



NEW YORK STATE BANKING DEPARTMENT
Consumer Services Division
One State Street Plaza
New York, NY 10004

PUBLIC SUMMARY

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Evaluation Date: December 31, 2006

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

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

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GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act ("CRA") performance of The Oneida Savings Bank ("OSB") prepared by the New York State Banking Department. The evaluation represents the Banking Department's current assessment and rating of the institution's CRA performance based on an evaluation conducted as of December 31, 2006.

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

OSB is rated "1," indicating an outstanding record of helping to meet community credit needs. This rating is based on the following factors:

Lending Test: "Satisfactory"

- ***Loan-to-Deposit ("LTD") Ratio and Other Lending-Related Activities:*** OSB's LTD ratio is considered reasonable in light of its size, financial condition and the credit needs of its assessment area.
- ***Assessment Area Concentration:*** A substantial majority of OSB's loans and other lending related activities are in its assessment area.
- ***Geographic Distribution of Loans:*** OSB's geographic distribution of loans reflects a reasonable dispersion among census tracts of different income levels.
- ***Distribution by Borrower Characteristics:*** The distribution of OSB's loans by borrower characteristics reflects a reasonable penetration among individuals of different income levels and businesses of different revenue sizes, given the demographics of its assessment area
- ***Response to substantiated complaints:*** Neither OSB nor the New York State Banking Department received any complaints with respect to its CRA performance during the evaluation period.

Community Development Test: "Outstanding"

- OSB's community development performance demonstrates an excellent responsiveness to the community development needs of its assessment area. As of the evaluation date, OSB's community development portfolio totaled approximately \$ 8.8 million. Additionally, OSB provided a high level of community development services.

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

PERFORMANCE CONTEXT

Institution's Profile:

OSB was chartered in 1866 as a mutual savings bank and is presently headquartered in Oneida, Madison County, New York. In 1998, OSB was converted into a stock form savings bank. OSB is a wholly owned subsidiary of Oneida Financial Corporation ("OFC"), which in turn is a subsidiary of Oneida Financial MHC.

OSB owns three subsidiaries: Bailey & Haskell Associates, an insurance and financial services company; State Bank of Chittenango, a New York state-chartered special purpose commercial bank; and Benefit Consulting Group, Inc., an employee benefit and human resources consulting firm.

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

OSB operates eight full-service branches, including the main office, and nine ATMs throughout the assessment area. Of the nine ATMs, eight are located at bank branches, while one is located at an off-site location. Except for of the off-site ATM, all ATMs accept deposits. Since the last CRA evaluation, OSB has not opened or closed any branches.

As per the Federal Deposit Insurance Corporation's ("FDIC") Consolidated Report of Condition ("Call Report") as of December 31, 2006 OSB reported total assets of \$440.7 million, of which \$247.5 million were net loans and lease finance receivables. It also reported total deposits of \$313.3 million, resulting in a loan-to-deposit ratio of 79.0%. According to the latest available comparative deposit data dated June 30, 2006, OSB obtained a market share of 2.7%, or \$307.5 million out of \$11.5 billion inside its market, ranking it 12th among 26 deposit-taking institutions in Madison, Oneida and Onondaga counties.

The following is a summary of OSB's lending portfolio, based on Schedule RC-C of the bank's December 31, 2004, December 31, 2005 and December 31, 2006 Call Reports:

TOTAL GROSS LOANS OUTSTANDING						
LOAN TYPE	2004		2005		2006	
	\$000	%	\$000	%	\$000	%
1-4 Residential Mortgage Loans	100,905	47.2	103,420	43.5	110,304	44.2
Commercial & Industrial Loans	29,632	13.8	32,690	13.7	34,962	14.0
Commercial Mortgage Loans	42,761	20.0	52,088	21.9	56,393	22.6
Mutifamily Mortgages	2,153	1.0	2,338	1.0	2,093	0.8
Consumer Loans	37,026	17.3	46,718	19.6	45,027	18.0
Agricultural Loans	983	0.5	638	0.3	604	0.3
Construction Loans	498	0.2	76	0.0	196	0.1
Total Gross Loans	213,958	100.0	237,968	100.0	249,579	100.0

OSB's primary business is commercial and residential mortgage lending. As of December 31, 2006, 45.0 % of OSB's loan portfolio constitutes residential mortgage loans, 22.6% are commercial real estate loans, 14.0% in commercial and industrial loans and 18.0% are consumer loans.

