



**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: March 31, 2017

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 the Solvay Bank (“Solvay” or “the Bank”) 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 March 31, 2017.

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

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

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

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

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

OVERVIEW OF INSTITUTION'S PERFORMANCE

The Department evaluated Solvay under the intermediate small banking institution performance standards pursuant to Sections 76.7 and 76.12 of the GRS. The Department evaluated Solvay's performance under the lending test in calendar years 2014, 2015, and 2016, and its performance under the community development test from March 31, 2014 to March 31, 2017. Solvay is rated "Satisfactory," or "2." This rating means Solvay had a satisfactory record of meeting community credit needs.

The rating is based on the following factors:

Lending Test: "Satisfactory"

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

Solvay's average loan-to-deposit ("LTD") ratio was reasonable considering the Bank's size, business strategy, and financial condition, aggregate and peer group activity, and the demographic characteristics and credit needs of its assessment area.

Solvay's LTD ratio of 65.2% was below its peer group average of 79.0%; however, it remained stable from its prior evaluation's ratio of 65.3%.

Assessment Area Concentration: "Outstanding"

During the evaluation period, Solvay originated 93.1% by number, and 93.0% by dollar value, of its small business and HMDA-reportable loans within its assessment area. This substantial majority of lending within its assessment area reflected an excellent concentration of lending.

Distribution by Borrower Characteristics: "Needs to Improve"

Solvay's one-to-four family HMDA-reportable and small business lending demonstrated a less than adequate distribution of loans among borrowers of different income levels and businesses of different revenue sizes.

Geographic Distribution of Loans: "Satisfactory"

Solvay's distribution of loans based on lending in census tracts of varying income levels demonstrated a reasonable rate of lending. The rating reflects the greater weight given to small business lending as HMDA-reportable lending was less than adequate.

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

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

Community Development Test: “Outstanding”

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

Community Development Lending: “Outstanding”

During the evaluation period, Solvay originated \$39.1 million in new community development loans, and had \$4.6 million outstanding from the prior evaluation period. This demonstrated an excellent level of community development lending.

Qualified Investments: “Outstanding”

During the evaluation period, SB made \$24 million in new qualified investments, including \$60,415 in grants, and had \$10 million outstanding from prior evaluation periods. This demonstrated an excellent level of qualified investments.

Community Development Services: “Satisfactory”

Solvay demonstrated a reasonable level of community development services over the course of the evaluation period.

Solvay’s management and staff actively sought opportunities to provide financial education and counseling to small businesses and LMI individuals and families. Solvay’s management, board members and staff provided 130 qualified community services during the evaluation period.

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 GRS Part 76.

PERFORMANCE CONTEXT

Institution Profile

Solvay is a commercial bank established in 1917 and located in Solvay, New York. During the evaluation period, Solvay operated nine branch offices.

Solvay offers personal and business banking services and products. Services include online banking, mobile banking, bill pay, e-statements, prepaid cards, and trust and investments services. Products include checking, savings, personal and business debit and credit cards, mortgage loans, home improvement loans, auto loans, personal loans, commercial mortgage loans, working capital loans, and lines-of-credit.

Solvay's focus, as it relates to CRA, has been on the development of affordable housing options and continuing community development efforts. Since the last evaluation, Solvay participated in or developed affordable housing programs such as the First Home Club and the Solvay Bank Homebuyers Assistance Program, and the Bank has become a partner lender in the Onondaga County Homeownership Program.

Per the Consolidated Report of Condition (the "Call Report") as of December 31, 2016, filed with the Federal Deposit Insurance Corporation ("FDIC"), Solvay reported total assets of \$857.2 million, of which \$524.1 million were net loans and lease finance receivables. The Bank also reported total deposits of \$749.9 million, resulting in a 69.8% LTD ratio. According to the latest available comparative deposit data as of June 30, 2016, Solvay had a market share of 7.8% (\$749.3 million in a market of \$9.6 billion), ranking it sixth among the 15 deposit-taking institutions in its assessment area.

