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, 2013

Institution: Fulton Savings Bank
75 South First Street
Fulton, New York 13069

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 Fulton Savings Bank ("FSB") prepared by the New York State Department of Financial Services ("DFS" or the "Department"). This evaluation represents the Department's current assessment and rating of the institution's CRA performance based on an evaluation conducted as of December 31, 2013.

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

Part 76 of the General Regulations of the Superintendent implements Section 28-b and further requires that the Department assess the CRA performance records of regulated financial institutions. Part 76 establishes the framework and criteria by which the Department will evaluate the performance. Section 76.5 further provides that the 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 in meeting community credit needs; and

(4) Substantial noncompliance in meeting community credit needs.

Section 76.5 further requires that the CRA rating and the written summary ("Evaluation") be made available to the public. Evaluations of banking institutions are primarily based on a review of performance tests and standards described in Section 76.7 and detailed in Sections 76.8 through 76.13. The tests and standards incorporate the 12 assessment factors contained in Section 28-b of the New York 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

DFS evaluated FSB's performance according to the large bank performance criteria pursuant to Parts 76.8, 76.9, and 76.10 of the General Regulations of the Superintendent, which consists of the lending, investment and service tests. This assessment period included calendar years 2010, 2011, 2012, and 2013. Fulton Savings Bank is rated "2," indicating a **"Satisfactory"** record of helping to meet community credit needs.

This rating is based on the considerations noted below.

DFS assigned FSB a rating of "Outstanding" at its prior evaluation, but DFS was unable to assign FSB the same rating for this evaluation. The reason is that DFS rated FSB's performance on the investment test as "Needs to Improve." DFS based this rating on the lack of any community development investments made or carried forward from prior evaluation periods—a reduction of five total investments—and on a 48% reduction in the dollar value of community development grants from the prior evaluation period.

Investment Test: "Needs to Improve"

During the evaluation period, FSB made no community development investments and had none outstanding from prior evaluation periods, compared with DFS's prior evaluation in which FSB made an investment of $460,000 and had $446,000 outstanding from the prior evaluation periods. FSB made $55,000 in community development grants. This was a poor level of community development investments and grants during the evaluation period.

Lending Test: "Outstanding"

FSB's small business and HMDA-reportable lending activities were more than reasonable in light of its size, business strategy and financial condition, as well as peer group activity and the demographics and credit needs of its assessment area. FSB's average loan-to-deposit ("LTD") ratio for the evaluation period exceeded its peers by 12.9%. Its other lending activities, such as lending concentration inside the assessment area, geographic distribution of loans and borrower characteristics were more than reasonable, when compared to its peer group and assessment area demographics.

- FSB's average LTD ratio for the evaluation period was 94.9% compared to its peer group's ratio of 82.0%.

- FSB originated 82.6% by number and 75.5 % by dollar value of its loans within the assessment area. This majority of lending inside of its assessment area was an excellent record of lending.

- FSB's HMDA-reportable and business lending in census tracts of varying income levels demonstrated an excellent distribution of lending. FSB's HMDA-reportable and small business lending rates in low- and moderate-income ("LMI") census tracts significantly exceeded the aggregate. FSB's rate of HMDA-reportable lending in LMI areas was 17.0% and its rate of business lending in LMI areas was 40.6%, compared with 5.5% and 20.1%, respectively, for the aggregate.

- FSB's HMDA-reportable loans and lending to small businesses demonstrated an excellent distribution of lending among individuals of different incomes and businesses of different revenue sizes, reflecting consistently excellent rates compared to the aggregate.

- FSB originated $540,000 in new community development loans, with $546,000 outstanding from the prior evaluation period, reflecting an adequate level of community development lending during the evaluation period.

- FSB utilized flexible lending practices in serving the credit needs of its assessment area through products and services designed for LMI individuals.

Service Test: "Outstanding"

FSB's branches represent an excellent distribution of branches within its assessment area. As of December 31, 2013 FSB's distribution of branches in LMI or distressed areas of 29.0%, reflected an excellent distribution of branches.

FSB's record of opening and closing branches did not have an adverse effect on the accessibility of its delivery systems. FSB closed two branches (one in an upper-income tract and one in a middle-income tract) and opened one branch (in an upper-income tract) during the evaluation period.

FSB's delivery systems are readily accessible to significant portions of the banks' assessment area, particularly LMI geographies and individuals.

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 Superintendent.

PERFORMANCE CONTEXT

Institution Profile

Chartered in 1871, FSB is a mutually owned savings bank located in Fulton, New York. FSB has strived to maintain its commitment to its customers and communities by providing sufficient office locations and emphasizing convenience through extended banking hours, customer service and improved technology.

Per the Consolidated Report of Condition (the "Call Report") dated December 31, 2013, filed with the Federal Deposit Insurance Corporation ("FDIC"), FSB reported total assets of $371.9 million, of which $172.5 million were net loans and lease finance receivables. It also reported total deposits of $234.9 million, resulting in a loan-to-deposit ratio of 73.4%. According to the latest available comparative deposit data as of June 30, 2013, FSB had a market share of 2.4%, or $242.3 million in a market of $9.9 billion, ranking it 12th among 18 deposit-taking institutions in the assessment area.

