflecting a satisfactory record of helping to meet community credit needs, at its most recent Performance Evaluation as of December 31, 2002 by the New York State Banking Department.

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

Assessment Area:

OSB's assessment area includes 15 of the 16 census tracts in Madison County and portions of Oneida and Onondaga counties. The portion of Onondaga County includes the townships of Cicero and Manlius. The Oneida County portion includes the city of Sherrill, and the townships Verona, Vernon, Vienna, Camden, Annsville and Florence. Madison and Oneida counties are part of Metropolitan Statistical Area ("MSA") 45060 Syracuse, while Oneida County is part of MSA 46540 Utica-Rome.

Based on the 2000 U.S. Census, there were 31 census tracts in the assessment area, 3.2% of which were moderate-income geographies. (There are no low-income tracts in the assessment area). As of 2004, the Office of Management and Budget ("OMB") redefined MSAs and other statistical areas. The following chart details the distribution of census tracts based on updated OMB revisions as well as the 2000 U. S. Census:

OSB Assessment Area Geo-coded Census Tracts Based on 2004 OMB Revisions (<i>Italicized Data is Based on 2000 Census</i>)														
County	Zero		Low		Moderate		Middle		Upper		Total	LMI %	Total	LMI %
Madison	0	0	0	0	2	1	10	11	3	3	15	13.3	15	6.7
Oneida	0	0	0	0	0	0	5	5	1	1	6	0.0	6	0.0
Onondaga	0	0	0	0	0	0	2	2	8	8	10	0.0	10	0.0
Total	0	0	0	0	2	1	17	18	12	12	31	6.5	31	3.2
Tract Geo-code Pct.	0.0	0.0	0.0	0.0	6.5	3.2	54.8	58.1	38.7	38.7	100		100	

The following chart details the 2003 and 2004 unemployment rates for New York State, particular MSAs and whole counties:¹

Unemployment Rates Comparison			
	Madison	Onondaga	Oneida
2004	5.6	5.1	5.2
2003	(Unavailable)		(Unavailable)
	MSA 45060 (Syracuse)		MSA 46540 (Utica-Rome)
2004	5.5		5.3
2003	6.0		5.5
	New York State		
2004	5.8		
2003	6.4		

Madison and Onondaga counties had lower rates as compared to New York State in 2004, but Madison County’s unemployment level was slightly higher compared with its MSA. In comparison, Oneida County had lower unemployment rates as compared to New York State or its MSA in 2004.

Please refer to the following three pages for demographic, housing and small business data for OSB’s assessment area.

The bank’s assessment area appears reasonable based upon the location of its branches, and its lending patterns. There is no evidence that LMI areas are arbitrarily excluded.

¹ Individual county information for 2003 was unavailable when this report was written. The New York State Department of Labor was in the process of revising this data.

CHART #1

ONIEDA SAVINGS BANK - ASSESSMENT AREA POPULATION AND INCOME CHARACTERISTICS BY COUNTY																					
<i>(based on OMB 2004 revisions)</i>																					
COUNTY	Total Population	Age 66 and over		Age 15 and less		Median Family Income(MFI)	HUD MSA MFI	# of Households	# of HH below poverty level		Total Families	Low income		Moderate income		Middle income		Upper income		LMI families in LMI tracts	
		#	%	#	%				#	%		#	%	#	%	#	%	#	%	#	%
MADISON	67,038	8,404	12.5	14,534	21.7	49,392	57,200	24,504	2,468	10.1	16,910	3,048	18.0	3,530	20.9	4,108	24.3	6,224	36.8	859	13.1
ONEIDA	29,796	3,756	12.6	7,150	24.0	46,561	50,600	11,266	843	7.5	8,149	1,303	16.0	1,521	18.7	2,015	24.7	3,310	40.6	0	0.0
ONONDAGA	34,563	5,323	15.4	7,960	23.0	71,126	57,200	13,612	500	3.7	9,659	966	10.0	1,253	13.0	1,779	18.4	5,661	58.6	0	0.0
TOTAL AJA*	131,397	17,483	13.3	29,644	22.6	54,774	55,923	49,382	3,811	7.7	34,718	5,317	15.3	6,304	18.2	7,902	22.8	15,195	43.8	859	7.4

