



**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: December 31, 2010

Institution: Bank of Utica
222 Genesee Street
Utica, NY 13502

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 Bank of Utica (“BU”) 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, 2010.

Section 28-b of the New York State Banking Law, as amended, requires that when evaluating certain applications, the Superintendent of Banks shall assess a banking institution’s record of helping to meet the credit needs of its entire community, including low- and moderate-income (“LMI”) areas, consistent with safe and sound operations.

Part 76 of the General Regulations of the Banking Board implements Section 28-b and further requires that the Banking Department assess the CRA performance records of regulated financial institutions. Part 76 establishes the framework and criteria by which the Department will evaluate the performance. Section 76.5 further provides that the Banking Department will prepare a written report summarizing the results of such assessment and will assign to each institution a numerical CRA rating based on a 1 to 4 scoring system. The numerical scores represent an assessment of CRA performance as follows:

1. Outstanding record of meeting community credit needs;
2. Satisfactory record of meeting community credit needs;
3. Needs to improve record of meeting community credit needs; and
4. Substantial noncompliance in meeting community credit needs.

Section 76.5 further requires that the CRA rating and the written summary be made available to the public (“Evaluation”). Evaluations of small banking institutions are primarily based on a review of performance tests and standards described in Section 76.7 and detailed in Section 76.12. The tests and standards incorporate the 12 assessment factors contained in Section 28-b of the New York State Banking Law.

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

OVERVIEW OF INSTITUTION'S PERFORMANCE

BU's performance was evaluated according to the large bank performance criteria pursuant to Part 76.12 of the General Regulations of the Banking Board. This assessment period included calendar years 2008, 2009 and 2010.

BU is rated "2" indicating a "**Satisfactory**" record of helping to meet community credit needs. This rating is based on the following factors:

Lending Test: "High Satisfactory"

BU's small business and consumer lending activities are reasonable in light of its size, business strategy and financial condition, as well as peer group activity, demographics, and its assessment area's credit needs. BU's lending levels were reasonable, the assessment area concentration was highly satisfactory, the geographic distribution of loans demonstrated an excellent penetration rate among census tracts of varying income levels, the distribution of loans by borrower income demonstrated an excellent penetration rate, and community development lending was highly satisfactory. BU originated \$1.6 million in new community development loans during the evaluation period, and had \$3.8 million outstanding from prior evaluation periods.

Investment Test: "Outstanding"

BU's community development investments were more than reasonable in light of the size and financial condition, demographics, and economic assessment of area's credit needs.

During the evaluation period, BU made \$8.7 million in new community development investments, and had \$669 thousand outstanding from prior evaluation periods. In addition, BU made \$234 thousand in community development grants. Total investments increased substantially from \$2.2 million at the prior evaluation to \$9.4 million to the current evaluation. Grants increased \$103 thousand from the previous evaluation to \$164 thousand.

Service Test: "High Satisfactory"

BU continues to have reasonable delivery systems, branch network, branch hours and services, and alternative delivery systems. BU has had one office since its inception, which is located in Utica's downtown area in a low-income census tract, and is accessible to LMI individuals.

BU was a leader in providing a relatively high level of community development services. BU's officers and directors are active in the community, providing technical assistance regarding financial services to a variety of community development organizations. They

serve on the boards and/or are members of community development, civic service, charitable and educational organizations.

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

PERFORMANCE CONTEXT

Institution Profile:

Chartered in 1927, BU is a single branch commercial bank located in the City of Utica in Oneida County, New York. BU began business in 1927 as the Morris Plan Bank of Utica. In 1936, the Morris Plan Bank of Utica became the Industrial Bank of Utica with full commercial banking powers. The name of the bank was changed to the Bank of Utica in 1958.

As per the December 31, 2010 Consolidated Report of Condition ("Call Report") filed with the Federal Deposit Insurance Corporation ("FDIC"), BU reported total assets of \$849 million, of which \$50 million were net loans and lease finance receivables. BU also reported total deposits of \$703 million, resulting in a loan-to-deposit ratio of 7%. The low loan-to deposit ratio is due to the extremely competitive market and economic conditions in BU's assessment area. According to the latest available comparative deposit data as of June 30, 2010, BU obtained a market share of 22%, or \$697 million in a market of \$3.1 billion, ranking it first among 17 deposit-taking institutions in Oneida County.