The following is a summary of Solvay's loan portfolio, based on Schedule RC-C of the bank's December 31, 2014, 2015, and 2016 Call Reports:

TOTAL GROSS LOANS OUTSTANDING						
Loan Type	3/31/2014		12/31/2015		12/31/2016	
	\$000's	%	\$000's	%	\$000's	%
1-4 Family Residential Mortgage Loans	238,258	53.9	240,788	51.5	272,447	51.4
Secured by Farmland	0	0.0	0	0.0	0	0.0
Commercial & Industrial Loans	67,464	15.3	74,044	15.8	80,031	15.1
Commercial Mortgage Loans	49,760	11.3	53,237	11.4	58,297	11.0
Multifamily Mortgages	9,763	2.2	10,882	2.3	12,488	2.4
Consumer Loans	57,349	13.0	67,353	14.4	76,938	14.5
Agricultural Loans	0	0.0	0	0.0	0	0.0
Construction Loans	18,278	4.1	20,820	4.4	28,529	5.4
Obligations of States & Municipalities	745	0.2	621	0.1	819	0.2
Other Loans	381	0.1	165	0.0	112	0.0
Total Gross Loans	441,998		467,910		529,661	

As illustrated in the above table, Solvay remains primarily a residential mortgage lender with one-to-four family residential mortgage loans representing 51.4% of its gross loan portfolio, while commercial mortgage loans and commercial and industrial loans total 11.0% and 15.1%, respectively. However, during the evaluation period, Solvay originated more small business loans than HMDA-reportable loans.

Solvay operates nine banking offices, all located in the greater Syracuse area in Onondaga County. Supplementing the banking offices is an automated teller machine (“ATM”) network consisting of ten 24-hour ATMs. Each banking office has a 24-hour deposit-taking ATM. In addition, Solvay has one 24-hour, off-site ATM that does not take deposits.

Examiners did not find evidence of 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 and has not changed from the prior evaluation period. 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; 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

Demographic & Economic Data

The assessment area had a population of 467,026 during the evaluation period. Approximately 13.7% of the population were over the age of 65 and 20.1% were under the age of 16.

Of the 113,910 families in the assessment area, 21% 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 MSA weighted average median family income within the assessment area was \$63,453.

There were 201,871 housing units within the assessment area, of which 80.4% 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 units. Of the 121,046 owner-occupied housing units, 17.4% were in low- and moderate-income census tracts while 82.6% were in middle- and upper-income census tracts. The median age of the housing stock was 56 years and the median home value in the assessment area was \$122,971.

There were 27,295 non-farm businesses in the assessment area. Of these, 78.5% were businesses with reported revenues of less than or equal to \$1 million, 7.7% reported revenues of more than \$1 million, and 13.7% did not report their revenues. Of the businesses in the assessment area, 95.8% were businesses with less than fifty employees and 84.5% operated from a single location. The largest industries in the area were services (48.7%), retail trade (14.9%), finance, insurance & real estate (7.4%), construction (7.4%); 4.5% of businesses in the assessment area were not classified.

According to the New York State Department of Labor, New York State's and Onondaga County's average annual unemployment rates steadily declined from 2014 to 2016. However, Onondaga County's annual average unemployment rate was below the state's rate for each year of the evaluation period.

Assessment Area Unemployment Rate		
	New York State	Onondaga County
2014	6.3	5.5
2015	5.3	4.9
2016	4.8	4.5

Community Information

Examiners conducted a community contact interview with the director of a nonprofit health care organization located in Onondaga County. The organization provides health care services to LMI individuals.

Onondaga County is a mix of urban (City of Syracuse) and rural areas. The loss of manufacturing jobs has caused an increase in poverty in the area with a concentration in the City of Syracuse. Syracuse University is one of the largest employers in the county.

The interviewee noted that affordable auto and college loans were among the credit needs of the community. The interviewee had a favorable view of Solvay meeting the demands for banking services, especially small businesses.

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

The Department evaluated Solvay under the intermediate small banking institution performance standards in accordance with Sections 76.7 and 76.12 of the GRS, which consist of the lending test and the community development test.

