



**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, 2008

Institution: Solvay Bank
1537 Milton Avenue
Solvay, NY 13209

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 Solvay Bank (“Solvay”), prepared by the New York State Banking Department. The evaluation represents the Banking Department’s current assessment and rating of the institution’s CRA performance based on an evaluation conducted as of December 31, 2008.

Section 28-b of the New York State Banking Law, as amended, requires that when evaluating certain applications, the Superintendent of Banks shall assess a banking institution’s record of helping to meet the credit needs of its entire community, including low- and moderate-income 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

Solvay's performance was evaluated according to the intermediate small bank performance criteria. Solvay is rated "1," indicating an "**Outstanding**" 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, 2006. This rating is based on the following factors:

Overall Rating

Solvay is rated "1," indicating an "Outstanding" record of helping to meet community credit needs.

Lending Test: "Satisfactory"

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

Solvay's LTD ratio was reasonable given its size, financial condition and the credit needs of the assessment area. Solvay's average LTD ratio for the eight quarters since the prior evaluation was 76.2%, lower than the peer group's 89.2%. However, the bank's quarterly ratios showed a slight upward trend during the evaluation period and the LTD ratios were adequate.

▪ ***Assessment Area Concentration: "Outstanding"***

Solvay extended a substantial majority of its HMDA-reportable and small business loans inside its assessment area. Considering both types of lending, Solvay extended 94.4% by number and 92% by dollar volume of its loans within its assessment area.

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

Solvay's distribution of HMDA-reportable and small business loans based on borrower characteristics reflected a reasonable penetration among borrowers of different income levels and businesses of different revenue sizes operating within the assessment area. During the evaluation period, Solvay's penetration ratio for number of HMDA-reportable loans to LMI was slightly below the aggregate's penetration rate. At the same time, Solvay's lending penetration ratios to businesses with gross annual revenues of <=\$1MM was more than double the aggregate's penetration ratio, whether considering number of loans or dollars lent.

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

When considered together, HMDA-reportable and small business loans are dispersed reasonably across geographies of all income levels. However, while small business lending in LMI geographies was good, HMDA-reportable lending remained poor. During the evaluation period, Solvay made 5.7% of its HMDA-reportable loans in LMI geographies, significantly below the aggregate's penetration ratio of 10.9% and the total owner-occupied units in LMI tracts (11.8%). For small business loans, Solvay made 25% of its small business loans within LMI geographies, which was more than the aggregate bank's penetration ratio of 20.9%.

- **Action Taken in Response to Written Complaints With Respect to CRA:** *“Satisfactory”*

Neither Solvay nor the New York State Banking Department received any written complaints with respect to the bank’s CRA performance during the evaluation period. However, NYSBD did receive a letter from a community group which wrote in strong support of Solvay’s performance in meeting the credit needs of the Syracuse community.

Community Development Test: “Outstanding”

- **Community Development Loans:** *“Outstanding”*
Solvay was a leader in making qualified community development loans. During the evaluation period, Solvay’s community development commitments totaled \$6.2 million, of which 72.7% (\$4.5 million) was new money.
- **Community Development Investments:** *“Outstanding”*
Solvay’s level of qualified community development investments reflected an excellent responsiveness to the credit needs of the assessment area. During the evaluation period, qualified investments totaled \$3.4 million, most of which was new money.
- **Community Development Services:** *“Satisfactory”*
Solvay provided an adequate level of community development services.

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

PERFORMANCE CONTEXT

Institution's Profile:

Solvay is a state-chartered commercial bank, founded in 1917 and headquartered in Solvay, New York. The bank is wholly owned by Solvay Bank Corporation ("Solvay Corporation"), a one-bank holding company.

According to the Call Report dated December 31, 2008, Solvay had total assets of \$511.9 million with \$355.3 million in net loans and \$457.2 million in deposits. The bank's assets increased by 8.5% since the prior evaluation (\$471.7 million). According to the latest available comparative deposit data, dated June 30, 2008, Solvay had a market share of 6.4% out of \$7.3 billion deposited within Onondaga County, ranking it 5th among 17 deposit-taking institutions in its assessment area.

