



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, 2007

Institution: Tioga State Bank
1 Main Street
Spencer, NY 14883

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

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GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (“CRA”) performance of Tioga State Bank (“TSB”) prepared by the New York State Banking Department. The evaluation represents the Banking Department’s current assessment and rating of the institution’s CRA performance based on an evaluation conducted as of December 31, 2007.

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

Tioga State Bank 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"

- TSB's loan-to-deposit ("LTD") ratio is reasonable given its size and financial condition and the credit needs of the assessment area.
- TSB extended a substantial majority of its HMDA-reportable, small business, and consumer loans within its assessment area. Of the total loans, TSB originated 87.0% within the assessment area.
- The geographical distribution of TSB's HMDA-reportable, small business, and consumer loans reflected poor dispersion among census tracts of different income levels throughout the assessment area.
- The distribution based on borrower characteristics of TSB's HMDA-reportable, small business and consumer loans reflected an excellent penetration among borrowers of different incomes and businesses of different sizes.

II. Community Development Test – "Satisfactory"

- During the evaluation period, TSB's community development loans and commitments totaled \$6.7 million, all with new money.
- TSB's qualified investments during the evaluation period totaled \$236 thousand.
- TSB provided an adequate level of community development services in its assessment area.

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

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

PERFORMANCE CONTEXT

Institution's Profile:

Chartered in 1884, TSB is a commercial bank headquartered in the Village of Spencer, New York. It is a wholly owned subsidiary of TSB Services Inc., a one bank holding company. TSB offers various insurance products for business customers through its subsidiary, Tioga State Insurance Agency.

TSB operates eleven banking offices, of which ten are full service branches; five are located in Tioga County, four in Broome County, and one each in Chemung and Tompkins Counties. TSB situated one of its branches in a moderate-income geography, six in middle-income geographies and four in upper-income geographies. An automated teller machine ("ATM") network consisting of twelve ATMs supplements the branch offices. TSB did not open or close any branches during the evaluation period.

As per the Federal Deposit Insurance Corporation's ("FDIC") Consolidated Report of Condition ("Call Report") as of December 31, 2007, TSB reported total assets of \$301.0 million, of which \$187.6 million were net loans and lease finance receivables. It also reported total deposits of \$238.7 million, resulting in a loan-to-deposit ratio of 78.6%.

The following is a summary of TSB's lending portfolio for the last three years, based on Schedule RC-C of its Call Report:

TOTAL GROSS LOANS OUTSTANDING						
LOAN TYPE	12/31/2005		12/31/2006		12/31/2007	
	\$000	%	\$000	%	\$000	%
1-4 Residential Mortgage Loans	75,556	50.3	87,105	53.1	101,272	53.3
Multifamily Residential Mortgage Loans	1,024	0.7	989	0.6	2,418	1.3
Commercial & Industrial Loans	29,897	19.9	33,550	20.4	41,639	21.9
Commercial Mortgage Loans	24,314	16.2	23,168	14.1	23,104	12.2
Consumer Loans	8,577	5.7	8,355	5.1	8,832	4.6
Agricultural Loans	2,896	1.9	3,258	2.0	3,178	1.7
Construction Loans	6,415	4.3	5,511	3.4	6,030	3.2
Loans to Depository Institutions	1,000	0.6	1,000	0.6	1,000	0.5
Other Loans	611	0.4	1,148	0.7	2,461	1.3
Total Gross Loans	150,290	100.0	164,084	100.0	189,934	100.0

TSB is primarily a residential real estate lender, with 53.7% and 54.6% of its loan portfolio in 1-4 family and multifamily residential mortgage loans as of year-ends 2006 and 2007, respectively.

Market Share of Deposits

Based on the FDIC's deposit market share report as of June 30, 2007, TSB's home county (Tioga) provided 62.7% of its deposits. It ranked first out of eight deposit-taking institutions

in Tioga County with a deposit market share of 34.5%, and ninth out of eighteen in the assessment area with a market share of 4.5%.

Deposit Market Share as of June 30, 2007					
County	# Offices	Deposits		Market Share of County Deposits	Rank / # of Institutions
		\$000	%		
Tioga	5	141,662	62.7	34.5%	1st out of 8
Broome	4	48,711	21.5	2.3%	6th out of 9
Chemung	1	7,851	3.5	0.6%	9th out of 9
Tompkins	1	27,885	12.3	2.1%	9th out of 11
Total	11	226,109	100.0	4.5%	9th out of 18

Examination Performance Criteria

The Banking Department's previous evaluation of TSB based on the Intermediate Small Bank performance criteria was conducted as of December 31, 2005, and resulted in a rating of "Satisfactory."

