



**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: Wyoming County Bank  
55 N. Main Street – PO Box 110  
Warsaw, NY 14569-0110

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 Wyoming County Bank (“WCB”) 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.

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## OVERVIEW OF INSTITUTION'S PERFORMANCE

### Overall Rating

The Wyoming County Bank is rated "1," indicating an outstanding record of helping to meet community credit needs, based on the following factors:

### Lending Test: "Outstanding"

**Lending Activity:** The bank's lending level, for HMDA-reportable loans, small business and small farm loans and consumer loans, reflects excellent responsiveness to the credit needs of its assessment area. The overall number of loans originated inside the assessment area during the evaluation period totaled 7,770. Although this was an 8.9% decline from the prior evaluation's 8,527, the level remained high considering the bank's size and complexity.

- During the evaluation, the bank originated 1,543 thousand (83.8%) HMDA-reportable loans within its assessment area, about the same level as reported in the prior evaluation. The bank ranked second among 209 lenders within its assessment area and first among 118 lenders in its home county, Wyoming.
- The lending level of small business and small farm loans decreased by 8.5% to 2,158 between evaluation periods. The bank ranked 8<sup>th</sup> among 81 lenders within the assessment area and ranked 1<sup>st</sup> among 27 lenders in Wyoming.
- The bank's lending level of consumer loans within the assessment area remained outstanding, although there was a 16.8% decline between evaluation periods.

**Assessment Area Concentration:** WCB made a high percentage of its loans (80.1%) by number inside the assessment area. This rate of concentration demonstrates the bank's effort in helping to meet the assessment area credit needs.

**Geographic Distribution of Loans:** Although the moderate-income area penetration rates declined substantially between evaluations, the geographic distribution of loans among census tracts of different income levels was good.

- Between evaluations, the lending of HMDA-reportable loans in moderate-income areas was substantial reduced to 6.5% from 11.6%. In 2003, the moderate-income area penetration rate was comparable to the aggregate and improved significantly in 2004.
- The bank's lending in moderate-income areas to small business and small farm was substantial reduced to 6.9% from 10.0% between evaluations. In 2003, the bank's moderate-income area penetration rate was slightly higher than the aggregate and remained stable in 2004.

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- The geographic distribution of consumer loans was excellent among census tracts of different income levels. Between evaluations the moderate-income penetration rate remained comparatively constant, even though there were less moderate-income tracts in 2004.

***Distribution by Borrower Characteristics:*** The distribution of loans based on borrower characteristics reflects excellent penetration among individuals of different income level and businesses of different revenue sizes.

- During the evaluation, the bank extended 29.3% HMDA-reportable loans to LMI borrowers, showing a slight improvement from the prior evaluation's 25.1%. In 2003, the bank's LMI penetration ratio modestly exceeded the aggregate's ratio and remained stable in 2004.
- The bank originated 81% of its small business and small farms loans to businesses and farms with gross revenues of \$1 million or less and with a loan size less than or equal to \$100 thousand. This level was comparable to the prior evaluation. In 2003, the bank's penetration ratio substantially superseded the aggregate's ratio and in 2004 the ratio remained virtually the same.
- The bank's lending level of consumer loans to LMI borrowers was excellent. During the evaluation, the bank made 57.9% (2,355) of its consumer loans to LMI borrowers, 12 percentage points more than that of the prior period.

***Community Development Lending:*** The bank is a leader in community development loans. Total commitments during the evaluation period amounted to \$12.1 million, with \$5 million (41.3%) in new money. Notwithstanding the 28.6% decline between the two periods, the level was outstanding in term of the bank's size and resources.

***Innovative and Flexible Lending Practices:*** The bank uses flexible lending practices to serve credit needs of its assessment area.

**Investment Test:** "Outstanding"

The bank had an excellent level of qualified community development investments. For the evaluation period, the qualified investments including grants amounted to over \$5.6 million, significantly superseded the level achieved at the prior evaluation. Of the total investments, approximately 72% were new money.

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**Services Test:** “Outstanding”

***Retail Banking Services:***

- The bank’s retail delivery systems are readily accessible to all portions of its assessment area. For the evaluation period, two out of the 18 branches (11%) were located in moderate-income tracts; six percent of the bank’s assessment area is moderate-income. In addition, banking offices are supplemented by ATMs, drive-up facilities, bank by mail, telephone banking, internet banking and other alternative delivery systems.
- The bank’s record of opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in moderate-income geographies and to moderate-income individuals.
- Business hours and services are reasonably tailored to the convenience and needs of every segment of its assessment area. All branches have extended hours and several of them open early and Saturdays.

***Community Development Services:*** The bank provides a relatively high level of community development services. WCB employees serve on various boards and committees of organizations that promote community development initiatives within the bank’s assessment area.