The following table is a summary of Solvay's loan portfolio, based on Schedule RC-C of the bank's call reports:

TOTAL GROSS LOANS OUTSTANDING				
LOAN TYPE	12/31/2007		12/31/2008	
	\$(000s)	%	\$(000s)	%
1-4 Residential Mortgage Loans	197,857	56.4	207,075	57.2
Commercial & Industrial Loans	60,952	17.4	63,341	17.5
Commercial Mortgage Loans	46,699	13.3	47,936	13.3
Consumer Loans	19,255	5.5	21,151	5.8
Construction Loans	20,113	5.7	17,242	4.8
Multifamily Mortgage Loans	4,606	1.3	4,553	1.3
Other Loans	1,541	0.4	414	0.1
Total Gross Loans	351,023	100.0	361,712	100.0

In terms of its loan portfolio, the bank is primarily a residential mortgage lender with 57.2% of its portfolio in 1-4 family mortgage loans.

In addition to its main office located at 1537 Milton Avenue, the bank operates six other full-service branches and one stand-alone ATM. All branches and the ATM are located in or around Syracuse, Onondaga County. One branch is located in a low-income geography, two in moderate-income geographies, and four in middle-income geographies. This compares favorably to the demographics of the census tracts in the assessment area. No branches were opened or closed during the evaluation period.

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:

Solvay has delineated Onondaga County in its entirety as its assessment area. This is unchanged from the prior evaluation period. Onondaga County is part of Metropolitan

Statistical Area (“MSA”) 45060 (Syracuse MSA). The city of Syracuse is the economic center of not only the county and the MSA, but the entire central New York region.

The assessment area consisted of 144 census tracts, 44 (30.6%) of which are LMI, mostly clustered in Syracuse’s urban and semi-urban areas. The following table shows the income-level distribution of the census tracts:

Distribution of Census Tracts Within the Assessment Area							
County	Zero-Income	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total Census	LMI Tracts
Onondaga	0	21	23	56	44	144	44
	0.0%	14.6%	16.0%	38.9%	30.6%	100.0%	30.6%

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

Demographic & Economic Data

Demographic data regarding the owner-occupied housing units and small businesses located in LMI census tracts, as well as families that are LMI and businesses with revenues of <=\$1MM, are discussed in the appropriate sections.

The total population for the assessment area is 458,336. Thirty-seven percent of families are considered LMI. The median family income is \$53,569. The US Department of Housing and Urban Development (“HUD”) updated income for the MSA is \$61,000.

The largest industry in the assessment area was service providers, which constituted 38% of the total businesses. Retail trade and construction were the second and third largest industries, accounting for 15.5% and 7.6% of the total businesses, respectively. The fourth largest industry was finance, insurance and real estate, constituting 7.3% of all businesses within the assessment area. Approximately 15.8% of all businesses were not classified.

For 2007, the U.S Department of Labor reported an average unemployment rate of 4.1% in the assessment area. This was similar to the New York State average unemployment rate of 4.5%. In 2008, the average unemployment rate in Onondaga County increased to 5.3%, again similar to New York State’s average of 5.4%. The increase in the unemployment rate was attributed to the economic downturn that occurred across the United States.

PERFORMANCE TESTS AND ASSESSMENT FACTORS

Solvay's performance was evaluated according to the intermediate small bank's performance criteria under the Lending and Community Development tests, pursuant to part 76.12 of the General Regulations of the Banking Board. The Lending test includes the following criteria: (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 entails the review of: (1) Community Development Loans (2) Community Development Investments and (3) Community Development Services. The following factors were also considered in assessing Solvay'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.

The assessment period included calendar years 2007 and 2008. Examiners considered Solvay's HMDA-reportable and small business loans in evaluating lending factors (2), (3) and (4), as noted above. Lending factors (3) and (4) only considered loans within Solvay's assessment area. For factors (3) and (4), 161 sampled loan originations were used for small business lending analysis; results were extrapolated from this sample. Small business loan aggregate data are shown for comparative purposes; Solvay is not required to report these data and, as such, Solvay is not included in the aggregate data.

Statistics employed in this evaluation were derived from various sources. In addition to specific loan information submitted by Solvay, aggregate data for small business and HMDA-reportable lending activity were obtained from the Federal Financial Institutions Examination Council ("FFIEC"). Loan-to-Deposit ratios were calculated from information shown in the bank's Uniform Bank Performance Report ("UBPR") as prepared by the FDIC. Deposit market share was derived from FDIC's deposit market share reports.

The demographic and census data referred to in this report were obtained from the 2000 U.S. Census Data, with updated median family income figures provided by HUD. Business demographic data used in this report provided information on US businesses, enhanced by Dun & Bradstreet and updated annually.

