



**NEW YORK STATE BANKING DEPARTMENT  
CONSUMER SERVICES DIVISION**

One State Street Plaza  
New York, NY 10004

**PUBLIC SUMMARY**

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

**Date of Evaluation:** December 31, 2009

**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, 2009.

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 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 ratings and the written summary be made available to the public (“Evaluation”). Evaluations are primarily based on a review of performance tests and standards described in Section 76.7 and detailed in Sections 76.8 – 76.13. The tests and standards incorporate the 12 assessment factors contained in Section 28-b of the New York State Banking Law.

For explanation of technical terms used in this report, please consult the **GLOSSARY** at the back of this document.

## **OVERVIEW OF INSTITUTION'S PERFORMANCE**

TSB's performance was evaluated according to the intermediate small bank performance criteria. TSB is rated "2," indicating a "**Satisfactory**" record of helping to meet community credit needs. This rating is unchanged from the prior New York State Banking Department Performance Evaluation, dated December 31, 2007. TSB's rating is based on the following factors:

### **Overall Rating: Satisfactory**

#### **Lending Test - "Satisfactory"**

- ***Loan-to-Deposit ("LTD") Ratio and Other Lending-Related Activities: "Satisfactory"***

TSB's LTD ratio was reasonable given its size, business strategy, financial condition and peer group activity. TSB's average LTD ratio for the eight quarters since the prior evaluation was 74.5%, lower than the peer group's average ratio of 87.6%, but still reasonable.

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

TSB extended a substantial majority of its HMDA-reportable, small business and consumer loans inside its assessment area. Considering all three types of lending, TSB extended 88.6% of the number of loans and 83.2% of the dollars lent within its assessment area.

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

TSB's distribution of HMDA-reportable, small business and consumer loans based on borrower characteristics reflected a reasonable penetration of lending to borrowers of various income levels and businesses of various revenue sizes.

For HMDA-reportable loans, TSB's two-year average ratio of lending to LMI borrowers is close to the aggregate's 2008 penetration ratio.

The distribution of small business loans based on the revenue size of the business demonstrated an excellent rate of lending to businesses with revenues of \$1 million or less. In 2008, TSB's lending penetration ratio was more than double the aggregate's penetration ratio and exceeded the demographics. In 2009, TSB's penetration ratio on this measure further increased to 83.9%.

The distribution of consumer loans based on the income of the borrower demonstrated an excellent rate of lending to LMI consumers. TSB's two-year average penetration ratio for number of loans exceeded the percentage of LMI households in its assessment area.

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

TSB's lending over the two years of the evaluation period demonstrated markedly different rates of lending in LMI census tracts. TSB's 2008 lending, particularly

HMDA-reportable and consumer lending, was considerably below both the aggregate's penetration rate and the area demographics. However, TSB's performance improved significantly in 2009. Only Broome County contains LMI census tracts. Therefore, the analyses focused on lending in Broome County.

Starting from a very small base, TSB tripled its HMDA-reportable lending in LMI census tracts, even as its total HMDA-reportable lending was down by 5%. In Broome county, TSB's performance in 2009 was comparable to the 2008 aggregate performance and the county's demographics.

For small business lending in Broome County, TSB's lending penetration ratios for number of loans in both years was comparable to the 2008 aggregate performance, but lower than the business demographics.

For consumer lending in Broome County, TSB's lending penetration ratios were considerably lower than the demographics of the area.

- ***Action Taken in Response to Written Complaints with Respect to CRA: "Satisfactory"***  
Neither TSB nor the New York State Banking Department received any written complaints with respect to the bank's CRA performance during the evaluation period.

#### **Community Development Test: "Satisfactory"**

TSB's community development performance demonstrated adequate responsiveness to community development needs.

- ***Community Development Loans: "Outstanding"***  
TSB is a leader in making qualified community development loans. During the evaluation period, TSB's community development commitments totaled \$7 million, of which 69% (\$4.8 million) was new money.
- ***Community Development Investments: "Needs to Improve"***  
TSB's level of qualified community development investments reflected a poor responsiveness to the credit needs of its assessment area. TSB made grants to community development organizations, totaling \$33 thousand. However, TSB made no other community development investments.
- ***Community Development Services: "Satisfactory"***  
TSB provided an adequate level of community development services. Staff actively participated in the activities of community development organizations.

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 Profile:**

TSB is a New York state-chartered commercial bank, founded in 1884 and headquartered in Spencer, New York. In addition to its main office, located at One Main Street in Spencer, the bank operates ten other full-service branches and ten stand-alone ATMs located in Weis or Giant Market stores. One branch is located in a moderate-income geography in the City of Binghamton, while the ten other branches are located in either middle- or upper-income tracts. No branches were opened or closed during the evaluation period.

According to TSB's Call Report as of December 31, 2009, as submitted to the Federal Deposit Insurance Corporation ("FDIC"), TSB reported total assets of \$351.7 million. The bank's assets increased by 16.9% since the prior evaluation (\$301 million). Net loans and leases stood at \$214.3 million and deposits were \$288.2 million, which resulted in a loan-to-deposit ratio of 74.4%.

As of June 30, 2009, TSB had approximately 37.1% market share of the \$421.5 million deposit pool within Tioga County. This market share placed TSB first among seven deposit-taking institutions in Tioga County. This was a slightly larger market share than one year earlier when the bank held a 33.7% share of the County's deposit pool and the same ranking. In the four counties that are either fully or partially included in TSB's assessment area (Broome, Chemung, Tioga and Tompkins), TSB had approximately a 5.3% market share of the \$5.4 billion deposit pool. This market share placed TSB sixth among 17 deposit-taking institutions in the four counties. This was a slightly larger market share than one year earlier when the bank held a 4.5% share of the area's deposit pool and the same ranking. These data are based on deposits across all four counties in total (i.e., beyond TSB's assessment area). TSB's assessment area does not include the cities of Elmira and Ithaca; two cities that contain large portions of the deposits within Chemung and Tompkins Counties respectively.