OSB participates in governmentally-insured or -subsidized loan programs sponsored by the State of New York Mortgage Agency ("SONYMA"), the Veterans Administration ("VA") and the Federal Housing Administration ("FHA"). During the evaluation period, OSB originated 32 loans totaling \$2.8 million under these programs.

OSB received a rating of "1," reflecting an outstanding 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, 2004.

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

Assessment Area:

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

There are 31 census tracts in the assessment area, of which 6.5% are moderate-income, 54.8% are middle-income, and 38.7% are upper-income. There are no low-income tracts in the assessment area.

The following table summarizes the distribution of census tracts across OSB's assessment area by county and by tract income level.

Distribution of Assessment Area Census Tracts by Income Level							
County	Zero	Low	Moderate	Middle	Upper	Total	LMI %
Madison	0	0	2	10	3	15	13.3
Oneida	0	0	0	5	1	6	0
Onondaga	0	0	0	2	8	10	0
Total	0	0	2	17	12	31	6.5

Details of Assessment Area:

Unemployment: According to the U.S. Department of Labor, in 2005 and 2006, the average unemployment rates for Oneida County and Onandaga County were below New York State's rates while Madison County's rates were higher than that of the New York State.

The following table shows the annual unemployment rates for the county comprising the assessment area. The New York State Rate rates were included for comparison.

	Unemployment rate	
	2005	2006
Oneida	4.7	4.3
Madison	5.1	4.6
Onondaga	4.5	4.2
New York State	5.0	4.5

Business Demographic: According to the 2006 Business Geodemographic Data report, there were 8,509 businesses operating in the assessment area. Services and retail trade are the biggest sectors, accounting for 33.2% and 13.9%, respectively, of the total businesses.

Chart #1: Shows population and income.

Chart #2: Shows housing demographics.

Chart #3: Shows business demographics.

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

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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	
	#	%	#	%	#	%	\$	\$	#	#	%	#	#	%	#	#	%	#	%	#	%	#	%	#	%	#	%	
Madison	67,038		8,404	12.5	14,534	21.7	49,392	59,500	24,504	2,468	10.1	16,910	3,048	18.0	3,530	20.9	4,108	24.3	6,224	36.8	859	13.1						
Oneida	29,796		3,756	12.6	7,150	24.0	46,561	52,600	11,266	843	7.5	8,149	1,303	16.0	1,521	18.7	2,015	24.7	3,310	40.6	0	0.0						
Onondaga	34,563		5,323	15.4	7,960	23.0	71,126	59,500	13,612	500	3.7	9,659	966	10.0	1,253	13.0	1,779	18.4	5,661	58.6	0	0.0						
TOTAL A/A*	131,397		17,483	13.3	29,644	22.6	54,774	58,165	49,382	3,811	7.7	34,718	5,317	15.3	6,304	18.2	7,902	22.8	15,195	43.8	859	7.4						

* Assessment Area

CHART # 2

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	
	#	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%
Madison	27,605	25,723	93.2	1,882	6.8	18,262	66.2	0	0.0	1,618	8.9	14,389	78.8	2,255	12.4	6,848	24.8	3,114	11.3
Oneida	12,873	12,409	96.4	464	3.6	9,001	69.9	0	0.0	0	0.0	8,017	89.1	984	10.9	2,545	19.8	1,597	12.4
Onondaga	14,155	12,496	88.3	1,659	11.7	10,744	75.9	0	0.0	0	0.0	2,556	23.8	8,188	76.2	3,079	21.8	571	4.0
TOTAL A/A*	54,633	50,628	92.7	4,005	7.3	38,007	69.6	0	0.0	1,619	4.3	24,959	65.7	11,429	30.1	12,472	22.8	5,282	9.7

