

# **PUBLIC DISCLOSURE**

November 28, 2011

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Solvay Bank  
RSSD No. 722816**

**1537 Milton Avenue  
Solvay, New York 13209**

**FEDERAL RESERVE BANK OF NEW YORK**

**33 LIBERTY STREET  
NEW YORK, NY 10045**

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

## TABLE OF CONTENTS

Institution's CRA Rating.....	BB1
Description of Institution .....	BB2
Description of Assessment Area .....	BB2
Scope of Examination .....	BB2
Performance Context.....	BB3
Conclusions with Respect to Performance Tests .....	BB5
Lending Test.....	BB5
Community Development Test .....	BB12
Fair Lending or Other Illegal Credit Practices Review.....	BB14
<b>Exhibits</b>	
Exhibit 1 - Assessment Area Demographics MSA 45060 (Syracuse, NY) .....	BB6
<b>Appendices</b>	
CRA Appendix A: Glossary.....	BB15
CRA Appendix B: Map of Assessment Area.....	BB18

**INSTITUTION'S CRA RATING:** Solvay Bank (“Solvay”) is rated **“Satisfactory.”**

The following table indicates the performance level of the institution with respect to the lending and community development tests.

<b>PERFORMANCE LEVELS</b>	<b>PERFORMANCE TESTS</b>	
	<b>Lending Test</b>	<b>Community Development Test</b>
Outstanding		
Satisfactory	X	X
Needs to Improve		
Substantial Noncompliance		

The satisfactory performance of Solvay with regard to the Community Reinvestment Act (“CRA”) is based on the following performance criteria:

- A substantial majority of loans were made in the assessment area.
- The distribution of loans to borrowers of different income levels and businesses of different sizes reflects reasonable penetration.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.
- Solvay’s loan-to-deposit ratio was reasonable.
- The overall level of community development loans, qualified investments and community development services demonstrates adequate responsiveness to community development needs in the assessment area.

## DESCRIPTION OF INSTITUTION

Headquartered in Solvay, NY, Solvay is the sole bank subsidiary of Solvay Bank Corporation, a bank holding company. Solvay operates eight retail branches located throughout Onondaga County. Solvay is a full service commercial bank that offers a variety of consumer and commercial loan products, deposit products, and trust services. Loan products include residential mortgages, small business loans and consumer loans. As of December 31, 2010, Solvay had total assets of \$588 million, net loans and leases of \$359 million and total domestic deposits of \$532 million. Of the total net loans and leases, real estate loans totaled \$277 million. Of the total real estate loans, 77% were secured by one- to four-family residential properties.

Solvay operates in a competitive market with branches of numerous local, and regional banks operating in Solvay's assessment area. Local peer banks include Oneida Savings Bank, Beacon Federal and Alliance Bank National Association. Based on deposits reported to the Federal Deposit Insurance Corporation ("FDIC") on June 30, 2010, Solvay has the seventh largest deposit market share (5%) in the Syracuse metropolitan statistical area ("MSA"), and the sixth largest deposit market share (6%) in Onondaga County.

Solvay's previous CRA examination was conducted as of November 30, 2009, using the Federal Financial Institutions Examination Council's ("FFIEC") Intermediate Small Bank Examination Procedures. The prior examination resulted in an overall rating of "satisfactory." There are no financial or legal factors that would prevent Solvay from fulfilling its responsibility under CRA.

## DESCRIPTION OF ASSESSMENT AREA

Solvay's assessment area consists of Onondaga County, New York, which includes the city of Syracuse, New York. The assessment area is located in MSA 45060 (Syracuse, NY) and remains unchanged since the previous examination.

## SCOPE OF EXAMINATION

### Procedures

Solvay was examined using the Federal Financial Institutions Examination Council's ("FFIEC") Intermediate Small Institution Examination Procedures, which consist of a lending test and a community development test.

### Products

Loan products included all HMDA-related loans (home purchase, home improvement, and refinance loans) and a sample of small business loans. The small business sample was selected using the Board of Governors' sampling procedures. Examiners verified the integrity of Solvay's HMDA and small business loan data as part of the onsite examination.

### Examination Period

HMDA-related and small business loan originations from January 1, 2009 through December 31, 2010 were analyzed. Examiners reviewed activities pertaining to the community development test for the period January 1, 2009 through November 28, 2011.

### Lending Distribution Analysis

The analysis of geographic and borrower distribution considered only loans made in Solvay's assessment area. Solvay's performance in 2009 and 2010 was compared to the 2009 and 2010 loan data of the aggregate for all HMDA and small business reporting lenders.

