



**NEW YORK STATE BANKING DEPARTMENT
CONSUMER SERVICES DIVISION
One State Street
New York, NY 10004**

PUBLIC SUMMARY

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Date of Evaluation: December 31, 2002

Institution: The Adirondack Trust Company
473 Broadway
Saratoga Springs, NY 12866

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 Banking Department 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 Adirondack Trust Company ("ATC") prepared by the New York State Banking Department. The evaluation represents the Banking Department's current assessment and rating of the institution's CRA performance based on an evaluation conducted as of December 31, 2002.

Section 28-b of the New York State Banking Law, as amended, requires that when evaluating certain applications, the Superintendent of Banks 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 Banking Board implements Section 28-b and further requires that the Banking Department assess the CRA performance records of regulated financial institutions. Part 76 establishes the framework and criteria by which the Department will evaluate the performance. Section 76.5 further provides that the Banking Department will prepare a written report summarizing the results of such assessment and will assign to each institution a numerical CRA rating based on a 1 to 4 scoring system. The numerical scores represent an assessment of CRA performance as follows:

- (1) outstanding record of meeting community credit needs;
- (2) satisfactory record of meeting community credit needs;
- (3) needs to improve record of meeting community credit needs; and
- (4) substantial noncompliance in meeting community credit needs.

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

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

OVERVIEW OF INSTITUTION'S PERFORMANCE

Overall Rating

The Adirondack Trust Company is rated "1", indicating an Outstanding record of helping to meet community credit needs. This rating is based on the following:

Lending Test: "Outstanding"

- **Lending Activity:** The bank's lending levels reflect excellent responsiveness to assessment area credit needs.
 - The bank ranked eighth by number and sixth by dollar volume among 237 Home Mortgage Disclosure Act ("HMDA")-reportable lending institutions in its assessment area. In 2001, ATC originated 308 HMDA-reportable loans totaling \$34.8 million and in 2002, lending increased to 392 loans for \$49.3 million.
 - ATC ranked fourth by number and first by dollar volume in 2001 among the 64 small business lenders in the assessment area, with market shares of 10.2% and 18.5%, respectively. The bank originated 562 small business loans totaling \$39.9 million in 2001, increasing to 612 loans for \$54.3 million in 2002.
- **Assessment Area Lending:** A substantial majority of the bank's HMDA-reportable and small business loans was originated in the bank's assessment area.
 - In 2001, the bank originated 93.1% by number and 94.3% by dollar volume of its HMDA-reportable loans inside the assessment area. The bank's assessment area concentration for 2002 remained high, at 92.2% and 92.5%, respectively.
 - For 2001, the bank originated 93.4% by number and 92.0% by dollar volume of its small business loans inside the assessment area. The assessment area concentration remained high in 2002, at 90.5% and 93.2%, respectively.
- **Geographic Distribution of Loans:** ATC's geographic distribution of HMDA-reportable and small business loans reflects excellent penetration throughout the assessment area.
 - In 2001, the bank extended 12.0% by number and 12.4% by dollar volume,

of its HMDA loans in LMI areas, nearly twice that of the aggregate. ATC's LMI penetration rates increased in 2002 to 14.3% and 14.3%, respectively.

- In 2001, the bank's small business LMI area penetration rates were 17.3% by number and 11.1% by dollar volume, well above the corresponding aggregate's rates of 11.2% and 10.2%, respectively. ATC's LMI penetration increased in 2002, to 19.1% and 15.2%, respectively.
- **Borrower Characteristics:** The distribution of lending based on borrower characteristics reflects good penetration among customers of different income levels and businesses of different sizes.
 - In 2001, the bank extended 13.6% by number and 7.9% by dollar volume of its loans to LMI borrowers, well below the penetration rates achieved by the aggregate. ATC's LMI penetration improved significantly in 2002, to 21.6% and 12.9%, respectively.
 - In 2001, ATC originated 58.2% by number and 54.4% by dollar volume of its small business loans to businesses with gross annual revenues of \$1 million or less, well above the percentages achieved by the aggregate. The bank's proportion of loans to small businesses improved in 2002, to 61.8% and 60.0%, respectively.
 - In 2001, the bank originated 82.9% by number and 34.5% by dollar volume of its small business loans in amounts of \$100 thousand or less, well below the aggregate's percentage. ATC's small loan penetration rate declined in 2002, to 79.4% and 30.3%, respectively.
- **Community Development Lending:** The bank is a leader in originating community development loans. ATC's commitments during the evaluation period totaled \$3.9 million, of which \$2.6 million or 66.7% were new initiatives.
- **Innovative/Flexible Lending:** ATC uses several government-sponsored loan programs to help meet the needs of LMI mortgage borrowers and small businesses.

Investment Test: "Outstanding"

The bank had an excellent level of qualified community development investments and grants. ATC's activity for the evaluation period amounted to \$5.9 million, of which \$4.4 million or 74.6% is considered "new money." Though neither innovative nor complex, ATC's qualified investments reflect excellent responsiveness to community development needs, taking into consideration the bank's size and capacity.