The lending test includes:

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

The community development test includes:

- 1. Community development lending;*
- 2. Qualified investments;*
- 3. Community development services; and*
- 4. Responsiveness to community development needs.*

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

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

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

DFS derived the demographic data referred to in this report from the 2010 U.S. Census and the FFIEC. DFS based business data on Dun & Bradstreet reports, which Dun & Bradstreet update annually. DFS obtained unemployment data from the New York State Department of Labor.

The evaluation period for small business and HMDA-reportable loans included calendar years 2014, 2015, and 2016, while the evaluation period for community development activities covered the period from March 31, 2014 through March 31, 2017.

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

Solvay is not required to report small business/small farm loan data, so Solvay’s small business and small farm lending were not included in the aggregate data. The aggregate data were shown only for comparative purposes. Since Solvay made very few small farm loans, all analyses were based only on small business lending.

HMDA-reportable and small business loan data evaluated in this performance evaluation represented actual originations. DFS gave Solvay’s small business loans greater weight because they accounted for 61.8% by number and 64.8% by dollar value of the Bank’s total of small business and HMDA-reportable loans in the assessment area during the evaluation period.

At its **prior** Performance Evaluation, as of December 31, 2013, DFS assigned Solvay a rating of “2,” reflecting a “Satisfactory” record of helping to meet community credit needs

Current CRA Rating: “Satisfactory”

Lending Test: “Satisfactory”

Solvay’s small business and HMDA-reportable lending activities were reasonable considering the Bank’s size, business strategy, and financial condition, aggregate and peer group activity, and the demographic characteristics and credit needs of its assessment area.

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

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

Solvay’s average LTD ratio for the evaluation period was 65.2%. Although this trailed the aggregate’s ratio of 79.0%, it remained stable from the Bank’s 65.3% LTD ration in the prior evaluation period. Solvay’s LTD ratio is deemed reasonable.

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

Loan-to-Deposit Ratios													
	2014 Q1	2014 Q2	2014 Q3	2014 Q4	2015 Q1	2015 Q2	2015 Q3	2015 Q4	2016 Q1	2016 Q2	2016 Q3	2016 Q4	Avg.
Solvay	63.3	63.0	63.1	68.2	65.4	65.6	62.2	65.1	64.7	67.0	65.2	69.9	65.2
Peer	74.8	77.0	77.6	78.3	77.4	79.3	79.8	80.1	80.0	81.3	81.2	81.1	79.0

Assessment Area Concentration: “Outstanding”

Solvay originated 93.1% by number, and 93.0% by dollar value, of its total small business and HMDA-reportable loans within its assessment area. This substantial majority of lending reflects an excellent concentration of lending within the Bank’s assessment area.

HMDA-Reportable Loans

Solvay originated 88.9% by number, and 89.1% by dollar value, of its total HMDA-reportable loans within its assessment area. This substantial majority of lending inside of the Bank’s assessment area reflects an excellent concentration of lending.

Small Business Loans

Solvay originated 95.8% by number, and 95.3% by dollar value, of its total small business loans within its assessment area. This substantial majority of lending inside of the Bank’s assessment area reflects an excellent concentration of lending.

The following table shows the percentages of Solvay’s small business and HMDA-reportable 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										
2014	315	89.5%	37	10.5%	352	44,412	86.2%	7,130	13.8%	51,542
2015	267	89.6%	31	10.4%	298	57,350	92.6%	4,558	7.4%	61,908
2016	274	87.5%	39	12.5%	313	41,954	87.7%	5,857	12.3%	47,811
Subtotal	856	88.9%	107	11.1%	963	143,716	89.1%	17,545	10.9%	161,261
Small Business										
2014	479	96.0%	20	4.0%	499	82,682	97.9%	1,740	2.1%	84,422
2015	452	95.6%	21	4.4%	473	89,822	96.9%	2,905	3.1%	92,727
2016	452	96.0%	19	4.0%	471	91,688	91.5%	8,480	8.5%	100,168
Subtotal	1,383	95.8%	60	4.2%	1,443	264,192	95.3%	13,125	4.7%	277,317
Grand Total	2,239	93.1%	167	6.9%	2,406	407,908	93.0%	30,670	7.0%	438,578

Distribution by Borrower Characteristics: “Needs to Improve”

Solvay’s one-to-four family HMDA-reportable and small business lending demonstrated a less than adequate distribution of loans among borrowers of different income levels and businesses of different revenue sizes.

