



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, 2008

Institution: Five Star Bank
55 North Main Street
Warsaw, NY 14569

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 Five Star Bank (“FSB”) 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, 2008.

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

Five Star Bank's ("FSB") performance was evaluated according to the lending, service and investment performance criteria. FSB is rated "1," indicating an "Outstanding" record of helping to meet community credit needs. This rating is based on the following factors:

Performance Levels	Five Star Bank		
	Performance Tests		
	Lending Test	Investment Test	Service Test
Outstanding	X	X	X
High Satisfactory			
Low Satisfactory			
Needs to Improve			
Substantial Non-Compliance			

The assessment period included calendar years 2007 and 2008.

The major factors supporting this rating include:

Lending

FSB's lending levels reflected excellent responsiveness to the assessment area's credit needs given the bank's size and financial condition and the difficult economic conditions and lending environment that existed during the evaluation period. Over the two-year evaluation period, FSB's small business, small farm and HMDA loans totaled almost \$800 million. Small business lending, both in terms of numbers and dollars increased from 2007 to 2008.

FSB originated a substantial majority of its loans within the assessment area. Overall, the bank originated 91.5%, by number, and 85.1%, by dollar volume, of its loans within the assessment area during the evaluation period.

The geographic distribution of small business/small farm loans reflected an excellent LMI penetration among census tracts of different income levels. For both number of loans and total dollars lent, FSB's LMI penetration rate was above the aggregate by 44% and 77% respectively.

The geographic distribution of HMDA-reportable loans reflected an excellent dispersion among census tracts of different income levels. FSB's HMDA LMI penetration rate in 2007, in number of loans exceeded both the aggregate (by 76%) and the percent of owner-occupied housing units in the assessment area (by 57%).

The distribution of borrowers reflected an excellent penetration among customers of different income levels and businesses of different sizes. For small businesses, based on number of loans in 2007, FSB lent to businesses with gross annual revenue ("GAR") of less

than \$1MM at almost twice the rate of the aggregate. For HMDA-reported lending, based on number of loans in 2007, FSB lent to LMI borrowers at a rate that was 21% higher than the aggregate.

FSB's level of community development loan commitments reflected excellent responsiveness to the credit needs of the assessment area. Between evaluation periods, total community development loans increased by 126% to \$82.7 million, of which almost \$77 million (93.1%) was new money.

Investment

FSB had an excellent level of qualified community development investments. FSB's qualified investments consisted primarily of bonds issued by local governments, school and fire districts in the towns, villages and cities located in LMI and distressed areas within the assessment area. As of the evaluation date, qualified community development investments, included grants of \$345 thousand, totaled \$77.2 million, which was more than double the amount reported at the previous evaluation. Of the total almost 85%, or \$65.5 million, represented new money.

Service

FSB has excellent delivery systems, branch network, branch hours and services, and alternative delivery systems. It was a leader in providing community development services within its assessment area.

FSB's delivery systems are readily accessible to its geographies and individuals of different income levels in its assessment area. FSB has two branches in low-income tracts, six in moderate-income tracts, and eleven that are in distressed communities.

FSB provided an excellent level of community development services. During the evaluation period, a significant number of FSB officers and staff volunteered their time, providing financial advice and technical assistance to community development organizations and educating small business owners and LMI individuals about finance and banking related matters.

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:

FSB was formed in December 2005 through a merger of Wyoming County Bank ("WCB"), National Bank of Geneva ("NBG") and Bath National Bank (BNB") into First Tier Bank & Trust ("FTBT"), the surviving entity, which changed to its current name. All four banks were wholly-owned subsidiaries of Financial Institutions, Inc. ("FII"), which remains FSB's holding company. FSB and FII are headquartered in Warsaw, Wyoming County, New York.

FSB reported total assets of \$1.9 billion as of December 31, 2008, which consisted primarily of \$1.1 billion in net loans and leases and \$626 million in investments. Total deposits were \$1.7 billion.

FSB operates 50 full-service banking offices in 14 counties as follows: one office each in Allegany, Cayuga and Chautauqua; five each in Cattaraugus, Livingston and Ontario; three in Chemung; four each in Erie, Genesee and Monroe; two each in Seneca and Yates; six in Wyoming, including the main office; and seven in Steuben counties. Supplementing the banking offices is a network of automated teller machines ("ATMs") in 72 locations within FSB's assessment area. In addition, FSB's customers are provided free access to Rochester-based Federal Credit Union's ATMs in 22 locations within FSB's assessment area.