* Assessment Area

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CHART # 3

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	
Madison	3,945	2,352	59.6	134	3.4	1,459	37.0	3,004	71.1	3,770	89.2
Oneida	1,609	863	53.6	58	3.6	688	42.8	1,089	63.6	1,572	91.9
Onondaga	2,490	1,688	67.8	108	4.3	694	27.9	1,989	77.4	2,325	90.4
Total A/A	8,044	4,903	61.0	300	3.7	2,841	35.3	6,082	71.5	7,667	90.1

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

OSB's performance was evaluated according to the intermediate small bank's performance criteria. The Banking Department assesses an intermediate small bank's CRA performance under the Lending and Community Development test pursuant to Part 76.12 of the General Regulations of the Banking Board.. The lending test is evaluated according to the following criteria: (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 Community Development Test is evaluated according to the following criteria: (1) Community Development Loans; (2) Qualified Investments; and (3) Community Development Services.

The assessment period covers calendar years 2005 and 2006. Examiners considered HMDA-reportable and small business lending in evaluating factors (2), (3) and (4), as noted above. In analyzing OSB's overall performance, greater emphasis was placed on its HMDA-reportable loans. The evaluation of OSB's performance in small business lending was based on a sample of 67 out of 580 small business loans.

Statistics utilized in this evaluation were derived from various sources. Aggregate data for HMDA-reportable loans was obtained from the Federal Financial Institutions Examination Council ("FFIEC") and PCi Corporation's CRA Wiz software. Demographic information within the evaluation reflects data from the 2000 U.S. Census, supplemented by median family income estimates for 2005 and 2006 from the U.S. Department of Housing and Urban Development ("HUD").

The aggregate data for small business loans was not used because OSB is not required to report its small business loan data.

I. Lending Test: "Satisfactory"

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

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

OSB's average LTD ratio for the prior eight quarters ending December 31, 2006, was 76.5%, which is below the peer group's average of 88.0%. The peer group includes all FDIC insured commercial banks having assets between \$300 million and \$1 billion. As shown in the following table, OSB's LTD ratios improved steadily during the evaluation period, increasing to a high of 81.4% in the third quarter of 2006 before dipping slightly to 79.0% in the last quarter of 2006.

Loan-to-Deposit Ratios									
	2005				2006				Average LTD
	3/31	6/30	9/30	12/31	3/31	6/30	9/30	12/31	
Bank	70.5	72.2	73.9	78.0	77.0	79.6	81.4	79.0	76.5
Peer	84.5	85.8	86.7	88.2	88.7	89.7	90.3	90.4	88.0

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

OSB originated a substantial majority (88.7%) of its total HMDA-reportable and small business loans inside its assessment area during the evaluation period.

HMDA-reportable Loans

OSB originated a substantial majority of its HMDA-reportable loans in its assessment area. During the evaluation period, 88.2% of its HMDA-reportable loans were originated in the assessment area.

Small Business Loans

Based on the sample of loans reviewed at this evaluation period, OSB extended 95.5% of its total small business loans in the assessment area.

The following table depicts 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	
	#	%	#	%		\$000	%	\$000	%		
HMDA-Reportable											
2005	421	90.1	46	9.9	467	30,808	89.8	3,492	10.2	34,300	
2006	392	86.2	63	13.8	455	30,474	84.0	5,826	16.0	36,300	
Subtotal	813	88.2	109	11.8	922	61,282	86.8	9,318	13.2	70,600	
Small Business*											
2005	24	88.9	3	11.1	27	2,987	84.8	536	15.2	3,523	
2006	40	100.0	0	0	40	4,147	100.0	0	0	4,147	
Subtotal	64	95.5	3	4.5	67	7,134	93.0	536	7.0	7,670	
Total	877	88.7	112	11.3	989	68,416	87.4	9,854	12.6	78,270	

* Based on loan sample

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

The geographic distribution of loans reflects a reasonable dispersion among census tracts of different income levels. Since there are few LMI census tracts in the assessment area, an analysis of the lending distribution across middle income census tracts was performed.

