



NEW YORK STATE BANKING DEPARTMENT
CONSUMER SERVICES DIVISION
One State Street
New York, NY 10004-1417

PUBLIC SUMMARY

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Date of Evaluation: December 31, 2004

Institution: The Adirondack Trust Company
473 Broadway
Saratoga Springs, NY 12866-0326

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, 2004.

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 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.

Lending Test: "Outstanding"

- The bank's lending levels reflect excellent responsiveness to assessment area credit needs. Market share data show that the bank was the fourth ranked HMDA-reportable and small business lender in the assessment area during 2003. Based on dollar volume, the bank was the number one ranked small business lender in the assessment area for 2003.
- The bank extended a substantial majority of its loan in the assessment area. During the evaluation period, 90.1% by number and 89.2% by dollar volume of the bank's HMDA-reportable and small business loans were extended inside the assessment area.
- The bank's geographic distribution of loans reflects adequate penetration throughout the assessment area.
 - In 2003, the bank extended 1.6% by number and 0.6% by dollar volume of its HMDA-reportable loans in moderate-income geographies. These percentages were well below the market aggregate's ratios of 5.0% by number and 3.1% by dollar volume. In 2004, the percentage of total HMDA-reportable loans the bank extended in moderate-income areas increased to 4.4% by number and 2.1% by dollar volume.
 - In 2003, the bank extended 10.6% by number and 6.0% by dollar volume of its small business loans in moderate-income areas. To compare, the market aggregate extended a slightly greater percentage of 11.1% by number and 12.3% by dollar volume of their loans in such areas. In 2004, the percentage of total small business loans the bank extended in moderate-income areas decreased to 5.6% by number and 4.0% by dollar volume.
- The bank's distribution of borrowers reflects good penetration among customers of different income levels and businesses of different sizes.
 - In 2003, the bank extended 19.7% of its total number of HMDA-reportable loans to LMI borrowers. This ratio was slightly below the market aggregate's 22.0%. In 2004, the bank's penetration of HMDA-reportable loans among LMI borrowers improved significantly to 26.8%.

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- The bank extended 54.4% by number and 55.6% by dollar volume of its small business loans to small businesses in 2003. The market aggregate, extended 36.2% by number and 47.0% by dollar volume of their small business loans to small businesses, rates that are well below the bank's performance. In 2004, 56.3% by number and 53.4% by dollar volume of the bank's small business loans went to small businesses.
 - The bank is a leader in making qualified community development loans. As of the evaluation period, total qualified community development commitments aggregated \$5.7 million and 72.0% of that is new money. Total commitments increased by \$1.8 million or 46.2% from the \$3.9 million reported at the prior evaluation.
 - The bank makes use of innovative and flexible lending practices in serving assessment area credit needs. These practices comprised primarily government sponsored loan programs to help meet the needs of LMI borrowers and small businesses.

Investment Test: "Outstanding"

- The bank has an excellent level of qualified community development investments and grants. As of the evaluation date, the bank's qualified community development investments and grants totaled \$12.5 million, of which approximately 72% (over \$4 million) is considered new money.

Service Test: "Outstanding"

- The bank's delivery systems are accessible to essentially all portions of the assessment area. Five (50%) of the banking offices are located adjacent to LMI geographies.
- The bank's record of opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly to LMI geographies and/or LMI individuals. Between evaluation periods, the bank opened two branches, both located adjacent to LMI areas.
- Services are tailored to convenience and needs of the assessment area. All branches offer a wide variety of products and services to individuals and businesses.
- The bank is a leader in providing community development services. The bank's management provides a wide range of qualified services to many community development organizations that promote affordable housing, economic development and community services throughout 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:

The Adirondack Trust Company ("ATC") is a state chartered commercial bank located in Saratoga Springs, in the Capital District Region of New York State. Founded in 1901, ATC is the largest independent community bank in Saratoga County. The bank operates ten offices in Saratoga Springs, Malta, Milton, Wilton and Glens Falls, offering a complete range of banking, loan, and investment management and trust services.