* Assessment Area

CHART #2

**ONIEDA SAVINGS BANK - ASSESSMENT AREA HOUSING CHARACTERISTICS BY COUNTY
(based on OMB 2004 revisions)**

COUNTY	Total	1-4 family		Multifamily		Owner-Occupied		O-O Units in		O-O Units in		O-O Units in		O-O Units in		Rental		Vacant/	
	Housing Units	Units		Units		Units (O-O)		Low-income Tracts		Mod-income Tracts		Mid-income Tracts		Upp-Income Tracts		Units		Boarded-up Units	
		#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%
MADISON	27,605	22,724	82.3	1,882	6.8	18,262	66.2	0	0.0	1,618	8.9	14,389	78.8	2,255	12.4	6,848	24.8	3,114	11.3
ONEIDA	12,873	10,517	81.7	464	3.6	9,001	69.9	0	0.0	0	0.0	8,017	89.1	984	10.9	2,545	19.8	1,597	12.4
ONONDAGA	14,155	12,392	87.5	1,659	11.7	10,744	75.9	0	0.0	0	0.0	2,556	23.8	8,188	76.2	3,079	21.8	571	4.0
TOTAL A/A *	54,633	45,633	83.5	4,005	7.3	38,007	69.6	0	0.0	1,619	4.3	24,959	65.7	11,429	30.1	12,472	22.8	5,282	9.7

* Assessment Area

CHART #3

ONEIDA SAVINGS BANK BUSINESS DEMOGRAPHICS BY COUNTY 2004											
COUNTY	Number of 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	
		#	%	#	%	#	%	#	%	#	%
MADISON	3,452	2,372	68.7	156	4.5	924	26.8	2,838	82.2	3,005	87.1
ONEIDA	1,226	853	69.6	54	4.4	319	26.0	988	80.6	1,107	90.3
ONONDAGA	2,376	1,668	70.2	112	4.7	596	25.1	1,937	81.5	2,124	89.4
TOTAL A/A*	7,054	4,893	69.4	322	4.6	1,839	26.1	5,763	81.7	6,236	88.4

*Assessment Area

PERFORMANCE TESTS AND ASSESSMENT FACTORS

The Banking Department assesses a large bank's CRA performance by evaluating its lending, investment and service activities using the Lending, Investment and Service Tests provided for in Parts 76.8, 76.9 and 76.10 of the General Regulations of the Banking Board.

The evaluation period comprises 2003 and 2004. Products considered include HMDA-reportable and small business loans.

HMDA-reportable information and small business loan data was submitted by the bank. Aggregate data for HMDA-reportable and small business loans originated during 2003 were obtained from the Federal Financial Institutions Examination Council ("FFIEC") and PCI Services, Inc.'s CRA Wiz©, an external vendor. When this evaluation was prepared, aggregate data for 2004 was not available.

U. S. census data for 2000 was the basis for geography income levels for 2003. OMB revisions were the basis for geography income levels in 2004. The U.S. Department of Housing and Urban Development's ("HUD") estimates of 2003 and 2004 median family incomes were utilized for borrower income levels.

I. Lending Test: "Outstanding"

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

Lending Activity: "Outstanding"

The volume of HMDA-reportable and small business loans extended by OSB in its assessment area reflects excellent responsiveness to community credit needs.

HMDA-Reportable Loans

The bank originated 1,048 HMDA-reportable loans totaling \$87.3 million within the assessment area during the evaluation period. In 2003, OSB ranked first in loan and dollar volume among 194 HMDA-reporting lenders in the three partial counties that the bank services.

