



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, 2005

Institution: Northwest Savings Bank New York Operations
301 Second Avenue
Warren, PA 16365

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 Northwest Savings Bank’s operations in New York State (“Northwest NY operations”) 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 in its New York State assessment area based on an evaluation conducted as of December 31, 2005.

Section 28-b of the New York State Banking Law, as amended, requires that when evaluating certain applications, the Superintendent of Banks shall assess a banking institution’s record of helping to meet the credit needs of its entire community, including low and moderate income areas, consistent with safe and sound operations.

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

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

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

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

OVERVIEW OF INSTITUTION'S PERFORMANCE

Overall Rating

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

Lending Test: "High Satisfactory"

- Northwest NY operations demonstrated good responsiveness to the credit needs of its assessment area. During the evaluation period, Northwest NY operations originated 815 HMDA-reportable and small business loans totaling \$92.7 million, inside the New York State assessment area. Of this total, HMDA-reportable loans accounted for approximately 75.7% by number and 65.3% by dollar volume.
- Northwest NY operations extended a substantial majority of its HMDA-reportable and small business loans inside the assessment area. Approximately over 95.0% of its combined HMDA-reportable and small business loans in number and in volume were made within the assessment area.
- The geographic distribution of loans in LMI geography reflects an adequate penetration of HMDA-reportable loans and good penetration of small business loans in LMI geographies.
- Northwest NY operations have a good distribution of HMDA-reportable loans among LMI borrowers and an excellent distribution of business loans among small businesses.
- Northwest NY operations make extensive use of innovative and/ or flexible lending practices in serving the credit needs of its assessment area. The special credit products offered by the bank include HMDA-reportable, consumer and small business loans.
- Northwest NY operations continue to originate a low level of community development loans and needs to improve its performance in this area.

Investment Test: "Outstanding"

Northwest NY operations have an excellent level of qualified community development investments and grants in the New York State assessment area. As of December 31, 2005, qualified community development investments and grants totaled approximately \$1.7 million. Of this total, \$407 thousand were originated during the current evaluation period.

Service Test: “Outstanding”

- Northwest NY operations delivery systems are readily accessible to all portions of the assessment area. Of the 12 full-service branches in the assessment area, seven branches are located in or adjacent to LMI census tracts.
- Northwest NY operations use several alternative delivery systems to serve consumers in its New York State assessment area. It offers a network of ATMS, online banking, telephone banking, bank by mail and Spanish speaking services. In addition, Northwest NY operations operate three loan production offices, including one at its corporate headquarters.
- The record of branch opening and closing of the NY operations has improved the accessibility of its delivery systems, particularly to LMI geographies and for LMI individuals.
- Northwest NY operations provide extended hours of service and ATM access at each of the bank’s New York branches. Eleven out of 12 New York branches operate on Saturdays. To ensure that its services are available to every income group, the NY operations offer an approved alternative account to the New York State Basic Banking Account, designed to benefit LMI individuals.
- Northwest NY operations provide a relatively high level of community development services. Most of the services meet the definition of community development and also relate to the provision of financial services as required by the regulation for consideration under the CRA.

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:

Established in 1994, Northwest Savings Bank ("NSB") is a Pennsylvania-chartered stock savings bank headquartered in Warren, Pennsylvania. NSB is a wholly owned subsidiary of Northwest Bancorp, Inc. ("NBI"), a holding company located in Warren, Pennsylvania. The bank is a community-oriented institution offering traditional deposits and loan products. As of December 31, 2005, the bank operated 153 community banking offices. These offices are distributed as follows: 133 in Pennsylvania; 5 in Ohio; 12 in New York; 2 in Maryland; and 1 in Florida. Northwest NY operations resulted from a merger with Jamestown Savings Bank; a New York State chartered financial institution. This merger was consummated in May 2005. The bank's New York State branches are located in the counties of Erie, Chautauqua and Cattaraugus.

Since 2003, NSB's total assets increased by 20.4% to \$6.5 billion for the year ending December 31, 2005. Northwest NY operations accounted for \$399.2 million or 6.1% of total assets.

Although NSB offers a wide range of credit products, its primary business is focused on the origination of residential and commercial mortgage loans. As of December 31, 2005 gross loans was \$4.7 billion. Of this total, residential and commercial mortgages represented 75.9% and 12.3%, respectively. Northwest NY operations accounted for \$317.3 million (6.8%) of total gross loans.

The following table shows NSB's loan portfolio as reported in the Federal Deposit Insurance Corporation (FDIC) consolidated report of condition for year endings 2003, 2004 and 2005.

