



**NEW YORK STATE
DEPARTMENT OF FINANCIAL SERVICES
FINANCIAL FRAUDS AND CONSUMER PROTECTION DIVISION**

One State Street
New York, NY 10004

PUBLIC SUMMARY

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Date of Evaluation: December 31, 2012

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 Department of Financial Services 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 Profile	
Assessment Area	
Demographic & Economic Data	
Community Information	
Performance Standards and Assessment Factors	4
Lending Test	
Loan-to-Deposit Ratio and Other Lending-Related Activities	
Assessment Area Concentration	
Distribution by Borrower Characteristics	
Geographic Distribution of Loans	
Action Taken in Response to Written Complaints With Respect to CRA	
Community Development Test	
Community Development Loans	
Community Development Investments	
Community Development Services	
Additional 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 Department of Financial Services (the “Department” or “DFS”). This evaluation represents the Department’s current assessment and rating of the institution’s CRA performance based on an evaluation conducted as of December 31, 2012.

Section 28-b of the New York Banking Law, as amended, requires that when evaluating certain applications, the Superintendent of Financial Services 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 Superintendent implements Section 28-b and further requires that the 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 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 (“Evaluation”) be made available to the public. Evaluations of banking institutions are primarily based on a review of performance tests and standards described in Section 76.7 and detailed in Sections 76.8 through 76.13. The tests and standards incorporate the 12 assessment factors contained in Section 28-b of the New York 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

Adirondack Bank ("AB") is evaluated according to the intermediate small bank performance criteria pursuant to Part 76.7 and Part 76.12 of the General Regulations of the Superintendent. This assessment period included calendar years 2009, 2010, 2011 and 2012. AB is rated "2," indicating a "Satisfactory" record of helping to meet community credit needs.

The rating is based on the following factors:

Lending Test: "Satisfactory"

- **Loan-to-Deposit ("LTD") Ratio and Other Lending-Related Activities:** "Satisfactory"

AB's average LTD ratio was reasonable considering its size, business strategy, financial condition and peer group activity.

- **Assessment Area Concentration:** "Outstanding"

During the evaluation period, AB originated 93.6% by number and 92.0% by dollar value of its HMDA-reportable, small business and consumer loans within its assessment area. This substantial majority of lending inside of its assessment area is an excellent record of lending.

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

The distribution of loans based on borrower characteristics demonstrated a reasonable penetration rate of lending among individuals of different income levels and businesses of different revenue sizes.

- **Geographic Distribution of Loans:** "Satisfactory"

The distribution of loans based on lending in census tracts of varying income levels demonstrated a reasonable penetration rate of lending.

- **Action Taken in Response to Written Complaints with Respect to CRA**

Since the last CRA evaluation as of December 31, 2008, neither AB nor DFS has received any written complaints regarding AB's CRA performance.

Community Development Test (Loans, Investments, Services): “Satisfactory”

AB’s community development performance demonstrated adequate responsiveness to the community development needs of its assessment area through community development loans, investments and services, considering AB’s capacity, and the need and availability of such opportunities for community development in its assessment area.

- **Community Development Loans: “Satisfactory”**

During the evaluation period, AB originated \$16.2 million in new community development loans and had \$1.3 million outstanding from prior evaluation periods. This demonstrated an adequate level of community development lending over the course of the evaluation period. On an annualized basis, AB’s community development loans represented 0.75% of its assets.

- **Community Development Qualified Investments: “Satisfactory”**

During the evaluation period, AB made \$1.1 million in new community development investments and had \$15,000 outstanding from prior evaluation periods. In addition, AB made \$470,000 in community development grants. In total, AB’s community development investments totaled \$1.6 million which represented 0.3% of AB’s total assets. This demonstrated an adequate level of community development investments over the course of the evaluation period

- **Community Development Services: “Outstanding”**

AB demonstrated an excellent level of community development services over the course of the evaluation period. AB’s management actively seeks opportunities to help LMI individuals or small businesses with financial counseling and education. AB reaches out to the leaders of communities especially in inner city neighborhoods to help change the perspective of the communities regarding banking and finance.

- **Responsiveness to Credit and Community Development Needs**

AB demonstrated an adequate level of responsiveness to credit and community development needs.

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

PERFORMANCE CONTEXT

Institution Profile

AB is a commercial bank, the wholly-owned sole subsidiary of Adirondack Bancorp, Inc. AB was state-chartered in 2003. AB's history dates to 1898 when it was Saranac Lake Co-Operative Savings and Loans Association. AB is headquartered in Utica, NY and primarily serves the communities of the northern parts of New York.

Per the Consolidated Report of Condition (the "Call Report") as of December 31, 2012, filed with the Federal Deposit Insurance Corporation ("FDIC"), AB reported total assets of \$586.2 million, of which \$360.6 million were net loans and lease finance receivables. It also reported total deposits of \$488.6 million, resulting in a loan-to-deposit ratio of 73.8%. According to the latest available comparative deposit data as of June 30, 2013, AB had a market share of 2.99%, or \$515.9 million in a market of \$17.2 billion, ranking it 13th among 26 deposit-taking institutions in the 11 counties of AB's assessment area.

The following is a summary of AB's loan portfolio, based on Schedule RC-C¹ of the bank's December 31, 2009, 2010, 2011 and 2012 Call Reports:

TOTAL GROSS LOANS OUTSTANDING								
Loan Type	2009		2010		2011		2012	
	\$000's	%	\$000's	%	\$000's	%	\$000's	%
1-4 Family Res. Mortgages	131,701	42.0	124,659	39.8	128,888	38.7	147,041	40.2
Commercial & Industrial	64,070	20.5	77,087	24.6	86,652	26.0	88,566	24.2
Commercial Mortgages	87,444	27.9	90,966	29.0	95,038	28.6	101,871	27.9
Multifamily Mortgages	6,832	2.2	5,125	1.6	6,140	1.8	10,614	2.9
Consumer Loans	19,821	6.3	14,309	4.6	12,114	3.6	12,263	3.4
Construction Loans	3,398	1.1	1,817	0.6	3,942	1.2	5,059	1.4
Total Gross Loans	313,266		313,963		332,774		365,414	

As illustrated in the above chart, AB is primarily a real estate lender, with 71.0% of its loan portfolio in real estate, of which 43.1% is in residential and multi-family real estate and 27.9% in commercial mortgages, followed by commercial and industrial lending at 24.2%.

AB operates 18 banking offices located in the following counties: eight are in Oneida, five in Herkimer, two in Franklin and one each in Essex, Clinton and Onondaga counties.