Service Test: "Outstanding"

- The bank's delivery systems are readily accessible to all portions of the bank's assessment area. One branch is located in a moderate-income area and four branches are adjacent to LMI census tracts. Since the prior evaluation, the bank opened one branch located in a middle-income area that was adjacent to LMI tracts.
- The bank has 16 automated teller machines, of which three are located in moderate-income areas and seven are adjacent to LMI areas. These are connected through NOVUS, STAR, NYCE and PLUS national networks. Other alternate delivery systems include bank by mail service, bank by phone and online banking.
- The bank is a leader in providing community development services. Management provided technical services to various community development organizations and participated in seminars for affordable housing within the assessment area.

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

PERFORMANCE CONTEXT

Institution's Profile:

Established in 1901, The Adirondack Trust Company ("ATC") is a retail commercial bank located in Saratoga Springs, within New York's Capital District Region. As of December 31, 2002, ATC reported total assets of \$550.1 million, of which \$318.5 million (57.9%) were in net loans and \$190.1 million (34.6%) were in securities.

Major equity ownership is held by 473 Broadway Holding Company, a one-bank holding company that owns 51.9% of ATC's common stock, Cede & Co., a nominee for the Depository Trust Company holding 10.7%, and Employee Stock Ownership Trust ("ESOT") owning 10.2%.

The institution operates eight banking offices, of which seven are in Saratoga County. Five, including its main office are in Saratoga Springs, including one each in Malta and Wilton, with the newest in Glens Falls, Warren County. Supplementing the banking offices is an Automatic Teller Machine (ATM) network consisting of 16 machines, including one each at six offices, two each at two offices and six off-site deposit-taking ATMs at various remote locations within the assessment area.

The bank offers a wide variety of loans including 1-4 family residential mortgages, multifamily residential mortgages, commercial mortgages, commercial & industrial loans, construction loans, home improvement loans, home equity loans, consumer loans, student loans and credit cards.

The following table illustrates the bank's loan portfolio during the last two years, based on the Consolidated Report of Condition:

TOTAL GROSS LOANS OUTSTANDING				
LOAN TYPE	12/31/2002		12/31/2001	
	\$000s	%	\$000s	%
1-4 Family Residential Loans	103,189	31.6	81,343	29.9
Commercial Mortgage Loans	97,395	29.9	84,474	31.1
Commercial & Industrial Loans	54,712	16.8	53,276	19.6
Consumer Loans	48,883	15.0	35,479	13.0
Construction Loans	8,525	2.6	6,389	2.3
Multifamily Mortgages	6,238	1.9	5,312	2.0
Other Loans	7,149	2.2	5,707	2.1
Total Gross Loans	326,091	100.0	271,980	100.0

The bank is primarily a residential real estate and small business lender. ATC reported 66.0% of its loan portfolio as real estate-related, 16.8% as commercial and industrial and 15.0% in consumer loans.

Saratoga County provided 99.98% of the bank's deposits according the latest available comparative deposit data, dated June 30, 2002. The bank ranked first out of 18 deposit-taking institutions in Saratoga County with a market share of 21.97%. It also ranked first of 19 institutions in a combined Saratoga-Warren analysis.

County	# Offices	Deposits (\$000)	Market Share	Rank
Saratoga	7	473,242	21.97%	1st out of 18
Warren	1 *	76	0.01%	8th out of 8
Total	8	473,318	14.79%	1st out of 19

* The branch office in Warren County opened in May of 2002.

The bank was rated "1" at its prior CRA evaluation conducted by the Banking Department as of September 30, 2000, indicating an outstanding record of helping to meet community credit needs.

Examiners noted no financial or legal impediments that adversely impact the bank's ability to help meet the credit needs of its community.

Assessment Area:

ATC's assessment area is comprised of portions of Saratoga (MSA 0160 – Albany-Schenectady-Troy Metropolitan Area) and Warren (MSA 2975 – Glens Fall Metropolitan Area) counties, where it has a branch presence. The assessment area includes the towns of Moreau, Greenfield, Wilton, Northumberland, Saratoga, Milton, Ballston, Malta and Stillwater, the cities of Saratoga Springs and Mechanicville in Saratoga County, and the town of Queensbury and City of Glens Falls in Warren County.

As detailed in the table below, the assessment area consists of 33 census tracts. There are no low-income census tracts and only four, or 12.1%, of total census tracts are moderate-income. The tract characteristics of those portions of Saratoga and Warren Counties in the assessment area are proportionally similar.

Census Tract Characteristic	Saratoga		Warren		Total	
	#	%	#	%	#	%
Low	-	0.00%	-	0.00%	-	0.00%
Moderate	3	11.54%	1	14.29%	4	12.12%
Middle	20	76.92%	5	71.43%	25	75.76%
Upper	2	7.69%	1	14.29%	3	9.09%
NA	1	3.85%	-	0.00%	1	3.03%
Total	26	100.0%	7	100.0%	33	100.0%

According to the U.S. Census Bureau, the assessment area had a population of 139,732 in 1990. Almost 12% of the assessment area population were over the age of 65 and 23% were under the age of 16.

