



**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, 2006

Institution: Adirondack Bank
185 Genesee Street
Utica, NY 13501

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.

TABLE OF CONTENTS

	Section
General Information	1
Overview of Institution's Performance	2
Performance Context	3
Institution's Profile	
Assessment Area	
Performance Standards and Assessment Factors	4
Lending Test	
Loan-to-Deposit Analysis	
Assessment Area Concentration	
Geographic Distribution of Loans	
Distribution by Borrowers Characteristics	
Action Taken in Response to Written Complaints	
With Respect to CRA	
Community Development Test	
Discrimination or Other Illegal Practices	
Process Factors	
Other Factors	
Glossary	5

GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (“CRA”) performance of Adirondack Bank (“AB”) 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, 2006.

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 intermediate small banking institutions are primarily based on a review of performance tests and standards described in Sections 76.7 and detailed in Sections 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

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

Lending Test:

- ***Loan-to-Deposit ("LTD") Ratio and Other Lending-Related Activities:*** AB's LTD ratio is considered reasonable in light of the bank's size, financial condition and the credit needs of its assessment area. The AB's average LTD ratio for the prior eight quarters since the previous evaluation ended December 31, 2004, is 68.5%, below the peer group's average of 86.1%.
- ***Assessment Area Concentration:*** AB originated a substantial majority of its lending 94.5% within the assessment area. However, compared to the previous evaluation, level of assessment area concentration ratio constituted a slight decline from 95.1%.
- ***Geographic Distribution of Loans:*** AB's geographic distribution of loans reflects reasonable dispersion of loans to census tracts of various income levels throughout the assessment area. During the evaluation period, of the 485 sampled loans, 13.8% were made in LMI areas.

Small Business

The geographic distribution of small business loans reflects a reasonable dispersion among census tracts of different income levels. During the evaluation period, AB extended 23 loans (16.4%) totaling approximately \$3.7 million (15.7%) in LMI areas.

Residential Loans

The geographic distribution of residential loans reflects a reasonable dispersion among census tracts of different income levels. During the evaluation period, AB extended 11 loans (6.7%) totaling approximately \$756 thousand (6.0%) in LMI areas.

Consumer Loans

The geographic distribution of consumer loans reflects reasonable dispersion among census tracts of different income levels.

- ***Distribution by Borrowers Characteristics:*** AB had an excellent penetration of small business loans among businesses of different sizes, an excellent penetration of consumer loans among individuals of different income levels and a reasonable penetration of HMDA-reportable loans among customers of different income levels.

Small Business

AB's small business lending distribution based on borrower characteristics reflects an excellent penetration among businesses of different sizes. During the evaluation period, AB extended 77.7% of its small business loans to businesses with gross annual revenues of \$1 million or less.

Residential Loans

AB's distribution of HMDA-reportable loans according to borrower characteristics is considered reasonable. During the evaluation period, AB originated 34 loans (20.7%) totaling \$1.5 million to LMI borrowers.

Consumer Loans

AB had an excellent distribution of its consumer loans among customers of different income levels.

Community Development Test:

- AB's community development performance demonstrates adequate responsiveness to the community development needs of its assessment area through community development loans, qualified investments and community development services, as appropriate, considering AB's capacity and the need and availability of such opportunities for community development in AB's assessment area.
- As of the evaluation date, AB had 10 qualified community development loans totaling approximately \$5.0 million. Qualified investments and grants totaled \$223 thousand.

Neither AB 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:

Founded in 1898, AB is a New York State chartered financial institution, primarily serving upstate and Central New York. Headquartered in Utica, New York, AB is a wholly owned subsidiary of Adirondack Bancorp, Inc. a one-bank holding company.

AB operates 17 full-service banking offices in six counties. Seven of the branches, including the main office are in Oneida County; five in Herkimer County; two in Franklin County and one each in Essex, Clinton and Onondaga Counties. Supplementing the banking offices is an Automated-Teller-Machine ("ATM") network consisting of 16 deposit taking machines located in all but one (Charlotte Street branch) of its branch offices. Also, AB has one off-site cash-only dispensing ATM. During the evaluation period, AB closed a branch located in middle-income and opened one in upper-income area. The closing of this branch did not adversely affect the LMI geographies.

AB is a community-oriented bank, which offers a diverse array of competitive deposit and lending products tailored to the needs of the community it serves. These products include secured/unsecured personal loans, small business loans and residential mortgage loans. In addition, AB's Advantage Free Basic Checking and Advantage Free Business Checking offer more favorable terms to its customers.

