



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: Steuben Trust Company
One Steuben Square
Hornell, NY 14843

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 Steuben Trust Company (“Steuben”) 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 (“LMI”) areas, consistent with safe and sound operations.

Part 76 of the General Regulations of the Banking Board implements Section 28-b and further requires that the Banking Department assess the CRA performance records of regulated financial institutions. Part 76 establishes the framework and criteria by which the Department will evaluate the performance. Section 76.5 further provides that the Banking Department will prepare a written report summarizing the results of such assessment and will assign to each institution a numerical CRA rating based on a 1 to 4 scoring system. The numerical scores represent an assessment of CRA performance as follows:

- (1) outstanding record of meeting community credit needs;
- (2) satisfactory record of meeting community credit needs;
- (3) needs to improve record of meeting community credit needs; and
- (4) substantial noncompliance in meeting community credit needs.

Section 76.5 further requires that the CRA rating and the written summary be made available to the public (“Evaluation”). Evaluations are primarily based on a review of performance tests and standards described in Section 76.7 and detailed in Sections 76.8 – 76.13. The tests and standards incorporate the 12 assessment factors contained in Section 28-b of the New York State Banking Law.

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

OVERVIEW OF INSTITUTION'S PERFORMANCE

Overall Rating

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

Lending Test - "High Satisfactory"

- Lending levels reflect good responsiveness to assessment area credit needs. For the period under evaluation, the bank originated 3,543 residential mortgage, small business, consumer loans and Modification Extensions Consolidation Agreements ("MECAs") totaling \$104.9 million.
- A high percentage of loans were made in the bank's assessment area. The total assessment area percentages reflect lending of 92.7% and 76.3% in 2003 and 2004, respectively.
- The geographic distribution of loans reflects adequate penetration throughout the assessment area.
- The distribution by borrower characteristics reflects good penetration among customers of different income levels and businesses of different sizes.
- Steuben 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, Steuben's community development lending activity totaled \$3.1 million of which \$1.5 million (50.3%) is considered new money.

Investment Test - "Low Satisfactory"

- Steuben had an adequate level of qualified community development investments. During the evaluation period, investments totaled \$152.5 thousand, with \$118 thousand (77.3 %) considered new money.

Service Test - "High Satisfactory"

- Delivery systems are accessible to all portions of the bank's assessment area. While all of the bank's branches are located in middle-income areas, 36.4% of the branches are in census tracts adjacent to LMI areas.
- Services do not vary in a way that inconveniences certain portions of the

assessment area, particularly LMI geographies and/or 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 1902 as the Bank of Steuben, Steuben is a wholly owned subsidiary of Steuben Trust Corporation, a one-bank holding company located in Hornell, New York. The bank changed to its current name in 1920 when it began offering trust services and now provides financial services to individuals and businesses primarily in Steuben, Allegany and Livingston counties in the Western Tier region of New York State.

Steuben operates four branches in Steuben County (including the main office) and seven branches in Allegany County.

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

Steuben Total Gross Loans Outstanding						
LOAN TYPE	12/31/2004		12/31/2003		12/31/2002	
	\$ (000's)	%	\$ (000's)	%	\$ (000's)	%
1-4 Family Mortgage Loans	74,446	42.6	82,694	46.6	79,428	46.0
Commercial Real Estate Loans	40,291	23.0	28,934	16.3	22,130	12.8
Consumer Loans	31,976	18.3	37,044	20.9	44,308	25.7
Commercial and Industrial Loans	26,145	15.0	26,502	14.9	24,364	14.1
Construction and Land Development Loans	1,686	1.0	2,169	1.2	2,142	1.2
Farmland & Agricultural Production Loans	290	0.2	96	0.1	109	0.1
Multifamily Mortgage Loans	35	0.0	42	0.0	146	0.1
Other Loans	5	0.0	5	0.0	5	0.0
Obligations of State or Local Divisions	0	0.0	150	0.1	0	0.0
Total Gross Loans	174,874	100.0	177,636	100.0	172,632	100.0

As illustrated in the above chart, the bank is primary a residential mortgage lender, with 42.6% of its loan portfolio in residential real estate, 23.0% in commercial mortgage loans, 18.3% in consumer loans, and 15.0% in commercial and industrial loans.

