



**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: Steuben Trust Company
One Steuben Square
Hornell, NY 14843

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 onsite evaluation of the Community Reinvestment Act (“CRA”) performance of Steuben Trust Company (“STC”) 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 intermediate small banking institutions are primarily based on a review of performance tests and standards described in Sections 76.7 and detailed in Sections 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

Steuben Trust Company ("STC") is rated "2," indicating a satisfactory 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:*** STC's LTD ratio is considered reasonable in light of STC's size, financial condition and the credit needs of the assessment area. STC's average LTD ratio for the eight quarters that ended December 31, 2006, is 68.2%.
- ***Assessment Area Concentration:*** STC originated a majority of its consumer, small business and residential mortgage loans within the assessment area.
- ***Geographic Distribution of Loans:*** Overall, the geographic distribution of STC's loans reflects reasonable dispersion throughout the assessment area.
- ***Distribution by Borrowers Characteristics:*** STC had an excellent penetration of small business loans among businesses of different sizes and a reasonable penetration of consumer and HMDA-type loans among customers of different income levels.
- Neither STC nor the New York State Banking Department received any complaints with respect to STC's CRA performance during the evaluation period.

II. Community Development Test: "Outstanding"

- STC's community development performance demonstrates excellent responsiveness to the community development needs of its assessment area. During the evaluation period, STC had five qualified community development loans totaling \$4.7 million and \$153 thousand in qualified community development investments. STC actively participates in a large volume of community development services benefiting its assessment area.

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 1902, STC is a New York State chartered financial institution, primarily serving the Western Tier of New York State. Headquartered in Hornell New York, STC is a wholly owned subsidiary of Steuben Trust Corporation, a one-bank holding company.

STC operates 11 full-service banking offices in three counties. Three of the branches, including the main office are in Steuben County, seven in Allegany County and one in Livingston County. Supplementing the banking offices is an Automated-Teller-Machine ("ATM") network consisting of six deposit-taking machines located in six of its branch offices. STC also has six off-site ATMs; five that only dispense cash and one full service. STC opened its Livingston County branch on September 11, 2006. There have been no branches closed since the prior evaluation.

STC is a community-oriented bank, which offers a diverse array of competitive deposit and lending products tailored to the needs of the community it serves. These products include secured/unsecured personal loans, small business loans and residential mortgage loans. In addition to traditional banking services, STC has offered trust services since 1920.

STC participates in many governmentally insured, guaranteed or subsidized programs for housing, small businesses or small farms such as, FHA/VA, Rural Development Housing Program ("RDH") and Small Business Administration ("SBA"). During the evaluation period, STC closed 20 such loans totaling \$1.2 million.

According to the Consolidated Report of Condition ("Call Report") as of December 31, 2006, that STC filed with the Federal Deposit Insurance Corporation ("FDIC"), STC reported assets totaling \$309.8 million, of which 61.6% comprised net loans.

STC is primarily a 1-4 family residential mortgage lender; however, this portion of its portfolio has declined to 38.8% from 42.6% since the previous evaluation. Farmland and agricultural loans increased to 5.8% from the 0.2% reported at the prior evaluation.

The following table illustrates STC's loan portfolio, based on Schedule RC-C of the bank's year-end 2004, 2005 and 2006 Call Reports:

TOTAL GROSS LOANS OUTSTANDING						
LOAN TYPE	2004		2005		2006	
	\$(000)	%	\$(000)	%	\$(000)	%
1-4 Residential Mortgage Loans	74,446	42.6	72,431	39.5	75,091	38.8
Commercial & Industrial Loans	26,145	15.0	24,873	13.6	23,543	12.2
Commercial Mortgage Loans	40,291	23.0	43,529	23.8	45,688	23.6
Multifamily Mortgages	35	0.0	23	0.0	17	0.0
Consumer Loans	31,976	18.3	32,934	18.0	34,422	17.8
Farmland & Agricultural Loans	290	0.2	7,956	4.3	11,156	5.8
Construction Loans	1,686	1.0	1,429	0.8	3,409	1.8
Other Loans	5	0.0	5	0.0	3	0.0
Total Gross Loans	174,874	100.0	183,180	100.0	193,329	100.0

According to the latest available comparative deposit data, dated June 30, 2006¹, STC achieved a market share of 15.4% and ranked 3rd out of 13 financial institutions within its assessment area.