FSB provides a variety of loan products, including commercial and agricultural working capital loans, commercial and agricultural mortgages, equipment loans, crop and livestock loans, residential mortgage and home equity loans, home improvement loans, automobile loans and personal loans.

The following is a summary of FSB's lending portfolio, based on Schedule RC-C of its December 31, 2006, December 31, 2007, and December 31, 2008 Call Reports:

TOTAL GROSS LOANS OUTSTANDING						
LOAN TYPE	12/31/2006		12/31/2007		12/31/2008	
	\$000	%	\$000	%	\$000	%
Residential Mortgage Loans	373,002	40.2	367,410	38.1	375,502	33.5
Commercial Mortgage Loans	229,779	24.8	229,121	23.7	238,471	21.3
Agricultural Loans	56,237	6.1	46,002	4.8	42,767	3.8
Commercial & Industrial Loans	83,381	9.0	111,658	11.6	129,025	11.5
Construction and land dev	13,668	1.5	19,116	2.0	25,645	2.3
Multifamily Residential Loans	13,211	1.4	13,392	1.4	15,575	1.4
Consumer Loans	152,715	16.5	172,437	17.9	287,379	25.6
Other Loans	5,181	0.6	5,643	0.6	7,428	0.7
Total Gross Loans	927,174	100.0	964,779	100.0	1,121,792	100.0

As shown in the above table, FSB is primarily a real estate lender. As of December 31, 2008, 33.5% of its loan portfolio was in residential mortgages and an additional 21.3% was

in commercial mortgages.

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

Assessment Area:

FSB's assessment area is in the predominantly rural Western and Southern Tier regions of New York State. It is comprised of 15 counties: nine counties in their entirety and portions of six counties. The assessment area consists of 262 census tracts, of which 9.2% are LMI. In addition, a number of geographies within the assessment area have been declared distressed or underserved middle-income geographies. While not used to analyze the dispersion of HMDA or small business lending, activities that revitalize or stabilize these geographies are designated as community development activities. When these geographies are included, 30.5% of the census tracts are LMI, distressed, or underserved.

The assessment area does not include the City of Buffalo in Erie County and certain portions of Monroe County (Rochester). Both of these areas have numerous LMI geographies within their respective counties. These were excluded because management believes the bank cannot effectively compete against the large, national banks that have a strong presence in these areas. Despite serving no LMI geographies in Monroe and Erie Counties, the assessment area does include numerous distressed or underserved geographies in other counties.

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

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

Distribution of Assessment Area Census Tracts by Income Level and Distressed or Underserved Census Tracts									
County	N/A	Low	Mod	Middle	Upper	Total	LMI %	Di-stressed /Under-served	% LMI and Di-stressed/ Under-served
Allegany	1	0	0	11	1	13	0.0	11	84.6%
Cattaraugus *	0	1	2	15	1	19	15.8	16	100.0%
Cayuga *	1	0	1	6	1	9	11.1		11.1%
Chautauqua *	0	1	3	12	1	17	23.5		23.5%
Chemung *	1	2	4	10	3	20	30.0		30.0%
Erie *	2	0	0	14	27	43	0.0		0.0%
Genesee	0	0	1	8	6	15	6.7		6.7%
Livingston	2	0	3	9	1	15	20.0		20.0%
Monroe *	0	0	0	11	16	27	0.0		0.0%
Ontario	0	1	3	17	2	23	17.4		17.4%
Schuyler	0	0	0	5	0	5	0.0	5	100.0%
Seneca	0	0	0	9	1	10	0.0		0.0%
Steuben	0	0	2	24	4	30	6.7	24	86.7%
Wyoming	0	0	0	11	0	11	0.0		0.0%
Yates	0	0	0	5	0	5	0.0		0.0%
Total	7	5	19	167	64	262	9.2		30.5%

*Partial County

Demographic and Economic Data:

In the FSB assessment area, there is a population of 1.1 million persons, including 297.5 thousand families, of which 32.1% are low- and moderate-income. The median family income is \$53,602 with a HUD Updated Median Family Income for the MSAs of \$56,725. The weighted average median housing price is \$87,353. Less than 5% of the 319.2 thousand owner-occupied units in the assessment area are located in LMI geographies.

