



**NEW YORK STATE
DEPARTMENT OF FINANCIAL SERVICES
FINANCIAL FRAUDS AND CONSUMER PROTECTION DIVISION**

One State Street
New York, NY 10004

PUBLIC SUMMARY

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Date of Evaluation: June 30, 2018

Institution: Tioga State Bank
One North 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 Department of Financial Services 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 (“Tioga” or the “Bank”) prepared by the New York State Department of Financial Services (“DFS” or the “Department”). This evaluation represents the Department’s current assessment and rating of the institution’s CRA performance based on an evaluation conducted as of December 31, 2017

Section 28-b of the New York State Banking Law, as amended, requires that when evaluating certain applications, the Superintendent of Financial Services 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 Superintendent (“GRS”) implements Section 28-b and further requires that the Department assess the CRA performance records of regulated financial institutions. Part 76 establishes the framework and criteria by which the Department will evaluate institutions’ performance. Section 76.5 further provides that the Department will prepare a written report summarizing the results of such evaluation 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 (“Evaluation”) be made available to the public. Evaluations of banking institutions are primarily based on a review of performance tests and standards described in Section 76.7 and detailed in Sections 76.8 through 76.13. 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

The Department evaluated Tioga according to the intermediate small banking institution performance standards pursuant to Sections 76.7 and 76.12 of the GRS. The Department evaluated Tioga's performance under the lending test in calendar years 2015, 2016, and 2017, its performance under the community development test from January 1, 2015 through June 30, 2018. Tioga is rated "Satisfactory" or "2." This rating means Tioga had a satisfactory record of helping to meet community credit needs.

The rating is based on the following factors:

Lending Test: "Satisfactory"

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

Although Tioga's average loan-to-deposit ("LTD") ratio of 77.6% for the evaluation period slightly trailed the peer group's average ratio of 80.6%, Tioga's LTD ratio was reasonable considering its size, business strategy, financial condition, and peer group activity.

Assessment Area Concentration: "Satisfactory"

During the evaluation period, Tioga originated 83.6% by number and 78.3% by dollar value of its HMDA-reportable and small business loans within the assessment area. This majority of lending inside of its assessment area is a reasonable record of lending.

Distribution by Borrower Characteristics: "Satisfactory"

Tioga's HMDA-Reportable and small business lending demonstrated a reasonable distribution of loans among individuals of different income levels and businesses of different revenue sizes. The rating reflects the greater weight given to HMDA-reportable lending.

Geographic Distribution of Loans: "Satisfactory"

Tioga's origination of loans in census tracts of varying income levels demonstrated a reasonable distribution of lending. The rating reflects the greater weight given to HMDA-reportable lending.

Action Taken in Response to Written Complaints with Respect to CRA: "N/A"

Neither DFS nor Tioga received any written complaints during the evaluation period regarding Tioga's CRA performance.

Community Development Test: "Outstanding"

Tioga's community development performance demonstrated excellent responsiveness to the community development needs of its assessment area through community

development loans, qualified investments, and community development services, considering Tioga's capacity and the need for and availability of opportunities for community development in its assessment area.

Community Development Lending: "Outstanding"

During the evaluation period, Tioga originated \$7.7 million in new community development loans and had \$5.9 million outstanding from prior evaluation periods for a total of \$13.6 million in community development loans. This demonstrated an excellent level of community development lending over the course of the evaluation period.

Qualified Investments: "Outstanding"

During the evaluation period, Tioga made \$2.5 million in new community development investments and had \$30,637 outstanding from prior evaluation periods. In addition, Tioga made \$191,964 in community development grants. This demonstrated an excellent level of qualified investments over the course of the evaluation period.

Community Development Services: "Outstanding"

Tioga demonstrated an excellent level of community development services over the course of the evaluation period. Tioga's management served on various boards and committees of nonprofit organizations, which provided services and programs for economic development, revitalization and stabilization, and community services within Tioga's assessment area.

Responsiveness to Credit and Community Development Needs: "Outstanding"

Tioga demonstrated an excellent level of responsiveness to credit and community development needs. It was noted that affordable housing and economic development were a concern in the assessment area during the evaluation period. Tioga made a number of community development loans that helped to retain jobs. Tioga also worked closely with several local organizations that promote economic development.

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

PERFORMANCE CONTEXT

Institution Profile

Tioga is a New York State chartered (1884) commercial bank located in Spencer, Tioga County. It is a wholly owned subsidiary of TSB Services Incorporated.

Tioga offers a full array of banking services and products. Services offered include phone banking, online banking with bill pay, mobile banking, apple pay, remote deposit, safe deposit boxes, and cash management. Products include a variety of consumer and business checking and savings accounts, as well as consumer loans, residential and commercial mortgage loans, and commercial and industrial loans.

Per the Consolidated Report of Condition ("Call Report") as of December 31, 2017, filed with the Federal Deposit Insurance Corporation ("FDIC"), Tioga reported total assets of \$ 471.1 million, of which \$291.4 million were net loans and lease financing receivables. It also reported total deposits of \$366 million, resulting in a LTD ratio of 79.6%. According to the latest available comparative deposit data, as of June 30, 2017, Tioga had a market share of 6.14%, or \$380.1 million in a market of \$6.1 billion, ranking it 6th among 14 deposit-taking institutions in the assessment area.