At the Banking Department's prior performance evaluation as of December 31, 2004, STC received a rating of "2," indicating a satisfactory record of helping to meet community credit needs. STC was evaluated under the large bank performance criteria at the prior evaluation.

There are no legal or financial impediments affecting STC's ability to meet the credit needs of its assessment area.

Assessment Area:

STC has delineated Allegany County in its entirety and portions of Steuben and Livingston counties as its assessment area. Steuben and Allegany counties are Non-Metropolitan Statistical Areas² (MSA) while Livingston County is part of MSA 40380 (Rochester).

The assessment area consists of 37 census tracts, of which none is low-income, four are moderate-income, 31 are middle-income, one is upper-income and one where the income level is not known. The following chart shows the distribution of census tracts within the assessment area:

Distribution of Assessment Area Census Tracts by Income Level							
County	Zero	Low	Moderate	Middle	Upper	Total	LMI %
Allegany	1	0	0	11	1	13	0.0
Livingston*	0	0	2	1	0	3	66.7
Steuben*	0	0	2	19	0	21	9.5
Total AA	1	0	4	31	1	37	10.8

* Indicates a partial county

¹ The FDIC compiles its annual Market Share Report based on the bank's deposits as of June 30 each year.

² MSAs are composed of entire counties or county equivalents and have at least one urbanized area with a population of 50,000 or more.

The portion of Steuben County included in the assessment area contains 21 census tracts, two (9.5%) which are moderate income and 19 (90.5%) which are designated as distressed or underserved middle-income areas.

Allegany County contains 13 census tracts, none are LMI and 11 (84.6%) are designated as distressed or underserved middle-income areas.

The portion of Livingston County included in the assessment area contains three census tracts, two of which are moderate-income and one of which is middle-income and not designated as distressed or underserved.

Assessment Area Economic and Demographic Data:

The following is a listing of charts containing economic and demographic information about each county comprising STC's assessment area. Economic and statistical data used in this evaluation were obtained from various sources. The demographic data is obtained from the 2000 U.S. Census. The 2005 and 2006 updated median family income figures are obtained from Department of Housing and Urban Development ("HUD") estimates.

Chart #1: Shows population and income.

Chart #2: Shows housing demographics.

Chart #3: Shows business demographics.

The following chart provides the annual unemployment rates for Allegany, Livingston and Steuben Counties. Statewide and MSA rates are included for comparison:

Assessment Area Unemployment Rate by County and MSA							
	Statewide	Southern Tier	Western New York	MSA 40380	Allegany County	Livingston County	Steuben County
2005 Annual	5.0	4.7	5.2	4.6	5.8	5.0	5.7
2006 Annual	4.5	4.5	4.9	4.4	5.3	4.8	5.2

Steuben Trust Company
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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	
		#	%	#	%				#	%		#	%	#	%	#	%	#	%	#	%
Allegany	49,927	7,000	14.0	10,592	21.2	38,864	49,600	18,056	2,769	15.3	12,217	2,588	21.2	2,482	20.3	3,005	24.6	4,142	33.9	0	0.0
Livingston**	13,236	1,881	14.2	3,008	22.7	43,799	64,100	5,073	624	12.3	3,572	879	24.6	876	24.5	932	26.1	885	24.8	1,190	67.8
Steuben **	68,479	10,243	15.0	15,897	23.2	40,125	49,600	26,513	3,465	13.1	18,244	3,745	20.5	3,530	19.4	4,488	24.6	6,481	35.5	792	10.9
TOTAL A/A*	131,642	19,124	14.5	29,497	22.4	40,058	50,776	49,642	6,858	13.8	34,033	7,212	21.2	6,888	20.2	8,425	24.8	11,508	33.8	1,982	14.1