AB participates in governmentally insured, guaranteed or subsidized programs for small businesses through the Small Business Administration ("SBA") and other government agencies. During the evaluation period, 11 loans for \$1.4 million were originated, and 118 loans totaling \$31.3 million were purchased.

According to the December 31, 2006, Federal Deposit Insurance Corporation ("FDIC") Consolidated Report of Condition ("call report"), AB reported total assets totaling \$446.1 million, of which 65.1% comprised net loans.

AB's loan portfolio is comprised of 49.4% commercial (real estate and industrial), 42% residential and 6.4% consumer loans. Since the previous evaluation, AB's lending in these areas has remained relatively stable, with the exception of consumer lending which declined to 6.4% from 8.3% in 2004.

The following table illustrates AB's loan portfolio, based on Schedule RC-C of year-ends 2005 and 2006 Call Reports:

TOTAL GROSS LOANS OUTSTANDING						
LOAN TYPE	2004		2005		2006	
	\$000	%	\$000	%	\$000	%
1-4 Residential Mortgage Loans	81,063	41.0	104,836	42.0	123,254	42.0
Commercial & Industrial Loans	61,379	31.0	79,724	32.0	98,133	33.4
Commercial Mortgage Loans	36,896	18.6	43,575	17.5	46,955	16.0
Multifamily Mortgages	1,650	0.8	3,019	1.2	3,726	1.3
Consumer Loans	16,501	8.3	16,759	6.7	18,894	6.4
Farmland & Agricultural Loans	0	0.0	0	0.0	0	0.0
Construction Loans	404	0.2	1,415	0.6	2,572	0.9
Other Loans	0	0.0	0	0.0	0	0.0
Obligations of states & municipalities	0	0.0	0	0.0	0	0.0
Total Gross Loans	197,893	100.0	249,328	100.0	293,534	100.0

Market Share

According to the latest available comparative deposit data, dated June 30, 2006¹, AB achieved a market share of 2.4% and ranked 13th out of 31 financial institutions within its assessment area.

Prior Performance Evaluation

At the Banking Department's prior performance evaluation as of December 31, 2004, AB received a rating of "2," indicating a satisfactory record of helping to meet community credit needs under the large bank's performance criteria.

There are no legal or financial impediments affecting AB's ability to meet the credit needs of its assessment area.

Assessment Area:

Details of Assessment Area

AB has delineated Clinton, Essex, Franklin, Fulton, Hamilton, Herkimer, Lewis, Madison, Montgomery, Oneida and Onondaga Counties, as its New York State assessment area. This assessment area includes Herkimer and Oneida in its entirety and portions of the other nine counties.

Clinton, Essex, Franklin, Fulton, Hamilton, Lewis, Montgomery and Onondaga counties

¹ The FDIC compiles its annual Market Share Report based on the bank's deposits as of June 30.

are part of a Non-Metropolitan Statistical Area² (Non-MSA) while Herkimer and Oneida Counties are part of MSA 46540 (Utica-Rome) and Madison County is part of MSA 45060 (Syracuse).

The assessment area consists of 279 census tracts, 31 are low-income, 46 moderate-income, 142 middle-income, 58 upper-income and two tracts with unknown income. The following chart shows the distribution of census tract within the assessment area:

Distribution of Assessment Area Census Tracts by Income Level							
County	Unknown-income	Low	Moderate	Middle	Upper	Total	LMI %
Clinton*	1	0	2	10	3	16	12.5
Essex*	0	0	0	4	0	4	0.0
Franklin*	0	0	0	4	0	4	0.0
Fulton*	0	0	3	7	0	10	30.0
Hamilton*	0	0	0	3	0	3	0.0
Herkimer	0	0	3	16	0	19	15.8
Lewis*	0	0	0	3	0	3	0.0
Madison*	0	0	1	8	2	11	9.1
Montgomery*	0	0	0	4	0	4	0.0
Oneida	1	10	14	32	16	73	32.9
Onondaga*	0	21	23	51	37	132	33.3
Total AA	2	31	46	142	58	279	27.6

* Indicates a partial county

Assessment Area Economic and Demographic Data:

The following is a listing of charts containing important economic and demographic information about each county comprising AB's assessment area. Economic and statistical data used in this evaluation were obtained from various sources. The demographic data are obtained from the 2000 U.S. Census. The 2005 and 2006 updated median family income figures are obtained from the U.S. Department of Housing and Urban Development ("HUD") estimates.

