



**NEW YORK STATE BANKING DEPARTMENT
CONSUMER SERVICES DIVISION**

One State Street Plaza
New York, NY 10004

PUBLIC SUMMARY

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Date of Evaluation: December 31, 2008

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

Note: This evaluation is not an assessment of the financial condition of this institution. The rating assigned does not represent an analysis, conclusion or opinion of the New York State Banking Department concerning the safety and soundness of this financial institution.

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GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (“CRA”) performance of The Adirondack Trust Company (“ATC”), prepared by the New York State Banking Department. The evaluation represents the Banking Department’s current assessment and rating of the institution’s CRA performance based on an evaluation conducted as of December 31, 2008.

Section 28-b of the New York State Banking Law, as amended, requires that when evaluating certain applications, the Superintendent of Banks shall assess a banking institution’s record of helping to meet the credit needs of its entire community, including low- and moderate-income areas, consistent with safe and sound operations.

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

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

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

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

OVERVIEW OF INSTITUTION'S PERFORMANCE

ATC's performance was evaluated according to the intermediate small bank performance criteria. ATC is rated "1," indicating an "**Outstanding**" record of helping to meet community credit needs. This rating is unchanged from the prior New York State Banking Department Performance Evaluation, dated December 31, 2006. ATC's rating is based on the following factors:

Overall Rating – "Outstanding"

I. Lending Test - "Satisfactory"

- **Loan-to-Deposit Ratio: "Satisfactory"**
ATC's loan to deposit ("LTD") ratio was reasonable given its size, financial condition and credit needs of its assessment area.
- **Assessment Area Concentration: "Outstanding"**
ATC extended a substantial majority of its HMDA-reportable and small business loans inside its assessment area. Considering both types of lending, ATC extended 85.8% of the number of loans and 84.6% of the dollars lent within its assessment area.
- **Distribution by Borrower Characteristics: "Satisfactory"**
ATC's distribution of HMDA-reportable and small business loans based on borrower characteristics reflected a reasonable penetration among borrowers of different income levels and businesses of different revenue sizes operating within the assessment area.
- **Geographic Distribution of Loans: "Satisfactory"**
While small business lending in LMI geographies was reasonable, HMDA-reportable lending remained poor, as it was at the prior evaluation period. The overall factor for geographic distribution is reasonable, due to both the size of small business lending relative to HMDA-reportable lending, and the mitigating factors affecting HMDA-reportable lending.
- **Action Taken in Response to Written Complaints With Respect to CRA: "Satisfactory"**
.Neither ATC nor the New York State Banking Department received any written complaints with respect to the bank's CRA performance during the evaluation period.

II. Community Development Test - "Outstanding"

- **Community Development Loans: "Outstanding"**
ATC was a leader in making qualified community development loans. During the evaluation period, ATC's community development commitments totaled \$22.4 million, of which 88.7% (\$19.9 million) was new money.
- **Community Development Investments: "Outstanding"**

ATC's level of qualified community development investments reflected an excellent responsiveness to the credit needs of the assessment area. During the evaluation period, qualified investments, including \$330 thousand in 68 grants, totaled \$12.3 million, of which \$3.8 million was new money.

- **Community Development Services: "Outstanding"**
ATC was a leader in providing community development services. ATC's management and other staff provide technical assistance to organizations and programs that promote affordable housing, economic development and community services in the assessment area.

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

PERFORMANCE CONTEXT

Institution's Profile:

ATC is a State-chartered commercial bank, founded in 1901 and headquartered in Saratoga Springs, New York. In addition to its main office located at 473 Broadway, Saratoga Springs, the bank operates nine other full-service branches. Eight are located in Saratoga County and one is in Warren County in the town of Glens Falls. No branches were opened or closed during the evaluation period. However, in July of 2008, ATC received regulatory approval to open its eleventh branch. This branch will be located in Queensbury, NY, an area within Warren County that is part of the current assessment area.

According to ATC's Call Report, as submitted to the Federal Deposit Insurance Corporation's ("FDIC") Call Report as of December 31, 2008, ATC reported total assets of \$761.6 million. The bank's assets increased by 13.1% since the prior evaluation (\$673.5 million). Net loans and leases stood at \$387.7 million and deposits were \$666.9 million, which resulted in a loan-to-deposit ratio of 58.2%.

As of June 30, 2008, ATC had approximately 21.4% market share of the \$2.9 billion deposit pool within Saratoga County. This market share placed ATC first among eighteen deposit-taking institutions in Saratoga County. Within Warren County, the bank has only one branch, which serves a limited area in the south of the county; its deposit share within Warren County is not significant.