Northwest Savings Bank Total Gross Loans Outstanding						
Loan Type	2003		2004		2005	
	\$000	%	\$000	%	\$000	%
1-4 Family Residential Mortgages	2,716,002	77.7	3,127,802	78.0	3,551,217	75.9
Commercial Mortgage Loans	357,588	10.2	397,918	9.9	573,891	12.3
Commercial and Industrial Loans	88,281	2.5	111,801	2.8	146,219	3.1
Multifamily Mortgages	383	0.0	307	0.0	534	0.0
Consumer Loans	325,083	9.3	358,371	8.9	399,899	8.5
Construction Loans	400	0.0	2,093	0.1	4,658	0.1
Other Loans	5,981	0.2	12,557	0.3	3,475	0.1
Total Gross Loans	3,493,718	100.0	4,010,849	100.0	4,679,893	100.0

NSB reported total deposits of approximately \$5.3 billion as of June 30, 2005. Of this total the bank's New York State operation accounted for 7.3% or \$385.5 million. Based on deposit market share data for all FDIC insured institutions as of June 30, 2005, NSB had a market share of 1.5% and a numerical rank of 11 out of 20 institutions in its New York State assessment area.

The following table shows Northwest NY operations' deposit market share by county as of June 30, 2005:

Northwest NY Operations Deposit Market Share by Counties						
County/Assessment Area	As of June 30, 2005*					No. of Institutions
	No. of offices	Deposits \$000	% of Total	Market Share	Ranking	
Erie	6	187,030	48.5	0.79	11	18
Chautauqua	5	180,682	46.9	13.98	6	11
Cattaraugus	1	17,797	4.6	2.38	8	9
Assessment Area	12	385,509	100.0	1.5	11	20

* Deposit market share data is not available for December 31, 2005.

Most of NSB's competitors in New York assessment area are larger and more established financial institutions. These institutions include local and regional banks, mortgage companies, finance companies and credit unions.

There are no known legal or financial impediments noted that would adversely impact the bank's ability to meet the credit needs of its assessment area.

Assessment Area:

Northwest NY operations' assessment area includes all of Erie County in MSA 15380. The area also includes Chautauqua and Cattaraugus Counties, two non-MSA areas. This is a change from the previous evaluation when the area included Chautauqua County in its entirety, the central and southern sections of Cattaraugus county and portions of Erie County. There are 298 census tracts within the assessment area. Eighty-seven or 29.2% of the total census tracts are LMI tracts.

Please refer to the following chart for further details regarding the distribution of census tracts within the assessment area:

Distribution of Census Tracts within the Assessment Area								
County	Low #	Moderate #	Middle #	Upper #	N/A #	Total #	LMI	
							#	%
Erie	25	51	106	51	10	243	76	31.3
Chautauqua	2	5	24	3	0	34	7	20.6
Cattaraugus	1	3	16	1	0	21	4	19.0
Total	28	59	146	55	10	298	87	29.2

Economic & Demographic Data

Economic and statistical data used in this evaluation were obtained from various sources. The demographic data is obtained from the 2000 U.S. Census. The 2004 and 2005 updated median family income figures are obtained from Department of Housing and Urban Development ("HUD") estimates.

Industries Distribution:

Please refer to the following table for the distribution of industries with the bank's New York State assessment area:

Assessment Area Industry Type				
Industry	2004		2005	
	Count	% of Total	Count	% of Total
Agriculture, Forestry & Fishing	1,972	2.9	1,967	2.7
Mining	100	0.2	100	0.1
Construction	5,141	7.7	5,376	7.5
Manufacturing	3,015	4.5	3,072	4.3
Transportation	2,444	3.6	2,512	3.5
Wholesale	3,118	4.7	3,131	4.4
Retail Trade	12,114	18.0	12,404	17.3
Finance, Insurance & Real Estate	4,442	6.6	4,690	6.5
Services	27,408	40.9	27,958	38.9
Public Administration	1,228	1.8	1,300	1.8
Non-Classifiable Establishments	6,075	9.1	9,370	13.0
Total	67,057	100.0	71,880	100.0

Unemployment Information:

The annual unemployment rate in all three counties comprising the bank's New York State assessment area was less than 6.0% for both 2004 and 2005. In addition, there was a general decline in the annual unemployment rate in 2005. In 2005, the state-wide rate fell 80 basis points to 5.0% from 5.8% in 2004. In Erie County, the rate decreased to 5.3% in 2005 from 5.7% in 2004. In Cattaraugus County, the decrease was 50 basis points from 6.0% in 2004 to 5.5% in 2005 and in Chautauqua County the rate fell 50 basis points from 5.4% in 2004 to 4.9% in 2005.

Population, Income, Housing and Business Demographics:

The following is a listing of tables containing additional economic and demographic information about each county comprising the bank's assessment area in New York State:

Chart #1: Shows population and income.