There were 36,723 families in the assessment area, of which 16.6% (6.1 thousand) were low-income, 18.9% (7.0 thousand) were moderate-income, 27.5% (10.1 thousand) were middle-income and 37.0% (13.6 thousand) were upper-income families. Of the 13.0 thousand LMI families, 14.5% (1.9 thousand) lived in moderate-income areas. Nearly 80% of LMI families lived in middle-income tracts. There were 52,032 households in the assessment area, of which 7.8% (4,054) had incomes below the poverty level.

In 1990, the median family income for the assessment area was \$38.8 thousand and the median family income for the MSA was \$38.3 thousand. The estimated 2002 median family income for the MSA provided by the U.S. Department of Housing and Urban Development (HUD) was \$53.3 thousand.

There were 56.7 thousand housing units in the assessment area, of which 77.5% (43.9 thousand) were 1-4 family units, 11.8% (6.7 thousand) were mobile homes or trailers and 9.8% (5.6 thousand) were multifamily units. Sixty-two percent (35.2 thousand) of all units were owner occupied and 29.8% (16.9 thousand) were renter-occupied. Eight percent (4.6 thousand) of all units were vacant and/or boarded up. The median age of housing was 29 years and the median value was \$98.9 thousand.

The U.S. Department of Commerce's Bureau of Economic Analysis reported that the largest sources of earnings in Saratoga County for 2000 were services (28.0%), state and local government (16.7%) and retail trade (12.0%). The largest sources of earnings in Warren County for 2000 were services (36.4%), retail trade (12.1%), and state and local government (11.7%).

¹ Please note that while percentages are based on exact numbers, absolute numbers pertaining to population and housing have been rounded to the nearest decimal point for purposes of inclusion in this report.

According to the New York Department of Labor, Saratoga County's unemployment rate averaged 3.0% in 2001 and 3.4% in 2002. The county's average rates were less than the both the MSA's average rates of 3.2% in 2001 and 3.7% in 2002 and state's average rates of 4.9% in 2001 and 6.0% in 2002.

Warren County's unemployment rate averaged 4.8% in 2001 and 5.3% in 2002, relatively consistent with the average rates of 4.4% for the state MSA and 5.0% for the Glens Falls MSA in 2001 and 2002, respectively.

The bank's delineated assessment area appears reasonable based upon the location of branches and its lending patterns. There is no evidence that LMI areas have been arbitrarily excluded.

PERFORMANCE TESTS AND ASSESSMENT FACTORS

This performance evaluation incorporates a review of the bank's lending, investment and service activities within the assessment area during 2001 and 2002. Products considered include Home Mortgage Disclosure Act ("HMDA") reportable and small business loans. Statistics employed in this evaluation were derived from various sources. In addition to bank-specific loan information submitted by ATC, aggregate data for HMDA-reportable loans and small business loans originated in 2001 were obtained from the Federal Financial Institutions Examination Council ("FFIEC") and PCI Services, Inc.'s CRA Wiz[®], an external vendor. Aggregate data for 2002 was not available for purposes of this evaluation. Demographics are from the 1990 U.S. Census data supplemented with the 2001 HUD estimates.

I. Lending Test: "Outstanding"

The bank's lending performance is evaluated pursuant to the following criteria: (1) Lending Activity; (2) Assessment Area Lending; (3) Geographic Distribution; (4) Borrower Characteristics; (5) Community Development Lending; and (6) Flexible Lending Practices. Both HMDA-reportable and small business products are considered.

Lending Activity: "Outstanding"

The bank's lending levels reflect excellent responsiveness to assessment area credit needs.

In 2001, ATC originated 308 HMDA-reportable loans totaling \$34.8 million. The bank ranked eighth by number and sixth by dollar volume among 237 lending institutions in the assessment area, with market shares of 3.0% and 3.9%, respectively. During 2002, HMDA lending activity increased by 27.3% in number to 392 loans, and 14.5% by dollar volume to \$49.3 million. The increase in lending activity was primarily a result of increased refinancing due to lower market interest rates.

The bank originated 562 small business loans totaling \$39.9 million in 2001. ATC ranked fourth by number and first by dollar volume among 64 small business lenders in the assessment area, with market shares of 10.2% and 18.5%, respectively. Small business lending activity increased in 2002 by 3.4% based on number to 612 loans and 26.8% by dollar volume to \$50.6 million.

Assessment Area Lending: "Outstanding"

A substantial majority of HMDA-reportable and small business loans was made within the bank's assessment area. The following details the bank's assessment area

concentration for each product considered:

HMDA Loans:

The table below illustrates the distribution of HMDA loans originated inside and outside of the assessment area for the years 2001 and 2002:

Assessment Area Lending - HMDA-reportable Loans								
Geography	2002				2001			
	#	%	\$ 000	%	#	%	\$ 000	%
Inside Assessment Area	392	92.2%	49,335	92.5%	308	93.1%	34,790	94.3%
Outside Assessment Area	33	7.8%	4,010	7.5%	23	6.9%	2,089	5.7%
Total Lending	425	100.0%	53,345	100.0%	331	100.0%	36,879	100.0%

Well over 90% of HMDA loans were made within the assessment area during the evaluation period. The assessment area concentration of loans was relatively unchanged during the two-year period.

