



**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: Solvay Bank
1537 Milton Avenue
Solvay, NY 13209

Note: This evaluation is not an assessment of the financial condition of this institution. The rating assigned does not represent an analysis, conclusion or opinion of the New York State 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 Solvay Bank (“Solvay”) prepared by the New York State Department of Financial Services (the “Department” or “DFS”). 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 of Financial Services shall assess a banking institution’s record of helping to meet the credit needs of its entire community, including low- and moderate-income (“LMI”) areas, consistent with safe and sound operations.

Part 76 of the General Regulations of the Superintendent 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 record of meeting community credit needs; and
- (4) Substantial noncompliance in meeting community credit needs.

Section 76.5 further requires that the CRA rating and the written summary (“Evaluation”) be made available to the public. Evaluations of banking institutions are primarily based on a review of performance tests and standards described in Section 76.7 and detailed in Sections 76.8 through 76.13. The tests and standards incorporate the 12 assessment factors contained in Section 28-b of the New York 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 Solvay according to the intermediate-small bank performance criteria pursuant to Part 76.7 and Part 76.12 of the General Regulations of the Superintendent. The assessment period included calendar years 2011, 2012, and 2013 for the lending test, and calendar years 2011, 2012, 2013 and the first quarter of 2014 for the community development test. Solvay is rated "2," indicating a "Satisfactory" record of helping to meet community credit needs.

The rating is based on the following factors:

Lending Test: "Satisfactory"

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

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

During the evaluation period, Solvay's average LTD ratio of 65.3% was below the peer group average of 74.9%. Both Solvay and its peer group's ratios trended downward since the prior evaluation period. The gap between Solvay's average LTD ratio and that of its peer, however, narrowed slightly since the prior evaluation period.

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

During the evaluation period, Solvay originated 90.9% by number, and 89.6% by dollar value of its HMDA-reportable and small business loans within its assessment area. This substantial majority of lending inside its assessment area is an excellent record of lending.

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

The overall distribution of HMDA-reportable and small business loans, based on borrower characteristics, demonstrated an adequate rate of lending among individuals of different income levels and businesses of different revenue sizes.

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

The distribution of Solvay's loans based on census-tract income level was reasonable.

Action Taken in Response to Written Complaints with Respect to CRA:

Since the prior CRA evaluation, as of December 31, 2010, neither Solvay nor DFS

received any written complaints regarding Solvay's CRA performance.

Community Development Test (Loans, Investments, Services): "Satisfactory"

Solvay's community development performance demonstrated adequate responsiveness to the community development needs of its assessment area through community development loans, investments, and services, considering Solvay's capacity and the need and availability of such opportunities in its assessment area.

During the evaluation period, Solvay originated \$9.2 million in new community development loans and had \$577,320 outstanding from prior evaluation periods. Solvay made \$617,500 in new community development investments including grants and had \$495,700 outstanding from prior evaluation periods. The annualized ratio of total community development loans and investments to total assets was 0.46%, representing an adequate level of community development lending and investment activities.

- **Community Development Loans: "Satisfactory"**

During the evaluation period, Solvay originated \$9.2 million in new community development loans and had \$577,320 outstanding from prior evaluation periods. The annualized ratio of community development loans to total assets was 0.42%, demonstrating a reasonable level of community development lending.

- **Community Development Qualified Investments: "Satisfactory"**

During the evaluation period, Solvay made \$617,500 in new community development investments including grants and had \$495,500 outstanding from investments made in prior evaluation periods. The level of investments decreased significantly from the prior evaluation period. The annualized ratio of investments to total assets was 0.05%, compared to 0.40% for the prior evaluation period. The current ratio represented an adequate level of community development investments.

- **Community Development Services: "Satisfactory"**

Solvay provided an adequate level of community development services over the course of the evaluation period.

Solvay's management and staff volunteer with a variety of community development organizations. These organizations provide financial or technical assistance to organizations and programs that promote affordable housing, economic development and community services in the bank's assessment area. These activities included memberships on boards, committees and attendance at meetings that are intended to benefit the community. In addition, Solvay's staff offered financial literacy programs in school districts where high percentages of the students are from low-income families.

- **Innovative or Complex Practices:**

Solvay demonstrated an adequate level of flexible community development practices.

- **Responsiveness to Credit and Community Development Needs:**

Solvay demonstrated a reasonable level of responsiveness to credit and community development needs.

