



**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, 2005

Institution: Alden State Bank
13216 Broadway
Alden, New York 14004

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 Alden State Bank ("ASB") 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, 2005.

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 of small banking institutions are primarily based on a review of performance tests and standards described in Section 76.7 and detailed in Section 76.12. The tests and standards incorporate the 12 assessment factors contained in Section 28-b of the New York State Banking Law.

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

OVERVIEW OF INSTITUTION'S PERFORMANCE

ASB is rated "2," indicating a satisfactory record of helping to meet community credit needs. This rating is based on the following factors:

- ***Loan-to-Deposit ("LTD") Ratio and Other Lending-Related Activities:*** ASB's LTD ratio is considered reasonable in light of its size, financial condition and the credit needs of its assessment area. ASB's average LTD ratio for the eight quarters since the prior evaluation ending December 31, 2005 was 70.0%, which is well below the national peer group's ratio of 83.2. However, ASB's average LTD ratio has improved considerably from the prior evaluation period of 63.4% and is also comparable to the ratio of a similarly-situated bank within its assessment area.
- ***Assessment Area Concentration:*** ASB extended a majority of its loans in the assessment area. Overall, 68.3% of its total loans were originated within the assessment area during the evaluation period. ASB originated 74.6% of sampled consumer loans, 67.4% of sampled small business loans, and 65.2% of its HMDA-reportable loans in its assessment area during the evaluation period.
- ***Geographic Distribution of Loans:*** ASB's geographic distribution of loans reflects a reasonable dispersion among census tracts of different income levels.

During the evaluation period, ASB achieved lending penetration rates in middle-income geographies that compare favorably to the demographics of the assessment area. Also, ASB outperformed the aggregate in HMDA-reportable lending in middle-income census tracts in 2004 and 2005. However, ASB's lending in LMI geographies was minimal as the assessment area contains only one LMI tract. Given the small percentage of the households and businesses in the assessment area located in this LMI geography, this level of performance is considered reasonable.

- ***Distribution by Borrowers Characteristics:*** ASB's lending distribution in the assessment area reflects an excellent penetration among individuals of different income levels and businesses of different revenue sizes.

ASB extended 72.5% and 50.7% of sampled consumer loans to LMI borrowers in 2004 and 2005, respectively. These ratios compare favorably with 28.5% LMI households in the assessment area.

Of the total small business loans sampled for 2004 and 2005, 78.8% and 60%, respectively, were extended to businesses with gross annual revenues of \$1 million or less. These rates are higher than the 68.3% and

65% businesses in this revenue category in 2004 and 2005, respectively, inside the assessment area.

During the evaluation period, ASB achieved LMI penetration rates in HMDA-reportable lending that substantially exceeded those of the aggregate.

- Neither ASB nor the New York State Banking Department received any complaints with respect to its CRA performance during the evaluation period.

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

PERFORMANCE CONTEXT

Institution's Profile:

ASB is a commercial bank located in Alden, New York, within Erie County. It was chartered by the New York State Banking Department in 1916 and is not part of a holding company or affiliated with any other institution.

ASB is a retail-oriented bank that provides a wide range of banking services to consumers and small businesses. It has two full service offices, including its main office in the town of Alden and a branch in the town of Lancaster, both of which are located in middle-income geographies. Each office provides automated teller machines ("ATMs") that are accessible 24 hours a day, seven days a week. During the evaluation period, there was no branch opened or closed.

As per the Federal Deposit Insurance Corporation's ("FDIC") Consolidated Report of Condition ("Call Report") as of December 31, 2005, ASB reported total assets of \$183.1 million, of which \$112 million were net loans and lease finance receivables. As of the same date, deposits totaled \$157.3 million, resulting in a loan-to-deposit ratio of 71.2%. According to the latest available FDIC deposit market share report dated June 30, 2005, ASB obtained a market share of 0.66%, or \$155.6 million out of \$23.6 billion inside its market, ranking it 12th among the 18 deposit-taking institutions in Erie County.