Chart #1: Shows population and income.

Chart #2: Shows housing demographics.

Chart #3: Shows business demographics.

² MSAs are composed of entire counties or county equivalents and have at least one urbanized area with a population of 50,000 more.

Provided in the chart below are the annual unemployment rates for the counties in the assessment area. The state wide, MSA and Non-MSA rates are included for comparisons:

Assessment Area Unemployment Rate		
	Annual 2005	Annual 2006
Statewide	5.0	4.5
Herkimer	5.3	5.0
Oneida	4.8	4.3
MSA 46540	4.9	4.4
Madison*	5.1	4.6
MSA 45060	4.9	4.5
Clinton*	5.0	4.6
Essex*	5.3	5.6
Franklin*	5.9	5.5
Fulton*	5.6	5.3
Hamilton*	5.4	5.4
Lewis*	6.0	5.2
Montgomery*	5.3	5.5
Onondaga*	4.5	4.2
Non-MSA		

* Indicates a partial county

CHART # 1

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	
		#	%	#	%				#	%		#	%	#	%	#	%	#	%	#	%
Clinton**	63,358	7,527	11.9	12,426	19.6	46,518	49,600	23,361	3,550	15.2	15,023	2,693	17.9	2,465	16.4	3,141	20.9	6,724	44.8	708	13.7
Essex**	13,419	1,833	13.7	2,393	17.8	44,034	49,600	4,876	525	10.8	3,043	469	15.4	518	17.0	782	25.7	1,274	41.9	0	0.0
Franklin**	10,706	1,442	13.5	2,076	19.4	43,105	49,600	4,273	598	14.0	2,513	423	16.8	449	17.9	600	23.9	1,041	41.4	0	0.0
Fulton**	37,177	6,434	17.3	7,812	21.0	37,930	49,600	14,920	2,033	13.6	9,655	2,141	22.2	1,993	20.6	2,284	23.7	3,237	33.5	1,361	32.9
Hamilton**	4,049	838	20.7	662	16.3	40,420	49,600	1,825	174	9.5	1,196	213	17.8	260	21.7	284	23.7	439	36.7	0	0.0
Herkimer	64,427	10,844	16.8	13,699	21.3	40,869	52,600	25,740	3,309	12.9	17,210	3,663	21.3	3,489	20.3	4,332	25.2	5,726	33.3	667	9.3
Lewis**	9,377	1,260	13.4	2,265	24.2	38,144	49,600	3,562	528	14.8	2,529	548	21.7	516	20.4	639	25.3	826	32.7	0	0.0
Madison**	47,907	6,164	12.9	10,954	22.9	50,872	59,500	18,364	1,814	9.9	12,716	2,195	17.3	2,519	19.8	3,140	24.7	4,862	38.2	361	7.7
Montgomery**	13,634	2,506	18.4	3,062	22.5	37,945	49,600	5,355	584	10.9	3,647	755	20.7	836	22.9	804	22.0	1,252	34.3	0	0.0
Oneida	235,469	38,753	16.5	49,461	21.0	45,640	52,600	90,507	11,597	12.8	59,378	11,573	19.5	10,451	17.6	13,330	22.4	24,024	40.5	7,552	34.3
Onondaga**	415,217	58,616	14.1	94,116	22.7	52,873	59,500	165,808	21,421	12.9	104,137	21,440	20.6	18,001	17.3	21,707	20.8	42,989	41.3	15,821	40.1
Total A/A*	914,740	136,217	14.9	198,926	21.7	48,288	55,663	358,591	46,133	12.9	231,047	46,113	20.0	41,497	18.0	51,043	22.1	92,394	40.0	26,470	30.2