One-to-Four Family HMDA-reportable Loans

Solvay’s one-to-four family HMDA-reportable lending demonstrated a less than adequate

distribution of lending among borrowers of different income levels.

Solvay's average rates of lending to LMI borrowers were 25.4% by number and 14.1% by dollar value of loans, which was well below the aggregate rates of lending of 32.4% and 21.0%, respectively. Solvay also trailed the aggregate's rates by number and dollar value of loans to low-income and moderate-income borrowers for each year of the evaluation period. Furthermore, Solvay's poor lending performance for lending to LMI borrowers continues a trend from the prior evaluation period in which the aggregate also outperformed the Bank.

The following table provides a summary of the distribution of Solvay's one-to-four family HMDA-reportable loans by borrower income.

Distribution of 1-4 Family Loans by Borrower Income									
2014									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	25	8.0%	1,364	3.3%	726	9.5%	41,089	4.8%	21.0%
Moderate	47	15.0%	3,952	9.4%	1,804	23.5%	144,975	16.8%	15.9%
LMI	72	23.0%	5,316	12.7%	2,530	33.0%	186,064	21.6%	36.9%
Middle	70	22.4%	7,002	16.7%	2,005	26.1%	200,007	23.2%	20.7%
Upper	167	53.4%	29,289	69.8%	2,909	37.9%	444,228	51.6%	42.4%
Unknown	4	1.3%	328	0.8%	226	2.9%	30,958	3.6%	
Total	313		41,935		7,670		861,257		
2015									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	28	10.6%	1,479	4.2%	800	9.8%	48,873	5.0%	21.0%
Moderate	52	19.8%	4,221	12.0%	1,819	22.2%	153,018	15.8%	15.9%
LMI	80	30.4%	5,700	16.2%	2,619	32.0%	201,891	20.8%	36.9%
Middle	58	22.1%	6,580	18.7%	2,108	25.7%	221,790	22.8%	20.7%
Upper	120	45.6%	22,502	63.8%	3,173	38.7%	505,029	52.0%	42.4%
Unknown	5	1.9%	468	1.3%	291	3.6%	42,321	4.4%	
Total	263		35,250		8,191		971,031		
2016									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	14	5.1%	784	2.1%	811	9.5%	50,197	4.8%	21.0%
Moderate	49	18.0%	4,373	11.7%	1,937	22.8%	166,579	15.9%	15.9%
LMI	63	23.2%	5,157	13.8%	2,748	32.3%	216,776	20.6%	36.9%
Middle	55	20.2%	5,184	13.9%	2,187	25.7%	236,391	22.5%	20.7%
Upper	145	53.3%	26,022	69.6%	3,314	39.0%	559,561	53.2%	42.4%
Unknown	9	3.3%	1,041	2.8%	259	3.0%	38,242	3.6%	
Total	272		37,404		8,508		1,050,970		
GRAND TOTAL									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	67	7.9%	3,627	3.2%		9.6%		4.9%	
Moderate	148	17.5%	12,546	10.9%		22.8%		16.1%	
LMI	215	25.4%	16,173	14.1%		32.4%		21.0%	
Middle	183	21.6%	18,766	16.4%		25.9%		22.8%	
Upper	432	50.9%	77,813	67.9%		38.6%		52.3%	
Unknown	18	2.1%	1,837	1.6%		3.2%		3.9%	
Total	848		114,589		24,369		2,883,258		

Small Business Loans

Solvay's small business lending demonstrated a less than adequate distribution of loans among businesses of different revenue sizes.

During the evaluation period, Solvay's average rates of lending to businesses with revenue of \$1 million or less were 36.4% by number and 23.8% by dollar value of loans, which trailed the aggregate's rates of 40.7% and 28.6%, respectively. This was a significant change from the prior evaluation period, during which the Bank's average rates of lending were 52.6% by number and 33.5% by dollar value of loans, which was well above the aggregate's rates of 32.8% and 27.1%, respectively. The comparison to the prior evaluation period also shows that Solvay's average rates of lending declined from the prior evaluation period, while the aggregate's rates increased.