* Assessment Area

** Indicates a partial county

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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	
		#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%
Allegany	24,505	23,551	96.1	954	3.9	13,302	54.3	0	0.0	0	0.0	12,413	93.3	886	6.7	5,486	22.4	6,496	26.5
Livingston**	5,603	5,233	93.4	370	6.6	3,769	67.3	0	0.0	2,268	60.2	1,501	39.8	0	0.0	1,483	26.5	526	9.4
Steuben**	32,560	31,370	96.3	1,190	3.7	19,921	61.2	0	0.0	1,428	7.2	18,493	92.8	0	0.0	7,523	23.1	6,033	18.5
TOTAL A/A*	62,668	60,154	96.0	2,514	4.0	36,992	59.0	0	0.0	3,696	10.0	32,409	87.6	888	2.4	14,492	23.1	13,055	20.8

* Assessment Area

** Indicates a partial county

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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	
		#	%	#	%	#	%	#	%	#	%
Allegany	2,961	1,632	55.1	105	3.5	1,224	41.3	1,952	65.9	2,610	88.1
Livingston**	897	526	58.6	42	4.7	329	36.7	623	69.5	797	88.9
Steuben**	4,372	2,492	57.0	156	3.6	1,724	39.4	2,955	67.6	3,853	88.1
Total A/A*	8,230	4,650	56.5	303	3.7	3,277	39.8	5,530	67.2	7,260	88.2

* Assessment Area

** Indicates a partial county

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

STC's performance was evaluated according to the intermediate 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; (5) Action Taken in Response to Written Complaints Regarding CRA and (6) Community Development Activities.

The assessment period covered the years 2005 and 2006. Examiners considered consumer, small business and HMDA-type loans in evaluating factors (2), (3) and (4), as noted above.¹ Small business loans received the same emphasis as consumer loans because, although the number of small business loans represented only 11.5% of the total for the three types of loans, the dollar volume of small business loans accounted for 51.5% of the total. The number of the consumer loans represented 85.2% and the respective dollar volume represented 38.8% of the total. HMDA-type loans represented 3.3% and 9.7%, respectively.

STC is not a HMDA reporter because the bank did not have a home office or branch office in an MSA during the year preceding this evaluation.

Statistics utilized in this evaluation were derived from various sources.² In this evaluation, number volumes are the primary factors used to weigh the bank's performance, evaluate trends and draw comparisons.

I. Lending Test – “Satisfactory”

- **Loan-to-Deposit Ratio Analysis: “Satisfactory”**

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

STC's average LTD ratio for the eight quarters that ended December 31, 2006, is 68.2%, which is below the peer group's average of 85.5%. The peer group includes all FDIC insured commercial banks having assets between \$300 million and \$1 billion. These ratios were calculated from information shown in the bank's Uniform Bank Performance Report (“UBPR”) prepared by the FDIC.

The following table shows the LTD ratios for STC and the peer group:

¹ References to small business loans in this report include loans to small farms.

² Information submitted by the institution, Federal Financial Examination Council (“FFIEC”) and PCI Services, Inc. CRA Wiz, an external vendor.

Loan-to-Deposit Ratios									
	2005 (Q1)	2005 (Q2)	2005 (Q3)	2005 (Q4)	2006 (Q1)	2006 (Q2)	2006 (Q3)	2006 (Q4)	Average
Bank	64.2	66.4	66.0	69.0	67.5	71.5	70.5	70.5	68.2
Peer	84.9	86.0	80.6	85.4	85.5	87.0	87.6	86.8	85.5

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

STC originated a majority of its consumer, small business and residential loans within the assessment area. However, STC’s 74.1% assessment area concentration ratio showed a decline from 85.7% at the previous evaluation.

