

PUBLIC DISCLOSURE

April 28, 2014

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.

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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.

PERFORMANCE LEVELS	PERFORMANCE TESTS	
	Lending Test	Community Development Test
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.
- Solvay’s loan-to-deposit ratio was reasonable.
- 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.
- 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 offered include commercial and residential mortgages, small business loans, and consumer loans.

As of December 31, 2013, Solvay had total assets of \$686 million, total loans and leases of \$411 million, and total domestic deposits of \$587 million. Of the total loans and leases, real estate loans totaled \$301 million. Of the total real estate loans, 79% 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 the assessment area. Primary bank competitors in the market include Manufacturers and Traders Trust Company, KeyBank N.A., First Niagara Bank, and JPMorgan Chase Bank, NA. Local peer banks include Geddes Federal Savings and Loan Association, Fulton Savings Bank, and Pathfinder Bank. Based on deposits reported to the Federal Deposit Insurance Corporation ("FDIC") on June 30, 2013, Solvay has the seventh largest deposit market share (5%) in the Syracuse metropolitan statistical area ("MSA") 45060, and the sixth largest deposit market share (7%) in Onondaga County, the area in which Solvay conducts all of its business.

Solvay's previous CRA examination was conducted as of November 28, 2011, 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 has one assessment area, which consists of the entire Onondaga County, New York and includes the city of Syracuse, New York. The assessment area is located in MSA 45060 (Syracuse, NY). Solvay's assessment area delineation remained unchanged since the previous examination. However, demographic components of the assessment area have changed resulting from changes reported in the 2010 Census compared to the 2000 Census. Based on the 2010 Census, Solvay's assessment area has 140 census tracts, of which 25 are low-income, 26 are moderate-income, 42 are middle-income, 46 are upper-income, and one tract has no income designation. The 2000 Census reported 144 census tracts, of which 21 were low-income, 23 were moderate-income, 56 were middle-income, and 44 were upper-income.

Solvay's assessment area is in compliance with the requirements of Section 228.41 of Regulation BB and does not arbitrarily exclude low- and moderate-income ("LMI") geographies. See Appendix B for a map illustrating the bank's assessment area.

SCOPE OF EXAMINATION

Procedures

Solvay was examined using the FFIEC's Intermediate Small Institution Examination Procedures, which consist of a lending test and a community development test.

Products

Loan products analyzed during this examination included all Home Mortgage Disclosure Act (“HMDA”)-related loans (home purchase, refinance, and home improvement loans) and all small business loans originated in 2011, 2012, and 2013. Examiners verified the integrity of the bank’s HMDA and small business loan data as part of the onsite examination. Multifamily loans were excluded from the analysis as the volume was too insignificant for analysis.

Examination Period

All HMDA-related and small business loans originated from January 1, 2011 through December 31, 2013 were analyzed. Loans, investments, philanthropic grants, and services provided between November 29, 2011 and March 31, 2014 were evaluated as qualifying community development activities.

Lending Distribution Analysis

The borrower and geographic loan distribution analyses were based on loan activity conducted in Solvay’s assessment area. Solvay’s lending performance in 2011 was compared to 2000 Census demographic data, while its performance in 2012 and 2013 was compared to 2010 Census demographic data.

To analyze the borrower characteristics of HMDA-related lending, the proportion of originations to LMI borrowers was compared to 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 lending, the proportion of loans made to businesses with gross annual revenues (“GAR”) of \$1 million or less, based on Dun and Bradstreet data, was compared to the proportion of all such businesses located in the assessment area. The size of the small business loans was also used as a proxy to identify lending to businesses with GAR of \$1 million or less.

To evaluate the geographic distribution, the proportion of HMDA-related loan originations was compared with the proportion of owner-occupied housing units located in LMI geographies in the assessment area. For small business loans, the analysis compared the proportion of loan originations with the proportion of businesses located in LMI geographies.

Solvay’s HMDA-related and small business lending performance in 2011 and 2012 was also compared respectively to the 2011 and 2012 performance of the aggregate of all lenders in the assessment area subject to HMDA and/or CRA small business loan reporting. The aggregate data for 2013 was not publicly available; therefore, consideration of Solvay’s performance in 2013 compared to 2013 aggregate was used for internal analysis only.

Community Contacts

Examiners conducted interviews with three 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 (2010 Census), HUD, New York State Association of Realtors, U.S. Department of Labor, and the New York State Department of Labor.