The following is a summary of FSB's loan portfolio, based on Schedule RC-C of the bank's December 31, 2010, 2011, 2012, 2013 Call Reports:

TOTAL GROSS LOANS OUTSTANDING								
	2010		2011		2012		2013	
Loan Type	$000's	%	$000's	%	$000's	%	$000's	%
1-4 Family Residential Mortgage Loans	220,767	85.9	198,660	85.8	166,570	85.0	145,763	84.0
Commercial & Industrial Loans	3,024	1.2	2,673	1.2	2,101	1.1	2,001	1.0
Commercial Mortgage Loans	23,395	9.1	21,373	9.2	19,315	9.9	18,578	9.5
Multifamily Mortgages	3,485	1.4	3,044	1.3	2,718	1.4	2,415	1.2
Farmland	0	0.0	8	0.0	1	0.0	0	0.0
Consumer Loans	5,445	2.1	5,082	2.2	4,375	2.2	4,055	2.1
Agricultural Loans	12	0.0	0	0.0	0	0.0	0	0.0
Construction Loans	669	0.3	521	0.2	495	0.3	333	0.2
Obligations of States & Municipalities	0	0.0	0	0.0	0	0.0	0	0.0
Other Loans	305	0.1	284	0.1	288	0.1	305	0.2
Lease Financing	0	0.0	0	0.0	0	0.0	0	0.0
Total Gross Loans	257,102		231,645		195,863		173,450	

As illustrated in the above chart, FSB is primarily a residential real estate lender, with 84.0% of its loan portfolio in residential real estate, followed by commercial mortgage loans and consumer loans at 9.5% and 2.1%, respectively.

FSB operates seven banking offices, all having automated teller machines ("ATMs"); five are located in Oswego County and two in Onondaga County. In addition, FSB has four off-site ATMs at various locations within its assessment area. None of the office or off-site ATMs have deposit taking capability. Three ATMs are in moderate-income areas, seven in middle-income areas, and one in an upper-income area. FSB customers may, at no cost, use the Allpoint ATM network, which has approximately 55,000 ATMs across the country.

Examiners did not find evidence of financial or legal impediments that had an adverse impact on FSB's ability to meet the credit needs of its community.

Assessment Area

FSB's assessment area is comprised of portions of Oswego and Onondaga counties. These counties are part of the Syracuse Metropolitan Statistical Area in central New York State.

There are 56 census tracts in the assessment area, of which one is low-income, nine are moderate-income, 31 are middle-income, and 15 are upper-income.

Assessment Area Census Tracts by Income Level									
County	N/A	Low	Mod	Middle	Upper	Total	LMI %	Dis-tressed & Under-served	LMI & Dis-tressed %
Oswego	0	1	6	17	1	25	28.0	0	28%
Onondaga	0	0	3	14	14	31	9.7	0	10%
Total	0	1	9	31	15	56	17.9	0	18%

Demographic & Economic Data

The assessment area had a population of 233,700 during the evaluation period. About 11.9% of the population were over the age of 65 and 20.5% were under the age of sixteen.

Of the 60,007 families in the assessment area, 17.4% were low-income, 17.2% were moderate-income, 23.4% were middle-income, and 41.9% were upper-income. There were 89,483 households in the assessment area, of which 10.1% had income below the poverty level, and 1.5% were on public assistance.

The weighted average median family income in the assessment area was $68,262.

There were 97,218 housing units within the assessment area, of which 79.6% were one-to-four family units, and 12.3% were multifamily units. A majority, 68.5%, of the area's housing units were owner-occupied, while 23.5% were rental units. Of the 66,599 owner-occupied housing units, 10.8% were in low- or moderate-income census tracts, while 89.2% were in middle- or upper-income census tracts. The median age of the housing stock was 44 years and the median home value in the assessment area was $113,717.

There were 13,866 non-farm businesses in the assessment area. Of these, 75.1% were businesses with reported revenues of less than or equal to $1 million, 3.6% reported revenues of more than $1 million, and 21.2% did not report their revenues. Of all businesses in the assessment area, 3.1% were businesses with less than fifty employees and 90.2% operated from a single location. The largest industries in the area were services (44.9%), retail trade (15.3%), and construction (9.2 %); approximately 10% of businesses in the assessment area were not classified.

According to the New York State Department of Labor, the average unemployment rate for New York State has fallen from a high of 8.6% in 2010 to 7.7% in 2013. Onondaga County had lower and Oswego County higher unemployment rates than New York State throughout the entire four year period.

Oswego County, in particular, lost a significant amount of its industrial base (the Miller Brewery, Hammermill Paper, and Owens-Illinois, to name a few), resulting in population migration and reductions in employment and the tax base.

Assessment Area Unemployment Rate			
	New York State	Oswego	Onondaga
2010	8.6%	10.8%	8.1%
2011	8.2%	10.4%	7.8%
2012	8.5%	10.4%	8.0%
2013	7.7%	9.5%	7.0%

Community Information

FSB's assessment area is comprised of substantially all of Oswego and Onondaga counties. As previously mentioned, FSB's assessment area experienced a substantial loss in manufacturing jobs and other employment in recent years.

A community contact at a not-for-profit community housing development agency noted the need for affordable rental housing and multi-family housing. The contact had no negative comments about local banking institutions.