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

PERFORMANCE CONTEXT

Institution Profile

Chartered in 1917, Solvay is a commercial bank headquartered in Solvay, New York. In addition to this main office, Solvay operates seven other full services branches in or around Syracuse, Onondaga County, New York.

Per the Consolidated Report of Condition (the “Call Report”) as of March 31, 2014, filed with the Federal Deposit Insurance Corporation (“FDIC”), Solvay reported total assets of \$721.7 million, of which \$411.0 million were net loans and lease finance receivables. It also reported total deposits of \$648.8 million, resulting in a loan-to-deposit ratio of 63.3%. According to the latest available comparative deposit data, as of June 30, 2013, Solvay had a market share of 6.6%, or \$577.4 million in a market of \$8.7 billion, ranking it 6th among 17 deposit-taking institutions in the assessment area.

The following is a summary of Solvay’s loan portfolio, based on Schedule RC-C of the bank’s December 31, 2011, 2012, 2013, and March 31, 2014 Call Reports:

TOTAL GROSS LOANS OUTSTANDING								
Loan Type	2011		2012		2013		3/31/2014	
	\$000's	%	\$000's	%	\$000's	%	\$000's	%
1-4 Family Residential Mortgage Loans	215,676	58.0	216,546	56.2	230,576	56.1	232,599	55.8
Commercial & Industrial Loans	67,472	18.1	72,215	18.8	68,161	16.6	63,489	15.2
Commercial Mortgage Loans	47,926	12.9	46,964	12.2	50,915	12.4	50,394	12.1
Multifamily Mortgages	5,079	1.4	4,798	1.2	6,634	1.6	6,570	1.6
Consumer Loans	24,170	6.5	32,578	8.5	41,833	10.2	43,340	10.4
Construction Loans	11,540	3.1	11,729	3.0	12,431	3.0	12,741	3.1
Obligations of States & Municipalities	0	0.0	0	0.0	0	0.0	7,822	1.9
Other Loans	154	0.0	308	0.1	136	0.0	160	0.0
Total Gross Loans	372,017		385,138		410,686		417,115	

As illustrated in the above table, Solvay is primarily a residential real estate lender, with 55.8% of its loan portfolio in 1-4 family residential mortgage loans, and 15.2% in commercial and industrial loans, as of March 31, 2014.

Solvay operates eight banking offices, all located in Onondaga County. Three of the offices are located in low- or moderate-income (“LMI”) census tracts, three are located in middle-income census tracts, and the remaining two are located in upper-income census tracts. Supplementing the banking offices is an automated teller machine (“ATM”) network consisting of eight 24-hour deposit taking machines, one each at the eight offices. In addition, Solvay has one off-site 24-hour ATM (for cash disbursement only) at a remote location in a middle-income census tract within its assessment area. Solvay operates six drive-up ATM facilities.

There are no known financial or legal impediments that had an adverse impact on Solvay's ability to meet the credit needs of its community.

Assessment Area

Solvay's assessment area is comprised of Onondaga County in its entirety.

There are 140 census tracts in the area, of which 25 are low-income, 26 are moderate-income, 42 are middle-income, 46 are upper-income, and one tract has no income indicated.

Assessment Area Census Tracts by Income Level							
County	N/A	Low	Mod	Middle	Upper	Total	LMI %
Onondaga	1	25	26	42	46	140	36.4
Total	1	25	26	42	46	140	36.4

The assessment area appears reasonable based upon the location of Solvay's offices and its lending patterns. Examiners did not find evidence that Solvay arbitrarily excluded LMI areas.

Demographic & Economic Data

The assessment area had a population of 467,026 during the evaluation period. About 13.7% of the population were over the age of 65 and 20.1% were under the age of sixteen.

Of the 113,910 families in the assessment area, 21.0% were low-income, 15.9% were moderate-income, 20.7% were middle-income, and 42.4% were upper-income families. There were 183,542 households in the assessment area, of which 13.2% had income below the poverty level and 2.7% were on public assistance.

The weighted average median family income in the assessment area was \$68,574.

There were 201,871 housing units within the assessment area, of which 80.5% were one-to-four family units, and 18.2% were multifamily units. A majority (60.0%) of the area's housing units were owner-occupied, while 31.0% were rental-occupied units. Of the 121,046 owner-occupied housing units, 17.4% were in LMI census tracts while 82.6% were in middle- and upper-income census tracts. The median age of the housing stock was 54 years and the median home value in the assessment area was \$122,971.