Per the Federal Deposit Insurance Corporation's ("FDIC") Consolidated Report of Condition ("Call Report") at December 31, 2004, ATC reported total assets of \$583.1 million. Of this total, \$349.7 million (60%) were gross loans and \$179.6 million (30.8%) were securities. Since the prior evaluation, the bank's total assets increased by \$33 million (6%) from \$550.1 million.

The following is a summary of the bank's lending portfolio during the last three years, based on Schedule RC-C of the bank's Call Report:

TOTAL GROSS LOANS OUTSTANDING						
LOAN TYPE	12/31/2002		12/31/2003		12/31/2004	
	\$000	%	\$000	%	\$000	%
1-4 Residential Loans	103,189	31.6	87,571	25.7	89,340	25.6
Commercial Mortgage Loans	97,395	29.9	107,977	31.6	114,812	32.8
Commercial & Industrial Loans	54,712	16.8	71,524	21.0	74,169	21.2
Consumer Loans	48,883	15.0	52,422	15.4	47,347	13.5
Construction Loans	8,525	2.6	9,233	2.7	11,021	3.2
Multifamily Loans	6,238	1.9	5,518	1.6	6,335	1.8
Other Loans	7,149	2.2	6,880	2.0	6,701	1.9
Total Gross Loans	326,091	100.0	341,125	100.0	349,725	100.0

Deposit Market Share:

The bank's home county (Saratoga) provided 99.7% of the bank's deposits according to the latest available comparative deposit data dated June 30, 2004. The bank ranked first out of 18 deposit-taking institutions in Saratoga County and eighth out of eight in Warren County with market shares of 20.68% and 0.14%, respectively.

Deposit Market Share as of June 30, 2004				
County	# Offices	Deposits (\$000)	Market Share	Rank
Saratoga	8	516,198	20.68%	1st out of 18
Warren	1	1,649	0.14%	8th out of 8
Total	9	517,847	14.15%	2nd out of 18

The bank received a rating of “1,” reflecting an outstanding record of helping to meet community credit needs at its prior Performance Evaluation as of December 31, 2002 by the New York State Banking Department.

There are no known financial or legal impediments that adversely impacted the bank’s ability to meet the credit needs of its community.

Assessment Area:

The bank has delineated portions of Saratoga and Warren Counties as its assessment area. Based on OMB revisions¹ the assessment area consists of 33 census tracts, 7 (21.2%) of which are moderate-income, 20 (60.6%) are middle-income, 5 (15.2%) are upper-income and one (3%) is zero-income tract. Except for changes in certain moderate- and middle-income census tracts income level, there were no other changes to the bank’s assessment area during the evaluation period.

Please refer to the following table for addition details concerning the distribution of census tracts based on OMB changes:

Assessment Area - Distribution by Census Tracts Based On OMB Changes As Of 2004										
County	Moderate		Middle		Upper		N/A		Total	
	#	%	#	%	#	%	#	%	#	%
Saratoga	5	19.2	16	61.5	4	15.4	1	3.8	26	78.8
Warren	2	28.6	4	57.1	1	14.3	0	0.0	7	21.2
Total	7	21.2	20	60.6	5	15.2	1	3.0	33	100.0

Based on the 2000 U.S Census, the assessment area contained the same number of census tracts even with the OMB revisions. Of these census tracts seven (15.2%) are moderate-income, 22 (66.7%) middle-income and five (29.7%) upper-income.

The following table shows the distribution of census tracts inside assessment area in 2003:

Year 2003 Assessment Area Distribution of Census Tracts										
County	Moderate		Middle		Upper		N/A		Total	
	#	%	#	%	#	%	#	%	#	%
Saratoga	3	9.1	18	69.2	4	15.4	1	3.8	26	78.8
Warren	2	28.6	4	57.1	1	14.3	0	0.0	7	21.2
Total	5	15.2	22	66.7	5	29.7	1	3.8	33	100.0

Details of Assessment Area:

Population: According to the U.S. Census Bureau, the assessment area had a population of 150.4 thousand in 2000. Approximately 12.1% of the area population was over the age of 65 and about 22% were under the age of 16.