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

Assessment Area:

TSB's assessment area consists of Tioga County in its entirety and portions of Broome, Chemung and Tompkins counties. The assessment area has a total of 63 census tracts, of which 4 are low-income, 13 are moderate-income, 32 are middle-income and 14 are upper-income tracts. As the table below shows, all of the LMI census tracts are in Broome County.

Distribution of Assessment Area Census Tracts by Income Level						
County	Low	Moderate	Middle	Upper	Total	%LMI
	#	#	#	#	#	%
Tioga	0	0	8	2	10	0.0
Broome	4	13	19	12	48	35.4
Chemung	0	0	2	0	2	0.0
Tompkins	0	0	3	0	3	0.0
Total	4	13	32	14	63	27.0

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

Business Demographics

In 2007, services and retail trade were the largest business sectors with 34.9% and 16.8%, of the market respectively. The following table shows the distribution of businesses by industry in the assessment area during the evaluation period.

Distribution of Businesses Within Assessment Area				
Type of Business	2006		2007	
	#	%	#	%
Agriculture, Forestry & Fishing	455	3.01	451	2.98
Mining	14	0.09	17	0.11
Construction	1,140	7.54	1,128	7.45
Manufacturing	597	3.95	620	4.09
Transportation, Communication	502	3.32	502	3.31
Wholesale Trade	529	3.50	541	3.57
Retail Trade	2,577	17.05	2,544	16.79
Finance, Insurance & Real Estate	950	6.28	954	6.30
Services	5,499	36.37	5,281	34.86
Public Administration	285	1.89	302	1.99
Non-Classified Establishments	2,570	17.00	2,811	18.55
Total	15,118	100.00	15,151	100.00

Unemployment Rates

Unemployment rates in the assessment area resemble that of New York State and show a declining trend as the area continues to have significant job gains in manufacturing, professional and technical services. Below are details relating to the average annual unemployment rates in the assessment area and New York State.

Assessment Area and New York State Annual Unemployment Rates*				
County	2004	2005	2006	2007
Tioga	5.2	4.8	4.4	4.6
Broome	5.4	4.9	4.7	4.4
Chemung	6.0	5.4	4.9	4.6
Tompkins	4.0	3.6	3.4	3.4
New York State	5.8	5.0	4.6	4.5

* Source: New York State Department of Labor

Details of Assessment Area

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

Chart #1: Shows population and income.

Chart #2: Shows housing demographics.

Chart #3: Shows business demographics.

CHART # 1

ASSESSMENT AREA POPULATION AND INCOME CHARACTERISTICS BY COUNTY																					
COUNTY	Total Population	Age over 65		Age under 16		Median Family Income(MFI)	HUD MSA MFI	# of Households	# of HH below poverty level		Total Families	Low income		Moderate income		Middle income		Upper income		LMI families in LMI tracts	
		#	%	#	%				#	%		#	%	#	%	#	%	#	%	#	%
Broome**	175,930	30,022	17.1	34,567	19.6	47,386	52,800	71,875	9,393	13.1	43,934	8,506	19.4	8,075	18.4	9,708	22.1	17,645	40.1	5,825	35.1
Chemung**	7,789	891	11.4	1,801	23.1	41,570	51,700	2,929	278	9.5	2,260	374	16.6	518	22.9	631	27.9	737	32.6	0	0.0
Tioga	51,784	6,785	13.1	12,490	24.1	46,937	52,800	19,779	1,581	8.0	14,369	2,291	15.9	2,756	19.2	3,660	25.5	5,662	39.4	0	0.0
Tompkins**	14,693	1,394	9.5	3,441	23.4	46,262	65,400	5,872	493	8.4	3,945	849	21.5	897	22.7	1,068	27.1	1,131	28.7	0	0.0
TOTAL A/A*	250,196	39,092	15.6	52,299	20.9	47,013	53,365	100,455	11,745	11.7	64,508	12,020	18.6	12,246	19.0	15,067	23.4	25,175	39.0	5,825	24.0