There are 83.1 thousand non-farm businesses in the assessment area, of which 59.2% are small businesses with gross annual revenue (“GAR”) of \$1 million or less. Approximately 8.7% of all non-farm businesses are located in LMI census tracts. There are an additional 3.8 thousand small farms, of which 3.1% are located in LMI census tracts.

According to the New York State Department of Labor, and consistent with the New York statewide unemployment trend, the average annual unemployment rates in the 15 counties comprising the assessment area all increased in 2008. In 2007, nine of these counties, mostly located in southwestern New York, registered higher unemployment rates than the New York statewide unemployment rate. In 2008, 13 counties had average annual unemployment rates higher than New York State’s.

PERFORMANCE TESTS AND ASSESSMENT FACTORS

The Banking Department assesses a large bank's CRA performance by evaluating its lending, investment and service activities within the assessment area in accordance with Parts 76.8, 76.9 and 76.10 of the General Regulations of the Banking Board.

FSB's performance was evaluated according to the large bank performance criteria, which include lending, investment and service tests. The following factors were also considered in assessing FSB's record of performance: the extent of participation by the Board of Directors or Board of Trustees in formulating CRA policies and reviewing CRA performance; any practices intended to discourage credit applications, evidence of prohibited discriminatory or other illegal credit practices; and process factors such as activities to ascertain credit needs and the extent of marketing and special credit related programs. Finally, the evaluation considered other factors as delineated in Section 28-b of the Banking Law that reasonably bear upon the extent to which a banking institution is helping to meet the credit needs of its entire community.

Statistics employed in this evaluation were derived from various sources. In addition to bank-specific loan information submitted by FSB, aggregate data for small business and HMDA-reportable loans were obtained from the Federal Financial Institutions Examination Council ("FFIEC"). The demographic data referred to in this report were derived from the US Census 2000 data, with the updated median family income figures provided by the US Department of Housing and Urban Development ("HUD"). Business demographic data used in this report provide information on US businesses, enhanced by Dun & Bradstreet reports and updated annually.

CRA Rating: "Outstanding"

The assessment period included calendar years 2007 and 2008. FSB reports both HMDA and CRA small business data.

I. Lending Test: "Outstanding"

The bank's lending performance was evaluated pursuant to the following criteria: (1) Lending Activity; (2) Assessment Area Concentration; (3) Geographic Distribution of Loans; (3) Borrower Characteristics; (4) Community Development Lending and (5) Flexible and/or Innovative Lending Practices.

FSB reports both small business and HMDA loans; both were considered in factors (2) and (3), as noted above. The bank did not include any affiliate lending in this examination. More dollars were lent to small businesses than HMDA-reportable loans. Therefore, small business lending received greater weight in this evaluation. In addition, community development lending represented a substantial commitment on the part of FSB, and was also given significant weight.

- **Lending Activity: “Outstanding”**

FSB’s lending levels reflected excellent responsiveness to the assessment area’s credit needs given the bank’s size and financial condition and the difficult economic conditions and lending environment that existed during the evaluation period. Over the two-year evaluation period, FSB’s small business, small farm and HMDA loans totaled almost \$800 million. Small business lending, both in terms of numbers and dollars increased from 2007 to 2008.

FSB’s small business and small farm lending performance during the evaluation period reflected an excellent responsiveness to the credit needs of the assessment area. In 2007, FSB was ranked 10th among 99 lenders in the assessment area, with a market share of 2.0% based on number of small business/small farm loans¹. Market share data for 2008 were not available.

FSB’s HMDA-reportable lending activity during the evaluation period reflected an excellent responsiveness to assessment area credit needs. In 2007, the bank achieved a market share of 4.0% for HMDA-reportable lending (based on number of loans) and ranked 5th among 343 reporting lenders within the assessment area². This was an improvement from its 2006 performance, with 3.1% market share and ranking of 7th among 365 lenders. Market share data for 2008 were not available.

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

FSB originated a substantial majority of its loans within the assessment area. Overall, the bank originated 91.5%, by number, and 85.1%, by dollar volume, of its loans within the assessment area during the evaluation period.