* Assessment Area

** Partial County

Adirondack Bank
CRA Evaluation as of
December 31, 2006

CHART # 2

ASSESSMENT AREA HOUSING CHARACTERISTICS BY COUNTY																			
COUNTY	Total	1-4 family		Multifamily		Owner-Occupied		O-O Units in		O-O Units in		O-O Units in		O-O Units in		Rental		Vacant/	
	Housing Units	Units		Units		Units (O-O)		Low-income Tracts		Mod-income Tracts		Mid-income Tracts		Upp-income Tracts		Units		Boarded-up Units	
		#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%
Clinton**	26,094	23,064	88.4	3,030	11.6	15,441	59.2	0	0.0	1,014	6.6	10,901	70.6	3,527	22.8	8,615	33.0	2,775	10.6
Essex**	6,857	6,085	88.7	772	11.3	3,251	47.4	0	0.0	0	0.0	3,251	100.0	0	0.0	1,994	29.1	1,992	29.1
Franklin**	7,221	6,491	89.9	730	10.1	2,712	37.6	0	0.0	0	0.0	2,712	100.0	0	0.0	1,782	24.7	2,988	41.4
Fulton**	18,573	17,445	93.9	1,128	6.1	9,966	53.7	0	0.0	2,170	21.8	7,796	78.2	0	0.0	5,556	29.9	3,656	19.7
Hamilton**	6,731	6,691	99.4	40	0.6	1,423	21.1	0	0.0	0	0.0	1,423	100.0	0	0.0	549	8.2	4,926	73.2
Herkimer	32,026	29,959	93.5	2,067	6.5	18,318	57.2	0	0.0	1,024	5.6	17,294	94.4	0	0.0	8,376	26.2	6,292	19.6
Lewis**	5,781	5,644	97.6	137	2.4	2,820	48.8	0	0.0	0	0.0	2,820	100.0	0	0.0	909	15.7	2,222	38.4
Madison**	19,924	18,310	91.9	1,614	8.1	13,587	68.2	0	0.0	524	3.9	11,236	82.7	1,827	13.5	5,246	26.3	1,544	7.7
Montgomery**	5,942	5,571	93.8	371	6.2	3,768	63.4	0	0.0	0	0.0	3,768	100.0	0	0.0	1,824	30.7	587	9.9
Oneida	102,803	91,911	89.4	10,892	10.6	60,808	59.2	2,092	3.4	6,391	10.5	34,393	56.6	17,932	29.5	34,388	33.5	12,307	12.0
Onondaga**	179,502	143,144	79.7	36,358	20.3	103,605	57.7	3,937	3.8	9,791	9.5	50,207	48.5	39,681	38.3	70,010	39.0	13,887	7.7
Total A/A*	411,454	354,315	86.1	57,139	13.9	235,699	57.3	6,034	2.6	20,907	8.9	145,803	61.9	62,955	26.7	139,249	33.8	53,176	12.9

* Assessment Area

◇ Indicates a partial county

Adirondack Bank
CRA Evaluation as of
December 31, 2006

CHART # 3

BUSINESS DEMOGRAPHICS BY COUNTY											
COUNTY	Number of Businesses	Businesses with Rev. of \$1 million or less		Businesses with Rev. of more than \$1 million		Businesses with no revenues reported		Businesses with less than 50 employees		Operating from a single location	
		#	%	#	%	#	%	#	%	#	%
Clinton**	4,397	2,349	53.4	242	5.5	1,806	41.1	2,935	66.8	3,757	85.4
Essex**	1,237	785	63.5	44	3.6	408	33.0	901	72.8	1,092	88.3
Franklin**	853	506	59.3	36	4.2	311	36.5	608	71.3	734	86.0
Fulton**	2,474	1,522	61.5	128	5.2	824	33.3	1,823	73.7	2,113	85.4
Hamilton**	486	307	63.2	22	4.5	157	32.3	374	77.0	428	88.1
Herkimer	3,915	2,253	57.5	150	3.8	1,512	38.6	2,637	67.4	3,471	88.7
Lewis**	629	330	52.5	14	2.2	285	45.3	375	59.6	589	93.6
Madison**	3,107	1,918	61.7	104	3.3	1,085	34.9	2,209	71.1	2,753	88.6
Montgomery**	880	509	57.8	28	3.2	343	39.0	596	67.7	775	88.1
Oneida	14,493	8,882	61.3	771	5.3	4,840	33.4	10,588	73.1	12,500	86.2
Onondaga**	30,281	19,441	64.2	2,048	6.8	8,792	29.0	23,545	77.8	25,603	84.6
Total A/A*	62,752	37,036	59.0	3,587	20.0	20,363	32.4	46,591	74.2	53,815	85.8

* Assessment Area;

** Partial County

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

AB's performance was evaluated according to the intermediate 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; (5) Action Taken in Response to Written Complaints Regarding CRA and (6) Community Development Activities.

The assessment period included calendar years 2005 and 2006. Examiners considered small business, HMDA-type and consumer lending in evaluating factors (2), (3) and (4).