Demographic Characteristics

Solvay's assessment area consists of Onondaga County, NY, and includes the city of Syracuse. According to the 2010 Census, the population of the assessment area is 467,026, representing a slight population increase of less than 2% since the 2000 Census. The Census reports an increasing population trend with the 2013 population estimates at 468,387. Of the assessment area population, 14% resides in low-income geographies, 16% in moderate-income geographies, 31% in middle-income geographies, and 38% in upper-income geographies. Community contacts reported that the area has a large refugee population who are primarily LMI persons.

The assessment area consists of 140 census tracts, which includes 25 low-income tracts and 26 moderate-income tracts. Most of the LMI areas of the assessment area are located in the city of Syracuse.

Exhibit I provides a summary of demographic information related to Solvay's assessment area.

Income Characteristics

According to the 2010 Census data, the assessment area has 21% of families that are low-income, 16% that are moderate-income, and 10% of families living below the poverty level. The 2013 HUD-adjusted median family income ("MFI") for Onondaga County was \$65,783, which represents a 2% increase since the prior exam, when the MFI for Onondaga County was \$64,336 in 2010.

Housing Characteristics

Solvay's assessment area has 201,871 housing units, 60% of which are owner-occupied, according to the 2010 Census. Of the owner-occupied units in the assessment area, 4% are located in low-income census tracts and 13% are in moderate-income census tracts. The remaining housing in the assessment area consists of rental housing (31%) and vacant properties (9%). The 2010 census estimated that the median age of the housing stock in assessment area is 52 years.

Housing in the assessment area is generally affordable, although affordable housing remains a pressing need, according to community contacts. The median sales price of an existing single-family home in Onondaga County was \$134,951 in 2013, approximately four times the median family income of a low-income borrower and three times the income of a moderate-income borrower. In comparison, the median sales price for a single family home in New York State was \$227,000 in 2013. Rents are also relatively affordable in the assessment area. The 2010 Census put median gross rent for the MSA at \$708, compared to median gross rent of \$1,061 for New York State.

Exhibit I								
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	25	17.9	11,377	10.0	4,680	41.1	23,906	21.0
Moderate-income	26	18.6	16,726	14.7	2,759	16.5	18,064	15.9
Middle-income	42	30.0	38,226	33.6	2,257	5.9	23,590	20.7
Upper-income	46	32.9	47,574	41.8	1,253	2.6	48,350	42.4
Unknown-income	1	0.7	7	0.0	0	0.0	0	0.0
Total Assessment Area	140	100.0	113,910	100.0	10,949	9.6	113,910	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied		Rental		Vacant		
		#	%	%	#	%	#	%
Low-income	29,056	5,288	4.4	18.2	17,792	61.2	5,976	20.6
Moderate-income	36,056	15,802	13.1	43.8	16,613	46.1	3,641	10.1
Middle-income	64,211	44,180	36.5	68.8	15,988	24.9	4,043	6.3
Upper-income	72,434	55,769	46.1	77.0	12,103	16.7	4,562	6.3
Unknown-income	114	7	0.0	6.1	0	0.0	107	93.9
Total Assessment Area	201,871	121,046	100.0	60.0	62,496	31.0	18,329	9.1
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
Low-income	3,642	16.2	3,039	15.3	446	24.1	157	19.8
Moderate-income	2,886	12.8	2,487	12.5	269	14.6	130	16.4
Middle-income	7,950	35.3	6,936	34.9	757	41.0	257	32.4
Upper-income	8,012	35.6	7,389	37.2	375	20.3	248	31.3
Unknown-income	5	0.0	4	0.0	1	0.1	0	0.0
Total Assessment Area	22,495	100.0	19,855	100.0	1,848	100.0	792	100.0
Percentage of Total Businesses:				88.3		8.2		3.5

Based on 2010 Census Information and 2013 Dun and Bradstreet data.

Labor, Employment and Economic Characteristics

Onondaga County's major employment industries are healthcare, education, and retail, with the top employers being Upstate University Health System, Syracuse University, and Wegman's

Supermarket. As of 2013, there were 22,495 businesses operating in the assessment area, of which 16% were in low-income areas and 13% were in moderate-income areas. Manufacturing was once a robust industry in Onondaga County, but over the past decade the number of manufacturing jobs and companies in the area has steadily declined. Among the companies that have ceased operation are Carrier Corp., General Electric, General Motors, and Allied Chemical in Solvay.

Onondaga County has most recently shown slight improvement in employment opportunities between 2012 and 2013, with 208 thousand persons employed in 2012 and 210 thousand in 2013. The annual unemployment rate for Onondaga County decreased from 8.1% in 2012 to 7.0% in 2013, compared to New York State unemployment rates of 8.5% in 2012 and 7.7% in 2013.

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 also reflected reasonable penetration throughout the bank's assessment area.