Small Business Loans:

A substantial majority of small business loans were made in the bank's assessment area. The table below illustrates the distribution of small business loans in and out of the assessment area during the past two years:

Assessment Area Lending - Small Business Loans								
Geography	2002				2001			
	#	%	\$ 000	%	#	%	\$ 000	%
Inside Assessment Area	612	90.5%	50,620	93.2%	562	93.4%	39,868	92.0%
Outside Assessment Area	64	9.5%	3,687	6.8%	40	6.6%	3,481	8.0%
Total Lending	676	100.0%	54,307	100.0%	602	100.0%	43,349	100.0%

Once again, over 90% of small business loans were made within the assessment area during the evaluation period. Notwithstanding a small dip in the assessment area percentage in 2002, performance remained strong over the two-year period.

Geographic Distribution of Loans: "Outstanding"

ATC's geographic distribution of HMDA-reportable and small business loans reflects excellent penetration throughout the assessment area. The following details the geographic distribution of loans for each product:

HMDA Loans:

In 2001, the bank originated 37, or 12.0%, of its HMDA-related loans in LMI geographies within the assessment area. Loans in LMI areas totaled \$4.3 million and represented 12.4% of total dollar volume. These penetration rates are approximately twice those of the aggregate assessment lenders, at 6.5% and 5.3%, respectively.

During 2002, the bank's LMI originations increased to 56 loans totaling \$7.1 million, representing increased LMI penetration rates of 14.3% and 14.3% for number and dollar volume, respectively.

The following chart illustrates the distribution of HMDA loans by geography income of census tract:

Distribution of HMDA Loans by Geography Income								
Geography Income	Bank				Aggregate			
	#	%	\$ 000	%	#	%	\$ 000	%
2002								
Low	-	0.0%	-	0.0%	n/a	n/a	n/a	n/a
Moderate	56	14.3%	7,051	14.3%	n/a	n/a	n/a	n/a
Total LMI	56	14.3%	7,051	14.3%	n/a	n/a	n/a	n/a
2001								
Low	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Moderate	37	12.0%	4,311	12.4%	391	6.5%	32,192	5.3%
Total LMI	37	12.0%	4,311	12.4%	391	6.5%	32,192	5.3%

Small Business Loans:

The table below illustrates the geographic distribution of small business loans within the assessment area based on census tract income. In 2001, the bank originated 97 loans totaling \$4.4 million in LMI areas, representing 17.3% of all small business lending by number and 11.1% based on dollar volume. These LMI penetration rates exceed the corresponding aggregate rates of 11.2% and 10.2%, respectively.

LMI originations increased in 2002, to 117 loans for \$7.7 million. As a result, ATC's LMI area penetration rates also increased, to 19.1% based on the number of loans and 15.1% based on their corresponding dollar volume.

The following chart illustrates the distribution of small business loans in LMI geographies:

Distribution of Small Business Loans by Geography Income								
Geography Income	Bank				Aggregate			
	#	%	\$ 000	%	#	%	\$ 000	%
2002								
Low	-	0.0%	-	0.0%	n/a	n/a	n/a	n/a
Moderate	117	19.1%	7,667	15.1%	n/a	n/a	n/a	n/a
Total LMI	117	19.1%	7,667	15.1%	n/a	n/a	n/a	n/a
2001								
Low	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Moderate	97	17.3%	4,415	11.1%	373	11.2%	14,479	10.2%
Total LMI	97	17.3%	4,415	11.1%	373	11.2%	14,479	10.2%

Borrower Characteristics: "High Satisfactory"

The bank's distribution of loans based on borrower characteristics reflects good penetration among customers of different income levels and businesses of different sizes. The following details the loan distribution for each product considered.

HMDA Loans:

ATC's HMDA-related loan distribution in the assessment area reflects adequate penetration among borrowers of different income levels. In 2001, the bank originated 42 loans for \$2.8 million to LMI individuals, representing 13.6% by number and 7.9% by dollar volume of the total. The bank performed well below the aggregate's LMI penetration rates of 21.0% and 12.3%, respectively.

The bank's LMI lending volume and resultant penetration rates improved significantly in 2002. ATC originated 85 LMI loans for \$6.4 million, representing 21.6% by number and 12.9% by dollar volume of the total. LMI penetration was relatively consistent with the prior year's aggregate.

The following chart illustrates the LMI distribution of HMDA loans:

Distribution of HMDA Loans by Borrower's Income								
Borrower's Income	Bank				Aggregate			
	#	%	\$ 000	%	#	%	\$ 000	%
2002								
Low	19	4.8%	1,345	2.7%	n/a	n/a	n/a	n/a
Moderate	66	16.8%	5,018	10.2%	n/a	n/a	n/a	n/a
Total LMI	85	21.7%	6,363	12.9%	n/a	n/a	n/a	n/a
2001								
Low	15	4.9%	778	2.2%	295	4.9%	12,429	2.0%
Moderate	27	8.8%	1,975	5.7%	977	16.1%	62,743	10.3%
Total LMI	42	13.6%	2,753	7.9%	1,272	21.0%	75,172	12.3%

Small Business Loans:

The bank's lending distribution reflects excellent penetration among businesses of different sizes. In 2001, ATC originated 58.2% by number and 54.4% by dollar volume of its small business loans to businesses with gross annual revenues of \$1 million or less, well above 42.5% and 38.2%, respectively, for the aggregate. The bank's penetration rates increased in 2002 to 61.8% and 60.0%, respectively.