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

DFS evaluated FSB under the large bank performance standards in accordance with Parts 76.8, 76.9 and 76.10 of the General Regulations of the Superintendent, which consist of the lending, investment and service tests. DFS also considered the following factors in assessing the bank's record of performance:

1. *The extent of participation by the board of directors or board of trustees in formulating CRA policies and reviewing CRA performance;*
2. *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 FSB helped meet the credit needs of its entire community.

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

DFS derived the demographic data referred to in this report from the 2010 U.S. Census and the U.S. Department of Housing and Urban Development. DFS based business data on Dun & Bradstreet reports which Dun & Bradstreet updates annually. DFS obtained unemployment data from the New York State Department of Labor. Some non-specific bank data were only available on a county-wide basis and were used even where the institution's assessment area includes partial counties.

The evaluation period included calendar years 2010, 2011, 2012, and 2013.

Examiners considered FSB's small business, HMDA-reportable, and consumer loans in evaluating factors (2), (3) and (4) of the lending test noted below.

Since FSB made very few small farm loans, DFS based all analyses only on small business and HMDA-reportable lending.

Examiners gave FSB's HMDA-reportable lending greater weight in this evaluation because 84.0% of FSB's lending portfolio was concentrated in 1-4 family residential real estate loans.

At its **prior** Performance Evaluation, as of December 31, 2009, the New York State Banking Department assigned FSB a rating of "1" reflecting an "Outstanding" record of helping to meet community credit needs.

Current CRA Rating: "Satisfactory"

<u>LENDING TEST</u>: "Outstanding"

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

FSB's small business and HMDA-reportable activities were more than reasonable in light of its size, business strategy and financial condition, as well as peer group activity and the demographics and credit needs of its assessment area.

Lending Activity: "Outstanding"

FSB's lending levels were excellent considering its size, business strategy and financial condition, as well as its peer group activity and the demographics of its assessment area.

FSB's average LTD ratio exceeded that of its peer group over the evaluation period by 12.9%. FSB's LTD ratio for the evaluation period was 94.9% compared with the peer average of 82.0%. From 2010 through the third quarter of 2012 FSB lent more than its peer group. This was accomplished primarily with core deposit holdings supplemented with non-core deposits and borrowings. FSB has in place a program that monitors FSB's dependence on non-core funding sources by setting limits on dependency and capital ratios.

Loan-to-Deposit Ratios

	2010 Q1	2010 Q2	2010 Q3	2010 Q4	2011 Q1	2011 Q2	2011 Q3	2011 Q4	2012 Q1	2012 Q2	2012 Q3	2012 Q4	2013 Q1	2013 Q2	2013 Q3	2013 Q4	Avg.
Bank	120.3	118.0	117.3	111.7	106.2	101.8	100.1	97.8	92.2	87.3	85.9	80.7	77.3	74.7	74.0	73.4	94.9
Peer	85.7	84.1	82.7	82.1	81.6	80.9	80.0	80.4	80.6	81.2	81.7	81.8	80.8	82.0	82.3	83.4	82.0

Assessment Area Concentration: **"**High Satisfactory"

During the evaluation period, FSB originated 82.6% by number and 75.5% by dollar value of its HMDA-reportable and small business loans within its assessment area.
During the evaluation period, FSB originated 84.0% by number and 77.0% by dollar value of its HMDA-reportable loans within its assessment area. For small business loans FSB originated 67.3% by number and 60.6% by dollar value of its loans within its assessment

area. This majority of lending inside FSB's assessment area is a reasonable record of lending.

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

Distribution of Loans Inside and Outside of the Assessment Area										
Loan Type	Number of Loans					Loans in Dollars (in thousands)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		$	%	$	%	
HMDA-Reportable										
2010	166	82.2%	36	17.8%	202	13,379	77.8%	3,825	22.2%	17,204
2011	145	85.8%	24	14.2%	169	9,820	80.3%	2,404	19.7%	12,224
2012	111	84.7%	20	15.3%	131	5,677	73.9%	2,005	26.1%	7,682
2013	122	83.6%	24	16.4%	146	8,422	74.2%	2,921	25.8%	11,343
Subtotal	544	84.0%	104	16.0%	648	37,298	77.0%	11,155	23.0%	48,453
Small Business										
2010	12	85.7%	2	14.3%	14	990	88.6%	127	11.4%	1,117
2011	16	64.0%	9	36.0%	25	1,155	64.3%	641	35.7%	1,796
2012	4	80.0%	1	20.0%	5	363	77.1%	108	22.9%	471
2013	5	45.5%	6	54.5%	11	339	25.9%	972	74.1%	1,311
Subtotal	37	67.3%	18	32.7%	55	2,847	60.6%	1,848	39.4%	4,695
Grand Total	581	82.6%	122	17.4%	703	40,145	75.5%	13,003	24.5%	53,148

Geographic Distribution of Loans: "Outstanding"

FSB's loans originated in census tracts of varying income levels demonstrated an excellent distribution of lending.

HMDA-Reportable Loans:

The distribution of FSB's HMDA-reportable loans by the income level of the geography demonstrated an excellent rate of lending in LMI areas. FSB's lending ratios by the number and dollar value of loans to LMI individuals were more than double those of the aggregate in every year of the evaluation period. Additionally, FSB's lending ratios surpassed the demographics of its market.