The majority of TSB's outstanding loan portfolio (54%) was 1-4 family residential real estate loans. However, during the evaluation period, HMDA-reportable loans only represented 42% of new origination dollars. A total of 23.8% of TSB's outstanding loan portfolio consisted of commercial and industrial loans; commercial mortgage loans constituted 11.6% of the portfolio. Consumer loans, which were only 3% of outstanding loans, made up 17% of origination dollars extended during the evaluation period. From year-end 2007 to year-end 2009, TSB's outstanding loan portfolio increased by 14.3% (\$27.1 million). This demonstrated a continued commitment to meeting the credit needs of the entire community, particularly impressive in light of the economic downturn of 2008.

The following chart is a summary of the bank's outstanding loan portfolio, based on Schedule RC-C of the bank's call reports. Information on new loan originations can be found in Section 4 of this report.

<b>TOTAL GROSS LOANS OUTSTANDING</b>						
LOAN TYPE	12/31/2007		12/31/2008		12/31/2009	
	\$(000s)	%	\$(000s)	%	\$(000s)	%
1-4 Residential Mortgage Loans	101,272	53.3	111,061	53.2	117,201	54.0
Commercial & Industrial Loans	41,639	21.9	49,049	23.5	51,730	23.8
Commercial Mortgage Loans	23,104	12.2	23,468	11.2	25,069	11.6
Consumer Loans	8,832	4.7	8,689	4.2	7,455	3.4
Construction Loans	6,030	3.2	7,438	3.6	6,198	2.9
Multifamily Mortgage Loans	2,418	1.3	3,151	1.5	3,322	1.5
Agricultural/Farm Loans	3,178	1.7	2,541	1.2	3,057	1.4
Obligations of States & Other Subdivisions	1,643	0.9	1,615	0.8	1,434	0.7
Loans to Other Depository Institutions	1,000	0.5	1,000	0.5	1,000	0.5
Other Loans	818	0.4	698	0.3	563	0.3
<b>Total Gross Loans</b>	<b>189,934</b>	<b>100.0</b>	<b>208,710</b>	<b>100.0</b>	<b>217,029</b>	<b>100.0</b>

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

**Assessment Area:**

TSB's assessment area consists of portions of three MSAs. The Binghamton MSA consists of two counties; TSB's assessment area includes all of Tioga County and a portion of Broome County. The Broome County portion includes the city of Binghamton. The Elmira MSA consists of one county – Chemung. TSB's assessment area includes a portion of Chemung County, but does not include the city of Elmira. The Ithaca MSA also consists of one county – Tompkins. TSB's assessment area includes a portion of Tompkins, but does not include the city of Ithaca.

TSB's assessment area includes 63 census tracts, 17 (27%) of which are LMI. All of the LMI tracts are located in Broome County. The following chart shows the income-level distribution of the census tracts by counties:

<b>Distribution of Census Tracts Within the Assessment Area</b>								
<i>MSA</i>	<i>County</i>	<i>Low-Income</i>	<i>Moderate-Income</i>	<i>Middle-Income</i>	<i>Upper-Income</i>	<i>Total Census</i>	<i>LMI Tracts</i>	<i>LMI %</i>
<i>Binghamton</i>	*Broome	4	13	19	12	48	17	35.4%
<i>Binghamton</i>	Tioga	0	0	8	2	10	0	0.0%
<i>Elmira</i>	*Chemung	0	0	2	0	2	0	0.0%
<i>Ithaca</i>	*Tompkins	0	0	3	0	3	0	0.0%
	<b>Total</b>	4	13	32	14	63	17	
		6.3%	20.6%	50.8%	22.2%	100.0%	27.0%	

\*Partial County

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

## **Demographic & Economic Data:**

The assessment area had a population of 250.2 thousand. About 15.6% of the population were over the age of 65 and 20.9% were under the age of 16.

Of the 64,508 families in the assessment area, 18.6% were low-income, 19% were moderate-income, 23.4% were middle-income and 39% were upper-income. There were 100,455 households in the assessment area, of which 11.7% had income below the poverty level and 3.4% were on public assistance.

The median family income within the assessment area was \$47 thousand. The U.S. Department of Housing and Urban Development ("HUD") estimated median family income for the area was \$59.1 thousand in 2009.

There were 117,858 housing units within the assessment area, of which 82.6% were one- to four-family units, and 9.9% were multifamily units. A majority (57.2%) of the area's housing units were owner-occupied, while 31.7% were rental units. Of the 67,358 owner-occupied housing units, 9.1% were in moderate-income tracts while 61.5% were in middle-income tracts. The median age of the housing stock was 53 years and the median home value in the assessment area was \$73.3 thousand.

There were 17,081 non-farm businesses in the assessment area. Of these, 71.4% were businesses with reported revenues of less than or equal to \$1 million, 4.6% reported revenues of more than \$1 million and 24% did not report their revenues. Of all the businesses in the assessment area, 82.1% were businesses with less than fifty employees while 88.7% operated from a single location. The largest industries in the area were services (44.7%), followed by retail trade (15.9%) and construction (7.2%), while 11.1% of businesses in the assessment area were not classified.