Except for a limited facility (Charlotte drive-up) in Utica, Oneida County, all branches

¹ Total Gross Loans outstanding should be the amount as indicated on Lines 1 through 10.

are supplemented by automated teller machines (“ATMs”). AB also has one off-site ATM located at the campus of Utica College in an unknown income tract. All ATMs have deposit-taking capabilities except the Saranac and Utica College locations.

There are no known financial or legal impediments that had an adverse impact on AB’s ability to meet the credit needs of its community.

Assessment Area

AB’s assessment area is comprised of Herkimer and Oneida counties in its their entirety and parts of the following counties: Clinton, Essex, Franklin, Fulton, Hamilton, Lewis, Madison and Onondaga. In 2012, AB added the eight census tracts of Madison County to its assessment area.

There are 277 census tracts in the area, of which 34 are low-income, 50 are moderate-income, 116 are middle-income, 69 are upper-income and 8 are tracts with no income indicated.

Assessment Area Census Tracts by Income Level									
County	N/A	Low	Mod	Middle	Upper	Total	LMI %	Dis-tressed & Under-served	LMI & Dis-tressed %
Clinton*	1	0	4	5	6	16	25.0		25%
Essex*	0	0	0	3	1	4	0.0		0%
Franklin*	0	0	0	3	1	4	0.0		0%
Fulton*	0	1	2	7	0	10	30.0		30%
Hamilton*	0	0	0	2	1	3	0.0	2	67%
Herkimer	0	1	1	17	0	19	10.5		11%
Lewis*	0	0	0	3	0	3	0.0		0%
Madison*	0	0	1	7	0	8	12.5		13%
Montgomery*	0	0	2	2	0	4	50.0		50%
Oneida	6	7	14	28	19	74	28.4		28%
Onondaga*	1	25	26	39	41	132	38.6		39%
Total	8	34	50	116	69	277	30.3	2	31%

**Partial County*

The assessment area appears reasonable based upon the location of AB’s offices and its lending patterns. There is no evidence that LMI areas have been arbitrarily excluded.

Demographic & Economic Data

The assessment area had a population of 925,546 during the examination period. About 14.7% of the population were over the age of 65 and 19.3% were under the age of 16.

Of the 230,112 families in the assessment area, 12.3% were low-income, 18.1% were moderate-income, 41.9% were middle-income and 24.9% were upper-income families. There were 364,980 households in the assessment area, of which 13.6% had income below the poverty level and 3.0% were on public assistance.

The weighted average of the median family income within the assessment area was \$62,363.

There were 423,279 housing units within the assessment area, of which 86.2% were one- to four-family units, and 13.8% were multifamily units. A majority (57.7%) of the area's housing units were owner occupied, while 28.6% were rental units. Of the 244,041 owner occupied housing units, 15.1% were in low- and moderate-income census tracts while 84.9% were in middle- and upper-income census tracts. The median age of the housing stock was 55 years and the median home value in the assessment area was \$114,773.

There were 72,562 non-farm businesses in the assessment area. Of these, 71.1% were businesses with reported revenues of less than or equal to \$1 million, 4.8% reported revenues of more than \$1 million and 23.4% did not report their revenues. Of all the businesses in the assessment area, 81.3% were businesses with less than fifty employees while 89.7% operated from a single location. The largest industries in the area were services (46.1%), followed by retail trade (13.8%) and construction (6.9%); 12.1% of businesses in the assessment area were not classified.

According to the New York State Department of Labor, the average unemployment rate for New York State peaked in 2010 at 8.6%, easing in 2011 to 8.3% but inching back up to 8.5% in 2012. The economic downturn of 2007-2009 was evident across the board during the evaluation period, with three counties showing double-digit unemployment rates: Fulton at 10.6%, Montgomery at 10.4%, and Lewis at 10.1%.

Assessment Area Unemployment Rate				
	2009	2010	2011	2012
New York State	8.4	8.6	8.3	8.5
Clinton*	9.4	10.3	10.0	9.9
Essex*	9.2	9.5	9.4	9.9
Franklin*	8.6	9.1	9.2	9.7
Fulton*	9.7	10.2	10.1	10.6
Hamilton*	7.6	8.4	8.2	8.6
Herkimer	8.1	8.5	8.6	9.0
Lewis*	8.9	9.3	9.8	10.1
Madison*	8.2	8.3	8.3	8.7
Montgomery*	9.6	10.0	10.0	10.4
Oneida	7.5	7.9	8.3	8.6
Onondaga*	7.7	8.2	7.8	8.1

*Partial County

Additional Assessment Area and Community Information

The Adirondack Park is the largest park in the lower 48 states spanning more than six million acres. The park boundary contains the entire Adirondack Mountain range, as well as the surrounding areas, all within the state of New York. Six of AB's assessment area counties are partially in the park, while Hamilton and Essex counties lie entirely within the park.

Two nonprofit community organizations were interviewed for this evaluation and observed that AB is proactive in the community. One is a faith-based organization that provides community services to everyone who needs help, and the other focuses on creating sustainable neighborhoods through affordable housing. This organization mentioned a need for more flexible underwriting standards for first-time homebuyers and LMI individuals.

AB participates in both organizations, and noted a need for financial education, especially in one of the neighborhoods in Utica that is known for its poverty, blighted streets and where rental properties are run by absentee landlords. In one organization that is deeply rooted in this neighborhood, AB conducted tours of its branches and discussed its products and services to help build a foundation for a better relationship between the bank and the community. To foster this relationship further, AB designated an advisory committee for the community project funding.

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

AB was evaluated under the intermediate small banking institution's performance standards in accordance with Parts 76.7 and 76.12 of the General Regulations of the Superintendent of Financial Services. AB's performance was evaluated according to the intermediate small bank performance criteria, which consists of the lending test and the community development test. The lending test includes:

- 1. Loan-to-deposit ratio and other lending related activities;*
- 2. Assessment area concentration;*
- 3. Distribution by borrower characteristics;*
- 4. Geographic distribution of loans; and*
- 5. Action taken in response to written complaints regarding CRA*

The community development test includes:

- 1. Community development lending;*
- 2. Community development investments;*
- 3. Community development services; and*
- 4. Responsiveness to community development needs*

The following factors also were considered in assessing AB's record of performance:

- 1. Extent of participation by the board of directors or board of trustees in formulating CRA policies and reviewing CRA performance;*
- 2. Any practices intended to discourage credit applications,*
- 3. Evidence of prohibited discriminatory or other illegal credit practices;*
- 4. Record of opening and closing offices and providing services at offices; and*
- 5. Process factors, such as activities to ascertain credit needs and the extent of marketing and special credit related programs*

Statistics employed in this evaluation were derived from various sources. Bank-specific information was submitted by the bank both as part of the examination process and on its Call Report submitted to the Federal Deposit Insurance Corporation ("FDIC"). Aggregate lending data was obtained from the Federal Financial Institutions Examination Council ("FFIEC") and deposit data was obtained from the FDIC. Loan-to-deposit ratios were calculated from information shown in the bank's Uniform Bank Performance Report ("UBPR") as submitted to the FDIC.