As part of the geographic distribution analysis of HMDA-related lending, the proportion of Solvay's loan originations was compared to the proportion of owner-occupied housing units located in low- and moderate-income ("LMI") geographies. For small business loans, the analysis compared the proportion of Solvay's loan originations to the proportion of businesses located in LMI geographies.

As part of the borrower characteristics analysis of HMDA-related loans, the proportion of Solvay's originations to LMI borrowers was compared with the proportion of LMI families residing in the assessment area. Income estimates from the U.S. Department of Housing and Urban Development ("HUD") were used to categorize borrower income. For small business loans, Solvay's percentage of loans to businesses with gross annual revenues ("GAR") of \$1 million or less was compared to the percentage of all such businesses in the assessment area. The size of the small business loan was also used as a proxy to identify lending to businesses with GAR of \$1 million or less.

### Community Contacts

Examiners conducted interviews with two community development organizations in order to gain an understanding of local credit needs.

## **PERFORMANCE CONTEXT**

The following demographic and economic information was obtained from publicly available sources that include the U.S. Department of Commerce's Bureau of Census (2000 Census), U.S. Department of Labor, U.S. Department of Housing and Urban Development ("HUD"), New York State Association of Realtors ("NYSAR"), the New York State Department of Labor and the Federal Reserve Bank of New York's District Profile.

### Demographic Characteristics

According to the 2000 Census, 12% of the assessment area population resides in low-income geographies, 13% in moderate-income geographies, 40% in middle-income geographies and 35% in upper-income geographies. Exhibit 1 provides a summary of demographic information related to Solvay's assessment area.

Metropolitan Syracuse (MSA 45060) is home to roughly 663,000 people, based on the 2010 Census. The majority of the population in the MSA resides in the city of Syracuse and the surrounding county of Onondaga, with Onondaga consisting of 70% of the Syracuse MSA population. Both the Syracuse MSA and Onondaga County population increased 2% between 2000 and 2010.

### *Income Characteristics*

According to the 2000 Census data, 20% of families in the assessment area are low-income, 17% of families are moderate-income, and 9% of families live below the poverty level. The 2010 HUD-adjusted median family income for the Syracuse MSA is \$64,300, which represents a 1% increase over the 2009 median family income in the MSA.

### *Housing Characteristics*

The 2000 Census indicates that the assessment area has 196,633 housing units, 59% of which are owner-occupied. A total of 3% of the owner-occupied units are located in low-income census tracts while 8% are located in moderate-income census tracts. The remaining housing in the assessment area consists of rental housing (33%) and vacant properties (8%). The median sales price of existing single-family homes in Onondaga County was \$131,840 as of December 2010, approximately 4 times what a low-income person could afford and approximately 3 times what a moderate-income person could afford. As such, home affordability is difficult for LMI borrowers.

### *Labor, Employment and Economic Characteristics*

The Syracuse metropolitan area's industry mix closely parallels the nation. Manufacturing accounts for roughly 11% of employment, in line with the national average. In particular, computer and electronics manufacturing is highly concentrated in the metro area, especially in Onondaga County. Educational services are also a major industry, led by Syracuse University in Onondaga County and Colgate University in the adjoining Madison County.

In 2011, metropolitan Syracuse experienced moderate job gains, in line with the nationwide average. Virtually all of the job gains in 2011 have been in professional and business services and state and local government. However, the manufacturing, retail trade, and leisure and hospitality sectors have seen moderate job losses. Overall the metro area has recouped about a third of the jobs that it lost during the economic downturn. The annual unemployment rate for Onondaga County increased from 7.8% in 2009 to 8.0% in 2010, but was still below the New York state annual unemployment rates of 8.4% in 2009 and 8.6% in 2010.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

### LENDING TEST

Solvay's record of meeting the credit needs of its assessment area through its lending performance is rated satisfactory. Solvay originated a substantial majority of its loans within its assessment area and its loan-to-deposit ratio was reasonable. The overall distribution of its loans among borrowers of different income levels and businesses of different sizes was reasonable. The geographic distribution of loans reflected reasonable penetration throughout Solvay's assessment area.

#### Loan-to-Deposit Ratio

Solvay's loan-to-deposit ratio was reasonable given Solvay's size, financial condition, and the credit needs of its assessment area. Solvay's average loan-to-deposit ratio for the eight quarters between January 1, 2009 and December 31, 2010 was 71%, based on information contained in its Consolidated Report of Condition and Income. This ratio was, however, somewhat below the national peer average of 83% for similarly-sized banks and below an average of 86% for three similarly-situated banks with branches located in Solvay's assessment area during the evaluation period.