There were 34,629 non-farm businesses in the assessment area. Of these, 72.0% were businesses with reported revenues of less than or equal to \$1 million, 5.8% reported revenues of more than \$1 million, and 22.3% did not report their revenues.

Of all the businesses in the assessment area, 83.3% were businesses with less than fifty employees, and 88.3% operated from a single location. The largest industries in the area were services (46.5%), retail trade (14.3%), and Construction (7.4%); while 9.2% of businesses in the assessment area were not classified.

The unemployment rate for Onondaga County was below the statewide rate from 2011 to 2013. The average unemployment rate for New York State decreased from 8.2% in 2011 to 7.7% in 2013; while the average unemployment rate in Onondaga County decreased from 7.8% in 2011 to 7.0% in 2013.

Assessment Area Unemployment Rate		
Year	Statewide	Onondaga
2011	8.2%	7.8%
2012	8.5%	8.0%
2013	7.7%	7.0%

Community Information

Examiners contacted representatives of three organizations located in Solvay's assessment area to obtain their views on the credit needs of the area and the extent to which those needs are met by banks serving the area.

One representative was the executive director of a not-for-profit community housing development agency. Its mission is to revitalize and stabilize the northeast sector of Syracuse. The organization's programs include homeownership opportunities for underserved and LMI households and providing small home-repair grants to LMI homeowners.

The second representative was the executive director of a not-for-profit organization, a chartered member of NeighborWorks America, an approved community development financial institution ("CDFI"), and a U.S. Department of Housing and Urban Development ("HUD") certified housing counseling agency. The organization commits to creating housing and related opportunities to improve the lives of underserved individuals, and revitalize communities in central and upstate New York. Its programs, serving mostly LMI individuals, include: 50% grant and 50% loan funding for emergency home repairs; quick loans at low interest rates for minor to moderate home repairs or renovations; education and training for homebuyers; and technical assistance in home foreclosures.

The third representative was the executive director of a nonprofit ecumenical agency whose mission is to address the issues of poverty and housing. The organization develops communities of people in need, by building and renovating houses. The organization also builds and rehabilitates affordable, owner-occupied homes on the west side of Syracuse, a primarily LMI neighborhood. Their programs include partnerships with homebuyers and volunteers to build and renovate homes. Renovated homes are sold mostly to minorities and single mothers of LMI families.

These community representatives noted that there is an increased demand for LMI housing and job training, due to the recent refugee resettlement program and a large number of veterans in Syracuse, NY. The refugee influx has led to the population and diversity growth on the north side of Syracuse. In addition, there is an increased need for financing home construction and renovation projects and for re-building local houses and rental units located in LMI neighborhoods. None of the representative expressed any negative comments regarding Solvay or any other banks in the area.

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

DFS evaluated Solvay under the intermediate small banking institution performance standards in accordance with Parts 76.7 and 76.12 of the General Regulations of the Superintendent, which consist of the lending test and the community development test. The lending test includes:

- 1. Loan-to-deposit ratio and other lending-related activities;*
- 2. Assessment area concentration;*
- 3. Distribution by borrower characteristics;*
- 4. Geographic distribution of loans; and*
- 5. Action taken in response to written complaints regarding CRA*

The community development test includes:

- Community development lending;*
- Community development investments;*
- Community development services;*
- Innovative or complex practices; and*
- Responsiveness to community development needs*

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*

DFS used statistics derived from various sources. Solvay submitted bank-specific information both as part of the examination process and on its Call Report submitted to the Federal Deposit Insurance Corporation ("FDIC"). DFS obtained aggregate lending data from the Federal Financial Institutions Examination Council (FFIEC) and deposit data from the FDIC. Loan-to-deposit ratios were calculated from information shown in the bank's Uniform Bank Performance Report as submitted to the FDIC.

The demographic data referred to in this report were derived from the 2010 U.S. Census and the HUD. Business demographic data used in this report were based on Dun & Bradstreet reports which are updated annually. Unemployment data were obtained 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 assessment period included calendar years 2011, 2012, 2013 and the first quarter of

2014 for the community development test, and calendar years 2011, 2012 and 2013 for the lending test.

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

Small business/small farm loan aggregate data are shown for comparative purposes. Solvay is not required to report this data, and therefore it is not included as part of the aggregate data. Since Solvay made very few small farm loans, all analyses were based on small business lending only.

HMDA-reportable and small business loan data evaluated in this performance evaluation represented actual originations. Small business loans were given greater weight as they accounted for 70.5% of the total of small business loans and HMDA-reportable loans originated in the assessment area.