This Evaluation was 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.

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## PERFORMANCE CONTEXT

### **Institution's Profile:**

Established in 1851 and chartered by New York State in 1931, Wyoming County Bank (WCB) is headquartered in Warsaw (Wyoming County). It is a subsidiary of Financial Institutions, Inc. ("FII"), a bank holding company also headquartered in Warsaw, New York. The bank had 18 branches in its assessment area as of the evaluation period.

As per the Federal Deposit Insurance Corporation ("FDIC") Consolidated Report of Condition ("Call Report") as of December 31, 2004, WCB reported total assets of \$748.6 million; including \$524 million (70%) in loans and lease finance receivables and \$197.5 million (26.4%) in securities. Total assets increased by \$74 million (11.0%) since the prior evaluation.

The following is a summary of the bank's lending portfolio, based on Schedule RC-C of the bank's Call Reports as of December 31, 2002, December 31, 2003 and December 31, 2004:

<b>TOTAL GROSS LOANS OUTSTANDING</b>						
<b>LOAN TYPE</b>	<b>12/31/2002</b>		<b>12/31/2003</b>		<b>12/31/2004</b>	
	<b>\$000</b>	<b>%</b>	<b>\$000</b>	<b>%</b>	<b>\$000</b>	<b>%</b>
Residential Mortgage Loans	142,527	29.3	160,717	29.9	166,170	31.7
Commercial Mortgage Loans	111,800	23.0	145,748	27.1	141,895	27.1
Commercial & Industrial Loans	76,399	15.7	67,015	12.5	63,266	12.1
Consumer Loans	46,842	9.6	44,658	8.3	43,986	8.4
Construction Loans	3,471	0.7	7,099	1.3	5,222	1.0
Multifamily Loans	459	0.1	627	0.1	1,304	0.2
Agricultural/Farm Loans	102,700	21.1	109,436	20.4	99,681	19.0
Other Loans	1,659	0.3	2,237	0.4	2,501	0.5
<b>Total Gross Loans</b>	<b>485,857</b>	<b>100.0</b>	<b>537,537</b>	<b>100.0</b>	<b>524,025</b>	<b>100.0</b>

The bank is primarily a residential real estate lender. As per the Call Report as of December 31, 2004, the bank reported 31.7% of its loan portfolio in residential mortgage loans, 27.1% in commercial mortgage loans, 19.0% in farm / agricultural loans, and 12.1% in commercial & industrial loans.

WCB offers a variety of lending products including the following:

- Residential Real Estate Loans – 1-4 family residential mortgage loans, refinance, and home improvement;
- Commercial Loans – commercial real estate loans, lines of credit, construction loans,

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small business loans, farm loans, and letters of credit; and

- Consumer Loans – personal loans, overdrafts, credit cards, automobile loans, home equity loans and lines of credits.

### **Deposit Market Share:**

According to the FDIC's Deposit Market Share Report dated June 30, 2004, the bank obtained a deposit market share of 2.78%, ranking it 7th out of 23 deposit taking institutions in the assessment area. The majority of the bank's deposits come from Wyoming County, with 41.7%, and Livingston County, with 27.1%.

The following table illustrates the bank's deposit market share in the assessment area as of June 30, 2004:

<b>Deposit Market Share as of June 30, 2004</b>				
<b>County</b>	<b># Offices</b>	<b>Deposits (\$000)</b>	<b>Market Share</b>	<b>Rank</b>
Wyoming	6	284,026	50.85%	1st out of 4
Livingston	5	184,698	31.50%	1st out of 8
Erie	3	111,551	0.51%	14th out of 18
Genesee	3	74,357	8.73%	5th out of 9
Cattaraugus	1	26,598	3.49%	7th out of 9
<b>Total</b>	<b>18</b>	<b>681,230</b>	<b>2.78%</b>	<b>7th out of 23</b>

The bank received a rating of "1," reflecting an outstanding record of helping to meet community credit needs, at its prior Performance Evaluation on 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:**

The bank's assessment area includes Wyoming and Livingston counties in their entirety and portions of Allegany, Cattaraugus, Erie, Genesee and Steuben counties.

Due to changes in the way geographical income level is calculated, there was a slight difference in the distribution of census tracts between 2003 and 2004. The tract definitions for both years were based on the 2000 Census; therefore, the actual number of census tracts did not change but the distributions of the tracts were different.

According to the 2000 U.S Census, in 2004 there were 63 census tracts in the bank's assessment area, Four (6.3%) were moderate-income, 40 (63.5%) were middle-income, 17

(27%) were upper-income and 2 (3.2%) were zero-income tract. In 2003, there were also 63 census tracts, consisting of 6 (9.5%) moderate-income, 44 (69.8%) middle income, 11 (17.5%) upper-income and 2 (3.2%) zero-income tracts. Between the two years, the moderate-income and middle-income areas declined by two and four tracts, respectively, while the upper-income areas increased by six.