As of December 31, 2004, the bank reported total assets of \$290.9 million, of which 59.4% were net loans and leases. Securities comprised 27.3% of total assets.

According to the Federal Deposit Insurance Corporation's ("FDIC") Deposit Market Share Report, the bank's network of branches held \$257.7 million in deposits as of June 30, 2004. The bank was the second largest deposit-taking institution in Steuben and Allegany counties with 23.3% of the total deposits. The following chart details Steuben's retail deposits by county:

Bank's Market Share based on Deposits as of 6/30/2004						
County	Number of Steuben Branches	Deposits \$ (000s)	Pct. Deposits per County	County Market Share Pct.	Steuben's County Ranking	Competing FDIC- Insured Institutions
Steuben	4	107,708	41.8	14.77	3	8
Allegany	7	149,949	58.2	39.71	2	4
Assessment Area*	11	257,657	100.0	23.28	2	9

* The bank does not maintain offices in Livingston County.

Assessment Area:

Steuben's assessment area includes all 13 census tracts in Allegany County, 21 of 30 census tracts in Steuben County and three census tracts in Livingston County. Steuben and Allegany are non-Metropolitan Statistical Area ("MSA") counties while Livingston County is part of MSA 40380 (Rochester).

There are 37 census tracts in the assessment area, 10.8% of which are moderate-income. 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's revisions as well as the 2000 United States Census. Based on the initial release of the 2000 census data, the bank's assessment area had no upper-income tracts as well as no low-income tracts.

Steuben Assessment Area Geo-coded Census Tracts by Income Level - Based on 2004 OMB Revisions (<i>Italicized Data is Based on 2000 Census</i>)														
County	Zero		Low		Moderate		Middle		Upper		Total	LMI %	Total	LMI %
Steuben	0	0	0	0	2	2	19	19	0	0	21	9.5	21	9.5
Allegany	1	1	0	0	0	0	11	12	1	0	13	0.0	13	0.0
Livingston	0	0	0	0	2	1	1	2	0	0	3	66.7	3	33.3
Total	1	1	0	0	4	3	31	33	1	0	37	10.8	37	8.1
Tract Geo-code Pct.	2.7	2.7	0.0	0.0	10.8	8.1	83.8	89.2	2.7	0.0	100		100	

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

¹ Individual county, MSA and regional information for 2003 were unavailable when this report was written. The NYS Department of Labor was in the process of revising this data.

Unemployment Rates Comparison			
County			
	Steuben	Allegany	Livingston
2004	6.5	6.3	6.2
2003	Unavailable		Unavailable
Region			MSA
	Southern Tier	Western New York	MSA 40380 (Rochester)
2004	5.2	5.9	5.7
2003	Unavailable		Unavailable
New York State			
2004			5.8
2003			6.4

Steuben and Allegany counties had moderately higher rates than New York State in 2004, but Allegany County's unemployment level was 0.4 percentage points higher than the Western New York region. Steuben County's unemployment rate was 25.0% higher than the Southern Tier region. Livingston County's unemployment rate was 8.8% higher than its MSA.

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

This is the bank's second evaluation as a large bank for CRA purposes. The bank received a rating of "2," reflecting a satisfactory record of helping to meet community credit needs, at its Performance Evaluation as of December 31, 2002 by the New York State Banking Department.

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.