¹ The Metropolitan Statistical Area/Metropolitan Division Median Family Income values were re-calculated for the Office of Management and Budget’s new geographic classifications that were released in June 2003 and updated in December 2003 with 2000 demographic data.

Families/Households: There were 39.4 thousand families in the assessment area, of which 17.3% (6.8 thousand) were low-income families, 19.5% (7.7 thousand) were moderate-income, 24.4% (9.6 thousand) were middle-income and 38.8% (15.3 thousand) were upper-income families. Of the 14.5 thousand LMI families, 17.2% (2.5 thousand) lived in moderate-income areas and these families accounted for 54.1% of all the families (4.7 thousand) that lived in moderate-income areas. There were 59.3 thousand households in the assessment area, of which 8.0% (4.5 thousand) had income below the poverty level.

Housing Units: There were 63.6 thousand housing units in the assessment area, approximately 79.0% (50.3 thousand) of which were 1-4 family units, 11.0% (6.7 thousand) were multifamily units and 10.0% (6.5 thousand) were mobile homes or trailers. Almost 64.0% (40.5 thousand) of all the housing units were owner occupied and 10.4% (4.2 thousand) were in moderate-income areas. About 29.0% (18.7 thousand) were rental occupied and 20.7% (3.9 thousand) were in moderate-income areas. Approximately 7.0% (4.4 thousand) of all the housing units were vacant. The median age of housing was 24 years and the median value was \$106.7 thousand.

Median Family Income: In 2000, the assessment area's median family income was \$54.3 thousand and the median family income for the MSA was \$52.9 thousand. HUD's estimated median family income for the MSA was \$60.6 thousand in 2004.

Business Demographics: There are 9.6 thousand businesses in the assessment area, of which 66.0% reported revenues of \$1 million or less. The assessment area consists mainly of very small businesses, with 79.9% employing less than 50 persons. The largest sources of employment were services (40.8%), retail trade (18.5%), construction (8.8%) and finance, insurance & real estate (7.1%).

The New York State Department of Labor reported a average unemployment rate of 3.8% for in the bank's home county of Saratoga in 2004. This rate was significantly lower than the New York State average unemployment rate of 5.8%.

The assessment area appears reasonable based upon the location of branches and its lending patterns. There is no evidence that LMI areas were arbitrarily excluded.

PERFORMANCE TESTS AND ASSESSMENT FACTORS

This evaluation entails a review of the bank's lending, investment and service activities within the assessment area as provided for in Parts 76.8, 76.9 and 76.10 of the General Regulations of the Banking Board. The evaluation covers years 2003 and 2004.

Statistics employed in this evaluation were derived from various sources. In addition to bank-specific loan information submitted by the bank, aggregate data for HMDA-reportable loans and small business loans originated in 2003 were obtained from the Federal Financial Institutions Examination Council ("FFIEC") and PCI Services, Inc.'s CRA Wiz ®, an external vendor. Demographics are from the 2000 U.S. Census data supplemented with the 2004 HUD estimates. The 2004 aggregate data was not available during the evaluation period.

I. Lending Test: "Outstanding"

The bank's lending performance was evaluated pursuant to the following criteria: (1) Lending Activity; (2) Geographic Distribution; (3) Borrower Characteristics; (4) Community Development Lending; and (5) Innovative or Flexible Lending Practices. The analysis of factors (1), (2), (3) and (4) above focused primarily on the bank small business and HMDA-reportable loans. The bank's small business lending received the greater weight of the loan products reviewed.

Lending Activity: "Outstanding"

The bank's lending level reflects excellent responsiveness to assessment area credit needs.