Both the aggregate's and Solvay's average rates of lending to businesses with annual revenues of \$1 million or less were well below the percentage (business demographics) of businesses with annual revenues of \$1 million or less that were located within the assessment area.

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

Distribution of Small Business Lending by Revenue Size of Business									
2014									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	194	40.5%	17,072	20.6%	2,600	37.6%	86,790	28.0%	70.9%
Rev. > \$1MM	285	59.5%	65,610	79.4%	4,307	62.4%	222,783	72.0%	6.4%
Rev. Unknown		0.0%		0.0%					22.7%
Total	479		82,682		6,907		309,573		
2015									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	164	36.3%	23,910	26.6%	3,050	43.6%	91,043	29.1%	74.6%
Rev. > \$1MM	287	63.5%	65,873	73.3%	3,938	56.4%	221,851	70.9%	6.6%
Rev. Unknown	1	0.2%	39	0.0%					18.8%
Total	452		89,822		6,988		312,894		
2016									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	145	32.1%	21,781	23.8%	3,151	45.5%	101,092	32.1%	78.5%
Rev. > \$1MM	303	67.0%	68,694	74.9%	3,777	54.5%	214,203	67.9%	7.7%
Rev. Unknown	4	0.9%	1,213	1.3%					13.8%
Total	452		91,688		6,928		315,295		
GRAND TOTAL									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	503	36.4%	62,763	23.8%	8,801	42.3%	278,925	29.7%	
Rev. > \$1MM	875	63.3%	200,177	75.8%	12,022	57.7%	658,837	70.3%	
Rev. Unknown	5	0.4%	1,252	0.5%					
Total	1,383		264,192		20,823		937,762		

Geographic Distribution of Loans: “Satisfactory”

The distribution of loans based on lending in census tracts of varying income levels demonstrated a reasonable rate of lending. The rating reflects the greater weight given to small business lending since HMDA-reportable lending was less than adequate.

HMDA-Reportable Loans

The distribution of Solvay’s HMDA-reportable loans among census tracts of different income levels was less than adequate.

While Solvay’s lending rates in LMI geographies of 10.5% by number and 4.2% by dollar value of loans during the current evaluation period were comparable to the Bank’s lending rates of 9.6% by number and 5.3% by dollar value of loans during the prior evaluation period, the lending rates of its aggregate significantly improved. The aggregate’s rates for the current evaluation period were 14.5% by number and 11.2% by dollar value of loans, a significant improvement from 9.6% and 5.8%, respectively, reported at the prior evaluation period. Thus, Solvay’s average lending rates in LMI geographies were well below the aggregate’s rates for the evaluation period. In addition, Solvay’s rates of lending in LMI geographies trailed the aggregate’s rates for each year of the current evaluation period.

The following table provides a summary of Solvay’s HMDA-reportable lending based on the income level of the geography where the property was located.