Please refer to the following charts for demographic information pertaining to each county and partial counties within the assessment area:

Chart # 1 – Population and Income Characteristics by County

Chart # 2 – Housing Characteristics by County

Chart # 3 – Business Demographics by County

CHART # 1

ASSESSMENT AREA POPULATION AND INCOME CHARACTERISTICS BY COUNTY																					
<i>(based on OMB 2004 revisions)</i>																					
COUNTY	Total Population	Age 65 and over		Age 16 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	
		#	%	#	%				#	%		#	%	#	%	#	%	#	%	#	%
Steuben	68,479	10,243	15.0	15,897	23.2	40,125	47,300	26,513	3,465	13.1	18,244	3,745	20.5	3,530	19.3	4,488	24.6	6,481	35.5	792	10.9
Allegany	49,927	7,000	14.0	10,592	21.2	38,864	47,300	18,056	2,769	15.3	12,217	2,588	21.2	2,482	20.3	3,005	24.6	4,142	33.9	0	0.0
Livingston	13,236	1,881	14.2	3,008	22.7	43,799	56,900	5,073	624	12.3	3,572	879	24.6	876	24.5	932	26.1	885	24.8	1,190	67.8
TOTAL A/A*	131,642	19,124	14.5	29,497	22.4	40,058	48,078	49,642	6,858	13.8	34,033	7,212	21.2	6,888	20.2	8,425	24.8	11,508	33.8	1,982	14.1

* Assessment Area

CHART # 2

ASSESSMENT AREA HOUSING CHARACTERISTICS BY COUNTY																			
<i>(based on OMB 2004 revisions)</i>																			
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 Midd-income Tracts		O-O Units in Upp-income Tracts		Rental Units		Vacant/ Boarded-up Units	
		#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%
Steuben	32,560	24,744	76.0	1,190	3.7	19,921	61.2	0	0.0	1,428	7.2	18,493	92.8	0	0.0	7,523	23.1	6,033	18.5
Allegany	24,505	18,568	75.8	954	3.9	13,302	54.3	0	0.0	0	0.0	12,413	93.3	886	6.7	5,486	22.4	6,496	26.5
Livingston	5,603	4,563	81.4	370	6.6	3,769	67.3	0	0.0	2,268	60.2	1,501	39.8	0	0.0	1,483	26.5	526	9.4
TOTAL A/A*	62,668	47,875	76.4	2,514	4.0	36,992	59.0	0	0.0	3,696	10.0	32,407	87.6	886	2.4	14,492	23.1	13,055	20.8

* Assessment Area

CHART # 3

BUSINESS DEMOGRAPHICS BY COUNTY (2004)											
COUNTY AND ASSESSMENT AREA (AA*)	Number of Businesses	Businesses with revenues of \$1 million or less		Businesses with revenues of more than \$1 million		Businesses with no revenues reported		Businesses with less than 50 employees		Operating from a single location	
		#	%	#	%	#	%	#	%	#	%
Steuben	3,406	2,313	67.9	153	4.5	940	27.6	2,811	82.5	2,913	85.5
Allegany	2,251	1,504	66.8	104	4.6	643	28.6	1,849	28.1	1,921	85.3
Livingston	721	490	68.0	37	5.1	194	26.9	592	82.1	628	87.1
Total A/A	6,378	4,307	67.5	294	4.6	1,777	27.9	5,252	82.3	5,462	85.6

* Assessment Area

PERFORMANCE TESTS AND ASSESSMENT FACTORS

A large bank's CRA performance is assessed by evaluating its lending, investment and service activities within its assessment area, and applies the lending, investment and service tests as provided for in Parts 76.8, 76.9 and 76.10 of the General Regulations of the Banking Board.

This performance evaluation incorporates a review of Steuben's lending, investment and service activities within its assessment area during 2003 and 2004. Products considered for this evaluation include residential lending, MECAs, small business loans and consumer loans. Steuben was exempt from reporting its residential loans under HMDA, since the bank did not have a home office or branch office in an MSA.

Statistics utilized in this evaluation were derived from various sources. Residential lending, MECA, small business and consumer lending information were submitted by the bank. Aggregate data for HMDA-reportable loans was obtained from FFIEC and PCI Services, Inc.'s CRA Wiz[®], an external vendor. This aggregate data is shown for reference only since the bank's lending is not includable in this data. 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: "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.

