



**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, 2006

**Institution: Pioneer Savings Bank
21 2nd Street
Troy, NY 12180**

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
Lending Test	
Loan-to-Deposit Analysis	
Assessment Area concentration	
Geographic Distribution of Loans	
Distribution by Borrowers Characteristics	
Community Development Test	
Community Development Lending	
Investments	
Services	
Action Taken in Response to Written Complaints	
With Respect to CRA	
Discrimination or Other Illegal Practices	
Process Factors	
Other Factors	
Glossary	

GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act ("CRA") performance of Pioneer Savings Bank ("PSB") 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

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

I. Lending Test: "Satisfactory"

- ***Loan-to-Deposit ("LTD") Ratio and Other Lending-Related Activities:*** PSB's LTD ratio of 62.0% for eight consecutive quarters is reasonable in light of PSB's size, financial condition and the credit needs of its assessment area.
- ***Assessment Area Concentration:*** PSB extended a substantial majority of its HMDA-related and small business loans in the assessment area.
- ***Geographic Distribution of Loans:*** The geographic distribution of PSB's HMDA-related and small business loans reflects reasonable dispersion throughout its assessment area.
- ***Distribution by Borrower Characteristics:*** PSB's lending distribution of HMDA-related and small business loans in the assessment area reflects reasonable penetration among individuals of different income levels and businesses of different revenue size
- Neither PSB nor the New York State Banking Department received any complaints with respect to its CRA performance during the evaluation period.

II. Community Development Test: "Outstanding"

- PSB's community development performance demonstrates excellent responsiveness to the community development needs of its assessment area. As of the evaluation date, PSB's community development loans and qualified investments totaled \$12.4 million, of which, \$10.0 million (80.6%) represents new money. In addition, PSB provides 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:

Chartered in 1889 as a savings and loan association, Pioneer Savings Bank converted to a savings bank in 1972. PSB is located in Troy, New York. Including its head office, PSB operates a network of 14 full-service branches located in the counties of Rensselaer, Albany, Saratoga, and Schenectady. Except for the head office in Troy, each branch has a 24 hour automated teller machine (ATM). PSB also operates one offsite ATM.

As per the Federal Deposit Insurance Corporation's ("FDIC") Consolidated Report of Condition (the Call Report) as of December 31, 2006, PSB reported total assets of \$732.2 million, of which \$427.5 million were net loans and lease finance receivables. It also reported total deposits of \$637.8 million, resulting in a loan-to-deposit ratio of 67.1%. According to the latest available comparative deposit data dated June 30, 2006, PSB obtained a market share of 3.76%, or \$646.4 million out of \$17.2 billion inside its market, ranking it 7th among 22 other deposit-taking institutions in its assessment area.

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

TOTAL GROSS LOANS OUTSTANDING						
LOAN TYPE	12/31/2004		12/31/2005		12/31/2006	
	\$000	%	\$000	%	\$000	%
1-4 Residential Mortgage Loans	291,035	82.4	304,333	76.5	307,299	70.7
Commercial & Industrial Loans	9,958	2.8	21,514	5.4	29,367	6.8
Commercial Mortgage Loans	19,304	5.5	24,987	6.3	36,991	8.5
Multifamily Mortgages	11,845	3.4	14,020	3.5	15,174	3.5
Consumer Loans	11,771	3.3	10,065	2.5	9,963	2.3
Loans to Depository Institutions	0	0.0	4,000	1.0	0	0.0
Construction Loans	8,819	2.5	18,424	4.6	35,332	8.1
Other Loans	544	0.2	255	0.1	266	0.1
Total Gross Loans	353,276	100.0	397,598	100.0	434,392	100.0

As illustrated in the above chart, PSB is primarily a residential real estate lender, with 70.7% of its loan portfolio in 1-4 family residential mortgage loans. The real estate mortgage market in PSB's assessment area is highly competitive. As such, although there has been continued growth in 1-4 family residential mortgage loans, the percentage share of this loan product to the total loan portfolio has declined. To offset the impact of competition, PSB has been refocusing its efforts towards commercial and small business lending. As shown in above chart, the combined balance in commercial/industrial and commercial mortgage loans increased from \$29.3 million as of yearend 2004 to \$66.4 million as of December 31, 2006. Correspondingly during the same period, their share of the loan portfolio increased from 8.3% to 15.3%.