The following is a summary of BU's loan portfolio, based on Schedule RC-C of the bank's December 31, 2008, 2009, and 2010 Call Reports:

TOTAL GROSS LOANS OUTSTANDING						
Loan Type	2008		2009		2010	
	\$000's	%	\$000's	%	\$000's	%
1-4 Family Residential Mortgage Loans	5,295	10.7	4,672	8.9	4,453	8.5
Commercial & Industrial Loans	18,746	37.9	19,499	37.1	19,102	36.5
Commercial Mortgage Loans	19,176	38.7	22,576	42.9	22,310	42.7
Consumer Loans	5,956	12.0	5,758	10.9	6,319	12.1
Other Loans	325	0.7	120	0.2	124	0.2
Total Gross Loans	49,498		52,625		52,308	

As illustrated in the above chart, BU is primarily a commercial lender, with 43% of its loan portfolio in commercial mortgage loans and 37% in commercial and industrial loans as of 12/31/2010.

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

Assessment Area:

BU's assessment area is comprised of the City of Utica and the surrounding suburbs of New Hartford, Clinton, Kirkland, Deerfield, Marcy, Whitestown, Whitesboro, New

York Mills, Yorkville, and Oriskany.

There are 42 census tracts in the area, of which 9 are low-income, 8 are moderate-income, 14 are middle-income and 11 are upper-income.

Assessment Area Census Tracts by Income Level								
County	N/A	Low	Mod	Middle	Upper	Total	LMI %	LMI & Dis-tressed %
Oneida*	0	9	8	14	11	42	40.5	40%
Total	0	9	8	14	11	42	40.5	40%

* Partial county

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

Demographic & Economic Data

The assessment area had a population of 123,971 during the examination period. About 18.5% of the population were over the age of 65 and 19.8% were under the age of 16.

Of the 29,936 families in the assessment area, 21.8% were low-income, 16.8% were moderate-income, 21.2% were middle-income and 40.2% were upper-income. There were 48,132 households in the assessment area, of which 15.6% had income below the poverty level and 5.2% were on public assistance.

The MSA median family income within the assessment area was \$44.2 thousand. The U.S. Department of Housing and Urban Development ("HUD") estimated median family income for 2010 for the area was \$56.4 thousand.

There were 53,363 housing units within the assessment area, of which 84.4% were one-to-four-family units, and 13.4% were multifamily units. A majority (55.4%) of the area's housing units were owner-occupied, while 34.7% were rental units. Of the 29,572 owner-occupied housing units, 12.3% were in moderate-income geographies while 39.3% were in middle-income tracts. The median age of the housing stock was 61 years and the median home value in the assessment area was \$68.2 thousand.

There were 7,084 non-farm businesses in the assessment area in 2010. Of these, 72.2% were businesses with reported revenues of less than or equal to \$1 million, 5.2% reported revenues of more than \$1 million and 22.6% did not report their revenues. Of all the businesses in the assessment area, 85.9% were businesses with less than fifty employees while 85.5% operated from a single location. The

largest industries in the area were Services (49.0%), followed by Retail Trade (17.8%) and Finance, Insurance & Real Estate (7.1%), while 4.7% of businesses in the assessment area were not classified.

According to the New York State Department of Labor, the annual average unemployment rate for New York State was 4.5% at the previous evaluation (2007) and rose to 8.6% in 2010. As illustrated in the chart below, the unemployment rate for Oneida County was below that of the state in 2009 and 2010. The City of Utica's annual average unemployment rates however, exceeded the state rates in all three years during the current evaluation.

Assessment Area Unemployment Rate			
	NYS	Oneida County	City of Utica
2008	5.3	5.4	6
2009	8.4	7.5	8.6
2010	8.6	7.8	9

Community Information

A non-profit community development agency was contacted in conjunction with the CRA evaluation of BU. The organization is dedicated to training and assisting women in business or those wanting to start a business. All services are offered free of charge.

The City of Utica and the surrounding area was the main area of focus during the interview. According to the executive director of the non-profit organization, the area has a high unemployment rate and the largest refugee population in the state with residents from 51 cultures speaking 42 languages. The Utica School district is the sixth largest school district in New York State and one of the state's poorest districts.