Lending Activity: "High Satisfactory"

Steuben's lending levels reflect good responsiveness to assessment area credit needs based on the volume of residential loans, MECAs, small business and consumer loans extended by the bank. During the evaluation period, the bank extended 3,543 residential mortgage, small business, consumer loans and MECAs totaling \$104.9 million.

Residential Mortgage Loans - The bank originated 531 loans totaling \$31.3 million during the evaluation period. The bank increased its residential lending from the prior evaluation by 87.0% and 85.7% in loan and dollar volume, respectively. Steuben declined in loan volume by approximately 70% between 2003 and 2004, resulting from decreased refinancing due to a tightening of interest rates.

MECAs - Steuben stated that it extended 148 MECAs totaling \$7.5 million during the evaluation period, which augmented the bank's lending activity. The bank did not report its MECA activity at the prior evaluation.

In New York State, residential loans may be modified, extended or consolidated. In these transactions, the bank will amend an existing loan. As such, MECAs are not considered loan refinancing activities for HMDA-reporting purposes since the existing loan obligations are not satisfied and replaced. While MECA transactions are not technically refinancing activities, they do achieve a similar result and their exclusion would have a material impact on the bank's CRA performance. Almost all Steuben's MECA activity took place in 2003 and all were modifications with interest rate adjustments.

Small Business Loans - Steuben originated 243 loans totaling \$25.2 million during the evaluation period. In 2003, the bank ranked 8th by number of loan origination and 5th by dollar volume out of 49 reporting small business lenders. The counties considered for small business ranking were Steuben, Allegany and Livingston counties in their entirety and included "credit card" lenders that do not maintain branches in the area, and whose average loan size is small.²

Consumer Loans - During the evaluation period, the bank originated 2,621 consumer loans totaling \$40.9 million inside the assessment area. In 2004, consumer lending declined compared with 2003, by 30.7% and 40.1% in loan and dollar volume, respectively, which Steuben attributed to tightening interest rates.

Proportion of Assessment Area Lending: "High Satisfactory"

A high percentage of Steuben's loans were made within its assessment area.

As the following chart details, Steuben extended 92.7% and 76.3% of its combined residential, small business and consumer loans inside the bank's assessment area in 2003 and 2004, respectively.

² In 2003, the top five "credit-card" lenders in the three counties originated 2,212 loans (53.6% market share) totaling \$9.6 million (7.2% market share) with an average loan size of \$4.4 thousand.

Assessment Area Lending Comparison								
	2003				2004			
Residential	Nbr.	Nbr. %	\$ (000's)	\$ %	Nbr.	Nbr. %	\$ (000's)	\$ %
IN	409	98.1	22,424	96.6	122	94.6	8,917	91.6
OUT	8	1.9	786	3.4	7	5.4	814	8.4
Subtotal	417	100.0	23,210	100.0	129	100.0	9,731	100.0
Sm. Bus.	Nbr.	Nbr. %	\$ (000's)	\$ %	Nbr.	Nbr. %	\$ (000's)	\$ %
IN	151	91.5	14,150	79.7	92	56.1	11,062	40.0
OUT	14	8.5	3,613	20.3	72	43.9	16,568	60.0
Subtotal	165	100.0	17,763	100.0	164	100.0	27,630	100.0
Consumer	Nbr.	Nbr. %	\$ (000's)	\$ %	Nbr.	Nbr. %	\$ (000's)	\$ %
IN	1,548	91.4	25,550	91.6	1,073	77.0	15,311	76.7
OUT	145	8.6	2,334	8.4	321	23.0	4,641	23.3
Subtotal	1,693	100.0	27,884	100.0	1,394	100.0	19,952	100.0
All Loan Types	Nbr.	Nbr. %	\$ (000's)	\$ %	Nbr.	Nbr. %	\$ (000's)	\$ %
IN	2,108	92.7	62,124	90.2	1,287	76.3	35,290	61.6
OUT	167	7.3	6,733	9.8	400	23.7	22,023	38.4
TOTAL	2,275	100.0	68,857	100.0	1,687	100.0	57,313	100.0

Geographic Distribution: "Low Satisfactory"

The geographic distribution of the bank's loans reflects adequate penetration throughout the assessment area.