PSB 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 PSB’s ability to meet the credit needs of its community.

Assessment Area:

PSB’s assessment area is comprised of Schenectady County in its entirety and portions of the counties of Albany, Rensselaer and Saratoga. There are 183 census tracts in the area, of which 20 (10.9%) are low-income, 33 (18.0%) are moderate-income, 84 (45.9%) are middle-income, 45 (24.6%) are upper-income tracts and one (0.5%) is zero-income.

The following table summarizes the distribution of census tracts across PSB’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 %
Albany (P)		10	10	29	18	67	29.9
Rensselaer (P)		3	8	20	5	36	30.6
Saratoga (P)	1		4	18	10	33	12.1
Schenectady		7	11	17	12	47	38.3
Total	1	20	33	84	45	183	29.0

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

Details of Assessment Area:

Population and Income Characteristics: According to the 2000 U.S. Census data, the assessment area has a population of 711.8 thousand, including 101.1 thousand (14.2%) over the age of 65 and 148.5 thousand (20.9%) under the age of 16. Of the four counties in the assessment area, the portion of Albany County that is included in the assessment area has the largest percentage (38.7%) of the population. Schenectady County has the smallest segment (20.6%) of the population; however, it has the highest ratio (40.1%) of LMI families to total families in the county. This county also has the highest percentage (45.0%) of LMI families in LMI census tracts, which is well above the corresponding ratio of 35.0% for the assessment area.

The median family income for the assessment area is \$57.6 thousand while the Housing and Urban Development (HUD) updated MSA median family income (MFI) is \$66.2 thousand. Saratoga County has the highest MFI at \$62.7 thousand. Although the portion of Saratoga County that is included in the assessment area has no low-income census tracts, 14.1% of all families in this part of the county are considered low-income.

Housing Characteristics: There are 310.1 thousand housing units in the assessment area, of which 85.2% are 1-4 family and 14.8% are multifamily units. Owner-occupied units total 178.8 thousand, of which 13.4% are located in LMI geographies. Schenectady County has the highest percentage (18.9%) of owner-occupied units located in LMI census tracts.

Business Demographic Data: According to the 2006 Business Geo-demographic Data, there were 51.9 thousand businesses in PSB's assessment area, of which 50.8 thousand were non-farm businesses. Of the total number of non-farm businesses, 61.6% had annual revenue of \$1 million or under, 5.7% had annual revenue over \$1 million, and 32.7% had unreported revenue. The majority (46.1%) of these businesses is located in Albany County.

Of all the businesses in the assessment area, service providers comprise the largest industry, accounting for 39.5%, followed by the retail trade industry (15.2%), and construction (7.8%). All four counties in the assessment area had industry breakdown ratios similar to the assessment area's ratios.

Unemployment Rates: According to the New York State Department of Labor, the average unemployment rate for New York State was 5.0% in 2005 and 4.5% in 2006. None of the four counties in PSB's assessment area had average unemployment rates higher than these rates. The highest were those of Rensselaer County at 4.2% in 2005 and 4.0% in 2006.

The following table summarizes the 2005 and 2006 average unemployment rates (not seasonally adjusted) for the four counties in PSB's assessment area:

Unemployment Percentages by Geographic Area					
Year	N.Y. State	Albany	Rensselaer	Saratoga	Schenectady
2005	5.0	3.9	4.2	3.6	4.1
2006	4.5	3.8	4.0	3.5	4.0

The charts identified below show demographic and economic data for each county within the bank's assessment area:

Chart #1: Population and Income.

Chart #2: Housing Demographics.

Chart #3: Business Demographics.