The bank increased its HMDA-reportable lending over the prior evaluation by 10.8% and 22.3% in loan and dollar volume, respectively. However, OSB's loan volume declined between 2003 and 2004 by approximately 21%. Bank management stated that this was caused by decreased refinancing activity due to higher interest rates.

Small Business Loans

OSB originated 607 small business loans totaling \$37.2 million within its assessment area during the evaluation period. The bank increased its small business lending over the prior evaluation by 4.3% and by 1.7% in loan and dollar volume, respectively. In 2003, the bank ranked 16th and 10th in loan originations and dollar volume, respectively, among 68 reporting small business lenders. Small business market share ranking is based on Madison, Oneida and Onondaga counties in their entirety and includes “credit card” lenders that do not maintain branches in the area and whose average loan size is relatively small.²

Assessment Area Concentration: “Outstanding”

OSB extended a substantial majority of its loans within the assessment area.

As the following chart details, OSB extended 91% and 88.5% of its combined HMDA-reportable and small business loans inside the bank’s assessment area in 2003 and 2004, respectively.

Assessment Area Lending Comparison								
	2003				2004			
HMDA	Nbr.	Nbr. %	\$ (000's)	\$ %	Nbr.	Nbr. %	\$ (000's)	\$ %
IN	585	88.6	51,730	87.2	463	89.0	35,613	85.7
OUT	75	11.4	7,604	12.8	57	11.0	5,937	14.3
<i>Subtotal</i>	660	100.0	59,334	100.0	520	100.0	41,550	100.0
Small Business	Nbr.	Nbr. %	\$ (000's)	\$ %	Nbr.	Nbr. %	\$ (000's)	\$ %
IN	314	95.7	18,561	93.9	293	87.7	18,594	84.1
OUT	14	4.3	1,200	6.1	41	12.3	3,504	15.9
<i>Subtotal</i>	328	100.0	19,761	100.0	334	100.0	22,098	100.0
HMDA and Small Business	Nbr.	Nbr. %	\$ (000's)	\$ %	Nbr.	Nbr. %	\$ (000's)	\$ %
IN	899	91.0	70,291	88.9	756	88.5	54,207	85.2
OUT	89	9.0	8,804	11.1	98	11.5	9,441	14.8
TOTAL	988	100.0	79,095	100.0	854	100.0	63,648	100.0

Geographic Distribution: “Outstanding”

The geographic distribution of the bank’s loans reflects excellent penetration throughout the assessment area.

HMDA-Reportable Loans

The geographic distribution of OSB’s HMDA-reportable loans reflects excellent penetration throughout the assessment area. In 2003, OSB outperformed the aggregate in moderate-income and middle-income area penetration ratios by 60% and 28.4%, respectively. In

² In 2003, the top eight “credit-card” lenders in the three counties originated 10,817 loans (59.7%) totaling \$51.8 million (7.7%).

2004, the bank improved its moderate-income and middle-income area penetration ratios by 54.2 % and 3.5%, respectively. There are no low-income tracts in the assessment area.

Due to the OMB revisions in 2004, moderate-income tracts in the assessment area increased from one to two and middle-income tracts decreased from 11 to 10, compared to the tract distribution in 2003. This may account for the inter-year increase in the bank's moderate-income area penetration ratio. Based on the census tract designations in 2003, slightly more than 3% and 58% of the tracts were moderate-income and middle-income, respectively. This changed to 6.5% and 54.8% based on the revisions. The following chart provides details of the geographic distribution of the bank's HMDA-reportable lending:

Distribution of HMDA-Reportable Loans by Census Tract Income Level						
Census Tract	OSB in 2003				AGGREGATE in 2003	
	Nbr.	Nbr. %	\$ (000's)	\$ %	Nbr. %	\$ %
Low	0	0.0	-	0.0	0.0	0.0
Moderate	14	2.4	780	1.5	1.5	1.1
<i>LMI Total</i>	14	2.4	780	1.5	1.5	1.1
Middle	437	74.7	36,245	70.1	58.2	47.2
Upper	134	22.9	14,705	28.4	40.3	51.7
Total	585	100	51,730	100	100	100
Census Tract	OSB in 2004				AGGREGATE in 2004	
	Nbr.	Nbr. %	\$ (000's)	\$ %	<i>Unavailable</i>	
Low	0	0.0	-	0.0		
Moderate	17	3.7	1,051	3.0		
<i>LMI Total</i>	17	3.7	1,051	3.0		
Middle	358	77.3	24,965	70.1		
Upper	88	19.0	9,597	26.9		
Total	463	100	35,613	100		

Small Business Loans

The geographic distribution of the bank's small business loans reflects excellent penetration throughout the assessment area.

In 2003, OSB's moderate-income area penetration ratio was 13.8% lower than the aggregate. In 2004, the bank improved its lending in moderate-income areas by 100%, which mirrors the change in demographics based on the OMB revisions. In middle-income area penetration, OSB outperformed the aggregate by 21.8% in 2003 and maintained more than a 70% penetration level in 2004. The following chart provides details of the geographic distribution of the bank's small business lending:

Distribution of Small Business Loans by Census Tract Income Level						
Census Tract	OSB in 2003				AGGREGATE in 2003	
	Nbr.	Nbr. %	\$ (000's)	\$ %	Nbr. %	\$ %
Low	0	0.0	-	0.0	0.0	0.0
Moderate	9	2.9	220	1.2	3.3	3.0
<i>LMI Total</i>	9	2.9	220	1.2	3.3	3.0
Middle	237	75.5	13,460	72.5	62.0	55.8
Upper	68	21.7	4,881	26.3	34.7	41.2
Total	314	100	18,561	100	100	100
Census Tract	OSB in 2004				AGGREGATE in 2004	
	Nbr.	Nbr. %	\$ (000's)	\$ %	<i>Unavailable</i>	
Low	0	0.0	-	0.0		
Moderate	17	5.8	1,810	9.7		
<i>LMI Total</i>	17	5.8	1,810	9.7		
Middle	208	71.0	12,339	66.4		
Upper	68	23.2	4,445	23.9		
Total	293	100	18,594	100		

Borrower Characteristics: “Outstanding”

The distribution of OSB’s lending based on borrower characteristics reflects, given the products offered, excellent penetration among customers of different income levels and businesses of different sizes.

HMDA-Reportable Loans

The distribution of the bank’s HMDA-reportable loans reflects good penetration among customers of different income levels. Loans where income was not considered in the underwriting decision were excluded from the analysis.

As shown in the following chart, in 2003, OSB and the aggregate had similar LMI-borrower penetration ratios. In 2004, the bank improved its LMI-borrower penetration ratio by more than 50%. OSB’s middle-income borrower penetration slightly outperformed the aggregate in 2003 and the following year, the bank improved slightly on its performance.

Distribution of HMDA-Reportable Loans by Borrower Income Level						
Borrower Income	OSB in 2003				AGGREGATE in 2003	
	Nbr.	Nbr. %	\$ (000's)	\$ %	Nbr. %	\$ %
Low	32	5.9	1,010	2.1	5.1	2.4
Moderate	86	15.8	4,848	10.0	16.9	10.9
<i>LMI Total</i>	118	21.7	5,858	12.1	22.0	13.3
Middle	144	26.4	10,342	21.3	25.2	20.6
Upper	283	51.9	32,252	66.6	52.8	66.1
Total	545	100	48,452	100	100	100
Borrower Income	OSB in 2004				AGGREGATE in 2004	
	Nbr.	Nbr. %	\$ (000's)	\$ %	<i>Unavailable</i>	
Low	35	7.8	1,116	3.2		
Moderate	111	24.9	4,880	14.2		
<i>LMI Total</i>	146	32.7	5,996	17.4		
Middle	119	26.7	8,313	24.2		
Upper	181	40.6	20,068	58.4		
Total	446	100	34,377	100		