Residential Mortgage Lending - The geographic distribution of the bank's residential mortgage lending reflects very poor penetration throughout the assessment area. Steuben's moderate-income tract penetration ratio was 1.7% in 2003 and declined slightly to 1.6% in 2004.

The owner-occupied housing rate for moderate-income tracts was 6.9% based on the 2000 census data and increased to 10.0% based on the OMB revisions in 2004. This appears to indicate that more opportunities to lend in moderate-income tracts existed in the bank's assessment area than shown in Steuben's performance.

The following chart details the bank's lending during the evaluation period. It also shows that in 2003, the aggregate of HMDA-reporting financial institutions outperformed Steuben's moderate-income tract penetration rate by more than 400%.

Distribution of Residential Lending by Census Tract Income Level						
Census Tract	Steuben in 2003				AGGREGATE in 2003*	
	Nbr.	Nbr. %	\$ (000's)	\$ %	Nbr. %	\$ %
Moderate	7	1.7	227	1.0	8.8	8.1
Middle	390	95.4	21,316	95.1	91.1	91.9
N/A	12	2.9	881	3.9	0.0	0.0
Total	409	100	22,424	100	100	100
Census Tract	Steuben in 2004				AGGREGATE in 2004	
	Nbr.	Nbr. %	\$ (000's)	\$ %	Unavailable	
Moderate	2	1.6	126	1.4		
Middle	105	86.1	7,581	85.0		
Upper	12	9.8	1,000	11.2		
N/A	3	2.5	210	2.4		
Total	122	100	8,917	100		

* HMDA-reporting institutions only, which does not include Steuben.

Small Business Loans - The geographic distribution of small business loans reflects good penetration throughout the assessment area.

In 2003, Steuben outperformed the aggregate's moderate-income tract penetration ratio by 41.7%. However, the bank's penetration in moderate-income tracts fell by more than six percentage points in 2004. The following chart details this performance:

Distribution of Small Business Loans by Census Tract Income Level						
Census Tract	Steuben in 2003				AGGREGATE in 2003	
	Nbr.	Nbr. %	\$ (000's)	\$ %	Nbr. %	\$ %
Moderate	18	11.9	869	6.1	8.4	6.3
Middle	133	88.1	13,281	93.9	91.4	93.7
N/A	0	0.0	0	0.0	0.2	0.1
Total	151	100	14,150	100	100	100
Census Tract	Steuben in 2004				AGGREGATE in 2004	
	Nbr.	Nbr. %	\$ (000's)	\$ %	Unavailable	
Moderate	5	5.4	216	2.0		
Middle	86	93.5	10,806	97.7		
Upper	1	1.1	40	0.4		
Total	92	100	11,062	100		

Consumer Loans - The geographic distribution of consumer loans reflects adequate penetration throughout the assessment area.

As the following chart details, the bank originated 2.5% and 4.1% of its consumer loans in moderate-income tracts in 2003 and 2004, respectively. Based on the 2000 census data and the OMB revisions in 2004, the percentage of households living in moderate-income tracts was 8.1% and 11%, respectively. However, 14% of all households were below the poverty level, which appears to indicate less than optimum lending opportunities.

Distribution of Consumer Loans by Census Tract Income Level				
Census Tract	Steuben in 2003			
	Nbr.	Nbr. %	\$ (000's)	\$ %
Moderate	39	2.5	457	1.8
Middle	1,509	97.5	25,093	98.2
Total	1,548	100	25,550	100
Census Tract	Steuben in 2004			
	Nbr.	Nbr. %	\$ (000's)	\$ %
Moderate	44	4.1	721	4.7
Middle	975	90.9	13,499	88.2
Upper	54	5.0	1,091	7.1
Total	1,073	100	15,311	100

Borrower Characteristics: “High Satisfactory”

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

Residential Mortgage Lending - The distribution of loans reflects adequate penetration among customers of different income levels.