Chart #2: Shows housing demographics.

Chart #3: Shows business demographics. (2004)

Chart #3: Shows business demographics. (2005)

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

CHART # 1

ASSESSMENT AREA POPULATION AND INCOME CHARACTERISTICS BY COUNTY																					
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	
		#	%	#	%				#	%		#	%	#	%	#	%	#	%	#	%
Erie	950,265	151,258	15.9	204,451	21.5	51,024	56,950	380,890	47,032	12.0	244,376	49,864	20.4	43,516	17.8	53,537	21.9	97,459	39.9	39,230	42.0
Chautauqua	139,750	22,372	16.0	29,805	21.3	41,129	48,550	54,488	6,952	13.0	36,146	6,965	19.3	7,031	19.5	8,573	23.7	13,577	37.6	2,812	20.1
Cattaraugus	83,955	12,277	14.6	19,216	22.9	39,577	48,550	32,055	3,954	12.0	21,791	4,350	20.0	4,484	20.6	5,212	23.9	7,745	35.5	1,484	16.8
TOTAL A/A*	1,173,970	185,907	15.8	253,472	21.6	49,016	55,400	467,433	57,938	12.4	302,313	61,179	20.2	55,031	18.2	67,322	22.3	118,781	39.3	43,526	37.5

* Assessment Area ** In thousands

CHART # 2

ASSESSMENT AREA HOUSING CHARACTERISTICS BY COUNTY																			
COUNTY	Total Housing Units	1-4 family Units		Multifamily Units		Owner-Occupied Units (O-O)		O-O Units in Low-income Tracts		O-O Units in Mod-income Tracts		O-O Units in Mid-income Tracts		O-O Units in Upp-income Tracts		Rental Units		Vacant/ Boarded-up Units	
		#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%
Erie	415,868	363,227	87.0	46,605	11.0	248,780	60.0	11,220	4.5	32,491	13.1	122,101	49.1	82,968	33.4	148,340	36.0	34,995	8.0
Chautauqua	64,900	55,069	85.0	4,719	7.0	37,757	58.0	310	0.8	3,455	9.2	31,418	83.2	2,575	6.8	19,029	29.0	10,385	16.0
Cattaraugus	39,839	31,387	79.0	2,017	5.0	23,831	60.0	0	0.0	2,426	10.2	20,619	86.5	786	3.3	9,564	24.0	7,816	20.0
TOTAL A/A*	520,607	449,683	86.4	53,341	10.2	310,368	59.6	11,546	3.7	38,361	12.4	174,116	56.1	86,344	27.8	176,933	34.0	53,196	10.2

* Assessment Area

CHART # 3_2004

BUSINESS DEMOGRAPHICS BY COUNTY											
COUNTY AND ASSESSMENT AREA(A/A)	Number of Businesses	Businesses with Rev. of \$1 million or less		Businesses with Rev. of more than \$1 million		Businesses with no revenues reported		Businesses with less than 50 employees		Operating from a single location	
		#	%	#	%	#	%	#	%	#	%
Erie	54,197	34,635	63.9	3,834	7.1	15,728	29.0	42,796	79.0	45,793	84.5
Chautauqua	8,117	5,464	67.3	460	5.7	2,193	27.0	6,657	82.0	6,897	85.0
Cattaraugus	4,743	3,141	66.2	222	4.7	1380	29.1	3,806	80.2	4,002	84.4
Total A/A	67,057	43,240	64.5	4,516	6.7	19,301	28.8	53,259	79.4	56,692	84.5

CHART # 3_2005

BUSINESS DEMOGRAPHICS BY COUNTY											
COUNTY AND ASSESSMENT AREA(A/A)	Number of Businesses	Businesses with Rev. of \$1 million or less		Businesses with Rev. of more than \$1 million		Bussinesses with no revenues reported		Businesses with less than 50 employees		Operating from a single location	
		#	%	#	%	#	%	#	%	#	%
Erie	57,996	35,995	62.1	3,862	6.7	18,139	31.3	44,602	76.9	49,733	85.8
Chautauqua	8,840	5,642	63.8	444	5.0	2,754	31.2	6,869	77.7	7,648	86.5
Cattaraugus	5,044	3,086	61.2	228	4.5	1,730	34.3	3,800	75.3	4,303	85.3
Total A/A	71,880	44,723	62.2	4,534	6.3	22,623	31.5	55,271	76.9	61,684	85.8

PERFORMANCE TESTS AND ASSESSMENT FACTORS

This evaluation entails a review of the bank's lending, investment and service activities within the assessment area as provided for in Parts 76.8, 76.9 and 76.10 of the General Regulations of the Banking Board. The evaluation period covers 2004 and 2005.