The following is a summary of Tioga's loan portfolio, based on Schedule RC-C of the Bank's December 31, 2015, 2016 and 2017 Call Reports:

| TOTAL GROSS LOANS OUTSTANDING | | | | | | |
|--|----------------|------|----------------|------|----------------|------|
| Loan Type | 2015 | | 2016 | | 2017 | |
| | \$000's | % | \$000's | % | \$000's | % |
| 1-4 Family Residential Mortgage Loans | 115,144 | 41.1 | 119,871 | 41.8 | 121,413 | 43.4 |
| Commercial & Industrial Loans | 50,872 | 18.2 | 45,891 | 16.0 | 46,083 | 16.5 |
| Commercial Mortgage Loans | 63,486 | 22.7 | 62,752 | 21.9 | 58,303 | 20.8 |
| Multifamily Mortgages | 28,463 | 10.2 | 32,359 | 11.3 | 41,991 | 15.0 |
| Consumer Loans | 7,420 | 2.6 | 7,839 | 2.7 | 8,898 | 3.2 |
| Agricultural Loans | 2,818 | 1.0 | 3,600 | 1.3 | 2,494 | 0.9 |
| Construction Loans | 9,043 | 3.2 | 11,744 | 4.1 | 14,034 | 5.0 |
| Obligations of States & Municipalities | 90 | 0.0 | 61 | 0.0 | 7 | 0.0 |
| Other Loans | 1,678 | 0.6 | 1,752 | 0.6 | 1,701 | 0.6 |
| Loans to Depository Institutions | 1,000 | 0.4 | 1,000 | 0.4 | 1,000 | 0.4 |
| Total Gross Loans | 280,014 | | 286,869 | | 295,924 | |

As illustrated in the table above, Tioga remains primarily a residential real estate lender as one-to-four family residential mortgage and multifamily mortgage loans make up 43.4% and 15% of Tioga's gross loan portfolio, respectively. Tioga's gross loan portfolio increased by \$28.6 million or 10.7% to \$296 million as of December 31, 2017, from \$267.3 million at December 31, 2014.

Tioga operates eleven branches, of which two offer only drive-up window service. Tioga also operates one loan production office and one investment services office. Supplementing the branch offices is an automated teller machine (“ATM”) network of eleven deposit-taking ATMs, one located at each branch. One of the two branches located in Binghamton (Broome County) is in a low-income census tract, and the branch in Newfield (Tompkins County) is in a moderate-income tract. The remaining branch offices are in middle-income (5) and upper-income (4) census tracts.

Examiners did not find evidence of financial or legal impediments that adversely impacted the bank’s ability to meet the credit needs of its community.

Assessment Area

Tioga’s assessment area is comprised of Tioga County in its entirety and parts of Broome, Tompkins, and Chemung counties.

There are 63 census tracts in the area, of which seven are low-income, 11 are moderate-income, 31 are middle-income, and 14 are upper-income; there are zero tracts with no income indicated. While the assessment area and the number of census tracts has not changed from the prior evaluation period, the income classification of some census tracts has changed. At the prior evaluation period there were five low-income, 14 moderate-income, 28 middle-income, and 16 upper-income census tracts.

| Assessment Area Census Tracts by Income Level | | | | | | | |
|--|----------|----------|-----------|-----------|-----------|-----------|-------------|
| County | N/A | Low | Mod | Middle | Upper | Total | LMI % |
| Tioga | 0 | 0 | 0 | 7 | 3 | 10 | 0.0 |
| Broome* | 0 | 7 | 10 | 20 | 11 | 48 | 35.4 |
| Chemung* | 0 | 0 | 0 | 2 | 0 | 2 | 0.0 |
| Tompkins* | 0 | 0 | 1 | 2 | 0 | 3 | 33.3 |
| Total | 0 | 7 | 11 | 31 | 14 | 63 | 28.6 |

*Partial County

Demographic & Economic Data

The assessment area had a total population of 248,672 during the evaluation period. About 17.3% of the population were over the age of 65 and 17.3% were under the age of 16.

Of the 60,657 families in the assessment area 21.6% were low-income, 17.1% were moderate-income, 21.7% were middle-income, and 39.5% were upper-income. There were 99,673 households in the assessment area, of which 15% had income below the poverty level and 4.3% were on public assistance.

The weighted average median family income in the assessment area was \$64,486.

There were 111,714 housing units within the assessment area, of which 81.2% were one-to-four family units, and 11.6% were multifamily units. Of the area's housing units 60.8% were owner-occupied, while 28.4% were rental units. Of the 67,972 owner-occupied housing units, 14.2% were LMI census tracts while 85.8% were in middle- and upper-income census tracts. The median age of the housing stock was 59 years, and the median home value in the assessment area was \$110,059.

There were 11,387 non-farm businesses in the assessment area. Of these, 79.2% were businesses with reported revenues of less than or equal to \$1 million, 6.5% reported revenues of more than \$1 million, and 14.3% did not report their revenues. Of all the businesses in the assessment area, 96% were businesses with less than fifty employees while 84.7% operated from a single location. The largest industries in the area were services (45.2%), retail trade (16.2%), and construction (8.3%); 4.9% of businesses in the assessment area were not classified.

According to the New York State Department of Labor, the annual unemployment rates for three of the four counties in Tioga's assessment area were consistently higher than the annual rates for New York State. Tompkins County was the only county with annual unemployment rates consistently lower than New York State's rates. Broome County had the highest unemployment rate in 2015 and Chemung County had the highest rate in 2016, while both counties tied for the highest unemployment rate in 2017.

| Assessment Area Unemployment Rate | | | | | |
|--|------------------|--------------|-----------------|---------------|----------------|
| Year | Statewide | Tioga | Tompkins | Broome | Chemung |
| 2017 | 4.7% | 5.2% | 4.4% | 5.6% | 5.6% |
| 2016 | 4.8% | 5.1% | 4.2% | 5.4% | 5.7% |
| 2015 | 5.3% | 5.5% | 4.4% | 6.0% | 5.9% |

Community Information

Examiners conducted a community contact interview with an employee of a nonprofit organization. The organization offers a variety of services, which are designed to empower low-income individuals and the aging. It also provides and promotes affordable housing, promotes energy services, and provides family health services to residents of Tioga County. The organization is funded by the federal, state, and county governments, as well as private donations.

The community contact stated that affordable housing and economic development are main concerns in the area. Many properties were abandoned as a result of the flood in 2011; in addition, there are a high number of out-of-town renters. The organization is working to ensure residents keep their homes, especially seniors. Although there are some senior housing facilities, there is a need for more. There is also a need for safe and affordable housing for LMI families, as many existing properties are not cared for, run down, or too expensive.

The contact also noted Tioga County is experiencing a migration of residents to neighboring counties in search of jobs, as the county struggles to retain existing businesses and to attract new businesses. However, many of the jobs available are entry-level positions with lower pay. The main employers in Tioga County are Lockheed Martin, FedEx, and the Tioga Downs Casino.

The organization partners with Tioga County Economic Development and Broome Tioga Workforce, which provide residents assistance with their resumes and their computer skills to help them find employment.