In 2001, the bank originated 82.9% (466) by number and 34.5% (\$13.8 million) by dollar volume of its small business loans in amounts of \$100 thousand or less. The bank's penetration rate for the number of loans in this category was below the 91.2% penetration rate achieved by the aggregate. In 2002, ATC's penetration rates declined to 79.4% and 30.3% for number and dollar volume, respectively.

The chart below illustrates the distribution of small business loans according to loan size and gross annual revenue for 2001 and 2002:

Distribution of Small Business Loans by Loan Size & Revenue								
Loan Value	2002				2001			
	#	%	\$ 000	%	#	%	\$ 000	%
< = \$100K	486	79.4%	15,362	30.3%	466	82.9%	13,772	34.5%
> \$100K & < = \$250K	76	12.4%	13,004	25.7%	66	11.7%	11,382	28.5%
> \$250K & < = \$1mil	50	8.2%	22,254	44.0%	30	5.3%	14,714	36.9%
Total	612	100.0%	50,620	100.0%	562	100.0%	39,868	100.0%
Revenue Size								
< = \$1 million	378	61.8%	30,391	60.0%	327	58.2%	21,693	54.4%

Community Development Lending: “Outstanding”

The bank is a leader in making community development loans. ATC’s commitments during the evaluation period totaled \$3.9 million, of which \$2.6 million or 66.7% are new initiatives. The bank’s lending level reflects a significant increase over the \$2.4 million figure reported at the prior evaluation.

ATC’s commitments include loans and credit facilities to local economic development entities and nonprofit organizations that promote economic development, community services and affordable housing.

The table below summarizes the bank’s community development lending activities during the evaluation period:

Community Development Loans (\$000s)								
Borrowing Entity	Type	Affordable Housing	Economic Dev	Community Service	Revitalize	New	Outstanding	Total Commitment
Community Builders	Line of Cr.	500.0				-	163.8	500.0
	Note	25.0				25.0	25.0	25.0
Alternatives in Mankind	Line of Cr.	350.0				-	-	350.0
	Term Loan	40.0				40.0	37.4	40.0
	Installment	108.8				108.8	95.4	108.8
Saratoga Economic Dev Fund	Line of Cr.		25.0			-	12.6	25.0
	Note		44.7			44.7	-	44.7
Saratoga Economic Dev Corp	Line of Cr.		100.0			100.0	100.0	100.0
	Line of Cr.		850.0			850.0	550.0	850.0
Saratoga Tech Accelerator	Line of Cr.		200.0			200.0	200.0	200.0
	Term Loan		200.0			200.0	182.9	200.0
Saratoga County EOC	Line of Cr.		75.0			75.0	-	75.0
	Line of Cr.		75.0			75.0	-	75.0
Transitional Services	Line of Cr.			250.0		-	-	250.0
Catholic Charities of Saratoga	Line of Cr.			100.0		-	-	100.0
Saratoga Center for Family	Line of Cr.			35.0		-	34.3	35.0
	Term Loan			500.0		500.0	221.2	500.0
Unlimited Possibilities	Note			40.0		40.0	-	40.0
	Note			25.0		25.0	-	25.0
Alcohol & Substance Abuse	Line of Cr.			80.0		40.0	-	80.0
OASIS Inc	Line of Cr.			35.0		35.0	-	35.0
Shelters of Saratoga	Line of Cr.			20.0		20.0	-	20.0
	Note			111.5		111.5	-	111.5
The Salvation Army	Term Loan			127.1		127.1	126.0	127.1
Totals		1,023.8	1,569.7	1,323.6	-	2,617.1	1,748.6	3,917.1

Innovative or Flexible Lending Practices: “High Satisfactory”

ATC uses several government-sponsored loan programs to help meet the needs of LMI residential mortgage borrowers and small businesses. The programs include those sponsored by: the Federal National Mortgage Association (“FNMA”), the U.S. Small Business Administration (“SBA”), the New York State Department of Economic Development Linked Deposit Program, State of New York Mortgage Agency (“SONYMA”) and the New York State Energy Research & Development Authority -

Energy Smart Loan Program.

The chart below illustrates the bank's lending activity under these programs during the evaluation period:

Flexible Lending Programs				
Description	2002		2001	
	#	\$ 000	#	\$ 000
Federal National Mortgage Association (FNMA)	120	16,656.5	87	11,000.3
U.S. Small Business Administration (SBA)	18	1,301.0	11	771.9
NYS Linked Deposit Program	-	-	1	100.0
NYS Energy Smart Loan Program	3	49.7	-	-

The following is a brief description of some of these government-sponsored programs:

- Federal National Mortgage Association (FNMA) – the bank is a participating lender in the Fannie 97 loan program. This program is a financing option for a fixed-rate mortgage that offers homebuyers a 3 percent down payment loan with either a 25- or 30-year term. The mortgage features a loan-to-value (LTV) percentage of 97 percent, and is designed to expand homeownership opportunities for people with lower incomes. Borrowers must take a pre-purchase homebuyer education session to qualify for a Fannie 97 mortgage.
- U.S. Small Business Administration (SBA) – the bank is a participating lender in SBA programs including 7(a), Low-Documentation, 504 and SBA Express.