As the following chart details, in 2003, the bank’s LMI-borrower penetration ratio was 18.6% and improved marginally in 2004. However, Steuben’s rate of lending to LMI borrowers was about one-half the rate achieved by the aggregate of HMDA-reporters in 2003. In 2003, the bank’s ratio of lending to middle and upper-income borrowers was higher than the aggregate, and the bank’s rate of lending to borrowers in these income categories remained about the same in 2004. Loans where income was not considered in the underwriting decision were excluded from this analysis.

The percentage of LMI families in the assessment area was 42.5% based on the 2000 census data and 41.4% based on the OMB revisions in 2004. This appears to indicate there were more opportunities available to lend to LMI families in both years.

Distribution of Residential Lending by Borrower Income Level						
Borrower Income	Steuben in 2003				AGGREGATE in 2003*	
	Nbr.	Nbr. %	\$ (000's)	\$ %	Nbr. %	\$ %
Low	17	4.6	453	2.2	10.4	5.3
Moderate	52	14.0	2,206	10.9	24.9	18.9
<i>LMI Total</i>	69	18.6	2,659	13.1	35.3	24.2
Middle	120	32.3	5,605	27.7	29.5	27.4
Upper	182	49.1	11,988	59.2	35.1	48.4
Total	371	100	20,252	100	100	100
Borrower Income	Steuben in 2004				AGGREGATE in 2004	
	Nbr.	Nbr. %	\$ (000's)	\$ %	Unavailable	
Low	4	3.4	136	1.6		
Moderate	18	15.5	858	10.1		
<i>LMI Total</i>	22	19.0	994	11.7		
Middle	40	34.5	2,577	30.2		
Upper	54	46.6	4,953	58.1		
Total	116	100	8,524	100		

* HMDA-reporting institutions only, which does not include Steuben.

Steuben supplied borrower income information for 60.8% of its MECA transactions in 2003 and 2004. The bank extended 12.2% of these MECAs to LMI borrowers.

Small Business Loans - The distribution of loans reflects excellent penetration among businesses of different sizes.

The following chart details Steuben's small business lending in 2003 and 2004:

Steuben Distribution of Small Business Lending among Businesses of Different Sizes								
Business Revenue Size	2003				2004			
	Nbr.	Nbr. %	\$ (000's)	\$ %	Nbr.	Nbr. %	\$ (000's)	\$ %
Firms with Revenues <= \$1MM	121	80.1	7,281	51.5	71	77.2	3,544	32.0
Firms with Revenues > \$1MM	22	14.6	5,619	39.7	11	12.0	4,056	36.7
Firms with Unknown Revenue Size	8	5.3	1,250	8.8	10	10.9	3,462	31.3
Total	151	100.0	14,150	100.0	92	100.0	11,062	100.0

In 2003, the bank's ratio of lending to businesses with revenues less than or equal to \$1 million was 80.1%, which significantly outperformed the aggregate's 52.6%. In 2004, the bank's ratio declined slightly from its prior year's performance.

Consumer Lending - The distribution of borrowers reflects excellent penetration among customers of different income levels.

In 2004, Steuben originated 48.4% of its consumer loans to LMI borrowers, comparing favorably to the 41.4% of LMI families in the bank's assessment area. Information on 2003 borrower income was unavailable.

Community Development Loans: “Outstanding”

Steuben’s level of community development lending is excellent.

The bank committed \$3.1 million in community development loans with approximately 89.0% focused on economic development. The dollar amount total reflects a 35.0% decline from the prior evaluation when the bank was also rated outstanding in this facet. Steuben’s strategy focuses on the needs of its particular assessment area as only four of the 37 census tracts in the assessment area are designated as moderate-income. While the bank’s initiatives are neither innovative nor complex, the sheer level of activity demonstrates exceptional responsiveness to community development needs. The following chart details the purpose of the bank’s community development lending:

Steuben Community Development Lending					
Category	Nbr. Of Loans	Commitments (000's)	%	New Money (000's)	New Money % per Row
Affordable Housing	1	40	1.3	40	100.0
Community Services	4	298	9.7	202	67.8
Economic Development	6	2,720	88.9	1,295	47.6
Revitalize and Stabilize	0	0	0.0	N/A	N/A
Total	11	3,058	100.0	1,537	50.3

Following are three examples of the bank’s community development loans:

The bank extended a \$70 thousand line of credit to an organization the mission of which is to improve access to care, health outcomes and health status for LMI residents of seven counties including Steuben and Allegany counties. The organization is funded by the New York State Department of Health. The line funds transitional capital needs as the organization awaits funding from its provider.