The executive director said that there is a great need for small loans with no or little collateral requirements. The immigrants that come to the community have skills, such as baking and construction, and the availability of a specialized loan program would allow them to buy the tools to set up a business.

The executive director spoke favorably of BU and its personnel. BU's auditor is on the finance committee of the organization, which offers a small business training program. BU refers individuals to this program as do other banks in the area.

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

BU was evaluated under the large bank's performance standards in accordance with Parts 76.8, 76.9 and 76.10 of the General Regulations of the Banking Board which consist of the lending, investment and service tests. The following factors were also considered in assessing the bank's record of performance:

- 1. Extent of participation by the board of directors or board of trustees in formulating CRA policies and reviewing CRA performance;*
- 2. 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*

Finally, the evaluation considered other factors as delineated in Section 28-b of the Banking Law that reasonably bear upon the extent to which a banking institution is helping to meet the credit needs of its entire community.

Statistics employed in this evaluation were derived from various sources. Bank-specific information was submitted by the bank both as part of the examination process and on its Call Report submitted to the FDIC. Aggregate lending data were obtained from the Federal Financial Institutions Examination Council ("FFIEC") and deposit data were obtained from the FDIC. Loan-to-deposit ratios were calculated from information shown in the bank's Uniform Bank Performance Report ("UBPR") as submitted to the FDIC.

The demographic data referred to in this report was derived from the 2000 U.S. Census and HUD. Business demographic data used in this report is based on Dun & Bradstreet reports which are updated annually. Unemployment data was obtained from the New York State Department of Labor. Some non-specific bank data is only available on a county-wide basis and was used even where the institution's assessment area includes partial counties.

The assessment period included calendar years 2008, 2009 and 2010. Examiners considered BU's small business and consumer loans in evaluating factors (2), (3) and (4) of the lending test as noted below.

While BU is an intermediate small institution by size, BU opted to be evaluated as a large institution for its CRA performance. BU conducts small business, consumer and HMDA-reportable lending. HMDA loans are not reviewed at this evaluation as they accounted for 3.3% by loan number and 4.8% by dollar amount of the total loan originations. HMDA loans were a far less significant portion of BU's lending compared to the small business and consumer loan portfolio. Small business and consumer loans represented 48.1% and 48.6% by loan count, and 77.6% and 17.6% by dollar amount of the total loan originations, respectively. As BU's focus is small business lending, more weight was given to its small business lending activity than its consumer lending.

While consumer data was evaluated as requested by BU, aggregate data however, are not available for comparative purposes.

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

Current CRA Rating: “Satisfactory”

LENDING TEST: “High Satisfactory”

The bank’s lending performance was evaluated pursuant to the following criteria:

1. *Lending Activity;*
2. *Assessment Area Concentration;*
3. *Geographic Distribution of Loans;*
4. *Borrower Characteristics;*
5. *Community Development Lending and*
6. *Flexible and/or Innovative Lending Practices*

BU’s small business and consumer lending activities are reasonable in light of its size, business strategy and financial condition, as well as peer group activity, demographics, and its assessment area’s credit needs.

Lending Activity: “High Satisfactory”

BU achieved reasonable lending levels considering its size, business strategy and financial condition, as well as peer group activity and demographics.

BU has an extremely low loan-to-deposit ratio, due to the competitive market and economic conditions in its assessment area. However in 2010, BU’s market share in small business lending in its assessment area was 8.2%, ranking it as 4th of the 34 lenders. This level of lending is an improvement from 2007 when BU ranked 10th out of the 41 lenders in the area.¹ Since the prior evaluation, BU’s average assets have grown by 10.5%, while loans have increased by 4.2%. Average loans as a percentage of average total assets have remained relatively unchanged, at 6.2% at this evaluation compared to 6.6% at the prior evaluation.

Assessment Area Concentration: “High Satisfactory”

During the evaluation period, BU originated 73.7% by number, and 75.2% by dollar value of its small business and consumer loans within the assessment area. This level

¹ The prior evaluation covered two years; 2006 and 2007, while this evaluation is for a three-year period; 2008, 2009 and 2010.

of lending is a reasonable record of lending.