* Assessment Area ** Partial County

CHART # 2

ASSESSMENT AREA HOUSING CHARACTERISTICS BY COUNTY																			
COUNTY	Total Housing Units	1-4 family Units		Multifamily Units		Owner-Occupied Units (O-O)		O-O Units in Low-income Tracts		O-O Units in Mod-income Tracts		O-O Units in Midd-income Tracts		O-O Units in Upp-income Tracts		Rental Units		Vacant/ Boarded-up Units	
		#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%
Broome**	78,178	67,438	86.3	10,740	13.7	45,080	58.0	658	1.5	6,158	13.7	22,833	50.7	15,431	34.2	30,258	38.7	6,419	8.2
Chemung**	3,180	3,148	99.0	32	1.0	2,529	79.5	0	0.0	0	0.0	2,529	100.0	0	0.0	484	15.2	253	8.0
Tioga	21,410	20,697	96.7	713	3.3	15,347	71.7	0	0.0	0	0.0	11,648	75.9	3,705	24.1	4,973	23.2	1,685	7.9
Tompkins**	6,301	6,125	97.4	176	2.8	4,402	70.0	0	0.0	0	0.0	4,402	100.0	0	0.0	1,627	25.8	449	7.1
TOTAL A/A*	109,069	97,408	89.3	11,661	10.7	67,358	61.8	660	1.0	6,157	9.1	41,405	61.5	19,136	28.4	37,342	34.2	8,806	8.1

* Assessment Area ** Partial County

CHART # 3

BUSINESS DEMOGRAPHICS BY COUNTY											
COUNTY	Number of Businesses	Businesses with Rev. of \$1 million or less		Businesses with Rev. of more than \$1 million		Businesses with no revenues reported		Businesses with less than 50 employees		Operating from a single location	
		#	%	#	%	#	%	#	%	#	%
Broome **	10,736	6,887	64.1	654	6.1	3,195	29.8	8,340	77.7	9,112	84.9
Chemung **	368	188	51.1	5	1.4	175	47.5	207	56.3	349	94.8
Tioga	3,132	1,942	62.0	93	3.0	1,097	35.0	2,208	70.5	2,829	90.3
Tompkins **	915	558	61.0	16	1.7	341	37.3	586	64.0	881	96.3
Total A/A*	15,151	9,575	63.2	768	5.1	4,808	31.7	11,341	74.9	13,171	86.9

* Assessment Area ** Partial County

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

The Banking Department assesses an intermediate small bank's CRA performance 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 evaluation period covers the calendar years 2006 and 2007. The aggregate loan data was obtained from the Federal Financial Institutions Examination Council ("FFIEC") and PCi Corporation's CRA Wiz[®] software. The demographic data referenced in this evaluation were obtained from the 2000 U.S. Census. Updated median family income ("MFI") figures were obtained from the U.S. Department of Housing and Urban Development ("HUD").

Examiners considered small business, consumer and HMDA-reportable loans in evaluating factors (2), (3) and (4) of the lending test noted above. In the evaluation of HMDA-reportable loans, the examiners reviewed a sample of 152 loans out of 358 loans for 2006, and 142 loans out of 341 loans for 2007. In the evaluation of small business loans, the examiners reviewed a sample of 62 out of 213 loans for 2006, and 66 out of 223 loans for 2007. In the evaluation of consumer loans, the examiners reviewed a sample of 85 out of 594 loans for 2006, and 70 out of 601 loans for 2007.

I. Lending Test: "Satisfactory"

TSB's small business, consumer and HMDA-reportable lending activities are reasonable given the assessment area's credit needs.

Loan-to-Deposit Ratio ("LTD"): "Satisfactory"

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

For the eight consecutive quarters ending December 31, 2007, TSB's average LTD ratio was 71.4%. While well below the national peer group's average LTD ratio of 83.3%, the ratio is comparable to the 75.8% average LTD ratio for the 10 New York State banks belonging to TSB's peer group.¹ TSB's LTD ratio has improved to 78.6% at year-end 2007 from 66.3% at year-end 2005 as loans grew at a much faster pace than deposits.