DFS assigned Solvay a rating of "2," reflecting a "Satisfactory" record of meet community credit needs at its **prior** Performance Evaluation conducted by DFS, as of December 31, 2010.

Current CRA Rating: "Satisfactory"

Lending Test: "Satisfactory"

Solvay's small business and HMDA-reportable lending activities were reasonable in light of aggregate and peer group activity and demographics.

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

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

During the evaluation period, Solvay's average LTD ratio was 65.3%, below the peer group average LTD of 74.9%. Both Solvay and its peer group's ratios have trended downward since the prior evaluation period. The gap between Solvay's average LTD ratio and that of its peer, however, narrowed slightly since the prior evaluation period.

The table below shows Solvay's LTD ratios in comparison with the peer group's ratios for the 13 quarters since the prior evaluation.

Loan-to-Deposit Ratios														
	2011 Q1	2011 Q2	2011 Q3	2011 Q4	2012 Q1	2012 Q2	2012 Q3	2012 Q4	2013 Q1	2013 Q2	2013 Q3	2013 Q4	2014 Q1	Avg.
Bank	66.7	66.4	65.4	65.6	62.6	63.7	63.8	64.7	65.4	67.2	65.2	68.9	63.3	65.3
Peer	76.5	76.6	75.9	75.1	73.3	74.3	74.5	74.0	73.2	74.9	75.1	75.8	74.8	74.9

Assessment Area Concentration: “Outstanding”

During the evaluation period, Solvay originated 90.9% by number and 89.6% by dollar value of its total HMDA-reportable and small business loans within the assessment area. This substantial majority of lending inside of its assessment area is an excellent record of lending.

HMDA-Reportable Loans:

During the evaluation period, Solvay originated 90.3% by number and 85.4% by dollar value of its HMDA-reportable loans within the assessment area. This substantial majority of lending inside of Solvay’s assessment area was an excellent record of lending.

Small Business Loans:

During the evaluation period, Solvay originated 91.2% by number and 91.5% by dollar value of its small business loans within the assessment area. This substantial majority of lending inside of Solvay’s assessment area was an excellent record of lending.

The following table shows Solvay’s rates of HMDA-reportable and small business loans originated inside and outside of its 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											
2011	201	91.0%	20	9.0%	221	20,786	87.7%	2,922	12.3%	23,708	
2012	247	90.1%	27	9.9%	274	27,447	86.6%	4,250	13.4%	31,697	
2013	302	89.9%	34	10.1%	336	37,932	83.4%	7,537	16.6%	45,469	
Subtotal	750	90.3%	81	9.7%	831	86,165	85.4%	14,709	14.6%	100,874	
Small Business											
2011	606	93.5%	42	6.5%	648	73,060	92.2%	6,190	7.8%	79,250	
2012	590	88.6%	76	11.4%	666	69,517	88.9%	8,693	11.1%	78,210	
2013	503	91.6%	46	8.4%	549	63,045	93.8%	4,195	6.2%	67,240	
Subtotal	1,699	91.2%	164	8.8%	1,863	205,622	91.5%	19,078	8.5%	224,700	
Grand Total	2,449	90.9%	245	9.1%	2,694	291,787	89.6%	33,787	10.4%	325,574	

Distribution by Borrower Characteristics: “Satisfactory”

Overall, Solvay demonstrated an adequate distribution of HMDA-reportable and small business loans by borrower income and revenue size of the businesses.

HMDA-Reportable Loans:

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

During the evaluation period, Solvay’s rate of lending to LMI borrowers of 21.0% by number of loans and 10.4% by dollar value underperformed the aggregate rates of 28.7% and 18.3%, respectively.

The following table provides a summary of the HMDA-reportable lending distribution based on borrower income.