Small Business Loans

During the evaluation period, BU originated 80.1% by number, and 76.5% by dollar value of its small business loans within the assessment area, as compared to the previous evaluation's number and dollar value of 81.4% and 79.7%, respectively. This is a reasonable level of lending.

The number of small business loans originated has increased from 157 in 2008, to 172 in 2009 and 205 in 2010. The dollar value increased from \$8.1 million in 2008, to \$12 million in 2009 and \$11.5 million in 2010.

Consumer Loans

During the evaluation period, BU originated 67.4% by number, and 69.6% by dollar value of its consumer loans within the assessment area. While this level of lending is below the 77.5% by number and 71.8% by dollar value at BU's prior evaluation, it remains a reasonable record of lending. The decreased consumer lending at this evaluation can be attributed to the poor economic conditions. In 2010, BU's dollar value of consumer lending improved to 79.3%, indicating that it was making larger loans in its assessment area.

The following table shows the percentages of BU's small business and consumer 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
	#	%	#	%		\$	%	\$	%	
Small Business										
2008	157	83.1%	32	16.9%	189	8,084	77.8%	2,305	22.2%	10,389
2009	172	78.2%	48	21.8%	220	11,957	71.3%	4,816	28.7%	16,773
2010	205	79.5%	53	20.5%	258	11,530	81.8%	2,571	18.2%	14,101
Subtotal	534	80.1%	133	19.9%	667	31,571	76.5%	9,692	23.5%	41,263
Consumer										
2008	151	70.2%	64	29.8%	215	2,191	66.9%	1,083	33.1%	3,274
2009	142	63.7%	81	36.3%	223	1,377	58.2%	987	41.8%	2,364
2010	161	68.2%	75	31.8%	236	2,907	79.3%	761	20.7%	3,668
Subtotal	454	67.4%	220	32.6%	674	6,475	69.6%	2,831	30.4%	9,306
Grand Total	988	73.7%	353	26.3%	1,341	38,046	75.2%	12,523	24.8%	50,569

Geographic Distribution of Loans: "Outstanding"

The distribution of loans based on lending in census tracts of varying income levels demonstrated an excellent penetration rate of lending. BU exceeded the peer group in

both number and dollar value of small business loans made in LMI census tracts for all three years and was only slightly below the household demographics for its consumer lending.

Small Business Loans

The distribution of small business loans based on the income level of the geography of the business demonstrated an excellent penetration rate of lending.

BU's lending in LMI census tracts was excellent. Levels of lending generally exceeded both the peer and business demographic by a wide margin and demonstrated BU's commitment to lending in its community.

The chart on the following page provides a summary of BU's small business lending distribution based on the income level of the geography.

Distribution of Small Business Lending by Geographic Income of the Census Tract									
2008									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	49	31.2%	3,745	46.3%	498	16.4%	21,962	22.8%	20.0%
Moderate	21	13.4%	1,017	12.6%	347	11.4%	8,919	9.3%	12.1%
LMI	70	44.6%	4,762	58.9%	845	27.9%	30,881	32.0%	32.1%
Middle	33	21.0%	913	11.3%	1,017	33.5%	31,424	32.6%	36.0%
Upper	54	34.4%	2,409	29.8%	1,172	38.6%	34,063	35.3%	31.9%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Total	157		8,084		3,034		96,368		
2009									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	49	28.5%	4,512	37.7%	236	13.8%	14,893	20.8%	19.3%
Moderate	23	13.4%	845	7.1%	227	13.3%	10,294	14.4%	12.1%
LMI	72	41.9%	5,357	44.8%	463	27.1%	25,187	35.2%	31.4%
Middle	48	27.9%	4,368	36.5%	583	34.2%	25,133	35.1%	36.3%
Upper	52	30.2%	2,232	18.7%	660	38.7%	21,240	29.7%	32.3%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Total	172		11,957		1,706		71,560		
2010									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	57	27.8%	4,781	41.5%	256	15.0%	14,122	22.0%	18.6%
Moderate	42	20.5%	1,432	12.4%	246	14.4%	8,913	13.9%	11.9%
LMI	99	48.3%	6,213	53.9%	502	29.4%	23,035	35.9%	30.5%
Middle	27	13.2%	1,466	12.7%	521	30.5%	19,012	29.6%	36.9%
Upper	79	38.5%	3,851	33.4%	684	40.1%	22,126	34.5%	32.6%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Total	205		11,530		1,707		64,173		
GRAND TOTAL									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	155	29.0%	13,038	41.3%		15.4%		22.0%	
Moderate	86	16.1%	3,294	10.4%		12.7%		12.1%	
LMI	241	45.1%	16,332	51.7%		28.1%		34.1%	
Middle	108	20.2%	6,747	21.4%		32.9%		32.6%	
Upper	185	34.6%	8,492	26.9%		39.0%		33.4%	
Unknown	-	0.0%	-	0.0%		0.0%		0.0%	
Total	534		31,571						