For the year 2008, The New York State Department of Labor reported an average unemployment rate of 5.6% in the Southern Tier Region. This region extends beyond TSB's entire assessment area, but is the closest approximation for which unemployment statistics is available. The unemployment rate was similar to the New York State average unemployment rate of 5.3% and the Tioga County average of 5.4%. In 2009, the average unemployment rate in the Southern Tier Region increased to 8.1%, again similar to New York State's average of 8.4% and Tioga's average of 8.1%. The increase in unemployment rate was attributed to the economic downturn in the U.S.

## **Community Information:**

An economic development organization actively involved in the revitalization and stabilization of Tioga County was contacted to share information on the credit needs of the area and the extent to which those needs are met by banks serving the area. They had no concerns or adverse comments on TSB. The organization noted that TSB was willing to finance new business initiatives.

## **PERFORMANCE TESTS AND ASSESSMENT FACTORS**

*TSB was evaluated under the intermediate small banking institution's performance standards in accordance with Parts 76.7 and 76.12 of the General Regulations of the Banking Board. TSB's performance was evaluated according to the intermediate small bank performance criteria, which consists of the lending test and the community development test. The lending test includes (1) loan-to-deposit ratio and other lending-related activities; (2) assessment area concentration; (3) distribution by borrower characteristics; (4) geographic distribution of loans; and (5) action taken in response to written complaints regarding CRA. The community development test includes: (1) community development lending; (2) community development investments; (3) community development services; (4) innovative or complex practices; and (5) responsiveness to community development needs. The following factors were also considered in assessing the bank'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; record of opening and closing offices and providing services at offices; 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. Bank-specific information was submitted by the bank both as part of the examination process and on its Call Report submitted to the Federal Deposit Insurance Corporation ("FDIC"). Aggregate lending data were obtained from the Federal Financial Institutions Examination Council ("FFIEC") and deposit data were obtained from the FDIC. Loan-to-deposit ratios were calculated from information shown in the bank's Uniform Bank Performance Report ("UBPR") as submitted to the FDIC.

The demographic data referred to in this report were derived from the 2000 U.S. Census and the U.S. 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. Unemployment data were obtained from the New York State Department of Labor. Some non-specific bank data are only available on a countywide basis, and were used even where the institution's assessment area included partial counties.

Examiners considered TSB's small business, HMDA-reportable, and consumer loans in evaluating factors (2), (3) and (4) of the lending test as noted above. Consumer loan data were evaluated at TSB's request. Aggregate consumer data are not available for comparative purposes.

Small business lending aggregate data are shown for comparative purposes. TSB is not required to report this data. As such, TSB is not included in the aggregate data. As TSB did not make any small farm loans, all analyses were based on small business

lending only.

HMDA-reportable loan data evaluated in this performance evaluation represented actual originations. Small business loan results were extrapolated from a sample of 125 loans. Consumer loan results were extrapolated from a sample of 168 loans.

The assessment period included calendar years 2008 and 2009.

TSB received a rating of “2,” reflecting a “Satisfactory” record of helping to meet community credit needs at its **prior** Performance Evaluation conducted by the New York State Banking Department as of December 31, 2007.

**Current CRA Rating: “Satisfactory”**

**Lending Test: “Satisfactory”**

TSB’s small business, HMDA-reportable and consumer lending activities were reasonable in light of aggregate and peer group activity and demographics.

Loan-to-Deposit Ratio Analysis: “Satisfactory”

TSB’s LTD ratio was reasonable given its size, business strategy, financial condition and peer group activity.

TSB’s average LTD ratio for the eight quarters since the prior evaluation was 74.5%, lower than the peer group’s average ratio of 87.6%<sup>1</sup>, but still reasonable. The chart below illustrates TSB’s and its peer group’s LTD ratios for the eight quarters ending December 31, 2009:

<b>Loan-to-Deposit Ratios</b>									
	2008	2008	2008	2008	2009	2009	2009	2009	Average
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	LTD
Bank	74.28	81.62	78.59	74.23	69.01	72.91	71.30	74.36	<b>74.54</b>
Peer	89.47	91.00	91.10	89.29	86.85	86.00	84.75	82.75	<b>87.65</b>

Assessment Area Concentration: “Outstanding”

TSB extended a substantial majority of its HMDA-reportable, small business and consumer loans inside its assessment area. Considering all three types of lending, TSB extended 88.6% of the number of loans and 83.2% of the dollars lent within its assessment area.

During 2008 and 2009, TSB originated a majority of its HMDA-reportable loans within its

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<sup>1</sup> These ratios were calculated from information shown in the bank’s Uniform Bank Performance Report (“UBPR”) as submitted to the FDIC. The bank’s peer group includes all insured commercial banks having assets between \$300 million and \$1 billion.

assessment area: 81.6% by number and 78.4% by dollar volume. In the same period, for small business and consumer loans, the bank extended more than 90% of loans and more than 85% of dollars within its assessment area.