Chart #4: Industry Breakdown

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	
		#	%	#	%				#	%		#	%	#	%	#	%	#	%	#	%
ALBANY (P)	275,540	40,339	14.6	54,216	19.7	\$57,937	\$66,200	113,339	12,498	11.0	66,065	13,147	19.9	11,411	17.3	14,435	21.8	27,072	41.0	10,012	40.8
RENSELAER (P)	139,442	18,831	13.5	29,672	21.3	\$54,020	\$66,200	54,707	5,553	10.2	35,584	7,076	19.9	6,822	19.2	8,557	24.0	13,129	36.9	4,776	34.4
SARATOGA (P)	150,232	17,489	11.6	32,705	21.8	\$62,734	\$66,200	59,455	3,278	5.5	40,209	5,665	14.1	6,941	17.3	9,187	22.8	18,416	45.8	1,553	12.3
SCHENECTADY	146,555	24,398	16.7	31,884	21.8	\$54,931	\$66,200	59,732	6,188	10.4	38,307	8,285	21.6	7,063	18.5	8,776	22.9	14,183	37.0	6,906	45.0
TOTAL A/A*	711,769	101,057	14.2	148,477	20.9	\$57,595	\$66,200	287,233	27,517	9.6	180,165	34,173	19.0	32,237	17.9	40,955	22.7	72,800	40.4	23,247	35.0

* Assessment Area ** In thousands

CHART # 2

ASSESSMENT AREA HOUSING CHARACTERISTICS BY COUNTY																			
COUNTY	Total	1-4 family		Multifamily		Owner-Occupied		O-O Units in		O-O Units in		O-O Units in		O-O Units in		Rental		Vacant/	
	Housing Units	Units		Units		Units (O-O)		Low-income Tracts		Mod-income Tracts		Mid-income Tracts		Upp-income Tracts		Units		Boarded-up Units	
		#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%
ALBANY (P)	121,421	99,176	81.7	22,245	18.3	63,855	52.6	3,001	4.7	5,939	9.3	28,990	45.4	25,925	40.6	53,595	44.1	8,186	6.7
RENSSELAER (P)	60,173	52,303	86.9	7,870	13.1	34,961	58.1	839	2.4	4,195	12.0	22,585	64.6	7,342	21.0	22,067	36.7	5,340	8.9
SARATOGA (P)	63,462	55,210	87.0	8,252	13.0	40,986	64.6	0	0.0	2,705	6.6	23,116	56.4	15,165	37.0	19,874	31.3	4,036	6.4
SCHENECTADY	65,032	57,401	88.3	7,631	11.7	39,038	60.0	2,069	5.3	5,309	13.6	17,918	45.9	13,741	35.2	23,132	35.6	5,348	8.2
TOTAL A/A*	310,088	264,090	85.2	45,998	14.8	178,840	57.7	5,902	3.3	18,063	10.1	92,639	51.8	62,236	34.8	118,668	38.3	22,910	7.4

* Assessment Area

CHART # 3

BUSINESS DEMOGRAPHICS BY COUNTY											
COUNTY AND ASSESSMENT AREA(A/A)	Number of Businesses (Non-Farm Only)	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	
		#	%*	#	%*	#	%*	#**	%**	#**	%**
ALBANY (P)	23,568	14,017	59.5	1,558	6.6	7,993	33.9	17,904	74.8	19,736	82.5
RENSSELAER (P)	8,067	4,995	61.9	403	5.0	2,669	33.1	6,100	73.4	7,340	88.3
SARATOGA (P)	10,809	6,815	63.1	532	4.9	3,462	32.0	8,188	73.8	9,978	89.9
SCHENECTADY	8,351	5,468	65.5	415	5.0	2,468	29.5	6,524	76.5	7,490	87.8
Total A/A	50,795	31,295	61.6	2,908	5.7	16,592	32.7	38,716	74.6	44,544	85.9