HMDA-reportable Loans

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

In 2005, OSB extended 4.8% of its HMDA-reportable loans in moderate income areas, which exceeded the aggregate's penetration rate of 4.1%. Lending to middle income areas was strong, 81.0% compared to the aggregate's 54.9%.

In 2006, OSB's penetration rates of 4.6% in moderate-income areas matched the aggregate and its 81.9% penetration rate in middle-income areas outperformed the aggregate's 67.5%.

The following chart provides a summary of OSB's HMDA-reportable lending distribution during the evaluation period:

Distribution of HMDA-reportable Loans by Geographic Income Level*								
Geography Income Level	Bank				Aggregate			
	#	%	\$000	%	#	%	\$000	%
Low	0	0.0%	0	0.0%	0	0.0%	0.0%	0.0%
Moderate	20	4.8%	1,011	3.3%	182	4.1%	12,191	2.8%
Middle	341	81.0%	24,783	80.4%	2,983	66.9%	239,570	54.9%
Upper	60	14.3%	5,014	16.3%	1,295	29.0%	184,793	42.3%
Total	421	100.0%	30,808	100.0%	4,460	100.0%	436,554	100.0%
Geography Income Level	Bank				Aggregate			
	#	%	\$000	%	#	%	\$000	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Moderate	18	4.6%	1,172	3.8%	194	4.6%	13,228	3.4%
Middle	321	81.9%	23,511	77.2%	2,880	67.5%	227,296	58.3%
Upper	53	13.5%	5,791	19.0%	1,189	27.9%	148,993	38.2%
N/A	0	0.0%	0	0.0%	1	0.0%	80	0.0%
Total	392	100.0%	30,474	100.0%	4,264	100.0%	389,597	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

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

In 2005, OSB extended 8.3% and 58.3% of its small business loans in moderate-income and middle-income geographies, respectively. Putting this in context, 4.6% of the small businesses in the assessment area are located in moderate-income and 55.8% in middle-income geographies.

In 2006, OSB did not originate any small business loans in moderate-income areas. Of the total loans originated inside the assessment area, 80.0% were made in middle-income areas. Putting this in context, 4.3% and 58.3% of the small businesses are located in moderate-income and middle-income geographies, respectively.

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

Distribution of Small Business Loans by Geographic Income Level*						
Geography Income Level	Bank				Distribution of businesses**	
	#	%	\$000	%	#	%
Low	0	0.0%	0	0.0%	0	0.0%
Moderate	2	8.3%	75	2.5%	333	4.6%
Middle	14	58.3%	1,081	36.2%	4,070	55.8%
Upper	7	29.2%	1,820	60.9%	2,885	39.6%
N/A	1	4.2%	11	0.4%	0	0.0%
Total	24	100.0%	2,987	100.0%	7,288	100.0%
Geography Income Level	Bank				Distribution of businesses	
	#	%	\$000	%	#	%
Low	0	0.0%	0	0.0%	0	0.0%
Moderate	0	0.0%	0	0.0%	348	4.3%
Middle	32	80.0%	2,933	70.7%	4,691	58.3%
Upper	8	20.0%	1,214	29.3%	3,005	37.4%
Total	40	100.0%	4,147	100.0%	8,044	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%.

** Non-Farm Business

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

The distribution of loans based on borrower characteristics reflects a reasonable penetration among individuals of different income levels and businesses of different sizes.

HMDA-reportable Loans

OSB's HMDA-reportable lending distribution based on borrower characteristics reflects a reasonable dispersion among individuals of different income levels.

In 2005, OSB extended 34.7% of its HMDA-reportable loans to LMI borrowers as compared to the aggregate's 29.9%. In 2006, OSB's LMI penetration rate declined to 32.4%; however, this performance still exceeded the aggregate's penetration rate of 28.7%.