¹ Small business aggregate data used in this evaluation, for both volume and market ranking as well as aggregate lending results, reflect entire counties, not just the bank’s assessment area.

² HMDA aggregate data used in this evaluation, for volume and market ranking as well as aggregate lending results, reflect entire counties, not just the bank’s assessment area.

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

Distribution of Loans Inside and Outside of the Assessment Area										
Loan Type	Number of Loans					Dollar Volume				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$000's	%	\$000's	%	
Small Business and Small Farm										
2007	1,654	90.2	180	9.8	1,834	125,336	83.9	24,020	16.1	149,356
2008	1,709	89.9	191	10.1	1,900	139,198	80.4	33,914	19.6	173,112
<i>Subtotal</i>	<i>3,363</i>	<i>90.1</i>	<i>371</i>	<i>9.9</i>	<i>3,734</i>	<i>264,534</i>	<i>82.0</i>	<i>57,934</i>	<i>18.0</i>	<i>322,468</i>
HMDA										
2007	1,116	94.0	71	6.0	1,187	71,487	91.1	7,018	8.9	78,505
2008	967	93.6	66	6.4	1,033	65,801	92.3	5,518	7.7	71,319
<i>Subtotal</i>	<i>2,083</i>	<i>93.8</i>	<i>137</i>	<i>6.2</i>	<i>2,220</i>	<i>137,288</i>	<i>91.6</i>	<i>12,536</i>	<i>8.4</i>	<i>149,824</i>
Total	5,446	91.5	508	8.5	5,954	401,822	85.1	70,470	14.9	472,292

The concentration of both small business/small farm and HMDA loans within the assessment area was excellent. During the evaluation period, the bank originated 90% of small business/small farm and 94% of HMDA loans (by number of loans) within its assessment area. Dollars lent within the assessment area were at more than 80% for small business/small farm and more than 90% for HMDA loans,

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

The geographic distribution of small business/small farm loans reflected a good LMI penetration among census tracts of different income levels. For both number of loans and total dollars lent, FSB's LMI penetration rate was above the aggregate by 44% and 77% respectively.

The geographic distribution of HMDA-reportable loans reflected an excellent dispersion among census tracts of different income levels. FSB's HMDA LMI penetration rate in 2007 in number of loans exceeded both the aggregate in 2007 (by 76%) and the percent of owner-occupied housing units in the assessment area (by 57%).

Small Business/Small Farm: “High Satisfactory”

The geographic distribution of small business/small farm loans reflected a good penetration throughout the assessment area.

In 2007, FSB originated 8.9%, by number, of its small business/small farm loans in LMI geographies. In addition, the percentage of lending, based on number of loans, exceeded the percentage of small businesses in LMI census tracts. Of particular note was FSB's

penetration rate in moderate-income census tracts, which exceeded both aggregate and business demographic benchmarks.

The following table shows the geographic distribution of small business/small farm loans for 2007 and 2008:

Distribution of Small Business & Small Farm Loans by Geography Income Level*									
Geography Income Level	2007								Bus. Demo- graphics
	Bank				Aggregate				
	#	%	\$000's	%	#	%	\$000's	%	
Low	22	1.3	2,644	2.1	522	1.3	16,512	1.5	2.2%
Moderate	125	7.6	11,585	9.2	2,027	5.0	54,786	4.9	6.4%
Middle	1,212	73.3	90,742	72.4	21,831	53.4	598,816	53.8	57.7%
Upper	295	17.8	20,365	16.2	16,467	40.3	443,070	39.8	33.7%
N/A	-	-	-	-	10	0.0	51	0.0	0.1%
Total	1,654	100.0	125,336	100.0	40,857	100.0	1,113,235	100.0	100.0%
Geography Income Level	2008								
	Bank				Aggregate				
	#	%	\$000's	%	#	%	\$000's	%	
Low	14	0.8	1,827	1.3	Not Available				2.2%
Moderate	145	8.5	11,954	8.6					6.3%
Middle	1,209	70.7	86,697	62.3					57.6%
Upper	341	20.0	38,720	27.8					33.9%
Total	1,709	100.0	139,198	100.0					100.0%

Although 2008 aggregate data were not yet available, the 2008 low-income penetration rate for number of loans (.8%) was less than the 2007 aggregate penetration rate of 1.3%. FSB's record continued to be excellent when compared to the business demographic data.