The following is the breakdown of the bank's distribution of census tract in 2004 within the assessment area:

Assessment Area - Distribution by Census Tracts -2004										
County	Moderate		Middle		Upper		N/A		Total	
	#	%	#	%	#	%	#	%	#	%
<b>MSA 1538</b>										
Erie**	-	-	7	41.2	10	58.8	-	-	17	100
<b>MSA 4038</b>										
Livingston	3	20.0	9	60.0	1	6.7	2	13.3	15	100
<b>Non-MSA</b>										
Allegany**	-	-	1	100.0	-	-	-	-	1	100
Cattaraugus**	-	-	2	100.0	-	-	-	-	2	100
Genesee**	1	6.7	8	53.3	6	40.0	-	-	15	100
Steuben**	-	-	2	100.0	-	-	-	-	2	100
Wyoming	-	-	11	100.0	-	-	-	-	11	100
<b>Total</b>	<b>4</b>	<b>6.3</b>	<b>40</b>	<b>63.5</b>	<b>17</b>	<b>27.0</b>	<b>2</b>	<b>3.2</b>	<b>63</b>	<b>100</b>

\*\* Partial counties

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

#### Details of Assessment Area:

*Population:* According to the U.S. Census Bureau, the assessment area had a population of 273.7 thousand in 2000. Approximately 14.1% of the area population was over the age of 65 and about 21.6% were under the age of 16.

*Families/Households:* There were 70.6 thousand families in the assessment area, of which 13.7% (9.7 thousand) were low-income, 17.8% (12.5 thousand) were moderate-income, 23.9% (16.9 thousand) were middle-income and 44.6% (31.5 thousand) were upper-income families. Of the 22.2 thousand LMI families, 9.0% (2.0 thousand) lived in moderate-income areas, which accounted for 54.4% of all the families (3.7 thousand) living in moderate-income areas. There were about 100 thousand households in the assessment area, of which 8.0% (over 7.5 thousand) had income below the poverty level.

*Housing Units:* There were 108.5 thousand housing units in the assessment area, of which, 84.0% (91.4 thousand) were 1-4 family, 7.0% (7.3 thousand) were multifamily and 9.0% (9.5 thousand) were mobile homes or trailers. Approximately 70.0% (76.4 thousand) of all the housing units were owner occupied, of which 4.7% (3.6 thousand) were in moderate-income areas. Approximately 22.0% (23.6 thousand) were rental occupied and 9.3% (2.2

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thousand) were in moderate-income areas. Approximately 8.0% (8.5 thousand) of all the housing units were vacant. The median age of housing was 33 years and the median value was \$93.1 thousand.

*Median Family Income:* In 2000, the assessment area's median family income was \$53.2 thousand and the median family income for the MSA was \$46.6 thousand. HUD's estimated median family income for the MSA was \$53.5 thousand in 2004.

*Business Demographics:* There were 18.6 thousand businesses in the assessment area, of which 67.2% reported revenues of \$1 million or less. The assessment area consists mainly of small businesses (81.6%) which employ less than 50 persons. The largest sources of employment were services (38.1%), retail trade (17.2%), construction (8.4%) and agriculture, forestry and fishing (7.4%).

In 2004, the average unemployment rate in the assessment area was 6.4%, higher than that of the New York State's unemployment rate of 5.8%.

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## **PERFORMANCE TESTS AND ASSESSMENT FACTORS**

*The Banking Department assesses a large bank's CRA performance by evaluating the lending, investment and service test 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 Wyoming County Bank's lending, investment and service activities within its assessment area during 2003 and 2004. Loan products considered as part of this evaluation include consumer loans small business loans and HMDA-reportable loans. In assigning performance ratings, each product was give equal weight.

Statistics used in this evaluation were derived from various sources. In addition to information provided by the bank, aggregate data for 2003 were obtained from the Federal Financial Institution Examination Council ("FFIEC") and PCI Services, Inc.'s CRA WIZ. Aggregate data for 2004 were not yet available. Demographic data was from the 2000 U.S. Census supplemented with 2004 estimates from HUD.

### **I. Lending Test: "Outstanding"**

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

#### **Lending Activity: "Outstanding"**

The bank's lending level reflects excellent responsiveness to the credit needs of its assessment area. Between evaluation periods, the absolute number of loans declined by 8.9% and the dollar volume by 4.9% within the assessment area.

#### **HMDA-reportable Loans:**

During the evaluation period, the bank originated 1.5 thousand HMDA-reportable loans within the assessment area; this was 20.5% more than the prior evaluation. In 2003, the bank originated 902 HMDA-reportable loans, which was an increase of 36.3% from 2002 and 28.9% more than the 641 loans originated in 2004.