In 2005, based on number of loans, ASB's volume of HMDA-reportable lending placed the bank 6th among 128 lenders in its assessment area. This ranking reflects ASB's origination of 74 loans, which resulted to a market share of 3.63%.

The following is a summary of ASB's lending portfolio, based on Schedule RC-C of the bank's December 31, 2003, December 31, 2004 and December 31, 2005 call reports:

TOTAL GROSS LOANS OUTSTANDING						
LOAN TYPE	12/31/2003		12/31/2004		12/31/2005	
	\$*	%	\$*	%	\$*	%
1-4 Residential Mortgage Loans	64,530	59.3	70,812	63.5	71,182	62.8
Commercial & Industrial Loans	11,984	11.0	9,854	8.8	8,548	7.5
Commercial Mortgage Loans	16,967	15.6	16,418	14.7	20,109	17.7
Multifamily Mortgages	265	0.2	285	0.3	280	0.2
Consumer Loans	6,223	5.7	5,783	5.2	5,682	5.0
Agricultural Loans	673	0.6	588	0.5	794	0.7
Construction Loans	7,913	7.3	7,446	6.7	6,667	5.9
Other Loans	277	0.3	335	0.3	131	0.1
Total Gross Loans	108,832	100.0	111,521	100.0	113,393	100.0

* In thousands.

As shown in the table above, ASB's loan portfolio is primarily comprised of one- to four-family residential mortgages and commercial mortgage loans, both of which combined accounted for 80.5% of the total gross loans as of December 31, 2005.

It should be noted that in addition to the aforementioned mortgage products, ASB originates a significant volume of consumer loans. Of the total combined dollar amount of HMDA-reportable, small business and consumer loans originated by ASB, consumer loans accounted for 53.3% in 2005 and 41.5% in 2004.

ASB operates in a highly competitive market with the presence of large regional and national banks in its assessment area. These banks include HSBC, First Niagara Bank, M & T Trust Co., Bank of America, and Citizens Bank.

ASB is a participating lender in Small Business Administration (“SBA”) guaranteed loan program. However, it did not originate any SBA guaranteed loan during the evaluation period.

ASB received a rating of “2,” reflecting a satisfactory record of helping to meet community credit needs at its prior Performance Evaluation conducted by the New York State Banking Department as of December 31, 2003.

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

Assessment Area:

ASB’s assessment area includes portions of Erie, Genesee, and Wyoming Counties. In Erie County, the assessment area includes the towns and villages of Alden and Lancaster, the township of Marilla and the eastern half of the township of Elma. In Genesee County, the assessment area contains the townships of Darien and Alexander, while in Wyoming County, only the township of Bennington is part of the assessment area. ASB’s assessment area appears reasonable based upon the location of its branch offices and its lending patterns. There is no evidence that LMI areas have been arbitrarily excluded.

According to the 2000 U.S. Census, the assessment area contains 14 census tracts, including 12 tracts in Erie County, and one tract each in Genesee and Wyoming Counties. The assessment area has no low-income census tracts and only one (7.1%) moderate-income census tract that is located within Erie County. Seven (50.0%) are middle-income and five (35.7%) are upper-income census tracts. There is one (7.1%) zero-income census tract in the assessment area which according to bank management has a population consisting of residents of the Erie County Home and Infirmary and two prisons.

The following table summarizes the distribution of census tracts across ASB’s assessment area by county and by tract income level.

Distribution of Assessment Area Census Tracts by Income Level							
County	Zero	Low	Moderate	Middle	Upper	Total	LMI %
Erie	1	0	1	6	4	12	8.3
Genesee	0	0	0	0	1	1	0.0
Wyoming	0	0	0	1	0	1	0.0
Total	1	0	1	7	5	14	7.1

According to the 2000 U.S. Census, there were 25,777 thousand households in the assessment area, of which 1,246 (5%) had incomes below the poverty level and 268 (1%) received public assistance. Approximately, 3,858 (15%) of all households in the assessment area were low-income, 3,472 (13.4%) were moderate-income, 4,656 (18.1%) were middle-income, and 13,791 (53.5%) were upper-income.