The contact noted that local financial institutions have been responsive to the organization and the credit needs of residents by offering first-time homebuyer programs and providing foreclosure prevention classes to homeowners.

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

The Department evaluated Tioga under the intermediate small banking institution performance standards in accordance with Sections 76.7 and 76.12 of the GRS, which consist 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 of loans 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; and*
- 4. Responsiveness to community development needs.*

DFS also considered the following factors in assessing the bank's record of performance:

- 1. The extent of participation by the board of directors or board of trustees in formulating CRA policies and reviewing CRA performance;*
- 2. Evidence of any practices intended to discourage credit applications;*
- 3. Evidence of prohibited discriminatory or other illegal credit practices;*
- 4. Record of opening and closing offices and providing services at offices; and*
- 5. Process factors, such as activities to ascertain credit needs and the extent of marketing and special credit related programs.*

DFS derived statistics employed in this evaluation from various sources. Tioga submitted bank-specific information both as part of the examination process and on its Call Report submitted to the FDIC. DFS obtained aggregate lending data from the Federal Financial Institutions Examination Council ("FFIEC") and deposit data from the FDIC. DFS calculated LTD ratios from information shown in the Bank's Uniform Bank Performance Report, submitted to the FDIC.

DFS derived the demographic data referred to in this report from the 2010 U.S. Census and the FFIEC. DFS based business data on Dun & Bradstreet reports, which Dun & Bradstreet updates annually. DFS obtained unemployment data from the New York State Department of Labor. Some non-specific bank data are only available on a county-wide basis, and DFS used this information even though Tioga's assessment area includes only parts of Broome, Tompkins, and Chemung counties.

The assessment period for the lending test included calendar years 2015, 2016, and 2017, while community development activities were evaluated from January 1, 2015 through June 30, 2018.

Examiners considered Tioga's HMDA-reportable and small business lending in evaluating factors (2), (3), and (4) of the lending test noted above

Tioga made only a few small farm loans; therefore, DFS based its analysis of small business lending solely on small business loans.

Tioga is not required to report small business/small farm loan data, so Tioga's small business and small farm lending is not included in the aggregate data. The aggregate data are shown only for comparative purposes.

Examiners gave greater weight to HMDA-reportable lending as it represented 80.5% by number and 80.8% by dollar value of all HMDA-reportable and small business loans originated during the evaluation period.

At its **prior** Performance Evaluation as of December 31, 2014, DFS assigned Tioga a rating of "2," reflecting a "Satisfactory" record of helping to meet the credit needs of Tioga's communities.

Current CRA Rating: "Satisfactory"

Lending Test: "Satisfactory"

Tioga's HMDA-reportable and small business lending were reasonable in light of the bank's size, business strategy, and financial condition, as well as aggregate, peer group activity, and the demographic characteristics and credit needs of the assessment area.

The Bank's assessment area has still not fully recovered from the 2011 flood and also continues to experience economic challenges due to the continued loss of private sector jobs and the loss of several key industries. The loss of jobs is highlighted by the decline in non-farm businesses in the assessment area between evaluation periods. In the prior evaluation period there were 14,189 non-farm businesses in the area, while for the current evaluation period there are 11,387 non-farm businesses, a decline of 19.8%. This generally explains the decline in Tioga's small business lending during the current evaluation period. Tioga made 197 small business loans within its assessment area during this three-year evaluation period, while it made 327 small business loans during the prior three year evaluation period, a decline of 39.8%.

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

Tioga's average LTD ratio was reasonable considering its size, business strategy, financial condition, and peer group activity.

Tioga's average LTD ratio of 77.6% for the evaluation period represented a decrease from the prior evaluation period's 81.5%, as its deposit growth outpaced its loan growth. Tioga's current average LTD ratio also trailed the peer group's average ratio of 80.6%.

Tioga's lower LTD ratio is due in part to its strategy of selling some of its residential mortgage loans to the FHLB. Yet, Tioga consistently ranked among the top three mortgage lenders in its assessment area for each year (2nd in 2015, 3rd in 2016 and 2nd in 2017) of the evaluation period, according to the Institution Market Share report for peer mortgage data.

The table below shows Tioga's LTD ratios in comparison with the peer group's ratios for the 12 quarters since the prior evaluation.

| Loan-to-Deposit Ratios | | | | | | | | | | | | | |
|------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|-------------|
| | 2015 Q1 | 2015 Q2 | 2015 Q3 | 2015 Q4 | 2016 Q1 | 2016 Q2 | 2016 Q3 | 2016 Q4 | 2017 Q1 | 2017 Q2 | 2017 Q3 | 2017 Q4 | Avg. |
| Bank | 79.7 | 80.3 | 81.0 | 81.8 | 74.2 | 78.1 | 77.2 | 76.9 | 71.5 | 74.4 | 76.8 | 79.6 | 77.6 |
| Peer | 77.4 | 79.3 | 79.8 | 80.1 | 80.0 | 81.3 | 81.2 | 81.1 | 80.4 | 81.7 | 82.1 | 82.2 | 80.6 |

Assessment Area Concentration: "Satisfactory"

During the evaluation period, Tioga originated 83.6% by number and 78.3% by dollar value of its HMDA-reportable and small business loans within the assessment area. This majority of lending inside of its assessment area is a reasonable record of lending within its assessment area.

HMDA-Reportable Loans

During the evaluation period, Tioga originated 84.7% by number and 81.2% by dollar value of its HMDA-reportable loans within the assessment area. This majority of lending inside of Tioga's assessment area reflects a reasonable concentration of lending within the assessment area.

Small Business Loans

During the evaluation period, Tioga originated 79.4% by number and 68% by dollar value of its small business loans within its assessment area. This majority of lending inside of Tioga's assessment area reflects a reasonable concentration of lending within the assessment area.