The following table provides a summary of FSB's HMDA-reportable lending distribution based on the income level of the geography.

Distribution of HMDA-Reportable Lending by Geographic Income of the Census Tract									
2010									
Geographic	Bank				Aggregate				OO HUs
Income	#	%	$000's	%	#	%	$000's	%	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Moderate	33	19.9%	2,245	16.8%	384	7.3%	30,290	5.3%	10.5%
LMI	33	19.9%	2,245	16.8%	384	7.3%	30,290	5.3%	10.5%
Middle	110	66.3%	8,438	63.1%	3,064	58.0%	312,126	54.5%	63.1%
Upper	23	13.9%	2,696	20.2%	1,839	34.8%	230,761	40.3%	26.4%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Total	**166**		**13,379**		**5,287**		**573,177**		
2011									
Geographic	Bank				Aggregate				OO HUs
Income	#	%	$000's	%	#	%	$000's	%	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Moderate	23	15.9%	1,419	14.5%	403	7.9%	27,619	5.1%	10.5%
LMI	23	15.9%	1,419	14.5%	403	7.9%	27,619	5.1%	10.5%
Middle	108	74.5%	7,339	74.7%	3,056	59.8%	305,108	56.4%	63.1%
Upper	14	9.7%	1,062	10.8%	1,650	32.3%	208,561	38.5%	26.4%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Total	**145**		**9,820**		**5,109**		**541,288**		
2012									
Geographic	Bank				Aggregate				OO HUs
Income	#	%	$000's	%	#	%	$000's	%	%
Low	2	1.8%	57	2.8%	38	0.6%	1,749	0.3%	0.0%
Moderate	20	18.0%	1,010	50.2%	495	8.2%	37,724	5.9%	10.2%
LMI	22	19.8%	1,067	53.0%	533	8.8%	39,473	6.1%	10.2%
Middle	76	68.5%	3,827	190.1%	3,197	52.7%	314,113	48.7%	59.6%
Upper	13	11.7%	783	38.9%	2,340	38.6%	291,239	45.2%	29.6%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Total	**111**		**2,013**		**6,070**		**644,825**		
2013									
Geographic	Bank				Aggregate				OO HUs
Income	#	%	$000's	%	#	%	$000's	%	%
Low	5	4.1%	159	15.0%	Data not available.				
Moderate	11	9.0%	198	18.6%					
LMI	16	13.1%	357	33.6%					
Middle	99	81.1%	705	66.4%					
Upper	7	5.7%	0	0.0%					
Unknown	0	0.0%	0	0.0%					
Total	**122**		**1,062**						
GRAND TOTAL									
Geographic	Bank				Aggregate				OO HUs
Income	#	%	$000's	%	#	%	$000's	%	%
Low	7	1.3%	216	0.7%		0.2%		0.1%	
Moderate	87	16.0%	4,872	16.3%		7.8%		5.4%	
LMI	94	17.3%	5,088	17.0%		8.0%		5.5%	
Middle	393	72.2%	20,309	67.8%		56.6%		52.9%	
Upper	57	10.5%	4,541	15.2%		35.4%		41.5%	
Unknown	0	0.0%	0	0.0%		0.0%		0.0%	
Total	**544**		**29,938**						

Small Business Loans:

The distribution of FSB's small business loans by the income level of the geography where the business was located demonstrated an excellent rate of lending in LMI geographies. With the exception of 2012, FSB's small business lending ratios by number and dollar value of loans exceeded those of the aggregate. Additionally, FSB's lending ratios surpassed the share of businesses in the assessment area located in LMI geographies.

The following table provides a summary of FSB'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									
2010									
Geographic	**Bank**				**Aggregate**				**Bus.Dem.**
Income	#	%	$000's	%	#	%	$000's	%	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Moderate	6	50.0%	390	39.4%	311	13.6%	12,827	14.3%	15.2%
LMI	6	50.0%	390	39.4%	311	13.6%	12,827	14.3%	15.2%
Middle	6	50.0%	600	60.6%	1,401	61.1%	48,183	53.7%	61.4%
Upper	0	0.0%	0	0.0%	582	25.4%	28,780	32.1%	23.3%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Total	**12**		**990**		**2,294**		**89,790**		
2011									
Geographic	**Bank**				**Aggregate**				**Bus.Dem.**
Income	#	%	$000's	%	#	%	$000's	%	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Moderate	8	50.0%	601	52.0%	401	14.1%	21,214	18.9%	14.0%
LMI	8	50.0%	601	52.0%	401	14.1%	21,214	18.9%	14.0%
Middle	7	43.8%	484	41.9%	1,735	61.1%	55,646	49.5%	60.7%
Upper	1	6.3%	70	6.1%	704	24.8%	35,456	31.6%	25.2%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Total	**16**		**1,155**		**2,840**		**112,316**		
2012									
Geographic	**Bank**				**Aggregate**				**Bus.Dem.**
Income	#	%	$000's	%	#	%	$000's	%	%
Low	0	0.0%	0	0.0%	21	0.8%	595	0.6%	1.0%
Moderate	0	0.0%	0	0.0%	487	17.4%	25,810	26.3%	16.5%
LMI	0	0.0%	0	0.0%	508	18.2%	26,405	26.9%	17.5%
Middle	4	100.0%	363	100.0%	1,538	55.1%	43,601	44.4%	56.1%
Upper	0	0.0%	0	0.0%	746	26.7%	28,213	28.7%	26.2%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Total	**4**		**363**		**2,792**		**98,219**		
2013									
Geographic	**Bank**				**Aggregate**				**Bus.Dem.**
Income	#	%	$000's	%	#	%	$000's	%	%
Low	0	0.0%	0	0.0%	Data not available.				
Moderate	3	60.0%	164	48.4%					
LMI	3	60.0%	164	48.4%					
Middle	2	40.0%	175	51.6%					
Upper	0	0.0%	0	0.0%					
Unknown	0	0.0%	0	0.0%					
Total	**5**		**339**						
GRAND TOTAL									
Geographic	**Bank**				**Aggregate**				**Bus.Dem.**
Income	#	%	$000's	%	#	%	$000's	%	%
Low	0	0.0%	0	0.0%		0.3%		0.2%	
Moderate	17	45.9%	1,155	40.6%		15.1%		19.9%	
LMI	17	45.9%	1,155	40.6%		15.4%		20.1%	
Middle	19	51.4%	1,622	57.0%		59.0%		49.1%	
Upper	1	2.7%	70	2.5%		25.6%		30.8%	
Unknown	0	0.0%	0	0.0%		0.0%		0.0%	
Total	**37**		**2,847**						