Small Business Loans

The distribution of the bank's small business loans reflects excellent penetration among businesses of different sizes. The following chart shows OSB's lending in 2003 and 2004:

OSB Distribution of Small Business Loans Among Businesses of Different Sizes								
Business Revenue Size	Nbr.	Nbr. %	\$ (000's)	\$ %	Nbr.	Nbr. %	\$ (000's)	\$ %
	2003				2004			
Firms with Revenues <= \$1MM	262	83.4	11,946	64.4	234	79.9	10,476	56.3
Firms with Revenues > \$1MM	52	16.6	6,615	35.6	59	20.1	8,118	43.7
Total	314	100.0	18,561	100.0	293	100.0	18,594	100.0

OSB's ratios of lending to businesses with revenues less than or equal to \$1 million are higher by 84.9% and 27.3% in originations and dollar volume, respectively, compared to the aggregate. In 2003, the aggregate's ratios were 45.1% by originations and 50.6% by dollar volume. In 2004, the bank's ratios declined by 4.2% in originations and by 12.6% in dollar volume compared to the prior year's performance.

Community Development Loans: "Outstanding"

The level of OSB's community development lending is excellent. While the bank's initiatives are neither innovative nor complex, the volume of activity demonstrates exceptional responsiveness to community development needs. The bank has \$7.3 million in community development loan commitments, with approximately 77% of this focused on community services. New money represents 61.6% of the total commitments. The following chart details the purpose of the bank's community development lending activity:

OSB Community Development Lending					
Category	Nbr. Of Loans	Commitments \$(000's)	%	New Money \$(000's)	New Money % per Row
Affordable Housing	1	1,578	21.6	1,578	100.0
Community Services	4	5,600	76.7	2,800	50.0
Economic Development	1	118	1.6	118	100.0
Revitalize and Stabilize	1	5	0.1	5	100.0
Total	7	7,301	100.0	4,501	61.6

The following are two examples of the bank's community development loans:

- The bank extended two separate lines of credit to an organization that provides services to disabled individuals. This entity operates residential, vocational, early intervention, family support, clinic and transportation programs. The majority of the organization's revenues are derived from Medicaid and the New York State Office of Mental Retardation and Developmental Disabilities. The credit lines fund working capital needs and equipment purchases.
- OSB participated \$1.6 million in a \$3.1 million construction loan to a local housing development limited partnership. The construction is a 24-unit affordable housing facility located in Madison County. One of the partners is a nonprofit corporation that administers government grants related to the weatherization or rehabilitation of homes of low-income and elderly persons.

Innovative and Flexible Lending Practices: "High Satisfactory"

During the period under review, the bank used innovative and/or flexible lending practices in serving assessment area credit needs. Following are examples of these practices:

- OSB participates with Community Action Program of Madison County, Inc. ("CAP"), a local community development organization. CAP's program provides grant subsidies of up to \$20 thousand for down payment and closing cost assistance. Borrowers must undergo home-ownership counseling. OSB applies standard underwriting guidelines for mortgage loans originated through this program, but does offer reduced closing costs. These mortgages feature grant subsidy forgiveness upon borrowers occupying the properties and keeping them in good repair for 10 years. During the evaluation period, OSB originated 18 CAP mortgages totaling \$941 thousand.
- OSB participates with the Federal Housing Administration Loan Guaranty Program ("FHA"). This loan program offers borrowers relaxed underwriting guidelines compared

to conventional mortgage financing, such as higher debt qualifying ratios and lower down payment requirements. During the evaluation period, the bank originated 21 FHA loans totaling \$1.8 million.