Under its 7(a) Program, the SBA provides lenders with up to an 80% guarantee for small business loans of less than \$100,000, and up to 75% for loans of \$100,000 or more (up to a maximum guaranty of \$750,000). Proceeds may be used for business expansion or renovation, new facility construction, purchase of buildings, equipment and fixtures, leasehold improvements, working capital, and seasonal lines of credit and inventory.

Under its 504 program, the SBA provides a guarantee of up to 40% (for a maximum guaranty of \$1 million) on long-term fixed asset loans to small businesses that are made through SBA-licensed nonprofit development companies (CDC). The CDC's portfolio must create or retain one job for every \$35,000 of debenture proceeds provided by the SBA.

- NYS Linked Deposit Program (LDP) – is an economic development initiative created to encourage and assist small businesses within the State to make investments and undertake eligible projects that will contribute to improving their productivity, performance and competitiveness by reducing the cost of capital

through interest subsidies. Eligible businesses can obtain loans at an interest rate that is 2 or 3 percentage points lower than the prevailing rate on such loans. Lenders are compensated with a deposit of State funds at comparably reduced rates.

- NY Energy Smart Loan Program – a new State-sponsored program for improvements to existing buildings. The loan features interest rate reductions of 4.5% below market rate for cost saving, energy-efficiency measures and renewable energy projects. Commercial, industrial, retail, agricultural, not-for-profit and residential improvement projects are all eligible.

II. Investment Test: “Outstanding”

The bank had an excellent volume of qualified community development investments and grants. ATC’s qualified CD investments and grants for the evaluation period amounted to \$5.9 million, of which \$4.4 million or 74.6% is considered ‘new money.’ Although the level of qualified investment is excellent, there was a 7.8% or \$500 thousand decrease from the prior evaluation.

A substantial majority (94.9%) of the bank’s qualified investments was targeted for revitalization and stabilization initiatives. The following is a summary of the bank’s qualified community development investments and grants during the review period:

Qualified Community Development Investments (in thousands)							
Particulars	Type	Affordable Housing	Economic Dev.	Community Service	Revitalize & Stabilize	Total Commitment	New Money
NY Business Dev. Corp	Equity		50.8			50.8	-
Statewide Zone Capital Corp	Equity		100.0			100.0	-
Community Preservation Corp		101.4				101.4	-
City of Saratoga Springs	Bonds				1,254.0	1,254.0	-
City of Saratoga Springs	Bonds				452.6	452.6	452.6
Corinth Central School District	Bonds				3,900.0	3,900.0	3,900.0
Various Organizations	Grants	11.8	17.7	56.8	1.1	87.4	87.4
Totals		113.2	168.5	56.8	5,607.7	5,946.2	4,440.0

While neither innovative nor complex, given the bank’s relatively small size, ATC’s qualified investments represent excellent responsiveness to community development needs.

III. Service Test: “Outstanding”

ATC’s delivery systems are readily accessible to all portions of the bank’s assessment area. Moreover, the bank’s record of opening and closing of branches has improved the accessibility of delivery system and its services are tailored to convenience and

needs of the assessment area. In addition, the bank is a leader in providing community development services.

Retail Banking Services: “Outstanding”

Accessibility of Delivery Systems:

The bank’s delivery systems are readily accessible to all portions of the assessment area. ATC operates eight banking offices: four including its main office in Saratoga Springs, two branches in Ballston Spa, one branch in Wilton in Saratoga County and a banking office in Glens Falls in Warren County. One of the branches is located in a moderate-income geography and four branches are adjacent to LMI census tracts.

Availability & Effectiveness of Alternative Systems for Delivering Retail Banking Services:

Supplementing the banking offices is an ATM network consisting of sixteen 24-hour machines, one each at six offices, two each at two offices and six off-site deposit taking ATMs at various locations within the assessment area. Three ATMs are located in moderate-income tracts while seven ATMs are located adjacent to LMI geographies. Additional access is provided through NOVUS, STAR, NYCE and PLUS networks.

Other alternate delivery systems include bank by mail, a bank by phone service – “*At Your Call*” and online banking service – “*Web Wi\$e*”. Accessible 24 hours a day, *At Your Call* allows customers to verify account balances, make transfers, obtain loan information, current interest rates and to reorder checks. *Web Wi\$e* is available at no charge to both consumer and commercial customers providing access to account balance information, funds transfer between accounts, reconciliation and bill payments and other services.

Changes in Branch Locations:

The bank’s record of opening branches has improved the accessibility of its delivery systems. During the evaluation period, ATC opened a new branch at Glens Falls, NY (Warren County). The branch is located in a middle-income census tract and is adjacent to an LMI census tract. The bank did not close any offices during the examination period.