The demographic data referred to in this report was derived from the 2010 U.S. Census and HUD. Business demographic data used in this report is based on Dun & Bradstreet reports which are updated annually. Unemployment data were obtained from the New York State Department of Labor. Some non-specific bank data is only available on a county-wide basis, and is used even where the institution's assessment area includes partial counties.

The evaluation period included calendar years 2009, 2010, 2011 and 2012 for HMDA, small business and consumer loans. For community development activities, the assessment period also included the three quarters of 2013 ending September 30, 2013.

The examiners considered AB's small business, HMDA-reportable, and consumer loans in evaluating factors (2), (3) and (4) of the lending test noted above.

Small business loan aggregate data are shown for comparative purposes. AB is not required to report this data. As such AB is not included in the aggregate data. Since AB did not make any small farm loans, all analyses were based on small business lending only.

At AB's request, consumer data were evaluated. Aggregate consumer data are not available for comparative purposes. Therefore, consumer data were compared to the demographics of the assessment area overall.

HMDA-reportable, small business and consumer loan data evaluated in this performance evaluation represented actual originations. Small business results were extrapolated from a total random sample of 247 loans; and for consumer loans, a total random sample of 332 loans was used for extrapolation.

HMDA-reportable lending and consumer lending were given greater weight in this evaluation, as they represented 59.6% and 21.2%, respectively, in dollar value of the total loans submitted, followed by small business loans at 19.2%. Considering the number of loans made by AB, for HMDA-reportable, consumer and small business loans represented 29.2%, 60.3% and 10.5%, respectively.

At its **prior** Performance Evaluation as of December 31, 2008, DFS assigned AB a rating of "2," reflecting a "Satisfactory" record of helping to meet community credit needs.

Current CRA Rating: "Satisfactory"

Lending Test: "Satisfactory"

AB's HMDA-reportable, small business and consumer lending activities were reasonable in light of aggregate and peer group activity and demographics.

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

AB's average loan-to-deposit ("LTD") ratio was reasonable considering its size, business strategy, financial condition, and aggregate and peer group activity.

AB's average LTD ratio of 71.5% was below its peer group average of 78.8%. During the evaluation period, AB's LTD ratios ranged from a low of 66.4% in the first and third quarters of 2011 to a high of 76.5% in the third quarter of 2009; while its peer group or aggregate achieved its highest LTD ratio in the first quarter of 2009 and lowest in the first quarter of 2012.

The chart below shows AB's LTD ratios in comparison with the peer group's ratios for the 16 quarters since the prior evaluation.

Loan-to-Deposit Ratios

	2009 Q1	2009 Q2	2009 Q3	2009 Q4	2010 Q1	2010 Q2	2010 Q3	2010 Q4	2011 Q1	2011 Q2	2011 Q3	2011 Q4	2012 Q1	2012 Q2	2012 Q3	2012 Q4	Avg.
AB	71.8	71.4	76.5	76.1	73.7	74.0	72.0	73.8	66.4	67.9	66.4	69.0	68.7	71.1	70.6	74.1	71.5
Peer	86.8	86.0	84.8	82.6	80.9	80.4	79.7	78.9	76.5	76.6	75.9	75.1	73.3	74.3	74.5	74.0	78.8

Assessment Area Concentration: "Outstanding"

During the evaluation period, considering both HMDA-reportable lending, small business and consumer loans, AB originated 93.6% by number and 92.0% by dollar value within the assessment area. This substantial majority of lending inside of its assessment area is an excellent record of lending.

AB's lending to small business achieved the highest percentage of lending inside the assessment area at 96.0% in number value, while HMDA-reportable loans were highest in dollar value at 93.4%. In consumer lending AB originated 92.4% by number and 91.1% by dollar value of its loans within the assessment area.

The following table shows the percentages of AB's HMDA-reportable, small business, and consumer 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	
	#	%	#	%		\$	%	\$	%		
HMDA-Reportable											
2009	573	93.9%	37	6.1%	610	59,729	90.8%	6,043	9.2%	65,772	
2010	350	96.2%	14	3.8%	364	28,832	92.7%	2,267	7.3%	31,099	
2011	350	95.6%	16	4.4%	366	33,247	93.2%	2,413	6.8%	35,660	
2012	652	96.0%	27	4.0%	679	73,168	95.9%	3,092	4.1%	76,260	
Subtotal	1,925	95.3%	94	4.7%	2,019	194,976	93.4%	13,815	6.6%	208,791	
Small Business*											
2009	158	96.9%	5	3.1%	163	14,058	95.0%	741	5.0%	14,799	
2010	169	94.4%	10	5.6%	179	17,099	90.9%	1,721	9.1%	18,820	
2011	160	98.2%	3	1.8%	163	14,504	99.4%	92	0.6%	14,596	
2012	203	94.9%	11	5.1%	214	16,978	76.7%	5,146	23.3%	22,124	
Subtotal	690	96.0%	29	4.0%	719	62,639	89.1%	7,700	10.9%	70,339	
Consumer*											
2009	840	94.2%	52	5.8%	892	17,690	95.3%	869	4.7%	18,559	
2010	627	95.6%	29	4.4%	656	12,591	94.4%	750	5.6%	13,341	
2011	1,601	89.3%	191	10.7%	1,792	18,480	89.6%	2,144	10.4%	20,624	
2012	906	94.3%	55	5.7%	961	20,574	87.3%	2,980	12.7%	23,554	
Subtotal	3,974	92.4%	327	7.6%	4,301	69,335	91.1%	6,743	8.9%	76,078	
Grand Total	6,589	93.6%	450	6.4%	7,039	326,950	92.0%	28,258	8.0%	355,208	

*For Small Business and Consumer lending, analysis was performed on a sample of 56 loans in 2009, 62 loans in 2010, 53 in 2011 and 73 loans in 2012. Consumer lending analysis was performed on a sample of 87, 63, 94 and 88 loans, respectively. Number and dollar value of loans were then extrapolated from the resulting percentages and are not actual results. HMDA-reportable lending analysis was based on actual lending.