Distribution of 1-4 Family Loans by Borrower Income									
2011									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	13	6.6%	384	1.9%	710	7.7%	41,717	3.9%	19.7%
Moderate	29	14.6%	1,449	7.1%	1,963	21.3%	155,214	14.7%	17.1%
LMI	42	21.2%	1,833	8.9%	2,673	29.0%	196,931	18.6%	36.8%
Middle	51	25.8%	4,132	20.1%	2,384	25.9%	239,042	22.6%	21.1%
Upper	95	48.0%	13,728	66.9%	3,902	42.4%	588,299	55.7%	42.2%
Unknown	10	5.1%	835	4.1%	251	2.7%	32,260	3.1%	0.0%
Total	198		20,528		9,210		1,056,532		
2012									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	20	8.1%	1,197	4.4%	906	8.2%	56,108	4.3%	21.0%
Moderate	37	15.0%	2,316	8.4%	2,221	20.2%	179,003	13.8%	15.9%
LMI	57	23.1%	3,513	12.8%	3,127	28.5%	235,111	18.1%	36.8%
Middle	60	24.3%	5,591	20.4%	2,732	24.9%	278,610	21.4%	20.7%
Upper	122	49.4%	17,744	64.6%	4,783	43.5%	736,226	56.6%	42.4%
Unknown	8	3.2%	599	2.2%	349	3.2%	51,448	4.0%	0.0%
Total	247		27,447		10,991		1,301,395		
2013									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	16	5.3%	750	2.0%	Data not available.				21.0%
Moderate	42	14.0%	2,851	7.5%					15.9%
LMI	58	19.3%	3,601	9.5%					36.8%
Middle	76	25.2%	7,072	18.7%					20.7%
Upper	163	54.2%	26,865	71.0%					42.4%
Unknown	4	1.3%	293	0.8%					0.0%
Total	301		37,831						
GRAND TOTAL									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	49	6.6%	2,331	2.7%	1,616	8.0%	97,825	4.1%	
Moderate	108	14.5%	6,616	7.7%	4,184	20.7%	334,217	14.2%	
LMI	157	21.0%	8,947	10.4%	5,800	28.7%	432,042	18.3%	
Middle	187	25.1%	16,795	19.6%	5,116	25.3%	517,652	22.0%	
Upper	380	50.9%	58,337	68.0%	8,685	43.0%	1,324,525	56.2%	
Unknown	22	2.9%	1,727	2.0%	600	3.0%	83,708	3.6%	
Total	746		85,806		20,201		2,357,927		

Small Business Loans:

The distribution of Solvay's business loans based on the revenue size of the business demonstrated a reasonable rate of lending to small businesses.

During the evaluation period, Solvay's lending to businesses with revenue sizes less than or equal to \$1 million was 52.6% by number of loans and 33.5% by dollar value. This outperformed the aggregate's ratios of 32.8% and 27.1%, respectively. In comparison with the performances at the prior evaluation period, the ratios decreased from 58.6% by number of loans and 35.6% by dollar value. The aggregate's data, however, improved

from 25.8% by number of loans and 25.0% by dollar value.

The following table provides a summary of Solvay's small business lending during the evaluation period:

Distribution of Small Business Lending by Revenue Size of Business									
2011									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	344	56.8%	26,801	36.7%	2,359	33.7%	92,542	29.6%	67.4%
Rev. > \$1MM	262	43.2%	46,259	63.3%					4.0%
Rev. Unknown	-	0.0%		0.0%					28.7%
Total	606		73,060		6,994		312,913		
2012									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	298	50.5%	21,064	30.3%	2,268	31.9%	71,049	24.4%	71.1%
Rev. > \$1MM	292	49.5%	48,453	69.7%					5.2%
Rev. Unknown	-	0.0%		0.0%					23.6%
Total	590		69,517		7,111		291,626		
2013									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	252	50.1%	21,120	33.5%	<i>Data not available.</i>				72.0%
Rev. > \$1MM	251	49.9%	41,925	66.5%					5.8%
Rev. Unknown	-	0.0%		0.0%					22.3%
Total	503		63,045						
GRAND TOTAL									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	894	52.6%	68,985	33.5%	4,627	32.8%	163,591	27.1%	
Rev. > \$1MM	805	47.4%	136,637	66.5%					
Rev. Unknown		0.0%		0.0%					
Total	1,699		205,622		14,105		604,539		

Geographic Distribution of Loans: "Satisfactory"

Solvay's distribution of loans by census tract income level was reasonable.

HMDA-Reportable Loans:

The distribution of Solvay's HMDA-reportable loans based on the income level of the geography demonstrated an adequate rate of lending.

During the evaluation period, Solvay originated 9.6% by number and 5.3% by dollar value of its HMDA-reportable loans to LMI individuals. These ratios are in line with the

aggregate's rates of 9.6% and 5.8%, respectively.