Although, based on number of loans, the percentage of lending decreased in low-income geographies, it increased in moderate-income geographies, and still remained above the benchmark of number of businesses located in LMI geographies.

HMDA-Reportable: "Outstanding"

As noted in the chart below, less than 5% of owner-occupied housing is located in LMI geographies, with .3% in low-income geographies. This performance context made HMDA lending in these geographies very difficult. Within this context, in 2007, FSB originated 7.2%, by number, of its HMDA-reportable loans in LMI geographies, exceeding the percentage of owner-occupied housing units and exceeding the aggregate penetration rate of 4.1%. Although aggregate data for 2008 were not available, the bank maintained the same level of performance in 2008.

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

Distribution of HMDA-Reportable Loans by Geography Income Level*									
Geography Income Level	2007								Owner- Occpied Housing Units
	Bank				Aggregate				
	#	%	\$000's	%	#	%	\$000's	%	
Low	2	0.2	95	0.1	83	0.3	4,382	0.2	0.3
Moderate	78	7.0	3,718	5.2	1,060	3.8	57,799	2.0	4.3
Middle	882	79.0	53,322	74.6	17,235	61.1	1,438,732	50.0	62.7
Upper	154	13.8	14,352	20.1	9,840	34.9	1,377,263	47.8	32.8
N/A		0.0		0.0	1	0.0	126	0.0	
Total	1,116	100.0	71,487	100.0	28,219	100	2,878,302	100	100
Geography Income Level	2008								Owner- Occpied Housing Units
	Bank				Aggregate				
	#	%	\$000's	%	#	%	\$000's	%	
Low	2	0.2	87	0.1	Not Available				0.3
Moderate	69	7.1	3,153	4.8					4.3
Middle	771	79.7	48,416	73.6					62.7
Upper	125	12.9	14,145	21.5					32.8
N/A									
Total	967	100.0	65,801	100.0					100

- Borrower Characteristics: "Outstanding"**

The distribution of borrowers reflected an excellent penetration among customers of different income levels and businesses of different sizes. For small businesses, based on number of loans in 2007, FSB lent to businesses with gross annual revenue ("GAR") of less than \$1MM at almost twice the rate of the aggregate. For HMDA-reported lending, based on number of loans in 2007, FSB lent to LMI borrowers at a rate that was 21% higher than the aggregate.

Small Business/Small Farm: "Outstanding"

FSB's performance based on the distribution of its small business/small farm loans by GAR was excellent. In 2007, 80.5%, by number, of the small business/small farm loans originated in the assessment area were extended to businesses with GAR of \$1 million or less. In comparison, the market aggregate extended only 41.5% of its small business/small farm loans to businesses with similar GAR. In 2008, 77.4% of FSB's loans were extended to businesses with this revenue size. Aggregate data for 2008 were not available.

In terms of the number of businesses, FSB's record of 77-81% of lending to businesses with GAR <=\$1MM compared favorably with the business demographic data of 61-62% of all businesses³.

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

Distribution of Small Business & Small Farm Loans by Revenue Size									
Revenue Size	2007								Bus. Demographics
	Bank				Aggregate				
	#	%	\$000's	%	#	%	\$000's	%	
<=\$ 1MM	1,332	80.5	69,050	55.1	16,955	41.5	434,848	39.1	61.9
> \$ 1MM	322	19.5	56,286	44.9	-	-	-	-	5.0
Total	1,654	100.0	125,336	100.0	40,857	100.0	1,113,235		
Revenue Size	2008								Bus. Demographics
	Bank				Aggregate				
	#	%	\$000's	%	#	%	\$000's	%	
<=\$ 1MM	1,323	77.4	68,454	49.2	Not Available				60.8
> \$ 1MM	386	22.6	70,744	50.8					4.7
Total	1,709	100.0	139,198	100.0					

HMDA-Reportable: "Outstanding"

The distribution of FSB's 1-4 family HMDA-reportable loans reflected an excellent penetration among individuals of different income levels

In 2007, FSB extended 32.5%, by number, of its 1-4 family, HMDA-reportable loans to LMI borrowers, outperforming the market aggregate's LMI borrower penetration rate of 26.9% and virtually matching the demographics. Although FSB's penetration rate among low-income borrowers was less than the demographics, it did exceed the aggregate penetration.