Distribution by Borrower Characteristics: “Satisfactory”

The distribution of loans based on borrower characteristics demonstrated a reasonable penetration rate of lending among individuals of different income levels and businesses of different revenue sizes.

HMDA-Reportable Loans:

AB’s HMDA-reportable lending demonstrated an adequate penetration rate of lending among borrowers of different income levels.

During the evaluation period, AB’s LMI HMDA-reportable lending penetration rate of 23.2%, in number, was slightly below its peer group lending rate of 27.9%. The dollar value penetration rate of 9.9%, compared to the peer’s rate of 17.9%, exhibited a wider difference.

The following chart provides a summary of the distribution of HMDA-reportable lending by borrower income.

Distribution of HMDA-Reportable Lending by Borrower Income									
2009									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	21	3.7%	537	0.9%	1,209	6.9%	69,649	3.6%	20.1%
Moderate	90	16.0%	5,050	8.6%	3,752	21.3%	283,899	14.8%	17.8%
LMI	111	19.8%	5,587	9.5%	4,961	28.2%	353,548	18.5%	37.9%
Middle	136	24.2%	10,183	17.3%	4,734	26.9%	455,347	23.8%	22.0%
Upper	296	52.7%	40,874	69.5%	7,362	41.9%	1,041,954	54.4%	40.2%
Unknown	19	3.4%	2,164	3.7%	532	3.0%	64,356	3.4%	
Total	562		58,808		17,589		1,915,205		
2010									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	21	6.1%	514	1.8%	1,193	7.6%	66,628	3.9%	20.1%
Moderate	62	17.9%	2,733	9.5%	3,146	19.9%	233,170	13.6%	17.8%
LMI	83	24.0%	3,247	11.3%	4,339	27.5%	299,798	17.5%	37.9%
Middle	70	20.2%	4,231	14.8%	4,137	26.2%	395,095	23.1%	22.0%
Upper	185	53.5%	20,641	72.0%	7,025	44.5%	984,087	57.4%	40.2%
Unknown	8	2.3%	536	1.9%	285	1.8%	34,676	2.0%	
Total	346		28,655		15,786		1,713,656		
2011									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	23	6.7%	380	1.2%	1,118	7.4%	59,298	3.7%	20.1%
Moderate	65	19.0%	2,528	7.7%	3,149	20.7%	231,480	14.5%	17.8%
LMI	88	25.7%	2,908	8.9%	4,267	28.1%	290,778	18.2%	37.9%
Middle	77	22.5%	4,211	12.9%	4,033	26.5%	367,337	23.1%	22.0%
Upper	169	49.4%	24,521	75.1%	6,521	42.9%	890,562	55.9%	40.2%
Unknown	8	2.3%	1,024	3.1%	389	2.6%	44,645	2.8%	
Total	342		32,664		15,210		1,593,322		
2012									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	48	7.5%	1,868	2.6%	1,514	7.9%	83,964	4.0%	21.1%
Moderate	108	16.8%	5,290	7.5%	3,797	19.8%	283,384	13.5%	17.0%
LMI	156	24.3%	7,158	10.2%	5,311	27.7%	367,348	17.5%	38.1%
Middle	122	19.0%	10,051	14.3%	4,871	25.4%	462,245	22.0%	21.0%
Upper	349	54.4%	51,848	73.5%	8,413	43.9%	1,191,599	56.8%	41.0%
Unknown	14	2.2%	1,443	2.0%	586	3.1%	77,214	3.7%	
Total	641		70,500		19,181		2,098,406		
GRAND TOTAL									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	113	6.0%	3,299	1.7%		7.4%		3.8%	
Moderate	325	17.2%	15,601	8.2%		20.4%		14.1%	
LMI	438	23.2%	18,900	9.9%	18,878	27.9%	1,311,477	17.9%	
Middle	405	21.4%	28,676	15.0%		26.2%		22.9%	
Upper	999	52.8%	137,884	72.3%		43.3%		56.1%	
Unknown	49	2.6%	5,167	2.7%		2.6%		3.0%	
Total	1,891		190,627						

Small Business Loans:

AB's small business loans based on the revenue size of the business demonstrated an excellent penetration rate of lending to individuals of different income levels and businesses of different revenue sizes.

In all four years of the evaluation period, AB's lending to small businesses with gross revenues of \$1 million or less outperformed the aggregate's lending to these businesses in the assessment area. AB's penetration rates in the four-year period, by number of loans and dollar value, were more than twice as much as its peer group's penetration rates. AB's penetration rates were 77.8% and 71.1% by number and dollar value, while the aggregate's rates were 32.5% and 32.3%, respectively. Furthermore, AB was awarded Small Business Lender of the Year designation by the Small Business Administration for three consecutive years, from 2010 to 2012.

The following chart provides a summary of the distribution of small business lending by revenue size of business during the evaluation period.

Distribution of Small Business Lending by Revenue Size of Business									
2009									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	118	74.7%	11,823	84.1%	3,451	32.0%	169,945	35.4%	73.0%
Rev. > \$1MM	40	25.3%	2,235	15.9%					5.2%
Rev. Unknown		0.0%		0.0%					21.7%
Total	158		14,058		10,787		479,661		
2010									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	123	72.8%	9,422	55.1%	2,821	27.8%	135,819	29.7%	74.5%
Rev. > \$1MM	46	27.2%	7,677	44.9%					4.8%
Rev. Unknown		0.0%		0.0%					20.8%
Total	169		17,099		10,159		456,991		
2011									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	135	84.4%	11,185	77.1%	4,252	34.3%	164,192	33.1%	67.0%
Rev. > \$1MM	25	15.6%	3,319	22.9%					3.7%
Rev. Unknown		0.0%		0.0%					29.3%
Total	160		14,504		12,384		496,233		
2012									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	161	79.3%	12,079	71.1%	4,516	34.7%	153,345	30.8%	71.1%
Rev. > \$1MM	37	18.2%	4,791	28.2%					4.8%
Rev. Unknown	5	2.5%	108	0.6%					24.1%
Total	203		16,978		12,998		498,228		
GRAND TOTAL									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	537	77.8%	44,509	71.1%		32.5%		32.3%	
Rev. > \$1MM	148	21.4%	18,022	28.8%					
Rev. Unknown	5	0.7%	108	0.2%					
Total	690		62,639						

For Small Business lending, analysis was performed on a sample of 56 loans in 2009, 62 loans in 2010, 53 in 2011 and 73 loans in 2012. Number and dollar value of loans were then extrapolated from the resulting percentages and are not actual results.