A statistical sample of 513 loans, comprised of small business, HMDA-type and consumer loans totaling \$49.9 million was taken to determine the assessment area concentration, geographic and borrower's distribution of AB's lending activities.

Statistics utilized in this evaluation were derived from various sources¹. In the evaluation, number volumes are the primary factors used to weigh AB's performance, evaluate trends and draw comparisons.

I. Lending Test – “Satisfactory”

- **Loan-to-Deposit Ratio Analysis: “Satisfactory”**

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

AB's average LTD ratio for the prior eight quarters since the previous evaluation ended December 31, 2004, was 68.5%, below the peer group's average of 86.2%. The peer group includes all FDIC insured commercial banks having assets between \$300 million and \$1 billion.

The following table shows the loan-to-deposit ratios for the eight quarters since the previous evaluation. These ratios were calculated from information shown in the Uniform Bank Performance Report (“UBPR”) prepared by the FDIC.

Loan-to-Deposit Ratio Analysis									
	2005 (Q1)	2005 (Q2)	2005 (Q3)	2005 (Q4)	2006 (Q1)	2006 (Q2)	2006 (Q3)	2006 (Q4)	Average LTD
Bank	58.48	64.16	66.56	69.14	69.54	73.71	72.24	73.79	68.45
Peer	84.87	86.00	85.89	85.43	85.54	87.00	87.60	86.83	86.15

¹ Information submitted by the institution, Federal Financial Examination Council (“FFIEC”) and PCI Services, Inc. CRA Wiz, an external vendor.

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

AB originated a substantial majority of its lending within its assessment area. Of the total loans originated during the evaluation period, 94.5% were extended inside its assessment area.

The following table depicts the distribution of loans inside and outside the assessment area during the evaluation period:

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
	#	%	#	%		\$	%	\$	%	
Small Business*										
2005	65	90.3	7	9.7	72	11,807	95.7	527	4.3	12,334
2006	75	90.4	8	9.6	83	11,871	91.8	1,056	8.2	12,927
Sub-Total	140	90.3	15	9.7	155	23,678	93.7	1,583	6.3	25,261
HMDA-Type*										
2005	85	93.4	6	6.6	91	6,772	92.9	520	7.1	7,292
2006	79	98.8	1	1.3	80	5,838	98.7	75	1.3	5,913
Sub-Total	164	95.9	7	4.1	171	12,610	95.5	595	4.5	13,205
Consumer*										
2005	71	95.9	3	4.1	74	784	79.8	198	20.2	982
2006	110	97.3	3	2.7	113	2,107	90.4	225	9.6	2,332
Sub-Total	181	96.8	6	3.2	187	2,891	87.2	423	12.8	3,314
Total	485	94.5	28	5.5	513	39,179	93.8	2,601	6.2	41,780

* Loan Sample

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

AB’s overall geographic distribution of loans is reasonable given the demographics of its assessment area. During the evaluation period, 13.8% of the total loans originated were made in LMI areas.

Small Business Loans

The geographic distribution of AB’s small business loans reflects a reasonable dispersion among census tracts of different income levels. During the evaluation period, AB extended 23 loans (16.4%) totaling approximately \$3.7 million (15.7%) in LMI areas.

In 2005, AB’s distribution of loans in low-income areas declined to five loans (7.7%), and to nine loans (13.8%) in moderate-income areas compared to the previous evaluation when loans in low and moderate-income areas totaled 12 (16.0%) and 10 (13.3%) respectively.

Although AB’s small business originations increased by ten loans in 2006, its

penetration rate in low-income areas decreased to 4.0% and to 8.0% in moderate-income areas. These percentages are lower than the number of businesses located in low and moderate-income geographies in its assessment area.

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

Distribution of Small Business Loans by Geography Income Level*						
2005						
Geography	Bank				Distribution of Businesses	
Income Level	#	%	\$000's	%	#	%
Low	5	7.7	1,913	16.2	7,372	12.8
Moderate	9	13.8	654	5.5	6,515	11.3
Middle	42	64.6	7,743	65.6	30,873	53.5
Upper	9	13.8	1,497	12.7	12,923	22.4
NA	0	0.0	0	0.0	30	0.1
Total	65	100.0	11,807	100.0	57,713	100.0
2006						
Geography	Bank				Distribution of Businesses	
Income Level	#	%	\$000's	%	#	%
Low	3	4.0	549	4.6	7,296	12.0
Moderate	6	8.0	596	5.0	6,721	11.0
Middle	58	77.3	9,759	82.2	33,327	54.8
Upper	8	10.7	967	8.1	13,483	22.2
NA	0	0.0	0	0.0	29	0.0
Total	75	100.0	11,871	100.0	60,856	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-Type Loans

The geographic distribution of HMDA-type loans reflects a reasonable dispersion among census tracts of different income levels. During the evaluation period, AB extended 11 loans (6.7%) totaling approximately \$756 thousand (6.0%) in LMI areas.