- The bank works with the Veterans Administration Loan Guaranty Program (“VA”). This loan program allows qualified veterans more relaxed underwriting guidelines than conventional mortgage financing, such as higher debt qualifying ratios and lower down payment requirements. During the evaluation period, OSB originated 16 loans totaling \$1.3 million through this program.
- OSB offers mortgage financing through the Federal Home Loan Mortgage Corporation’s (“Freddie Mac”) Affordable Gold program. Two of Freddie Mac’s mortgage options with similar features are the *Alt 97 Mortgage* and the *Freddie Mac 100 Mortgage*. Both are beneficial to LMI borrowers with features such as 3% or less down payment (utilizing *Affordable Seconds* secondary financing). Down payments may come from nontraditional sources and allows homeowners with little equity an option to lower their interest rate. The bank recently began offering these mortgage products, and during the evaluation period, OSB originated two Freddie Mac loans totaling \$108 thousand.
- OSB participates with the U.S. Small Business Administration (“SBA”) through the SBA 7(a) Guarantee Program. During the evaluation period, the bank extended 21 such loans totaling \$2.2 million.
- The bank offers State of New York Mortgage Agency (“SONYMA”) mortgages, but did not originate any such loans during the evaluation period.

II. **Investment Test: “Outstanding”**

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

OSB has an excellent level of qualified community development investments. During the evaluation period, qualified investments totaled \$2.2 million, with \$214 thousand (9.7%) considered new money. Included in the investment total are 65 qualified grants totaling \$210 thousand. The following chart details the bank’s qualified investments:

OSB Community Development Investments \$(000's)				
Investment Type	Commitment	New Money	New Money (%)	Category
Dormitory Authority Bond	\$1,700	\$0	0.0	Affordable Housing
Statewide Zone Capital	\$300	\$0	0.0	Economic Development
FHLB AHP Credit	\$4	\$4	100.0	Affordable Housing
Grants (65)	\$210	\$210	100.0	Various
Total	\$2,214	\$214	9.7	

The bank occasionally uses innovative or complex investments to support community development initiatives.

III. Service Test: "Outstanding"

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 a banking institution's systems of delivering retail banking services and the extent and innovativeness of its community development services.

Retail Banking Services: "Outstanding"

OSB's delivery systems are readily accessible to all portions of the bank's assessment area.

The following chart reflects the bank's eight branch locations by county and census tract income level. It also reflects branches that while physically located in middle- or upper-income areas are located in census tracts adjacent to LMI areas. As indicated below, 25% of the bank's branches are located in LMI census tracts and none of the others is located in areas adjacent to LMI areas.

OSB Branch Location by County and Census Tract as of 12/31/2004									
County	Low*	Mod.	Middle	Upper	N/A*	Total per County	Branch Pct. per County	Non-LMI Adjacent to LMI Branches	In or Adjacent to LMI - Pct. per County
Madison	0	2	2	2	0	6	75.0	0	33.3
Onondaga	0	0	1	0	0	1	12.5	0	0.0
Oneida	0	0	1	0	0	1	12.5	0	0.0
Total	0	2	4	2	0	8	100.0	0	25.0
Pct. per Tract	0.0	25.0	50.0	25.0	0.0	100.0			

* There are no low-income or N/A census tracts in the bank's assessment area.

Services are tailored to the convenience and needs of the assessment area, particularly LMI geographies and/or LMI individuals. The bank offers late afternoon hours at all branches on Thursdays or Fridays, and Saturday hours are offered at 62.5% of the branches. In addition, all branches feature drive-through banking with late afternoon or

evening hours. Seven drive-through teller windows open at 7:00 AM or 8:00 AM to accommodate the needs of the community.

All branches offer ATM service featuring 24-hour availability. OSB operates one off-site non-deposit-taking ATM located at Morrisville College in Morrisville, NY.

No branches or ATMs were opened or closed during the evaluation period

The bank offers online banking, which provides customers with financial information and convenient Internet access to their bank accounts. Other services offered by the bank include bank by mail and toll-free telephone banking.