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

Distribution of HMDA-Reportable Lending by Geographic Income of the Census Tract									
2011									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	147	1.6%	12,666	1.2%	3.4%
Moderate	14	7.0%	654	3.1%	451	4.9%	28,831	2.6%	8.4%
LMI	14	7.0%	654	3.1%	598	6.4%	41,497	3.8%	11.8%
Middle	106	52.7%	8,482	40.8%	4,289	46.2%	422,829	38.8%	47.3%
Upper	81	40.3%	11,650	56.0%	4,394	47.3%	624,205	57.3%	41.0%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Total	201		20,786		9,281		1,088,531		
2012									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	3	1.2%	199	0.7%	252	2.3%	18,596	1.4%	4.4%
Moderate	26	10.5%	1,687	6.1%	1,111	10.0%	80,800	6.1%	13.1%
LMI	29	11.7%	1,886	6.9%	1,363	12.3%	99,396	7.5%	17.5%
Middle	84	34.0%	8,491	30.9%	3,769	34.0%	389,651	29.3%	36.5%
Upper	134	54.3%	17,070	62.2%	5,938	53.6%	841,982	63.3%	46.1%
Unknown	0	0.0%	0	0.0%	3	0.0%	19	0.0%	0.0%
Total	247		27,447		11,073		1,331,048		
2013									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	9	3.0%	725	1.9%	Data not available				4.4%
Moderate	20	6.6%	1,338	3.5%					13.1%
LMI	29	9.6%	2,063	5.4%					17.5%
Middle	111	36.8%	12,251	32.3%					36.5%
Upper	162	53.6%	23,618	62.3%					46.1%
Unknown	0	0.0%	0	0.0%					0.0%
Total	302		37,932						
GRAND TOTAL									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	12	1.6%	924	1.1%	399	2.0%	31,262	1.3%	
Moderate	60	8.0%	3,679	4.3%	1,562	7.7%	109,631	4.5%	
LMI	72	9.6%	4,603	5.3%	1,961	9.6%	140,893	5.8%	
Middle	301	40.1%	29,224	33.9%	8,058	39.6%	812,480	33.6%	
Upper	377	50.3%	52,338	60.7%	10,332	50.8%	1,466,187	60.6%	
Unknown	-	0.0%	-	0.0%	3	0.0%	19	0.0%	
Total	750		86,165		20,354		2,419,579		

Small Business Loans:

The distribution of Solvay's small business loans based on the income level of the geography of the business demonstrated a reasonable rate of lending.

During the evaluation period, Solvay's rate of lending in LMI census tracts was 30.3% by number of loans, outperformed the aggregate's rate of 23.2%. Its rate of lending in LMI census tracts was 25.3% by dollar value, which underperformed the aggregate's rate of 26.7%.

The following table provides a summary of Solvay's small business lending based on the income level of the geography.

Distribution of Small Business Lending by Geographic Income of the Census Tract									
2011									
Geographic	Bank				Aggregate				Bus.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	94	15.5%	11,813	16.2%	923	13.2%	56,156	17.9%	15.0%
Moderate	63	10.4%	4,175	5.7%	518	7.4%	21,477	6.9%	9.1%
LMI	157	25.9%	15,988	21.9%	1,441	20.6%	77,633	24.8%	24.1%
Middle	307	50.7%	40,327	55.2%	3,092	44.2%	145,308	46.4%	42.6%
Upper	142	23.4%	16,745	22.9%	2,461	35.2%	89,972	28.8%	33.3%
Unknown		0.0%		0.0%	0	0.0%	0	0.0%	0.0%
Total	606		73,060		6,994		312,913		
2012									
Geographic	Bank				Aggregate				Bus.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	99	16.8%	11,277	16.2%	1,053	14.8%	51,428	17.6%	16.5%
Moderate	93	15.8%	7,439	10.7%	785	11.0%	32,615	11.2%	13.2%
LMI	192	32.5%	18,716	26.9%	1,838	25.8%	84,043	28.8%	29.7%
Middle	244	41.4%	30,817	44.3%	2,675	37.6%	115,502	39.6%	34.9%
Upper	154	26.1%	19,984	28.7%	2,595	36.5%	92,070	31.6%	35.3%
Unknown	0	0.0%	0	0.0%	3	0.0%	11	0.0%	0.0%
Total	590		69,517		7,111		291,626		
2013									
Geographic	Bank				Aggregate				Bus.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	79	15.7%	9,471	15.0%	Data not available.				16.9%
Moderate	87	17.3%	7,908	12.5%					12.9%
LMI	166	33.0%	17,379	27.6%					29.7%
Middle	190	37.8%	27,636	43.8%					34.9%
Upper	147	29.2%	18,030	28.6%					35.4%
Unknown	0	0.0%	0	0.0%					0.0%
Total	503		63,045						
GRAND TOTAL									
Geographic	Bank				Aggregate				Bus.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	272	16.0%	32,561	15.8%	1,976	14.0%	107,584	17.8%	
Moderate	243	14.3%	19,522	9.5%	1,303	9.2%	54,092	8.9%	
LMI	515	30.3%	52,083	25.3%	3,279	23.2%	161,676	26.7%	
Middle	741	43.6%	98,780	48.0%	5,767	40.9%	260,810	43.1%	
Upper	443	26.1%	54,759	26.6%	5,056	35.8%	182,042	30.1%	
Unknown	-	0.0%	-	0.0%	3	0.0%	11	0.0%	
Total	1,699		205,622		14,105		604,539		