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	
	#	%	#	%		\$	%	\$	%		
Consumer											
2005	1,204	71.9	470	28.1	1,674	15,902	70.3	6,704	29.7	22,606	
2006	1,433	80.2	353	19.8	1,786	20,231	78.1	5,681	21.9	25,912	
Sub-Total	2,637	76.2	823	23.8	3,460	36,133	74.5	12,385	25.5	48,518	
Small Business											
2005	120	55.6	96	44.4	216	18,993	51.8	17,672	48.2	36,665	
2006	156	62.2	95	37.8	251	14,643	52.7	13,123	47.3	27,766	
Sub-Total	276	59.1	191	40.9	467	33,636	52.2	30,795	47.8	64,431	
HMDA-Type											
2005	54	75.0	18	25.0	72	4,526	71.1	1,836	28.9	6,362	
2006	41	67.2	20	32.8	61	3,017	51.9	2,801	48.1	5,818	
Sub-Total	95	71.4	38	28.6	133	7,543	61.9	4,637	38.1	12,180	
Total	3,008	74.1	1,052	25.9	4,060	77,312	61.8	47,817	38.2	125,129	

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

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

Consumer Loans

The geographic distribution of consumer loans reflects reasonable dispersion among census tracts of different income levels. During the evaluation period, STC extended 4.9% of its consumer loans in moderate-income areas.

In 2005, of the 1,204 consumer loans originated, 59 loans, or 4.9%, were in moderate-income areas, an increase from the 44 loans (4.1%) in 2004.

In 2006, loans extended in moderate-income areas increased 16.9% to 69 loans. The bank's moderate-income area penetration at 4.8%, although below the 11.0% of households located in moderate-income areas, is reasonable because 13.8% of all households are below the poverty level, an indication that lending opportunities are not readily available.

The following chart provides a summary of STC's consumer lending distribution during the evaluation period:

Distribution of Consumer Loans by Geography Income Level*						
2005						
Geography	Bank				Distribution of Households	
Income Level	#	%	\$000's	%	#	%
Low	0	0.0	0	0.0	0	0.0
Moderate	59	4.9	807	5.1	5,436	11.0
Middle	1,110	92.2	14,559	91.6	42,727	86.1
Upper	35	2.9	536	3.4	1,472	3.0
NA	0	0.0	0	0.0	7	0.0
Total	1,204	100.0	15,902	100.0	49,642	100.0
2006						
Geography	Bank				Distribution of Households	
Income Level	#	%	\$000's	%	#	%
Low	0	0.0	0	0.0	0	0.0
Moderate	69	4.8	1,066	5.3	5,436	11.0
Middle	1,302	90.9	18,040	89.2	42,727	86.1
Upper	62	4.3	1,125	5.6	1,472	3.0
NA	0	0.0	0	0.0	7	0.0
Total	1,433	100.0	20,231	100.0	49,642	100.0

*Geography income level is based upon 2000 Census data on median family income figures for the MSA where the borrower resides. 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

The geographic distribution of small business loans reflects reasonable dispersion among census tracts of different income levels. During the evaluation period, STC extended 11.2% of its small business loans in moderate-income areas.

In 2005, STC originated 16 small business loans, or 13.3%, in moderate-income areas compared to five loans (5.4%) in 2004. In addition, compared to the 12.7% of businesses located in moderate-income areas in the assessment area, STC's penetration rate in moderate-income areas is favorable.

In 2006, although the number of small business loans STC originated in moderate-income areas was about the same as in 2005, the penetration rate declined to 9.6%

because the number of loans STC extended in the assessment increased.