Distribution of HMDA-Reportable Lending by Geographic Income of the Census Tract									
2014									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	10	3.2%	451	1.0%	220	2.8%	17,020	1.8%	4.4%
Moderate	29	9.2%	2,281	5.1%	951	12.3%	76,205	8.3%	13.1%
LMI	39	12.4%	2,732	6.2%	1,171	15.2%	93,225	10.1%	17.5%
Middle	104	33.0%	13,162	29.6%	2,828	36.6%	305,278	33.2%	36.5%
Upper	172	54.6%	28,518	64.2%	3,728	48.2%	521,577	56.7%	46.0%
Unknown	0	0.0%	0	0.0%	2	0.0%	37	0.0%	0.0%
Total	315		44,412		7,729		920,117		
2015									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	2	0.7%	170	0.3%	240	2.9%	34,933	3.1%	4.4%
Moderate	20	7.5%	1,259	2.2%	920	11.2%	77,953	6.9%	13.1%
LMI	22	8.2%	1,429	2.5%	1,160	14.1%	112,886	10.0%	17.5%
Middle	83	31.1%	9,295	16.2%	2,967	36.0%	385,809	34.3%	36.5%
Upper	162	60.7%	46,626	81.3%	4,120	50.0%	624,834	55.6%	46.0%
Unknown	0	0.0%	0	0.0%	1	0.0%	86	0.0%	
Total	267		57,350		8,248		1,123,615		
2016									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	3	1.1%	128	0.3%	231	2.7%	68,499	5.6%	4.4%
Moderate	26	9.5%	1,725	4.1%	1,005	11.7%	91,948	7.5%	13.1%
LMI	29	10.6%	1,853	4.4%	1,236	14.4%	112,886	9.2%	17.5%
Middle	91	33.2%	11,455	27.3%	3,070	35.7%	369,296	30.1%	36.5%
Upper	154	56.2%	28,646	68.3%	4,286	49.9%	696,058	56.8%	46.0%
Unknown	0	0.0%	0	0.0%	4	0.0%	99	0.0%	
Total	274		41,954		8,596		1,225,900		
GRAND TOTAL									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	15	1.8%	749	0.5%		2.8%		3.7%	
Moderate	75	8.8%	5,265	3.7%		11.7%		7.5%	
LMI	90	10.5%	6,014	4.2%	3,567	14.5%	366,556	11.2%	
Middle	278	32.5%	33,912	23.6%		36.1%		32.4%	
Upper	488	57.0%	103,790	72.2%		49.4%		56.4%	
Unknown	0	0.0%	0	0.0%		0.0%		0.0%	
Total	856		143,716		24,573		3,269,632		

Small Business Loans

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

Solvay's average lending rates in LMI geographies for the evaluation period were 30.6% by number and 30% by dollar value of loans, which exceeded the aggregate's rates of

25.3% and 29.4%, respectively. Solvay's rate of lending in 2015 also exceeded the business demographics of the assessment area (percent of small businesses located in LMI geographies). In addition, Solvay's average lending rates improved from the prior evaluation period rates of lending of 30.3% and 25.3%, respectively.

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									
2014									
Geographic	Bank				Aggregate				Bus.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	53	11.1%	6,530	7.9%	952	13.8%	45,367	14.7%	17.0%
Moderate	103	21.5%	15,556	18.8%	786	11.4%	42,430	13.7%	12.9%
LMI	156	32.6%	22,086	26.7%	1,738	25.2%	87,797	28.4%	29.9%
Middle	155	32.4%	31,633	38.3%	2,597	37.6%	124,824	40.3%	35.1%
Upper	168	35.1%	28,963	35.0%	2,568	37.2%	96,942	31.3%	35.0%
Unknown	0	0.0%	0	0.0%	4	0.1%	10	0.0%	0.0%
Total	479		82,682		6,907		309,573		
2015									
Geographic	Bank				Aggregate				Bus.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	58	12.8%	12,004	13.4%	958	13.7%	53,036	17.0%	16.8%
Moderate	94	20.8%	15,933	17.7%	782	11.2%	41,775	13.4%	12.8%
LMI	152	33.6%	27,937	31.1%	1,740	24.9%	94,811	30.3%	29.6%
Middle	170	37.6%	37,666	41.9%	2,679	38.3%	122,225	39.1%	35.2%
Upper	130	28.8%	24,219	27.0%	2,565	36.7%	95,831	30.6%	35.2%
Unknown	0	0.0%	0	0.0%	4	0.1%	27	0.0%	0.0%
Total	452		89,822		6,988		312,894		
2016									
Geographic	Bank				Aggregate				Bus.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	52	11.5%	19,156	20.9%	1,016	14.7%	49,626	15.7%	17.1%
Moderate	63	13.9%	10,081	11.0%	784	11.3%	43,504	13.8%	12.6%
LMI	115	25.4%	29,237	31.9%	1,800	26.0%	93,130	29.5%	29.7%
Middle	185	40.9%	37,186	40.6%	2,627	37.9%	123,311	39.1%	35.5%
Upper	152	33.6%	25,265	27.6%	2,498	36.1%	98,825	31.3%	34.8%
Unknown	0	0.0%	0	0.0%	3	0.0%	29	0.0%	
Total	452		91,688		6,928		315,295		
GRAND TOTAL									
Geographic	Bank				Aggregate				Bus.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	163	11.8%	37,690	14.3%		14.1%		15.8%	
Moderate	260	18.8%	41,570	15.7%		11.3%		13.6%	
LMI	423	30.6%	79,260	30.0%		25.3%		29.4%	
Middle	510	36.9%	106,485	40.3%		38.0%		39.5%	
Upper	450	32.5%	78,447	29.7%		36.6%		31.1%	
Unknown	0	0.0%	0	0.0%		0.1%		0.0%	
Total	1,383		264,192		20,823		937,762		