### Exhibit 1 Assessment Area Demographics

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	21	14.6	9,346	8.0	3,630	38.8	22,805	19.6
Moderate-income	23	16.0	13,415	11.6	2,668	19.9	19,870	17.1
Middle-income	56	38.9	50,194	43.2	2,617	5.2	24,450	21.1
Upper-income	44	30.6	43,181	37.2	1,033	2.4	49,011	42.2
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment area</b>	<b>144</b>	<b>100.0</b>	<b>116,136</b>	<b>100.0</b>	<b>9,948</b>	<b>8.6</b>	<b>116,136</b>	<b>100.0</b>
	<b>Housing</b>	<b>Housing Types by Tract</b>						
	<b>Units by</b>	<b>Owner-Occupied</b>		<b>Rental</b>		<b>Vacant</b>		
	<b>Tract</b>	#	%	%	#	%	#	%
Low-income	24,371	3,935	3.4	16.1	15,983	65.6	4,453	18.3
Moderate-income	29,334	9,789	8.4	33.4	16,018	54.6	3,527	12.0
Middle-income	80,498	55,217	47.3	68.6	20,827	25.9	4,454	5.5
Upper-income	62,430	47,874	41.0	76.7	11,510	18.4	3,046	4.9
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
<b>Total Assessment area</b>	<b>196,633</b>	<b>116,815</b>	<b>100.0</b>	<b>59.4</b>	<b>64,338</b>	<b>32.7</b>	<b>15,480</b>	<b>7.9</b>
	<b>Total Businesses by</b>	<b>Businesses by Tract &amp; Revenue Size</b>						
	<b>Tract</b>	<b>Less Than or = \$1 Million</b>		<b>Over \$1 Million</b>		<b>Revenue Not Reported</b>		
		#	%	#	%	#	%	
Low-income	3,356	15.5	2,713	14.3	373	25.0	270	22.4
Moderate-income	1,913	8.8	1,655	8.7	146	9.8	112	9.3
Middle-income	9,127	42.1	7,866	41.4	696	46.6	565	46.8
Upper-income	7,290	33.6	6,752	35.6	278	18.6	260	21.5
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment area</b>	<b>21,686</b>	<b>100.0</b>	<b>18,986</b>	<b>100.0</b>	<b>1,493</b>	<b>100.0</b>	<b>1,207</b>	<b>100.0</b>
	<b>Percentage of Total Businesses:</b>			<b>87.5</b>		<b>6.9</b>		<b>5.6</b>

Based on 2000 Census Information.



### Lending in Assessment Area

Solvay originated a substantial majority of its loans in its assessment area. Overall, 93% of the loans evaluated during this CRA examination period were originated in the assessment area. Solvay originated 95% of its HMDA-related loans to individuals residing in its assessment area and 92% of the small business loans sampled were extended to small businesses and individuals in Solvay's assessment area.

### Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

Solvay's overall distribution of HMDA-related and small business loans in its assessment area reflected reasonable penetration among individuals of different income levels and businesses of different sizes. An analysis of the lending in each loan category follows:

#### *Home Purchase Loans*

Solvay's overall distribution of home purchase loans to LMI borrowers was reasonable. This conclusion was based on excellent performance to moderate-income borrowers and poor lending performance to low-income borrowers. Solvay originated 7% of its home purchase loans to low-income borrowers in 2010, compared to 20% of low-income families residing in the assessment area. Solvay's home purchase lending to low-income borrowers was below the aggregate, which originated 10% of its home purchase loans to low-income borrowers in 2010.

Solvay's percentage of home purchase lending to moderate-income borrowers was 23% in 2010, compared to 17% of moderate-income families residing in the area. Home purchase lending to moderate-income borrowers was similar to the aggregate, which also originated 23% of its home purchase loans to moderate-income borrowers in 2010. Solvay's performance in 2009, when compared to the proportion of LMI families residing in the assessment area and to the 2009 aggregate performance, was similar to 2010 performance.

#### *Refinance Loans*

Solvay's overall distribution of refinance loans to LMI borrowers was reasonable based on reasonable performance to both low and moderate-income borrowers. Solvay originated 10% of its refinance loans to low-income borrowers in 2010, compared to 20% of low-income families residing in the assessment area. Solvay's refinance lending to low-income borrowers was significantly above the aggregate, which originated 6% of its refinance loans to low-income borrowers in 2010.