The following table illustrates the distribution of HMDA-reportable, small business and consumer loans originated inside and outside of TSB's assessment area:

<b>Distribution of Loans Inside and Outside of the Assessment Area</b>										
<b>Loan Type</b>	<b>Number of Loans</b>					<b>Loans in Dollars (in thousands)</b>				
	<b>Inside</b>		<b>Outside</b>		<b>Total</b>	<b>Inside</b>		<b>Outside</b>		<b>Total</b>
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>		<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	
HMDA -2008	246	81.5	56	18.5	302	20,729	78.5	5690	21.5	26,419
HMDA -2009	234	81.8	52	18.2	286	16,704	78.3	4637	21.7	21,341
<b>2-year total</b>	<b>480</b>	<b>81.6</b>	<b>108</b>	<b>18.4</b>	<b>588</b>	<b>37,433</b>	<b>78.4</b>	<b>10,327</b>	<b>21.6</b>	<b>47,760</b>
SBL -2008	161	94.8	9	5.2	170	23,005	85.8	3,821	14.2	26,826
SBL -2009	146	92.5	12	7.5	158	16,072	85.4	2,744	14.6	18,816
<b>2-year total</b>	<b>307</b>	<b>93.7</b>	<b>21</b>	<b>6.3</b>	<b>328</b>	<b>39,077</b>	<b>85.6</b>	<b>6,565</b>	<b>14.4</b>	<b>45,642</b>
Cons -2008	469	92.4	39	7.6	508	8,905	84.9	1,585	15.1	10,490
Cons -2009	433	89.5	51	10.5	484	8,256	95.4	400	4.6	8,656
<b>2-year total</b>	<b>902</b>	<b>91.0</b>	<b>90</b>	<b>9.0</b>	<b>992</b>	<b>17,162</b>	<b>89.6</b>	<b>1,984</b>	<b>10.4</b>	<b>19,146</b>
<b>combined 2-year total</b>	<b>1,690</b>	<b>88.6</b>	<b>218</b>	<b>11.4</b>	<b>1908</b>	<b>93,672</b>	<b>83.2</b>	<b>18,876</b>	<b>16.8</b>	<b>112,548</b>

For small business and consumer lending, analyses were performed on a sample of 125 and 168 loans respectively. Number and dollar volume of loans were then extrapolated from the resulting percentages and are not actual results. HMDA-reportable lending analyses were based on actual lending.

#### Distribution by Borrower Characteristics: "Satisfactory"

TSB's distribution of HMDA-reportable, small business and consumer loans based on borrower characteristics reflected a reasonable penetration of lending to borrowers of various income levels and businesses of various revenue sizes.

#### HMDA-reportable Loans: "Satisfactory"

In 2008, TSB's HMDA-reportable lending penetration ratio, based on number of loans to LMI borrowers, was below the aggregate's penetration ratio (28.8% vs. 33.5%) and area demographics (38% of families are LMI), but still reasonable. In 2009, TSB's penetration ratio increased to 30.5%. While no aggregate data were available for 2009, TSB's two-year average ratio of lending to LMI borrowers was close to the aggregate's 2008 penetration ratio.

The following table shows the distribution of 1-4 family mortgage loans by the borrowers' income level.

<b>Distribution of HMDA-reportable 1-4 Family Loans by Borrower Income Level*</b>									
<b>2008</b>									
<b>Borrower Income Level</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Families</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Low	15	7.1	380	2.0	434	9.7	20,466	4.9	18.6
Moderate	46	21.7	2,124	11.3	1,066	23.8	75,393	18.1	19.0
Middle	57	26.9	4,592	24.4	1,220	27.2	106,037	25.4	23.4
Upper	89	42.0	11,392	60.5	1,671	37.3	205,256	49.2	39.0
N/A	5	2.4	339	1.8	92	2.1	9,873	2.4	0.0
<b>Total</b>	<b>212</b>	<b>100.0</b>	<b>18,827</b>	<b>100.0</b>	<b>4,483</b>	<b>100.0</b>	<b>417,025</b>	<b>100.0</b>	<b>100.0</b>
<b>2009</b>									
<b>Borrower Income Level</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Families</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Low	20	10.2	390	2.7					18.6
Moderate	40	20.3	1,911	13.0					19.0
Middle	41	20.8	2,473	16.9					23.4
Upper	87	44.2	9,124	62.3					39.0
N/A	9	4.6	751	5.1					0.0
<b>Total</b>	<b>197</b>	<b>100.0</b>	<b>14,649</b>	<b>100.0</b>					<b>100.0</b>
<b>LMI 2-year</b>	<b>121</b>	<b>29.6%</b>	<b>4,805</b>	<b>14.4%</b>	<b>1,500</b>	<b>33.5%</b>	<b>95,859</b>	<b>23.0%</b>	<b>37.6%</b>
<b>Total</b>	<b>409</b>	<b>100.0%</b>	<b>33,476</b>	<b>100.0%</b>	<b>4,483</b>	<b>100.0%</b>	<b>417,025</b>	<b>100.0%</b>	<b>100.0%</b>

*Small Business Loans: "Outstanding"*

The distribution of small business loans based on the revenue size of the business demonstrated an excellent rate of lending to businesses with revenues of \$1 million or less. In 2008, 69% of TSB's loans were made to these businesses; more than double the aggregate's penetration ratio of lending (33.7%) to these businesses.

In 2009, TSB's penetration ratio on this measure further increased to 83.9%. No aggregate data were available for comparison.

TSB's two-year average penetration ratio also exceeded the demographics for businesses in the area.<sup>2</sup>

<sup>2</sup> The large change in the business demographic data was a result of D&B's efforts to improve its data integrity. Accordingly, 2008 data are shown, but were not relied on for analytical purposes.

The following table shows the distribution of small business loans by the revenue size of the business.