According to the Institution Market Report for 2003 the bank ranked second among 209 lenders with a market share of 8.08% by number of loans originated in the assessment area. In its home county (Wyoming), the bank ranked 1<sup>st</sup> among 118 lenders with a market share of 23.24%. Market share data for 2004 was not available during the evaluation period.

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### Small Business and Small Farm Loans:

During the evaluation period, the bank originated 2,158 loans inside the assessment area; this was 8.5% lower than the prior evaluation. In 2003 the bank originated 1,075, a 13.4% decline from 2002; however, the number of originations remained stable between 2003 and 2004.

According to the Institution Market Report for 2003, the bank ranked 8<sup>th</sup> among 81 lenders with a market share of 4.58% within the assessment area. In its home county, Wyoming, the bank ranked 1<sup>st</sup> among 27 lenders with a market share of 31.92%.

### Consumer Loans:

During the evaluation period, the bank originated 4,069 consumer loans within the assessment area, a decrease of 16.8% from the prior evaluation period. In 2003, the bank originated 2,109 loans, a 41.1% decline from 2002 and a 7.1% decline from the 1,960 loans originated in 2004. There is no market share data for consumer loans.

### **Assessment Area Concentration: “High Satisfactory”**

The bank made a high percentage of its loans inside the assessment area. During the evaluation period, the bank originated 80.1% of its loans by number and 76.0% by dollar volume inside the assessment area.

For HMDA-reportable loans, the ratios were 83.8% by number and 78.4% by dollar volume. For small business loans the ratios were 82.4% by number and 74.2% by dollar volume and for consumer loans the ratios were 77.6% by number and dollar volume all inside the assessment area.

The table below illustrates the distribution of loans originated inside and outside of the assessment area for 2003 and 2004:

Distribution of Loans Inside and Outside of the Assessment Area										
Loan Category or Type	Number of Loans					Dollars in Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
<b>HMDA-reportable Loans</b>										
2003	902	82.7	189	17.3	1,091	50,589	77.4	14,750	22.6	65,339
2004	641	85.4	110	14.6	751	36,918	79.8	9,356	20.2	46,274
<b>Sub-total</b>	<b>1,543</b>	<b>83.8</b>	<b>299</b>	<b>16.2</b>	<b>1,842</b>	<b>87,507</b>	<b>78.4</b>	<b>24,106</b>	<b>21.6</b>	<b>111,613</b>
<b>Small Business and Small Farm Loans</b>										
2003	1,075	82.1	234	17.9	1,309	79,497	70.6	33,182	29.4	112,679
2004	1,083	82.6	228	17.4	1,311	86,003	78.0	24,274	22.0	110,277
<b>Sub-total</b>	<b>2,158</b>	<b>82.4</b>	<b>462</b>	<b>17.6</b>	<b>2,620</b>	<b>165,500</b>	<b>74.2</b>	<b>57,456</b>	<b>25.8</b>	<b>222,956</b>
<b>Consumer Loans</b>										
2003	2,109	79.0	559	21.0	2,668	29,083	78.3	8,068	21.7	37,151
2004	1,960	76.1	616	23.9	2,576	24,304	76.7	7,386	23.3	31,690
<b>Sub-total</b>	<b>4,069</b>	<b>77.6</b>	<b>1,175</b>	<b>22.4</b>	<b>5,244</b>	<b>53,387</b>	<b>77.6</b>	<b>15,454</b>	<b>22.4</b>	<b>68,841</b>
<b>Total</b>	<b>7,770</b>	<b>80.1</b>	<b>1,936</b>	<b>19.9</b>	<b>9,706</b>	<b>306,394</b>	<b>76.0</b>	<b>97,016</b>	<b>24.0</b>	<b>403,410</b>

### Geographic Distribution of Loans: “High Satisfactory”

The geographic distribution of loans reflects good dispersion among census tracts of different income levels within the assessment area. The bank’s rating was downgraded to “High Satisfactory” from “Outstanding” at the prior evaluation primarily due to a 29% decline in the overall number of loans originated in moderate-income areas between evaluation periods. The bank was on par with the aggregate in both HMDA-reportable and small business loans.

#### HMDA-reportable Loans:

During the evaluation period the bank originated 1,543 loans within the assessment area. Of this amount, 6.5% or 100 loans were originated in moderate-income areas. This was 32.4% lower than the number of loans originated at the prior evaluation.

In 2003, 4.6% (41) of the bank’s loans with a corresponding dollar volume of 3.4% (\$1.7 million) was originated in moderate-income areas and this was on par with the aggregate’s 4.7% by number and 3.0% by dollar volume. In 2004 the bank’s performance improved and 9.2% (59) of its loans with a corresponding dollar volume of 6.6% (\$2.4 million) were originated in moderate-income areas.