Action Taken In Response to Written Complaints with Respect to CRA: “Satisfactory”

Since the prior CRA evaluation, as of December 31, 2010, neither Solvay nor DFS received any written complaints regarding Solvay’s CRA performance.

Community Development Test: “Satisfactory”

Solvay’s community development performance demonstrated adequate responsiveness to the community development needs of its assessment area, through community development loans, investments and services, considering Solvay’s capacity and the need and availability of such opportunities in its assessment area.

During the evaluation period, Solvay originated \$9.2 million in new community development loans, and had \$577,000 outstanding from prior evaluation periods. Solvay made \$616,000 in new community development investments including grants, and had \$496,000 outstanding from prior evaluation periods. The annualized ratio of total community development loans and investments over total assets was 0.46%, representing an adequate level of community development lending and investment activities.

Community Development Lending: “Satisfactory”

During the evaluation period, Solvay originated \$9.2 million in new community development loans, and had \$577,000 outstanding from prior evaluation periods. The annualized ratio of community development loans over total assets was 0.42%, demonstrating a reasonable level of community development lending over the course of the evaluation period.¹

Community Development Loans				
	This Evaluation Period		Outstandings from Prior Evaluation Periods	
Purpose	# of Loans	\$000	# of Loans	\$000
Affordable Housing	4	172	18	128
Economic Development	8	4,585	4	221
Community Services	5	630	3	228
Revitalization and Stabilization	12	3,822		
Total	29	9,209	25	577

Below are highlights of Solvay’s community development lending:

- In 2011, Solvay made a \$142,500 term loan to a nonprofit community development financial institution (“CDFI”). The loan was used to fund the home improvement loan program operated by the organization, which helps LMI families and

¹ For analysis purposes, renewals of lines of credit that occur during the evaluation period are considered new extensions of credit. However, the level of lending is reviewed across the time period of the exam.

individuals to repair and renovate their homes.

- In 2011, Solvay extended a \$700,000 commercial mortgage loan to build a commercial rental building located in the NY Empowerment Zone in downtown Syracuse, a low-income area, to help revitalize and stabilize the neighborhood.
- In 2013, Solvay made a \$1.5 million term loan that was used to purchase an auto parts business located in a low-income census tract. The purchase helped to promote economic development by retaining and creating jobs for LMI individuals.

Community Development Investments: “Satisfactory”

During the evaluation period, Solvay made \$616,000 in new community development investments including grants and had \$496,000 in investments outstanding from prior evaluation periods. The level of investments decreased significantly from the prior evaluation period. The annualized ratio of investments to total assets was 0.048%, compared to 0.40% at the prior evaluation period. The ratio represented an adequate level of community development investments over the evaluation period.

The new investments consisted of eleven serial bonds, totaling \$574,000 issued by the Village of Solvay. In addition, outstanding balances of investments made from prior evaluation periods amounted to \$496,000, also by the same issuer. The proceeds of the bonds were used for infrastructure construction and improvements in moderate-income areas.

In addition, Solvay made \$42,000 in donations and grants to various organizations providing community services, most notably educational services serving LMI individuals.

Community Development Investments and Grants				
	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Inv.	\$000	# of Inv.	\$000
CD Investments				
Affordable Housing				
Economic Development				
Community Services	2	106	1	35
Revitalize and Stabilize	9	468	4	461
Total	11	574	5	496
CD Grants	# of Grants	\$000	Not Applicable	
Affordable Housing				
Economic Development				
Community Services	47	41		
Revitalize and Stabilize	2	1		
Total	49	42		

Community Development Services: “Satisfactory”

Solvay demonstrated an adequate level of community development services over the course of the evaluation period.

Solvay’s management and staff volunteered with a variety of community development organizations within its community. They provided financial or technical assistance to organizations and programs that promote affordable housing, economic development and community services in the assessment area. These activities included memberships on boards, committees, or attendance at meetings. In addition, Solvay’s staff offered financial literacy programs in school districts where high percentages of the students are from low-income families.