HMDA-reportable Loans:

In 2003, the bank originated 560 HMDA-reportable loans totaling \$72.2 million within the assessment area. Compared to the prior year's volume, the 2003 lending activity increased 42.9% by number and 46.4% by dollar volume. During 2004, lending activity declined significantly by 67.3% based on number and 66.5%, based on dollar volume, to 183 loans totaling \$24.2 million.

In 2003, based on number of loans originated, the bank ranked fourth, both by number and by dollar volume, among 227 lenders in the assessment area with a market share of 5.51% and 5.92%, respectively. In its home county, Saratoga, the bank also ranked fourth, by both number and dollar volume among 219 lenders with a market share of 6.46% and 6.73%, respectively.

Small Business Loans:

In 2003, the bank originated 652 small business loans totaling \$51.2 million within the assessment area. Compared to prior year's volume, the 2003 lending activity improved 6.5% by number and 1.2% by dollar volume. During 2004, the lending activity declined to 519 loans totaling \$48.2 million.

According to the 2003 Lender Market Share Report, the bank ranked fourth by number and first by dollar volume among 51 lenders in the assessment area with a market share of 8.5% and 19.2%, respectively. In its home county, Saratoga, the bank ranked third by number and first by dollar volume among 43 lenders with a market share of 12.4% and 27.81%, respectively.

Assessment Area Concentration: "Outstanding"

The bank extended a substantial majority of its small business and HMDA-reportable loans loan inside the assessment area.

During the evaluation period, based on number of loans, 90.1% of the bank's small business and HMDA-reportable loans were extended inside the assessment area. Based on dollar volume the ratio was 89.2% inside the assessment area.

The table below illustrates the distribution of loans originated inside and outside of the assessment area for 2003 and 2004:

Distribution of Loans Inside and Outside of the Assessment Area										
Loan Category or Type	Number of Loans					Dollars in Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
HMDA-reportable Loans										
2003	560	92.3	47	7.7	607	72,228	92.5	5,889	7.5	78,117
2004	183	92.0	16	8.0	199	24,215	92.3	2,017	7.7	26,232
Sub-total	743	92.2	63	7.8	806	96,443	92.4	7,906	7.6	104,349
Small Business Loans										
2003	652	89.9	73	10.1	725	51,175	88.7	6,548	11.3	57,723
2004	519	87.5	74	12.5	593	48,168	83.7	9,373	16.3	57,541
Sub-total	1,171	88.8	147	11.2	1,318	99,343	86.2	15,921	13.8	115,264
Total	1,914	90.1	210	9.9	2,124	195,786	89.2	23,827	10.8	219,613

Geographic Distribution of Loans: "Low Satisfactory"

The bank's geographic distribution of loans reflects adequate penetration throughout the assessment area.

HMDA-reportable Loans:

In 2003, the bank extended 1.6% by number and 0.6% by dollar volume of its HMDA-reportable loans in moderate-income areas. These percentages were significantly below the market aggregate's ratios of 5.0% by number and 3.1% by dollar, respectively. The bank's LMI penetration ratios were also significantly below the prior year's ratios of 14.3% by number and 14.3% by dollar volume.

During 2004, the bank's moderate-income area penetration rates improved to 4.4% by number and 2.1% by dollar volume.

The table below illustrates the distribution of HMDA reportable loans by geography income level for 2003 and 2004:

Distribution of HMDA Reportable Loans by Geography Income Level								
2003								
Geography	Bank				Aggregate			
	#	# %	\$000s	\$ %	#	# %	\$000s	\$ %
Low	-	-	-	-	-	-	-	-
Moderate	9	1.6	454	0.6	509	5.0	37,867	3.1
Middle	424	75.7	54,454	75.4	7,195	70.8	820,570	67.3
Upper	126	22.5	17,117	23.7	2,456	24.2	360,573	29.6
N/A	1	0.2	203	0.3	2	0.0	219	0.0
Total	560	100.0	72,228	100.0	10,162	100.0	1,219,229	100.0
2004								
Geography	Bank							
	#	# %	\$000s	\$ %				
Low	-	-	-	-				
Moderate	8	4.4	511	2.1				
Middle	128	69.9	16,803	69.4				
Upper	47	25.7	6,901	28.5				
N/A	-	-	-	-				
Total	183	100.0	24,215	100.0				

