



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: Tioga State Bank
1 Main Street
Spencer, NY 14883

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.

TABLE OF CONTENTS

	Section
General Information	1
Overview of Institution's Performance	2
Performance Context	3
Institution's Profile	
Assessment Area	
Performance Standards and Assessment Factors	4
Loan-to-Deposit Analysis and Other	
Lending-Related Activities	
Assessment Area Concentration	
Geographic Distribution of Loans	
Distribution by Borrowers Characteristics	
Action Taken in Response to Written Complaints	
With Respect to CRA	
Discrimination or Other Illegal Practices	
Process Factors	
Other Factors	
Glossary	5

GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act ("CRA") performance of Tioga State Bank ("TSB") 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, 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 ("LMI") areas, consistent with safe and sound operations.

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

- (1) Outstanding record of meeting community credit needs;
- (2) Satisfactory record of meeting community credit needs;
- (3) Needs to improve record of meeting community credit needs; and
- (4) Substantial noncompliance in meeting community credit needs.

Section 76.5 further requires that the CRA rating and the written summary be made available to the public ("Evaluation"). Evaluations of small banking institutions are primarily based on a review of performance tests and standards described in Section 76.7 and detailed in Section 76.12. The tests and standards incorporate the 12 assessment factors contained in Section 28-b of the New York State Banking Law.

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

OVERVIEW OF INSTITUTION'S PERFORMANCE

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

- ***Loan-to-Deposit ("LTD") Ratio and Other Lending-Related Activities:*** TSB's LTD ratio is marginally reasonable in light of its size, financial condition and the credit needs of its assessment area. TSB's average LTD ratio for the evaluation period of 60.09% was below the peer group's average of 81.07%. However, TSB enhanced the availability of credit in its assessment area, with community development loans totaling \$3.1 million.
- ***Assessment Area Concentration:*** TSB extended a substantial majority of its loans in the assessment area during the evaluation period. Of the combined HMDA-reportable, small business and consumer loans, 88.5% in number were originated in the assessment area.
- ***Geographic Distribution of Loans:*** TSB's geographic distribution of loans reflects a reasonable dispersion among census tracts of different income levels. Given that a substantial majority of TSB's deposits and loans are concentrated in Tioga County, where there is no LMI area, TSB's overall LMI penetration rates were below those of the market aggregate. However, in Broome County with 35.4% LMI areas, the volume of TSB's HMDA-reportable loans extended in LMI areas exceeded the aggregate.
- ***Distribution by Borrowers Characteristics:*** TSB's lending distribution in the assessment area reflects a reasonable penetration among individuals of different income levels and businesses of different revenue sizes.

HMDA Loans

In 2004, TSB's penetration rates for LMI areas were below the market aggregate's penetration rates. In 2005, HMDA-reportable loans originated to LMI borrowers declined both in number and dollar volume, however, TSB's LMI penetration rates rose to 31.0% in number and 18.9% in dollar volume.

Small Business Loans

In 2004, of the total small business loans originated by TSB, 82.8% in number and 55.6% in dollar volume were extended to small business borrowers with gross annual revenues of \$1million or less. These ratios are superior to the market aggregate's ratios of 29.1% and 33.9%, respectively. In 2005, TSB's small business lending rose to 87.3% in number and 62.2% in dollar volume.

Consumer Loans

TSB's distribution of consumer loans reflects an excellent penetration among individuals of different income levels. During the evaluation period, TSB's LMI penetration rates exceeded the percentage of LMI families within the assessment area.

- Neither TSB nor the New York State Banking Department received any complaints with respect to its CRA performance during the evaluation period.

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

PERFORMANCE CONTEXT

Institution's Profile:

Chartered in 1884, TSB is a commercial bank headquartered in Village of Spencer, New York. TSB is a wholly owned subsidiary of TSB Services Incorporated, a one bank holding company.