Details of Assessment Area:

Erie County:

According to the New York State Department of Labor statistics, the average unemployment rate (not seasonally adjusted) for Erie County was 5.7% in 2004 and 5.3% in 2005, compared with 5.8% in 2004 and 5.0% in 2005 for New York State.

According to the 2005 Business Geodemographic Data report, 35.5% of the business firms in assessment area portion of the county were service providers, 14.7% were in retail trade, 12.4% in construction, 5.4% in wholesale trade, 5.2% in finance, insurance, and real estate, 5.0% in manufacturing, and 3.5% in agriculture, forestry and fishing. Non-classifiable establishments account for, approximately, 13.2% of businesses in the assessment area portion of county.

Genesee County:

According to the New York State Department of Labor statistics, the average unemployment rate (not seasonally adjusted) for Genesee County was 5.6% in 2004 and 4.9% in 2005, compared with 5.8% in 2004 and 5.0% in 2005 for New York State.

According to the 2005 Business Geodemographic Data report, 28.8% of the business firms in assessment area portion of the county were service providers, 16.7% were in retail trade, 14.7% in construction, 13.1% in agriculture, forestry and fishing, and 3.6% in wholesale trade. Non-classifiable establishments account for, approximately, 12.1% of businesses in the assessment area portion of the county.

Wyoming County:

According to the New York State Department of Labor statistics, the average unemployment rate (not seasonally adjusted) for Wyoming County was 6.3% in 2004 and 5.4% in 2005, compared with 5.8% in 2004 and 5.0% in 2005 for New York State.

According to the 2005 Business Geodemographic Data report, 25.3% of the business firms in assessment area portion of the county were service providers, 17.3% were in agriculture, forestry and fishing, 14.8% in construction, 13.6% in retail trade, and 4.3% in wholesale trade. Non-classifiable establishments account for approximately, 14.8% of businesses in the assessment area portion of the county.

Detailed statistics pertaining to the aforementioned counties are presented in Chart #1 which shows population and income data, Chart #2 which shows housing demographics, and Chart#3 which contains business demographic characteristics.

CHART # 1

ALDEN STATE BANK																					
ASSESSMENT AREA POPULATION AND INCOME CHARACTERISTICS BY COUNTY																					
COUNTY	Total Population	Age 65 and over		Age 16 and less		Median Family Income(MFI)	HUD MSA MFI	# of Households	# of HH below poverty level		Total Families	Low income		Moderate income		Middle income		Upper income		LMI families in LMI tracts	
		#	%	#	%				#	%		#	%	#	%	#	%	#	%	#	%
2005																					
Erie**	61,276	8,893	14.5	13,306	21.7	59,494	56,950	22,646	1,089	4.8	16,508	1,632	9.9	2,637	16.0	3,979	24.1	8,260	50.0	318	7.4
Genesee**	5,512	624	11.3	1,442	26.2	51,116	48,550	1,931	103	5.3	1,517	134	8.8	230	15.2	364	24.0	789	52.0	0	0.0
Wyoming**	3,349	382	11.4	720	21.5	48,966	48,550	1,200	54	4.5	964	74	7.7	185	19.2	238	24.7	467	48.4	0	0.0
TOTAL A/A*	70,137	9,899	14.1	15,468	22.1	58,291	55,750	25,777	1,246	4.8	18,989	1,840	9.7	3,052	16.1	4,581	24.1	9,516	50.1	318	6.5