Solvay received a rating of "2," reflecting a "Satisfactory" record of helping to meet community credit needs based on the **prior** NYSBD Performance Evaluation dated December 31, 2006.

CRA Rating: “Outstanding”

Lending Test: “Satisfactory”

Loan-to-Deposit Ratio and Other Lending Related Activities: “Satisfactory”

Solvay’s LTD ratio was reasonable given its size, financial condition and the credit needs of the assessment area. Solvay’s average LTD ratio for the eight quarters since the prior evaluation was 76.2%, lower than the peer group’s 89.2%¹. However, the bank’s quarterly ratios showed a slight upward trend during the evaluation period and the LTD ratios were adequate.

The chart below illustrates Solvay’s and its peer group’s LTD ratios for the eight quarters ending December 31, 2008:

Loan-to-Deposit Ratios									
	2007	2007	2007	2007	2008	2008	2008	2008	Average LTD
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Bank	74.98	75.49	76.26	78.98	76.86	74.40	75.15	77.71	76.23
Peer	86.56	87.86	88.56	89.45	89.47	91.00	91.10	89.29	89.16

Solvay participates in various SBA loan programs, including SBA 504, SBA Express, SBA LowDoc and SBA (7a) Guaranteed Loans.

Assessment Area Concentration: “Outstanding”

Solvay extended a substantial majority of its HMDA-reportable and small business loans inside its assessment area. Considering both types of lending, Solvay extended 94.4% by number and 92% by dollar volume of its loans within its assessment area.

For both years of the evaluation period, in considering both the number and dollar volume of loan originations, Solvay extended a substantial majority of its HMDA lending within its assessment area. Solvay extended 92.7% by number and 91.4% by dollar volume of its HMDA loans in the assessment area.

For small business lending, Solvay extended a substantial majority of its loans within its assessment area. The bank extended 96.0% by number and 92.6% by dollar volume of its small business loans in its assessment area.

¹ These ratios were calculated from information shown in the bank’s Uniform Bank Performance Report (“UBPR”) as prepared by the FDIC. The bank’s peer group includes all insured commercial banks having assets between \$300 million and \$1 billion. The UBPR peer group is a national peer group and includes banks that may be operating in very different economic environments.

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

Distribution of Loans Originated Inside and Outside the AA										
Year	Number of Loans					Loans in Dollars				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$000	%	\$000	%	
SBL 2007	382	97.0	12	3.0	394	24,338	91.2	2339	8.8	26,677
SBL 2008	334	94.9	18	5.1	352	23,486	94.0	1497	6.0	24,983
2-year total	716	96.0	30	4.0	746	47,824	92.6	3,836	7.4	51,660
HMDA 2007	339	92.6	27	7.4	366	22,165	90.9	2224	9.1	24,389
HMDA 2008	349	92.8	27	7.2	376	26,034	91.9	2291	8.1	28,325
2-year total	688	92.7	54	7.3	742	48,199	91.4	4,515	8.6	52,714
2-year total combined	1404	94.4	84	5.6	1488	96,023	92.0	8,351	8.0	104,374

Distribution by Borrower Characteristics: “Satisfactory”

Solvay’s distribution of HMDA-reportable and small business loans based on borrower characteristics reflected a reasonable penetration among borrowers of different income levels and businesses of different revenue sizes operating within the assessment area.

HMDA-reportable Loans: “Satisfactory”

During the evaluation period, Solvay extended 24.1% by number and 15.2% by dollar volume to LMI borrowers. These ratios were slightly below the aggregate’s 28.2% and 17.4%, respectively. In 2007, Solvay’s penetration ratio for number of HMDA-reportable loans to LMI borrowers was comparable to the aggregate’s penetration rate (25.3% vs. 27.4%). In 2008, Solvay’s penetration ratio decreased to 22.9%, primarily due to the general slowdown in the real estate market. The aggregate penetration rate also decreased, to 24.7%.

In addition to overall reasonable performance, Solvay’s 2007 penetration ratios for number of HMDA-reportable loans to low-income borrowers significantly exceeded the aggregate’s penetration rate.