Steuben extended a \$150 thousand line of credit to an Allegany County community organization to provide transitional capital needs. The nonprofit corporation, which administers a variety of government grants, is divided into eight divisions, all of which focus on community development. Five of the divisions are Housing Development and Management Division, Family Development Division, Business and Community Development Division, Infant and Child Services Division, and the Economic Development Division. The organization is the designated community action agency for Allegany County, and was authorized to expand its services to the regional area.

The bank extended a \$36 thousand term loan to a local nonprofit organization that provides a variety of services including transportation, housing and vocational rehabilitation to

mentally and physically challenged individuals.

Innovative and Flexible Lending Practices: “High Satisfactory”

The bank used innovative and/or flexible lending practices in serving assessment area credit needs during the period under review. Following are examples of this activity:

The bank participates with the U.S. Department of Agriculture’s Rural Development Housing Program (“RDH”). This program is designed to assist LMI borrowers in accessing home loan financing in rural communities. The bank receives a 90% guarantee from the Department of Agriculture on its funds. In turn, Steuben does not require private mortgage insurance from the borrower. Other less stringent underwriting features include a no-down-payment feature and a loan-to-value limit of up to 100% of the appraised market value. During the evaluation period, the bank originated five RDH mortgages totaling \$294 thousand.

Steuben participates with the Federal Housing Administration Loan Guaranty Program (“FHA”). This loan program offers borrowers more relaxed underwriting guidelines than conventional mortgage financing, such as higher debt qualifying ratios, a minimum down payment requirement of 3% or less, reduced closing costs and the ability to finance closing costs. During the evaluation period, the bank originated 17 FHA loans totaling \$959 thousand.

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. VA underwriting guidelines include higher debt qualifying ratios, fixed-rates at 30-year terms and minimum down payments. During the evaluation period, Steuben originated nine loans totaling \$626 thousand through this program.

Steuben participates with the U.S. Small Business Administration (“SBA”) through the SBA 7(a) Guarantee Program. Under its 7(a) Program, the SBA provides lenders with up to an 80% guarantee for small business loans of less than \$100 thousand, and up to 75% for loans of \$100 thousand or more. Proceeds may be used for business expansion or renovation; new facility construction; purchase of buildings, equipment and fixtures; leasehold improvements; working capital; seasonal lines of credit; and inventory. During the evaluation period, the bank extended 10 such loans totaling \$1.6 million.

The bank began participating with the Tri County Housing Council (“Tri County”) in 2003 to assist first-time LMI borrowers in purchasing homes. Tri County has grant funds available from the Housing Trust Fund Corporation and provides a maximum subsidy of up to \$12.1 thousand. The bank provides a first mortgage on the home, Tri County is the second mortgagee and all applicants are required to attend a homebuyer education course. A very attractive feature of these mortgages is grant forgiveness once the homebuyer occupies the property for 15 years. Steuben had not originated any loans during the evaluation period, as this program is new to the bank.

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 innovation or complexity, their responsiveness to community development needs, and the degree to which these investments are not routinely provided by private investors.

Steuben provides an adequate level of qualified community development investments, particularly those not routinely provided by private investors. The bank is rarely in a leadership position.

During the evaluation period, qualified investments totaled \$152.5 thousand, with \$118 thousand (77.3%) considered new money. Included in investments are 28 grants totaling \$113 thousand distributed to a variety of social, educational, housing and community organizations.

The bank's qualified investments reflect a 63.3% increase from the total at the prior evaluation.