In 2005, AB extended 1.2% of its total loans in low-income areas and 7.1% in moderate-income areas. These ratios were lower than the aggregate's 2.5% and 9.0%, respectively.

In 2006, AB made 1.3% of its total loans in low-income geographies and 3.8% in moderate-income geographies. These penetration ratios are below the percentages of owner occupied units located in low- and moderate-income areas.

The following chart provides a summary of AB's HMDA-type lending distribution during the evaluation period:

Distribution of HMDA-Reportable Loans by Geographic Income Level*								
2005								
Geography	Bank				Aggregate			
Income Level	#	%	\$000	%	#	%	\$000	%
Low	1	1.2	4	0.1	684	2.5	44,577	1.8
Moderate	6	7.1	462	6.8	2,462	9.0	139,632	5.8
Middle	65	76.5	4,974	73.4	16,471	60.2	1,330,941	54.9
Upper	13	15.3	1,332	19.7	7,729	28.3	906,469	37.4
N/A	0	0.0	0	0.0	9	0.0	2,399	0.1
Total	85	100.0	6,772	100.0	27,355	100.0	2,424,018	100.0
2006								
Geography	Bank				Owner Occupied units			
Income Level	#	%	\$000	%	#	%		
Low	1	1.3	120	2.1	6,034	2.6		
Moderate	3	3.8	170	2.9	20,907	8.9		
Middle	58	73.4	3,497	59.9	145,803	61.9		
Upper	17	21.5	2,051	35.1	62,955	26.7		
N/A	0	0.0	0	0.0	0	0.0		
Total	79	100.0	5,838	100.0	235,699	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 least 120%.

Consumer Loans

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

In 2005, AB did not originate any consumer loan in low-income geographies. However, AB increased its loan originations in moderate-income areas to 14.1% from 9.7% in 2004.

In 2006, 2.7% of the total loans were originated in low-income areas and 9.1% were made in moderate-income areas. AB's ratios in both low and moderate-income areas are approximately five percentage points lower, compared to the distribution of households within its assessment area.

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

Distribution of Consumer Loans by Geography Income Level*						
2005						
Geography	Bank				Distribution of Households	
Income Level	#	%	\$000's	%	#	%
Low	0	0.0	0	0.0	27,979	7.8
Moderate	10	14.1	57	7.3	49,738	13.9
Middle	52	73.2	572	73.0	201,867	56.3
Upper	9	12.7	155	19.8	78,998	22.0
NA	0	0.0	0	0.0	9	0.0
Total	71	100.0	784	100.0	358,591	100.0
2006						
Geography	Bank				Distribution of Households	
Income Level	#	%	\$000's	%	#	%
Low	3	2.7	185	8.8	27,979	7.8
Moderate	10	9.1	151	7.2	49,738	13.9
Middle	84	76.4	1,467	69.6	201,867	56.3
Upper	13	11.8	304	14.4	78,998	22.0
NA	0	0.0	0	0.0	9	0.0
Total	110	100.0	2,107	100.0	358,591	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%.

- **Distribution by Borrower Characteristics: “Outstanding”**

The overall distribution of AB’s loans among businesses of different sizes and individuals of different income levels is excellent given the demographics of its assessment area.

Small Business

AB’s small business lending distribution based on borrower characteristics reflects an excellent penetration among businesses of different sizes. During the evaluation period, AB extended 72.1% of small business loans to businesses with gross annual revenues of \$1 million or less.

In 2005, AB extended 51 loans (78.5%) totaling \$8.7 million (73.8%) to businesses with revenues of \$1 million or less, an increase from the 50.7% extended in 2004. This ratio is well above the percentage of businesses with the same revenue size in its assessment area.

In 2006, although AB’s penetration of loans to businesses with revenues of \$1 million or less declined to 66.7%, the ratio still compares favorably, considering that 60.9% of businesses in its assessment area reported revenues of \$1 million or less.