<b>Distribution of Small Business Loans by Business Revenue Size</b>									
<b>2008</b>									
<b>Business Revenue Level</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus. Dem.</b>
	<b>#</b>	<b>%</b>	<b>\$(000's)</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$(000's)</b>	<b>%</b>	
\$1million or less	111	69.1	8,732	38.0	1,928	33.7	60,014	35.3	57.4%
Over \$1 million	50	30.9	14,273	62.0					4.7%
No Revenue Info		-		-					37.9%
<b>Total</b>	<b>161</b>	<b>100.0</b>	<b>23,005</b>	<b>100.0</b>	<b>5,727</b>	<b>100.0</b>	<b>170,193</b>	<b>100.0</b>	<b>100.0%</b>
<b>2009</b>									
<b>Business Revenue Level</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus. Dem.</b>
	<b>#</b>	<b>%</b>	<b>\$(000's)</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$(000's)</b>	<b>%</b>	
\$1million or less	122	83.9	7,566	47.1	<i>unavailable</i>				71.4%
Over \$1 million	24	16.1	8,506	52.9					4.6%
No Revenue Info		-		-					24.0%
<b>Total</b>	<b>146</b>	<b>100.0</b>	<b>16,072</b>	<b>100.0</b>					<b>100.0%</b>
<b>2 Year Total</b>	<b>307</b>	<b>100.0</b>	<b>39,077</b>	<b>100.0</b>					
<b>Total &lt;\$1 million</b>	<b>234</b>	<b>76.1</b>	<b>16,298</b>	<b>41.7</b>					

*For small business lending, analyses were performed on a sample of 125 loans. Number and dollar volume of loans were then extrapolated from the resulting percentages and are not actual results.*

### Consumer Loans: "Outstanding"

The distribution of consumer loans based on the income of the borrower demonstrated an excellent rate of lending to LMI consumers. TSB's two-year average penetration ratio for number of consumer loans to LMI borrowers was 55%, exceeding the percentage of LMI households in TSB's assessment area (38%). Twelve percent of the total households in TSB's assessment area were below the poverty level, making these lending penetration ratios even more impressive.

The following table shows the distribution consumer loans by the income of the borrower.

<b>Distribution of Consumer Loans by Borrower Income Level*</b>					
<b>2008</b>					
<b>Borrower Income Level</b>	<b>Bank</b>				<b>Households</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Low	160	34.1	2,292	25.7	23.3
Moderate	105	22.4	1,707	19.2	16.3
Middle	88	18.8	1,887	21.2	18.8
Upper	110	23.5	2,990	33.6	41.6
N/A	6	1.2	28	0.3	0.0
<b>Total</b>	<b>469</b>	<b>100.0</b>	<b>8,905</b>	<b>100.0</b>	<b>100.0</b>
<b>2009</b>					
<b>Borrower Income Level</b>	<b>Bank</b>				<b>Households</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Low	134	30.9	1,678	20.3	23.3
Moderate	96	22.1	2,038	24.7	16.3
Middle	64	14.7	791	9.6	18.8
Upper	134	30.9	3,628	43.9	41.6
N/A	6	1.5	120	1.5	0.0
<b>Total</b>	<b>433</b>	<b>100.0</b>	<b>8,256</b>	<b>100.0</b>	<b>100.0</b>
<b>LMI 2-year</b>	<b>494</b>	<b>54.8%</b>	<b>7,716</b>	<b>45.0%</b>	<b>39.6%</b>
<b>Total</b>	<b>902</b>	<b>100.0%</b>	<b>17,161</b>	<b>100.0%</b>	<b>100.0%</b>

For consumer lending, analyses were performed on a sample of 168 loans. Number and dollar volume of loans were then extrapolated from the resulting percentages and are not actual results.

#### Geographic Distribution of Loans: "Satisfactory"

TSB's lending over the two years of the evaluation period demonstrated markedly different rates of lending in LMI census tracts. In the prior CRA examination, TSB's geographic distribution of lending was rated, "Needs to Improve." TSB's 2008 lending, particularly HMDA-reportable and consumer lending, continued this pattern and was considerably below both the aggregate's penetration rate and the area demographics. However, TSB's performance improved significantly in 2009. Although aggregate data were not available for comparison, historical lending patterns and demographic data suggest that TSB's 2009 performance was reasonable.

Further complicating the analysis is the fact that although TSB's assessment area is reasonable, within its assessment area, only Broome County contains LMI census tracts. Therefore, the charts below compare TSB's lending in LMI census tracts to the aggregate's record both throughout its entire assessment area, and for Broome County alone. For both TSB and aggregate data, the number and dollar amount of lending in LMI census tracts remains the same, whether reviewing TSB's entire assessment area

or Broome County. However, the total amount of lending is quite different, yielding significantly different lending penetration ratios.

HMDA-reportable Loans: "Satisfactory"

Starting from a very small base, TSB tripled its HMDA-reportable lending in LMI census tracts, even as its total HMDA-reportable lending was down by 5%. Considering Broome County on a stand-alone basis, TSB's performance in 2009 was comparable to the 2008 aggregate performance and the county's demographics. This analysis is more meaningful than a comparison to TSB's entire assessment area, which shows that despite improvement in 2009, across TSB's entire assessment area, TSB's lending penetration ratio in LMI census tracts continued to be worse than the aggregate's lending penetration ratio.

The following charts summarize the bank's distribution of HMDA-reportable loans by geographic income level for TSB's entire assessment area and Broome county.