The following table illustrates the distribution of HMDA-reportable loans originated by borrower income level:

Distribution of HMDA-reportable Loans by Borrower Income Level									
2007									
Borrower Income Level	Bank				Aggregate				Family Demographics
	#	%	\$000's	%	#	%	\$000's	%	%
Low	36	10.6	1,131	5.1	854	6.9	43,850	3.4	19.6
Moderate	50	14.7	2,215	10.0	2,521	20.5	176,786	13.9	17.1
Middle	91	26.8	5,275	23.8	3,423	27.8	289,820	22.8	21.1
Upper	148	43.7	12,006	54.2	5,234	42.5	654,318	51.4	42.2
N/A	14	4.1	1,538	6.9	279	2.3	108,346	8.5	0.0
Total	339	100.0	22,165	100.0	12,311	100.0	1,273,120	100.0	100.0
2008									
Borrower Income Level	Bank				Aggregate				Family Demographics
	#	%	\$000's	%	#	%	\$000's	%	%
Low	21	6.0	780	3.0	763	7.8	42,188	3.7	19.6
Moderate	59	16.9	3,217	12.4	2,075	16.9	157,622	12.4	17.1
Middle	80	22.9	5,055	19.4	2,578	20.9	245,439	19.3	21.1
Upper	176	50.4	16,468	63.3	4,102	33.3	563,963	44.3	42.2
N/A	13	3.7	514	2.0	230	1.9	129,631	10.2	0.0
Total	349	100.0	26,034	100.0	9,748	80.8	1,138,843	89.8	100.0
LMI 2-year	166	24.1%	7,343	15.2%	6,213	28.2%	420,446	17.4%	36.8%
Total	688	100.0%	48,199	100.0%	22,059	100.0%	2,411,963	100.0%	100.0%

Small Business Loans: "Outstanding"

For 2007 and 2008, Solvay's lending penetration ratios to businesses with gross annual revenues of \leq \$1 MM was more than double the aggregate's penetration ratio, whether considering number of loans or dollars lent.

In 2007, Solvay originated 88.2% of its small business loans to businesses with annual revenues of \$1 million or less, significantly higher than the aggregate banks' penetration ratio of 36.4% for the same category of borrowers.

In 2008, Solvay's penetration ratio decreased slightly to 82.5%, but it was still significantly higher than the aggregate's 31.2%, which decreased over the same time period.

The following table illustrates the distribution of small business loans by business revenue size for 2007 and 2008:

*Distribution of Small Business Loans by Business Revenue Size									
2007									
Business Revenue Level	Bank				Aggregate				Bus. Demographics
	#	%	\$(000's)	%	#	%	\$(000's)	%	
\$1million or less	337	88.2	19,240	79.1	5,984	36.2	156,460	30.4	64.8%
Over \$1 million	41	10.8	3,644	15.0					6.5%
No Revenue Info	4	1.1	1,454	6.0					28.7%
Total	382	100.0	24,338	100.0	16,547	100.0	514,407	100.0	100.0%
2008									
Business Revenue Level	Bank				Aggregate				Business Demograp
	#	%	\$(000's)	%	#	%	\$(000's)	%	
\$1million or less	276	82.5	18,533	78.9	3,975	31.2	120,774	28.8	64.2%
Over \$1 million	48	14.3	4,458	19.0					6.0%
No Revenue Info	11	3.2	494	2.1					29.8%
Total	334	100.0	23,486	100.0	12,750	100.0	418,977	100.0	100.0%
2 Year Total	716	100.0	47,824	100.0	29,297	100.0	933,384	100.0	
Total <\$1 million	612	85.5	37,774	79.0	9,959	34.0	277,234	29.7	

*Loan analysis was performed on a sample of 93 loans in 2007 and 63 loans in 2008. Number and dollar volume of loans were then extrapolated from the resulting percentages and are not actual results.

Geographic Distribution of Loans: “Satisfactory”

While small business lending in LMI geographies was good, HMDA-reportable lending remained poor, as it was at the prior evaluation period.

HMDA-reportable Loans: “Needs to Improve”

The geographic distribution of HMDA-reportable loans reflected a poor dispersion among census tracts of different income levels. During the evaluation period, Solvay made 5.7% of its HMDA-reportable loans in LMI geographies, significantly below the aggregate’s penetration ratio of 10.9% and the total owner-occupied units in LMI tracts (11.8%).

In 2007, Solvay originated 6.2% of its HMDA-reportable loans within LMI geographies, which was lower than the aggregate banks’ 12%.