* Calculated based on total number of non-farm businesses

** Number may include farms. As such, percentages were calculated based on total number of businesses

CHART # 4

ASSESSMENT AREA STANDARD INDUSTRY CLASSIFICATION* BY COUNTY

COUNTY	Establishment Total		Service Providers		Retail Trade		Finance, Insurance and Real Estate		Wholesale Trade		Construction		Manufacturing		Transportation and Communication		Non-Classifiable Establishments		Other Establishments	
	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%
ALBANY (P)	23,933		9,832	41.1	3,557	14.9	1,961	8.2	911	3.8	1,530	6.4	637	2.7	763	3.2	3,477	14.5	1,265	5.3
RENSSELAER (P)	8,309		3,060	36.8	1,263	15.2	532	6.4	221	2.7	821	9.9	246	3.0	260	3.1	1,486	17.9	420	5.1
SARATOGA (P)	11,095		4,177	37.6	1,631	14.7	869	7.8	337	3.0	920	8.3	333	3.0	299	2.7	2,114	19.1	415	3.7
SCHENECTADY	8,529		3,403	39.9	1,445	16.9	517	6.1	275	3.2	792	9.3	265	3.1	249	2.9	1,298	15.2	285	3.3
TOTAL A/A**	51,866		20,472	39.5	7,896	15.2	3,879	7.5	1,744	3.4	4,063	7.8	1,481	2.9	1,571	3.0	8,375	16.1	2,385	4.6

*The Standard Industry Classification codes are set by the Occupational Safety & Health Administration of the U.S. Department of Labor

**Assessment Area

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

PSB's performance was evaluated according to the intermediate small bank performance criteria. The Banking Department assesses an intermediate small bank's CRA performance under the Lending and Community Development test. 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. These two tests are pursuant to Part 76.11 and 76.12 of the General Regulations of the Banking Board.

The assessment period included calendar years 2005 and 2006. Examiners considered PSB's HMDA-related and small business loans in evaluating factors (2), (3) and (4) of the lending test noted above. In analyzing PSB's overall performance, greater emphasis was placed on the HMDA-related loans. HMDA-related loan data mentioned in this Performance Evaluation represent the universe while the small business lending was based on a sample of 47 small business loans, resulting in a 90% confidence level.

Statistics employed in this evaluation were derived from various sources. In addition to PSB-specific loan information submitted, aggregate data for HMDA-related and small business loans were 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").

I. Lending Test: "Satisfactory"

PSB's lending level reflects good responsiveness to assessment area credit needs.

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

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

PSB's average LTD ratio for the prior eight calendar quarters ending December 31, 2006 was 62.0%, which is well below the peer group's average of 88.0%. The peer group is comprised of all FDIC insured savings banks having assets between \$300 million and \$1.0 billion. These ratios were calculated from information shown in the bank's Uniform Bank Performance Report ("UBPR") prepared by the Federal Deposit Insurance Corporation ("FDIC").

As illustrated in the chart below, LTD ratios, during the evaluation period show a favorable upward trend, from 57.8% in the first quarter of 2005 to 67.1% in the fourth quarter of 2006.

It is important to note that the peer group is a national peer group, while it is useful to compare PSB's LTD ratios to its peer groups; it is not an "accurate" assessment of its performance. The conditions in these banks' assessment area might be different from each other. Comparison of PSB's performance to a similarly situated bank was not applicable due to the absence of such banks in its assessment area.

According to the institution market share report obtained from CRA *Wiz*, in 2005, PSB achieved a market share of 2.14% by number for HMDA-related lending and ranked 14th among 334 reporting lenders within the assessment area. In 2006, PSB's market share for HMDA-related loans increased to 2.16% and ranked 13th among 340 lenders.

Loan-to-Deposit Ratios									
	2005 (Q1)	2005 (Q2)	2005 (Q3)	2005 (Q4)	2006 (Q1)	2006 (Q2)	2006 (Q3)	2006 (Q4)	Aver.* LTD
Bank	57.80	58.27	60.19	61.06	63.28	63.23	65.13	67.09	62.00
Peer	84.52	85.79	86.66	88.15	88.67	89.74	90.33	90.44	88.04

* Average

- **Assessment Area Concentration: "Outstanding"**

PSB originated a substantial majority, of its HMDA-related and small business loans inside its assessment area during the evaluation period, 93.3% by number and 92.0% by dollar value.