<b>Distribution of HMDA-reportable Loans by Geographic Income Level Entire Assessment Area</b>									
<b>2008</b>									
<b>Geography Income Level</b>	<b>Bank</b>				<b>Aggregate</b>				<b>OO Hus</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	
Low	0	0.0	0	0.0	43	0.9	3,028	0.7	1.0%
Moderate	4	1.6	306	1.5	445	9.5	31,396	7.1	9.1%
Middle	202	82.1	15,369	74.1	2,829	60.3	249,258	56.2	61.5%
Upper	40	16.3	5,054	24.4	1,377	29.3	159,444	36.0	28.4%
N/A	0	0.0	0	0.0	0	0.0	0	0.0	0.0%
<b>Total</b>	<b>246</b>	<b>100.0</b>	<b>20,729</b>	<b>100.0</b>	<b>4,694</b>	<b>100.0</b>	<b>443,126</b>	<b>100.0</b>	<b>100.0%</b>
<b>2009</b>									
<b>Geography Income Level</b>	<b>Bank</b>				<b>Aggregate</b>				<b>OO Hus</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	
Low	2	0.9	226	1.4	<i>unavailable</i>				1.0%
Moderate	10	4.3	677	4.1					9.1%
Middle	183	78.2	11,991	71.8					61.5%
Upper	39	16.7	3,810	22.8					28.4%
N/A	0	0.0	0	0.0					0.0%
<b>Total</b>	<b>234</b>	<b>100.0</b>	<b>16,704</b>	<b>100.0</b>	<b>100.0%</b>				
<b>LMI 2-year</b>	<b>16</b>	<b>3.3</b>	<b>1,209</b>	<b>3.2</b>	<b>488</b>	<b>10.4</b>	<b>34,424</b>	<b>7.8</b>	
<b>Total</b>	<b>480</b>	<b>100.0</b>	<b>37,433</b>	<b>100.0</b>	<b>4,694</b>	<b>100.0</b>	<b>443,126</b>	<b>100.0</b>	

**Distribution of HMDA-reportable Loans by Geographic Income Level  
Broome County**

2008									
Geography Income Level	Bank				Aggregate				OO Hus
	#	%	\$000's	%	#	%	\$000's	%	
Low	0	0.0	0	0.0	43	1.4	3,028	1.0	1.5%
Moderate	4	5.0	306	3.2	445	14.3	31,396	10.3	13.7%
Middle	46	57.5	4,956	52.5	1,526	48.9	140,592	46.3	50.6%
Upper	30	37.5	4,177	44.3	1,107	35.5	128,942	42.4	34.2%
N/A	0	0.0	0	0.0	0	0.0	0	0.0	0.0%
<b>Total</b>	<b>80</b>	<b>100.0</b>	<b>9,439</b>	<b>100.0</b>	<b>3,121</b>	<b>100.0</b>	<b>303,958</b>	<b>100.0</b>	<b>100.0%</b>
2009									
Geography Income Level	Bank				Aggregate				OO Hus
	#	%	\$000's	%	#	%	\$000's	%	
Low	2	2.6	226	3.3	<i>unavailable</i>				1.5%
Moderate	10	12.8	677	10.0					13.7%
Middle	46	59.0	3,899	57.6					50.6%
Upper	20	25.6	1,969	29.1					34.2%
N/A	0	0.0	0	0.0					0.0%
<b>Total</b>	<b>78</b>	<b>100.0</b>	<b>6,771</b>	<b>100.0</b>					<b>100.0%</b>
<b>LMI 2-year</b>	<b>16</b>	<b>10.1</b>	<b>1,209</b>	<b>7.5</b>	<b>488</b>	<b>15.6</b>	<b>34,424</b>	<b>11.3</b>	
<b>Total</b>	<b>158</b>	<b>100.0</b>	<b>16,210</b>	<b>100.0</b>	<b>3,121</b>	<b>100.0</b>	<b>303,958</b>	<b>100.0</b>	

Small Business Loans: "Satisfactory"

As with HMDA-reportable lending, TSB's small business lending in LMI census tracts across its assessment area is below the aggregate's penetration ratio. However, considering Broome County on a stand-alone basis, TSB's performance for number of loans in both years was comparable to the 2008 aggregate performance, but lower than the business demographics.

The following charts summarize the bank's distribution of small business loans by geographic income level, both in TSB's entire assessment area and in Broome County.

<b>Distribution of Small Business Lending by Geographic Income of the Census Tract - Entire Assessment Area</b>									
<b>2008</b>									
<b>Geographic Income</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus. Dem.</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Low	9	5.5%	1,002	4.4%	463	8.1%	25,731	15.1%	7.9%
Moderate	18	10.9%	1,398	6.1%	891	15.6%	31,633	18.6%	15.6%
LMI	26	16.4%	2,401	10.4%	1,354	23.6%	57,364	33.7%	23.5%
Middle	114	70.9%	15,833	68.8%	2,880	50.3%	69,969	41.1%	51.5%
Upper	20	12.7%	4,771	20.7%	1,493	26.1%	42,860	25.2%	25.0%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
<b>Total</b>	<b>161</b>		<b>23,005</b>		<b>5,727</b>		<b>170,193</b>		
<b>2009</b>									
<b>Geographic Income</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus. Dem.</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Low	12	8.1%	2,417	15.0%	Data not available				7.8%
Moderate	12	8.1%	2,757	17.2%					15.3%
LMI	24	16.1%	5,174	32.2%					23.1%
Middle	94	64.5%	6,607	41.1%					51.2%
Upper	28	19.4%	4,291	26.7%					25.7%
Unknown	0	0.0%	0	0.0%					0.0%
<b>Total</b>	<b>146</b>		<b>16,072</b>						
<b>GRAND TOTAL</b>									
<b>Geographic Income</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus. Dem.</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Low	21	6.7%	3,420	8.8%		8.1%		15.1%	
Moderate	29	9.6%	4,155	10.6%		15.6%		18.6%	
LMI	50	16.3%	7,574	19.4%		23.6%		33.7%	
Middle	208	67.9%	22,441	57.4%		50.3%		41.1%	
Upper	49	15.9%	9,062	23.2%		26.1%		25.2%	
Unknown	0	0.0%	0	0.0%		0.0%		0.0%	
<b>Total</b>	<b>307</b>		<b>39,077</b>						

For small business lending, analyses were performed on a sample of 125 loans. Number and dollar volume of loans were then extrapolated from the resulting percentages and are not actual results.