TSB operates 11 banking offices, of which five are located in Tioga County, four in Broome County; one each in Chemung and Tompkins Counties. Three of the four branches in Broome County were opened in 2004. Supplementing the banking offices is an automated teller machine ("ATM") network for each of the 11 offices. TSB also maintains an off-site non-deposit taking ATM.

As per the Federal Deposit Insurance Corporation's ("FDIC") Consolidated Report of Condition ("Call Report") as of December 31, 2005, TSB reported total assets of \$267.5 million, of which \$148.2 million were net loans and lease finance receivables. It also reported total deposits of 223.5 million, resulting in a loan-to-deposit ratio of 66.3%. According to the Deposit Market Share report dated June 30, 2005, TSB obtained a market share of 4.62%, or \$215.8 million out of \$4.7 billion inside its market, ranking it 8th among 19 deposit-taking institutions in its assessment area. It should also be noted that approximately two thirds of TSB's deposits are in Tioga County. The table below shows deposit details by each county.

Market Share of Deposits as of June 30, 2005							
County	# of Branches	Deposits \$000	Deposits %	Deposit as % of County Total	Ranking	# of	Institutions
Broome	4	41,487	19.23	2.16	6		9
Tioga	5	139,272	64.55	40.97	1		7
Chemung	1	6,107	2.83	0.53	10		10
Tompkins	1	28,893	13.39	2.30	9		10
Total	11	215,759	100.00	4.62	26		36

TSB is primarily a residential real estate lender, with 50.3% of its loan portfolio in 1-4 residential real estate mortgage loans as of year ends 2004 and 2005, respectively.

The following is a summary of TSB's lending portfolio, based on Schedule RC-C of the December 31, 2003, December 31, 2004 and December 31, 2005 Call Reports:

TOTAL GROSS LOANS OUTSTANDING						
LOAN TYPE	12/31/2003		12/31/2004		12/31/2005	
	\$000	%	\$000	%	\$000	%
1-4 Residential Mortgage Loans	63,715	54.0	70,329	50.3	75,556	50.3
Commercial & Industrial Loans	21,079	17.9	26,548	19.0	29,897	19.9
Commercial Mortgage Loans	16,623	14.1	22,471	16.1	24,314	16.2
Multifamily Mortgages	986	0.8	993	0.7	1,024	0.7
Consumer Loans	9,730	8.2	9,631	6.9	8,577	5.7
Agricultural Loans	250	0.2	2,495	1.8	2,896	1.9
Construction Loans	4,226	3.6	5,788	4.1	6,415	4.3
Loans to Commercial Banks	1,000	0.8	1,000	0.7	1,000	0.7
Other Loans	339	0.3	615	0.4	611	0.4
Total Gross Loans	117,948	100.0	139,870	100.0	150,290	100.0

TSB participates in governmentally guaranteed or sponsored loan programs, which includes: Small Business Administration and New York State Linked Deposit Program

TSB received a rating of “2,” reflecting a satisfactory record of helping to meet community credit needs at its prior Performance Evaluation conducted by the New York State Banking Department as of December 31, 2003.

There are no known financial or legal impediments that could adversely impact TSB’s ability to meet the credit needs of its community.

Assessment Area:

TSB’s assessment area consists of Tioga County in its entirety and portions of Broome, Chemung, and Tompkins counties. During the evaluation period, Schuyler County was eliminated from the assessment area while 25 census tracts were added to Broome County and one census tract to Tompkins County. The expanded assessment area has a total of 63 census tracts, of which 4 are low-income, 13 are moderate-income, 32 are middle-income, 14 are upper-income and none are zero-income tracts.

The following chart illustrates the distribution of census tracts inside the assessment area:

Distribution of Assessment Area Census Tracts by Income Level							
County	Zero	Low	Moderate	Middle	Upper	Total	LMI %
Broome	0	4	13	19	12	48	35.4
Tioga	0	0	0	8	2	10	0
Chemung	0	0	0	2	0	2	0
Tompkins	0	0	0	3	0	3	0
Total	0	4	13	32	14	63	27.0

The assessment area appears reasonable based upon the location of TSB’s offices and its lending patterns. There is no evidence that LMI areas have been arbitrarily excluded.