The table below shows the quarterly average ratios of TSB and the national peer group

¹ These ratios were derived from the Uniform Bank Performance Report ("UBPR") as prepared by the FDIC. TSB's peer group four includes all insured commercial banks having assets between \$100 million and \$300 million in a metro area with three or more full service offices. The UBPR peer group is a national peer group and includes banks that may be operating in very different economic environments.

during the evaluation period:

Loan-to-Deposit Ratios									
	2006 (Q1)	2006 (Q2)	2006 (Q3)	2006 (Q4)	2007 (Q1)	2007 (Q2)	2007 (Q3)	2007 (Q4)	Average
Bank	64.5	71.6	67.0	72.7	67.8	74.7	74.0	78.6	71.4
Peer	81.8	83.1	83.4	82.4	82.0	83.5	84.7	85.4	83.3

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

TSB originated a substantial majority of its loans inside the assessment area. During the evaluation period, TSB originated 87.0% by number and 88.6% by dollar volume.

HMDA-Reportable Loans

TSB originated 86.4% by number and 86.1% by dollar volume of its HMDA-reportable loans inside the assessment area during the evaluation period. Lending inside the assessment area declined slightly both by number and by dollar volume from 2006 to 2007; the performance, however, still represents a substantial majority of the bank’s total HMDA – reportable loans.

Small Business Loans

TSB originated 87.5% by number and 92.3% by dollar volume of its total small business loans inside the assessment area. Lending by number decreased from 90.3% to 84.8% from 2006 to 2007; lending by dollar volume however, increased from 89.5% to 94.0% during the same period.

Consumer Loans

During the evaluation period, TSB originated 87.7% by number and 85.6% by dollar volume of its total consumer loans inside the assessment area. Lending performance improved in 2007 in terms of both number and dollar volume.

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

Distribution of Loans Inside and Outside of the Assessment Area										
Loan Category or Type	Number of Loans					Dollars in Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$000	%	\$000	%	
Home Mortgage										
2006	135	88.8	17	11.2	152	12,369	89.2	1,505	10.8	13,874
2007	119	83.8	23	16.2	142	8,953	82.2	1,940	17.8	10,893
Subtotal	254	86.4	40	13.6	294	21,322	86.1	3,445	13.9	24,767
Small Business										
2006	56	90.3	6	9.7	62	6,042	89.5	712	10.5	6,754
2007	56	84.8	10	15.2	66	10,804	94.0	692	6.0	11,496
Subtotal	112	87.5	16	12.5	128	16,846	92.3	1,404	7.7	18,250
Consumer										
2006	73	85.9	12	14.1	85	1,042	83.0	214	17.0	1,256
2007	63	90.0	7	10.0	70	694	90.0	77	10.0	771
Subtotal	136	87.7	19	12.3	155	1,736	85.6	291	14.4	2,027
Total	502	87.0	75	13.0	577	39,904	88.6	5,140	11.4	45,044

- **Geographic Distribution of Loans: “Needs to Improve”**

The geographic distribution of HMDA-reportable, small business and consumer loans, reflects poor dispersion among census tracts of different income levels throughout the assessment area, particularly in Broome County. Although TSB has been operating in Broome County for several years, its lending levels in LMI census tracts in the county remain very low, and have not shown improvement since the last evaluation. Additionally, its loan penetration rates in LMI areas in Broome County continue to lag the aggregate performance, and are weak compared to the county’s demographics.

HMDA- reportable loans

For the entire assessment area in 2006, TSB extended 0.7% of its HMDA-reportable loans in LMI areas, well below the aggregate penetration rates of 13.5%. In 2007, its LMI penetration rates were at about the same level (0.8%). By comparison, TSB’s LMI penetration rates, at the previous evaluation, were higher at 2.2% in 2004 and 1.8% in 2005, respectively. This level of performance is also weak when further compared to the percentage of owner-occupied units (10.1%) located in LMI census tracts in the assessment area.

In 2006, TSB extended 3.4% of its HMDA-reportable loans in LMI geographies in Broome County as compared to the aggregate’s penetration rate of 17.6%. In 2007, TSB’s LMI penetration rate in Broome County declined to 2.9%. At the previous evaluation, TSB’s LMI penetration rates in Broome County were significantly higher at 15.2% in 2004 and 11.1% in 2005, respectively. This level of lending is also weak considering that 15.2% of the county’s owner-occupied units are located in LMI census tracts.