Solvay's percentage of refinance lending to moderate-income borrowers was 18% in 2010, compared to 17% of moderate-income families residing in the area. Refinance lending to moderate-income borrowers was above the aggregate, which originated 15% of its refinance loans to moderate-income borrowers in 2010. Solvay's performance in 2009, when compared to the proportion of LMI families residing in the assessment area and to the 2009 aggregate performance, was weaker than 2010 performance.

### *Home Improvement Loans*

Solvay's overall distribution of home improvement loans to LMI borrowers was reasonable based on reasonable performance to low-income borrowers and excellent performance to moderate-income borrowers. Solvay originated 4% of its home improvement loans to low-income borrowers in 2010, compared to 20% of low-income families residing in the assessment area. Solvay's home improvement lending to low-income borrowers was significantly below the aggregate, which originated 9% of its home improvement loans to low-income borrowers in 2010. However, the aggregate originated only 96 home improvement loans to low-income borrowers in 2010, indicating limited loan demand and limited lending opportunities for this product.

Solvay's percentage of home improvement lending to moderate-income borrowers was 26% in 2010, compared to 17% of moderate-income families residing in the area. Home improvement lending to moderate-income borrowers was similar to the aggregate, which originated 25% of its home improvement loans to moderate-income borrowers in 2010. Solvay's performance in 2009, when compared to the proportion of LMI families residing in the assessment area and to the 2009 aggregate performance, was comparable.

### *Small Business Loans*

Solvay provided an overall reasonable level of lending to small business borrowers with gross annual revenue (GAR) of \$1 million or less. In 2010, Solvay made 60% of its small business loans to these businesses, compared to the 88% of business establishments in the MSA with GAR of \$1 million or less. Performance was significantly above the aggregate which made only 25% of its small business loans to businesses with GAR of \$1 million or less. Solvay made 79% of its small business loans in amounts of \$100,000 or less, while the aggregate made 90% of its small business loans in amounts of \$100,000 or less. The average loan size was \$101,000, which is an amount that is responsive to the needs of small businesses. Performance in 2009 was comparable to 2010.

### *Geographic Distribution of Loans*

Solvay's overall distribution of HMDA-related and small business loans reflected reasonable dispersion throughout its assessment area. An analysis of the lending distribution in each loan category follows:

#### *Home Purchase Loans*

Solvay's overall distribution of home purchase loans in the LMI areas of its assessment area was reasonable based on reasonable lending in low-income geographies while lending in moderate-income geographies was poor. Solvay made 4% of its home purchase loans in low-income geographies in 2010, compared to 3% of owner-occupied housing units located low-income geographies. Solvay's 2010 home purchase performance in low-income geographies was significantly above the aggregate, which made 2% of its home purchase loans in low-income geographies in 2010.

Solvay made 4% of its home purchase loans in moderate-income geographies in 2010, compared to 8% of owner-occupied housing units located moderate-income geographies. Solvay's 2010 home purchase performance in moderate-income geographies was below the aggregate, which made 7% of its home purchase loans in moderate-income geographies in 2010. Solvay's performance in 2009, when compared to the percentage of owner-occupied housing units and to the 2009 aggregate performance, was comparable to 2010 performance.

#### *Refinance Loans*

Solvay's overall distribution of refinance loans in the LMI areas of its assessment area was reasonable based on reasonable lending in both low and moderate-income geographies. Solvay made 1% of its refinance loans, which represented only one refinance loan, in low-income geographies in 2010, compared to 3% of owner-occupied housing units located in low-income geographies. Solvay's 2010 refinance performance in low-income geographies was similar to the aggregate, which also made only 1% of its refinance loans in low-income geographies in 2010.

Solvay made 4% of its refinance loans in moderate-income geographies in 2010, compared to 8% of owner-occupied housing units located moderate-income geographies. Solvay's 2010 refinance performance in moderate-income geographies was above the aggregate, which made 3% of its refinance loans in moderate-income geographies in 2010. Solvay's performance in 2009, when compared to the percentage of owner-occupied housing units and to the 2009 aggregate performance, was comparable to 2010 performance.

#### *Home Improvement Loans*

Solvay's overall distribution of home improvement loans in the LMI areas of its assessment area was reasonable based on reasonable performance in low- and moderate-income geographies. While Solvay made no home improvement loans in low-income geographies in 2010 compared to 3% of owner-occupied housing units located in low-income geographies, the aggregate made 2% or only 26 home improvement loans in 2010, indicating very low levels of loan demand and limited opportunities in low-income geographies for this loan product.

Solvay made 8% of its home improvement loans in moderate-income geographies in 2010, compared to 8% owner-occupied housing units located moderate-income geographies. Solvay's 2010 home improvement performance in moderate-income geographies was similar to the aggregate, which also made 8% of its home improvement loans in moderate-income geographies in 2010. Solvay's performance in 2009, when compared to the percentage of owner-occupied housing units and to the 2009 aggregate performance, was similar.