Small Business Loans:

In 2003, the bank extended 10.6% by number and 6.0% by dollar volume of its small business loans in moderate-income areas. These percentages were slightly below the market aggregate's moderate-income penetration ratios of 11.1% by number and 12.3% by dollar volume, respectively. Additionally, the bank's moderate-income penetration ratios were significantly below the prior year's ratios of 19.1%, by number and 15.1%, by dollar volume, respectively.

In 2004, the ratio of small business loans the bank extended in moderate-income areas decreased significantly to 5.6% by number and 4.0% by dollar volume.

The table below illustrates the distribution of small business loans by geography income-level for 2003 and 2004:

Distribution of Small Business Loans by Geography Income Level								
2003								
Geography	Bank				Aggregate			
	#	# %	\$000s	\$ %	#	# %	\$000s	\$ %
Low	-	-	-	-	-	-	-	-
Moderate	69	10.6	3,086	6.0	530	11.1	21,921	12.3
Middle	457	70.1	35,667	69.7	3,251	68.3	117,231	66.0
Upper	126	19.3	12,422	24.3	981	20.6	38,472	21.7
N/A	-	-	-	-	-	-	-	-
Total	652	100.0	51,175	100.0	4,762	100.0	177,624	100.0
2004								
Geography	Bank							
	#	# %	\$000s	\$ %				
Low	-	-	-	-				
Moderate	29	5.6	1,930	4.0				
Middle	396	76.3	36,355	75.5				
Upper	94	18.1	9,883	20.5				
N/A	-	-	-	-				
Total	519	100.0	48,168	100.0				

Borrower's Profile: "High Satisfactory"

The distribution of borrowers reflects, given the product lines offered, good penetration among customers of different income levels and businesses of different sizes.

HMDA-reportable Loans:

In 2003, the bank extended 19.7% of its HMDA-reportable loans to LMI borrowers. This percentage was slightly below the market aggregate's LMI penetration ratio of 22.0%. Proportionately, the bank's 2003 LMI penetration ratio also reflected a slight decrease of 9.6% compared to 2002 level. During 2004, the bank's LMI penetration ratio improved significantly to 26.8%.

The table below illustrates the distribution of HMDA reportable loans by borrower income level for 2003 and 2004:

Distribution of HMDA Reportable Loans by Borrower Income Level								
2003								
Borrower Income	Bank				Aggregate			
	#	# %	\$000s	\$ %	#	# %	\$000s	\$ %
Low	30	5.4	2,254	3.1	460	4.5	29,796	2.4
Moderate	80	14.3	7,186	9.9	1,779	17.5	155,627	12.8
Middle	125	22.3	13,570	18.8	2,667	26.2	281,466	23.1
Upper	307	54.8	45,554	63.1	4,473	44.0	644,971	52.9
N/A	18	3.2	3,664	5.1	783	7.7	107,369	8.8
Total	560	100.0	72,228	100.0	10,162	100.0	1,219,229	100.0
2004								
Borrower Income	Bank							
	#	# %	\$000s	\$ %	#	# %	\$000s	\$ %
Low	17	9.3	1,208	5.0				
Moderate	32	17.5	2,640	10.9				
Middle	40	21.9	3,709	15.3				
Upper	78	42.6	13,532	55.9				
N/A	16	8.7	3,126	12.9				
Total	183	100.0	24,215	100.0				

Small Business Loans:

In 2003, the bank extended 54.4% by number and 55.6% by dollar volume loans to small businesses (businesses with gross annual revenues of \$1 million or less). The market aggregate's lending of 36.2% of loans to small businesses based on number of loans and 47.0% based on dollar volume was well below the bank's. In 2004, at 56.3%, based on number of loans and 53.4%, based on dollar volume, the bank continued to extend a high volume of loans to small businesses.