Distribution of Small Business Lending by Geographic Income of the Census Tract - Broome County									
2008									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	9	11.1%	1,002	5.6%	463	10.7%	25,731	17.5%	11.1%
Moderate	18	22.2%	1,398	7.8%	891	20.6%	31,633	21.5%	21.9%
LMI	26	33.3%	2,401	13.4%	1,354	31.3%	57,364	39.0%	33.0%
Middle	35	44.4%	12,229	68.4%	1,656	38.2%	49,131	33.4%	37.9%
Upper	18	22.2%	3,248	18.2%	1,314	30.5%	40,475	27.5%	29.1%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
<b>Total</b>	<b>79</b>		<b>17,878</b>		<b>4,331</b>		<b>146,970</b>		
2009									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	12	18.5%	2,417	24.4%	Data not available				10.9%
Moderate	12	18.5%	2,757	27.9%					21.5%
LMI	24	37.0%	5,174	52.3%					32.4%
Middle	16	25.9%	2,373	24.0%					37.6%
Upper	24	37.0%	2,348	23.7%					30.1%
Unknown	0	0.0%	0	0.0%					0.0%
<b>Total</b>	<b>64</b>		<b>9,895</b>						
GRAND TOTAL									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	21	14.4%	3,420	12.3%		10.7%		17.5%	
Moderate	29	20.6%	4,155	15.0%		20.6%		21.5%	
LMI	50	35.0%	7,574	27.3%		31.3%		39.0%	
Middle	52	36.2%	14,602	52.6%		38.2%		33.4%	
Upper	41	28.8%	5,596	20.1%		30.5%		27.5%	
Unknown	0	0.0%	0	0.0%		0.0%		0.0%	
<b>Total</b>	<b>143</b>		<b>27,773</b>						

Broome County analyses are also based on a subset of the sample of loans used for the analysis for TSB's entire assessment area. Number and dollar volume of loans were then extrapolated from the resulting percentages and are not actual results. Given the relatively smaller sample size, the confidence level drops accordingly.

### Consumer Loans: "Needs to Improve"

Even considering Broome County on a stand-alone basis, TSB's lending in LMI geographies was considerably lower than the demographics of the area. Aggregate data were not available for comparison, however, TSB's lending penetration ratios were approximately one-third of the demographic opportunity.

The following charts summarize the bank's distribution of consumer loans by geographic income level, both in TSB's entire assessment area and in Broome County.

<b>Distribution of Consumer Lending by Geographic Income of the Census Tract Entire Assessment Area</b>					
<b>2008</b>					
<b>Geographic Income</b>	<b>Bank</b>				<b>HH Dem.</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Low	0	0.0%	0	0.0%	3.7%
Moderate	11	2.4%	198	2.2%	16.7%
LMI	11	2.4%	198	2.2%	20.4%
Middle	381	81.2%	6,849	76.9%	55.9%
Upper	77	16.5%	1,858	20.9%	23.7%
Unknown	0	0.0%	0	0.0%	0.0%
<b>Total</b>	<b>469</b>		<b>8,905</b>		
<b>2009</b>					
<b>Geographic Income</b>	<b>Bank</b>				<b>HH Dem.</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Low	0	0.0%	0	0.0%	3.7%
Moderate	6	1.5%	32	0.4%	16.7%
LMI	6	1.5%	32	0.4%	20.4%
Middle	363	83.8%	6,074	73.6%	55.9%
Upper	64	14.7%	2,150	26.0%	23.7%
Unknown	0	0.0%	0	0.0%	0.0%
<b>Total</b>	<b>433</b>		<b>8,256</b>		
<b>GRAND TOTAL</b>					
<b>Geographic Income</b>	<b>Bank</b>				<b>HH Dem.</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Low	0	0.0%	0	0.0%	
Moderate	17	1.9%	230	1.3%	
LMI	17	1.9%	230	1.3%	
Middle	744	82.4%	12,923	75.3%	
Upper	141	15.6%	4,008	23.4%	
Unknown	0	0.0%	0	0.0%	
<b>Total</b>	<b>902</b>		<b>17,161</b>		

*For consumer lending, analyses were performed on a sample of 168 loans. Number and dollar volume of loans were then extrapolated from the resulting percentages and are not actual results.*

<b>Distribution of Consumer Lending by Geographic Income of the Census Tract Broome County</b>					
<b>2008</b>					
<b>Geographic Income</b>	<b>Bank</b>				<b>HH Dem.</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Low	0	0.0%	0	0.0%	5.1%
Moderate	11	10.0%	198	28.0%	23.4%
LMI	11	10.0%	198	28.0%	28.5%
Middle	33	30.0%	396	56.0%	44.2%
Upper	66	60.0%	113	16.0%	27.3%
Unknown	0	0.0%	0	0.0%	0.0%
<b>Total</b>	<b>110</b>		<b>707</b>		
<b>2009</b>					
<b>Geographic Income</b>	<b>Bank</b>				<b>HH Dem.</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Low	0	0.0%	0	0.0%	5.1%
Moderate	6	8.3%	32	1.1%	23.4%
LMI	6	8.3%	32	1.1%	28.5%
Middle	51	66.7%	1,135	40.7%	44.2%
Upper	19	25.0%	1,622	58.2%	27.3%
Unknown	0	0.0%	0	0.0%	0.0%
<b>Total</b>	<b>76</b>		<b>2,789</b>		
<b>GRAND TOTAL</b>					
<b>Geographic Income</b>	<b>Bank</b>				<b>HH Dem.</b>
	<b>#</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>%</b>
Low	0	0.0%	0	0.0%	
Moderate	17	9.3%	230	6.6%	
LMI	17	9.3%	230	6.6%	
Middle	84	45.0%	1,531	43.8%	
Upper	85	45.7%	1,736	49.6%	
Unknown	0	0.0%	0	0.0%	
<b>Total</b>	<b>187</b>		<b>3,497</b>		

Broome County analyses are also based on a subset of the sample of loans used for the analysis for the TSB's entire assessment area. Number and dollar volume of loans were then extrapolated from the resulting percentages and are not actual results. Given the relatively smaller sample size, the confidence level drops accordingly.