FSB's LMI penetration rate further improved in 2008, with 35.4% of the bank's 1-4 family, HMDA-reportable loans extended to LMI borrowers. In 2008, 17.3% of the bank's 1-4 family mortgages were to moderate-income households, whereas moderate-income households made up 15.6% of the assessment area. Aggregate data for 2008 were not available.

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

³ The revenue size of approximately 1/3 of the businesses in the assessment area was not available. Were these businesses to be excluded from (business demographics) the calculations in the chart, the percentage of businesses with revenues of <= \$1MM would be 93%.

Distribution of 1-4 Family^ HMDA-Reportable Loans by Borrower Income Level*									
Borrower Income Level	2007								Family Demogra phics
	Bank				Aggregate				
	#	%	\$000's	%	#	%	\$000's	%	
Low	111	10.5	3,445	5.4	1,887	6.9	84,141	3.1	15.0
Moderate	234	22.0	9,239	14.4	5,438	20.0	353,500	13.1	17.1
Middle	301	28.3	15,695	24.4	7,331	26.9	601,415	22.3	23.1
Upper	382	36.0	33,095	51.4	11,956	43.9	1,582,150	58.6	44.7
N/A	34	3.2	2,867	4.5	638	2.3	78,094	2.9	-
Total	1,062	100.0	64,341	100.0	27,250	100.0	2,699,300	100.0	100.0
Borrower Income Level	2008								Family Demogra phics
	Bank				Aggregate				
	#	%	\$000's	%	#	%	\$000's	%	
Low	100	11.0	2,711	4.6	Not Available				15.0
Moderate	221	24.4	10,205	17.3					17.1
Middle	233	25.7	12,962	22.0					23.1
Upper	315	34.8	30,567	51.8					44.7
	36	4.0	2,512	4.3					-
Total	905	100.0	58,957	100.0					100.0

^ Chart does not include multi-family lending, which is included in HMDA chart for income of geography.

• Community Development Lending: “Outstanding”

FSB’s level of community development loan commitments reflected excellent responsiveness to the credit needs of the assessment area. Between evaluation periods, total community development loans increased by 126% to \$82.7 million, of which almost \$77 million (93.1%) was new money.

FSB’s community development lending included loan commitments to both not-for-profit and for-profit organizations such as daycare and healthcare facilities that provide community services to LMI individuals; real estate developers that provide affordable housing; industrial development authorities and local government agencies that promote economic development, and businesses that provide jobs which help revitalize and stabilize LMI and distressed areas within the assessment area. Examples of the bank’s community development loans are as follows:

- \$3.0 million construction loan to a real estate developer used for the purpose of remodeling a 21-unit affordable housing property for low-income seniors.
- \$3.2 million loan to a real estate company for the construction of an office facility located in a moderate-income area. The facility will be rented out to businesses that will provide jobs to area residents and help revitalize and stabilize the area.

The following table summarizes FSB’s community development loan commitments as of the evaluation date.

Community Development Loans				
Purpose	Number of Loans	%	Amount \$000	%
Affordable Housing	17	14.5	7,734	9.3
Community Services	77	65.8	20,887	25.3
Economic Development	9	7.7	34,095	41.2
Revitalize and Stabilize	14	12.0	19,977	24.2
Total	117	100.0	82,693	100.0

• **Flexible and/or Innovative Lending Practices: “High Satisfactory”**

While not innovative, FSB made use of flexible lending practices in serving its assessment area’s credit needs through its participation in the lending programs of the Small Business Administration (“SBA”), State of New York Mortgage Agency (“SONYMA”), Federal Housing Authority (“FHA”), and New York State Energy Research and Development Authority (“NYSERDA”).

Loans originated under these programs qualify for certain subsidies such as reduced interest rates and/or lower down payments which make them more advantageous to the borrower than the standard mortgage and small business loans offered by the bank.

During the evaluation period, FSB’s participation in these lending programs generated a combined volume of 415 loans totaling \$24.8 million compared to only 159 loans totaling \$9.8 million for the prior evaluation period. A breakdown of these loans is shown in the following table.