The data used in this evaluation were derived from various sources. This included bank-specific loan data submitted by the institution and 2004 aggregate data for HMDA-reportable and small business loans obtained from the Federal Financial Examination Council ("FFIEC") and external vendor, PCI Services, Inc. CRA Wiz. Aggregate HMDA and small business lending data for 2005 was not available at the time of this evaluation.

I. Lending Test: "High Satisfactory"

The bank's lending performance was evaluated pursuant to the following criteria: (1) Lending Activity; (2) Geographic Distribution; (3) Borrower Characteristics; (4) Community Development Lending; and (5) Innovative or Flexible Lending Practices. To analyze factors (1), (2) and (3) above, examiners relied on the bank's HMDA-reportable and small business loans. Because it constitutes a significant proportion (76%) of the bank's overall lending portfolio, HMDA-reportable lending received greater emphasis than small business loans in rating the bank's performance in New York State. The examiners used the number of loans as the primary factor in assessing the bank's performance. Dollar amounts are used only as a secondary measure of performance.

Lending Activity: "High Satisfactory"

Northwest NY operations demonstrated good responsiveness to the credit needs of its assessment area.

During the evaluation period, Northwest NY operations originated 815 HMDA-reportable and small business loans, totaling \$92.7 million, inside the New York State assessment area. Of this total, approximately 76.0% by number and 65.0% by dollar volume were HMDA-reportable.

HMDA-reportable Loans

A large portion of Northwest NY operations' HMDA lending in the assessment area is comprised of 1-4 family residential mortgages. In 2004, 1-4 family residential mortgages accounted for 97.4% of total HMDA originations of 269 loans. HMDA originations increased 29.4% to 348 loans in 2005. The proportion of 1-4 family residential mortgages was comparable to the level in 2005.

The following table shows Northwest NY operations' 1-4 family HMDA lending activity during the evaluation period:

1-4 Family Lending					
2004					
MSA	Total Count	Total Amount \$000	Loan Purpose		
			Home Purchase	Home Improvement	Refinance
15380 Buffalo-Niagara Falls	38	6,334	26	1	11
9999 Non MSAs	224	21,344	117	27	80
Total	262	27,678	143	28	91
2005					
15380 Buffalo-Niagara Falls	58	8,457	26	3	29
9999 Non MSAs	285	21,217	115	55	115
Total	343	29,674	141	58	144

Multifamily HMDA-reportable Loans

During the evaluation period, Northwest NY operations extended 12 multifamily HMDA-reportable loans for \$3.1 million. Eight of these loans were home purchase, one home improvement and three refinance loans. MSA 15380 accounted for seven of the loans and the non-MSA areas of Chautauqua and Cattaraugus the remaining five.

HMDA Market Share

In 2004, Jamestown Savings Bank, a New York State chartered financial institution, which merged with NSB in May 2005, reported 269 loans and was ranked 28 obtaining a market share of 0.9%. The largest market share was held by a large federally chartered commercial bank with 13.6% and two other large banks had over 5.0% market share.

Small Business Loans

Approximately two-thirds of the Northwest NY operations' small business loans are made inside the non-MSA areas of Chautauqua and Cattaraugus counties.

The following table shows Northwest NY operations' level of small business lending inside the two MSAs within the assessment area:

Small Business Loans				
MSA	2004		2005	
	Total Count	Total Amount \$000	Total Count	Total Amount \$000
15380 Buffalo-Niagara Falls	36	5,174	30	7,305
9999 Non MSAs	67	11,331	65	8,387
Total	103	16,505	95	15,692

Business Lender Market Share

In 2004, Jamestown Savings Bank reported 96 loans and was ranked 24 with a market share of 0.4%. The largest market share was held by a large credit card lender with 21.2%. The next two largest market shares belonged to large national associations with 14.7% and 9.6%, respectively.

Assessment Area Concentration: “Outstanding”

A substantial majority of Northwest NY operations’ HMDA-reportable and small business loans were originated inside the assessment area.

Please refer to the following table for additional details on the distribution of HMDA-reportable and small business loans inside and outside the assessment area:

Distribution of Loans Inside and Outside New York Assessment Area										
Loan Type	Number of Loans					Loans in Dollars (000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
HMDA										
2004	269	96.8	9	3.2	278	30,014	97.4	798	2.6	30,812
2005	348	92.8	27	7.2	375	30,468	94.2	1,874	5.8	32,342
Subtotal	617	94.5	36	5.5	653	60,482	95.8	2,672	4.2	63,154
Small Business										
2004	103	98.1	2	1.9	105	16,505	98.4	276	1.6	16,781
2005	95	96.9	3	3.1	98	15,692	90.7	1,617	9.3	17,309
Subtotal	198	97.5	5	2.5	203	32,197	94.4	1,893	5.6	34,090
Total	815	95.2	41	4.8	856	92,679	95.3	4,565	4.7	97,244

Geographic Distribution of Loans: “Low Satisfactory”

The geographic distribution of loans in low-income geography reflects an adequate penetration of HMDA-reportable loans and good penetration of small business loans in LMI geographies.