An analysis of small business lending based on loan size showed that in 2003 the bank originated 78.1% of its small business loans, based on the number, and 30.4% based on the dollar volume of its small business loans in denominations of \$100 thousand or less. The bank did not do as well the market, as the analysis indicated that the market aggregate had 91.9% by number and 30.7% by dollar volume of their small business loans in denominations of \$100 thousand or less. In 2004, the bank's origination of small business loans in amounts of \$100 thousand or less decreased slightly to 74.6% based on number of loans and 24.8%, based on dollar volume.

The chart below illustrates the distribution of small business loans by business revenue and by loan size during the evaluation period:

Distribution of Small Business Loans by Revenues and Loan Size								
2003								
Revenues	Bank				Aggregate			
	#	%	\$ 000	%	#	%	\$ 000	%
<= \$1 million	355	54.4	28,449	55.6	1,724	36.2	83,405	47.0
Loan Size								
<=\$100K	509	78.1	15,579	30.4	4,376	91.9	54,497	30.7
>\$100K & <=\$250K	101	15.5	17,850	34.9	221	4.6	39,054	22.0
>\$250K & <=\$1mil	42	6.4	17,746	34.7	165	3.5	84,073	47.3
Total	652	100.0	51,175	100.0	4,762	100.0	177,624	100.0
2004								
Revenues	Bank							
	#	%	\$ 000	%				
<= \$1 million	292	56.3	25,734	53.4				
Loan Size								
<=\$100K	387	74.6	11,959	24.8				
>\$100K & <=\$250K	84	16.2	14,893	30.9				
>\$250K & <=\$1mil	48	9.2	21,316	44.3				
Total	519	100.0	48,168	100.0				

Community Development Lending: “Outstanding”

The bank is a leader in making qualified community development loans. The bank’s total commitments during the evaluation period totaled \$5.7 million, 71.9% (\$4.1 million) of which is new money. The bank’s current level of community development lending level represents a significant increase over the \$3.9 million reported at the prior evaluation.

The bank’s community development commitments include loans and credit facilities to non-profit organizations and local economic development entities that support affordable housing, economic development, revitalization and stabilization, and community service.

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

Community Development Loans (\$000s)						
Location	Affordable Housing	Economic Development	Community Service	Revitalize & Stabilize	New Money	Total Commitment
PMSA 0160	1,532.6	491.0	3,012.0	510.0	3,957.8	5,545.6
Statewide		156.0			156.0	156.0
Total	1,532.6	647.0	3,012.0	510.0	4,113.8	5,701.6

Innovative and Flexible Lending Practices: “High Satisfactory”

The bank makes use of innovative and/or flexible lending practices in serving assessment area credit needs.

The bank participates in government-sponsored loan programs to help meet the needs of LMI 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 and the New York State Energy Research & Development Authority - Energy Smart Loan Program. The programs are administered according to the guidelines of the sponsoring agencies.

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

Flexible Lending Programs				
Description	2003		2004	
	#	\$ 000	#	\$ 000
Federal National Mortgage Association (FNMA)	463	58,019.3	128	19,080.1
U.S. Small Business Administration (SBA)	28	3,051.6	21	1,976.5
NYS Linked Deposit Program	0	0	2	135.0
NYS Energy Smart Loan Program	3	86.9	0	0

II. Investment Test: “Outstanding”

The investment test evaluates a banking institution’s record of helping to meet the credit needs of its assessment area(s) through qualified investments that benefit its assessment area(s) or a broader statewide or regional area that includes the banking institution’s assessment area(s). The institution’s investment performance is evaluated pursuant to criteria which may include the following: (1) the dollar amount of qualified investments; (2) the innovativeness or complexity of qualified investments; (3) the responsiveness of qualified investments to credit and community development needs; and (4) the degree to which the qualified investments are not routinely provided by private investors.