Details of Assessment Area:

The following charts show the demographic and economic data for each county of the assessment area:

Chart #1: Shows population and income.

Chart #2: Shows housing demographics.

Chart #3: Shows business demographics.

Unemployment Rates:

Broome County

According to the U.S. Department of Labor, Bureau of Labor Statistics, Broome County's annual unemployment rates for 2004 and 2005 were 5.4% and 5.0%, respectively, compared to New York State's annual rates of 5.8% and 5.0%, for the same years.

In 2005, the major industries in Broome County located inside TSB's assessment area consisted of 4,176 (40.1%) services, 1,912 (18.4%) retail trade, and 755 (7.3%) construction businesses.

Tioga County

According to the U.S. Department of Labor, Bureau of Labor Statistics the Tioga County's annual unemployment rates were 5.2% and 4.8% for 2004 and 2005, respectively. These rates were both below the New York State's annual rates of 5.8% and 5.0% for the same years.

In 2005 the major industries in Tioga County consisted of 941 (34.2%) in services, 458 (16.7%) in retail trade, and 246 (8.9%) in construction businesses.

Chemung County

According to the U.S. Department of Labor, Bureau of Labor Statistics the Chemung County's annual unemployment rates were 6.1% and 5.1% for 2004 and 2005, respectively, which were above the New York State's annual rates of 5.8% and 5.0% for the same years.

In 2005, the major industries in Chemung County located inside TSB's assessment area consisted of 70(24.4%) in services, 41(14.3%) in construction businesses, and 33(11.5%) in retail trade.

Tompkins County

According to the U.S. Department of Labor, Bureau of Labor Statistics the Tompkins County's annual unemployment rates were 3.6% and 3.1% for 2004 and 2005, respectively, which were below the New York State's annual rates of 5.8% and 5.0% for the same years.

In 2005, the major industries in Tompkins County located inside TSB's assessment area consisted of 235 (29.3%) in services, 113 (14.1%) in retail trade, and 99 (12.3%) in construction businesses.

CHART # 1

ASSESSMENT AREA POPULATION AND INCOME CHARACTERISTICS BY COUNTY																						
COUNTY	Total Population	Age over 65		Age under 16		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	
		#	%	#	%			#	%	#	%		#	%	#	%	#	%	#	%	#	%
Broome**	175,930	30,022	17.1	34,567	19.6	47,386	53,100	71,875	9,393	13.1	43,934	8,506	19.4	8,075	18.4	9,708	22.1	17,645	40.1	5,825	35.1	
Chemung**	7,789	891	11.4	1,801	23.1	41,570	51,150	2,929	278	9.5	2,260	374	16.6	518	22.9	631	27.9	737	32.6	-	0.0	
Tioga	51,784	6,785	13.1	12,490	24.1	46,937	53,100	19,779	1,581	8.0	14,369	2,291	15.9	2,756	19.2	3,660	25.5	5,662	39.4	-	0.0	
Tompkins**	14,693	1,394	9.5	3,441	23.4	46,262	61,850	5,872	493	8.4	3,945	849	21.5	897	22.7	1,068	27.1	1,131	28.7	-	0.0	
TOTAL A/A*	250,196	39,092	15.6	52,299	20.9	47,013	53,455	100,455	11,745	11.7	64,508	12,020	18.6	12,246	19.0	15,067	23.4	25,175	39.0	5,825	24.0	