* Assessment Area ** Partial County

CHART # 2

**ALDEN STATE BANK
ASSESSMENT AREA HOUSING CHARACTERISTICS BY COUNTY**

COUNTY	Total Housing Units	1-4 family Units		Multifamily Units		Owner-Occupied Units (O-O)		O-O Units in Low-income Tracts		O-O Units in Mod-income Tracts		O-O Units in Midd-income Tracts		O-O Units in Upp-income Tracts		Rental Units		Vacant/Boarded-up Units	
		#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%
2005																			
Erie**	23,434	21,963	93.7	1,471	6.3	18,243	77.8	0	0.0	533	2.9	7,978	43.7	9,732	53.4	4,842	20.7	816	3.5
Genesee**	2,018	1,999	99.1	19	0.9	1,618	80.2	0	0.0	0	0.0	0	0.0	1,618	100.0	328	16.3	94	4.7
Wyoming**	1,273	1,273	100.0	0	0.0	1,073	84.3	0	0.0	0	0.0	1,073	100.0	0	0.0	140	11.0	65	5.1
TOTAL A/A*	26,725	25,235	94.4	1,490	5.6	20,934	78.3	0	0.0	533	2.6	9,051	43.2	11,350	54.2	5,310	19.9	975	3.6

* Assessment Area; ** Partial County

CHART # 3

**ALDEN STATE BANK
NON-FARM BUSINESS DEMOGRAPHICS BY COUNTY**

COUNTY AND ASSESSMENT AREA(A/A)	Number of Non-Farm Businesses	Non-Farm Businesses with Rev. of \$1 million or less		Non-Farm Businesses with Rev. of more than \$1 million		Non-Farm Businesses with no revenues reported		Businesses with less than 50 employees		Opera ing from a single location	
		#	%	#	%	#	%	#	%	#	%
2005											
Erie*	3,329	2,146	64.5	216	6.5	967	29.0	2,699	81.1	3,087	89.5
Genesee*	266	182	68.4	9	3.4	75	28.2	251	94.4	287	93.8
Wyoming*	134	95	70.9	4	3.0	35	26.1	129	96.3	160	98.8
Total A/A	3,729	2,423	65.0	229	6.1	1,077	28.9	3,079	82.6	3,534	90.2

* Partial County

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

ASB's performance was evaluated according to the small bank's performance criteria, which include the following: (1) Loan-to-Deposit Ratio and other Lending-Related Activities; (2) Assessment Area Concentration; (3) Geographic Distribution of Loans; (4) Distribution by Borrower Characteristics; and (5) Action Taken in Response to Written Complaints Regarding CRA.

The assessment period included calendar years 2004 and 2005. Examiners considered ASB's HMDA-reportable, small business, and consumer loans in evaluating factors (2), (3) and (4), as noted above. In analyzing ASB's overall performance, consumer lending was given the greatest weight, as this comprised a substantial majority of the total volume of loans originated by ASB during the evaluation period. HMDA-reportable loan data mentioned in this Performance Evaluation represent actual originations. The evaluation of ASB's small business and consumer lending performance was based on a sample of 86 small business loans and 138 consumer loans, resulting in a confidence level of 95% for both loan categories.

In addition to the loan information submitted by ASB, aggregate data for HMDA-reportable loans were obtained from the Federal Financial Institutions Examination Council ("FFIEC") and PCi Corporation's CRA Wiz software. The demographic data contained in this report was obtained from the 2000 U.S. Census, with the updated median family income figures provided by HUD.

• **Loan-to-Deposit Ratio Analysis and other Lending-Related Activities: "Satisfactory"**

ASB's LTD ratio is reasonable considering its size, financial condition and the credit needs of the assessment area.

ASB's average LTD ratio for the prior eight quarters since the prior evaluation ending December 31, 2005 was 70.0%, which is well below the peer group's average of 83.2%. The peer group is comprised of all FDIC insured commercial banks having assets between \$100 million and \$300 million operating in a metropolitan area with two or fewer full service branches. These ratios were calculated from information shown in the bank's Uniform Bank Performance Report ("UBPR") prepared by the Federal Deposit Insurance Corporation ("FDIC").

As shown in the table below, ASB's LTD ratios reflect a generally upward trend, which resulted to an average LTD ratio of 68.6% at this evaluation. While ASB's average LTD ratio increased from the prior evaluation period's average of 63.4%, it was well below the peer group's average of 83.22%. It should be noted, however, that the peer group is a national peer group and as such, it would be more relevant to compare ASB's average LTD ratio to similar-sized local bank, offering the same loan products and services within the assessment area. As shown in the table below, Bank of Akron, a bank with similar size, had an average LTD ratio of 68.6%, which is slightly below ASB's average.