The bank has an excellent level of qualified community development investments. The bank’s qualified community development investments and grants for the evaluation period totaled \$12.5 million, of which 34.4% (\$4.3 million) is new money. The bank’s level of qualified investments has increased significantly above the \$5.9 million reported at the prior evaluation. In addition, though not particularly innovative or complex, the bank’s investments reflect excellent responsiveness to the credit needs of the assessment area.

The following is a summary of the bank's qualified community development investments and grants:

Qualified Community Development Investments (in thousands)						
Particulars	Affordable Housing	Economic Dev.	Community Service	Revitalize & Stabilize	Total Commitment	New Money
Equity Investment		50.8			50.8	-
Equity Investment		100.0			100.0	-
Collateral Trust Note	26.6				26.6	-
Municipal Bonds				1,254.0	1,254.0	-
Municipal Bonds			452.6		452.6	-
Municipal Bonds				2,203.3	2,203.3	2,203.3
Central School District				3,900.0	3,900.0	-
Central School District				2,375.0	2,375.0	-
Equity Investment - SBIC		500.0			500.0	500.0
Municipal Bonds				310.0	310.0	310.0
Central School District - Bonds				465.0	465.0	465.0
Central School District - Bonds				280.0	280.0	280.0
Central School District - Bonds				450.0	450.0	450.0
Grants - Various Organizations	6.6	18.0	58.2	7.9	90.7	90.7
Totals	33.2	668.8	510.8	11,245.2	12,458.0	4,299.0

III. Service Test: "Outstanding"

The service test evaluates a banking institution's record of helping to meet the credit needs of its assessment area(s) by analyzing both the availability and effectiveness of a banking institution's systems for delivering retail banking services and the extent and innovativeness of its community development services.

Retail Banking Services: "Outstanding"

Accessibility of Delivery Systems

The bank's delivery systems are accessible to essentially all portions of the bank's assessment area. As of December 31, 2004, the bank operated 10 banking offices: five including the main office in Saratoga Springs, three in Ballston Spa and one in Wilton in Saratoga County and an office in Glens Falls in Warren County. Five (50%) of the branches are located adjacent to LMI geographies.

Supplementing the banking offices is an automated teller machine ("ATM") network consisting of 18 machines, one each at eight of the offices, two each at two offices and six at off-site locations within the assessment area. None of the off-site ATMs are deposit-taking. Additional ATM access is provided through NOVUS, STAR, NYCE and PLUS networks. Drive-thru facilities are also available at eight banking offices.

Alternative Delivery Systems

Alternative delivery systems used by the bank include bank by mail, bank by phone and on-line banking services.

Bank BY Mail Service: The institution's bank by mail service includes a full line of deposit by mail services, providing postage paid envelopes to its customers, including a night depository vault for customer convenience.

Bank by Phone Service: The bank's telephone banking service called, "At Your Call" can be accessed 24 hours a day and features a broad range of banking transactions that can be completed by phone.

On-line Banking Services: The bank's on-line banking service, called "Web Wi\$e" is free to and provides for both consumer and commercial customers access to a various bank services. With this service customers can view account balance, pay bills and access credit card account history, among other types of transactions.

Changes in Branch Locations

The bank's record of opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly to LMI geographies and/or LMI individuals.

Between evaluation periods, the bank opened two branch offices (Ballston Spa and Prestwick Chase in Saratoga Springs) in Saratoga County. Both branches are in middle-income census tracts but located adjacent to LMI areas.

The bank did not close any offices during the evaluation period.

Reasonableness of Business Hours and Services in Meeting Assessment Area Needs

Services are tailored to the convenience and needs of the assessment area. The bank's products and services, for both individuals and businesses, are available at each of the institution's offices.

General banking hours are from 9:00 a.m. to 3:00 p.m. All of the bank's branch offices offer extended banking hours at least once or twice during the week. Saturday hours are offered at all offices except Glens Falls and Prestwick Chase branches. Drive-thru facilities include early morning, extended evening and/or Saturday hours.