### *Small Business Loans*

Solvay's overall distribution of small business loans in the LMI areas of its assessment area was excellent based on excellent performance in both low and moderate-income geographies. Solvay originated 18% of its small business loans in low-income geographies in 2010, above the demographics of the MSA, where 16% of all small businesses operate in low-income geographies. This performance was also above to the aggregate's 13% of lending in low-income geographies in 2010.

Solvay originated 9% of its small business loans in moderate-income geographies in 2010, similar to the demographics of the MSA, where 9% of small businesses operate in moderate-income geographies. This performance was slightly above the aggregate's 8% of loans in moderate-income geographies in 2010. Solvay's performance in 2009, when compared to the proportion of small businesses in the assessment area located in LMI geographies and to the 2009 aggregate, was comparable to 2010 performance.

### *Response to Complaints*

No complaints were received by Solvay relating to Solvay's CRA performance, and no CRA-related complaints have been filed with the Federal Reserve Bank of New York during the examination period.

**2010 Aggregate Comparison Loan Distribution Table**  
Assessment Area: Onondaga County 2010

Income Categories	HMDA									
	By Tract Income					By Borrower Income				
	Bank		Aggregate			Bank		Aggregate		
	#	%	% \$(000s)	%	% \$(000s)	#	%	% \$(000s)	%	% \$(000s)
<b>Home Purchase</b>										
Low	3	4.0%	3.0%	2.1%	1.4%	5	6.7%	2.8%	10.0%	5.5%
Moderate	3	4.0%	1.4%	6.6%	3.6%	17	22.7%	10.4%	23.1%	17.3%
Middle	39	52.0%	41.7%	48.7%	42.6%	12	16.0%	13.2%	25.5%	24.7%
Upper	30	40.0%	53.9%	42.6%	52.3%	37	49.3%	70.5%	32.1%	44.0%
Unknown	0	0.0%	0.0%	0.0%	0.0%	4	5.3%	3.1%	9.3%	8.5%
<b>Total</b>	<b>75</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>75</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Refinance</b>										
Low	1	1.5%	0.8%	1.1%	0.6%	7	10.3%	4.8%	5.5%	2.9%
Moderate	3	4.4%	2.2%	3.2%	1.7%	12	17.6%	12.6%	15.2%	10.1%
Middle	39	57.4%	54.4%	43.4%	36.7%	14	20.6%	15.9%	23.6%	19.7%
Upper	25	36.8%	42.6%	52.3%	61.0%	28	41.2%	53.1%	46.4%	57.1%
Unknown	0	0.0%	0.0%	0.0%	0.0%	7	10.3%	13.6%	9.4%	10.1%
<b>Total</b>	<b>68</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>68</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Home Improvement</b>										
Low	0	0.0%	0.0%	2.3%	1.1%	3	4.1%	2.6%	8.7%	4.7%
Moderate	6	8.1%	3.5%	7.7%	4.4%	19	25.7%	11.1%	24.6%	13.6%
Middle	40	54.1%	34.7%	48.9%	37.9%	18	24.3%	14.5%	26.9%	21.3%
Upper	28	37.8%	61.8%	41.1%	56.6%	32	43.2%	68.0%	37.6%	54.5%
Unknown	0	0.0%	0.0%	0.0%	0.0%	2	2.7%	3.8%	2.3%	5.9%
<b>Total</b>	<b>74</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>74</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Multi-Family</b>										
Low	0	0.0%	0.0%	22.6%	20.3%	0	0.0%	0.0%	0.0%	0.0%
Moderate	0	0.0%	0.0%	16.1%	6.7%	0	0.0%	0.0%	0.0%	0.0%
Middle	1	100.0%	100.0%	51.6%	70.6%	0	0.0%	0.0%	0.0%	0.0%
Upper	0	0.0%	0.0%	9.7%	2.4%	0	0.0%	0.0%	0.0%	0.0%
Unknown	0	0.0%	0.0%	0.0%	0.0%	1	100.0%	100.0%	100.0%	100.0%
<b>Total</b>	<b>1</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>1</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>HMDA Totals</b>										
Low	4	1.8%	1.8%	1.7%	1.4%	15	6.9%	3.4%	7.8%	4.2%
Moderate	12	5.5%	1.9%	5.2%	2.8%	48	22.0%	11.1%	19.6%	13.5%
Middle	119	54.6%	45.2%	46.4%	40.4%	44	20.2%	14.1%	24.7%	21.8%
Upper	83	38.1%	51.1%	46.7%	55.4%	97	44.5%	64.0%	38.9%	49.4%
Unknown	0	0.0%	0.0%	0.0%	0.0%	14	6.4%	7.4%	8.9%	11.1%
<b>Total</b>	<b>218</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>218</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>SMALL BUSINESS</b>										
<b>By Tract Income</b>										
		Bank			Aggregate					
	#	%	% \$(000s)	%	% \$(000s)	%	% \$(000s)	%	% \$(000s)	%
Low	116	18.4%	18.6%	13.4%	17.2%					
Moderate	55	8.7%	7.2%	7.6%	6.3%					
Middle	306	48.4%	51.2%	43.0%	49.0%					
Upper	155	24.5%	23.0%	33.6%	26.9%					
Unknown	0	0.0%	0.0%	0.0%	0.0%					
Tract Unknown	0	0.0%	0.0%	2.3%	0.5%					
<b>Total</b>	<b>632</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>					
<b>By Revenue</b>										
\$1 Million or Less	379	60.0%	31.7%	24.8%	23.6%					
<b>By Loan Size</b>										
\$100,000 or less	501	79.3%	27.4%	90.3%	23.5%					
\$100,001-\$250,000	70	11.1%	18.4%	4.6%	16.8%					
\$250,001-\$1 Million	58	9.2%	46.6%	5.2%	59.7%					
<b>Total</b>	<b>632</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>					