The following charts provide a summary of AB’s small business lending distribution based on borrower revenues and on loan size. For comparison, businesses by revenue size are also provided:

Distribution of Small Business Loans by Business Revenue Size						
2005						
Revenue Size	Bank				Businesses by Revenue Size	
	#	%	\$000's	%	#	%
\$1 million or less	51	78.5	8,719	73.8	35,375	61.3
Over \$1 million	14	21.5	3,088	26.2	3,466	6.0
Revenue Not Known	0	3.4	0	0.0	18,872	32.7
Total	65	100.0	11,807	100.0	57,713	100.0
2006						
Revenue Size	Bank				Businesses by Revenue Size	
	#	%	\$000's	%	#	%
\$1 million or less	50	66.7	4,172	35.1	37,036	60.9
Over \$1 million	25	33.3	7,699	64.9	3,506	5.8
Revenue Not Known	0	0.0	0	0.0	20,314	33.4
Total	75	100.0	11,871	100.0	60,856	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. 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%.

HMDA-Type Loans

AB's distribution of HMDA-type loans according to borrower characteristics is reasonable given the demographics of its assessment area. During the evaluation period, AB originated 34 loans (20.7%) totaling \$1.5 million to LMI borrowers.

In 2005, AB originated 4.7% of its HMDA-type loans to low-income borrowers and 18.8% to moderate-income borrowers. In 2006, AB's penetration of HMDA-type loans among low-income borrowers decreased to 1.3% and decreased to 16.5% for moderate-income borrowers.

The following chart provides a summary of the distribution of AB's HMDA-type lending based on borrower income level during the evaluation period:

Distribution of HMDA-Reportable Loans by Borrower Income Level*								
Geography Income Level	2005							
	Bank				Aggregate			
	#	%	\$000	%	#	%	\$000	%
Low	4	4.7	36	0.5	2,245	8.2	103,272	4.3
Moderate	16	18.8	796	11.8	5,932	21.7	362,814	15.0
Middle	22	25.9	1,480	21.9	7,425	27.1	558,112	23.0
Upper	42	49.4	4,457	65.8	10,676	39.0	1,199,797	49.5
N/A	1	1.2	3	0.0	1,077	3.9	200,023	8.3
Total	85	100.0	6,772	100.0	27,355	100.0	2,424,018	100.0
Geography Income Level	2006							
	Bank							
	#	%	\$000	%				
Low	1	1.3	80	1.4				
Moderate	13	16.5	585	10.0				
Middle	23	29.1	1,145	19.6				
Upper	39	49.4	3,548	60.8				
N/A	3	3.8	480	8.2				
Total	79	100.0	5,838	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%.

Consumer Loans

AB had an excellent distribution of its consumer loans among customers of different income levels.

In 2005, of the 71 sampled consumer loans, 12 loans (16.9%) were extended to low-income borrowers and 22 loans (31.0%) were extended to moderate-income borrowers. These ratios compare favorably to the 20.0% of low-income families and the 18.0% of moderate-income families in its assessment area.

In 2006, AB's penetration ratios of loans to low-income borrowers increased to 23.6%, while its penetration ratio to moderate-income borrowers slightly declined to 22.7%. AB's LMI penetration ratio remained well above the percentage of LMI families in its assessment area.

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

Distribution of Consumer Loans by Borrower Income*								
Borrower Income Level	2005				2006			
	#	%	\$000	%	#	%	\$000	%
Low	12	16.9	71	9.1	26	23.6	226	10.7
Moderate	22	31.0	186	23.7	25	22.7	303	14.4
Middle	17	23.9	204	26.0	33	30.0	597	28.3
Upper	20	28.2	323	41.2	26	23.6	981	46.6
N/A	0	0.0	0	0.0	0	0.0	0	0.0
Total	71	100.0	784	100.0	110	100.0	2,107	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. 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, 2004, neither AB nor the New York State Banking Department has received any written complaints regarding its CRA performance.

II. Community Development Test - "Satisfactory"

AB demonstrates an adequate responsiveness to the community development needs of its assessment area, with \$5.2 million in community development loans and qualified investments. During the evaluation period, AB provided an adequate level of community development services in its assessment area.