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

Distribution of Small Business Loans by Geography Income Level*						
2005						
Geography	Bank				Distribution of Businesses	
Income Level	#	%	\$000's	%	#	%
Low	0	0.0	0	0.0	0	0.0
Moderate	16	13.3	1,176	6.2	911	12.7
Middle	99	82.5	17,770	93.6	6,005	83.9
Upper	5	4.2	47	0.2	238	3.3
NA	0	0.0	0	0.0	5	0.1
Total	120	100.0	18,993	100.0	7,159	100.0
2006						
Geography	Bank				Distribution of Businesses	
Income Level	#	%	\$000's	%	#	%
Low	0	0.0	0	0.0	0	0.0
Moderate	15	9.6	1,482	10.1	1,008	12.2
Middle	140	89.7	13,151	89.8	6,940	84.3
Upper	1	0.6	10	0.1	275	3.3
NA	0	0.0	0	0.0	7	0.1
Total	156	100.0	14,643	100.0	8,230	100.0

*Geography income level is based upon 2000 Census data on median family income figure for the MSA where the business is located. 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%.

HMDA-Type Loans

The geographic distribution of residential loans reflects poor dispersion among census tracts of different income levels. During the evaluation period, STC extended only 5.3% of its HMDA-type loans in moderate-income areas. Compared to the 10.0% of owner-occupied units located in moderate-income areas, STC's penetration rate in moderate-income areas is low.

In 2005, only three (5.6%) of the 54 residential mortgage loans STC originated in the assessment area were in moderate-income areas. In 2006, only two (4.9%) of the 41 residential mortgage loans STC originated in the assessment area were in moderate-income areas.

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

Distribution of HMDA-Type Loans by Geographic Income Level*						
2005						
Geography Income Level	Bank				Owner Occupied units	
	#	%	\$(000)	%	#	%
Low	0	0.0	0	0.0	0	0.0
Moderate	3	5.6	128	2.8	3,696	10.0
Middle	49	90.7	4,297	94.9	32,409	87.6
Upper	2	3.7	101	2.2	888	2.4
N/A	0	0.0	0	0.0	0	0.0
Total	54	100.0	4,526	100.0	36,993	100.0
2006						
Geography Income Level	Bank				Owner Occupied units	
	#	%	\$(000)	%	#	%
Low	0	0.0	0	0.0	0	0.0
Moderate	2	4.9	183	6.1	3,696	10.0
Middle	36	87.8	2,601	86.2	32,409	87.6
Upper	3	7.3	233	7.7	888	2.4
N/A	0	0.0	0	0.0	0	0.0
Total	41	100.0	3,017	100.0	36,993	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”**

STC had an excellent penetration of small business loans among businesses of different sizes and a reasonable penetration of consumer and HMDA-type loans among customers of different income levels.

Consumer Loans

STC had a reasonable distribution of its consumer loans among customers of different income levels.

In 2005, 20.0% of STC’s consumer loans were extended to low-income borrowers and 27.8% were extended to moderate-income borrowers. These ratios compare favorably to the 21.2% of low-income families and the 20.2% of moderate-income families in the assessment area.

In 2006, STC’s low-income borrower penetration ratio declined slightly to 18.4% and its moderate- income borrower penetration ratio increased to 31.4%.

The following chart provides a summary of STC’s consumer loan distribution during the evaluation period:

Distribution of Consumer Loans by Borrower Income*								
Borrower	2005				2006			
Income Level	#	%	\$(000s)	%	#	%	\$(000s)	%
Low	241	20.0	1,632	10.3	264	18.4	1,897	9.4
Moderate	335	27.8	3,732	23.5	450	31.4	5,539	27.4
Middle	324	26.9	4,198	26.4	375	26.2	4,839	23.9
Upper	292	24.3	6,082	38.2	321	22.4	7,473	36.9
N/A	12	1.0	258	1.6	23	1.6	483	2.4
Total	1,204	100.0	15,902	100.0	1,433	100.0	20,231	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. 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

The distribution of STC's small business lending based on borrower characteristics reflects excellent penetration among businesses of different sizes, given the performance context. During the evaluation period, STC extended 82.8% of its small business loans to businesses with gross annual revenues of \$1 million or less.

In 2005, loans to businesses with revenues of \$1 million or less accounted for 88.3% of STC's small business loans, an increase from the 77.2% shown for 2004.