LOAN-TO-DEPOSIT RATIO

Solvay's loan-to-deposit ratio was reasonable given the bank's size, financial condition, and the credit needs of its assessment area. Solvay's average loan-to-deposit ratio for the 12 quarters between January 1, 2011 and December 31, 2013 was 65%, based on information contained in its Consolidated Report of Condition and Income. This ratio was below the national peer average of 75% for similarly-sized banks and below an average of 86% for four similarly-situated banks with branches located in Solvay's assessment area during the evaluation period. Solvay's average LTD ratio slightly decreased from the prior CRA examination period when the bank had an average LTD ratio of 71%.

LENDING IN ASSESSMENT AREA

Solvay originated a substantial majority of its loans in its assessment area. Overall, 91% of the loans evaluated during this examination period were originated in the assessment area. Solvay originated 90% of its HMDA-related loans to individuals residing in the bank's assessment area. Of the small business loans, 91% were extended to small businesses located in the assessment area. See Exhibit II for details of the bank's lending inside and outside of the assessment area.

Exhibit II Solvay Bank Lending Inside and Outside the Assessment Area January 1, 2011 – December 31, 2013								
Loan Types	Inside				Outside			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Home Purchase	272	87.5	\$43,241	85.5	39	12.5	\$7,349	14.5
Refinancing	291	91.2	\$33,254	90.7	28	8.8	\$3,406	9.3
Home Improvement	183	93.4	\$9,311	90.7	13	6.6	\$954	9.3
Multi-Family Housing	4	80.0	\$359	10.7	1	20.0	\$3,000	89.3
Total HMDA-related	750	90.3	\$86,165	85.4	81	9.7	\$14,709	14.6
Total Small Bus. related	1,699	91.1	\$205,622	91.0	167	8.9	\$20,378	9.0
Total Small Farm related	1	100.0	\$40	100.0	0	0.0	\$0	0.0
TOTAL LOANS	2,450	90.8	\$291,827	89.3	248	9.2	\$35,087	10.7

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. See Exhibit III for details of the bank's 2012 loan distribution by borrower income and business revenue size. An analysis of the lending in each loan category follows:

Home Purchase Loans

Solvay's distribution of home purchase loans to LMI borrowers was reasonable, based on poor home purchase lending to low-income borrowers and adequate lending to moderate-income borrowers. In 2012, Solvay originated 11% of its home purchase loans to low-income borrowers, compared to 21% of low-income families residing in the assessment area. The bank's 2012 home purchase lending to low-income borrowers was slightly above the aggregate, which originated 10% of its home purchase loans to low-income borrowers in 2012. However, Solvay's 2011 and 2013 home purchase lending to low-income borrowers was less favorable than 2012.

Solvay originated 9% of its home purchase loans to moderate-income borrowers in 2012, compared to 16% of moderate-income families residing in the area. Home purchase lending to moderate-income borrowers was significantly below the aggregate, which originated 22% of its home purchase loans to moderate-income borrowers in 2012. Solvay's 2011 and 2013 home purchase lending to moderate-income borrowers was more favorable than its lending in 2012.

Refinance Loans

Solvay's distribution of refinance loans to LMI borrowers was reasonable, based on poor refinance lending to low-income borrowers and good lending to moderate-income borrowers. In 2012, Solvay originated 5% of its refinance loans to low-income borrowers, compared to 21% of

low-income families residing in the assessment area. The bank's refinance lending to low-income borrowers was slightly below the aggregate, which originated 6% of its refinance loans to low-income borrowers in 2012. Solvay's 2011 refinance lending to low-income borrowers was more favorable than 2012, while its performance in 2013 was comparable to 2012.

Solvay originated 15% of its refinance loans to moderate-income borrowers in 2012, compared to 16% of moderate-income families residing in the area. Refinance lending to moderate-income borrowers was similar to the aggregate, which also originated 15% of its refinance loans to moderate-income borrowers in 2012. Solvay's 2011 refinance lending to moderate-income borrowers was less favorable than 2012, while its performance in 2013 was comparable.

Home Improvement Loans

Solvay's distribution of home improvement loans to LMI borrowers was reasonable, based on adequate home improvement lending to low-income borrowers and excellent lending to moderate-income borrowers. In 2012, Solvay originated 10% of its home improvement loans to low-income borrowers, compared to 21% of low-income families residing in the assessment area. The bank's home improvement lending to low-income borrowers was slightly below the aggregate, which originated 12% of its home improvement loans to low-income borrowers in 2012. Solvay's 2011 and 2013 home improvement lending to low-income borrowers was more favorable than its lending in 2012.