Consumer Loans:

AB's consumer lending demonstrated a reasonable penetration rate among borrowers of different income levels. AB's percentage rate of lending to LMI individuals of 46.7% by number of loans made during the evaluation period was higher than the 41.1% of assessment area household demographic that were LMI individuals.

The following chart provides a distribution summary of AB's consumer lending to borrowers of different income levels during the evaluation period.

Distribution of Consumer Lending by Borrower Income					
2009					
Borrower	Bank				HH Dem.
Income	#	%	\$000's	%	%
Low	213	25.4%	1,776	10.0%	24.7%
Moderate	212	25.2%	1,703	9.6%	16.1%
LMI	425	50.6%	3,479	19.7%	40.7%
Middle	183	21.8%	3,516	19.9%	18.3%
Upper	232	27.6%	10,695	60.5%	41.0%
Unknown		0.0%		0.0%	
Total	840		17,690		
2010					
Borrower	Bank				HH Dem.
Income	#	%	\$000's	%	%
Low	139	22.2%	607	4.8%	24.7%
Moderate	130	20.7%	1,975	15.7%	16.1%
LMI	269	42.9%	2,582	20.5%	40.7%
Middle	149	23.8%	3,399	27.0%	18.3%
Upper	209	33.3%	6,610	52.5%	41.0%
Unknown		0.0%		0.0%	
Total	627		12,591		
2011					
Borrower	Bank				HH Dem.
Income	#	%	\$000's	%	%
Low	343	21.4%	1,207	6.5%	24.7%
Moderate	381	23.8%	1,908	10.3%	16.1%
LMI	724	45.2%	3,115	16.9%	40.7%
Middle	381	23.8%	3,250	17.6%	18.3%
Upper	458	28.6%	11,844	64.1%	41.0%
Unknown	38	2.4%	271	1.5%	
Total	1,601		18,480		
2012					
Borrower	Bank				HH Dem.
Income	#	%	\$000's	%	%
Low	240	26.5%	1,664	8.1%	24.8%
Moderate	197	21.7%	2,708	13.2%	16.3%
LMI	437	48.2%	4,372	21.3%	41.1%
Middle	142	15.7%	2,816	13.7%	17.7%
Upper	317	35.0%	13,245	64.4%	41.3%
Unknown	10	1.1%	141	0.7%	
Total	906		20,574		
GRAND TOTAL					
Borrower	Bank				HH Dem.
Income	#	%	\$000's	%	%
Low	935	23.5%	5,254	7.6%	
Moderate	920	23.2%	8,294	12.0%	
LMI	1,855	46.7%	13,548	19.5%	
Middle	855	21.5%	12,981	18.7%	
Upper	1,216	30.6%	42,394	61.1%	
Unknown	48	1.2%	412	0.6%	
Total	3,974		69,335		

Consumer lending analysis was performed on a sample of 87, 63, 94 and 88 loans for years 2009-2012, respectively. Number and dollar value of loans were then extrapolated from the resulting percentages and are not actual results.

Geographic Distribution of Loans: “Satisfactory”

AB’s distribution of loans based on lending in census tracts of varying income levels demonstrated an adequate penetration rate of lending.

During the evaluation period, AB’s penetration rates for lending into LMI geographies for HMDA-reportable and small business loans were slightly lower than the aggregate’s penetration rates. In HMDA-reportable lending, AB’s rates were 6.8% and 4.3% in numbers and dollar value, while the aggregate rates were 8.4% and 5.2%, respectively. In small business lending, AB’s penetration rates of lending in LMI geographies were 19.6% in number of loans and 22.2% in dollar value, while its peer group lent at 20.9% and 24.8%, respectively. The consumer lending penetration rates were 6.8% for both number of loans and dollar value, compared to an LMI household demographic rate that averaged 23.4%.

HMDA-Reportable Loans:

AB’s HMDA-reportable loans based on the income level of the geography demonstrated an adequate penetration rate of lending.

AB’s rates of lending to low-income geographies by number of loans and dollar value were both 1.4%, which compared unfavorably to the aggregate’s 1.5% for number of loans but more favorably for the dollars lent of 1.0%. In moderate-income geographies, the aggregate fared better at 6.8% and 4.2% by number of loans and by dollar value. AB recorded a 5.5% rate for number of loans and 3.0% for dollar value in the moderate-income geography.

While the Department considers the geographic distribution of loans to be generally satisfactory, we note that the bank lagged behind its aggregates in lending to LMI individuals during the evaluation period. This will be reviewed at the next evaluation.

The following chart provides a summary of AB’s HMDA-reportable lending by geographic income of the census tract.

Distribution of HMDA-Reportable Lending by Geographic Income of the Census Tract									
2009									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	3	0.5%	144	0.2%	266	1.5%	18,951	1.0%	2.7%
Moderate	28	4.9%	1,859	3.1%	1,152	6.4%	73,088	3.7%	9.2%
LMI	31	5.4%	2,003	3.4%	1,418	7.9%	92,039	4.7%	11.9%
Middle	396	69.1%	38,294	64.1%	10,451	58.3%	1,064,186	54.4%	60.7%
Upper	146	25.5%	19,432	32.5%	6,046	33.7%	798,359	40.8%	27.4%
Unknown		0.0%		0.0%	1	0.0%	248	0.0%	
Total	573		59,729		17,916		1,954,832		
2010									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	5	1.4%	306	1.1%	227	1.4%	20,715	1.2%	2.7%
Moderate	16	4.6%	525	1.8%	958	5.9%	60,216	3.4%	9.2%
LMI	21	6.0%	831	2.9%	1,185	7.4%	80,931	4.6%	11.9%
Middle	246	70.3%	18,873	65.5%	9,293	57.7%	951,380	53.7%	60.7%
Upper	83	23.7%	9,128	31.7%	5,634	35.0%	738,578	41.7%	27.4%
Unknown		0.0%		0.0%		0.0%		0.0%	
Total	350		28,832		16,112		1,770,889		
2011									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	2	0.6%	70	0.2%	199	1.3%	14,584	0.9%	2.7%
Moderate	20	5.7%	1,056	3.2%	847	5.4%	52,278	3.2%	9.2%
LMI	22	6.3%	1,126	3.4%	1,046	6.7%	66,862	4.1%	11.9%
Middle	239	68.3%	20,581	61.9%	9,093	58.5%	888,518	54.0%	60.7%
Upper	89	25.4%	11,540	34.7%	5,406	34.8%	690,379	41.9%	27.4%
Unknown	0	0.0%	0	0.0%		0.0%		0.0%	
Total	350		33,247		15,545		1,645,759		
2012									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	16	2.5%	2,139	2.9%	357	1.8%	23,080	1.1%	3.3%
Moderate	41	6.3%	2,377	3.2%	1,777	9.1%	129,637	6.0%	11.8%
LMI	57	8.7%	4,516	6.2%	2,134	10.9%	152,717	7.1%	15.1%
Middle	390	59.8%	38,612	52.8%	9,218	47.0%	901,463	41.7%	50.9%
Upper	205	31.4%	30,040	41.1%	8,248	42.1%	1,108,246	51.3%	34.1%
Unknown		0.0%		0.0%		0.0%		0.0%	
Total	652		73,168		19,600		2,162,426		
GRAND TOTAL									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	26	1.4%	2,659	1.4%		1.5%		1.0%	
Moderate	105	5.5%	5,817	3.0%		6.8%		4.2%	
LMI	131	6.8%	8,476	4.3%		8.4%		5.2%	
Middle	1,271	66.0%	116,360	59.7%		55.0%		50.5%	
Upper	523	27.2%	70,140	36.0%		36.6%		44.3%	
Unknown		0.0%		0.0%		0.0%		0.0%	
Total	1,925		194,976						