* Assessment Area ** Partial County

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 Midd-income Tracts		O-O Units in Upp-income Tracts		Rental Units		Vacant/ Boarded-up Units	
		#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%
Broome**	78,178	64,763	82.8	10,740	13.7	45,080	58.0	658	1.4	6,158	13.7	22,833	50.7	15,431	34.2	30,258	38.7	6,419	8.2
Chemung**	3,180	2,275	71.5	32	1.0	2,529	79.5	-	0.0	-	0.0	2,529	100.0	-	0.0	484	15.2	253	8.0
Tioga	21,410	16,993	79.4	713	3.3	15,347	71.7	-	0.0	-	0.0	11,642	75.9	3,705	24.1	4,973	23.2	1,685	7.9
Tompkins**	6,301	4,588	73.0	176	2.8	4,402	70.0	-	0.0	-	0.0	4,402	100.0	-	0.0	1,627	25.8	449	7.1
TOTAL A/A*	109,069	88,619	81.3	11,661	11.0	67,358	61.8	658	1.0	6,158	9.1	41,406	61.5	19,136	28.4	37,342	34.2	8,806	8.1

* Assessment Area ** Partial County

CHART # 3

BUSINESS DEMOGRAPHICS BY COUNTY											
COUNTY	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	
		#	%	#	%	#	%	#	%	#	%
Broome **	10,410	6,489	62.3	645	6.2	3,276	31.5	8,154	78.3	8,707	83.6
Chemung **	287	178	62.0	4	1.4	105	36.6	198	69.0	272	94.8
Tioga	2,751	1,815	66.0	89	3.2	847	30.8	2,113	76.8	2,474	89.9
Tompkins **	803	541	67.4	16	2.0	246	30.6	587	73.1	772	96.1
Total A/A*	14,251	9,023	63.3	754	5.3	4,474	31.4	11,052	77.6	12,225	85.8

* Assessment Area ** Partial County

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

TSB's performance was evaluated according to the small bank performance criteria, which include the following: (1) Loan-to-Deposit Ratio and other Lending-Related Activities; (2) Assessment Area Concentration; (3) Geographic Distribution of Loans; (4) Distribution by Borrower Characteristics; and (5) Action Taken in Response to Written Complaints Regarding CRA.

The assessment period included calendar years 2004 and 2005. Examiners considered HMDA-reportable, small business and consumer lending in evaluating factors (2), (3) and (4), as noted above.

The demographic data referred to in this report was obtained from the 2000 U.S. Census, with the updated median family income figures provided by HUD.

- **Loan-to-Deposit Ratio Analysis and other Lending-Related Activities:**
“Satisfactory”

TSB's LTD ratio is marginally reasonable considering its size, financial condition and the credit needs of the assessment area.

TSB's average LTD ratio for the eight quarters ending December 31, 2005 was 60.09%, which is below the peer group's average of 81.07%.¹ As shown in the table below, TSB's LTD ratios have fluctuated between the first quarter of 2004 and last quarter of 2005 as compared to LTD ratios of the peer, which had an upward trend. However, TSB's LTD average ratio was 77.35% when adjusted for the municipal deposits that TSB maintains.

Loan-to-Deposit Ratios									
	3/31/04	6/30/04	9/30/04	12/31/04	3/31/05	6/30/05	9/30/05	12/31/05	Average
Bank	51.26	54.53	59.43	61.36	57.67	66.14	64.02	66.30	60.09
Peer	79.57	80.13	81.29	81.61	80.78	81.76	81.77	81.65	81.07

Community Development Loan

TSB enhanced the availability of its credit within the assessment area through community development lending. During the evaluation period, TSB extended three loans totaling \$3.1 million, which were used to provide community service and revitalize and stabilize LMI areas.

¹ These ratios were calculated from data contained in the bank's Uniform Bank Performance Report ("UBPR") as prepared by the Federal Deposit Insurance Corporation ("FDIC"). The peer group consists of insured commercial banks with total assets between \$100 million and \$300 million.

- **Assessment Area Concentration: “Outstanding”**

TSB originated a substantial majority of its total loans within the assessment area.

HMDA-Reportable Loans

During the evaluation period, TSB originated 89.1% in number and 82.7% in dollar volume of its total loans inside the assessment area. In 2005, the percentage of HMDA-reportable loans originated inside the assessment area increased slightly to 89.8% and 88.4% in number and in dollar volume, respectively.