In 2008, Solvay’s LMI-geography lending decreased slightly to 5.2% by number of loans originated in the assessment area. This was a smaller percentage decrease than the aggregate, but still resulted in Solvay having an LMI penetration ratio which was below the aggregate’s ratio.

The following table illustrates the bank's distribution of HMDA-reportable loans by geographic income level:

Distribution of HMDA-reportable Loans by Geographic Income Level									
2007									
Geography Income Level	Bank				Aggregate				Owner-Occupied Housing Units
	#	%	\$000's	%	#	%	\$000's	%	
Low	5	1.5	964	4.3	385	3.1	38,963	3.1	3.4%
Moderate	16	4.7	554	2.5	1,092	8.9	72,216	5.7	8.4%
Middle	195	57.5	11,091	50.0	5,716	46.4	523,279	41.1	47.3%
Upper	123	36.3	9,556	43.1	5,118	41.6	638,662	50.2	41.0%
Total	339	100.0	22,165	100.0	12,311	100.0	1,273,120	100.0	100.0%
2008									
Geography Income Level	Bank				Aggregate				Owner-Occupied Housing Units
	#	%	\$000's	%	#	%	\$000's	%	
Low	2	0.6	180	0.7	217	1.8	17,336	1.4	3.4%
Moderate	16	4.6	736	2.8	706	5.7	41,768	3.3	8.4%
Middle	189	54.2	12,235	47.0	4,711	38.3	513,402	40.3	47.3%
Upper	142	40.7	12,883	49.5	4,114	33.4	566,337	44.5	41.0%
Total	349	100.0	26,034	100.0	9,748	100.0	1,138,843	100.0	100.0%
LMI 2-year	39	5.7	2,434	5.0	2,400	10.9	170,283	7.1	
Total	688	100.0	48,199	100.0	22,059	100.0	2,411,963	100.0	

Small Business Loans: Satisfactory

During the evaluation period, Solvay made 25% of its small business loans within LMI geographies, which was more than the aggregate banks' penetration ratio of 20.9%. Both Solvay's and the aggregate banks' performance were better than the percentage of businesses located in LMI tracts.

In 2007, Solvay originated 29% of its small business loans within moderate-income geographies, more than the aggregate level of 20.5%.

In 2008, Solvay's LMI-geography lending decreased to 19% by number of loans originated in the assessment area, slightly below the aggregate's penetration rate of 21.4%.

The following table illustrates the bank's distribution of small business loans by geographic income level:

*Distribution of Small Business Loans by Geographic Income Level									
2007									
Geography Income Level	Bank				Aggregate				Business Demographics
	#	%	\$000's	%	#	%	\$000's	%	%
Low	45	11.8	2,077	8.5	2,141	12.9	90,813	17.7	17.2
Moderate	66	17.2	2,522	10.4	1,253	7.6	42,041	8.2	9.5
Middle	193	50.5	12,755	52.4	7,261	43.9	241,472	46.9	42.8
Upper	78	20.4	6,984	28.7	5,892	35.6	140,081	27.2	30.5
Total	382	100.0	24,338	100.0	16,547	100.0	514,407	100.0	100.0
2008									
Geography Income Level	Bank				Aggregate				Business Demographics
	#	%	\$000's	%	#	%	\$000's	%	%
Low	42	12.7	1,131	4.8	1,759	13.8	73,851	17.6	17.3
Moderate	21	6.3	1,378	5.9	964	7.6	42,586	10.2	9.7
Middle	186	55.6	13,604	57.9	5,582	43.8	191,458	45.7	42.4
Upper	85	25.4	7,374	31.4	4,445	34.9	111,082	26.5	30.6
Total	334	100.0	23,486	100.0	12,750	100.0	418,977	100.0	100.0
LMI 2-year	175	24.4	7,108	14.9	6,117	20.9	249,291	26.7	
Total	716	100.0	47,824	100.0	29,297	100.0	933,384	100.0	

*Loan analysis was performed on a sample of 93 loans in 2007 and 63 loans in 2008. Number and dollar volume of loans were then extrapolated from the resulting percentages and are not actual results.

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

Since the latest CRA evaluation as of December 31, 2006, neither Solvay nor the New York State Banking Department has received any written complaints regarding Solvay's CRA performance.

However, NYSBD did receive a letter from Home HeadQuarters, which wrote in strong support of Solvay's performance in meeting the credit needs of the Syracuse community. Home HeadQuarters is a private, not-for-profit Community Development Financial Institution ("CDFI") that works to promote sustainable homeownership and affordable home improvements for families in Central and Upstate New York.