Action Taken in Response to Written Complaints with Respect to CRA “N/A”

Neither DFS nor Solvay received any written complaints during the evaluation period regarding the Bank’s CRA performance.

Community Development Test: “Outstanding”

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

During the evaluation period, Solvay had a total of \$43.7 million in community development loans and a total of \$35.4 million in qualified investments, including \$60,000 in grants.

Community Development Lending: “Outstanding”

Solvay originated \$39.1 million in new community development loans during the evaluation period and had \$4.6 million outstanding from the prior evaluation period. This demonstrated an excellent level of community development lending over the course of the evaluation period.

Solvay’s \$43.7 million in community development loans made during the current period (4.0 years) represented a significant increase from the \$9.8 million the Bank made in the prior evaluation period (3.25 years). Thus, Solvay’s annualized ratio of community development loans to average total assets increased from 0.4% during the prior evaluation period to 1.4% during the current evaluation period.

Community Development Loans				
Purpose	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Loans	\$000	# of Loans	\$000
Affordable Housing				
Economic Development	12	3,740	4	2,312
Community Services	3	3,383	5	1,325
Revitalization/Stabilization	20	31,940	3	1,001
Total	35	39,063	12	4,638

Below are highlights of Solvay’s community development lending:

- In 2014, Solvay originated four loans totaling \$11.5 million to convert a former

warehouse into an apartment building. The property is in a census tract that is part of the Syracuse Industrial Economic Development Zone and a New York Empowerment Zone.

- In 2015, Solvay refinanced a \$2.3 million commercial mortgage loan to the Village of Solvay’s fire department. The fire department is in a moderate-income census tract in the Village of Solvay.
- In 2015, Solvay refinanced a \$1 million commercial loan secured by properties located in a low-income neighborhood of Syracuse, thereby retaining employment opportunities in a disadvantaged area.

Qualified Investments: “Outstanding”

Solvay made \$24.0 million in new community development investments during the evaluation period and had \$10 million outstanding from prior evaluation periods. In addition, Solvay made \$60,415 in community development grants. This demonstrated an excellent level of qualified investments during the evaluation period.

Solvay’s \$24.0 million in community development investments made during the current period (4.0 years) represented a significant increase from the \$574,000 made during the prior evaluation period (3.25 years). Thus, Solvay’s annualized ratio of qualified investments to average total assets increased from 0.05% during the prior evaluation period to 1.07% during the current evaluation period.

Community Development Investments and Grants				
	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Inv.	\$000	# of Inv.	\$000
CD Investments				
Affordable Housing				
Economic Development	43	\$ 24,041	21	\$10,015
Community Services				
Other (Please Specify)				
Total	43	\$ 24,041	21	\$10,015
CD Grants	# of Grants	\$000	Not Applicable	
Affordable Housing				
Economic Development				
Community Services	78	\$ 60		
Other (Please Specify)				
Total	78	\$ 60		

Below are highlights of Solvay’s qualified investments:

- The bulk of new qualified investments consisted of 40 school district bond

investments totaling \$17.6 million. Solvay purchased the bonds from various school districts, in which more than 50% of students qualified for a reduced or free school lunch.

- Solvay also purchased three bonds totaling \$6.4 million. The bonds contained pools of SBA loans originated in LMI geographies.

Community Development Services: “Satisfactory”

Solvay provides a reasonable level of community development services during the evaluation period.

Solvay’s management and staff actively sought opportunities to provide financial education and counseling to small businesses and LMI individuals and families. Solvay management, board members and staff provided 130 qualified community services during the evaluation period, as follows: 34 in the final three quarters of 2014, 45 in 2015, 31 in 2016, and 20 in the first quarter of 2017.