Distribution by Borrower Characteristics: “Outstanding”

FSB’s HMDA-reportable and business lending demonstrated an excellent distribution of loans among individuals of different income levels and businesses of different revenue sizes.

HMDA-Reportable Loans:

FSB’s HMDA-reportable loans demonstrated an excellent distribution of lending to individuals of different income levels. FSB’s lending ratios in both number and dollar value of loans exceeded those of the aggregate. The ratios for the number of loans and dollar value to LMI borrowers were 57.7% and 43.3%, compared to the aggregate’s 8.7% and 6.0%, respectively.

The following table provides a summary of the distribution of FSB’s HMDA-reportable loans based on household income during the evaluation period.

Distribution of 1-4 Family Loans by Borrower Income									
2010									
Borrower	**Bank**				**Aggregate**				**Fam.Dem.**
Income	#	%	$000's	%	#	%	$000's	%	%
Low	24	14.7%	976	7.5%	0	0.0%	0	0.0%	17.5%
Moderate	38	23.3%	1,838	14.2%	366	7.1%	24,166	4.3%	18.4%
LMI	62	38.0%	2,814	21.7%	366	7.1%	24,166	4.3%	35.9%
Middle	40	24.5%	3,021	23.3%	2,953	57.3%	305,663	54.6%	23.1%
Upper	59	36.2%	6,999	54.0%	1,831	35.6%	230,195	41.1%	40.9%
Unknown	2	1.2%	136	1.0%	0	0.0%	0	0.0%	
Total	**163**		**12,970**		**5,150**		**560,024**		
2011									
Borrower	**Bank**				**Aggregate**				**Fam.Dem.**
Income	#	%	$000's	%	#	%	$000's	%	%
Low	14	9.9%	502	5.3%	0	0.0%	0	0.0%	17.5%
Moderate	36	25.5%	1,572	16.5%	384	7.7%	25,585	5.0%	18.4%
LMI	50	35.5%	2,074	21.8%	384	7.7%	25,585	5.0%	35.9%
Middle	44	31.2%	2,801	29.4%	2,945	59.2%	287,096	55.7%	23.1%
Upper	43	30.5%	4,379	46.0%	1,645	33.1%	203,103	39.4%	40.9%
Unknown	4	2.8%	272	2.9%	0	0.0%	0	0.0%	
Total	**141**		**9,526**		**4,974**		**515,784**		
2012									
Borrower	**Bank**				**Aggregate**				**Fam.Dem.**
Income	#	%	$000's	%	#	%	$000's	%	%
Low	36	34.6%	1,165	22.5%	37	0.6%	1,734	0.3%	17.4%
Moderate	24	23.1%	1,078	20.8%	480	8.1%	36,452	5.8%	17.2%
LMI	60	57.7%	2,243	43.3%	517	8.7%	38,186	6.0%	34.6%
Middle	13	12.5%	727	14.0%	3,063	51.8%	307,287	48.6%	23.4%
Upper	29	27.9%	2,073	40.0%	2,335	39.5%	287,061	45.4%	41.9%
Unknown	2	1.9%	136	2.6%	0	0.0%	0	0.0%	
Total	**104**		**5,179**		**5,915**		**632,534**		
2013									
Borrower	**Bank**				**Aggregate**				**Fam.Dem.**
Income	#	%	$000's	%	#	%	$000's	%	%
Low	24	20.5%	448	5.5%	Data not available				
Moderate	29	24.8%	1,374	16.7%					
LMI	53	45.3%	1,822	22.2%					
Middle	29	24.8%	1,859	22.6%					
Upper	35	29.9%	4,534	55.2%					
Unknown	0	0.0%	0	0.0%					
Total	**117**		**8,215**						
GRAND TOTAL									
Borrower	**Bank**				**Aggregate**				**Fam.Dem.**
Income	#	%	$000's	%	#	%	$000's	%	%
Low	98	18.7%	3,091	8.6%		0.2%		0.1%	
Moderate	127	24.2%	5,862	16.3%		7.7%		5.0%	
LMI	225	42.9%	8,953	24.9%		7.9%		5.1%	
Middle	126	24.0%	8,408	23.4%		55.9%		52.7%	
Upper	166	31.6%	17,985	50.1%		36.2%		42.2%	
Unknown	8	1.5%	544	1.5%		0.0%		0.0%	
Total	**525**		**35,890**						