Small Business Loans:

AB's distribution of small business loans based on the income level of the geography of the business demonstrated a reasonable penetration rate of lending.

In the four years of the evaluation period, AB's penetration rates of lending to LMI geographies, in numbers and dollar value, were 19.6% and 22.2%, respectively, which were marginally below its average business demographics of 23.0% and its aggregate's penetration rates of 20.9% and 24.8%, respectively.

The following chart provides a summary of AB's small business lending distribution based on the income level of the geography.

Distribution of Small Business Lending by Geographic Income of the Census Tract									
2009									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	26	16.5%	1,965	14.0%	1,106	10.3%	75,593	15.8%	12.4%
Moderate	3	1.9%	105	0.7%	1,037	9.6%	49,042	10.2%	11.1%
LMI	29	18.4%	2,070	14.7%	2,143	19.9%	124,635	26.0%	23.6%
Middle	90	57.0%	8,109	57.7%	5,833	54.1%	242,332	50.5%	55.0%
Upper	39	24.7%	3,879	27.6%	2,806	26.0%	112,365	23.4%	21.5%
Unknown		0.0%		0.0%	5	0.0%	329	0.1%	0.0%
Total	158		14,058		10,787		479,661		
2010									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	16	9.5%	3,740	21.9%	1,075	10.6%	66,537	14.6%	11.8%
Moderate	11	6.5%	1,882	11.0%	1,022	10.1%	40,125	8.8%	10.8%
LMI	27	16.0%	5,622	32.9%	2,097	20.6%	106,662	23.3%	22.6%
Middle	87	51.5%	6,739	39.4%	5,457	53.7%	244,530	53.5%	55.5%
Upper	55	32.5%	4,738	27.7%	2,605	25.6%	105,799	23.2%	21.9%
Unknown		0.0%		0.0%		0.0%		0.0%	0.1%
Total	169		17,099		10,159		456,991		
2011									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	12	7.5%	1,347	9.3%	1,254	10.1%	77,930	15.7%	10.9%
Moderate	19	11.9%	355	2.4%	1,224	9.9%	47,134	9.5%	10.3%
LMI	31	19.4%	1,702	11.7%	2,478	20.0%	125,064	25.2%	21.3%
Middle	86	53.8%	8,812	60.8%	6,799	54.9%	261,903	52.8%	55.6%
Upper	43	26.9%	3,990	27.5%	3,106	25.1%	109,246	22.0%	23.1%
Unknown		0.0%		0.0%	1	0.0%	20	0.0%	0.1%
Total	160		14,504		12,384		496,233		
2012									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	9	4.4%	1,786	10.5%	1,289	9.9%	56,805	11.4%	10.5%
Moderate	39	19.2%	2,749	16.2%	1,674	12.9%	64,854	13.0%	14.2%
LMI	48	23.6%	4,535	26.7%	2,963	22.8%	121,659	24.4%	24.6%
Middle	85	41.9%	9,285	54.7%	6,002	46.2%	223,762	44.9%	45.8%
Upper	70	34.5%	3,158	18.6%	3,975	30.6%	146,370	29.4%	29.1%
Unknown		0.0%		0.0%	58	0.4%	6,437	1.3%	0.4%
Total	203		16,978		12,998		498,228		
GRAND TOTAL									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	63	9.1%	8,838	14.1%		10.2%		14.3%	
Moderate	72	10.4%	5,091	8.1%		10.7%		10.4%	
LMI	135	19.6%	13,929	22.2%		20.9%		24.8%	
Middle	348	50.4%	32,945	52.6%		52.0%		50.4%	
Upper	207	30.0%	15,765	25.2%		27.0%		24.5%	
Unknown		0.0%		0.0%		0.1%		0.4%	
Total	690		62,639						

For Small Business lending, analysis was performed on a sample of 56 loans in 2009, 62 loans in 2010 53 in 2011 and 73 loans in 2012. Number and dollar value of loans were then extrapolated from the resulting percentages and are not actual results.

Consumer Loans:

AB's distribution of consumer loans based on the income level of the geography demonstrated a poor penetration rate of lending among geographies of different income levels.

AB's penetration rates of lending to LMI geographies in numbers and dollar value of 6.8% were below its household demographics average of 23.4%. In addition, AB did not lend to low-income census tracts for years 2010 and 2011. These low penetration rates of lending in LMI geographies in the assessment area when compared to its household demographics are considered less than adequate.

The following chart provides a summary of AB's consumer lending distribution based on geographies of different income levels during the evaluation period.