The following chart provides details of the HMDA- reportable loans originated by TSB in its assessment area during the evaluation period:

Distribution of HMDA Reportable Loans by Geography Income Level*								
2006								
Geography	Bank				Aggregate			
	#	%	\$000	%	#	%	\$000	%
Low	0	0.0	0	0.0	92	1.4	4,572	0.9
Moderate	1	0.7	176	1.4	798	12.1	47,109	9.2
Middle	114	84.4	8,053	65.1	3,969	59.9	286,977	56.3
Upper	20	14.8	4,140	33.5	1,762	26.6	170,528	33.5
N/A	0	0.0	0	0.0	2	0.0	278	0.1
Total	135	100.0	12,369	100.0	6,623	100.0	509,464	100.0
2007								
Geography	Bank				Aggregate			
	#	%	\$000	%	#	%	\$000	%
Low	0	0.0	0	0.0	Not available.			
Moderate	1	0.8	90	1.0				
Middle	101	84.9	7,031	78.5				
Upper	17	14.3	1,832	20.5				
N/A	0	0.0	0	0.0				
Total	119	100.0	8,953	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%, middle income is 80% to <120% and upper income is at least 120%.

Small Business Loans

For the entire assessment area in 2006 and 2007, TSB extended 8.9% and 7.2% of its small business loans respectively to businesses located in LMI census tracts. In comparison, 25.1% and 24.5% of the assessment area's businesses are located in LMI areas in 2006 and 2007, respectively. Although slightly better than the last evaluation's penetration rates of 7.2% in 2004 and 5.9% in 2005, its performance still falls far short when compared to the assessment area's business demographics.

In Broome County, TSB extended 22.7% and 25.3% of its small business loans in LMI geographies in 2006 and 2007, respectively. In comparison, 35.3% and 34.6% of such businesses are located in LMI areas in 2006 and 2007, respectively. There was no significant improvement in TSB's level of performance when compared to the last evaluation's penetration rates of 24.7% in 2004, and 24.6% in 2005.

The following chart provides the geographical distribution of small business loans originated by TSB during the evaluation period:

Distribution of Small Business Loans by Geography Income Level*						
2006						
Geography	Bank				Distribution of Business	
	#	%	\$000	%	#	%
Low	1	1.8	148	2.4	1,328	8.8
Moderate	4	7.1	130	2.2	2,471	16.3
Middle	45	80.4	4,853	80.3	8,100	53.6
Upper	6	10.7	911	15.1	3,219	21.3
N/A	0	0.0	0	0.0	0	0.0
Total	56	100.0	6,042	100.0	15,118	100.0
2007						
Geography	Bank				Distribution of Business	
	#	%	\$000	%	#	%
Low	3	5.4	139	1.3	1,247	8.2
Moderate	1	1.8	50	0.5	2,463	16.3
Middle	41	73.2	9,360	86.6	8,163	53.9
Upper	11	19.6	1,255	11.6	3,278	21.6
N/A	0	0.0	0	0.0	0	0.0
Total	56	100.0	10,804	100.0	15,151	100.0

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

Consumer Loans

For the entire assessment area, TSB extended 2.7% of its consumer loans in LMI geographies in 2006 but zero percent in 2007. This level of lending is weak considering that 20.4% of households in the assessment area are located in LMI census tracts. Compared to the last evaluation's penetration rates of 0.9% in 2004 and 1.0% in 2005, TSB's lending performance was significantly higher in 2006, but lower in 2007.

In Broome County, consumer lending in LMI census tracts was 18.2% in 2006 and zero percent in 2007, both well below the 28.5% of households located in LMI census tracts. Although significantly higher in 2006, TSB's level of performance in 2007 is weak compared to the last evaluation's penetration rates of 10.4% in 2004 and 8.2% in 2005. Approximately 13% of the county's population is below poverty level, which could affect TSB's lending levels. However, it does not eliminate lending opportunities in LMI areas.

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

Distribution of Consumer Loans by Geographic Income Level*						
2006						
Geography	Bank				Distribution of Household	
Income Level	#	%	\$000	%	#	%
Low	0	0.0	0	0.0	3,688	3.7
Moderate	2	2.7	23	2.2	16,788	16.7
Middle	60	82.2	726	69.7	56,129	55.9
Upper	11	15.1	293	28.1	23,850	23.7
Total	73	100.0	1,042	100.0	100,455	100.0
2007						
Geography	Bank				Distribution of Household	
Income Level	#	%	\$000	%	#	%
Low	0	0.0	0	0.0	3,688	3.7
Moderate	0	0.0	0	0.0	16,788	16.7
Middle	53	84.1	544	78.4	56,129	55.9
Upper	10	15.9	150	21.6	23,850	23.7
Total	63	100.0	694	100.0	100,455	100.0

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

- **Distribution by Borrower Characteristics: "Outstanding"**

The distribution of HMDA-reportable, small business and consumer loan reflects an excellent penetration among borrowers of different income levels and businesses of different sizes.