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

| Distribution of Loans Inside and Outside of the Assessment Area | | | | | | | | | | |
|--|-----------------|-------|---------|-------|-------|---------------------------------|-------|---------|-------|---------|
| Loan Type | Number of Loans | | | | | Loans in Dollars (in thousands) | | | | |
| | Inside | | Outside | | Total | Inside | | Outside | | Total |
| | # | % | # | % | | \$ | % | \$ | % | |
| HMDA-Reportable | | | | | | | | | | |
| 2015 | 275 | 82.8% | 57 | 17.2% | 332 | 23,213 | 79.1% | 6,140 | 20.9% | 29,353 |
| 2016 | 271 | 88.6% | 35 | 11.4% | 306 | 27,356 | 82.8% | 5,689 | 17.2% | 33,045 |
| 2017 | 265 | 82.8% | 55 | 17.2% | 320 | 27,275 | 81.6% | 6,139 | 18.4% | 33,414 |
| Subtotal | 811 | 84.7% | 147 | 15.3% | 958 | 77,844 | 81.2% | 17,968 | 18.8% | 95,812 |
| Small Business | | | | | | | | | | |
| 2015 | 50 | 71.4% | 20 | 28.6% | 70 | 4,230 | 49.1% | 4,393 | 50.9% | 8,623 |
| 2016 | 73 | 85.9% | 12 | 14.1% | 85 | 6,033 | 77.1% | 1,796 | 22.9% | 7,829 |
| 2017 | 74 | 79.6% | 19 | 20.4% | 93 | 8,194 | 76.6% | 2,498 | 23.4% | 10,692 |
| Subtotal | 197 | 79.4% | 51 | 20.6% | 248 | 18,457 | 68.0% | 8,687 | 32.0% | 27,144 |
| Grand Total | 1,008 | 83.6% | 198 | 16.4% | 1,206 | 96,301 | 78.3% | 26,655 | 21.7% | 122,956 |

Distribution by Borrower Characteristics: “Satisfactory”

Tioga’s HMDA-reportable and small business lending demonstrated a reasonable distribution of loans among individuals of different income levels and businesses of different revenue sizes. The rating reflects the greater weight given to HMDA-reportable lending.

One-to-four Family HMDA-reportable Loans

Tioga’s HMDA-reportable lending demonstrated a reasonable distribution of loans among borrowers of different income levels.

Tioga’s average rates of lending of 34.7% by number and 19.2% by dollar value of loans for the evaluation period were comparable to the aggregate’s average rates of 33.6% and 23.0%, respectively. Tioga’s rates of lending by number of loans outperformed the aggregate each year of the evaluation period, while the aggregate’s rates by dollar value of loans outperformed Tioga’s rates.

Both Tioga’s and the aggregate’s rates of lending, by number and dollar value of loans for each year of the evaluation period, trailed the LMI family demographic percentage (38.7% - 38.9%) of the assessment area during the evaluation period.

The following table provides a summary of the distribution of Tioga’s one-to-four family loans by borrower income.

| Distribution of 1-4 Family Loans by Borrower Income | | | | | | | | | |
|--|-------------|----------|----------------|----------|------------------|----------|------------------|----------|-----------------|
| 2015 | | | | | | | | | |
| Borrower | Bank | | | | Aggregate | | | | Fam.Dem. |
| Income | # | % | \$000's | % | # | % | \$000's | % | % |
| Low | 42 | 18.0% | 1,097 | 6.2% | 394 | 12.2% | 21,726 | 6.7% | 20.5% |
| Moderate | 42 | 18.0% | 2,697 | 15.4% | 737 | 22.8% | 57,569 | 17.7% | 18.4% |
| LMI | 84 | 36.1% | 3,794 | 21.6% | 1,131 | 35.0% | 79,295 | 24.3% | 38.9% |
| Middle | 74 | 31.8% | 5,147 | 29.3% | 866 | 26.8% | 82,068 | 25.2% | 21.5% |
| Upper | 59 | 25.3% | 6,053 | 34.5% | 1,073 | 33.2% | 144,253 | 44.2% | 39.6% |
| Unknown | 16 | 6.9% | 2,560 | 14.6% | 164 | 5.1% | 20,494 | 6.3% | 0.0% |
| Total | 233 | | 17,554 | | 3,234 | | 326,110 | | |
| 2016 | | | | | | | | | |
| Borrower | Bank | | | | Aggregate | | | | Fam.Dem. |
| Income | # | % | \$000's | % | # | % | \$000's | % | % |
| Low | 25 | 11.0% | 732 | 3.3% | 282 | 8.3% | 14,823 | 4.3% | 20.5% |
| Moderate | 49 | 21.5% | 2,817 | 12.7% | 804 | 23.6% | 62,437 | 18.0% | 18.4% |
| LMI | 74 | 32.5% | 3,549 | 16.0% | 1,086 | 31.9% | 77,260 | 22.3% | 38.9% |
| Middle | 66 | 28.9% | 5,130 | 23.1% | 917 | 26.9% | 85,121 | 24.5% | 21.5% |
| Upper | 70 | 30.7% | 9,810 | 44.3% | 1,246 | 36.6% | 161,981 | 46.7% | 39.6% |
| Unknown | 18 | 7.9% | 3,672 | 16.6% | 154 | 4.5% | 22,468 | 6.5% | 0.0% |
| Total | 228 | | 22,161 | | 3,403 | | 346,830 | | |
| 2017 | | | | | | | | | |
| Borrower | Bank | | | | Aggregate | | | | Fam.Dem. |
| Income | # | % | \$000's | % | # | % | \$000's | % | % |
| Low | 22 | 9.5% | 505 | 2.6% | 354 | 10.7% | 18,305 | 5.3% | 21.6% |
| Moderate | 60 | 26.0% | 3,537 | 18.0% | 776 | 23.4% | 59,430 | 17.2% | 17.1% |
| LMI | 82 | 35.5% | 4,042 | 20.5% | 1,130 | 34.1% | 77,735 | 22.5% | 38.7% |
| Middle | 55 | 23.8% | 4,065 | 20.6% | 845 | 25.5% | 83,050 | 24.1% | 21.7% |
| Upper | 69 | 29.9% | 8,173 | 41.5% | 1,208 | 36.5% | 168,680 | 48.9% | 39.5% |
| Unknown | 25 | 10.8% | 3,407 | 17.3% | 131 | 4.0% | 15,479 | 4.5% | 0.0% |
| Total | 231 | | 19,687 | | 3,314 | | 344,944 | | |
| GRAND TOTAL | | | | | | | | | |
| Borrower | Bank | | | | Aggregate | | | | Fam.Dem. |
| Income | # | % | \$000's | % | # | % | \$000's | % | % |
| Low | 89 | 12.9% | 2,334 | 3.9% | 1,030 | 10.4% | 54,854 | 5.4% | |
| Moderate | 151 | 21.8% | 9,051 | 15.2% | 2,317 | 23.3% | 179,436 | 17.6% | |
| LMI | 240 | 34.7% | 11,385 | 19.2% | 3,347 | 33.6% | 234,290 | 23.0% | |
| Middle | 195 | 28.2% | 14,342 | 24.1% | 2,628 | 26.4% | 250,239 | 24.6% | |
| Upper | 198 | 28.6% | 24,036 | 40.5% | 3,527 | 35.4% | 474,914 | 46.7% | |
| Unknown | 59 | 8.5% | 9,639 | 16.2% | 449 | 4.5% | 58,441 | 5.7% | |
| Total | 692 | | 59,402 | | 9,951 | | 1,017,884 | | |