The following chart is a summary of OSB's HMDA-reportable lending distribution during the evaluation period:

Distribution of HMDA-reportable Loans by Borrower Income Level*								
2005								
Borrower	Bank				Aggregate			
Income Level	#	%	\$000	%	#	%	\$000	%
Low	51	12.1%	1,938	6.3%	366	8.2%	17,652	4.0%
Moderate	95	22.6%	5,133	16.7%	966	21.7%	61,196	14.0%
Middle	123	29.2%	8,254	26.8%	1,194	26.8%	92,687	21.2%
Upper	137	32.5%	13,538	43.9%	1,781	39.9%	232,978	53.4%
N/A	15	3.6%	1,945	6.3%	153	3.4%	32,041	7.3%
Total	421	100.0%	30,808	100.0%	4,460	100.0%	436,554	100.0%
2006								
Borrower	Bank				Aggregate			
Income Level	#	%	\$000	%	#	%	\$000	%
Low	45	11.5%	2,111	6.9%	332	7.8%	15,822	4.1%
Moderate	82	20.9%	4,433	14.5%	890	20.9%	54,925	14.1%
Middle	104	26.5%	7,213	23.7%	1,120	26.3%	87,593	22.5%
Upper	136	34.7%	13,954	45.8%	1,786	41.9%	217,135	55.7%
N/A	25	6.4%	2,763	9.1%	136	3.2%	14,122	3.6%
Total	392	100.0%	30,474	100.0%	4,264	100.0%	389,597	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

OSB's small business lending distribution based on revenue size reflects a reasonable penetration among businesses of different revenue sizes.

In 2005, OSB extended 62.5% of its business loans to businesses with revenues of \$1 million or less. This performance is in line with the demographic makeup of the assessment area showing that firms with revenues of \$1 million or less comprise 63.2% of the total businesses in the assessment area.

In 2006, loans extended to businesses with revenues of \$1 million or less increased to 75.0%. The percentage of firms with revenues of \$1 million or less declined slightly to 61.0% during this year.

The following chart provides a summary of OSB's small business lending distribution based on borrower revenues during the evaluation period. The number of businesses by revenue size is also provided.

Distribution of Small Business Loans by Business Revenue Size						
2005						
Revenue Size	Bank				Businesses by Revenue Size	
	#	%	\$000	%	#	%
\$1million or less	15	62.5%	1,746	58.5%	4,604	63.2%
Over \$1 million	9	37.5%	1,241	41.5%	310	4.3%
No Revenue Info	0	0.0%	0	0.0%	2,374	32.6%
Total	24	100.0%	2,987	100.0%	7,288	100.0%
2006						
Revenue Size	Bank				Businesses by Revenue Size	
	#	%	\$000	%	#	%
\$1million or less	30	75.0%	3,337	80.5%	4,903	61.0%
Over \$1 million	10	25.0%	810	19.5%	300	3.7%
No Revenue Info	0	0.0%	0	0.0%	2,841	35.3%
Total	40	100.0%	4,147	100.0%	8,044	100.0%

II. Community Development Test: "Outstanding"

OSB's community development performance demonstrates an excellent responsiveness to the community development needs of its assessment area through community development lending, qualified investments and community development services.

Community Development Loans

As of the evaluation date, OSB had six community development loans totaling \$7.4 million, of which 76.0% were used for community services. New money represents 60.4% of the total commitments.

The following describes some of the community development loans made by OSB during the evaluation period:

- In 2005 and 2006, OSB renewed a \$2.4 million line of credit and a \$400,000 term loan, with one year maturity, to NYSARC, Madison Cortland Chapter, a non-profit organization that provides community development services to people of all ages with developmental and intellectual disabilities, many of whom are LMI individuals. The majority of the organization's revenues are derived from Medicaid and the New York State Office of Mental Retardation and Developmental Disabilities.
- A \$1.7 million construction loan was extended to a private limited partnership for the construction of 24 multifamily residential units for low- and moderate-income families in Chittenango County.
- In 2006, OSB extended a \$118 thousand demand loan to the New York Business Development Corporation ("NYSBDC"), a privately-owned entity created by New York statute and funded by commercial and savings banks under lines of credit that NYSBDC utilizes to provide a broad range of financing to small and mid-sized businesses located in New York State.