Below are highlights of Solvay’s community development services.

- A director of the Bank maintains a foundation that benefits children in need. The foundation has awarded more than \$1 million to organizations within the Central NY area.
- An officer of the Bank serves on the loan committee of a local organization which provides affordable housing opportunities to LMI individuals and families.
- Solvay’s president serves as a board member of a local nursing facility. The majority of patients are LMI. The president also serves on the board and finance committee of a foundation that funds health care facilities that primarily serve LMI individuals and families.
- An officer of the Bank is a board member, insurance committee member, and the investment committee chairperson of a local organization providing educational opportunities for children at risk.
- An officer of the Bank is the co-chair of the marketing, communications, and social media committee for a local nonprofit organization helping to support local food pantries and soup kitchens.
- An employee of the Bank volunteers in the financial literacy outreach program for a local charter school, of which most students are from LMI families.

Additional Factors

The extent of participation by the banking institution's Board of Directors or Board of Trustees in formulating CRA policies and reviewing CRA performance

On a semi-annual basis (June and December) Solvay's CRA officer presents a detailed CRA performance evaluation report to senior management, as well as the full board of directors of the Bank.

Discrimination and other illegal practices

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

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

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

DFS examiners did not note conduct that constituted prohibited, discriminatory or other illegal practices.

Record of opening and closing offices and providing services at offices

In 2014, Solvay opened a full-service branch in Fayetteville, Onondaga County. Solvay did not close any branch office during the evaluation period. The table below shows the Bank's branch location by income level of the census tract.

Distribution of Branches within the Assessment Area							
County	N/A #	Low #	Moderate #	Middle #	Upper #	Total #	LMI %
Onondaga		2	2	3	2	9	44.4%
Total	0	2	2	3	2	9	44.4%

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.*

Meetings with Christopher Community, a non-profit development and management company specializing in housing for seniors, low income families, and the disabled in upstate NY. The discussion centered on how Solvay could help support a new senior housing project for LMI seniors.

Regular meetings by the Bank CEO with town leaders to discuss community development and education within the Village of Solvay and Town of Geddes.

Senior management meeting with the Onondaga Office of Community Development to discuss the county's various homeownership programs, as well as plans for the Village of Solvay.

Meeting with the Onondaga County Office of Economic Development about the Village of Solvay revitalization efforts.

Regular senior management meetings with the Superintendent of the Solvay School District. Solvay has partnered with the District on several programs, including early intervention educational programs. A tuition assistance program to those attending a local community college upon graduation was established.

Bank lending personnel meetings with Home Headquarters, a local non-profit community housing development organization, to discuss LMI programs and opportunities.

- *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.*

In addition, to advertising via traditional media channels, Solvay's marketing efforts also included distributing the "Home Begins Here" information package at Homebuyers Seminars and at the Real Estate/Home Builder forum. Solvay has made this information also available on the Bank's website.

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

Solvay also invested \$1.4 million in a CRA-qualified Fannie Mae bond containing nine mortgage loans to LMI borrowers. Although the borrowers lived in New York State, the properties securing the mortgage loans were outside Solvay's assessment area.

Solvay introduced two new loan programs during the evaluation period aimed primarily at LMI borrowers:

- The Solvay Bank First Home Club ("FHC") is a first-time homebuyers program that provides subsidy funds to assist borrowers earning 80% or less of area median income. The program provides a \$4 match for every \$1 deposited into a dedicated savings account. The FHC is offered through a partnership with the Federal Home Loan Bank of NY.

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- The Solvay Bank Homebuyer Assistance Program is designed to assist income-eligible homebuyers in the purchase of a home. Assistance is provided in the form of funds (“buyer’s credit”) that may be used towards the closing costs of the loan to purchase a home. The buyer’s credit (maximum of \$1,500) is available to borrowers whose total household income does not exceed 80% of median area income for Onondaga County. Prospective borrowers must qualify for and obtain mortgage financing through Solvay to qualify for the buyer’s credit.

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

Small Business Loan

A small business loan is a loan less than or equal to \$1 million.

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.