<u>Small Business Loans</u>:

FSB's business lending demonstrated an excellent distribution of loans among businesses of different revenue sizes. During the evaluation period, FSB's overall lending to businesses with revenues of $1 million or less was 96.0% of all loans made in dollar terms.

The following table provides a summary of FSB's small business lending distribution based on revenue size during the evaluation period.

Distribution of Small Business Lending by Revenue Size of Business										
2010										
Rev. Size	**Bank**				**Aggregate**				**Bus.Dem.**
	#	%	$000's	%	#	%	$000's	%	%
Rev. < = $1MM	11	91.7%	925	93.4%	674	29.4%	29,178	32.5%	78.9%
Rev. > $1MM		0.0%		0.0%					3.5%
Rev. Unknown	1	8.3%	65	6.6%					17.6%
Total	**12**		**990**		**2,294**		**89,790**		
2011										
Rev. Size	**Bank**				**Aggregate**				**Bus.Dem.**
	#	%	$000's	%	#	%	$000's	%	%
Rev. < = $1MM	14	87.5%	1,107	95.8%	1,075	37.9%	42,248	37.6%	70.5%
Rev. > $1MM	2	12.5%	48	4.2%					2.5%
Rev. Unknown		0.0%		0.0%					26.8%
Total	**16**		**1,155**		**2,840**		**112,316**		
2012										
Rev. Size	**Bank**				**Aggregate**				**Bus.Dem.**
	#	%	$000's	%	#	%	$000's	%	%
Rev. < = $1MM	4	100.0%	363	100.0%	1,004	36.0%	30,543	31.1%	74.0%
Rev. > $1MM		0.0%		0.0%					3.2%
Rev. Unknown		0.0%		0.0%					22.7%
Total	**4**		**363**		**2,792**		**98,219**		
2013										
Rev. Size	**Bank**				**Aggregate**				**Bus.Dem.**
	#	%	$000's	%	#	%	$000's	%	%
Rev. < = $1MM	5	100.0%	339	100.0%	Data not available				
Rev. > $1MM		0.0%		0.0%					
Rev. Unknown		0.0%		0.0%					
Total	**5**		**339**						
GRAND TOTAL										
Rev. Size	**Bank**				**Aggregate**				**Bus.Dem.**
	#	%	$000's	%	#	%	$000's	%	%
Rev. < = $1MM	34	91.9%	2,734	96.0%		34.7%		34.0%	
Rev. > $1MM	2	5.4%	48	1.7%					
Rev. Unknown	1	2.7%	65	2.3%					
Total	**37**		2,847						

Community Development Lending: “Low Satisfactory”

During the evaluation period, FSB originated $540,000 in new community development loans, with $546,000 in loans outstanding from prior evaluation periods. This demonstrated an adequate level of community development lending over the course of the evaluation period.

As noted in the prior evaluation, the downward economic trend in FSB’s assessment area continues with the subsequent effect on lower originations of community development loans. Some examples of the major corporations in FSB’s assessment area that have closed are: Miller Brewery, Nestle Company, Hammermill Paper Mill, Jefferson-Smurfitt, and Owens-Illinois. The economy in FSB’s assessment area remains stagnant. This view has been validated by the Office of the New York State Comptroller’s May 31, 2013 Report of Examination, which described the City of Fulton to be in a state of fiscal stress.

Community Development Loans				
	This Evaluation Period		Outstandings from Prior Evaluation Periods	
Purpose	# of Loans	$000	# of Loans	$000
Affordable Housing	8	540	1	506
Economic Development			1	40
Community Services				
Other (Please Specify)				
Total	8	540	2	546

Below are highlights of FSB’s community development lending:

- FSB lent $540,000 for the construction of eight new low-to-moderate income single family homes to a nonprofit corporation dedicated to improving housing and economic opportunities for LMI residents.

- NY Business Development Corporation (“NYBDC”) - NYBDC is a privately owned entity created by New York State statute, funded by commercial and savings banks whose goal is to provide a broad range of financing to small and mid-sized businesses in New York State. FSB continues to carry a loan portfolio of $40,000 made prior to this evaluation period.

- Community Preservation Corporation (“CPC”) – CPC is a lending consortium that originates construction and permanent loans for the development, rehabilitation, and preservation of affordable housing throughout New York State. FSB continues to carry a $506,000 loan portfolio with CPC made prior to this evaluation period.

Flexible and/or Innovative Lending Practices: "Outstanding"

FSB used flexible lending practices to serve the credit needs of its assessment area. Some of these practices are listed below:

- Fulton Savings Bank Affordable Mortgage Housing Program – Innovative components of this program include: free appraisal, credit report, flood certification and a maximum $300 document preparation fee. In addition, FSB only requires a 10% down payment in this program. During the evaluation period, FSB made 11 loans totaling $574,000 under this program.