Qualified Investments

OSB'S level of qualified community development investments, including grants reflect an excellent responsiveness to the credit needs of the assessment area. During the evaluation period, OSB's qualified investments, including grants totaled \$1.4 million as follows:

- OSB made a \$300 thousand equity investment in Statewide Zone Capital Corporation of New York, an organization formed to promote the development of new businesses, the expansion of existing businesses, and the development of human resources within the 51 participating economic development zones created under the New York State Economic Development Zones Act.
- OSB had outstanding investments of \$1.0 million in a \$1.7 million bond issued by the Madison County Industrial Development Agency to provide funding for Crouse Community Center, Inc., a non-profit nursing facility that provides health and medical services primarily to low- and moderate- income individuals.
- In 2006, OSB made a \$24.5 thousand contribution to the Federal Home Loan Bank ("FHLB") to support FHLB's Affordable Housing Program (AHP). AHP supports the creation and preservation of housing for lower-income families and individuals by financing project sponsors who are planning to purchase, rehabilitate or construct affordable homes or apartments.

Additionally, during the evaluation period, OSB made grants and donations totaling \$151.5 thousand to various community development organizations that provided affordable housing and community development service targeted to LMI individuals, and provided economic development services for small businesses in the assessment area.

Community Development Services

OSB provides a relatively high level of community development services throughout the assessment area, and participates in activities that help LMI individuals, as well as, promote economic development opportunities for small businesses.

The following are a few examples of qualified community development services of the OSB's directors, officers and employees during the evaluation period:

- A senior vice president serves on the board of the Oneida Industrial Development Agency, an economic support system for business development in the City of Oneida.
- A director is vice president of the Oneida Healthcare Foundation, a non-profit foundation that provides funding to organizations that offer health and medical services to LMI individuals within the assessment area.
- The chief financial officer is the treasurer of the Madison Cortland Chapter of NYSARC, Inc., an organization that provides a number of services and programs for people of all ages with developmental and intellectual disabilities. He also serves as chairperson of the agency's Budget and Finance Committee.
- OSB's employees serve in various community organizations by providing financial

expertise on loan committees, audit committees, lending committees, and fund-raising efforts. These organizations include: Canastota Development Corporation, Community Action Program of Madison County, Oneida Area Day Care Center, Madison County Office for the Aging and Canastota Community Chest.

In addition, OSB participated in three home ownership seminars targeted to first-time home buyers, who are primarily LMI individuals.

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

Since the latest CRA evaluation as of December 31, 2004 neither OSB nor the New York State Banking Department has received any written complaints regarding OSB'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.

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

Evidence of prohibited discriminatory or other illegal credit practices

The regulatory compliance and fair lending examinations conducted concurrently with this evaluation 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.

OSB ascertains the credit needs of its assessment area through the involvement of its officers in various organizations such as the Agricultural Finance Department at Morrisville Colelge, Cazenovia Chamber Scholarship. OSB's mortgage originators are required to make regular calls to realtors, builders and the legal/financial services sector in its market areas. During these calls, emphasis has been placed on programs designed to meet the needs of LMI groups such as SONYMA, FHA/VA, Freddie Mac's Home Possible, and Mortgage on Manufactured Homes. OSB works in conjunction with NYBDA to offer loans to small and medium sized businesses and to assist small businesses by offering credit opportunities not otherwise available to them. An officer of OSB has spoken about agricultural financing and has helped to develop a business plan for the Agricultural Finance Department.

The extent of the banking institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the banking institution.

OSB's marketing efforts include: print and radio advertisements; attendance at various business expo and trade shows; offering home ownership counseling to recipients of the Community Action Program grants; and personal marketing efforts by mortgage originators through membership in civic/community service organizations.

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.

OSB's board of directors takes an active role in formulating and reviewing CRA policies, as well as the monitoring of its performance in meeting the community's credit needs. OSB has a Compliance Council that monitors CRA activities. The Compliance/ CRA officer is chairperson of the Council and reports quarterly to the Audit and Examination Committee. Among the items presented and discussed at the committee meetings are CRA activities, including a self-assessment of lending activity, training proposal and changes in federal /state laws.

- **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 noted.

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;
 - ❖ Developing loan processing systems;

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- ❖ 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.