Originations and Purchases

## COMMUNITY DEVELOPMENT TEST

Solvay's performance under the community development test is rated satisfactory. Solvay demonstrated overall adequate responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services. This conclusion considers Solvay's capacity and the needs and availability of opportunities for community development in Solvay's assessment area.

Community development loans and qualified investments totaled \$12.1 million, consisting of \$6.9 million in community development loans and \$5.2 million in qualified investments. Solvay had a 14% decrease in annualized community development loan and investment volumes since the previous evaluation. Solvay's overall community development lending and investment performance compared generally favorable to four similarly-situated banks located in the Solvay's assessment area. Also, Solvay's community development activities were responsive to the community development needs identified by community contacts. As indicated in the following table, Solvay's efforts targeted revitalization and stabilization, economic development and affordable housing activities.

Solvay Bank										
Community Development Loans and Qualified Investments										
January 1, 2009 through November 28, 2011										
Loans and Investments	Affordable Housing		Community Services		Economic Development		Revitalize and Stabilize		Totals	
	#	(\$000s)	#	(\$000s)	#	(\$000s)	#	(\$000s)	#	(\$000s)
Loans	25	\$3,270	0	\$0	19	\$3,643	0	\$0	44	\$6,914
Investments	0	\$0	54	\$84	0	\$0	11	\$5,073	65	\$5,157
Total Loans and Investments	25	\$3,270	54	\$84	19	\$3,643	11	\$5,073	109	\$12,071

### Community Development Loans

Community development loans totaled \$6.9 million, compared to the \$6.2 million in community development loans noted at the prior evaluation. Solvay's community development loan volumes decreased 24% on an annualized basis, compared to volumes noted at the previous evaluation.

Community development lending was focused on economic development through loans to businesses primarily located in either federal empowerment zones or in LMI geographies and was responsive to identified credit needs. 53% of community development loans in MSA 45060 went to economic development activities while the balance went to affordable housing activities. In addition, 82% of community development loans were originated in the current evaluation period. Examples of such loans include:

- Eight loans, totaling \$70,000, to a community development organization that provides affordable housing to LMI persons.
- A \$400,000 loan to a business located in a federal empowerment zone that provides financial and tax planning services.
- A \$35,000 loan to a business located in a federal empowerment zone and a low-income census tract that provides residential cabinetry and renovation services.
- A \$130,000 loan to an organization located in a federal empowerment zone and in a low-income census tract that constructs affordable housing for LMI persons.

#### Community Development Investments

Community development investments and donations totaled \$5.2 million compared to \$3.4 million in qualified investments and donations noted at the prior evaluation. Annualized, Solvay's community development investments totaled \$1.8 million, compared to \$1.7 million at the prior evaluation, a 4% increase. All community development investments were originated in the current period.

All of Solvay's qualified investments involved the purchase of municipal bonds for the Village of Solvay, NY. The bonds support activities that revitalize or stabilize the Village, including improving sidewalks and essential infrastructure improvements. The Village is located in a moderate-income geography. In addition, Solvay made \$84,100 in community development donations to various organizations within Onondaga County, NY that provided community services to LMI individuals. These community development organizations provided food to LMI persons, helped LMI persons with foreclosure prevention and medical services, and provided technical financial assistance to small businesses.