The following table shows the percentage of PSB's HMDA-reportable and small business loans originated inside and outside of the assessment area

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
	#	%	#	%		\$	%	\$	%	
Small Bsuiness										
2005	19	86.4	3	13.6	22	4,444	84.9	793	15.1	5,237
2006	24	96.0	1	4.0	25	6,580	99.8	10	0.2	6,590
Subtotal	43	91.5	4	8.5	47	11,024	93.2	803	6.8	11,827
HMDA										
2005	646	94.0	41	6.0	687	53,934	92.4	4,437	7.6	58,371
2006	584	92.7	46	7.3	630	40,790	91.1	3,996	8.9	44,786
Subtotal	1,230	93.4	87	6.6	1,317	94,724	91.8	8,433	8.2	103,157
Total	1,273	93.3	91	6.7	1,364	105,748	92.0	9,236	8.0	114,984

HMDA-related

In 2005 PSB originated a substantial majority of its HMDA-related loans within its assessment area, 94.0% by number and 92.4% by dollar value. The HMDA-related origination declined slightly to 92.7% by number and 91.1%, in 2006 by dollar value.

Small Business

A substantial majority of PSB's small business loans are in its assessment area. Based on the sample of loans reviewed, in 2005, it originated 86.4% by number and 84.9% by dollar value of the small business loans in its assessment area. In 2006, the percentage of small business loans originated increased considerably, resulting in concentration ratios of 91.5% by number and 93.2% by dollar value.

- **Geographic Distribution of Loans: "Satisfactory"**

The geographic distribution of HMDA-related and small business loans reflects reasonable dispersion throughout the assessment area.

HMDA-related

PSB's geographic distribution of HMDA-related loans reflects reasonable dispersion throughout the assessment area.

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

Distribution of HMDA-reportable Loans by Geographic Income Level								
2005								
Geography	Bank				Aggregate			
Income Level	#	%	\$000	%	#	%	\$000	%
Low	16	2.5	1,007	1.9	1,603	5.3	130,421	3.4
Moderate	68	10.5	3,423	6.3	3,772	12.5	323,186	8.5
Middle	357	55.3	29,399	54.5	15,464	51.3	1,922,535	50.4
Upper	205	31.7	20,105	37.3	9,323	30.9	1,438,337	37.7
N/A					5	0.0	572	0.0
Total	646	100.0	53,934	100.0	30,167	100.0	3,815,051	100.0
2006								
Geography	Bank				Aggregate			
Income Level	#	%	\$000	%	#	%	\$000	%
Low	15	2.6	1,022	2.5	1,490	5.5	141,583	4.0
Moderate	83	14.2	5,738	14.1	3,794	14.1	397,605	11.1
Middle	351	60.1	24,385	59.8	13,831	51.2	1,781,655	49.8
Upper	135	23.1	9,645	23.6	7,882	29.2	1,253,652	35.1
N/A					1	0.0	36	0.0
Total	584	100.0	40,790	100.0	26,998	100.0	3,574,531	100.0

In 2005, PSB extended 13.0% of its HMDA-reportable loans in LMI geographies as compared to 17.8% for the aggregate. In 2006, PSB's LMI penetration rate increased to 16.8% but remained below the corresponding ratio of 19.6% for the aggregate. Although lower than the aggregate's, PSB's LMI penetration rates, however, compare favorably with the demographics of the assessment area which show that only 13.4% of all owner-occupied housing units are located in LMI census tracts.

Small Business

The geographic distribution of small business loans reflects a reasonable dispersion throughout the assessment area.