Solvay originated 24% of its home improvement loans to moderate-income borrowers in 2012, compared to 16% of moderate-income families residing in the area. Home improvement lending to moderate-income borrowers was similar to the aggregate, which originated 26% of its home improvement loans to moderate-income borrowers in 2013. Solvay's 2011 and 2013 home improvement lending to moderate-income borrowers was comparable to 2012.

Small Business Loans

Solvay's distribution of loans to businesses of different sizes was reasonable. In 2012, Solvay made 51% of its small business loans to businesses with GAR of \$1 million or less, compared to 89% of such businesses operating in the assessment area. Solvay's performance was significantly above the aggregate, which reported 27% of its loans to small businesses with GAR of \$1 million or less.

Of the bank's total small business loans made in 2012, 73% were in amounts of \$100 thousand or less, which was slightly below the aggregate's 93% of small business loans in amounts of \$100 thousand or less.

Solvay's 2011 and 2013 small business lending was comparable to its lending in 2012.

Exhibit III
2012 Aggregate Comparison Loan Distribution Table
Assessment Area: MSA 45060 (Onondaga County)

Income Categories	HMDA									
	By Tract Income					By Borrower Income				
	#	Bank %	% \$(000s)	Aggregate %	% \$(000s)	#	Bank %	% \$(000s)	Aggregate %	% \$(000s)
	Home Purchase									
Low	0	0.0%	0.0%	2.6%	1.4%	9	11.3%	4.6%	9.5%	5.3%
Moderate	7	8.8%	3.7%	12.6%	8.0%	7	8.8%	6.4%	22.2%	17.1%
Middle	24	30.0%	25.8%	35.1%	31.7%	18	22.5%	18.1%	21.5%	20.8%
Upper	49	61.3%	70.5%	49.6%	58.8%	43	53.8%	68.4%	29.7%	41.3%
Unknown	0	0.0%	0.0%	0.0%	0.0%	3	3.8%	2.6%	17.2%	15.4%
Total	80	100.0%	100.0%	100.0%	100.0%	80	100.0%	100.0%	100.0%	100.0%
	Refinance									
Low	3	2.8%	1.7%	1.3%	0.6%	5	4.6%	3.1%	5.6%	2.9%
Moderate	11	10.1%	7.2%	8.5%	4.8%	16	14.7%	9.9%	14.5%	9.4%
Middle	40	36.7%	37.3%	33.8%	29.6%	30	27.5%	23.0%	23.5%	19.0%
Upper	55	50.5%	53.8%	56.4%	65.0%	54	49.5%	61.9%	45.0%	55.6%
Unknown	0	0.0%	0.0%	0.0%	0.0%	4	3.7%	2.1%	11.5%	13.1%
Total	109	100.0%	100.0%	100.0%	100.0%	109	100.0%	100.0%	100.0%	100.0%
	Home Improvement									
Low	0	0.0%	0.0%	5.4%	2.9%	6	10.3%	9.1%	11.7%	6.7%
Moderate	8	13.8%	13.7%	12.0%	6.3%	14	24.1%	12.4%	25.9%	15.4%
Middle	20	34.5%	28.1%	35.0%	31.2%	12	20.7%	19.9%	22.6%	17.7%
Upper	30	51.7%	58.2%	47.5%	59.5%	25	43.1%	58.2%	37.6%	54.8%
Unknown	0	0.0%	0.0%	0.2%	0.0%	1	1.7%	0.5%	2.2%	5.4%
Total	58	100.0%	100.0%	100.0%	100.0%	58	100.0%	100.0%	100.0%	100.0%
	Multi-Family									
Low	0	0.0%	0.0%	31.4%	17.2%	0	0.0%	0.0%	0.0%	0.0%
Moderate	0	0.0%	0.0%	20.0%	16.0%	0	0.0%	0.0%	0.0%	0.0%
Middle	0	0.0%	0.0%	8.6%	1.1%	0	0.0%	0.0%	0.0%	0.0%
Upper	0	0.0%	0.0%	40.0%	65.7%	0	0.0%	0.0%	0.0%	0.0%
Unknown	0	0.0%	0.0%	0.0%	0.0%	0	0.0%	0.0%	100.0%	100.0%
Total	0	0.0%	0.0%	100.0%	100.0%	0	0.0%	0.0%	100.0%	100.0%
	HMDA Totals									
Low	3	1.2%	0.7%	2.4%	1.4%	20	8.1%	4.4%	7.9%	4.2%
Moderate	26	10.5%	6.1%	10.7%	6.6%	37	15.0%	8.4%	19.0%	13.1%
Middle	84	34.0%	30.9%	34.5%	30.2%	60	24.3%	20.4%	22.4%	19.5%
Upper	134	54.3%	62.2%	52.4%	61.9%	122	49.4%	64.6%	37.2%	47.6%
Unknown	0	0.0%	0.0%	0.0%	0.0%	8	3.2%	2.2%	13.4%	15.6%
Total	247	100.0%	100.0%	100.0%	100.0%	247	100.0%	100.0%	100.0%	100.0%
	SMALL BUSINESS									
	By Tract Income									
	#	Bank %	% \$(000s)	Aggregate %	% \$(000s)					
Low	99	16.8%	16.2%	14.5%	17.6%					
Moderate	93	15.8%	10.7%	11.1%	11.2%					
Middle	244	41.4%	44.3%	36.6%	39.0%					
Upper	154	26.1%	28.7%	34.2%	31.3%					
Unknown	0	0.0%	0.0%	0.1%	0.0%					
Tract Unknown	0	0.0%	0.0%	3.5%	0.9%					
Total	590	100.0%	100.0%	100.0%	100.0%					
	By Revenue									
\$1 Million or Less	298	50.5%	30.3%	26.5%	23.2%					
	By Loan Size									
\$100,000 or less	432	73.2%	23.6%	93.1%	28.9%					
\$100,001-\$250,000	86	14.6%	21.6%	3.2%	15.4%					
\$250,001-\$1 Million	72	12.2%	54.8%	3.7%	55.6%					
Total	590	100.0%	100.0%	100.0%	100.0%					