Consumer Loans

The distribution of consumer loans based on the income of the household demonstrated a reasonable penetration rate of lending among households of different income levels.

BU's consumer loan originations in LMI areas by loan number for 2008, 2009 and 2010 were 31.8%, 30.3% and 26.1%, respectively, compared to the household demographic of 32.1%. The assessment area has 5.16% of the households on public assistance and

15.59% below poverty level. BU's lending activities were reasonable and demonstrated that BU is committed to meeting the credit needs of its community.

The following chart provides a summary of BU's consumer lending distribution based on households of different income levels during the evaluation period:

Distribution of Consumer Lending by Geographic Income of the Census Tract					
2008					
Geographic Income	Bank				HH Dem.
	#	%	\$000's	%	%
Low	23	15.2%	130	5.9%	16.1%
Moderate	25	16.6%	307	14.0%	16.0%
LMI	48	31.8%	437	19.9%	32.1%
Middle	45	29.8%	541	24.7%	36.6%
Upper	58	38.4%	1,213	55.4%	31.3%
Unknown	0	0.0%	0	0.0%	0.0%
Total	151		2,191		
2009					
Geographic Income	Bank				HH Dem.
	#	%	\$000's	%	%
Low	19	13.4%	141	10.2%	16.1%
Moderate	24	16.9%	192	13.9%	16.0%
LMI	43	30.3%	333	24.2%	32.1%
Middle	55	38.7%	488	35.4%	36.6%
Upper	44	31.0%	556	40.4%	31.3%
Unknown	0	0.0%	0	0.0%	0.0%
Total	142		1,377		
2010					
Geographic Income	Bank				HH Dem.
	#	%	\$000's	%	%
Low	20	12.4%	187	6.4%	16.1%
Moderate	22	13.7%	245	8.4%	16.0%
LMI	42	26.1%	432	14.9%	32.1%
Middle	60	37.3%	560	19.3%	36.6%
Upper	59	36.6%	1,915	65.9%	31.3%
Unknown	0	0.0%	0	0.0%	0.0%
Total	161		2,907		
GRAND TOTAL					
Geographic Income	Bank				HH Dem.
	#	%	\$000's	%	%
Low	62	13.7%	458	7.1%	
Moderate	71	15.6%	744	11.5%	
LMI	133	29.3%	1,202	18.6%	
Middle	160	35.2%	1,589	24.5%	
Upper	161	35.5%	3,684	56.9%	
Unknown	-	0.0%	-	0.0%	
Total	454		6,475		

Distribution by Borrower Characteristics: “Outstanding”

The distribution of loans based on borrower characteristics demonstrated an excellent penetration rate of lending among individuals of different income levels and businesses of different revenue sizes. BU's small business loans penetration ratios exceeded the levels achieved by the peer group.

Small Business Loans

The distribution of small business loans based on the revenue size of the business demonstrated an excellent penetration rate of lending among individuals of different income levels and businesses of different revenue sizes.

During the evaluation period, BU made 68.9% by number and 52.3% by dollar value of its loans to businesses with revenues less than \$1.0 million, outperforming the market aggregate. BU achieved small business loan penetration ratios of 73.2%, 68.6% and 65.9% by number, and 61.0%, 55.7% and 42.5% by dollar value in 2008, 2009 and 2010, respectively. These ratios were well above the corresponding small business loan penetration ratios achieved by the market aggregate in each of these three years.