OSB offers an alternative basic banking account entitled *Totally Free Checking*, which is more advantageous to the consumer than is mandated by New York State banking regulation. The bank's alternative basic banking checking account allows unlimited withdrawals with no fees. The bank actively markets this account with lobby banners, billboard advertising, posters, ATM receipts and deposit envelopes. OSB opened more than two thousand *Totally Free Checking* accounts in less than two years.

Community Development Services: "High Satisfactory"

OSB provides a relatively high level of community development services.

The bank offers a financial literacy program for children from seven area grade schools. Four of the seven schools are located in moderate-income areas. The program is offered weekly and bank representatives visit each school and instruct on the importance of savings. Students deposit funds into school accounts. The funds are later transferred into individual accounts.

OSB participates with the Community Action Program for Madison County ("CAP") in counseling new and prospective homeowners. CAP is a nonprofit entity dedicated to providing opportunities for economic self-sufficiency and family support to those who live or work in Madison County. A representative of OSB presented homebuyer seminars four times a year during the evaluation period.

The bank presented a financial literacy class to students from the Madison-Oneida Board of Cooperative Educational Services ("BOCES") chapter. The course focused on deposit accounts and loan applications.

OSB participated in three home ownership seminars in conjunction with local realtors and an affordable housing organization in Oneida, Morrisville and Canastota. The bank representative educated participants on the mortgage application process, including financing options.

Bank employees serve a variety of community organizations by providing financial expertise on loan committees, audit committees, lending committees and fund-raising

efforts. Following are examples of the organizations OSB assists:

- The Oneida Healthcare Foundation
- City of Oneida Industrial Development Agency
- CAP for Madison County
- Oneida Area Day Care Center
- Madison-Cortland ARC and Building Futures Foundation
- Madison County Habitat for Humanity

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.

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

Evidence of prohibited discriminatory or other illegal credit practices.

The most recent regulatory compliance and fair lending examinations, conducted concurrently with this evaluation, indicate satisfactory performance in terms of adherence to anti-discrimination or other applicable laws and regulations. No evidence of prohibited discrimination or other illegal credit practices was noted.

V. Process Factors

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

The bank ascertains the credit needs of its assessment area through direct contact by bank staff with customers, local realtors, attorneys and any professionals involved in the real estate market. In particular, OSB's mortgage consultants are expected to meet regularly with their real estate contacts, including builders and appraisers, to stay informed of community housing needs. Directors report credit needs of their respective communities to bank management. OSB's decision to underwrite FHA, VA and SONYMA mortgage loans was the direct result of community ascertainment.

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.

OSB's primary marketing method is direct communication by bank employees,

management and directors with the community. The bank makes limited use of print and radio media.

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

The bank's Board of Directors formulates and reviews policy pertaining to community credit needs. OSB has a standing Compliance Council appointed by the Board and chaired by the bank's CRA/Compliance Officer. The council meets quarterly and reports to the Audit and Examination Committee of the Board. Among the items presented and discussed at the Board's committee are CRA activities, including a self-assessment of lending activity, training proposals and changes in federal or state law.

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.

OSB made 268 grants totaling \$207 thousand to many organizations that do not have community development as a primary purpose but contribute to the community's quality of life.

The bank invested \$806 thousand in the City of Utica's bond anticipation notes. Utica is outside the bank's assessment area, but in the regional area. According to the OMB revisions, 70.8% of Utica's census tracts are LMI.

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 2000 US Census, the median family income is less than 80% of the area median family income. In the case of tracted areas that are part of a Metropolitan Statistical Area (“MSA”) or Primary Metropolitan Statistical Area (“PMSA”), this would relate to the median family income for the MSA or PMSA in which the tracts are located. In the case of BNAs and tracted areas that are not part of a MSA or PMSA, the area median family income would be the statewide nonmetropolitan median family income.

LMI Borrowers

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

LMI Individuals/Persons

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

Small Business Loans

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