Reasonableness of Business Hours and Services:

The bank’s business hours and services do not vary in a way that inconveniences certain portions of the assessment area, particularly LMI geographies and/or LMI

individuals. All branches offer a wide variety of products and services to individuals and businesses. All branches offer early morning and/or extended evening hours. Saturday hours are offered at all offices except Glens Falls, with six branches open from 9:00 A.M. to 3:00 P.M.

Community Development Services: “Outstanding”

The bank is a leader in providing community development services. ATC management provides technical assistance to organizations and programs that promote economic development, community services and affordable housing throughout the assessment area. The following are examples of organizations in which the bank is actively involved:

- City of Saratoga Springs Community Development Citizens Advisory Committee – Chairman and Member
- New York Business Development Corporation – Vice Chairman and Director
- New York Business Development Corporation – Regional Loan Committee Member
- Saratoga County Economic Development Corporation – Board Member
- Saratoga County Economic Development Corporation – Board Member and Finance Committee Chairman
- Saratoga County Industrial Development Authority – Board Member
- Saratoga County Rural Preservation – President and Board Member
- Shelters of Saratoga – Board Member and Treasurer
- Unlimited Potential Inc. – Budget Committee Member
- Office of Abused Substances Intervention Service (“OASIS”) – Board Member
- Raymond Watkins Seniors Computer Center – Board Member and Treasurer

The bank provides its data processing staff and equipment at no cost to The Saratoga Community Religious Institutions Loan Program (“SCRIP”) for administrative loan servicing. SCRIP is a consortium of area religious organizations, which provides loans to help fund the borrower’s rental deposits and initial rent as they reenter the housing market. The bank also provides computers and servicing capabilities at no cost to The City of Saratoga Springs Office of Community Development City-wide Housing Revolving Loan Program and to the Saratoga Economic Development Fund.

The bank participated in two first-time homebuyers seminars sponsored by the Cornell Cooperative Extension of Saratoga County and the City of Saratoga Springs Community Development Citizen Advisory Committee.

A bank representative has been a guest lecturer at the Worldwide Education Services course on interviewing techniques, resume skills and employer expectations directed to individuals who have recently been displaced or are coming off welfare assistance.

The bank also participated in seminars regarding banking, computer access and job interviewing directed to children and young adults.

ATC provides its community room facility at the South Broadway branch free of charge to local, non-profit and service organizations.

The bank regularly refers clients to the New York Business Development Corporation for loans. Such referrals resulted in the granting of loans, thereby enabling the businesses to retain and/or create new jobs.

IV. Discrimination or Other Illegal Practices

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

Examiners noted no practices that were intended to discourage applications for the types of credit offered by the institution.

Evidence of prohibited discriminatory or other illegal credit practices.

The most recent regulatory compliance report concurrent with this assessment indicates satisfactory adherence to antidiscrimination or other applicable laws and regulations. No evidence of prohibited discrimination or other illegal credit practices was noted.

V. 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.

The bank ascertains the credit needs of its assessment area through active involvement by its directors, officers and employees with various community organizations. All directors and officers live within the bank's market area, which enhances understanding of community needs.

Bank officers maintain regular contact with real estate brokers, real estate developers and real estate contractors to monitor the credit needs for housing at all income levels, including those of LMI individuals.

The mortgage committee of the board of directors tours the bank's market area on a semi-annual basis. The tour, with a primary purpose of inspecting and analyzing

residential, commercial and multifamily properties, provides the board and management with current information regarding the credit needs of the community.

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.

ATC uses a variety of methods to make members of the community aware of the credit services offered by the banking institution.

The bank makes the market area aware of its credit services through the active involvement of the directors, officers and employees in local community organizations. The bank also employs a full-time Marketing Director, enabling ATC to coordinate and communicate with the community regarding its various products and services.

ATC also makes use of a variety of media to advertise and inform the community about its products and credit services. The bank advertises primarily through print media such as *Saratogian*, *Daily Gazette*, *Glens Falls Post Star*, *Poor Richards Almanac*, *Saratoga Business Journal*, *Glens Falls Business Journal*, *Ballston Journal* and *Pennysaver*. In addition, the bank utilizes various local radio stations and cable television including *ESPN* and *Capital News Channel 9*. Other advertising includes the Yellow Pages, Chamber of Commerce directory, local organization newsletters and an outdoor billboard.

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

The board of directors reviews and approves the bank's CRA statement on an annual basis, most recently on June 5, 2002. Other CRA related topics such as community development projects, loans, donations, trends in banking, and market share analyses for loans and deposits are regularly reviewed and/or discussed at the board meetings.

VI. Other Factors

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

After opening its Glens Falls branch in June 2002, ATC purchased a \$2.6 million Revenue Anticipation Note from Glens Falls City School District in Warren County.

In October 2001, the bank purchased a \$250 thousand Transitional Bond issued by the City of New York to fund costs associated with the 9/11 terrorist attacks.