BU's lending to businesses earning less than \$1 million was better than the business demographics for the assessment area in 2008, but below the demographic in both 2009 and 2010. The number of loans made to small businesses increased in each of the three years.

The chart on the following page provides a summary of BU's small business lending distribution based on revenue size during the evaluation period:

Distribution of Small Business Lending by Revenue Size of Business									
2008									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	115	73.2%	4,933	61.0%	1,052	34.7%	31,852	33.1%	62.0%
Rev. > \$1MM	42	26.8%	3,151	39.0%					5.8%
Rev. Unknown	-	0.0%	0	0.0%					32.2%
Total	157		8,084		3,034		96,368		
2009									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	118	68.6%	6,658	55.7%	557	32.6%	31,051	43.4%	72.0%
Rev. > \$1MM	54	31.4%	5,299	44.3%					5.8%
Rev. Unknown	-	0.0%	0	0.0%					22.3%
Total	172		11,957		1,706		71,560		
2010									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	135	65.9%	4,905	42.5%	521	30.5%	23,425	36.5%	72.2%
Rev. > \$1MM	70	34.1%	6,625	57.5%					5.2%
Rev. Unknown	-	0.0%	0	0.0%					22.6%
Total	205		11,530		1,707		64,173		
GRAND TOTAL									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	368	68.9%	16,496	52.3%		33.0%		37.2%	
Rev. > \$1MM	166	31.1%	15,075	47.7%					
Rev. Unknown	-	0.0%	-	0.0%					
Total	534		31,571						

Consumer Loans

The distribution of consumer loans based on household income demonstrated an excellent penetration rate of lending among households of different income levels.

In 2008, BU originated 60 consumer loans to LMI borrowers in its assessment area. In the following two years, BU steadily increased the number of consumer loans to LMI individuals. By 2010, the number of consumer loans to LMI individuals reached 100, representing 62.1% of the total consumer loans extended in the assessment area.

BU's penetration rate, during the evaluation period, averaged at 50.7% by loan count and 24.3% by dollar amount, compared to 43.2% of LMI households residing in its assessment area.

The following chart provides a summary of BU's consumer lending distribution based on households of different income levels during the evaluation period:

Distribution of Consumer Lending by Borrower Income					
2008					
Borrower	Bank				HH Dem.
Income	#	%	\$000's	%	%
Low	33	21.9%	181	8.3%	26.9%
Moderate	27	17.9%	213	9.7%	16.3%
LMI	60	39.7%	394	18.0%	43.2%
Middle	17	11.3%	148	6.8%	17.1%
Upper	74	49.0%	1,649	75.3%	39.7%
Unknown	0	0.0%	0	0.0%	
Total	151		2,191		
2009					
Borrower	Bank				HH Dem.
Income	#	%	\$000's	%	%
Low	37	26.1%	215	15.6%	26.9%
Moderate	33	23.2%	203	14.7%	16.3%
LMI	70	49.3%	418	30.4%	43.2%
Middle	27	19.0%	350	25.4%	17.1%
Upper	43	30.3%	567	41.2%	39.7%
Unknown	2	1.4%	42	3.1%	
Total	142		1,377		
2010					
Borrower	Bank				HH Dem.
Income	#	%	\$000's	%	%
Low	61	37.9%	443	15.2%	26.9%
Moderate	39	24.2%	311	10.7%	16.3%
LMI	100	62.1%	754	25.9%	43.2%
Middle	27	16.8%	455	15.7%	17.1%
Upper	26	16.1%	1,577	54.2%	39.7%
Unknown	8	5.0%	121	4.2%	
Total	161		2,907		
GRAND TOTAL					
Borrower	Bank				HH Dem.
Income	#	%	\$000's	%	%
Low	131	28.9%	839	13.0%	
Moderate	99	21.8%	727	11.2%	
LMI	230	50.7%	1,566	24.2%	
Middle	71	15.6%	953	14.7%	
Upper	143	31.5%	3,793	58.6%	
Unknown	10	2.2%	163	2.5%	
Total	454		6,475		

Community Development Lending: "High Satisfactory"

During the evaluation period, BU originated \$1.6 million in new community development loans, and had \$3.8 million outstanding from prior evaluation periods. Although

community development loans at this evaluation were down considerably compared to the previous evaluation, BU continued to have an adequate level of community development lending over the course of the evaluation period².