Loan-to-Deposit Ratios									
	2004				2005				Average LTD
	3/31	6/30	9/30	12/31	3/31	6/30	9/30	12/31	
Bank	67.28	70.51	69.33	69.27	69.45	70.97	72.04	71.18	70.00
Peer	81.56	82.78	83.42	83.84	83.89	83.60	83.61	83.03	83.22
Bank of Akron	64.35	65.37	67.05	70.22	71.13	69.81	68.91	71.89	68.59

- **Assessment Area Concentration: “Satisfactory”**

ASB originated majority of its loans within the assessment area. During the evaluation period, 68.3% by number and 57.2% by dollar volume of its loans were originated within the assessment area.

Consumer Loans

In 2004, ASB originated 80.0% of the sampled consumer loans within the assessment area. The percentage of consumer loans originated by ASB within the assessment area declined to 71.6% in 2005.

Small Business Loans

In 2004, ASB had a concentration ratio of 63.5 % of its small business loans within the assessment area. In 2005, based on a smaller sample size, ASB’s small business lending within the assessment area increased considerably to 73.5%.

HMDA

ASB’s concentration ratios of HMDA-reportable loans in the assessment area did not show any significant change during the evaluation period. While the total number of HMDA-reportable loans originated by ASB decreased by almost 20% in 2005 from 2004, the ratio of loans originated within the assessment area was almost the same for both years.

The following table shows the percentage of ASB's consumer, small business and HMDA-reportable loans originated inside and outside of the assessment area

Distribution of Loans Inside and Outside of the Assessment Area										
Loan Type	Number of Loans					Loans in Dollars (in thousands)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Consumer										
2004	40	80.0	10	20.0	50	813	74.0	286	26.0	1,099
2005	63	71.6	25	28.4	88	755	71.0	308	29.0	1,063
Subtotal	103	74.6	35	25.4	138	1,568	72.5	594	27.5	2,162
Small Business										
2004	33	63.5	19	36.5	52	2,872	69.2	1,280	30.8	4,152
2005	25	73.5	9	26.5	34	1,897	55.2	1,539	44.8	3,436
Subtotal	58	67.4	28	32.6	86	4,769	62.8	2,819	37.2	7,588
HMDA										
2004	93	65.5	49	34.5	142	5,007	52.6	4,506	47.4	9,513
2005	74	64.9	40	35.1	114	3,618	52.6	3,257	47.4	6,875
Subtotal	167	65.2	89	34.8	256	8,625	52.6	7,763	47.4	16,388
Total	328	68.3	152	31.7	480	14,962	57.2	11,176	42.8	26,138

- **Geographic Distribution of Loans: “Satisfactory ”**

The geographic distribution of loans reflects a reasonable dispersion among census tracts of different income levels. Since there is only one LMI census tract in the assessment area, an analysis of ASB's lending distribution in middle- income geographies was also performed.

Consumer Loans

ASB's geographic distribution of consumer loans reflects a reasonable dispersion among census tracts of different income levels.

In 2004, of the total sampled consumer loans originated by ASB in the assessment area, 75% were originated in middle-income geographies. ASB maintained the same level of performance in 2005, extending 76.2% of total consumer loans to households located in the middle-income census tracts of the assessment area. For comparison, only 44.6% of all households in the

assessment area were located in middle-income geographies. None of the consumer loans sampled was originated in LMI census tracts; however, this is reasonable considering that in the assessment area, 5% of all households were below the poverty level and only 4.4% were in LMI geographies,

The following chart provides a summary of ASB's consumer lending distribution during the evaluation period:

Distribution of Consumer Loans by Geographic Income Level						
Geography income Level	2004				# of Households	
	#	%	\$000	%	#	%
Low	0	0.0	0	0.0	0	0.0
Moderate	0	0.0	0	0.0	1144	4.4
Middle	30	75.0	603	74.2	11493	44.6
Upper	10	25.0	210	25.8	13131	50.9
N/A	0	0.0	0	0.0	9	0.1
Total	40	100.0	813	100.0	25777	100.0
Geography income Level	2005				# of Households	
	#	%	\$000	%	#	%
Low	0	0.0	0	0.0	0	0.0
Moderate	0	0.0	0	0.0	1144	4.4
Middle	48	76.2	590	78.1	11493	44.6
Upper	15	23.8	165	21.9	13131	50.9
N/A	0	0.0	0	0.0	9	0.1
Total	63	100.0	755	100.0	25777	100.0

* Geography income level is based upon 2000 Census data on median family income figure for the MSA. Low-income is defined as <50% of the MSA median, moderate-income is 50% to <80% of the MSA median income, middle-income is 80% to <120% and upper-income is at least 120%.

Small Business Loans

ASB's geographic distribution of small business loans reflects a reasonable dispersion among census tracts of different income levels.

In 2004, of the sampled small business loans originated by ASB, 60.6% were originated in middle-income geographies of the assessment area. This level of performance continued in 2005, during which 64% of the sampled loans were originated in the middle-income census tracts. The aforementioned ratios compare favorably with the 42.2% and 42.9% businesses located in middle-income geographies in 2004 and 2005, respectively. In 2004, none of the small business loans sampled was originated in LMI geographies, and only one (4%) was made in the same census tracts in 2005. Nevertheless, ASB's LMI lending performance in small business loans is deemed reasonable given the small percentage of businesses located in LMI geographies within the assessment area of 6.8% and 6.1% in 2004 and in 2005, respectively.

The following chart provides a summary of ASB's small business lending distribution during the evaluation period:

Distribution of Small Business Loans by Geographic Income Level*						
2004						
Geography Income Level	Bank				# of Non-Farm Businesses	
	#	%	\$000	%	#	%
Low	0	0.0	0	0.0	0	0.0
Moderate	0	0.0	0	0.0	246	6.8
Middle	20	60.6	1,448	50.4	1,519	42.2
Upper	13	39.4	1,424	49.6	1,828	50.7
N/A	0	0.0	0	0.0	10	0.3
Total	33	100.0	2,872	100.0	3,603	100.0
2005						
Geography Income Level	Bank				# of Non-Farm Businesses	
	#	%	\$000	%	#	%
Low	0	0.0	0	0.0	0	0.0
Moderate	1	4.0	100	5.3	229	6.2
Middle	16	64.0	1,008	53.1	1,601	42.9
Upper	8	32.0	789	41.6	1,890	50.7
N/A	0	0.0	0	0.0	9	0.2
Total	25	100.0	1,897	100.0	3,729	100.0

* Geography income level is based upon 2000 Census data on median family income figure for the MSA. Low-income is defined as <50% of the MSA median, moderate-income is 50% to <80% of the MSA median income, middle-income is 80% to <120%, and upper-income is at least 120%.

HMDA

ASB's geographic distribution of HMDA-reportable loans reflects a reasonable dispersion among census tracts of different income levels.

In 2004, ASB originated 76.3%, by number and 65.3%, by dollar value of its HMDA-reportable loans in middle-income geographies as compared to 38.3%, by number and 34.1%, by dollar value for the aggregate. In 2005, despite the decrease in loan volume, ASB continued to outperform the aggregate, originating 75.7% by number and 66.0% by dollar value of its HMDA-reportable loans in middle-income geographies. These percentages were well above the corresponding penetration rates of 37.8% and 31.3% posted by the aggregate in 2005.

ASB originated only one (1.1%) HMDA-reportable loan in LMI geographies in 2004; and did not originate any loan in 2005. For comparison, the corresponding LMI penetration rates for the aggregate were 3.4% in 2004 and 2.4% in 2005. Although comparably weaker than the aggregate, ASB's LMI lending performance in HMDA-reportable loans is considered reasonable given the limited lending opportunities available within the LMI census tracts of the assessment area. Of the total owner-occupied housing units in the assessment area, only 2.6% were located in LMI geographies.