In addition to the activities noted above, Home Headquarters also noted that in 2004, Solvay was one of 12 banks that took the leadership position to support Home Headquarters' FlexFund, a home improvement loan program. Solvay continues to support this program with both investments and contributions.

Community Development Test: “Outstanding”

Solvay’s community development performance demonstrated excellent responsiveness to community development needs in its assessment area through community development loans, qualified investments, and community development services.

Community Development Loans: “Outstanding”

Solvay was a leader in making qualified community development loans.

During the evaluation period, Solvay made or renewed 16 qualified community development loans totaling \$6.2 million, of which 72.7% (\$4.5 million) was new money. The bank’s community development lending decreased from \$7 million at the prior evaluation. The decline occurred primarily due to the economic downturn of 2008. However, considering Solvay’s asset size, the bank’s performance remained outstanding.

Most of Solvay’s community development lending (85%) supported economic development, including the revitalization and stabilization of communities. With the exception of a \$24-thousand loan to Community Preservation Corporation (“CPC”), all of the loans were extended to businesses and entities operating or building within the Syracuse MSA.

The following table shows the number of loans and dollar volume by designation:

Community Development Loans			
<i>Designation</i>	<i># of loans</i>	<i>volume (\$000s)</i>	<i>volume %</i>
Economic Development	11	\$ 5,280	84.5%
Affordable Housing	5	\$ 965	15.5%
Total	16	\$ 6,245	100.0%

The following are examples of the larger commitments among the 16 community development loans and credit lines:

- In 2007, Solvay extended a \$625 thousand refinance loan to a full-service auto dealership in the HUD-designated Syracuse Empowerment Zone. The company employs approximately 50 individuals. With many of the dealerships either closing or moving outside of Syracuse, this dealership provides a needed community resource, as well as ensuring that a property within the Empowerment Zone remains used.
- In 2007, Solvay extended a \$150 thousand SBA loan for the acquisition by a lawn and garden company of commercial real estate in an LMI geography adjacent to the Syracuse Empowerment Zone.
- In 2008, Solvay extended a \$3 million term loan to fund the renovation of a commercial property for the purpose of opening a daycare center and offices for State University of New York (“SUNY”) Medical University. This property is located in the Syracuse

Empowerment Zone.

Community Development Investments: “Outstanding”

Solvay’s level of qualified community development investments reflected an excellent responsiveness to the credit needs of the assessment area.

During the evaluation period qualified investments totaled \$3.4 million, most of which was new money. Only \$38 thousand, in the form of three collateral trust notes by CPC, were carried over from the prior evaluation period. Solvay’s community development investments more than doubled when compared with the prior period’s investments of \$1.5 million.

One group of investments consists of ten collateral trust notes, totaling \$138.4 thousand, issued by CPC, including \$38 thousand carried over from the prior evaluation period. CPC is a not-for-profit corporation whose mission is to stabilize, strengthen and sustain LMI communities. Another group of investments includes ten bond anticipation notes (“BANs”), totaling \$3.2MM, by the Village of Solvay. The village raises funds through BANs in order to undertake various improvement projects, primarily on Milton Avenue, an LMI geography.

In addition, Solvay made hundreds of grants to organizations providing community services, most notably food pantries serving the neediest segments of the population.

Community Development Services: “Satisfactory”

Solvay provided an adequate level of community development services. The bank’s management and staff are involved with a variety of community development organizations and provided technical assistance to organizations and programs that promote affordable housing, economic development and community services in the assessment area. Solvay’s directors and officers also serve on boards or committees of economic development and LMI and small business service organizations, including Home Headquarters and the Greater Syracuse Business Development Council.

Examples of Solvay’s community development services include:

- Solvay established the My Community Mortgage Program through FannieMae to assist new homebuyers.
- At Home Headquarters, Solvay provided training for mortgages and insurance to first-time homebuyers.

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

Solvay's board of directors reviewed and approved the bank's CRA Policy on an annual basis. The board last reviewed and approved the bank's CRA statement on December 3, 2008. The board was informed of regulatory changes through a compliance/CRA Newsletter or by the compliance/CRA officer. The officer reported to the Board quarterly.

Discrimination and other Illegal Practices

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

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

Evidence of prohibited discriminatory or other illegal credit practices.