HMDA- Reportable loans

As the table below illustrates, TSB's percentage of HMDA-reportable loans to LMI borrowers during the evaluation period was slightly better than the aggregate. In 2006, TSB originated 35.5% of its HMDA- reportable loans to LMI borrowers as compared to the aggregate of 34.2%. In 2007, the LMI penetration rate was 28.6%.

The following chart provides details of the HMDA-reportable loan distribution to borrowers of different income levels:

Distribution of HMDA-Reportable Loans by Borrower Income Level*								
2006								
Borrower Income	Bank				Aggregate			
	#	%	\$	%	#	%	\$	%
Low	13	9.6	307	2.5	680	10.3	27,549	5.4
Moderate	35	25.9	2,004	16.2	1,581	23.9	88,878	17.4
Middle	35	25.9	2,386	19.3	1,710	25.8	121,438	23.8
Upper	45	33.3	6,969	56.3	2,460	37.1	244,347	48.0
N/A	7	5.2	703	5.7	192	2.9	27,252	5.3
Total	135	100.0	12,369	100.0	6,623	100.0	509,464	100.0
2007								
Borrower Income	Bank				Aggregate			
	#	%	\$	%	#	%	\$	%
Low	10	8.4	261	2.9	Not available.			
Moderate	24	20.2	1,508	16.8				
Middle	32	26.9	1,726	19.3				
Upper	49	41.2	5,267	58.8				
N/A	4	3.4	191	2.1				
Total	119	100.0	8,953	100.0				

*Borrower income level is based upon the Department of Housing and Urban Development's annual estimate of 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%, middle income is 80% to <120% and upper income is at least 120%.

Small Business Loans

The distribution of lending to small businesses was excellent. As shown in the table below, TSB extended 67.9% and 83.9% of its business loans to firms with revenues of \$1 million or less in 2006 and 2007, respectively. In comparison, firms with revenues of \$1 million or less comprised 63.0% and 63.2% of the total businesses in the assessment area in 2006 and 2007, respectively.

The following chart summarizes the distribution of TSB's small business loans and the distribution of businesses in the assessment area during the evaluation period:

Distribution of Small Business Loans by Revenue Size						
2006						
Revenues	Bank				Distribution of Businesses	
	#	%	\$000	%	#	%
\$1 million or less	38	67.9	3,464	57.3	9,517	63.0
Over \$1 million	18	32.1	2,578	42.7	763	5.0
Revenues not reported	0	0.0	0	0.0	4,838	32.0
Total	56	100.0	6,042	100.0	15,118	100.0
2007						
Revenues	Bank				Distribution of Businesses	
	#	%	\$000	%	#	%
\$1 million or less	47	83.9	4,040	37.4	9,575	63.2
Over \$1 million	9	16.1	6,764	62.6	768	5.1
Revenues not reported	0	0.0	0	0.0	4,808	31.7
Total	56	100.0	10,804	100.0	15,151	100.0

Consumer Loans

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

In 2006, TSB extended 50.7% of the sampled consumer loans to LMI borrowers in the assessment area, exceeding the percentage of total LMI families of 37.6% within the assessment area. In 2007, the LMI penetration rate continued to exceed the percentage of LMI families in the assessment area.

The following table shows the distribution of consumer loans by borrower income and the distribution of businesses in the assessment area during the evaluation period:

Distribution of Consumer Loans by Borrower Income Level*						
2006						
Geography	Bank				Distribution of Total Families	
Income Level	#	%	\$000	%	#	%
Low	23	31.5	170	16.3	12,020	18.6
Moderate	14	19.2	107	10.3	12,246	19.0
Middle	15	20.5	223	21.4	15,067	23.4
Upper	13	17.8	433	41.6	25,175	39.0
N/A	8	11.0	109	10.5	0	0.0
Total	73	100.0	1,042	100.0	64,508	100.0
2007						
Geography	Bank				Distribution of Total Families	
Income Level	#	%	\$000	%	#	%
Low	27	42.9	180	25.9	12,020	18.6
Moderate	10	15.9	80	11.5	12,246	19.0
Middle	14	22.2	178	25.6	15,067	23.4
Upper	7	11.1	142	20.5	25,175	39.0
N/A	5	7.9	114	16.4	0	0.0
Total	63	100.0	694	100.0	64,508	100.0

*Borrower income level is based upon the Department of Housing and Urban Development's annual estimate of median family income figure for the MSA where the borrower resides. Low income is defined as <50% of the MSA median, moderate income is 50% to <80%, middle income is 80% to <120% and upper income is at least 120%.