Small Business Loans

Tioga's small business lending demonstrated an excellent level of lending among businesses of different revenue sizes based on the revenue size of the business.

During the evaluation period, Tioga originated 100% of small business loans to businesses with gross annual revenue of \$1 million or less, well above the aggregate's rates of 45.7% by number and 30.9% by dollar value of loans. Tioga's rates of lending also exceeded the percentage of small businesses with gross annual revenue of \$1

million or less in the assessment area as shown by the business demographics.

The following table provides a summary of the distribution of Tioga's small business loans by the revenue size of the business.

| Distribution of Small Business Lending by Revenue Size of Business | | | | | | | | | |
|---|-------------|----------|----------------|----------|------------------|----------|------------------|----------|-----------------|
| 2015 | | | | | | | | | |
| Rev. Size | Bank | | | | Aggregate | | | | Bus.Dem. |
| | # | % | \$000's | % | # | % | \$000's | % | |
| Rev. <= \$1MM | 50 | 100.0% | 4,230 | 100.0% | 1,205 | 44.8% | 36,727 | 31.6% | 77.4% |
| Rev. > \$1MM | 0 | 0.0% | 0 | 0.0% | | | | | 5.2% |
| Rev. Unknown | 0 | 0.0% | 0 | 0.0% | | | | | 17.3% |
| Total | 50 | | 4,230 | | 2,692 | | 116,155 | | |
| 2016 | | | | | | | | | |
| Rev. Size | Bank | | | | Aggregate | | | | Bus.Dem. |
| | # | % | \$000's | % | # | % | \$000's | % | |
| Rev. <= \$1MM | 73 | 100.0% | 6,033 | 100.0% | 1,258 | 46.6% | 34,339 | 30.1% | 80.2% |
| Rev. > \$1MM | 0 | 0.0% | 0 | 0.0% | | | | | 6.2% |
| Rev. Unknown | 0 | 0.0% | 0 | 0.0% | | | | | 13.6% |
| Total | 73 | | 6,033 | | 2,698 | | 113,995 | | |
| 2017 | | | | | | | | | |
| Rev. Size | Bank | | | | Aggregate | | | | Bus.Dem. |
| | # | % | \$000's | % | # | % | \$000's | % | |
| Rev. <= \$1MM | 74 | 100.0% | 8,194 | 100.0% | 1,354 | 48.1% | 33,365 | 35.0% | 79.2% |
| Rev. > \$1MM | 0 | 0.0% | 0 | 0.0% | | | | | 6.5% |
| Rev. Unknown | 0 | 0.0% | 0 | 0.0% | | | | | 14.3% |
| Total | 74 | | 8,194 | | 2,817 | | 95,245 | | |
| GRAND TOTAL | | | | | | | | | |
| Rev. Size | Bank | | | | Aggregate | | | | Bus.Dem. |
| | # | % | \$000's | % | # | % | \$000's | % | |
| Rev. <= \$1MM | 197 | 100.0% | 18,457 | 100.0% | 2,463 | 45.7% | \$71,066 | 30.9% | |
| Rev. > \$1MM | 0 | 0.0% | 0 | 0.0% | | | | | |
| Rev. Unknown | 0 | 0.0% | 0 | 0.0% | | | | | |
| Total | 197 | | 18,457 | | 5,390 | | \$230,150 | | |

Geographic Distribution of Loans: "Satisfactory"

Tioga's origination of loans in census tracts of varying income levels demonstrated a reasonable distribution of lending. The rating reflects the greater weight given to HMDA-reportable lending.

HMDA-Reportable Loans

The distribution of Tioga's HMDA-reportable loans among census tracts of different income levels was reasonable.

Tioga's average rates of lending for the evaluation period of 15.3% by number and 18.7% by dollar value of loans exceeded the aggregate's rates of 12.8% and 10.4%,

respectively. Tioga's rates exceeded the aggregate's rates in 2016 and 2017 in LMI census tracts, while in 2015 its rates were comparable to the aggregate's rates.

Tioga's rates of lending in 2016 and 2017 also exceeded the percentage of owner-occupied housing units (housing demographics) in LMI census tracts, while in 2015 Tioga's rates were comparable to the percentage of owner-occupied housing units.

The following table provides a summary of the distribution of Tioga's HMDA-reportable loans by the income level of the geography where the property was located.