The following chart provides a summary of ASB's HMDA related lending distribution during the evaluation period:

Distribution of HMDA-reportable Loans by Geographic Income Level*								
2004								
Geography Income Level	Bank				Aggregate			
	#	%	\$000	%	#	%	\$000	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	1	1.1	2	0.1	70	3.4	5,152	2.4
Middle	71	76.3	3,271	65.3	789	38.3	72,266	34.2
Upper	21	22.6	1,734	34.6	1,199	58.3	134,260	63.4
Total	93	100.0	5,007	100.1	2,058	100.0	211,678	100.0
2005								
Geography Income Level	Bank				Aggregate			
	#	%	\$000	%	#	%	\$000	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	0	0.0	0	0.0	50	2.4	3,447	1.5
Middle	56	75.7	2,389	66.0	771	37.8	72,665	31.3
Upper	18	24.3	1,229	34.0	1,220	59.8	156,143	67.2
Total	74	100.0	3,618	100.0	2,041	100.0	232,255	100.0

* Geography income level is based upon 2000 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% of the MSA median income, middle-income is 80% to <120%, and upper-income is at least 120%.

- **Distribution by Borrower Characteristics: "Outstanding"**

ASB's distribution of loans based on borrower characteristics reflects an excellent penetration among individuals of different income levels and reasonable penetration between businesses of different revenue sizes.

Consumer Loans

In 2004, ASB extended 72.5% of sampled consumer loans to LMI individuals. ASB's consumer lending to LMI borrowers declined to 50.7% in 2005. Despite the substantial decrease in ASB's LMI penetration rates, its consumer lending performance during the evaluation period is deemed excellent given the percentage of LMI households in the assessment area, which is 28.5%.

The following chart provides a summary of ASB's consumer lending distribution based on borrowers' revenues during the evaluation period:

Distribution of Consumer Loans by Borrower Income Level*						
Borrower Income Level	2004				# of Households	
	#	%	\$000	%	#	%
Low	16	40.0	189	23.2	3,858	15.0
Moderate	13	32.5	269	33.1	3,472	13.5
Middle	8	20.0	217	26.7	4,656	18.1
Upper	3	7.5	138	17.0	13,791	53.5
Total	40	100.0	813	100.0	25,777	100.0
Borrower Income Level	2005				# of Households	
	#	%	\$000	%	#	%
Low	20	31.7	75	9.9	3,858	15.0
Moderate	12	19.0	73	9.7	3,472	13.5
Middle	13	20.6	266	35.2	4,656	18.1
Upper	17	27.0	340	45.0	13,791	53.5
NA	1	1.6	1	0.1	0	0.0
Total	63	100.0	755	100.0	25,777	100.0

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

Small Business Loans

In 2004, ASB extended 78.8% of sampled small business loans to businesses with gross annual revenues of \$1 million or less. This rate is substantially higher than the 68.3% of businesses in the same revenue category within the assessment area. In 2005, ASB's lending to similar-sized businesses declined to 60.0%, however, the percentage of businesses in the assessment area with gross annual revenues of \$1 million or less declined as well to 65.0%.

The following chart provides a summary of ASB's small business lending distribution based on borrower revenues during the evaluation period:

Distribution of Small Business Loans by Business Revenue Size						
2004						
Revenue Size	Bank				# of Non-Farm Businesses	
	#	%	\$000	%	#	%
\$1million or less	26	78.8	2,485	86.5	2,461	68.3
Over \$1 million	7	21.2	387	13.5		
No Revenue Info	0	0.0	0	0.0		
Total	33	100.0	2,872	100.0	3,603	100.0
2005						
Revenue Size	Bank				# of Non-Farm Businesses	
	#	%	\$000	%	#	%
\$1million or less	15	60.0	1,415	74.6	2,423	65.0
Over \$1 million	10	40.0	482	25.4		
No Revenue Info	0	0.0	0	0.0		
Total	25	100.0	1,897	100.0	3,729	100.0