Small Business Loans

Of the total small business loans originated by TSB during the evaluation period, 87.2% in number and 74.7% in dollar volume were extended inside the assessment area. The concentration ratio of small business loans inside the assessment area increased significantly to 85.9% in 2005.

Consumer Loans

During the evaluation period, 88.8% in number and 87.6% in dollar volume of the total consumer loans were originated by TSB inside the assessment area.

The following table shows the distribution of loans inside and outside the assessment area during the evaluation period:

Distribution of Loans Inside and Outside of the Assessment Area										
Loan Type	Number of Loans					Loans in Dollars (in thousands)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
HMDA-Reportable										
2004	232	88.5	30	11.5	262	11,900	79.1	3,141	20.9	15,041
2005	168	89.8	19	10.2	187	8,516	88.4	1,122	11.6	9,638
Subtotal	400	89.1	49	10.9	449	20,416	82.7	4,263	17.3	24,679
Small Business										
2004	290	85.3	50	14.7	340	24,196	69.2	10,751	30.8	34,947
2005	220	89.8	25	10.2	245	14,646	85.9	2,401	14.1	17,047
Subtotal	510	87.2	75	12.8	585	38,842	74.7	13,152	25.3	51,994
Consumer										
2004	750	89.1	92	10.9	842	19,142	87.8	2,662	12.2	21,804
2005	570	88.5	74	11.5	644	14,578	87.5	2,092	12.5	16,670
Subtotal	1,320	88.8	166	11.2	1,486	33,720	87.6	4,754	12.4	38,474
Total	2,230	88.5	290	11.5	2,520	92,978	80.7	22,169	19.3	115,147

- **Geographic Distribution of Loans: “Satisfactory”**

The geographic distribution of loans reflects a reasonable dispersion among census tracts of different income levels.

As mentioned in the foregoing, TSB expanded its assessment area with 25 additional census tracts in Broome County and one in Tompkins County during the evaluation period. It should also be noted that except for Broome County with 35.4% LMI areas, there are no other LMI geographies in TSB’s assessment area. In addition, the majority of the TSB’s deposits and loans are concentrated in Tioga County where LMI areas are non-existent.

HMDA-Reportable Loans

The geographic distribution of HMDA related loans reflects a reasonable dispersion among census tracts of different income levels.

In 2004, of the total HMDA-reportable loans originated by TSB in the assessment area, 2.2% and 3.3% in number and dollar volume, respectively were extended in LMI areas, which were below the aggregate’s LMI penetration rates of 10.8% and 7.8%, respectively.

In 2005, TSB’s LMI penetration rates decreased further to 1.8% in number and 1.9% in dollar volume as total HMDA-reportable loan originations declined.

While the overall performance of TSB in the assessment area is unfavorable compared to the aggregate, its LMI penetration rates are at par with the aggregate in Broome County. In 2004, 33 loans totaling \$2.5 million, representing 14.2% in number and 21.0% in dollar volume of the total HMDA-reportable loans originated by TSB in the assessment area were extended in Broome County. As a result, TSB achieved an LMI penetration rate of 15.2% in number and 15.6% in dollar volume, respectively, which were reasonable compared to the aggregate’s 16.3% and 11.3%, respectively. In 2005, the LMI penetration rates declined to 11.1% in number and 10.1% in dollar volume. The aggregate’s data were not available for 2005.

Overall, TSB continues to show high penetration rates in middle income as in the prior evaluation.