The table below illustrates the distribution of HMDA reportable loans by geography income level for 2003 and 2004:

Distribution of HMDA Reportable Loans by Geography Income Level								
2003								
Geography	Bank				Aggregate			
	#	# %	\$000s	\$ %	#	# %	\$000s	\$ %
Moderate	41	4.6	1,741	3.4	520	4.7	31,353	3.0
Middle	775	85.9	41,769	82.6	7,503	67.2	598,861	56.4
Upper	86	9.5	7,079	14.0	3,137	28.1	431,551	40.6
N/A	-	-	-	-	2	0.0	60	0.0
<b>Total</b>	<b>902</b>	<b>100.0</b>	<b>50,589</b>	<b>100.0</b>	<b>11,162</b>	<b>100.0</b>	<b>1,061,825</b>	<b>100.0</b>
2004								
Geography	Bank				Aggregate			
	#	# %	\$000s	\$ %	#	# %	\$000s	\$ %
Moderate	59	9.2	2,443	6.6	n/a	n/a	n/a	n/a
Middle	479	74.7	27,478	74.4	n/a	n/a	n/a	n/a
Upper	103	16.1	6,997	19.0	n/a	n/a	n/a	n/a
<b>Total</b>	<b>641</b>	<b>100.0</b>	<b>36,918</b>	<b>100.0</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>

**Small Business and Small Farm Loans:**

During the evaluation period the bank originated 2,158 small business and small farm loans of that 6.9% or 149 loans were originated in moderate-income areas; this was 36.6% lower than the number of loans originated in moderate-income areas during the prior evaluation.

In 2003, the bank originated 6.8% (73) of its small business and small farm loans with a corresponding volume of 8.1% (\$6.5 million) in moderate-income areas; this was on par with the aggregate's 6.6% by number and slightly higher than the 5.2% by dollar volume. In 2004, the bank's performance by number of loans showed a slight increase to 7.0% (76), however, the dollar volume decreased slightly to 6.4% (\$5.5 million).

The table below illustrates the distribution of small business and small farm loans by geography income level during the evaluation:

Distribution of Small Business and Small Farm Loans by Geography Income Level								
2003								
Geography	Bank				Aggregate			
	#	# %	\$000s	\$ %	#	# %	\$000s	\$ %
Moderate	73	6.8	6,461	8.1	483	6.6	15,353	5.2
Middle	915	85.1	64,145	80.7	4,607	62.9	177,976	60.1
Upper	86	8.0	8,741	11.0	2,232	30.4	102,458	34.6
N/A	1	0.1	150	0.2	4	0.1	173	0.1
<b>Total</b>	<b>1,075</b>	<b>100.0</b>	<b>79,497</b>	<b>100.0</b>	<b>7,326</b>	<b>100.0</b>	<b>295,960</b>	<b>100.0</b>
2004								
Geography	Bank				Aggregate			
	#	# %	\$000s	\$ %	#	# %	\$000s	\$ %
Moderate	76	7.0	5,481	6.4	n/a	n/a	n/a	n/a
Middle	865	79.9	67,619	78.6	n/a	n/a	n/a	n/a
Upper	141	13.0	11,903	13.8	n/a	n/a	n/a	n/a
N/A	1	0.1	1,000	1.2	n/a	n/a	n/a	n/a
<b>Total</b>	<b>1,083</b>	<b>100.0</b>	<b>86,003</b>	<b>100.0</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>

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## Consumer Loans:

The geographic distribution of consumer loans reflects excellent dispersion among census tracts of different income levels. During the evaluation period the bank originated 4,069 loans of which 331 or 8.1% of those loans were originated in moderate-income areas; this was 24.3% lower than the number of loans originated in moderate-income areas during the prior evaluation.

In 2003, the bank extended 5.6% (118) of its consumer loans in moderate-income areas, reflecting a moderate decline from the prior year's 7.8%. In 2004, this penetration rate improved significantly to 10.9% (213).

The table below illustrates the distribution of consumer loans by geography income level for 2003 and 2004:

Distribution of Consumer Loans by Geography Income Level								
Geography	2003				2004			
	#	# %	\$000s	\$ %	#	# %	\$000s	\$ %
Moderate	118	5.6	1,495	5.2	213	10.9	2,307	9.5
Middle	1,859	88.1	24,463	84.1	1,437	73.3	17,704	72.8
Upper	132	6.3	3,125	10.7	310	15.8	4,293	17.7
<b>Total</b>	<b>2,109</b>	<b>100.0</b>	<b>29,083</b>	<b>100.0</b>	<b>1,960</b>	<b>100.0</b>	<b>24,304</b>	<b>100.0</b>

## **Distribution by Borrower Characteristics: "Outstanding"**

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

### HMDA-reportable Loans

During the evaluation, the bank extended 29.3% of its HMDA-reportable loans (452) by number and 19.2% (\$16.8 million) by dollar volume to LMI borrowers. The bank's LMI penetration ratio was better than the prior evaluation's 25.1% based on number of loans and 16.1% based on dollar volume.