| Distribution of HMDA Reportable Lending by Geographic Income of the Census Tract | | | | | | | | | |
|---|-------------|----------|----------------|----------|------------------|----------|--------------------|----------|---------------|
| 2015 | | | | | | | | | |
| Geographic | Bank | | | | Aggregate | | | | OO HUs |
| Income | # | % | \$000's | % | # | % | \$000's | % | % |
| Low | 5 | 1.8% | 1,199 | 5.2% | 69 | 2.0% | 5,622 | 1.6% | 2.3% |
| Moderate | 33 | 12.0% | 2,152 | 9.3% | 377 | 11.0% | 31,547 | 9.0% | 13.2% |
| LMI | 38 | 13.8% | 3,351 | 14.4% | 446 | 13.1% | 37,169 | 10.7% | 15.5% |
| Middle | 191 | 69.5% | 13,403 | 57.7% | 1,844 | 54.0% | 172,947 | 49.6% | 54.0% |
| Upper | 46 | 16.7% | 6,459 | 27.8% | 1,127 | 33.0% | 138,582 | 39.7% | 30.5% |
| Unknown | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | 0.0% |
| Total | 275 | | 23,213 | | 3,417 | | 348,698 | | |
| 2016 | | | | | | | | | |
| Geographic | Bank | | | | Aggregate | | | | OO HUs |
| Income | # | % | \$000's | % | # | % | \$000's | % | % |
| Low | 7 | 2.6% | 3,226 | 11.8% | 63 | 1.8% | 6,713 | 1.8% | 2.3% |
| Moderate | 35 | 12.9% | 3,693 | 13.5% | 391 | 11.0% | 34,457 | 9.5% | 13.2% |
| LMI | 42 | 15.5% | 6,919 | 25.3% | 454 | 12.7% | 41,170 | 11.3% | 15.5% |
| Middle | 189 | 69.7% | 16,189 | 59.2% | 1,966 | 55.1% | 188,911 | 51.8% | 54.0% |
| Upper | 40 | 14.8% | 4,248 | 15.5% | 1,148 | 32.2% | 134,293 | 36.9% | 30.5% |
| Unknown | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | 0.0% |
| Total | 271 | | 27,356 | | 3,568 | | 364,374 | | |
| 2017 | | | | | | | | | |
| Geographic | Bank | | | | Aggregate | | | | OO HUs |
| Income | # | % | \$000's | % | # | % | \$000's | % | % |
| Low | 11 | 4.2% | 1,549 | 5.7% | 65 | 1.9% | 7,403 | 2.0% | 2.6% |
| Moderate | 33 | 12.5% | 2,767 | 10.1% | 372 | 10.7% | 26,429 | 7.2% | 11.6% |
| LMI | 44 | 16.6% | 4,316 | 15.8% | 437 | 12.6% | 33,832 | 9.2% | 14.2% |
| Middle | 159 | 60.0% | 17,406 | 63.8% | 1,954 | 56.3% | 206,082 | 56.2% | 58.1% |
| Upper | 62 | 23.4% | 5,553 | 20.4% | 1,078 | 31.1% | 126,484 | 34.5% | 27.7% |
| Unknown | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | 0.0% |
| Total | 265 | | 27,275 | | 3,469 | | 366,398 | | |
| GRAND TOTAL | | | | | | | | | |
| Geographic | Bank | | | | Aggregate | | | | OO HUs |
| Income | # | % | \$000's | % | # | % | \$000's | % | % |
| Low | 23 | 2.8% | 5,974 | 7.7% | 197 | 1.9% | 19738 | 1.8% | |
| Moderate | 101 | 12.5% | 8,612 | 11.1% | 1,140 | 10.9% | 92,433 | 8.6% | |
| LMI | 124 | 15.3% | 14,586 | 18.7% | 1,337 | 12.8% | 112,171 | 10.4% | |
| Middle | 539 | 66.5% | 46,998 | 60.4% | 5,764 | 55.1% | 567,940 | 52.6% | |
| Upper | 148 | 18.2% | 16,260 | 20.9% | 3,353 | 32.1% | 399,359 | 37.0% | |
| Unknown | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | |
| Total | 811 | | 77,844 | | 10,454 | | \$1,079,470 | | |

Small Business Loans

The distribution of Tioga's small business loans among census tracts of varying income levels was reasonable.

Tioga's rate of small business lending in LMI census tracts for the evaluation period of 15.2% by number of loans was well below the aggregate's rate of 24.8%, while its rate of 27.4% by dollar value of loans was comparable to the aggregate's rate of 31.4%.

In 2015, Tioga's rates of lending by number and dollar value of loans in LMI census tracts significantly trailed the aggregate's rates. This continued a trend from 2014 (the last year of the prior evaluation period) in which Tioga's rates of lending in LMI tracts also significantly trailed the aggregate's rates.

Tioga's performance improved in the last two years of the evaluation period. In 2016 Tioga's rates of lending by number and dollar value of loans in low-income census tracts remained below the aggregate's rates, but its rate in moderate-income census tracts by dollar value of loans exceeded the aggregate's rate. In 2017 Tioga's rate by dollar value of loans exceeded the aggregate's rate in LMI census tracts, but trailed the aggregate's rate by number of loans.

Examiners also considered Tioga's improving trend of small business lending during the evaluation period and deemed its small business lending performance marginally reasonable.

The following table provides a summary of the distribution of Tioga's small business loans by the income level of the geography where the business was located.