Originations and Purchases

GEOGRAPHIC DISTRIBUTION OF LOANS

Solvay's overall geographic distribution of HMDA-related and small business loans reflected reasonable dispersion throughout the assessment area. To derive overall geographic distribution rating, Solvay's performance in moderate-income areas was more heavily weighted than its performance in low-income areas as opportunities to lend in low-income areas were limited. See Exhibit III for details of the bank's 2012 loan distribution by tract income. An analysis of the lending distribution in each loan category follows:

Home Purchase Loans

Solvay's distribution of home purchase loans in the LMI areas of its assessment area was poor, based on adequate home purchase lending in low-income geographies and poor lending in moderate-income geographies. In 2012, Solvay did not originate any home purchase loans in low-income geographies, compared to 4% of owner-occupied housing units located in low-income geographies in the assessment area. Solvay's performance was significantly below the aggregate, which made 3% of its home purchase loans in low-income geographies in 2012. Solvay's 2011 home purchase lending in low-income geographies was comparable, while its performance in 2013 was more favorable.

Solvay originated 9% of its home purchase loans in moderate-income geographies in 2012, compared to 13% of owner-occupied housing units located in moderate-income geographies in the assessment area. Solvay's performance was below the aggregate, which made 13% of its home purchase loans in moderate-income geographies in 2012. Solvay's 2011 and 2013 home purchase lending in moderate-income geographies was less favorable than its 2012 performance.

Refinance Loans

Solvay's distribution of refinance loans in the LMI areas of its assessment area was reasonable, based on good refinance lending in both low- and moderate-income geographies. In 2012, Solvay originated 3% of its refinance loans in low-income areas, compared to 4% of owner-occupied housing units located in low-income geographies in the assessment area. Solvay's performance was significantly above the aggregate, which made 1% of its refinance loans in low-income geographies in 2012. Solvay's 2011 refinance lending in low-income geographies was less favorable, while its lending in 2013 was comparable to 2012.

Solvay originated 10% of its refinance loans in moderate-income areas in 2012, compared to 13% of owner-occupied housing units located in moderate-income geographies in the assessment area. Solvay's performance was slightly above the aggregate, which made 9% of its refinance loans in moderate-income geographies in 2012. Solvay's 2011 refinance lending in moderate-income geographies was comparable to 2012, while its lending in 2013 was less favorable.

Home Improvement Loans

Solvay's distribution of home improvement loans in the LMI areas of its assessment area was reasonable, based on adequate home improvement lending in low-income geographies, as opportunities to lend in low-income areas were limited, and good lending in moderate-income geographies. In 2012, Solvay did not originate any home improvement loans in low-income areas, compared to 4% of owner-occupied housing units located in low-income geographies in the assessment area. Solvay's performance was significantly below the aggregate, which made 5% of its home improvement loans in low-income geographies in 2012. Solvay's 2011 and 2013 home improvement lending in low-income geographies was comparable to 2012.