Distribution of Consumer Lending by Geographic Income of the Census Tract					
2009					
Geographic	Bank				HH Dem.
Income	#	%	\$000's	%	%
Low	19	2.3%	3,315	18.7%	8.3%
Moderate	29	3.5%	147	0.8%	14.4%
LMI	48	5.7%	3,462	19.6%	22.6%
Middle	666	79.3%	9,918	56.1%	55.0%
Upper	126	15.0%	4,310	24.4%	22.4%
Unknown		0.0%		0.0%	
Total	840		17,690		
2010					
Geographic	Bank				HH Dem.
Income	#	%	\$000's	%	%
Low		0.0%		0.0%	8.3%
Moderate	70	11.2%	386	3.1%	14.4%
LMI	70	11.2%	386	3.1%	22.6%
Middle	438	69.9%	7,294	57.9%	55.0%
Upper	119	19.0%	4,911	39.0%	22.4%
Unknown		0.0%		0.0%	
Total	627		12,591		
2011					
Geographic	Bank				HH Dem.
Income	#	%	\$000's	%	%
Low		0.0%		0.0%	8.3%
Moderate	76	4.7%	270	1.5%	14.4%
LMI	76	4.7%	270	1.5%	22.6%
Middle	1,220	76.2%	12,089	65.4%	55.0%
Upper	305	19.1%	6,121	33.1%	22.4%
Unknown		0.0%		0.0%	
Total	1,601		18,480		
2012					
Geographic	Bank				HH Dem.
Income	#	%	\$000's	%	%
Low	22	2.4%	174	0.8%	8.9%
Moderate	55	6.1%	435	2.1%	17.0%
LMI	77	8.5%	609	3.0%	25.9%
Middle	589	65.0%	12,179	59.2%	45.8%
Upper	240	26.5%	7,786	37.8%	28.3%
Unknown		0.0%		0.0%	0.0%
Total	906		20,574		
GRAND TOTAL					
Geographic	Bank				HH Dem.
Income	#	%	\$000's	%	%
Low	41	1.0%	3,489	5.0%	
Moderate	230	5.8%	1,238	1.8%	
LMI	271	6.8%	4,727	6.8%	
Middle	2,913	73.3%	41,480	59.8%	
Upper	790	19.9%	23,128	33.4%	
Unknown		0.0%		0.0%	
Total	3,974		69,335		

Consumer lending analysis was performed on a sample of 87, 63, 94 and 88 loans for years 2009-2012, respectively. Number and dollar value of loans were then extrapolated from the resulting percentages and are not actual results.

Action Taken in Response to Written Complaints with Respect to CRA:

Neither AB nor the DFS has received any written complaints regarding AB's CRA performance since the last CRA evaluation.

Community Development Test: "Satisfactory"

AB's community development performance demonstrated adequate responsiveness to the community development needs of its assessment area through community development loans, investments and services, considering AB's capacity and the need and availability of such opportunities for community development in its assessment area.

During the evaluation period, AB originated \$16.2 million in new community development loans and had \$1.3 million outstanding from prior evaluation periods. Also during the evaluation period, AB made \$1.1 million in new community development investments and had \$15,000 outstanding from prior evaluation periods. AB made \$470,000 in community development grants.

This level of community development lending and investment is considered reasonable performance in meeting the community development credit and investment needs of AB's assessment area.

A more detailed description of AB's community development activity follows:

Community Development Lending: "Satisfactory"

AB originated \$16.2 million in new community development loans and had \$1.3 million outstanding from prior evaluation periods. This demonstrated a reasonable level of community development lending over the course of the evaluation period. On an annualized basis, AB's community development loans represented 0.63% of its assets.

Community Development Loans				
	This Evaluation Period		Outstandings from Prior Evaluation Periods	
Purpose	# of Loans	\$000	# of Loans	\$000
Affordable Housing	10	705	4	1,123
Community Services	19	9,501		
Economic Development	9	1,250		
Revitalize/Stabilize	20	4,758	1	137
Total	58	16,214	5	1,260

Below are highlights of AB's community development lending.

Revitalize/Stabilize

In 2012, AB extended a commercial loan to a private, for-profit entity, in the amount of \$747,000 for the construction of a pre-owned sales and service automobile facility. The facility is located in a moderate-income census tract in Utica, Oneida County, NY.

In 2011, a private, for-profit entity obtained a commercial real estate loan in the amount of \$150,000. The funds were used to refinance existing mortgages on a residential multi-family property which is located in a low-income census tract. Also, the rent rolls were below market rates, thereby supporting affordable housing in the assessment area.

Affordable Housing

AB extended two commercial term loans, \$100,000 in 2009 and \$250,000 in 2011, to a private, nonprofit organization. The organization is also a certified community development financial institution headquartered in Syracuse, NY. These loans were used to fund the low- to moderate-income housing credit program of the organization. The organization is committed to creating housing and related opportunities that improve the lives of the underserved in the assessment area.

Community Service

AB extended a \$100,000 line of credit to a non-profit organization located in a moderate-income census tract in Ilion, NY. The line of credit was renewed in years 2009, 2012 and 2013, earning AB a total of \$300,000 in community development lending credit. The mission of this non-profit organization is to help all persons, regardless of race, creed or lifestyle, with special emphasis on the economically disadvantaged and vulnerable.

AB extended a \$4.7 million term loan to a non-profit organization which operates to further the educational objectives of a community college in the assessment area. A significant student population of the college received financial aid and a majority of the students are LMI individuals. The funds were used to pay off existing industrial development authority bonds that funded various school projects.

Community Development Investments: "Satisfactory"

AB made \$1.1 million in new community development investments and had \$15,000 outstanding from prior evaluation periods. In addition, AB made \$470,000 in community development grants. When annualized, AB's total community development investments amounted to \$1.6 million which represented 0.06% of AB's total assets. It demonstrated an adequate level of community development investments over the course of the evaluation period.

Community Development Investments and Grants				
	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Inv.	\$000	# of Inv.	\$000
CD Investments				
Affordable Housing				
Community Services	10	\$ 571	1	15
Economic Development				
Revitalize/Stabilize	2	\$ 534		
Total	12	\$ 1,105	1	15
CD Grants	# of Grants	\$000	Not Applicable	
Affordable Housing	14	\$ 40		
Community Services	109	\$ 406		
Economic Development	14	\$ 24		
Other (Please Specify)				
Total	137	\$ 470		

Below are highlights of AB's community development investments and grants.

During the evaluation period and including outstanding investments from prior periods, all of AB's investments were bonds issued by local municipalities and central school districts in the assessment area.

AB invested in local bonds in the total amount of \$730,490 issued by three local central school districts in the assessment area with a majority of the student population receiving free or subsidized lunches.

The rest of the investments were in two other bonds issued by local municipalities that are located in moderate-income and/or distressed or underserved middle-income census tracts, thereby supporting revitalization or stabilization of the assessment area.

Grants

To support affordable housing, two nonprofit organizations that provide financial and homeownership education, and foreclosure prevention to LMI individuals and families in the assessment area, received 13 grants for a total of \$32,700 from AB.