In addition to the qualified investment reported above, ATC provided \$55.6 thousand in other grants to various local and non-profit organizations during the evaluation period.

CHARTS FOR REPORTING OF HMDA STATISTICS

Residential Real Estate Loans - Year 2001 - by Borrower Income Level*										
Borrower Income Level	Total Lending				Assessment Area Lending				Aggregate**	
	Applications		Originations		Applications		Originations		Originations	
	#	%	#	%	#	%	#	%	#	%
Low	17	4.8	16	4.8	16	4.8	15	4.9	295	4.9
Moderate	33	9.3	30	9.1	30	9.1	27	8.8	977	16.1
Middle	78	22.0	73	22.1	69	20.9	64	20.8	1,535	25.4
Upper	207	58.5	195	58.9	196	59.4	185	60.1	2,782	46.0
N/A	19	5.4	17	5.1	19	5.8	17	5.5	463	7.7
Total	354	100.0	331	100.0	330	100.0	308	100.0	6,052	100.0

* Borrower income level is based upon the Department of Housing and Urban Development's annual estimate of median family income figure for the MSA of the mortgaged property. Low income is defined as < 50% of the MSA median, moderate income is 50% to < 80%, middle income is 80% to < 120%, and upper income is at least 120%.

** The term "Aggregate" refers to loans originated in the bank's assessment area by all HMDA reporting lenders.

Residential Real Estate Loans - Year 2001 - by Geography Income Level*										
Geography Income Level	Total Lending				Assessment Area Lending				Aggregate	
	Applications		Originations		Applications		Originations		Originations	
	#	%	#	%	#	%	#	%	#	%
Low	-	0.0	-	0.0	-	0.0	-	0.0	-	0.0
Moderate	43	12.1	40	12.1	40	12.1	37	12.0	391	6.5
Middle	281	79.4	264	79.8	264	80.0	247	80.2	4,959	81.9
Upper	30	8.5	27	8.2	26	7.9	24	7.8	701	11.6
N/A	-	0.0	-	0.0	-	0.0	-	0.0	1	0.0
Total	354	100.0	331	100.0	330	100.0	308	100.0	6,052	100.0

* Geography income level is based upon 1990 Census data on median family income figure for the MSA of the mortgaged property. Low income is defined as < 50% of the MSA median, moderate income is 50% to < 80%, middle income is 80% to < 120%, and upper income is at least 120%.

Residential Real Estate Loans - Year 2002 - by Borrower Income Level*								
Borrower Income Level	Total Lending				Assessment Area Lending			
	Applications		Originations		Applications		Originations	
	#	%	#	%	#	%	#	%
Low	24	5.2	19	4.5	24	5.7	19	4.8
Moderate	83	18.0	69	16.2	77	18.2	66	16.8
Middle	85	18.4	79	18.6	80	18.9	74	18.9
Upper	247	53.6	238	56.0	221	52.2	214	54.6
N/A	22	4.8	20	4.7	21	5.0	19	4.8
Total	461	100.0	425	100.0	423	100.0	392	100.0

* Borrower income level is based upon the Department of Housing and Urban Development's annual estimate of median family income figure for the MSA of the mortgaged property. Low income is defined as < 50% of the MSA median, moderate income is 50% to < 80%, middle income is 80% to < 120%, and upper income is at least 120%.

Residential Real Estate Loans - Year 2002 - by Geography Income Level*								
Geography Income Level	Total Lending				Assessment Area Lending			
	Applications		Originations		Applications		Originations	
	#	%	#	%	#	%	#	%
Low	-	0.0	-	0.0	-	0.0	-	0.0
Moderate	63	13.7	58	13.6	61	14.4	56	14.3
Middle	357	77.4	326	76.7	333	78.7	307	78.3
Upper	41	8.9	41	9.6	29	6.9	29	7.4
N/A	-	0.0	-	0.0	-	0.0	-	0.0
Total	461	100.0	425	100.0	423	100.0	392	100.0

* Geography income level is based upon 1990 Census data on median family income figure for the MSA of the mortgaged property. Low income is defined as < 50% of the MSA median, moderate income is 50% to < 80%, middle income is 80% to < 120%, and upper income is at least 120%.

GLOSSARY

Aggregate

The cumulative lending by all HMDA-reporting lenders in the same geographic area under evaluation.

Community Development

The term “community development” is defined to mean:

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.

A “community development loan” is defined as a loan that has as 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.

A “qualified investment” is defined as a lawful investment, deposit, membership share or grant that has as its *primary purpose* community development. 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.

A “community development service” is defined as a service that has as its *primary purpose* community development, 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.

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.

Loans to Small Businesses

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

Low or Moderate Income (“LMI”) Geographies

Those census tracts or block numbering areas (“BNAs”), where according to the 1990 US 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 nonmetropolitan 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 the case 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 nonmetropolitan 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

Those individuals, 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 nonmetropolitan 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 depicts the percentage of a bank’s total loans extended to LMI geographies or borrowers. For example, an LMI penetration rate of 20% would indicate that the bank made 20 out of 100 loans to LMI geographies or borrowers.

Small Business Loans

Loans to businesses with original amounts of \$1 million or less.