HMDA Loans

In 2004, Northwest NY operations extended 5.9% of its HMDA-reportable loans in low-and moderate - income tracts, well below the aggregate market rate of 12.6%.

In 2005, the penetration of HMDA-reportable loans in low-income areas increased to 1.4% while the distribution in moderate-income areas increased by 170 basis points or 10 loans, over 2004.

Please refer to the following table for further details on the geographic distribution of HMDA-reportable loans:

Distribution of HMDA-reportable Loans by Geographic Income Level								
Geography Income Level	2004							
	Northwest NY Operations				Aggregate			
	#	%	\$000	%	#	%	\$0	%
Low	2	0.7	147	0.5	552	1.9	25,585	0.9
Moderate	14	5.2	865	2.9	3,125	10.7	168,713	6.3
Middle	217	80.7	20,967	69.9	16,175	55.6	1,309,842	48.5
Upper	36	13.4	8,035	26.8	9,230	31.7	1,192,439	44.2
NA	0	0.0	0	0.0	37	0.1	2,845	0.1
Total	269	100.0	30,014	100.0	29,119	100.0	2,699,424	100.0
Geography Income Level	2005							
	Northwest NY Operations				<i>Not Available</i>			
	#	%	\$000	%				
Low	5	1.4	163	0.5				
Moderate	24	6.9	1,154	3.8				
Middle	266	76.4	22,138	72.7				
Upper	53	15.2	7,013	23.0				
Total	348	100.0	30,468	100.0				

Small Business Lending

In 2004, Northwest New York operations outperformed the aggregate. It originated 21.3% of its small business loans in low- and moderate-income areas, higher than the aggregate's origination of 18.3% in the same geographies.

In 2005, total small business loans decreased 7.8% or by eight loans from 2004. While there was moderate decrease in small business loans, Northwest New York operation's LMI penetration decreased significantly by 35.7%, to 13.7% in 2005. However, this performance is considered adequate compared to the level of businesses in LMI census tracts.

Please refer to the following table for additional details regarding the distribution of small business loans by geographic income level:

Geography Income Level	2004							
	Northwest NY Operations				Aggregate			
	#	%	(000)	%	#	%	(000)	%
Low	9	8.7	469	2.8	1,554	6.6	92,845	9.3
Moderate	13	12.6	1,975	12.0	2,726	11.7	125,544	12.6
Middle	65	63.1	11,221	68.0	11,688	50.0	497,266	50.0
Upper	16	15.5	2,840	17.2	6,921	29.6	256,075	25.7
NA	0	0.0	0	0.0	501	2.1	23,407	2.4
Total	103	100.0	16,505	100.0	23,390	100.0	995,137	100.0
Geography Income Level	2005							
	Northwest NY Operations				Not Available			
	#	%	(000)	%				
Low	3	3.2	110	0.7				
Moderate	10	10.5	561	3.6				
Middle	69	72.6	13,090	83.4				
Upper	11	11.6	1,831	11.7				
NA	2	2.1	100	0.6				
Total	95	100.0	15,692	100.0				

Borrower Characteristics: “High Satisfactory”

Northwest NY operations have a good distribution of HMDA-reportable loans among LMI borrowers and an excellent distribution of small business loans among small businesses.

1-4 Family HMDA-reportable Loans

In 2004, Northwest NY operations extended 20.2% of its 1-4 family HMDA-reportable loans to LMI borrowers, lower than the aggregate’s LMI penetration rate of 33.9%. While Northwest NY operations’ performance is weaker than the aggregate, it is considered reasonable given the assessment area’s economic and demographic characteristics.¹

In 2005, Northwest NY operations’ 1-4 family HMDA-reportable loan originations increased 30.9%. Its LMI penetration rate on its 1-4 family HMDA-reportable loans increased as well to 26.1%.

Please refer to the following table for additional details regarding the distribution of HMDA-reportable loans among borrowers of different income level:

¹ To view additional demographic data, please refer to the performance context in section above and Chart #s 1, 2 and 3 classified as exhibits in Section 5.