The following chart provides a summary of TSB's HMDA related lending distribution in its assessment area during the evaluation period:

Geography	Bank				Aggregate			
Income Level	#	%	\$000	%	#	%	\$000	%
Low	0	0.0	0	0.0	70	1.1	3,590	0.8
Moderate	5	2.2	394	3.3	606	9.7	32,609	7.0
Middle	194	83.6	9,065	76.2	3,815	61.2	267,110	57.2
Upper	33	14.2	2,441	20.5	1,733	27.8	163,153	34.9
N/A	0	0.0	0	0.0	12	0.2	880	0.2
Total	232	100.0	11,900	100.0	6,236	100.0	467,342	100.0
Geography	Bank				Aggregate			
Income Level	#	%	\$000	%	#	%	\$000	%
Low	1	0.6	27	0.3	Not Available			
Moderate	2	1.2	134	1.6				
Middle	141	83.9	6,406	75.2				
Upper	24	14.3	1,949	22.9				
Total	168	100.0	8,516	100.0				

* Geography income level is based upon 2000 Census data on median family income figure for the MSA of the Mortgaged property. Low-income is defined as <50% of the MSA median, moderate-income is 50% to <80% of the MSA median income, middle-income is 80% to <120% and upper-income is at least 120%.

Small Business Loans

TSB's geographic distribution of small business loans reflects a marginally reasonable dispersion among census tracts of different income levels.

In 2004, TSB's LMI penetration rates for small business loans were 7.2% in number and 12.7% in dollar volume. These rates were well below the market aggregate's penetration rates of 25.4% and 30.7%, respectively.

In 2005, as small business loan originations declined both in number and in dollar volume, TSB's LMI penetration rates declined as well to 5.9% in number and 10.8% in dollar volume.

In Broome County, 85 small business loans totaling \$14.7 million were originated in 2004. Although TSB had a higher LMI penetration rates of 24.7% in number and 21.0% in dollar compared to its overall LMI penetration rates, these rates were inferior to the aggregate's 34.4% and 37.5%, respectively in Broome County. In 2005, there was no significant change in TSB's LMI penetration rates.

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

Distribution of Small Business Loans by Geographic Income Level *								
Geography Income Level	Bank				Aggregate			
	#	%	\$000	%	#	%	\$000	%
Low	5	1.7	349	1.4	418	8.1	22,784	12.7
Moderate	16	5.5	2,727	11.3	897	17.3	32,350	18.0
Middle	218	75.2	10,839	44.8	2,667	51.6	80,917	45.0
Upper	51	17.6	10,281	42.5	1,191	23.0	43,860	24.4
Total	290	100.0	24,196	100.0	5,173	100.0	179,911	100.0
Geography Income Level	Bank				Aggregate			
	#	%	\$000	%	#	%	\$000	%
Low	3	1.4	197	1.3	Not Available			
Moderate	10	4.5	1,381	9.5				
Middle	178	80.9	8,706	59.4				
Upper	29	13.2	4,362	29.8				
Total	220	100.0	14,646	100.1				

* Geography income level is based upon 2000 Census data on median family income figure for the MSA of the mortgaged property. Low-income is defined as <50% of the MSA median, moderate-income is 50% to <80% of the MSA median income, middle-income is 80% to <120% and upper-income is at least 120%.

Consumer Loans

TSB's geographic distribution of consumer loans reflects a marginally reasonable dispersion among census tracts of different income levels.

In 2004, of the total consumer loans originated by TSB in the assessment area, only 0.9% in number and 0.6% in dollar volume were extended to LMI borrowers. These percentages did not compare favorably with the 20.4% households located in LMI census tracts. However, the 90.0% ratio in middle income geographies exceeded the 55.9% households located in middle-income census tracts.

In 2005, TSB's LMI penetration rates increased slightly to 1.0% in number and 1.2% in dollar volume but remained unfavorable compared with the demographics of the assessment area. TSB's performance in middle-income geographies continued to exceed the percentage of households located in the middle-income census tracts.

Of the total consumer loans originated by TSB in the assessment area, 10.4% in number and 3.7% in dollar volume were extended in Broome County in 2004. These LMI penetration rates were well below the ratio of 28.5% households located in LMI census tracts. In 2005, fewer consumer loans were extended in the LMI areas, but LMI penetration rate in dollar volume increased by 83.8%, to 6.8%.