| Distribution of Small Business Lending by Geographic Income of the Census Tract | | | | | | | | | |
|--|-------------|----------|----------------|----------|------------------|----------|----------------|----------|-----------------|
| 2015 | | | | | | | | | |
| Geographic | Bank | | | | Aggregate | | | | Bus.Dem. |
| Income | # | % | \$000's | % | # | % | \$000's | % | % |
| Low | 1 | 2.0% | 66 | 1.6% | 237 | 8.8% | 16,607 | 14.3% | 8.6% |
| Moderate | 6 | 12.0% | 196 | 4.6% | 482 | 17.9% | 25,804 | 22.2% | 16.1% |
| LMI | 7 | 14.0% | 262 | 6.2% | 719 | 26.7% | 42,411 | 36.5% | 24.7% |
| Middle | 23 | 46.0% | 1,681 | 39.7% | 1,193 | 44.3% | 44,471 | 38.3% | 48.0% |
| Upper | 20 | 40.0% | 2,287 | 54.1% | 780 | 29.0% | 29,273 | 25.2% | 27.2% |
| Unknown | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | 0.0% |
| Total | 50 | | 4,230 | | 2,692 | | 116,155 | | |
| 2016 | | | | | | | | | |
| Geographic | Bank | | | | Aggregate | | | | Bus.Dem. |
| Income | # | % | \$000's | % | # | % | \$000's | % | % |
| Low | 1 | 1.4% | 75 | 1.2% | 229 | 8.5% | 12,233 | 10.7% | 8.8% |
| Moderate | 10 | 13.7% | 1,585 | 26.3% | 443 | 16.4% | 22,113 | 19.4% | 16.7% |
| LMI | 11 | 15.1% | 1,660 | 27.5% | 672 | 24.9% | 34,346 | 30.1% | 25.5% |
| Middle | 38 | 52.1% | 2,924 | 48.5% | 1,239 | 45.9% | 45,852 | 40.2% | 47.5% |
| Upper | 24 | 32.9% | 1,449 | 24.0% | 787 | 29.2% | 33,797 | 29.6% | 27.1% |
| Unknown | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | 0.0% |
| Total | 73 | | 6,033 | | 2,698 | | 113,995 | | |
| 2017 | | | | | | | | | |
| Geographic | Bank | | | | Aggregate | | | | Bus.Dem. |
| Income | # | % | \$000's | % | # | % | \$000's | % | % |
| Low | 4 | 5.4% | 1,265 | 15.4% | 224 | 8.0% | 9,355 | 9.8% | 10.0% |
| Moderate | 8 | 10.8% | 1,878 | 22.9% | 417 | 14.8% | 16,035 | 16.8% | 12.9% |
| LMI | 12 | 16.2% | 3,143 | 38.4% | 641 | 22.8% | 25,390 | 26.7% | 22.9% |
| Middle | 39 | 52.7% | 3,265 | 39.8% | 1,583 | 56.2% | 55,796 | 58.6% | 57.2% |
| Upper | 23 | 31.1% | 1,786 | 21.8% | 593 | 21.1% | 14,059 | 14.8% | 19.9% |
| Unknown | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | 0.0% |
| Total | 74 | | 8,194 | | 2,817 | | 95,245 | | |
| Grand Total | | | | | | | | | |
| Geographic | Bank | | | | Aggregate | | | | Bus.Dem. |
| Income | # | % | \$000's | % | # | % | \$000's | % | % |
| Low | 6 | 3.0% | 1,406 | 7.6% | 690 | 8.4% | 38,195 | 11.7% | |
| Moderate | 24 | 12.2% | 3,659 | 19.8% | 1,342 | 16.4% | 63,952 | 19.7% | |
| LMI | 30 | 15.2% | 5,065 | 27.4% | 2,032 | 24.8% | 102,147 | 31.4% | |
| Middle | 100 | 50.8% | 7,870 | 42.6% | 4,015 | 48.9% | 146,119 | 44.9% | |
| Upper | 67 | 34.0% | 5,522 | 29.9% | 2,160 | 26.3% | 77,129 | 23.7% | |
| Unknown | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | |
| Total | 197 | | 18,457 | | 8,207 | | 325,395 | | |

Action Taken in Response to Written Complaints with Respect to CRA: "N/A"

Neither DFS nor Tioga received any written complaints during the evaluation period regarding Tioga's CRA performance.

Community Development Test: “Outstanding”

Tioga’s community development performance demonstrated excellent responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services, considering Tioga’s capacity and the need for and availability of opportunities for community development in its assessment area.

During the evaluation period, Tioga originated \$7.7 million in new community development loans and had \$5.9 million outstanding from prior evaluation periods. Tioga made nearly \$2.7 million in new qualified investments during the evaluation period and had \$30,637 outstanding from prior evaluation periods.

Community Development Lending: “Outstanding”

During the evaluation period, Tioga originated \$7.7 million in new community development loans and had \$5.9 million outstanding from prior evaluation periods for a total of \$13.6 million in community development loans. This demonstrated an excellent level of community development lending over the course of the evaluation period.

Tioga’s community development loans originated during the current evaluation period were mainly for the purpose of affordable housing, which made up 61.1% of loans; community development loans for revitalization and stabilization and economic development made up 22.2% and 16.7%, respectively. The community contact interviewed for the evaluation identified affordable housing and economic development as the main concerns in the area.

| Community Development Loans | | | | |
|------------------------------------|------------------------|--------------|--|--------------|
| Purpose | This Evaluation Period | | Outstandings from Prior Evaluation Periods | |
| | # of Loans | \$000 | # of Loans | \$000 |
| Affordable Housing | 16 | 4,694 | 11 | 1,434 |
| Economic Development | 4 | 1,357 | 1 | 13 |
| Community Services | 0 | 0 | 3 | 72 |
| Other (Revitalize/Stablize) | 7 | 1,635 | 8 | 4,399 |
| Total | 27 | 7,686 | 23 | 5,918 |

Below are highlights of Tioga’s community development lending.

- Tioga originated two loans totaling \$1 million to purchase two mobile home parks, of which one is located in a low-income census tract and the other in a middle-income census tract. The mobile home parks offer a combined 44 pad-sites and 28 manufactured homes for rent and provide for affordable housing.

- Tioga made a \$784,000 loan to renovate a historic hotel in the downtown area of a town within the assessment area. The renovation of the hotel is also supported by a government grant. The loan helps to retain jobs for area residents.
- Tioga originated a \$637,500 loan to purchase a property occupied by a branch of a larger multi-state bank. The property is in a low-income census tract and helps to stabilize the area.

Qualified Investments: “Outstanding”

During the evaluation period, Tioga made \$2.5 million in new community development investments and had \$30,637 outstanding from prior evaluation periods. In addition, Tioga made \$191,964 in community development grants. This demonstrated an excellent level of qualified investments over the course of the evaluation period.

Tioga’s \$2.5 million in new community investments made during the current evaluation period represented an 80.1% (\$1.1 million) increase from the \$1.4 million in investments made during the prior evaluation period.

| Community Development Investments and Grants | | | | |
|--|------------------------|-----------------|--|-----------|
| | This Evaluation Period | | Outstandings from Prior Evaluation Periods | |
| | # of Inv. | \$000 | # of Inv. | \$000 |
| CD Investments | | | | |
| Affordable Housing | | | | |
| Economic Development | | | | |
| Community Services | 9 | \$ 1,002 | 2 | 31 |
| Revitalize/stabilize | 3 | \$ 1,500 | | |
| Total | 12 | \$ 2,502 | 2 | 31 |
| CD Grants | # of Grants | \$000 | Not Applicable | |
| Affordable Housing | | | | |
| Economic Development | | | | |
| Community Services | 177 | \$ 192 | | |
| Other (Please Specify) | | | | |
| Total | 177 | \$ 192 | | |

Below are examples of Tioga’s community development investments and grants.