HMDA-reportable Loans

In 2004, ASB extended 37.5% of its 1-4 family HMDA-reportable loans to LMI borrowers compared to 27.4% extended by the aggregate. In 2005, 1-4 family HMDA-reportable loans originations decreased by 20%, however, ASB's LMI penetration rates increased to 45.3%, exceeding the aggregates' LMI penetration rate of 23.6%. ASB's excellent performance in 1-4 family HMDA-reportable lending during the evaluation period was confirmed by the percentage of LMI families in the assessment area, which is 25.8%.

The following chart provides a summary of ASB's 1-4 family HMDA lending distribution during the evaluation period.

Distribution of 1-4 family HMDA-reportable Loans by Borrower Income Level*								
2004								
Borrower Income Level	Bank				Aggregate			
	#	%	\$000	%	#	%	\$000	%
Low	12	15.0	97	2.0	124	6.1	7,448	3.5
Moderate	18	22.5	775	16.3	432	21.3	33,969	16.2
Middle	26	32.5	1,471	31.0	572	28.2	54,952	26.2
Upper	23	28.8	2,336	49.2	788	38.8	102,242	48.7
NA	1	1.2	71	1.5	114	5.6	11,299	5.4
Total	80	100.0	4,750	100.0	2,030	100.0	209,910	100.0
2005								
Borrower Income Level	Bank				Aggregate			
	#	%	\$000	%	#	%	\$000	%
Low	11	17.2	261	7.5	104	5.2	5,808	2.7
Moderate	18	28.1	720	20.7	372	18.4	30,000	14.0
Middle	20	31.3	950	27.3	604	29.9	59,342	27.6
Upper	13	20.3	1,537	44.2	827	41.0	108,162	50.4
NA	2	3.1	10	0.3	112	5.5	11,307	5.3
Total	64	100.0	3,478	100.0	2,019	100.0	214,619	100.0

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

- **Action Taken In Response to Written Complaints With Respect to CRA**

Since the latest CRA evaluation as of December 31, 2003, neither ASB nor the New York State Banking Department has received any written complaints regarding the bank's CRA performance.

- **Discrimination and other Illegal Practices**

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

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 and fair lending examinations conducted concurrently with this evaluation indicate satisfactory adherence to anti-discrimination and other applicable laws and regulations. No evidence of prohibited discriminatory or other illegal credit practices was noted.

- **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.

ASB ascertains the credit needs of its local community through regular contact and involvement by the members of the board of directors, officers and employees with local government and school officials, local business people, farmers and local not-for-profit organizations and through contact with the general public.

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.

ASB advertises in two local papers, the Alden Advertiser and the Lancaster Bee, through a local radio station and the use of statement stuffer. It also runs advertisements in programs for local events, such as school sport, music and drama events. Advertising has not been specifically directed to low- or moderate-income individuals or geographies.

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 approves ASB's community reinvestments act policy, which is appraised annually. A review of the minutes of the board meetings did not disclose any other participation by the board regarding ASB's CRA performance.

- **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.

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:

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- 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;

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- ❖ 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 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 non-metropolitan median family income.

LMI Borrowers

Borrowers whose income, as reported on the loan application which the lender relied upon in making the credit decision, is less than 80% of the area median family income. In 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 non-metropolitan median family income. In all instances, the area median family incomes used to measure borrower income levels are updated annually by the U.S. Department of Housing and Urban Development (“HUD”).

LMI Individuals/Persons

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 non-metropolitan median family income. In all

instances, the area median family incomes used to measure individual income levels are updated annually by HUD.

LMI Penetration Rate

A number that depicts the percentage of a bank's total loans (for a particular product) that was extended to LMI geographies or borrowers. For example, an LMI penetration rate of 20% would indicate that the bank made 20 out of a total of 100 loans to LMI geographies or borrowers.

Small Business Loans

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