Community Development Loans				
Purpose	Current Evaluation Period		Outstandings from Prior Periods	
	# of Loans	\$000	# of Loans	\$000
Affordable Housing				
Economic Development	8	1,151	3	3,583
Community Services	5	437	1	252
Other (Please Specify)				
Total	13	1,588	4	3,835

Below are highlights of BU's community development lending.

Economic Development

- BU has committed to a \$220,000 revolving line of credit, renewed annually to a for-profit entity providing a broad range of financing to small and mid-sized New York State businesses. The line of credit was renewed three times during the evaluation period
- BU extended a renewable line of credit to a non-profit organization, whose programs benefit low-income residents of Utica and their neighborhoods. The organization serves as an incubator for minority contractors and craftsmen. The current outstanding balance is \$66,000

Neighborhood Revitalization

- The bank provided a cultural institution with a commercial line to allow it to operate while it awaited receipt of grant money. This financing allowed the organization to continue to operate and have employees in a low-income neighborhood. During the course of the evaluation, the lines totaled \$240,000

Flexible and/or Innovative Lending Practices

BU makes limited use of innovative and/or flexible lending practices in servicing the assessment area's credit needs. BU participates in Empire State Development's Linked Deposit Program to provide small business customers with access to low interest rate loans for eligible projects that create new jobs or stimulate retention of jobs.

² For analysis purposes, renewals of lines of credit that occur during the evaluation period are considered new extensions of credit.

INVESTMENT TEST: “Outstanding”

BU’s investment performance is evaluated pursuant to the following criteria:

1. *Dollar amount of qualified investments;*
2. *Innovativeness or complexity of qualified investments; and*
3. *Responsiveness of qualified investments to credit and community development needs*

BU’s community development investments were more than reasonable in light of the size and financial condition, demographics, and economic assessment of area’s credit needs.

Amount of Community Development Investments

During the evaluation period, BU made \$8.7 million in new community development investments, and had \$669 thousand outstanding from prior evaluation periods. In addition, BU made \$234 thousand in community development grants. Total investments increased substantially from \$2.2 million at the prior evaluation to \$9.4 million to the current evaluation. Grants increased \$103 thousand from the previous evaluation to \$164 thousand. This activity demonstrated an excellent level of community development investments and grants over the course of the evaluation period.

The \$8.7 million in new community development investments are particularly noteworthy given the difficult economic conditions during the examination period and considering that BU had made no new investments in the prior evaluation period due to limited investment opportunities in its assessment area.

Community Development Investments and Grants				
	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Inv.	\$000	# of Inv.	\$000
CD Investments				
Affordable Housing			2	509
Economic Development	3	\$ 7,147	1	160
Community Services				
Other (Education)	1	\$ 1,588		
Total	4	\$ 8,735	3	669
CD Grants	# of Grants	\$000	Not Applicable	
Affordable Housing	5	\$ 45		
Economic Development				
Community Services	57	\$ 189		
Other (Please Specify)				
Total	62	\$ 234		

Below is a sampling of BU's investments and grants.

- During the current evaluation period, BU invested \$7.1 million in economic development through its purchases of \$6.5 million of City of Utica municipal bonds and \$1.6 million of Utica City School District Bonds
- BU donated \$15 thousand to help fund a center providing homelessness and substance abuse prevention services as well as other services to low-income youth and adults in the Cornhill area of Utica. This center is located in a low-income census tract
- BU contributed \$15 thousand to an organization in a low-income area of Utica that provides free meals seven days a week to LMI individuals and families as well as information, referral and emergency services for clients.

Innovativeness of Community Development Investments

BU made limited use of innovative investments.

Responsiveness of Community Development Investments to Credit and Community Development Needs

BU's community development investments exhibited excellent responsiveness to credit and community development needs.