In 2006, although loans to businesses with revenues of \$1 million or less declined to 78.6%, STC's penetration rate of loans to businesses with gross annual revenues of \$1 million or less compares favorably to the 56.5% ratio of businesses in the assessment area in that revenue category. It is also noted that there was a decline in the percentage of businesses with gross annual revenues of \$1 million or less to 56.5% in 2006 from 62.7% in 2005.

The following chart provides a summary of the distribution of STC's small business lending based on borrower revenues. For comparison, the distribution by revenue size of businesses in the assessment area is provided.

Distribution of Small Business Loans by Business Revenue Size						
2005						
Revenue Size	Bank				Businesses by Revenue Size	
	#	%	\$000's	%	#	%
\$1 million or less	106	88.3	13,292	70.0	4,488	62.7
Over \$1 million	10	8.3	5,599	29.5	291	4.1
Revenue Not Known	4	3.4	102	0.5	2,380	33.2
Total	120	100.0	18,993	100.0	7,159	100.0
2006						
Revenue Size	Bank				Businesses by Revenue Size	
	#	%	\$000's	%	#	%
\$1 million or less	121	78.6	7,976	54.9	4,650	56.5
Over \$1 million	19	12.3	5,384	37.1	303	3.7
Revenue Not Known	14	9.1	1,168	8.0	3,277	39.8
Total	154	100.0	14,528	100.0	8,230	100.0

HMDA-Type Loans

The distribution of STC's HMDA-type loans according to borrower characteristics is reasonable. During the evaluation period, STC originated 21 loans to LMI borrowers.

In 2005, STC originated 1.9% (one loan) of its HMDA-type loans to low-income borrowers and 14.8% (eight loans) to moderate-income borrowers. STC's ratio of lending to low or moderate-income borrowers declined from 3.4% and 15.5%, respectively, in 2004.

In 2006, STC's penetration rate of HMDA-type loans extended to low-income borrowers increased to 7.3% (three loans) and to 22.0% (nine loans) for moderate-income borrowers.

The following chart provides a summary of the distribution of STC's HMDA-type lending based on borrower income level:

Distribution of HMDA-Type Loans by Borrower Income Level*								
Geography Income Level	2005				2006			
	#	%	\$(000)	%	#	%	\$(000)	%
Low	1	1.9	44	1.0	3	7.3	157	5.2
Moderate	8	14.8	336	7.4	9	22.0	657	21.8
Middle	13	24.1	922	20.4	13	31.7	820	27.2
Upper	30	55.6	3,017	66.7	16	39.0	1,383	45.8
N/A	2	3.7	207	4.6	0	0.0	0	0.0
Total	54	100.0	4,526	100.0	41	100.0	3,017	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**

Since the prior CRA evaluation as of December 31, 2004, neither STC nor the New York State Banking Department has received any written complaints regarding the bank's CRA performance.

II. Community Development Test - "Outstanding"

STC's community development activities demonstrate excellent responsiveness to the community development needs of its assessment area through community development loans, qualified investments and community development services, considering the size of its operations and the need and availability of such opportunities for community development in the bank's assessment area.

The following are examples of STC's community development lending, investments and service activities:

Qualified Community Development Loans

As of the evaluation date, STC had five qualified community development loans totaling approximately \$4.7 million. The following are examples of qualified community development loans offered by STC:

- STC originated a \$2.9 million loan to a private company located in an economically distressed and underserved area.
- STC extended \$1 million to an area economic development corporation. This not-for-profit organization rents and leases space to small businesses within STC's assessment area. Through this process, the organization has encouraged the development and retention of existing businesses and attracted new industry to the area.
- STC extended \$513 thousand to the Hornell IDA as part of a \$1 million participation loan in the form of a commercial mortgage loan to purchase a plant and equipment. The Hornell IDA provides a variety of services to assist in the creation and retention of employment opportunities.
- A \$200 thousand line of credit was granted to a local not-for-profit organization geared towards providing various services to community youths.
- A \$40 thousand line of credit was extended to a not-for-profit company that provides a full range of housing services, including rehabilitation through the New York State Affordable Housing Corporation.