Distribution of 1-4 Family HMDA-reportable Loans by Borrower Income Level*								
2004								
Borrower Income Level	Northwest NY Operations				Aggregate			
	#	%	\$000	%	#	%	\$000	%
Low	11	4.2	393	1.4	2,832	9.8	137,109	5.4
Moderate	42	16.0	1,960	7.1	6,995	24.1	461,222	18.1
Middle	64	24.5	3,978	14.4	7,695	26.5	617,082	24.2
Upper	136	51.9	20,479	74.0	10,010	34.5	1,200,534	47.0
NA	9	3.4	868	3.1	1,465	5.1	135,464	5.3
Total	262	100.0	27,678	100.0	28,997	100.0	2,551,411	100.0
2005								
Borrower Income Level	Northwest NY Operations				Aggregate			
	#	%	\$000	%	Not Available			
Low	22	6.4	599	2.0	Not Available			
Moderate	69	20.1	2,769	9.3	Not Available			
Middle	84	24.5	5,316	17.9	Not Available			
Upper	159	46.4	20,014	67.5	Not Available			
NA	9	2.6	976	3.3	Not Available			
Total	343	100.0	29,674	100.0	Not Available			

Small Business Loans

Northwest NY operations extended a significant volume of small business loans to businesses with annual revenues of \$1 million or less. In 2004, over 95.1% of its business lending was made to businesses with revenues of \$1 million or less. This ratio was substantially above the market aggregate rate of 30.7%. In 2005, small business lending decreased but remained substantial at 76.8%.

The following table shows the distribution of small business loans by business revenue size:

Distribution of Small Business Loans by Business Revenue Size								
2004								
Revenue Size	Northwest NY Operations				Aggregate			
	#	%	\$000	%	#	%	\$000	%
\$1million or less	98	95.1	14,951	90.6	7,184	30.7	296,868	29.8
Over \$1 million	5	4.9	1,554	9.4	NA	NA	N/A	N/A
Unknown Revenue	0	0.0	0	0.0	NA	NA	N/A	N/A
Total	103	100.0	16,505	100.0	23,390	100.0	995,137	100.0
2005								
Revenue Size	Northwest NY Operations				Aggregate			
	#	%	\$000	%	Not Available			
\$1million or less	73	76.8	10,216	65.1	Not Available			
Over \$1 million	22	23.2	5,476	34.9	Not Available			
Unknown Revenue	0	0.0	0	0.0	Not Available			
Total	95	100.0	15,692	100.0	Not Available			

Innovative and or Flexible Lending: “High Satisfactory”

Northwest NY operations make use of innovative and/ or flexible lending practices in serving credit needs inside the New York State assessment area. The special credit products offered by the bank include HMDA-reportable, consumer and small business loans.

Offering these types of loan products enhances Northwest NY operations’ efforts to directly respond to the primary credit needs within the assessment area. During the evaluation period, 276 loans considered innovative and/ or flexible totaling \$12.7 million were originated by Northwest NY operations.

The following are examples of innovative and/or flexible lending products offered by Northwest NY operations:

- NSB is a SBA certified lender eligible to participate in any lending program to assist start-up and small business customers. Basic 7 (a) Loan Guaranty and Low Doc Lending, the agency’s most flexible program, is a bank-wide product. The Basic 7 (a) Loan Guaranty program serves as the SBA’s primary business loan program to help qualified small businesses obtain financing when they might not be eligible for business loans through normal lending channels. During the evaluation period, Northwest NY operations originated three loans under this program.
- *Earnacar and Family Loan Programs* – Northwest NY operations offer loans that are guaranteed by a not-for-profit organization that work to improve the welfare of LMI geographies and individuals. Under these programs, loans are made to LMI families who cannot qualify for loans through a bank or traditional lending source and do not meet traditional normal lending criteria. Under the Earnacar program, unsecured loans are underwritten with well below market rate. These loans help families secure reliable transportation to commute between work and home. The Family loan program features similar rate deduction as the Earnacar program and all loans must be tied to family employment needs.
- *Home Equity Loans* – Northwest NY operations offers home equity loans for a minimum of \$5 thousand and a maximum 100% loan-to-value (“LTV”), throughout its branches. In New York State assessment area, all closing costs except the borrowers’ portion of mortgage tax are waived. Many banks within the assessment area no longer offer this type of product, with more than 80% LTV. During the evaluation period, Northwest NY operations originated a total of \$4.3 million home equity loans with this feature.
- *PMI Mortgages* – Private mortgage insurance is available for mortgage loans exceeding 80% LTV, but no greater than 95%. Gift money may be considered as part of the down payment subject to appropriate documentation. Alternatively, regular conventional mortgages written with LTV in excess of 80% but not greater than 90% may be underwritten without private mortgage insurance with approval by

the appropriate level of lending authority.