#### Community Development Services

Solvay provided community development services through the provision of technical assistance to various organizations. In addition, bank employees served on the Boards of several organizations that furnish community development services to LMI individuals. Solvay employees served as technical advisors or as directors or committee members to twelve organizations throughout Solvay's assessment area. This was comparable to the level of community development services noted at the previous evaluation. Examples of community development services include:

- Two officers represented Solvay in sponsoring a grant to an organization that assists LMI persons with affordable housing within the City of Syracuse.
- One Solvay Bank officer provided technical assistance in obtaining a lease for an organization that provides support to abused LMI children.

- One officer provided assistance to an organization to obtain financing for housing-related services to LMI senior citizens.
- One officer provides financial counseling to an organization that supports the construction and/or rehabilitation of affordable housing to LMI people and supports small business development in Solvay's assessment area.
- One officer serves as board member for a medical facility located in an LMI area.

In addition, Solvay's branch distribution provides good accessibility to the LMI population and geographies within its assessment area. Three of the 8 branches, or 38%, are located in LMI geographies compared to 25% of the assessment area population residing in LMI geographies. These locations enhance the delivery of credit and financial services to LMI individuals.

#### **FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

Solvay is in compliance with the substantive provisions of the anti-discrimination laws and regulations. No evidence of discriminatory or other illegal credit practices was identified as being inconsistent with helping to meet community credit needs.



## CRA APPENDIX A

### GLOSSARY

**Aggregate lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

**Census tract:** A small, relatively permanent statistical subdivision of a county or statistically equivalent entity delineated for data presentation purposes by a local group of census data users or the geographic staff of a regional census center in accordance with Census Bureau guidelines. Designed to be relatively homogeneous units with respect to population characteristics, economic status, and living conditions at the time they are established, census tracts generally contain between 1,000 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries are delineated with the intention of being stable over many decades, so they generally follow relatively permanent visible features. However, they may follow governmental unit boundaries and other invisible features in some instances; the boundary of a state or county (or statistically equivalent entity) is always a census tract boundary.

**Community development:** Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; activities that revitalize or stabilize low- or moderate-income geographies; or loans, investments or services that (i) Support, enable or facilitate projects or activities that meet the "eligible uses" criteria described in Section 2301c of the Housing and Economic Recovery Act of 2008 ("HERA"), Public Law 110-289, 122 Stat. 2654, as amended, and are conducted in designated target areas identified in plans approved by the United States Department of Housing and Urban Development in accordance with the Neighborhood Stabilization Program ("NSP"); (ii) Are provided no later than two years after the last date funds appropriated for the NSP are required to be spent by grantees; (iii) Benefit low-, moderate- and middle-income individuals and geographies in the bank's assessment area(s) or geographies outside the bank's assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize-

- (i) Low-or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-

- a. Rates of poverty, unemployment, and population loss; or
- b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

**Consumer loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Family:** A family is a group of two or more people related by birth, marriage, or adoption and residing together; all such people (including related subfamily members) are considered as members of one family.

**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 statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and income of applicants, the amount of loan requested, and the disposition of the application (e.g., approved, denied, and withdrawn).

**Home mortgage loans:** Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes, and refinancings of home improvement and home purchase loans.

**Household:** A household consists of all the people who occupy a housing unit. A household includes the related family members and all the unrelated people, if any, such as lodgers, foster children, wards, or employees who share the housing unit. A person living alone in a housing unit, or a group of unrelated people sharing a housing unit such as partners or roomers, is also counted as a household. The count of households excludes group quarters.

**Low-income:** Individual income that is less than 50% of the area median income, or a median family income that is less than 50%, in the case of geography.

**Metropolitan Statistical Area (“MSA”):** A geographic entity defined by the federal Office of Management and Budget for use by federal statistical agencies, based on the concept of a core area with a large population nucleus, plus adjacent communities having a high degree of economic and social integration with that core.

**Middle-income:** Individual income that is at least 80% and less than 120% of the area median income, or a median family income that is at least 80% and less than 120%, in the case of a geography.

**Moderate-income:** Individual income that is at least 50% and less than 80% of the area median income, or a median family income that is at least 50% and less than 80%, in the case of a geography.

**Owner-occupied units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified investment:** A qualified investment is defined as any lawful investment, deposit, membership share or grant that has as its primary purpose community development.