**Action Taken in Response to Written Complaints With Respect to CRA: "Satisfactory"**

Neither TSB nor the New York State Banking Department has received any written complaints regarding the bank's CRA performance since the last CRA evaluation conducted as of December 31, 2007.

**Community Development Test: "Satisfactory"**

TSB's community development performance demonstrated adequate responsiveness to community development needs in its assessment area through community development loans, qualified investments and community development services.

**Community Development Loans: "Outstanding"**

TSB is a leader in making qualified community development loans.

During the evaluation period, TSB made and/or renewed nine qualified community development loans totaling \$7 million, of which 69% (\$4.8 million) was new money. The bank's community development lending at the prior evaluation was \$6.7 million.

The largest part of TSB's community development commitments, 62.4% of the total dollar volume, was made to organizations and projects that supported economic development, or revitalizing and stabilizing LMI geographies. Below are sample community development loans:

- A new pharmaceutical warehouse located in a low- and moderate-income geography received a \$2.5 million commercial mortgage to build a new facility.
- An organization that supports disabled individuals striving to live independently, received a \$1 million commercial mortgage to renovate its facilities and a \$400 thousand commercial line of credit for working capital. The organization is funded by Medicaid, which supports health care for low-income individuals.

The following chart summarizes TSB's community development lending by organization or project focus.

<b>Community Development Loans</b>			
<i>Designation</i>	<i># of loans</i>	<i>volume (\$000s)</i>	<i>volume %</i>
<b>Economic Development</b>	1	\$ 2,500	35.9%
<b>Revitalization &amp; Stabilization</b>	2	\$ 1,846	26.5%
<b>Community Service</b>	1	\$ 1,400	20.1%
<b>Affordable Housing</b>	4	\$ 1,222	17.5%
<b>Total</b>	<b>8</b>	<b>\$ 6,968</b>	<b>100.0%</b>

#### Community Development Qualified Investments: "Need to Improve"

TSB's level of qualified community development investments reflected poor responsiveness to the credit needs of TSB's assessment area.

TSB made 18 grants to community development organizations, totaling \$33 thousand. TSB made no other community development investments. In contrast, during the prior evaluation period, TSB made \$236 thousand in qualified investments and an additional \$1 thousand in grants.

Examples of the organizations that received grants are:

- Catholic Charities – to provide assistance to recently unemployed individuals and support low-income youth high school education;
- Community Good Neighbor Fund – to provide assistance to low-income families in Newfield;
- Federal Home Loan Bank AHP - to support affordable housing; and

- Tioga County Local Development Corporation – to support a revolving loan fund for rural development lending.

**Community Development Services: “Satisfactory”**

TSB provided an adequate level of community development services. Examples of community development service provided by TSB’s directors, officers and staff include:

- Chairman, Greater Binghamton Chamber of Commerce;
- Board Member, Tioga County Empire Zone
- Treasurer, SVE Community Services Corporation;
- Board Member, Newark Valley Chamber of Commerce; and
- Member, Community Services Division Committee – United Way of Broome County; and
- Board Member, Tioga County Industrial Development Association

**Additional Factors**

**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**

TSB’s board of directors annually reviewed and approved the bank’s CRA Policy. The bank’s internal auditor prepared the CRA Self Assessment Summary and on a quarterly basis, presented it to the board. Compliance, including CRA, is addressed at board meetings at least once a month.

**Record of opening and closing offices and providing services at offices**

The bank operates 11 branches with deposit taking ATMs at each branch location. No branch is located in a low-income census tract. Out of four branches in Broome County, one branch is located in a moderate-income census tract. The other three counties in TSB’s assessment area have no LMI areas. Tioga provides drive-up facilities in 11 offices with varying service hours. Four branches are open on Saturdays from 9:00 to 12:00. No branches were opened or closed during the evaluation period.

The bank offers on-line banking in addition to the 24-hour telephone banking.

Distribution of Branches within the Assessment Area							
County	N/A #	Low #	Moderate #	Middle #	Upper #	Total #	LMI %
Broome*			1	1	2	4	25%
Chemung*				1		1	0%
Tioga				3	2	5	0%
Tompkins*				1		1	0%
<b>Total</b>	-	-	1	6	4	11	9%

## Discrimination and other illegal practices

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

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

- Evidence of prohibited discriminatory or other illegal credit practices

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

TSB maintained close contact with local community development boards that advised TSB about the community's credit needs. Some board meetings are hosted at TSB's facilities, which facilitated open communications between TSB and the community.

- 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 marketed its products through the placement of advertisements in newspapers, trade association newsletters and church bulletins. The majority of the advertising was focused on mortgage products. Brochures describing TSB's products and services are available at the ten stand-alone ATMs located in the Weis and Giant Market grocery stores within Broome County.

## **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 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.

<b>Income level of individual or geography</b>	<b>% of the area median income</b>
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.