- As an alternative to the conventional residential mortgage financing of home improvement, Northwest NY operations offer the convenience of an installment loan either secured or unsecured, with terms similar to its special home equity products. On a case by case basis, the funds may be escrowed.

Community Development Lending: “Needs to Improve”

Northwest NY operations originated a low level of community development loans. This performance is similar to the previous evaluation.

During the evaluation period, there was only one qualified community development loan for \$150 thousand. The loan was extended to a community organization whose service and activities contribute to the revitalization/stabilization of a municipality located in the assessment area. The entire area has been designated an Empire Zone, an economic and community development program created by New York State.

II. Investment Test : “Outstanding”

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

Northwest NY operations have an excellent level of qualified community development investments and grants in the New York State assessment area. As of the evaluation date, qualified community development investments, including grants totaled approximately \$1.7 million. Of this total, \$407 thousand was new money. Qualified grants represented \$22 thousand.

The type of investments used by the institution exhibits excellent responsiveness to credit and community economic development initiatives. These investments respond to affordable housing, community development services and economic development, primary needs within the assessment area.

Qualified Investments

- During the evaluation period, Northwest NY operations invested a total of \$385 thousand in three individual pools of CRA targeted mortgage backed securities. The underlying loans are secured by properties located in LMI area or loans to LMI individuals.

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- As of the evaluation the date, Northwest NY operations had eleven investments in CRA targeted mortgage backed securities that were originated prior to the current evaluation period. These had total outstanding balance of approximately \$1.3 million.

Grants

Qualified grants include donations to organizations focused on community service and economic development.

Northwest NY operations exhibit excellent responsiveness to credit and community economic development initiatives. Its investments respond to affordable housing, community development services and economic development needs within the assessment area.

III. Service Test: Outstanding

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

Retail Banking Services: "Outstanding"

Accessibility of Delivery Systems

Northwest NY operations' delivery systems are readily accessible to all portions of its assessment area. Of the 12 full-service branches operated by the bank's NY operations, seven branches are located in or adjacent to LMI census tracts.

Northwest NY operations supplement its banking business by maintaining a network of ATMs, 30 of which lies within the bank's New York assessment area. Of the 30 ATMs in the assessment area, 16 are located in or are adjacent to LMI tracts. Thirteen of the ATMs are located onsite while 17 ATMs are located offsite. Additionally, 32 ATMs are located outside the assessment area but within the State of New York. None of the ATMs has deposit-taking capabilities. Accounts can also be accessed at any NSB's ATM located in Pennsylvania. Customers incur no transaction fee or surcharges for using ATMs displaying STAR, Northwest Savings Bank and Jamestown Savings Bank emblem².

The following chart illustrates the geographic distribution of Northwest NY operations:

² The term Jamestown Savings Bank ("JSB") is considered a trademark for NSB and is used only in Chautauqua County, the area where JSB was originally incorporated.

Branch Locations by County and Census Tract as of 12/31/2005									
County	Low	Moderate	Middle	Upper	N/A	Total Branches per County	Branch % per County	LMI Adjacent Branches	LMI In or Adjacent per County
Cattaraugus	0	0	1	0	0	1	8.3	1	100.0
Chautauqua	1	0	3	1	0	5	41.7	2	60.0
Erie	0	0	3	2	1	6	50.0	3	50.0
Assessment Area	1	0	7	3	1	12	100.0	6	58.3
% per Tract	8.3	0	58.3	25.0	8.3	100.0			

Alternative Delivery Services

Northwest NY operations employ a variety of alternative delivery systems. Some of the more prominent alternative delivery systems are explained below:

- *Loan Production Offices* – To enhance its core banking facilities, Northwest NY operations have three loan production offices located within its assessment area. There is one loan production center in Williamsville and another loan-servicing center in Jamestown. The institution’s corporate office located in Jamestown also houses a loan production center. All centers offer a variety of loan production services including the underwriting of commercial, mortgage and consumer loans.
- *Bank-by-Phone* –Customers are provided with a toll-free bank-by-phone access to their account, 24 hours a day, and 7 days a week. Through this system, customers are able to make transfers or payments, order checks, cancel/order debit cards, change addresses and stop payments.
- *Bank-by-Mail* –this service allows customers to conduct transactions including loan and deposit maintenance. Bank-by-mail is available at all locations including the loan production centers. However, the loan production centers provide only loan related services using the bank by mail feature.
- *Online Banking* –Online banking provides more access to services than bank-by-phone including bill payments. Customers can access their account using the bank’s website 24 hours a day, 7 days a week.
- *Spanish-speaking services* – Northwest NY operations offer Spanish speaking services through its representative located at the Falconer Office. This office is located in middle income census tract and adjacent to an LMI area. In addition, some calls are re-routed to Florida location to accommodate Spanish speaking customers. Furthermore, the New York operations have its HUD Settlement Costs booklet and the Federal Reserve Bank Home Equity Line of Credit brochure made available in Spanish.