II. **Community Development Test: "Satisfactory"**

TSB's community development performance demonstrates a satisfactory responsiveness to the community development needs of its assessment area.

Community Development Loans

During the evaluation period, TSB made seven community development loans totaling \$6.7 million, all of which represented new money. Of the total, \$2.0 million was for affordable housing, \$1.5 million for community services, \$2.9 million for economic development, and \$323 thousand for revitalization and stabilization of LMI areas. Some of the community development loans made by TSB are:

- A \$1.8 million term loan to a real estate company for the rehabilitation of a building located in LMI geography in Binghamton;
- A \$1.5 million line of credit to a limited partnership, to finance the construction of 24 one-bedroom apartments for low-income seniors, and/or physically handicapped, or disabled people in Oswego.

Qualified Investments

During the evaluation period, TSB had four qualified investments and five grants for

approximately \$237 thousand. Of the total investments, grants totaled \$1 thousand. The qualified investments include equity investments in New York Bankers Association Century Fund (\$115 thousand), New York Business Development Corporation (\$14 thousand), Statewide Zone Capital (\$100 thousand), and Southern Tier Business Development (\$6 thousand).

Community Development Services

TSB provides an adequate level of community development services throughout the assessment area. In 2006, TSB's market area experienced a massive flood. TSB offered a 1% rate reduction in consumer installment loans and restructured commercial and residential loans that gave customers the option to make lower payments or make interest payments only. For more than two months in 2007, TSB made space available in its Vestal Branch, to allow a non-profit to provide free income tax assistance to LMI taxpayers. Additionally, in 2007 TSB participated in a credit awareness campaign in which it sent several of its employees to make presentations to high school students regarding the importance of establishing and maintaining good credit.

Several officers and employees of TSB serve on the boards of various community organizations to offer their financial and technical expertise. The following is a sample of organizations and the services rendered:

- A senior vice president is chairperson of the board of the local chapter of a nationwide nonprofit organization that raises money to help fund 33 member agencies whose mission is to provide youth, healthcare, and financial programs and services to residents of Tioga County;
 - TSB's business development officer is a board member of the Tioga County Empire Zone, an economic organization formed to stimulate economic growth and assist businesses in Tioga County. The organization offers a variety of financial incentives and economic development benefits in order to attract new and growing businesses to the county's designated Empire Zone areas.
- **Action Taken In Response to Written Complaints With Respect to CRA**

Since the Banking Department's previous CRA evaluation conducted as of December 31, 2005, neither TSB nor the Department has received any written complaints regarding its CRA performance.

- **Discrimination and other Illegal Practices**

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

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

- **Evidence of prohibited discriminatory or other illegal credit practices.**

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

- **Process Factors**

Activities conducted by the banking institution to ascertain the credit needs of its community, including the extent of the banking institution's efforts to communicate with members of its community regarding the credit services being provided by the banking institution.

TSB has created four Business Development Boards ("BDBs") to ascertain the credit needs of its assessment area. The BDBs, comprised of as many as seven business/civic leaders from each geographic area, meet with a member of TSB's senior management on a quarterly basis. The executive communicates the BDB's recommendation to the rest of the senior management team. The BDBs offer general feedback about the service needs of the communities based on the experience of the board members and their friends, colleagues and neighbors. In addition, TSB conducts written surveys of its mortgage customers to ascertain their credit needs.

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

TSB markets its products and services by placing advertisements in newspapers, radio, television, trade association newsletters, and church bulletins, including direct mailings to potential customers in the assessment area. Additionally, information about its products and services is available in 12 stores of a major grocery chain in Broome County.

The extent of participation by the banking institution's board of directors in formulating the banking institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act.

The board of directors is closely involved in TSB's CRA program. The board reviews and approves the CRA Policy annually. Additionally, the Compliance Officer briefs the members of the board at its regular meetings regarding TSB's CRA activities.

- **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.