Originations of Flexible Loan Products		
Loan Program	Number of Loans	Amount (\$000)
SBA	298	15,832
SONYMA	60	4,009
FHA	52	4,401
NYSERDA	5	606
Total	415	24,848

II. Investment Test: ”Outstanding”

FSB’s investment performance is evaluated pursuant to the following criteria: (1) the dollar amount of qualified investments; (2) the innovativeness or complexity of qualified investments; (3) the responsiveness of qualified investments to credit and community development needs; (4) the degree to which the qualified investments are not routinely provided by private investors.

FSB had an excellent level of qualified community development investments. Although the bank made no use of innovative or complex investments to support community development, FSB is responsive to the needs of its assessment area. As of the evaluation date, qualified community development investments, including grants of \$345 thousand, totaled \$77.2 million, which was more than double the amount reported at the previous evaluation. Of the total almost 85%, or \$65.5 million, represented new money.

The following table summarizes FSB's qualified investment activities as of evaluation date:

Qualified Investments and Grants				
Purpose	Number of Investments	%	Amount \$000	%
Affordable Housing	1	0.0	45	0.1
Community Services	1,245	83.4	17,274	22.4
Economic Development	1	0.0	76	0.1
Revitalize and Stabilize	246	16.6	59,766	77.4
Total	1,493	100.0	77,161	100.0

FSB's qualified investments consisted primarily of bonds issued by local governments, school and fire districts in the towns, villages and cities located in LMI and distressed areas within the assessment area. The bonds were used to support efforts to revitalize and stabilize LMI and distressed areas. These investments were qualified as community development investments, because these municipal bonds were issued by towns and districts that are overwhelmingly LMI or distressed areas, and as such, support needed infrastructure. The following are examples of FSB's qualified community development investments.

- \$2.5 million investment in a bond anticipation note issued by the Village of Addison in Steuben County to finance the construction of structural improvements to the village's wastewater treatment plant.
- \$1.1 million investment in a bond anticipation note issued by the Allegany Fire District to finance the construction of its new fire house.
- \$2.1 million investment in a bond anticipation note issued by the Bradford Central School District to finance a portion of the cost of renovations and additions to the District's main school building.
- \$2.7 million investment in a bond anticipation note issued by the Village of Canaseraga to finance the construction of a sewage collection and treatment system.

III. Service Test: “Outstanding”

The service test evaluates a banking institution's record of helping to meet the credit needs of its assessment area by analyzing both the availability and effectiveness of a banking institution's systems for delivering retail banking services and the extent and innovativeness of its community development services.

FSB has excellent delivery systems, branch network, branch hours and services, and alternative delivery systems. It was a leader in providing community development services within its assessment area.

- **Retail Banking Services: “Outstanding”**

Accessibility of Delivery Systems

FSB's delivery systems are readily accessible to its geographies and individuals of different income levels in its assessment area. FSB has two branches in low-income tracts, six in moderate-income tracts, and eleven that are in distressed communities. Altogether, these branches represent 38% of FSB's network of 50 branches (16% LMI; 22% distressed). This ratio compares favorably to the 31% of census tracts in the assessment area that are LMI or distressed (9% LMI, 21% distressed).

FSB provides drive-up facilities in 42 offices and free access to ATM machines in 94 locations throughout its assessment area. FSB offers on-line banking in addition to the 24-hour telephone banking and bank-by-mail services.

Changes in Branch Locations

FSB's record of opening and closing of branches has not adversely affected the accessibility of its delivery systems. During the evaluation period, FSB opened two branches in Monroe County in MSA 40380, one located in an upper-income tract and the other in a middle-income tract. No branch was closed during the evaluation period.

Reasonableness of Business Hours and Services

Services do not vary in a way that inconveniences the needs of LMI geographies and/or LMI individuals in the assessment area.

FSB's business hours are generally from 9:00AM to 4:00PM Monday through Thursday and 9:00AM to 5:00PM on Fridays. On certain weekdays, forty branches open at 8:30 AM and thirty nine branches close at 6:00 PM or later. Thirty one branches, offer Saturday half-day business hours. Branches in LMI or distressed tracts are well represented in the branches with additional hours.

- **Community Development Services: “Outstanding”**

FSB provided an excellent level of community development services. During the evaluation period, a significant number of FSB officers and staff volunteered their time, providing financial advice and technical assistance to community development organizations and educating small business owners and LMI individuals about finance and banking related matters.