Solvay originated 14% of its home improvement loans in moderate-income areas in 2012, compared to 13% of owner-occupied housing units located in moderate-income geographies in the assessment area. Solvay's performance was slightly above the aggregate, which made 12% of its home improvement loans in moderate-income geographies in 2012. Solvay's 2011 home improvement lending in moderate-income geographies was comparable to 2012, while performance in 2013 was less favorable.

Small Business Loans

Solvay's distribution of small business loans in the LMI areas of its assessment area was excellent, based on excellent small business lending in both low- and moderate-income geographies. In 2012, Solvay originated 17% of its small business loans in low-income areas, compared to 16% of businesses in the assessment area operating in low-income geographies. Solvay's performance was slightly above the aggregate, which made 15% of its small business loans in low-income geographies in 2012. Solvay's 2011 and 2013 small business lending in low-income geographies was comparable to its lending in 2013.

In 2012, Solvay originated 16% of its small business loans in moderate-income areas, compared to 13% of businesses in the assessment area operating in moderate-income geographies. Solvay's performance was above the aggregate, which made 11% of its small business loans in moderate-income geographies in 2012. Solvay's 2011 and 2013 small business lending in moderate-income geographies was comparable to its lending in 2012.

RESPONSE TO COMPLAINTS

Solvay received no complaints relating to the bank's CRA performance. Since the previous examination, there were no CRA-related complaints filed with the Federal Reserve Bank of New York.

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 making community development loans, qualified investments, and

community development services. This assessment also considered Solvay’s capacity and the need and availability of opportunities for community development in the assessment area.

During the examination period, Solvay made a total of \$10.2 million in community development loans and qualified investments, of which almost 100% were made in Solvay’s assessment area. New community development loans and qualified investments made during this exam period totaled \$8.4 million or 82%. On an annualized basis, Solvay’s total community development efforts in terms of dollar volume increased by 6% compared to the prior examination. See Exhibit IV below for details of the bank’s community development loans and qualified investments.

Exhibit IV SOLVAY BANK January 1, 2011 to September 30, 2013										
Community Development Loans & Qualified Investments (combined)										
ASSESSMENT AREA	Affordable Housing		Community Services		Economic Development		Revitalize and Stabilize		TOTAL	
	#	(\$000s)	#	(\$000s)	#	(\$000s)	#	(\$000s)	#	(\$000s)
MSA 45060	22	\$234	65	\$1,065	13	\$4,246	28	\$4,693	128	\$10,238
Broader Statewide	0	\$0	1	\$0	0	\$0	0	\$0	1	\$0
Total CD Loans and Investments	22	\$234	66	\$1,065	13	\$4,246	28	\$4,693	129	\$10,238

Of the bank’s total community development loans and qualified investments in terms of dollar volume, 42% targeted economic development efforts and 46% targeted revitalization/stabilization of LMI or empowerment zone areas. Communication with community contacts identified community services as a primary assessment area need, since the area has a large LMI immigrant population with a pressing need for community services.

When compared to five similarly-situated banks operating in the assessment area, Solvay’s annualized community development loans and qualified investments as a percent of average assets and as a percentage tier one capital exceeded its peers, while its annualized community development loans and qualified investments as a percent of deposits was average among its peers.

Solvay provided a significant number of community development services in its assessment area. Solvay operates eight branches, of which three are located in LMI areas. During the evaluation period, Solvay held 36 technical assistance, financial literacy, mortgage education, and small business assistance events targeting LMI individuals and small businesses. In addition, 19 of Solvay’s officers, directors, and employees served on boards or committees of 21 non-profit organizations located during this examination period, compared to 12 organizations assisted during the prior examination.

Community Development Loans

Solvay made \$9.1 million in community development loans. Of this total dollar amount of community development loans, 47% financed economic development projects and 41% financed revitalization of LMI or empowerment zone geographies. A total of 86% of community development loans represented new commitments originated since the prior CRA evaluation.

Examples of Solvay's community development loans include:

- A \$1.4 million line of credit to assist an organization that will create or retain jobs in a low-income area.
- A \$1.3 million line of credit that will revitalize an area located in the Inside Syracuse, NY empowerment zone through renovating a baseball stadium that is used for various community purposes.
- A \$125 thousand term loan to an organization that provides speech therapy, occupational therapy, behavior intervention and special educator services to children and adults in a moderate-income area in Onondaga County.

Community Development Investments

Solvay made \$1.1 million in qualified investments in the assessment area. In terms of dollar amount, 81% of the investments were dedicated to revitalization and stabilization efforts in LMI or empowerment zone geographies. A total of 56% of qualified investments represented new investments made since the prior CRA evaluation.