Below are highlights of Solvay’s community development services:

- An officer of the bank is on the loan committee of a leading affordable housing corporation, an approved CDFI and HUD-certified agency. The organization’s mission is to provide housing opportunities for LMI individuals.
- A number of the bank’s officers served in the positions of chairman and board members of a major community youth center, and helped in directing and guiding its financing activities. The youth center offers after-school programs and activities targeted towards youths in the surrounding LMI areas.
- An officer of the bank chairs the membership committee of a nonprofit organization’s corporate volunteer council. The organization’s mission is to provide services for at-risk families, victims of domestic violence, the homeless, low-income families in need of legal assistance, and people suffering from disabilities and mental illness.

Innovative or Complex Practices:

Solvay made limited use of innovative or flexible community development practices.

Responsiveness to Community Development Needs:

Solvay demonstrated an adequate level of responsiveness to credit and community development needs.

Additional Factors

The extent of participation by the banking institution’s board of directors or board of trustees in formulating the banking institution’s policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act

Solvay's Board of Directors reviews and approves the bank's CRA Policy annually. The board last reviewed and approved the bank's CRA statement on February 18, 2014. A quarterly analysis of CRA activities is performed and presented to the Operational & Compliance Risk Management Committee and/or the Enterprise Risk Management Committee, as well as the Board of Directors for review. The last CRA quarterly assessment was completed on March 18, 2014.

Discrimination and other illegal practices

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

DFS did not note any practices that were intended to discourage applications for the types of credit offered by Solvay.

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

DFS did not note any evidence of prohibited discriminatory or other illegal practices.

Record of opening and closing offices and providing services at offices

Solvay operates eight full-service offices and one off-site stand-alone 24-hour ATM all located in the Syracuse area in Onondaga County. One branch is located in a low-income geography, two are in moderate-income geographies, three are in middle-income geographies, and two are in upper-income geographies. The stand-alone ATM is located in a middle-income census tract in Syracuse.

All eight offices are open on weekdays at 8:45 AM, and close between 4:00 PM and 6:00 PM. Six of the branches are open on Saturday mornings at 9:00AM and close at noon or 1:00PM.

Each branch has an ATM while the main office has an additional ATM at its drive-through.

Solvay did not open or close any branches during the evaluation period.

Distribution of Branches within the Assessment Area							
County	N/A #	Low #	Moderate #	Middle #	Upper #	Total #	LMI %
Onondaga	0	1	2	3	2	8	38%
Total	0	1	2	3	2	8	38%

Process Factors

- Activities conducted by the banking institution to ascertain the credit needs of its community, including the extent of the banking institution's efforts to communicate with members of its community regarding the credit services being provided by the banking institution.

Solvay ascertains the credit needs of its community mainly through active involvement by its directors, officers and employees with local businesses and for-profit and not-for-profit organizations. In addition, loan officers work with businesses in their development of business plans and also work one-on-one with loan applicants to develop a loan or program that would be in the best interest of the applicant. The loan officers also maintain a calling program and visit new businesses and current customers to ascertain how the bank may best serve their needs.

- The extent of the banking institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the banking institution

Solvay's marketing and advertising programs are approved, reviewed and monitored by the board, senior management and the marketing committee. The programs are intended to inform all parts of the community of the financial products and services offered by Solvay.

Solvay engages in various marketing channels, which include billboards, targeted direct mailing, face-to-face solicitation, print media, social media, and radio. The printed brochures highlight Solvay's various products and services. The marketing efforts are reinforced through a continuation of Community Days at the bank's office locations, which were well received by the public.

Solvay's personnel also participate in various community programs, such as: the Home Show where they hand out information on Solvay's products and services and answer questions on purchasing and refinancing homes, including home improvement loans.

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

None

GLOSSARY

Aggregate Penetration Rate

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

Community Development

“Community development”:

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

Community Development Loan

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

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

Community Development Service

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

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

Geography

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

Home Mortgage Disclosure Act (“HMDA”)

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

Income Level

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

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

Loans to Small Businesses

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

Low or Moderate Income ("LMI") Geographies

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

LMI Borrowers

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

LMI Individuals/Persons

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

LMI Penetration Rate

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

Low-Income Housing Tax Credit (LIHTC)

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

New Markets Tax Credit (NMTC)

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

Qualified Investment

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

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

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