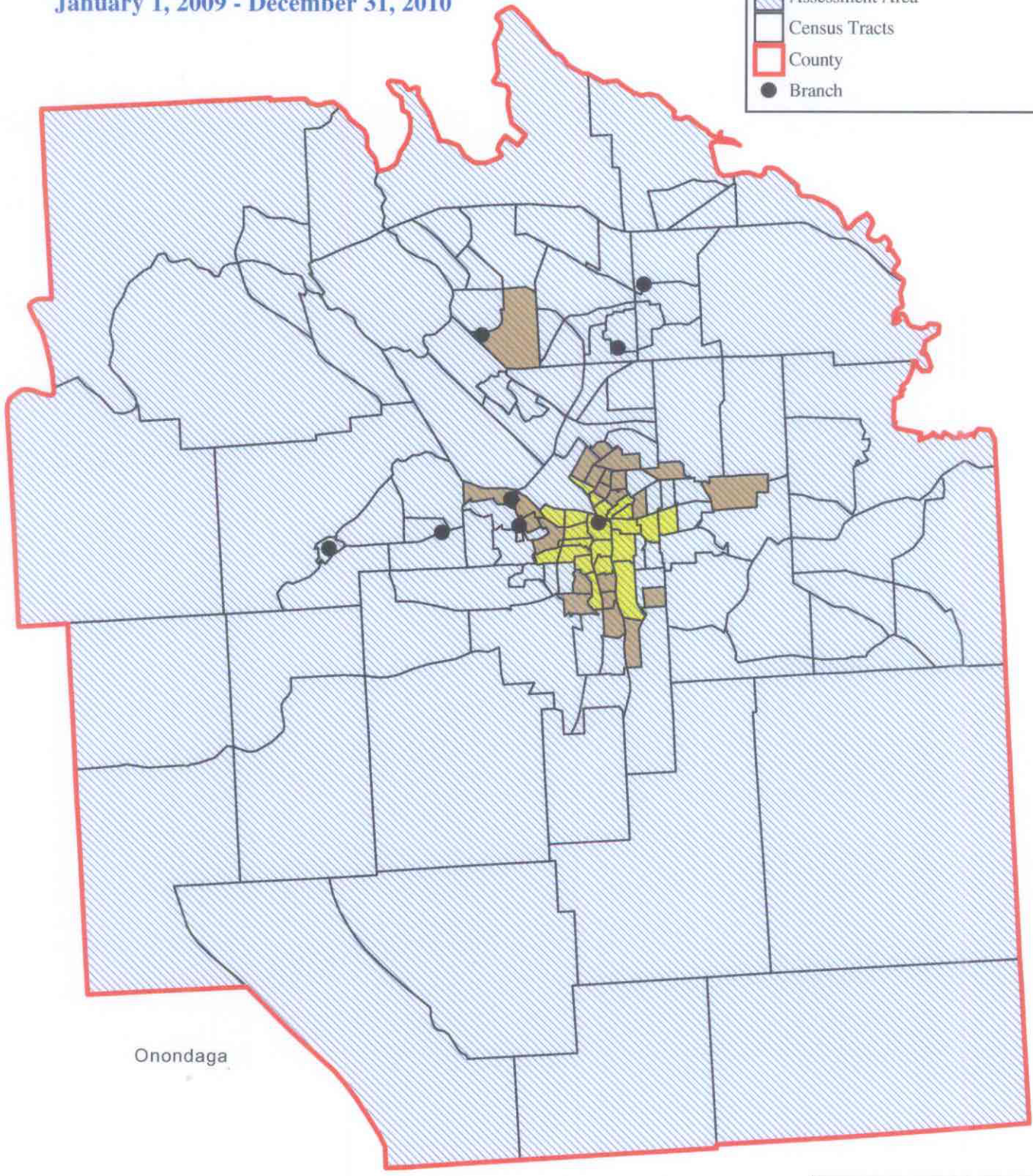
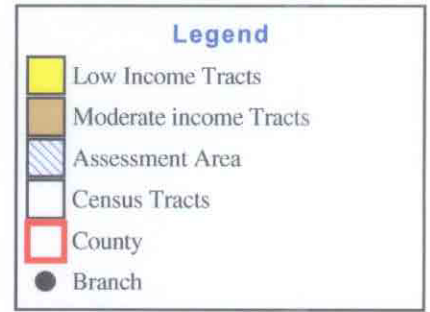
**Small loan(s) to business(es):** A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income ("Call Report") and the Thrift Financial Reporting ("TFR") instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

**Upper-income:** Individual income that is more than 120% of the area median income, or a median family income that is more than 120%, in the case of a geography.

# Solvay Bank

## Assessment Area

January 1, 2009 - December 31, 2010



Onondaga