- FSB contributed $20,000 in initial funding to the Fulton Community Revitalization Corporation in 2013 to fund the beginning stages of the Lake Neatahwanta Revitalization Project.

- FSB offered investment/lending commitments ranging in amounts from $250,000 to $1 million to specifically serve LMI individuals for affordable housing, community services, and activities that revitalize and stabilize LMI geographies. The recipients were: City of Fulton Community Development Agency, City of Oswego Community Development Agency, an Oswego County charity, and an Oswego housing development group.

- FSB is an approved seller of mortgages to the Federal Home Loan Bank-NY under its Mortgage Partnership Finance Program ("MPF"). This enables FSB to offer market rate/competitive fixed rate mortgages without exposure to interest rate risk. In 2013 FSB made nine MPF loans totaling $972,000.

INVESTMENT TEST: "Needs to Improve"

FSB's investment performance is evaluated pursuant to the following criteria:
(1) The dollar amount of qualified investments;
(2) The innovativeness or complexity of qualified investments; and
(3) The responsiveness of qualified investments to credit and community development needs.

FSB's community development investments were less than reasonable in light of the assessment area's credit needs.

Community Development Investments:

During the evaluation period, FSB made no community development investments and $35,000 in community development grants. This demonstrated a poor level of community development investments and grants over the course of the evaluation period. Five community development investments matured since the prior evaluation, and FSB made no new investments. The $35,000 in community development grants made by FSB represented a 48% reduction in the dollar value of community development grants made during the prior evaluation period.

Community Development Investments and Grants				
	This Evaluation Period		Outstandings from Prior Evaluation Periods	
CD Investments	# of Inv.	$000	# of Inv.	$000
Affordable Housing				
Economic Development				
Community Services				
Other (Please Specify)				
Total	0	0	0	0
CD Grants	# of Grants	$000	Not Applicable	
Affordable Housing	2	35		
Economic Development				
Community Services				
Other (Please Specify)	1	20		
Total	3	55		

Below is a description of FSB's community development grants:

- Fulton Community Revitalization Corporation ("FCRP") – FCRP is a locally based not-for-profit organization that promotes development in the City of Fulton. FSB extended two grants, totaling $35,000, for the construction of low- to moderate-income housing during the evaluation period.

- FSB donated $20,000 to FCRP in 2013 to fund the beginning stages of the Lake Neatahwanta Revitalization Project. This will provide vast recreational opportunities for all the residents of Greater Fulton, including low- and moderate-income individuals.

Innovativeness of Community Development Investments:

FSB did not make any innovative investments to support community development during the evaluation period.

Responsiveness of Community Development Investments to Credit and Community Development Needs:

FSB's community development investments exhibited poor responsiveness to credit and community development needs.

SERVICE TEST: "Outstanding"

FSB's retail service performance is evaluated pursuant to the following criteria:
(1) The current distribution of the banking institution's branches;
(2) The institutions record of opening and closing branches;
(3) The availability and effectiveness of alternative systems for delivering retail services; and
(4) The range of services provided.

FSB's community development service performance is evaluated pursuant to the following criteria:
(1) The extent to which the banking institution provides community development services; and
(2) The innovativeness and responsiveness of community development services.

Retail Banking Services: "Outstanding"

FSB has an excellent branch network, delivery systems, branch hours and services, and alternative delivery systems available to LMI individuals.

Current distribution of the banking institution's branches:

FSB's has an excellent distribution of branches within its assessment area. FSB has seven full service branches in its assessment area, dispersed as follows: two branches (29%) are in moderate-income areas, four branches (57%) are in middle-income areas, and one branch (14%) is in an upper-income area.

Distribution of Branches within the Assessment Area								
County	N/A #	Low #	Moderate #	Middle #	Upper #	Total #	LMI %	LMI and Distressed or Underserved
Oswego			2	3		5	40%	40%
Onondaga				1	1	2	0%	0%
Total			**2**	**4**	**1**	**7**	29%	29%

Record of opening and closing branches:

FSB did not open or close any branches during the evaluation period. FSB's total branch network consists of the main office and six branches. The bank's record of opening and closing branches did not have an adverse effect on the accessibility of its delivery systems, particularly to LMI geographies and LMI individuals. FSB closed a loan production office due to a lack of loan demand.

Availability and effectiveness of alternative systems for delivering retail services:

FSB's delivery systems were readily accessible to significant portions of the bank's assessment area, particularly LMI geographies and individuals.
FSB has extended hours on Thursdays and Fridays, along with Saturday hours from 9:00 AM to 12:00 PM. FSB also offers alternative systems such as:

- Two loan originators that can serve customers off-site or after hours
- Bank by mail available at every branch
- Internet banking and bill pay
- Telephone banking

Range of services provided:

FSB's services met the convenience and other needs of its assessment area, particularly LMI geographies and individuals. FSB provided a comprehensive offering of banking services, which included:

- Totally free checking (an alternative that provides more advantageous terms than is required under Section 14-F, Basic Banking Account)
- No-fee ATMs, including at 55,000 Allpoint Network ATMs
- Wire transfer services
- Mobile banking
- Express bank debit cards
- Night depository at each branch location
- Direct deposit by ACH and mail from companies that do not have ACH capabilities

Community Development Services: "Outstanding"

FSB continues as a leader in providing excellent community development services.