Solvay's qualified investments primarily funded the purchase of municipal bonds for the Village of Solvay, NY, which is a moderate-income geography. The bonds supported activities that revitalize or stabilize the Village, such as improving sidewalks and making essential infrastructure improvements. Of the total qualified investments, Solvay made \$66 thousand in charitable donations to community development organizations located throughout the assessment area.

Community Development Services

Examples of Solvay's community development services include:

- Solvay sponsored numerous seminars to teach financial literacy to LMI students at a school located in a moderate-income area.
- Solvay sponsored a seminar to provide mortgage education and explanation of the new home construction process to LMI borrowers.
- An executive of the bank provided financial technical assistance through board membership at a nursing home facility that primarily serves LMI individuals.

- An Assistant Vice President and Branch Manager served on the loan review committee of a non-profit organization that provides affordable housing opportunities 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; or, activities that revitalize or stabilize low- or moderate-income geographies.

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 LMI 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.

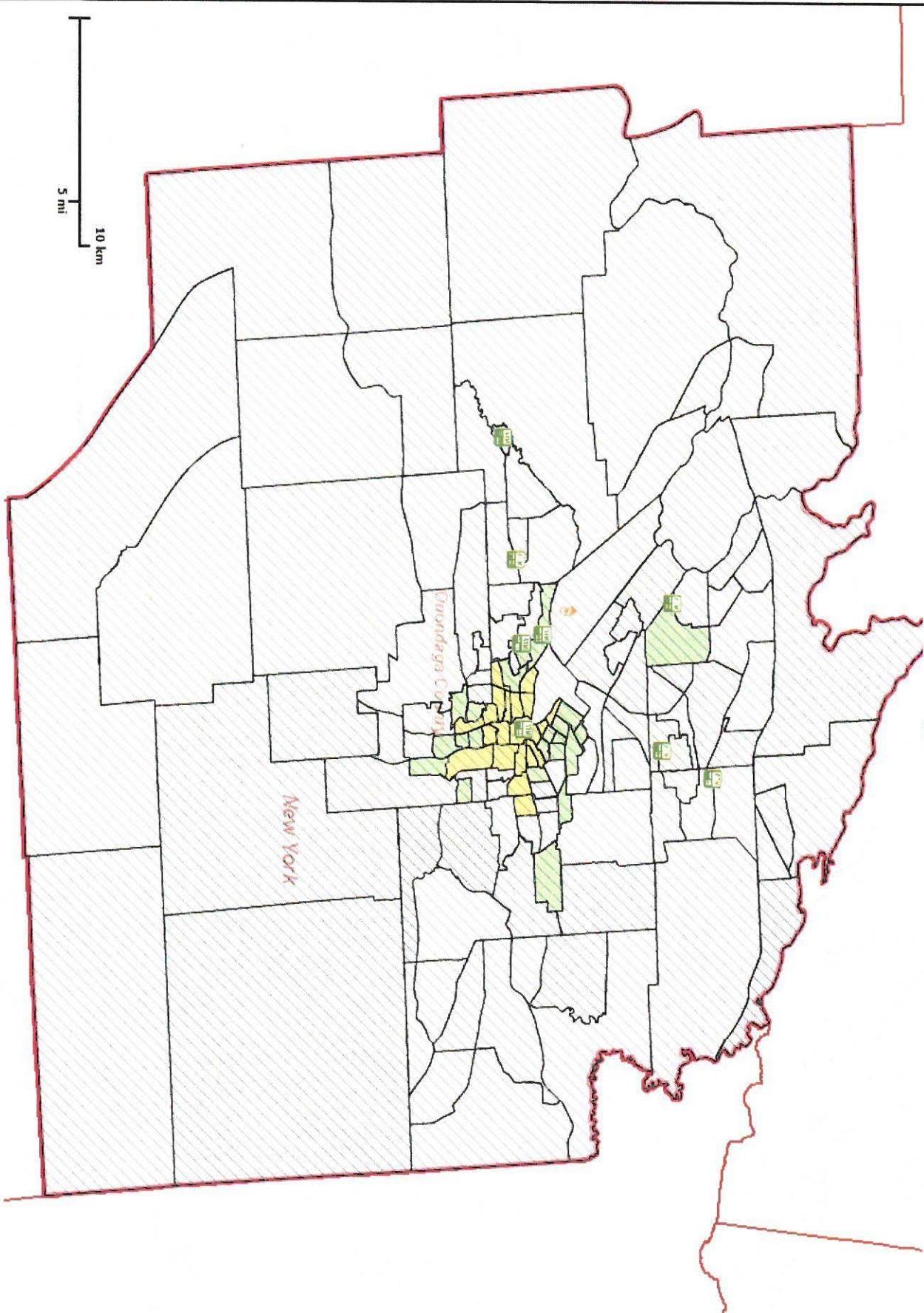
Owner-occupied units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