Changes in Branch Locations

The record of opening and closing branches has improved the accessibility of NSB's New York branches' delivery systems, particularly in LMI geographies and to LMI individuals.

During the evaluation period, the bank opened four new branches within its NY assessment area, three of which are adjacent to LMI areas. All of the newly opened branches are located in Erie County. Two of the new branches were opened in 2004 while two branches were opened in 2005. This brings the total number of branches in this county to six.

Reasonableness of Business Hours and Services in meeting Assessment Area Needs

Services and hours of operation are tailored to the convenience and needs of the assessment area. Retail banking services are available at each of the bank's offices. All of New York offices offer extended weekday hours and ATM access. Eleven of the 12 branch offices operate on Saturdays. Additionally, Northwest NY operations offer an approved alternative checking account similar to the New York State Basic Banking Account designed to benefit LMI individuals, to ensure that the branches provide services that are reasonable.

Community Development Services: "High Satisfactory"

Northwest NY operations provide a relatively high level of community development services.

The following are examples of qualified community development services provided by Northwest NY operations during the evaluation period:

- Mortgage loans servicing at no cost to Chautauqua Area Habitat for Humanity. It pays escrow servicing fees and interest on escrow balances, reducing the cost to customers. Chautauqua Area Habitat for Humanity is a local affiliate of Habitat for Humanity International, a nonprofit, ecumenical Christian housing organization.
- Employees provided counseling and instruction to LMI individuals. An example of this type of community development service is the participation of its employees at the NeighborWorks Networks Rural Revitalization Corporation and HUD sponsored homeownership programs, wherein the employees instructed and counseled LMI individuals.
- Members of the advisory board participated in financial advisory capacities in several community development organizations that serve LMI individuals and/or LMI areas. Below are some of the organizations that have benefited from the board members involvement:
 - Downtown Jamestown Development Corporation

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- Chautauqua Regional Community Foundation, Inc.
 - Southern Tier Enterprise Development Organization, Inc.
- In 2004, Northwest NY operations renewed an agreement with Chautauqua Home Rehabilitation Improvement Corporation (CHRIC) to extend the EarnaCar Loan Program. This program makes loans available to LMI individuals for the purchase of a vehicle. Given the lack of public transportation infrastructure of the county, this service is necessary in providing accessibility to work and thereby promoting job retention.
 - Through its officers and senior management, Northwest NY operations continued to provide financial services to various organizations whose primary objective is to promote economic development within Chautauqua County. For example, the vice president/commercial loan officer of Northwest NY operations has served as a committee member for the Chautauqua County Industrial Development Agency. Also, some officers hold positions in other community development organizations such as the Chautauqua County Chamber of Commerce, CHRIC and the Greater Jamestown Empire Zone.

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 directors, officers and employees of Northwest NY operations assist the CRA officer to ascertain the credits needs of its community through their participation in a number of community development organizations that serve LMI individuals and geographies. Some of the community development organizations with which the bank has contact are:

- American Red Cross

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- Chautauqua Home Rehabilitation Improvement Corporation
 - Greater Jamestown Empire Zone Capital Corporation
 - Chautauqua County Chamber of Commerce
 - Jamestown Strategic Planning and Partnership Commission

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.

NSB's marketing efforts and credit-related promotions include advertisements in various print and broadcast media. Printed advertisements are placed mainly in local newspapers that are distributed within the communities served by Northwest NY operations. The brochures are both available in English and Spanish. Advertisements are done using local radio stations.

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.

During 2004 and up until May 2005, the bank's Compliance Committee also functioned as the CRA Committee. Minutes of the committee's monthly meetings are presented to the board of directors in their monthly meeting packages.

VI. Other Factors

Other factors that in the judgment 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.

In 2004, Chautauqua Home Rehabilitation and Improvement Corporation (CHRIC) awarded the then CRA officer for Jamestown Savings Bank with a certificate of appreciation. The bank worked with this organization to make loans available to families who otherwise would not be able to secure financing.

GLOSSARY

Aggregate

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

Community Development

The term “community development” is defined to mean:

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

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

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

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

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

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

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

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

Demand-Adjusted Penetration Rate

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

Demand-Adjusted Penetration Ratio

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

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

Home Mortgage Disclosure Act (“HMDA”)

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

Loans to Small Businesses

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

Low or Moderate Income (“LMI”) Geographies

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

income would be the statewide nonmetropolitan median family income.

LMI Borrowers

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

LMI Individuals/Persons

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

Small Business Loans

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