In 2003, the bank's LMI penetration ratio of 29.9% by number and 20.7% by dollar volume modestly exceeded the aggregate's 25.2% by number and 16.3% by dollar volume; and the 2002 levels of 24.9% by number and 17.2% by dollar volume.

In 2004, the ratio declined slightly to 28.4% by number and 17.2% by dollar volume.

The table below illustrates the distribution of HMDA reportable loans by borrower income level for 2003 and 2004:

Distribution of HMDA Reportable Loans by Borrower Income Level								
2003								
Borrower Income	Bank				Aggregate			
	#	# %	\$000s	\$ %	#	# %	\$000s	\$ %
Low	66	7.3	1,944	3.8	695	6.2	33,346	3.2
Moderate	204	22.6	8,532	16.9	2,117	19.0	139,561	13.1
Middle	275	30.5	13,806	27.3	3,129	28.0	260,419	24.5
Upper	337	37.4	25,450	50.3	4,643	41.6	572,123	53.9
N/A	20	2.2	857	1.7	578	5.2	56,376	5.3
<b>Total</b>	<b>902</b>	<b>100.0</b>	<b>50,589</b>	<b>100.0</b>	<b>11,162</b>	<b>100.0</b>	<b>1,061,825</b>	<b>100.0</b>
2004								
Borrower Income	Bank				Aggregate			
	#	# %	\$000s	\$ %	#	# %	\$000s	\$ %
Low	48	7.5	1,242	3.3	n/a	n/a	n/a	n/a
Moderate	134	20.9	5,119	13.9	n/a	n/a	n/a	n/a
Middle	213	33.2	10,423	28.2	n/a	n/a	n/a	n/a
Upper	212	33.1	16,676	45.2	n/a	n/a	n/a	n/a
N/A	34	5.3	3,458	9.4	n/a	n/a	n/a	n/a
<b>Total</b>	<b>641</b>	<b>100.0</b>	<b>36,918</b>	<b>100.0</b>	n/a	n/a	n/a	n/a

Small Business and Small Farm Loans:

During the evaluation period, WCB extended 81.6% of its small business and small farm loans to businesses and farms with gross annual revenues of less than a \$1 million. This level was on par with the prior evaluation's 81.8%.

In 2003, the bank originated 81.3% of its small business and small farm loans to businesses and farms with gross annual revenues of \$1 million or less. This substantially superseded the aggregate's corresponding ratio at 44.9%. Loans originated by loan size of a \$100 thousand or less accounted for 81.7% of its small business and small farm loans. This was slightly below the aggregate ratio of 91.3%.

In 2004, the bank penetration ratio was at 82.7%. In 2004, the ratio remained within the same range at 81.9%. Aggregate data for 2004 was not available.

The chart below illustrates the distribution of small business loans by revenues and loan size during the evaluation period:

Distribution of Small Business and Small Farm Loans by Revenues and Loan Size								
2003								
Revenues	Bank				Aggregate			
	#	%	\$ 000	%	#	%	\$ 000	%
<= \$1 million	874	81.3	47,650	59.9	3,293	44.9	144,167	48.7
> \$ 1 million	201	18.7	31,847	40.1	4,033	55.1	151,793	51.3
<b>Total</b>	<b>1,075</b>	<b>100.0</b>	<b>79,497</b>	<b>100.0</b>	<b>7,326</b>	<b>100.0</b>	<b>295,960</b>	<b>100.0</b>
Loan Size								
<=\$100K	878	81.7	29,893	37.6	6,685	91.3	101,231	34.2
>\$100K & <=\$250K	133	12.3	22,590	28.4	379	5.1	65,245	22.0
>\$250K & <=\$1mil	64	6.0	27,014	34.0	262	3.6	129,484	43.8
<b>Total</b>	<b>1,075</b>	<b>100.0</b>	<b>79,497</b>	<b>100.0</b>	<b>7,326</b>	<b>99.9</b>	<b>295,960</b>	<b>100.0</b>
2004								
Revenues	Bank				Aggregate			
	#	%	\$ 000	%	#	%	\$ 000	%
<= \$1 million	887	81.9	47,107	54.8	n/a	n/a	n/a	n/a
> \$ 1 million	196	18.1	38,896	45.2	n/a	n/a	n/a	n/a
<b>Total</b>	<b>1,083</b>	<b>100.0</b>	<b>86,003</b>	<b>100.0</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
Loan Size								
<=\$100K	896	82.7	31,166	36.2	n/a	n/a	n/a	n/a
>\$100K & <=\$250K	115	10.7	19,881	23.2	n/a	n/a	n/a	n/a
>\$250K & <=\$1mil	72	6.6	34,956	40.6	n/a	n/a	n/a	n/a
<b>Total</b>	<b>1,083</b>	<b>100.1</b>	<b>86,003</b>	<b>100.0</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>