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
 2011



- Legend**
- Income
 - Low
 - Moderate
 - Middle
 - Upper
 - Unknown
 - Inside AA
 - AA Boundary
 - Bank Branch
 - Branches with ATM
 - Cash Only ATM

BB18

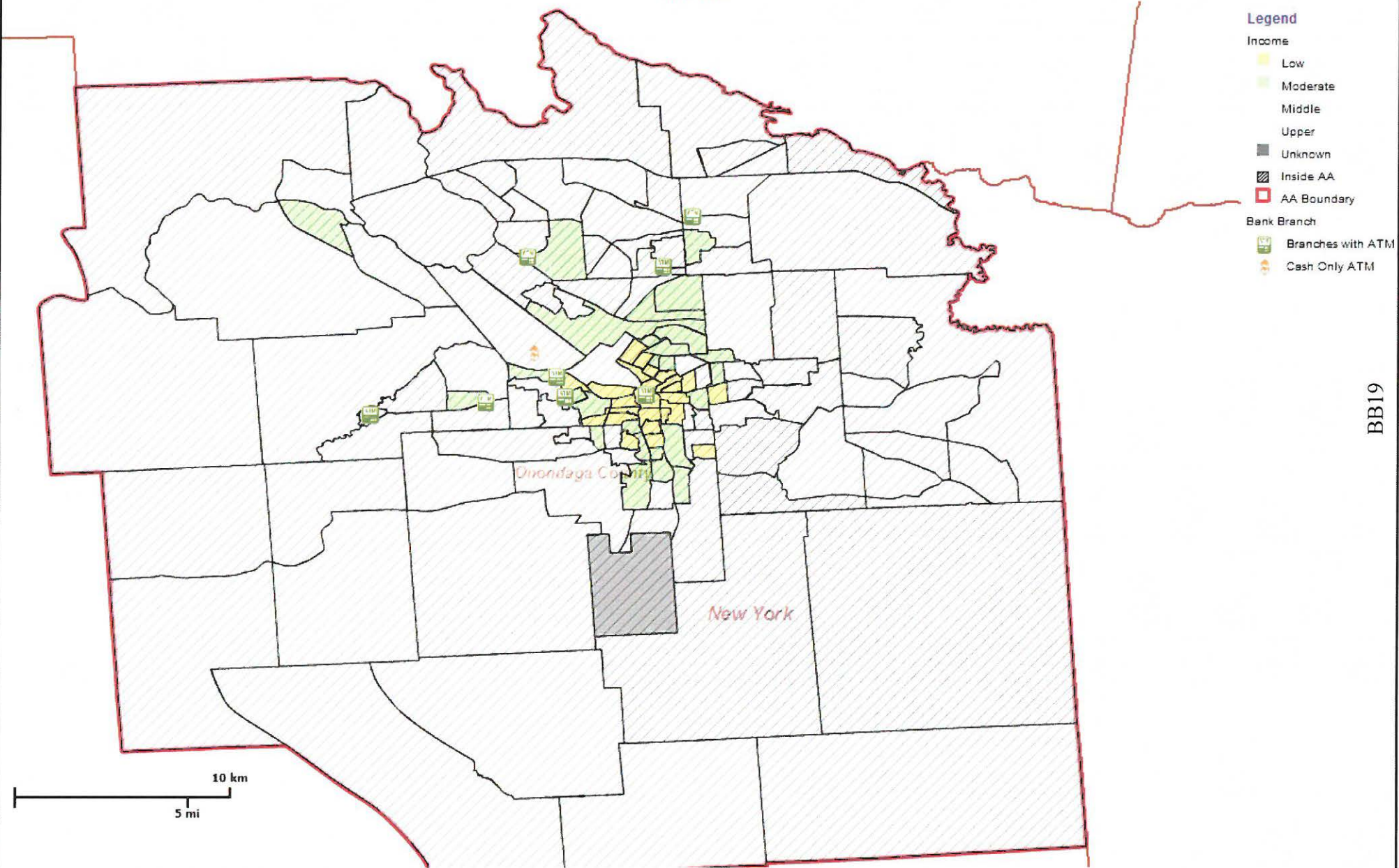
Solvay Bank

Assessment Area

2012 - 2013

Legend

- Income
 - Low
 - Moderate
 - Middle
 - Upper
 - Unknown
- Inside AA
- AA Boundary
- Bank Branch
 - Branches with ATM
 - Cash Only ATM



BB19

Comment: Loans filtered by: Small Farm, Small Business.