Steuben made its training and boardrooms available at no cost to various charitable, community and educational organizations.

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

III. Service Test: “High Satisfactory”

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: “High Satisfactory”

Steuben's delivery systems are accessible to essentially all portions of the bank's assessment area.

The following chart reflects the bank's 11 branch locations, by county and by census tract income level. As indicated below, although all of Steuben branches are located within middle-income tracts, 36.4% of the bank's branches are located in tracts adjacent to moderate-income tracts.

Steuben Branch Location by County and Census Tract as of 12/31/2004							
County	Moderate	Middle	Upper	Total per County	Branch Pct. per County	Non-Moderate Adjacent to Moderate Branches	Adjacent Pct. per County
Steuben	0	4	0	4	36.4	3	75.0
Allegany	0	7	0	7	63.6	1	14.3
Livingston	0	0	0	0	0.0	0	0.0
Total	0	11	0	11	100.0	4	36.4
Pct. per Tract	0.0	100.0	0.0	100.0			

Services do not vary in a way that inconveniences certain portions of Steuben's assessment area, including moderate-income geographies and LMI individuals. The bank offers late afternoon hours at all branches on Thursdays or Fridays. Saturday hours are offered at the Bath office.

In addition, seven branches (63.6%) feature drive-thru banking with six of the seven offering late afternoon hours. Six branches (54.5%) offer ATM service featuring 24-hour availability. Steuben operates four off-site non-deposit-taking ATMs located at Alfred University, Alfred State College, St. James Mercy Hospital and at a retail business. All ATMs are linked to the NYCE and Cirrus networks.

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

The bank offers online banking, which allows customers internet access to check balances, transfer funds, pay bills, order savings bonds and view statements, among other information. Steuben operates a toll-free telephone banking system entitled "Access Plus" with similar features to its online banking.

Community Development Services: "High Satisfactory"

Steuben provides a relatively high level of community development services.

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 Steuben assists:

- Hornell Children's Home
- Steuben County Empire Zone
- Tri County Housing Council
- St. James Mercy Hospital Foundation
- Educational Foundation of Alfred, Inc.
- Hornell Partners for Growth
- Allegany County Youth Board

Steuben's senior mortgage officer instructs on real estate and mortgage financing at Corning Community College. The course is geared to working individuals changing careers

to improve their economic situation.

A bank representative speaks annually before the Tri County Housing Council on home ownership and its responsibilities. Tri County serves residents of Chemung, Schuyler and Steuben counties and provides and/or coordinates housing services for LMI individuals.

Steuben representatives have spoken on financial literacy to area elementary and high school students. In addition, the bank annually provides student tours of its main office to educate young people in fundamental banking procedures.

IV. Discrimination or Other Illegal Practices

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

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

Evidence of prohibited discriminatory or other illegal credit practices.

The most recent regulatory compliance and fair lending examinations, conducted concurrently with this evaluation, indicate satisfactory performance in terms of adherence to antidiscrimination or other applicable laws and regulations. No evidence of prohibited discrimination or other illegal credit practices were 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 credit needs through direct contact by its board members, officers and bank staff with customers throughout the assessment area. The aforementioned individuals are members of numerous community organizations, which allow the individuals to determine the credit needs of the community. Steuben's decision to sell mortgage originations in the secondary market was the direct result of community ascertainments.

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 uses local newspapers and radio to market its products and services.

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 Board of Directors reviews the bank's loan policies annually, including its CRA program. Steuben has an established Audit Committee, which meets monthly, is chaired by a Board member and includes other members of the Board. CRA matters are presented at the Audit Committee meeting as necessary.

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.

Steuben made seven grants totaling \$11 thousand to organizations that do not have a primary purpose of community development but contribute to the quality of life for the community and are quite diverse.

Bank volunteers serve on numerous organizations in their communities in financial and non-financial capacities that do not have community development purposes. These organizations may be religious, educational, civic or athletic in nature and add quality-of-life in the bank's assessment area.

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

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- ❖ 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.