The following are examples of AB's community development lending, investments and service activities:

Qualified Community Development Loans

As of the evaluation date, AB had 10 qualified community development loans totaling approximately \$5.0 million. The following are examples of qualified community development loans offered by AB:

- AB extended \$3.8 million loan to Resource Center for Independent Living, a not for profit organization, which promotes equal access and integration for people with disabilities. Of this amount, \$2.6 million was extended as a commercial mortgage loan which will facilitate the growth of the organization's programs in the Utica office, specifically, the Elderly Services Department and \$1.2 million was a renewal of a working capital line of credit.
- A \$250,000 working line of credit was extended to The House of Good Shepherd, a not for profit organization, which provides long and short term nursing home rehabilitation programs. The organization serves primarily LMI individuals.
- AB originated two term loans totaling \$250 thousand to Valley Health Service, a not for profit organization, whose purpose is to provide residential treatment and special

education services to children and their families, particularly LMI individuals.

- AB extended \$440,000 as part of a \$4.3 million participation loan to an aircraft company. The loan was used for relocation expenses, which will contribute to the economic development by bringing the industry to a recently closed air force base, now an Empire Development Zone. As of December 31, 2006, the loan had an outstanding balance of \$245,000.
- Two loans totaling \$235,000 were extended to Covenant Housing Corp of NY, a not for profit organization, which provides affordable housing for people with disabilities. The program operates both rental and home ownership programs.

Qualified Investment

AB's qualified investments including grants, totaled \$223,000, of which \$154,600 were investments in municipal bonds of the Town of Lewis and the Village of St. Johnsville, both located in designated economically distressed areas.

AB made donations and grants totaling \$68.4 thousand to a number of institutions and non-profit organizations in its assessment area, which include but are not limited to the following:

- Catholic Charities – is not for profit that delivers human services in Herkimer County. Some of the programs offered by this organization include clinical counseling, domestic violence, drug abuse, runaway and homeless youth programs.
- FHLBNY
- House of Good Shepherd – a not for profit corporation, which provides residence, special education services to children, operates group homes and foster care services.
- United Way of Utica
- Valley Health Services – a not for profit nursing home, which provides long and short term rehabilitation.

Community Development Services

AB provided community development services which benefited its assessment area. AB actively organizes and participates in community development services by sponsoring and partnering with not-for-profit organizations and government agencies.

During the evaluation period, AB's officer participated with NYBDC in assisting small business applicants. AB's employees provided a reasonable level of community services in the form of technical assistance during the evaluation period. In addition, senior management and officers serve on the board and loan committees of various community development organizations, which include the following:

- The marketing manager, regional president and senior vice president participated and prepared materials for the seminar in the "Get Smart Credit– Freddie Mac program for

first time home buyers.

- An assistant vice president serves on the loan committee of Syracuse Home Headquarters, which provides loans and down payment assistance to low-income families in Syracuse.
- A senior vice president is chairman of the board of Rome Empire Zone, which provides businesses in the designated Rome Empire Zone tax incentives based on job creation and economic investment.
- A senior vice president serves on the board of Rome Industrial Development Corporation. Its mission is to maintain and improve the economic vitality and quality of life in the City of Rome by supporting, nurturing and encouraging its commercial, industrial and financial development.
- A senior vice president serves on the loan committee of Mohawk Valley EDGE, which promotes the economic development needs of businesses in the greater Oneida County area.

- **Discrimination and other Illegal Practices**

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.

AB ascertains the credit needs of its community through its involvement in various organizations. AB is a member of the Home Builders Association of the Mohawk Valley, Realtor Associations, Chambers of Commerce- Utica, DUDA (Utica Downtown Urban Development Association) and economic development organizations such as AEDC (Adirondack Economic Development Corporation). On a monthly basis, AB's mortgage originators meet with area real estate professionals to discuss community credit needs and review its lending programs/products.

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.

AB advertises its programs through local newspapers as well as the Pennysaver, a free

periodical distributed in urban and rural areas. In addition, AB advertises mortgage products in the Utica Phoenix newspaper, a paper that serves the city and Cornhill section of Utica, a LMI area.

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.

Usually, the board discusses CRA activities annually. However, since AB's CRA officer position has been vacant, the CRA performance has not been presented to the board.

- **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.

AB was selected to receive one of six New York State Employer Recognition awards from Governor George Pataki and the New York State Board of Regents for its involvement with the "Drive to Success Program." The program was designed to help people with disabilities obtain credit to purchase cars/vans, thus advancing their employment opportunities.

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 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.