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

Distribution of Small Business Loans by Geographic Income Level*						
2005						
Geography	Bank				Number of Businesses	
Income Level	#	%	\$000	%	#	%
Low	1	5.3	105	2.4	7,675	15.7
Moderate	3	15.8	525	11.8	5,407	11.1
Middle	11	57.9	2,592	58.3	21,960	45.0
Upper	4	21.1	1,222	27.5	13,793	28.2
Total	19	100.0	4,444	100.0	48,835	100.0
2006						
Geography	Bank				Number of Businesses	
Income Level	#	%	\$000	%	#	%
Low	3	12.5	425	6.5	7,031	13.8
Moderate	4	16.7	388	5.9	5,716	11.3
Middle	9	37.5	3,199	48.6	23,407	46.1
Upper	8	33.3	2,568	39.0	14,641	28.8
Total	24	100.0	6,580	100.0	50,795	100.0

* Geography income level is based upon 1990 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%.

In 2005, of the small business loans sampled, PSB originated 21.1% in LMI geographies in its assessment area. This ratio is below the 26.8% of businesses that were located in the LMI census tracts of the assessment area. In 2006, the percentage of small business loans extended by PSB in LMI geographies increased substantially to 29.2%. This level of performance compares favorably with the demographics of the assessment area which show that, in 2006, the percentage of businesses located in LMI census decreased slightly to 25.1%.

Distribution by Borrower Characteristics: “Satisfactory”

The distribution of HMDA-related and small business loans based on borrower characteristics reflects reasonable penetration among individuals of different income levels and businesses of different sizes.

HMDA-reportable

PSB’s HMDA-related lending distribution based on borrower characteristics reflects reasonable penetration among individuals of different income levels.

The following chart provides a summary of PSB’s HMDA lending distribution based on borrower income during the evaluation period:

Distribution of HMDA-reportable Loans by Borrower Income Level*								
2005								
Borrower	Bank				Aggregate			
Income Level	#	%	\$000	%	#	%	\$000	%
Low	42	6.5	1,242	2.3	2,083	6.9	143,877	3.8
Moderate	151	23.4	7,261	13.5	6,489	21.5	618,650	16.2
Middle	182	28.2	12,598	23.4	8,626	28.6	1,002,608	26.3
Upper	267	41.3	28,642	53.1	11,545	38.3	1,826,255	47.9
N/A	4	0.6	4,191	7.8	1,424	4.7	223,661	5.9
Total	646	100.0	53,934	100.0	30,167	100.0	3,815,051	100.0
2006								
Borrower	Bank				Aggregate			
Income Level	#	%	\$000	%	#	%	\$000	%
Low	56	9.6	1,893	4.6	1,729	6.4	120,621	3.4
Moderate	122	20.9	6,621	16.2	5,551	20.6	527,809	14.8
Middle	187	32.0	12,262	30.1	8,120	30.1	950,159	26.6
Upper	214	36.6	18,960	46.5	10,613	39.3	1,714,769	48.0
N/A	5	0.9	1,054	2.6	985	3.6	261,173	7.3
Total	584	100.0	40,790	100.0	26,998	100.0	3,574,531	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%.

In 2005, PSB extended 29.9% of its HMDA-reportable loans to LMI borrowers as compared to the aggregate’s LMI penetration rate of 28.4%. PSB continued to outperform the aggregate in 2006 during which it extended 30.5% of its’ HMDA-related loans to LMI borrowers. The corresponding ratio for the aggregate in 2006 was 27.0%.

Small Business

PSB’s small business lending distribution based on borrower characteristics reflects reasonable penetration among businesses of different sizes.

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

Distribution of Small Business Loans by Business Revenue Size						
2005						
Revenue Size	Bank				Number of Businesses	
	#	%	\$000	%	#	%
\$1million or less	10	52.6	2,201	49.5	29,606	60.6
Over \$1 million	9	47.4	2,243	50.5	2,852	5.8
No Revenue Info		0.0		0.0	16,377	33.5
Total	19	100.0	4,444	100.0	48,835	100.0
2006						
Revenue Size	Bank				Number of Businesses	
	#	%	\$000	%	#	%
\$1million or less	11	45.8	2,051	31.2	31,295	61.6
Over \$1 million	13	54.2	4,529	68.8	2,908	5.7
No Revenue Info		0.0		0.0	16,592	32.7
Total	24	100.0	6,580	100.0	50,795	100.0