Economic development is a key need in the area. A senior vice president is a board member of the Rochester Business Alliance, an organization that promotes economic development in the nine-county Rochester region. A senior vice president serves as treasurer of the Wyoming County Empire Zone Administrative Board, the administrative body established by the county to oversee the economic development plans and funding programs for county-designated Empire Zones. A vice president is a member of the Loan Review Committee of the Chautauqua County Industrial Development Authority and an assistant vice president serves as a board member of the Cayuga County Industrial Development Authority. Both entities are involved in projects that revitalize and promote the economic development of LMI geographies. In connection with the Wayland (Ontario County) Area Revitalization Program, two branch managers conducted a small business lending presentation which covered different types of small business loans and their requirements.

Ten FSB officers serve either as directors, treasurers or as the vice president of the local chambers of commerce operating in LMI or distressed areas within the assessment area. As associations of small businesses, the chambers support business and economic development.

Staff also uses their managerial and financial expertise to support organizations that assist low- and moderate-income individuals. A vice president is the treasurer and chairman of the finance committee of the Elmira chapter of Glove House, a youth and families social service non-profit organization. A senior vice president is a member of the Finance Committee of the Food Bank of WNY. An assistant vice president is a board member of Wyoming County Habitat for Humanity. A vice president and an assistant vice president are volunteer tax preparers for ProAction, a non-profit organization that serves LMI individuals in Bath, NY. Six FSB officers serve either as board members, treasurer, president or fundraising chairman of chapters of the United Way within the assessment area.

Six branch officers participated in the “Teach Children to Save” program which FSB developed for public elementary school children in Grades 1 to 3. 582 students from distressed or LMI geographies attended these six sessions.

The following factors were also considered in assessing FSB's record of performance.

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 is involved with and kept informed about CRA matters through designated board members serving on the Audit committee as well as through the Executive Management Team. These individuals report any significant CRA items to and seek input from the full board as applicable. In addition, FSB has implemented a periodic self assessment, usually conducted between examination periods. The most recent self assessment was presented to the Risk Management Committee in March 2008 and the Audit Committee in April 2008.

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 concurrent regulatory compliance and fair lending examinations indicated a satisfactory performance in terms of adherence to antidiscrimination or other applicable laws and regulations. No evidence of prohibited discrimination 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.

FSB ascertains the credit needs of its assessment area through its officers' active participation in community organizations, particularly those that provide community services, promote the development of economically depressed areas, and create/attract businesses. Highlights of these activities are noted above.

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.

FSB makes members of the community aware of the credit services it offers generally through printed product brochures, posters and website advertising. Additionally, FSB conducted special marketing efforts and promotions which

included the Spring and Fall Loan Campaign in 2007 and its Spring Loan Campaign in 2008. FSB supported these campaigns with newspaper advertising, posters, pamphlets and flyers.

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.

As noted above, FSB performs a periodic CRA self-assessment. This assessment is comprehensive and includes statistical measures for tracking the bank's CRA performance. The most recent self-assessment analyzed the bank's performance in 2007 as compared to FSB's record in 2006. This self-assessment is a valuable tool for FSB to continue to monitor its CRA performance and inform senior management and the board of any issues that arise.

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

GLOSSARY

Aggregate Penetration Rate

The number of loans originated and purchased by all reporting lenders in specified categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the assessment area.

Community Development

The term “community development” is defined to mean:

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

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

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

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

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

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

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

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

Home Mortgage Disclosure Act (“HMDA”)

The Home Mortgage Disclosure Act, enacted by Congress in 1975, and subsequently amended, requires institutions to annually report data about applications for residential (including multifamily) financing.

Income Level

The income level of the person, family or household is based on the income of person, family or household. A geography’s income is categorized by median family income for the geography. In both cases, the income is compared to the MSA or statewide nonmetropolitan median income.

Income level of individual or geography	% of the area median income
Low-income	Less than 50
Moderate-income	At least 50 and less than 80
Middle-income	At least 80 and less than 120
Upper-income	120 or more

Loans to Small Businesses

Small business loans to businesses with gross annual revenues (“GAR”) of \$1 million or less (“< = \$ 1MM”).

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

Individuals or persons 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 in LMI geographies or to LMI borrowers.

Small Business Loans

Loans to businesses with original amounts of \leq \$1MM.