#### Consumer Loans:

During the evaluation, WCB extended 57.9% (2.4 thousand) of its consumer loans to LMI borrowers, 12 percentage points more than that of the prior evaluation's ratio of 45.9%. In 2003, the LMI penetration rate was 67.2% which was much higher than the 45.0% generated in 2002; and the 47.8% in 2004

The table below illustrates the distribution of consumer loans by borrower income level for the evaluation period:

Distribution of Consumer Loans by Borrower Income Level								
Borrower Income	2003				2004			
	#	#%	\$000s	\$ %	#	#%	\$000s	\$ %
Low	1,124	53.3	13,270	45.6	365	18.6	2,725	11.2
Moderate	293	13.9	3,337	11.5	573	29.2	5,881	24.2
Middle	282	13.4	4,532	15.6	515	26.3	6,450	26.5
Upper	274	13.0	7,149	24.6	431	22.0	8,769	36.1
N/A	136	6.4	795	2.7	76	3.9	479	2.0
<b>Total</b>	<b>2,109</b>	<b>100.0</b>	<b>29,083</b>	<b>100.0</b>	<b>1,960</b>	<b>100.0</b>	<b>24,304</b>	<b>100.0</b>

## Community Development Lending: “Outstanding”

The bank is a leader in making community development loans.

During the evaluation period the bank’s community development loans amounted to \$12.1 million, of which \$5 million (41.3%) was new money. Despite the 28.6% decrease from the prior evaluation, the bank’s level of community development loans continued to be excellent.

The chart below summarizes the bank’s community development lending activity during the evaluation period:

Community Development Loans					
Type of Loan	Affordable Housing	Community Service	Economic Development	New Money	CD Credit
Multi-family	3,065.0				3,065.0
Multi-family	2,100.0			2,100.0	2,100.0
Multi-family	190.0			190.0	190.0
Multi-family	165.0			165.0	165.0
Multi-family	159.0			159.0	159.0
Multi-family	145.0			145.0	145.0
Multi-family	80.0			80.0	80.0
Non-profit organization		250.0		250.0	250.0
Non-profit organization		75.0		75.0	75.0
Non-profit organization		50.0		50.0	50.0
Non-profit organization		16.0		16.0	16.0
Farm Expansion			2,582.5		2,582.5
Farm Expansion			1,413.1		1,413.1
Farm Expansion			1,000.0	1,000.0	1,000.0
Farm Expansion			780.0	780.0	780.0
<b>Totals</b>	<b>5,904.0</b>	<b>391.0</b>	<b>5,775.6</b>	<b>5,010.0</b>	<b>12,070.6</b>

## Innovative and Flexible Lending Practices: “High Satisfactory”

The bank uses flexible lending practices to serve the credit needs of its assessment area. The bank participates in several government-sponsored loan programs to meet the needs of LMI borrowers and small businesses within its assessment area. The programs include the following:

- U.S. Small Business Administration (“SBA”),
- U.S Department of Agriculture (“USDA”),
- Farmers Service Agency (“FSA”),
- The New York State - Excelsior Linked Deposit Program,
- The New York State Energy Research & Development Authority - Energy Smart Loan Program,
- The Federal Home Loan Mortgage Corporation (“Freddie Mac”) Alt 97 and Fred 100.

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In addition, the bank offers the following programs designed for LMI individuals:

- Homeworks – the bank offers this program to mirror the FHA rehabilitation product for first time homebuyers and LMI borrowers to buy or refinance a home. It requires as little as 3% for down payment with less stringent underwriting guidelines.
- First Time Home – the bank continues to work with the Genesee Valley Rural Preservation Council, Inc (“GVRPC”), a non-profit organization providing affordable housing to LMI families in Wyoming and Livingston counties.

The chart below illustrates the bank’s lending activity under these programs during the evaluation period:

<b>Flexible Lending Programs</b>		
<b>Description</b>	<b>#</b>	<b>\$ 000</b>
SBA Loans	97	11,120
FSA Loans	33	7,853
USDA Loans	3	4,199
FSA / USDA Interest Assistance Program	26	5,204
NYS Linked Deposit Program	22	6,085
NYS Energy Smart Loan Program	6	73
Freddie Mac Alt 97	2	211
Freddie Mac 100	1	123
Homeworks	4	269

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

*The institution’s investment performance is evaluated pursuant to criteria which may include the following: (1) the dollar amount of qualified investments; (2) the innovativeness or complexity of qualified investments; (3) the responsiveness of qualified investments to credit and community development needs; and (4) the degree to which the qualified investments are not routinely provided by private investors.*

The bank’s level of qualified community development investments continues to be excellent.