The following chart summarizes the distribution of TSB's consumer loan originations during the evaluation period:

Distribution of Consumer Loans by Geographic Income Level*						
Geography	Bank				Distribution of Household	
Income Level	#	%	\$000	%	#	%
Low	0	0.0	0	0.0	3,688	3.7
Moderate	7	0.9	113	0.6	16,788	16.7
Middle	675	90.0	15,503	81.0	56,129	55.9
Upper	68	9.1	3,526	18.4	23,850	23.7
Total	750	100.0	19,142	100.0	100,455	100.0
2005						
Geography	Bank				Distribution of Household	
Income Level	#	%	\$000	%	#	%
Low	1	0.2	27	0.2	3,688	3.7
Moderate	5	0.8	146	1.0	16,788	16.7
Middle	494	86.7	11,521	79.0	56,129	55.9
Upper	70	12.3	2,884	19.8	23,850	23.7
Total	570	100.0	14,578	100.0	100,455	100.0

* Geography income level is based upon 2000 Census data on median family income figure for the MSA of the mortgaged property. Low-income is defined as <50% of the MSA median, moderate-income is 50% to <80% of the MSA median income, middle-income is 80% to <120% and upper-income is at least 120%.

- **Distribution by Borrower Characteristics: “Satisfactory”**

TSB’s distribution of loans based on borrower income level reflects a reasonable penetration among individuals of different income levels and businesses of different revenue sizes.

HMDA-Reportable Loans

In 2004, TSB extended 60 HMDA-reportable loans, totaling \$1.7 million to LMI borrowers, resulting to LMI penetration rates of 25.9% in number and 14.3% in dollar volume. These rates were below the market aggregate’s penetration rates of 33.2% and 23.4%, respectively.

In 2005, HMDA-reportable loans originated in the assessment area declined by 27.6%. While there was a decline in loan originations, TSB’s LMI penetration rates increased to 31.0% in number and 18.9% in dollar volume.

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

Distribution of HMDA-reportable Loans by Borrower Income Level*								
2004								
Borrower	Bank				Aggregate			
Income Level	#	%	\$000	%	#	%	\$000	%
Low	21	9.1	420	3.6	687	11.0	29,384	6.3
Moderate	39	16.8	1,289	10.8	1,382	22.2	79,990	17.1
Middle	66	28.4	2,641	22.2	1,676	26.9	116,294	24.9
Upper	93	40.1	6,583	55.3	2,179	34.9	214,802	46.0
N/A	13	5.6	967	8.1	312	5.0	26,872	5.7
Total	232	100.0	11,900	100.0	6,236	100.0	467,342	100.0
2005								
Borrower	Bank				Aggregate			
Income Level	#	%	\$000	%	#	%	\$000	%
Low	9	5.4	113	1.3	Not Available			
Moderate	43	25.6	1,496	17.6				
Middle	42	25.0	1,957	23.0				
Upper	64	38.1	4,311	50.6				
N/A	10	6.0	639	7.5				
Total	168	100.0	8,516	100.0				

* Borrower income level is based upon the Department of Housing and Urban Development's annual estimate of median family income ("MFI") figure for the MSA of the mortgaged property. Low-income is defined as <50% of the MSA MFI, moderate-income is 50% to <80%, middle-income is 80% to <120%, and upper-income is at least 120%.

Small Business Loans

TSB's small business lending distribution based on borrower characteristics reflects a reasonable penetration among businesses of different sizes.

In 2004, 82.8% of total business loans totaling \$13.5 million (55.6%) were extended to small business and small farm borrowers with revenues of \$1 million or less. These ratios were well above the market aggregate's ratios of 29.1% and 33.9%, respectively. In 2005, TSB's performance improved, extending 87.3% in number and 62.2% in dollar volume of its total small business loans to borrowers with revenues of \$1 million or less.