- Tioga purchased a number of bonds issued by a local school district for the purchase of school buses. Tioga also purchased three bonds issued by a local town to repair critical infrastructure within its assessment area.
- Tioga made \$191,964 in grants to various nonprofit organizations that provide food, clothing, housing, and other services and programs for LMI individuals and families living in Tioga’s assessment area.

Community Development Services: “Outstanding”

Tioga continued to demonstrate an excellent level of community development services over the course of the evaluation period. Tioga’s management and employees participated in 41 qualified community development services, which included serving on boards and committees of nonprofit organizations. These organizations provided services and programs for economic development, revitalization and stabilization, and community services within Tioga’s assessment area.

Below are highlights of Tioga’s community development services.

- During the evaluation period, members of management and employees of Tioga served as committee members and board members of various local chambers of commerce and industrial development agencies promoting economic development in the area.
- An employee is a committee member of a business development not-for-profit organization created to revitalize and develop the downtown area of a local town. Another Tioga employee served as the treasurer of a local food pantry.
- Tioga, in partnership with a local housing bureau, hosted various first-time homebuyer seminars for LMI individuals and families.

Responsiveness to Credit and Community Development Needs: “Outstanding”

Tioga demonstrated an excellent level of responsiveness to credit and community development needs as highlighted below:

- Tioga made a \$500,000 in loans to a food processing company. Some proceeds of the loans were used to purchase machinery for its processing operation. The company is located in a low-income census tract and employs 25 full-time and 28 part-time employees. The loans helped to retain jobs for area residents, which was noted by the community contact as a main concern in the area.
- Tioga also works closely with several local organizations that promote increased employment opportunities through economic development and revitalization. Tioga employees and members of management serve on the board or committees of these organizations, which provide small business owners with information, guidance, and financing.
- During the evaluation period, Tioga consistently ranked among the top three home mortgage lenders (2015, 2016 and 2017 Institution Market Share Report) within its assessment area.
- Tioga offers a “No Closing Cost Mortgage,” in which Tioga pays third party closing

fees. This program provides an option to borrowers with limited funds for closing costs. Tioga is a participant in the Federal Home Loan Bank program for first-time home buyers. Tioga originated 127 loans for \$11.8 million through the program from 2015 through 2017.

- Tioga also offers a “Skip-A-Payment” program on its personal, automobile, recreational, and other consumer installment loans. It allows customer to skip up to two loan payments within a 12-month period and up to six loan payments over the life of the loan for a fee of \$25 per skipped payment.

Additional Factors

The extent of participation by the banking institution’s Board of Directors or Board of Trustees in formulating the banking institution’s policies and reviewing its performance with respect to the purposes of the CRA.

Tioga’s board of directors reviews and approves the CRA policy statement annually and receives annual CRA training. The board on a periodic basis reviews and discusses Tioga’s CRA self-assessment and CRA performance.

Discrimination and other illegal practices

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

DFS examiners did not note evidence of practices by Tioga intended to discourage applications for the types of credit offered by the Bank.

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

DFS examiners did not note evidence by Tioga of prohibited discriminatory or other illegal practices.

Record of opening and closing offices and providing services at offices

Tioga did not open or close any branches during the evaluation period. Tioga operates eleven branch offices of which two branches solely offer drive-up service. The Bank also operates one loan production office and one investment services office.

Nine branch offices offer drive-up and lobby service. Lobby hours are from 9:00 am to 4:00pm or 4:30 pm Monday through Wednesday. The Conklin Avenue branch and the Spencer branch offer lobby hours from 9:00 am to 2:00 pm and 8:30 am to 4:00 pm, respectively. On Thursday and Friday lobby hours extend until 5:00 pm. Drive-up hours vary from 8:00 am or 10:00 am to 4:00 pm or 5:00 pm for Monday through Wednesday, and extend to 5:00 or 6:00 pm for Thursday and Friday. Four branch offices offer Saturday

lobby hours and six offer Saturday drive-up hours.

| 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 | 100% |
| Total | 0 | 1 | 1 | 5 | 4 | 11 | 18% |

*Partial County

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.*

Management and employees serve on nonprofit community organizations in various capacities. Through their interaction with these organizations they are made aware of the credit needs of 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*

Tioga advertises through various media channels such as television, radio, newspapers, and billboards. Tioga also uses direct mailing and email advertising, as well as advertising on customer statements or statement stuffers. Tioga advertises throughout its assessment area.

Other factors that in the judgment of the Superintendent bear upon the extent to which Tioga is helping to meet the credit needs of its entire community

DFS examiners noted no other factors.

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

“Community development”:

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.

Community Development Loan

A loan that has 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.

Community Development Service

Service that has community development as its *primary purpose*, 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.

Geography

A census tract delineated by the United States Bureau of the Census in the most recent decennial census

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 for borrowers is based on household or family income. 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 of \$1 million or less.

Low or Moderate Income (“LMI”) Geographies

Those census tracts or block numbering areas where, according to the 2000 U.S. 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 cases 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 represents 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.

Low-Income Housing Tax Credit (LIHTC)

A dollar for dollar tax credit for affordable housing, created under the Tax Reform Act of 1986, that provides incentives to invest in projects for the utilization of private equity in the development of affordable housing aimed at low income Americans. It is also more commonly called Section 42 credits in reference to the applicable section of the IRC. The tax credits are more attractive than tax deductions as they provide a dollar for dollar reduction in a taxpayer's federal income tax. It is more commonly attractive to corporations since the passive loss rules and similar tax changes greatly reduced the value of tax credits and deductions to individual taxpayers.

New Markets Tax Credit (NMTC)

The New Markets Tax Credits (NMTC) Program was established by Congress in December 2000 to stimulate economic and community development and job creation in low-income communities. It permits individual and corporate taxpayers to receive a credit against federal income taxes for making qualified equity investments in Community Development Entities (CDEs). The credit provided to the investor totals 39% of the cost of the investment and is claimed over a 7-year period. CDEs must use substantially all of the taxpayer's investments to make qualified investments in low-income communities. The Fund is administered by the US Treasury Department's Community Development Financial Institutions Fund (CDFI).

Qualified Investment

A lawful investment, deposit, membership share or grant that has community development as its *primary purpose*. 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.