During the evaluation period, WCB qualified investments amounted to \$5.6 million, which includes grants of \$71 thousand. Investments and grants were significantly above the prior evaluation’s \$1.3 million. Of the \$5.6 million, approximately 72% (over \$4 million) were new money. In 2003, the bank contributed \$2 thousand to the Federal Home Loan Bank of New York’s Affordable Housing Program.

Between 2003 and 2004 the bank invested \$4 million in 27 municipal obligations of local organizations located in moderate income areas.

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### III. **Service Test: “Outstanding”**

*The service test evaluates a banking institution's record of helping to meet the credit needs of its assessment area. Analysis may include the availability and effectiveness of a banking institution's systems for delivering retail banking services and the extent and innovativeness of its community development services.*

#### **Retail Banking Services: “Outstanding”**

##### **Accessibility of Delivery Systems**

The bank's retail delivery systems are readily accessible to all portions of its assessment area. As of the evaluation date, the bank had 18 banking offices including the main office, of which two offices (11.1%) were in moderate-income areas.

Supplementing the banking offices were 15 on-site Automated Teller Machines (“ATMs”) and three off-site ATMs. Drive-up facilities were also available at 14 branches.

Other alternative delivery systems included bank by mail, telephone banking, internet banking and bill payment.

##### **Changes in Branch Locations**

The bank's record of opening and closing branches has not adversely affected the accessibility of its delivery systems, particularly to moderate-income geographies and/or individuals.

Between evaluation periods, the bank opened two branch offices in Erie County (Buffalo-Niagara Falls MSA 15380). Both branches are located in upper-income census tracts.

During the same period, the bank closed its limited service branch at Keshequa High School in Nunda, Livingston County, (Rochester, NY MSA 40380), located in a moderate-income census tract. The limited service branch operated once a week only during the school season. Customers of the closing branch were transferred to a full service branch in Mt. Morris, also located in a moderate-income area.

##### **Reasonableness of Business Hours and Services in Meeting Assessment Area Needs**

The bank's business hours and services are tailored to the needs of customers in its assessment area. All branches have extended banking hours at least once or twice during week days and several of them open earlier than 9:00 a.m. and on Saturdays. Drive-up facilities, available at 14 branches, open earlier than lobby hours and have extended hours at least once a week. Several branches with drive-up facilities are open on Saturdays.

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## **Community Development Services: “High Satisfactory”**

The bank provides a relatively high level of community development services. The bank’s employees provided financial expertise to various organizations that promote community development initiatives through serving on various boards and committees. The following is a brief description of some of the bank’s significant community development services:

- A bank officer serves on the regional loan committee of the New York Business Development Corporation.
- An officer sits on the board of Bishop Sheen Ecumenical Housing Foundation – an affordable housing organization.
- A board member of the bank sits on the executive committee of Genesee, Livingston, Orleans, Wyoming (“GLOW”) Workforce Investment Board. Also, another officer serves as the chairwoman of its marketing committee. GLOW is a community-wide collaborative partnership for development of employment in the region.
- An officer serves on the board of Livingston County Industrial Development Agency, a New York State chartered public benefit corporation, which promotes, attracts and encourages economic developments in Livingston County.

## **IV. Discrimination or Other Illegal Practices**

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

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

### **Evidence of prohibited discriminatory or other illegal credit practices.**

The most recent regulatory compliance report concurrent with this assessment indicates a satisfactory performance in terms of adherence to antidiscrimination or other applicable laws and regulations. No evidence of prohibited discrimination or other illegal credit practices was noted.

## **V. Process Factors**

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

The bank ascertains the credit needs of its community through contacts with local business people, government officials, current clients and non-profit groups, and participation in

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activities held by various community and non-profit organizations. In addition, the bank conducts market surveys for rates, product offerings and services from both its client base and competitors. By these means, the bank is able to inform the community of its products and services.

**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 advertises via local radio stations, newspapers and free publications, as well as statement stuffers, coupons, lobby posters and window displays, in order to inform the community of its credit services, new products, special rates or promotions, among other things.

**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.**

A CRA committee meets at least semi-annually with the CRA Officer to monitor activity and review reports. Additionally, the committee monitors donations at its monthly meetings.

**VI. Other Factors**

**Other factors that in the judgement of the Superintendent and Banking Board, bear upon the extent to which a banking institution is helping to meet the credit needs of its entire community.**

None noted.

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## 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,

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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;

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- ❖ 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

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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.