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

Distribution of Small Business Loans by Business Revenue Size								
Revenue Size	Bank				Aggregate			
	#	%	\$000	%	#	%	\$000	%
\$1million or less	240	82.8	13,451	55.6	1,506	29.1	60,905	33.9
Over \$1 million	50	17.2	10,745	44.4	N/A	N/A	N/A	N/A
No Revenue Info	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total	290	100.0	24,196	100.0	5,173	100.0	179,911	100.0
Revenue Size	Bank				Aggregate			
	#	%	\$000	%	#	%	\$000	%
\$1million or less	192	87.3	9,116	62.2	Not Available			
Over \$1 million	28	12.7	5,530	37.8				
No Revenue Info	0	0.0	0	0.0				
Total	220	100.0	14,646	100.0				

Consumer Loans

TSB's consumer loans based on borrower characteristics reflects an excellent penetration among individuals of different income levels.

In 2004, TSB extended 42.6% of the total consumer loans originated in the assessment area to LMI borrowers, which exceeded the percentage of total LMI families of 37.6% within the assessment area.

In 2005, TSB's LMI penetration rate continued to exceed percentage of total LMI families in the assessment area.

The following table shows the distribution of TSB's consumer loans by borrower income:

Distribution of Consumer Loans by Borrower Income Level*						
Borrower	Bank				Distribution of Total Family	
Income Level	#	%	\$000	%	#	%
Low	157	21.0	1,432	7.5	12,020	18.6
Moderate	163	21.7	2,767	14.5	12,246	19.0
Middle	186	24.8	4,409	23.0	15,067	23.4
Upper	213	28.4	9,648	50.4	25,175	39.0
N/A	31	4.1	885	4.6	0	0.0
Total	750	100.0	19,141	100.0	64,508	100.0

Borrower	Bank				Distribution of Total Family	
Income Level	#	%	\$000	%	#	%
Low	121	21.2	958	6.6	12,020	18.6
Moderate	135	23.7	2,454	16.8	12,246	19.0
Middle	131	23.0	3,234	22.2	15,067	23.4
Upper	163	28.6	7,126	48.9	25,175	39.0
N/A	20	3.5	806	5.5	0	0.0
Total	570	100.0	14,578	100.0	64,508	100.0

* Borrower income level is based upon the Department of Housing and Urban Development's annual estimate of median family income ("MFI") figure for the MSA of the mortgaged property. Low-income is defined as <50% of the MSA MFI, moderate-income is 50% to <80%, middle-income is 80% to <120%, and upper-income is at least 120%.

- **Action Taken In Response to Written Complaints With Respect to CRA**

Neither TSB nor the New York State Banking Department has received any written complaints regarding the bank's CRA performance.

- **Discrimination and other Illegal Practices**

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

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

Evidence of prohibited discriminatory or other illegal credit practices.

The regulatory compliance and fair lending examinations conducted concurrently with FRB indicate satisfactory adherence to anti-discrimination and other applicable laws and regulations. No evidence of prohibited discriminatory or other illegal credit practices was noted.

- **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.

TSB has established several business development boards by geographic areas to ascertain the community's credit needs. The 20-member business development boards consisting of members from the bank and community meet quarterly and offer suggestions to the offices that they specifically represent and to the bank as a whole.

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.

TSB's marketing and advertising medium includes local newspapers, local radio and TV, direct mailings, posters, and brochures. Also, TSB has a website that includes descriptions of TSB's consumer and mortgage loan products.

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.

TSB's board of directors reviews and approves TSB's CRA policy annually and monitors lending activities quarterly.

- **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.

None.

GLOSSARY

Aggregate

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

Community Development

The term “community development” is defined to mean:

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

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

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

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

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

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

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

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

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 non-metropolitan 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 non-metropolitan 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 non-metropolitan median family income. In all

instances, the area median family incomes used to measure individual income levels are updated annually by HUD.

LMI Penetration Rate

A number that depicts the percentage of a bank's total loans (for a particular product) that was extended to LMI geographies or borrowers. For example, an LMI penetration rate of 20% would indicate that the bank made 20 out of a total of 100 loans to LMI geographies or borrowers.

Small Business Loans

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