SERVICE TEST: "High Satisfactory"

BU's retail service performance is evaluated pursuant to the following criteria:

1. *Current distribution of the banking institution's branches;*
2. *Record of opening and closing branches;*
3. *Availability and effectiveness of alternative systems for delivering retail services;*
and
4. *Range of services provided*

BU's community development service performance is evaluated pursuant to the following criteria:

1. *Extent to which the banking institution provides community development services; and*
2. *Innovativeness and responsiveness of community development services*

Retail Banking Services: "High Satisfactory"

BU continues to have reasonable delivery systems, branch network, branch hours and

services, and alternative delivery systems. Banking hours are Monday through Friday, 9 am to 5 pm, with the Drive-In open until 5:30 pm on Fridays. BU offers a wide range of banking services to its customers including checking, money market, and savings accounts; certificates of deposit, HSA accounts and IRAs. BU has two 24/7 ATMs; both are in the low-income census tract.

Current distribution of the banking institutions branches

BU has had one office since its inception. This office is located in Utica's downtown area in a low-income census tract and is accessible to LMI individuals.

Record of opening and closing branches

BU has not closed or opened any offices since the prior examination.

Availability and effectiveness of alternative systems for delivering retail services

BU's delivery systems continue to be readily accessible to the banks' assessment area, particularly LMI geographies and individuals. In addition to an ATM located at the bank's drive through teller area, BU owns and operates one off-site ATM located in the lobby of the Hotel Utica in a low-income census tract.

BU provides alternative delivery systems to its customers such as bank by mail; 24-hour telephone banking and online banking services. BU also offers a commercial banking suite that allows commercial customers to make wire transfers, conduct remote deposit banking, process ACH transactions and pay bills online.

Range of services provided

BU's services continue to meet the convenience and needs of its assessment area, particularly LMI geographies and individuals.

BU offers many free services that can benefit LMI individuals such as: free personal checking accounts, free 24-hour banking, free bank by mail (the bank pays the postage), free internet banking, free bill payment and free ATM/Visa debit card with no charge for cash withdrawals at ATMs owned by BU. BU offers a low minimum deposit requirement on its Certificate of Deposits ("CD") to make purchasing a CD more attainable for low-income individuals. Additionally, money orders in amounts less than \$2,000 are sold to non-customers who may not have access to a checking account.

Community Development Services: "Outstanding"

BU was a leader in providing a relatively high level of community development services. BU's officers and directors are active in the community, providing technical assistance regarding financial services to a variety of community development organizations. They serve on the boards and/or are members of community development, civic service,

charitable and educational organizations. Below are highlights of BU's community development services:

- A board member serves on the board of an organization that shelters women and children who are in crisis and provides food, clothing and a variety of counseling services
- A senior vice president serves on the board of a social service organization that provides social services and free meals seven days a week to LMI individuals and families
- BU's auditor is a member of the Funds Allocation Committee of an organization that funds 35 member agencies, of which at least 19 directly serve LMI individuals and families
- An executive vice president of BU is a board member of the local industrial development corporation which promotes, develops and encourages industrial manufacturing and commercial facilities to advance job opportunities in the greater Utica area. The organization provides low interest loans and financial guidance to foster business expansion
- A vice president of BU conducted two financial education seminars for students of Proctor High School and Utica College. Approximately 75% of students in the Utica School District are eligible for free or reduced cost lunch programs. The seminars covered how to maintain good credit and how to use credit wisely in everyday life

Additional Factors

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

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 Community Reinvestment Act

The board appoints the CRA officer and a management CRA committee, which consists of the CRA officer as the chairperson, the senior vice president (compliance officer), the internal auditor, and the executive vice president of commercial lending. The CRA officer, with the assistance of the CRA committee, is charged with the responsibility of implementing the CRA policy by establishing and maintaining adequate CRA procedures. All aspects of the CRA program are documented by the CRA officer. The CRA officer ensures that bank personnel receive adequate CRA training and prepares an annual CRA report for the board's review.

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.*

Department of Financial Services (DFS) noted no practices that were intended to discourage applications for the types of credit offered by the institution.

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

DFS noted no evidence of prohibited discriminatory or other illegal practices.

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.*

BU's senior management and loan officers meet regularly with various political leaders, business and civic leaders to discuss the credit needs of the community. In addition, BU's officers and directors serve on boards of various organizations where they provide technical assistance on financial issues.

- *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*

BU regularly advertises its products and services in local newspapers. BU regularly advertises on several radio stations, and in 2009 began television advertising of which all stations broadcast throughout its assessment area.

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

No additional factors were considered.

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.