AB gave five grants for a total of \$61,750 to a rescue mission house whose stated mission is that they are "Committed to assisting the least, the last and the lost and giving shelter to the homeless and feeding the poor." The mission serves over 70,000 meals annually.

AB gave a total of \$18,000 to a community-based nonprofit organization whose mission is to improve the lives of communities through partnerships with governments, businesses, schools and other nonprofit organizations to identify meaningful solutions to community issues.

Community Development Services: “Outstanding”

AB demonstrated an excellent level of community development services over the course of the evaluation period. AB’s management actively seeks opportunities to help LMI individuals or small businesses with financial counseling and education. AB reaches out to the leaders of communities, especially to intercity neighborhoods, to help change the perspective of the communities regarding banking and finance.

Below are highlights of AB’s community development services.

AB has developed strategic alliances with nonprofit organizations whose missions are to encourage homeownership by providing financial education and lending needs of LMI individuals in the assessment area. Three of AB’s senior officers provided financial and technical services by serving on the board or serving on the loan committees of these organizations. Moreover, AB provided funding for a training center in one of these organizations that is used for financial education and counseling.

A vice president of AB serves as an advisor providing technical assistance to a local office of a nonprofit association dedicated to educating entrepreneurs, and helping small businesses start, grow, and succeed nationwide. This organization is a resource partner with the Small Business Administration, and has been mentoring small business concerns for more than forty years.

An assistant vice president serves on the board of a local nonprofit program dedicated to providing conflict resolution training, mediation and child advocacy services in the assessment area. This program mostly benefits and is used by LMI individuals in the assessment area.

A manager serves on the Allocation Committee of a local community-based nonprofit organization with international affiliation. However, this organization is an independent and locally-governed entity assisting and helping local nonprofit organizations meet their goals.

A member of executive management serves as chairman of the Loan Review Committee of New York Business Development Corporation (“NYBDC”), the goal of which is to assist, promote and advance the prosperity and economic welfare of the state by providing loans to small businesses, including start-up, early stage and mature businesses, with particular emphasis on minority and women owned businesses.

Responsiveness to Community Development Needs: “Satisfactory”

AB demonstrated an adequate level of responsiveness to credit and community development needs.

Additional Factors

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

On a quarterly basis the CRA officer prepares CRA reports and submits them to the CRA/Fair Lending Committee. The board receives an annual update from the committee on AB's CRA program. This report includes AB's lending practices and trends. Through the CRA report and updates from the committee, the board participates in and reviews AB's CRA policies and 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.

DFS did not note any 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.

DFS did not note any evidence of prohibited discriminatory or other illegal practices.

Record of opening and closing offices and providing services at offices

AB opened a branch in 2013, in Sylvan Beach, located in a middle-income census tract. Also, in May 2010, AB closed a loan production office in Rochester NY, located in a low-income census tract due to low business turnout.

Distribution of Branches within the Assessment Area								
County	N/A #	Low #	Moderate #	Middle #	Upper #	Total #	LMI %	LMI and Distressed or Underserved
Clinton*					1	1	0%	0%
Essex*					1	1	0%	0%
Franklin*				2		2	0%	0%
Herkimer				5		5	0%	0%
Oneida				5	3	8	0%	0%
Onondaga*		1				1	100%	100%
Total	-	1	-	12	5	18	6%	6%

*Partial County

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.

During the evaluation period, three members of the board served on the boards or committees of various local community and nonprofit organizations. AB has affiliations with community groups whose missions are to improve the lives of the residents in AB's assessment area. Also, AB actively reached out to the leaders of the communities it served, especially in inner city communities, to better understand the needs of the minority market. It is through these memberships, actions and affiliations that AB ascertains the credit needs of its assessment area, especially the needs of low- and moderate-income individuals, families and small businesses.

- 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 sponsors a consumer education segment on local television which is developed in conjunction with a local nonprofit organization specializing in affordable housing. The program provides information and education pertaining to homeownership and home maintenance.

Other special marketing efforts that reach out to LMIs is a local outreach program that a nonprofit organization sponsors where hundreds of people from the community get together to volunteer their time to help improve the homes and neighborhoods in parts of the communities in the assessment area.

In 2011, AB created a marketing postcard mailer to reach out specifically to LMI census tracts in the Syracuse market.

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

DFS noted no other factors.

GLOSSARY

Aggregate Penetration Rate

The number of loans originated and purchased by all reporting lenders in specified categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the assessment area.

Community Development

“Community development”:

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.

Community Development Loan

A loan that has 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.

Community Development Service

Service that has community development as its *primary purpose*, 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.

Geography

A census tract delineated by the United States Bureau of the Census in the most recent decennial census

Home Mortgage Disclosure Act (“HMDA”)

The 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.

Income Level

The income level for borrowers is based on household or family income. A geography's income is categorized by median family income for the geography. In both cases, the income is compared to the MSA or statewide nonmetropolitan median income.

Income level of individual or geography	% of the area median income
Low-income	Less than 50
Moderate-income	At least 50 and less than 80
Middle-income	At least 80 and less than 120
Upper-income	120 or more

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 where, according to the 2000 U.S. 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 cases 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

Individuals or persons 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 represents 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 in LMI geographies or to LMI borrowers.

Low-Income Housing Tax Credit (LIHTC)

A dollar for dollar tax credit for affordable housing, created under the Tax Reform Act of 1986, that provides incentives to invest in projects for the utilization of private equity in the development of affordable housing aimed at low income Americans. It is also more commonly called Section 42 credits in reference to the applicable section of the IRC. The tax credits are more attractive than tax deductions as they provide a dollar for dollar reduction in a taxpayer's federal income tax. It is more commonly attractive to corporations since the passive loss rules and similar tax changes greatly reduced the value of tax credits and deductions to individual taxpayers.

New Markets Tax Credit (NMTC)

The New Markets Tax Credits (NMTC) Program was established by Congress in December 2000 to stimulate economic and community development and job creation in low-income communities. It permits individual and corporate taxpayers to receive a credit against federal income taxes for making qualified equity investments in Community Development Entities (CDEs). The credit provided to the investor totals 39% of the cost of the investment and is claimed over a 7-year period. CDEs must use substantially all of the taxpayer's investments to make qualified investments in low-income communities. The Fund is administered by the US Treasury Department's Community Development Financial Institutions Fund (CDFI).

Qualified Investment

A lawful investment, deposit, membership share or grant that has community development as its *primary purpose*. 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.