Community Development Services: "Outstanding"

The bank is a leader in providing community development services. The bank management provides technical assistance to organizations and programs that promote affordable housing, economic development and community services throughout the assessment area.

The following are examples of qualified community development services during the evaluation period:

- The CEO and president is a director and past vice chairman of the New York Business Development Corporation and board member of Saratoga County Industrial Development Authority.
- An executive vice president serves on the Regional Loan Committee of the New York Business Development Corporation.
- Another executive vice president is a member of the board of directors of Statewide Zone Capital Corporation.
- The CRA officer is a member and chairman of City of Saratoga Springs Office of Community Development Citizens Advisory Committee, loan committee member of Saratoga County Rural Preservation Loan Fund, director and treasurer of Saratoga Entrepreneurial Fund and regional loan committee member for New York Business Development Corporation and Statewide Zone Corporation.
- A member of the board and a vice president of commercial lending serve on Work Force Housing Partnership of Saratoga County as executive committee member and financial access / employee assistance for housing committee member, respectively.
- A member of the bank's board of directors is a board member of Saratoga County Economic Development Corporation.
- The bank's vice president is a board member of Transitional Services Association, Inc. a community development organization.

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 Revolving Loan Program, City of Saratoga Springs Economic Development Revolving Loan Fund and to the Saratoga Entrepreneurial Fund.

The bank provides monthly public service advertising (informational piece inserted into monthly statement mailings) for a local not-for-profit organization.

The bank provides its community room at its South Broadway office to local organizations and not-for-profit groups and service organizations.

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.

There were no practices noted 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 a satisfactory performance in terms of 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. Bank officers meet with a variety of municipal officials as well as civic, religious, neighborhood and not-for-profit organizations in an effort to discuss the credit needs of the community.

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

The bank participates in a wide variety of meetings and seminars to keep up to date with events that affect the market and 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 media to advertise and inform the community about its product and credit services. The bank advertises primarily through print media (Saratogian, Poor Richards Almanac, Saratoga Business Journal, Glens Falls Business Journal and Penny Saver), local radio stations and cable television (ESPN and Capital News Channel 9). Other advertising includes the Yellow Pages and a variety of publications which include the annual Chamber of Commerce directory, Saratoga County Senior Citizens newsletter, numerous local sports programs and charitable organization newsletters.

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 August 4, 2004. The board of directors also reviews a wide variety of CRA related materials in its meeting including all donations over \$1 thousand, market share analysis for first mortgages and home equity loan products in Saratoga County, deposit market share analysis, applications for new branches and new products and services.

VI. Other Factors

Other factors that in the judgement 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.

None noted.

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;

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- ❖ Furnishing financial services training for staff and management;
 - ❖ Contributing accounting/bookkeeping services; and
 - ❖ Assisting in fund raising, including soliciting or arranging investments.

Demand-Adjusted Penetration Rate

The number of owner-occupied loans made by the institution (or aggregate as appropriate) in a geographic area per thousand owner-occupied housing units in that area. Mathematically, it is arrived at by dividing the number of owner-occupied housing units into the number of loans made and then multiplying by 1,000.

Demand-Adjusted Penetration Ratio

A ratio that depicts geographic penetration of loans by comparing demand-adjusted lending in LMI areas with non-LMI areas. Mathematically, it is arrived at by dividing the demand-adjusted penetration rate in non-LMI areas into the demand-adjusted penetration rate in LMI areas and then expressed as a percentage.

A ratio of 100% means that the institution (or aggregate as appropriate) made an equal number of loans proportionally in LMI and non-LMI areas. Less than 100 percent would indicate less lending in LMI areas on the same basis compared to non-LMI areas, whereas over 100 percent would indicate a greater level of lending in LMI areas versus non-LMI areas.

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 2000 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.

Small Business Loans

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