No evidence of prohibited discrimination or other illegal credit practices was noted.

The banking institution's record of opening and closing offices and providing services at offices

In addition to its main office located at 1537 Milton Avenue, the bank operates six other full-service branches and one stand-alone ATM. All branches and the ATM are located in or around Syracuse, Onondaga County. One branch is located in a low-income geography, two in moderate-income geographies, and four in middle-income geographies. This compares favorably to the demographics of the census tracts in the assessment area. No branches were opened or closed during the evaluation period.

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

Solvay ascertained the credit needs of its community mainly through active involvement by its directors, officers and employees with local businesses and for-profit and not-for-profit organizations. Loan officers worked with businesses on the development of business plans and worked one-on-one with applicants to provide loans or services that would be in the best interest of the applicant. Loan officers also participated in a calling program, visiting new businesses and current customers.

Solvay participated in various community programs both to ascertain credit needs and to market its services.

- The Home Show – a booth at this event was staffed by Solvay’s employees to answer consumer’s questions regarding mortgages, loans, and bank products,
- The Chamber Show – a booth at this event was staffed by the bank’s business and branch managers to provide information to businesses, including small businesses.
- Solvay set up a booth at Syracuse’s Most Affordable Home Show. The show provided information for first-time homebuyers.
- Solvay maintained a kiosk at Home Headquarters to provide information on the bank’s mortgage and home equity products and services. In maintaining this kiosk the bank was able to promote its services to individuals who attended homeownership classes, classes on how to avoid predatory lending, foreclosure assistance programs and home improvement programs of Home Headquarters.

- *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*

Solvay’s marketing and advertising programs are approved, reviewed and monitored by the board, senior management and the Marketing Committee. In addition to the activities noted in the section on ascertainment, many of which are marketing as well as ascertainment, Solvay’s marketing and promotional efforts included:

- Solvay’s website provides information on products and services, and through the “MoneyLink 24” service, provides customers with online access to their accounts, including opening new accounts;
- Solvay prints ads in local newspapers;
- Loan and deposit rates are regularly published in the Post Standard newspaper;
- Solvay regularly advertises in journals sponsored by local organizations for annual reports or fundraisers, and in church bulletins; and
- Solvay Bank prints the *Guide to Solvay Bank*, which is used at all events and provided to consumers and customers of the Bank.

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

Two organizations located in the bank’s assessment area (one active in economic development projects and the other in affordable housing and revitalization and stabilization of northeastern Syracuse) were 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 Solvay.

GLOSSARY

Aggregate Penetration Rate

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

Community Development

The term “community development” is defined to mean:

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

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

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

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

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

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

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

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

Home Mortgage Disclosure Act (“HMDA”)

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

Income Level

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

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

Loans to Small Businesses

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

Low or Moderate Income (“LMI”) Geographies

Those census tracts or block numbering areas (“BNAs”), where according to the 2000 US Census, the median family income is less than 80% of the area median family income. In the case of tracted areas that are part of a Metropolitan Statistical Area (“MSA”) or Primary Metropolitan Statistical Area (“PMSA”), this would relate to the median family income for the MSA or PMSA in which the tracts are located. In the case of BNAs and tracted areas that are not part of a MSA or PMSA, the area median family income would be the statewide non-metropolitan median family income.

LMI Borrowers

Borrowers whose income, as reported on the loan application which the lender relied upon in making the credit decision, is less than 80% of the area median family income. In the case where the residential property is located in a MSA or PMSA, this would

relate to the median family income for that MSA or PMSA. Otherwise, the area median family income would be the statewide non-metropolitan median family income. In all instances, the area median family incomes used to measure borrower income levels are updated annually by the U.S. Department of Housing and Urban Development (“HUD”).

LMI Individuals/Persons

Individuals or persons whose income is less than 80% of the area median family income. In the case where the individual resides in a MSA or PMSA, this would relate to the median family income for that MSA or PMSA. Otherwise, the area median family income would be the statewide non-metropolitan median family income. In all instances, the area median family incomes used to measure individual income levels are updated annually by HUD.

LMI Penetration Rate

A number that depicts the percentage of a bank’s total loans (for a particular product) that was extended to LMI geographies or borrowers. For example, an LMI penetration rate of 20% would indicate that the bank made 20 out of a total of 100 loans in LMI geographies or to LMI borrowers.

Small Business Loans

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