Below are highlights of FSB's community development services.

FSB trustees, officers and management personnel serve in various capacities and/or attend meetings of the following community development organizations:

- Michael J. Pollock, President and CEO - Board member Oswego County Catholic Charities
- Jerome A. Mirabito, Executive Vice-President - Board Member Fulton Community Revitalization Corporation
- Kenneth J. Parotte, Senior Vice-President - President Oswego Housing Development Council

FSB maintains close working relationships with various governmental agencies including: the City of Fulton Community Development Agency, City of Oswego, Oswego County Industrial Development Agency, and the Oswego Housing Development Council.

Additionally, FSB is an investor or partner in the Community Preservation Corporation, the Statewide Zone Capital Corporation, and the New York Business Development Corporation. FSB is also a member of the following organizations: Greater Oswego-Fulton Chamber of Commerce, Baldwinsville Chamber of Commerce, and the United Way of Oswego and Onondaga counties.

Additional Factors

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

The extent of participation by the banking institution's board of directors 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

FSB's Executive Committee of the Board of Trustees has semi-annual CRA training and annually approves the Community Reinvestment Act Statement. This committee reviews all loans on a monthly basis.

Discrimination and other illegal practices

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

DFS examiners did not note 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*.

  FSB makes a continuous and concerted effort to tailor its deposit products, loan products, and general banking services to meet the needs of its customers. As detailed throughout this report, FSB has close relationships with various community development and governmental agencies that provide information regarding the credit needs of FSB's community and feedback regarding FSB's product offerings.

- *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.*

  Print media, brochures and direct mail are some of the methods that FSB uses to market its credit offerings and services.

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

DFS noted no other factors.

GLOSSARY

Aggregate Penetration Rate

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

Community Development

"Community development":

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

Community Development Loan

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

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

Community Development Service

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

- Providing technical assistance on financial matters to nonprofit, tribal or government organizations serving LMI housing or economic revitalization and development needs;
- Providing technical assistance on financial matters to small businesses or community development organizations;
- Lending employees to provide financial services for organizations facilitating affordable housing construction and rehabilitation or development of affordable housing;
- Providing credit counseling, home buyers and home maintenance counseling, financial planning or other financial services education to promote community development and affordable housing;
- Establishing school savings programs for LMI individuals;
- Providing seminars for LMI persons on banking and bank account record-keeping;
- Making ATM "Training Machines" available for extended periods at LMI community sites or at community facilities that serve LMI individuals; and
- Technical assistance activities to community development organizations such as:
    - ❖ Serving on a loan review committee;
    - ❖ Developing loan application and underwriting standards;
    - ❖ Developing loan processing systems;
    - ❖ Developing secondary market vehicles or programs;
    - ❖ Assisting in marketing financial services, including the development of advertising and promotions, publications, workshops and conferences;
    - ❖ Furnishing financial services training for staff and management;
    - ❖ Contributing accounting/bookkeeping services; and
    - ❖ Assisting in fund raising, including soliciting or arranging investments.

Geography

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

Home Mortgage Disclosure Act ("HMDA")

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

Income Level

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

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

Loans to Small Businesses

Small business loans to businesses with gross annual revenues of $1 million or less.

Low or Moderate Income ("LMI") Geographies

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

LMI Borrowers

Borrowers whose income, as reported on the loan application which the lender relied upon in making the credit decision, is less than 80% of the area median family income. In cases where the residential property is located in a MSA or PMSA, this would relate to the median family income for that MSA or PMSA. Otherwise, the area median family income would be the statewide non-metropolitan median family income. In all instances, the area median family incomes used to measure borrower income levels are updated annually by the U.S. Department of Housing and Urban Development ("HUD").

LMI Individuals/Persons

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

<u>LMI Penetration Rate</u>

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

<u>Low-Income Housing Tax Credit (LIHTC)</u>

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

<u>New Markets Tax Credit (NMTC)</u>

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

<u>Qualified Investment</u>

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

- Financial intermediaries (including community development financial institutions, community development corporations, minority- and women-owned financial institutions, community loan funds, micro-finance institutions and low-income or community development credit unions) that primarily lend or facilitate lending in LMI areas or to LMI individuals in order to promote community development;
- Organizations engaged in affordable housing rehabilitation and construction;
- Organizations, including, for example, small business investment corporations that promote economic development by financing small businesses;

- Facilities that promote community development in LMI areas or LMI individuals, such as youth programs, homeless centers, soup kitchens, health care facilities, battered women's centers, and alcohol and drug recovery centers;
- Projects eligible for low-income housing tax credits;
- State and municipal obligations, such as revenue bonds that specifically support affordable housing or other community development needs;
- Organizations serving LMI housing or other community development needs, such as counseling for credit, home ownership, home maintenance, and other financial services education; and
- Organizations supporting activities essential to the capacity of LMI individuals or geographies to utilize credit to sustain economic development, such as day care operations and job training programs that facilitate access to permanent jobs.