In 2005, PSB extended 52.6% of the small business loans sampled to businesses with annual revenue of \$1 million or less. This level of performance declined in 2006 during which it extended only 45.8% of the small business loans sampled to businesses with revenue of \$1 million or less. In addition, PSB's performance ratios are not in line with the demographics of the assessment area which show that over 60% of the businesses in the assessment area had annual revenue of \$1 million or less

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

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

II. Community Development Test: "Outstanding"

PSB's community development performance demonstrates excellent responsiveness to the community development needs of its assessment area through community development loans, qualified investments and community development services, as appropriate, considering PSB's capacity and the need and availability of such opportunities for community development in its assessment area.

Community Development Loans

PSB has an excellent level of community development loans and commitments totaling \$10.5 million, of which \$8.1 million (77.5%) represents new money. PSB extended these commitments to several local governments, these entities used the fund to finance public

infrastructure projects and for working capital. The areas served by these entities are predominantly LMI.

The following is a brief description of some of PSB's community development loans during the evaluation period:

- *City of Watervliet* – During the evaluation period, PSB extended several loans totaling \$2.3 million to support the city government's working capital requirements. The city covers a geographical area that consists of three census tracts of which two are LMI.
- *City of Troy* – In 2005, PSB extended \$900 thousand in loan commitments. The recipient used \$250 thousand of the loan to finance the city's sidewalk and road paving project; and \$650 thousand of the loan to purchase a fire truck. The City of Troy has 14 census tracts of which 10 are LMI.
- *Village of Green Island* – During the evaluation period, PSB granted a \$940 thousand loan to finance the village's public infrastructure projects and the purchase of several garbage collection trucks. Green Island is a village with only one census tract designated as moderate.
- *Commission on Economic Opportunity ("CEO")* – During the evaluation period, PSB extended a revolving line of credit for \$500 thousand and a permanent loan for \$400 thousand to this organization. The line of credit supports the organization's working capital needs while CEO used the permanent loan to finance the expansion of its facility in Hoosick Falls, New York. CEO is a private, non-profit Community Action Agency established under the Economic Opportunity Act of 1964. CEO provides programs designed to empower individuals and families to build self-sufficiency in all life areas and rise out of poverty.

Qualified Investments

PSB has a long-standing investment with the Community Preservation Corporation ("CPC") in the form of a \$1.8 million Collateral Trust Note Purchase Agreement. PSB renewed this investment in 2005 for a period of five years. CPC is a lending consortium that makes construction and permanent loans for the creation, rehabilitation and preservation of affordable housing throughout the State of New York.

In addition, PSB originated grants and donations totaling \$78 thousand to various community development organizations in its assessment area. The list of the organizations includes but not limited to the following: United Way of Schenectady; United Way of Northeastern New York; Commission on Economic Opportunity and the Capital District Habitat for Humanity. Included in the aforementioned amount is a \$5 thousand donation to the Hurricane Katrina Fund.

Community Development Services

PSB provides a high level of community development services. At various times during the evaluation period, PSB conducted and/or participated in First Time Homebuyer and Homeownership workshops held at different locations throughout the assessment area.

- **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.

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

Evidence of prohibited discriminatory or other illegal credit practices.

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

PSB's ascertainment efforts are multifaceted and activities are various. Activities included communications and meetings with local government officials and community groups, participation in housing and banking related workshops, trade shows and fairs attended by members of the local communities, and contacts with the general public and local real estate and mortgage brokers. Through these activities, PSB gains valuable feedback and information on the changing needs of the communities it serves.

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.

PSB did not advertise in the media during the evaluation period.

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.

PSB's board of trustees keeps abreast of its CRA programs through periodic updates and recommendations provided by senior management at regularly scheduled meetings. The CRA committee is composed of representatives of all relevant departments within PSB chaired by a member of the board and the CRA officer. The committee is responsible for CRA program development, monitoring CRA performance and making appropriate recommendations to senior management.

- **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;
 - ❖ Developing secondary market vehicles or programs;

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- ❖ 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 1990 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.