Qualified Community Development Investments

During the evaluation period, STC had \$153 thousand in qualified community development investments, including grants. Examples of this activity are shown below:

- STC held \$34 thousand in equity stock in New York Business Development Corporation (“NYBDC”). NYBDC provides financing for higher risk small businesses throughout New York State.
- During the evaluation period, STC contributed \$15 thousand to the Federal Home Loan Bank of New York’s (“FHLBNY”) Affordable Housing Program (“AHP”). In 1989, Congress authorized the FHLBNY and the other home loan banks to launch the AHP. Since then, the FHLBNY, along with its over 300 members, and their not-for-profit community partners have joined together to fund numerous affordable housing initiatives, generating over 30 thousand new affordable housing units in FHLBNY’s service area.
- During the evaluation period, STC donated \$6 thousand to the Steuben Senior Services. This not-for-profit organization assists Steuben County’s older residents through various programs including in-home assistance, tax counseling and health clinics.
- STC donated \$53 thousand to various community schools within the assessment area. These donations were made available to students in need of financial assistance.
- During the evaluation period, STC donated \$11 thousand to Hornell Area United Way. United Way is a not-for-profit organization that works to build stronger communities by investing in programs that help people improve their lives.

Qualified Community Development Services

STC actively participates in a large volume of community development services benefiting its assessment area by sponsoring and partnering with not-for-profit organizations and government agencies.

The following are some of the organizations and activities in which STC participated:

- During the evaluation period, STC successfully sponsored two applications for FHLBNY AHP grants. The first project for which a grant was requested is to provide 40 very low-income families the opportunity to become first-time homebuyers. The other is for the rehabilitation of 40 homes owned by very low-income households.
- During the evaluation period, STC successfully sponsored two small business applications to the NYBDC. Both projects will finance the purchase of real estate and create approximately 28 new jobs.

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- STC provided the use of its boardroom and training room free of charge to various community organizations.

Technical Assistance – STC employees provided an excellent level of community services in the form of technical assistance during the evaluation period. Senior management and officers serve as chairpersons and members of board of directors, of advisory boards, financial committees, loan review committees and in other CRA qualified functional capacities in a large number of community development organizations. Most of the organizations served are dedicated to enhance affordable housing, economic development and community services. They include but are not limited to the following:

- ACCORD
 - College Night
 - Faith in Action
 - Genesee Valley Rural Preservation Council Inc.
 - Hornell Chamber of Commerce
 - Hornell Children’s Home
 - Hornell YMCA
 - Steuben County Empire Zone
 - Tri-County Housing Council
 - United Way (Allegany, Hornell, Southern Tier)
- **Discrimination and other Illegal Practices**

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

Evidence of prohibited discriminatory or other illegal credit practices.

The most recent regulatory compliance and fair lending examinations conducted concurrent 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.

STC’s management ascertains the credit needs of the assessment area through the participation of its directors and officers in community organizations. These senior members of STC’s management serve as board members or officers of community organizations such as the Hornell Chamber of Commerce or Tri County Housing Council. Tri County is a nonprofit housing agency providing or coordinating housing services for very low to moderate-income families.

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

Members of the community are made aware of STC's credit services through advertisements in newspapers and most radio stations throughout its assessment area.

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

The board discusses CRA activities annually based on an analysis presented by the CRA officer.

- **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.

STC participates in New York State's Linked Deposit program and originated three loans for \$698 thousand under this program during the evaluation period. The Linked Deposit Program gives small businesses access to low-cost loans for projects that will retain existing jobs and create new jobs in designated areas. In return for originating these loans, a bank receives compensating low-cost deposits from the State of New York. In effect, the low-cost deposits serve as an indirect subsidy for the loan.

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 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.