The bank is primarily a commercial lender. As of December 31, 2008, ATC's loan portfolio included 35.3% of commercial mortgage loans and 20.8% commercial and industrial loans. In addition, 1-4 family residential mortgages were 24.7% of the portfolio and consumer loans another 12.6%. The gross loan portfolio slightly decreased 2% (\$4.1 million) from 12/31/07 to 12/31/08. This was attributed to the economic downturn of 2008.

The following chart is a summary of the bank's loan portfolio, based on Schedule RC-C of the bank's call reports:

TOTAL GROSS LOANS OUTSTANDING				
LOAN TYPE	12/31/2007		12/31/2008	
	\$(000s)	%	\$(000s)	%
Commercial Mortgage Loans	135,247	33.8	139,651	35.3
1-4 Residential Mortgage Loans	101,729	25.4	97,561	24.7
Commercial & Industrial Loans	87,857	22.0	82,218	20.8
Consumer Loans	51,825	13.0	49,942	12.6
Obligations of States and political subdivisions	8,493	2.1	11,331	2.9
Multifamily Mortgage Loans	5,242	1.3	10,117	2.6
Construction Loans	9,023	2.3	4,596	1.2
Other Loans	313	0.1	176	0.0
Total Gross Loans	399,729	100.0	395,592	100.0

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

Assessment Area:

ATC's has delineated portions of Saratoga and Warren counties as its assessment area. Saratoga County is part of the Albany-Schenectady-Troy Metropolitan Statistical Area (MSA) while Warren County is part of the Glens Falls MSA. The assessment area consists of thirty night census tracts, nine (23.1%) of which are LMI, 22 (56.4%) are middle-income, seven (17.9%) are upper-income and one (2.6%) is a zero income tract. Since the last CRA examination, the bank has added six census tracts in the towns of Corinth, Lake George and Queensbury, primarily due to the changing patterns of its small business lending. There are no low-income census tracts in ATC's assessment area as there are no low-income tracts in Saratoga or Warren counties. The two new Corinth tracts are moderate-income.

The following chart shows the income-level distribution of the census tracts by counties:

Distribution of Census Tracts Within the Assessment Area								
County	Zero-Income	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total Census	LMI Tracts # %	
Saratoga (P)*	1	0	7	16	4	28	7	25.0%
Warren (P)*	0	0	2	6	3	11	2	18.2%
Total	1	0	9	22	7	39	9	23.1%

* Note that only select Census from both Counties were included in the assessment area.

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

Demographic & Economic Data:

Demographic data regarding the owner-occupied housing units and small businesses located in LMI census tracts, as well as families that are LMI and businesses with revenues of less than \$ MM, are included in the appropriate sections.

The total population of the assessment area is 173,584, and 36.4% percent of families are considered low- and moderate-income. The median family income is \$53,823, in Saratoga (partial) County it is \$55,215 and in Warren (partial) County it is \$50,110. The HUD Updated Income for the Albany-Schenectady-Troy MSA is \$70,600 and for the Glens Falls MSA is \$58,600.

Service providers constituted 33.5% of all [small] businesses. Retail trade and construction were the second and third largest industries, which accounted for 16.1% and 8.2% respectively. Finance, insurance and real estate accounted for 6.7% of businesses and approximately 22.9% of the businesses were not classified.

For the year 2007, The U.S Department of Labor reported an average unemployment rate of 3.7% in the bank's home county of Saratoga. This compared favorably to the New York

State average unemployment rate of 4.5%. In 2008, the average unemployment rate in Saratoga increased to 4.6%, compared to New York State's average of 5.4%. The increase in unemployment rate was attributed to the economic downturn in the U.S.

PERFORMANCE TESTS AND ASSESSMENT FACTORS

ATC's performance was evaluated according to the intermediate small bank's performance under the Lending and Community Development tests pursuant to part 76.12 of the General Regulations of the Banking Board. The Lending test includes the following criteria: (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 entails the review of: (1) Community Development Loans (2) Community Development Qualified Investments and (3) Community Development Services. The following factors were also considered in assessing ATC's record of performance: the extent of participation by the board of directors or board of trustees in formulating CRA policies and reviewing CRA performance; any practices intended to discourage credit applications; evidence of prohibited discriminatory or other illegal credit practices; record of opening and closing offices and providing services at offices; and process factors such as activities to ascertain credit needs; and the extent of marketing and special credit related programs. Finally, the evaluation considered other factors that reasonably bear upon the extent to which a banking institution is helping to meet the credit needs of its entire community.

The assessment period includes calendar years 2007 and 2008. Examiners considered ATC's HMDA-reportable and small business loans in evaluating lending factors (2), (3) and (4), as noted above. Lending factors (3) and (4) only consider loans within ATC's assessment area. Small business loan aggregate data are shown for comparative purposes, ATC is not required to report these data and as such, ATC is not included in the aggregate data. The 2008 HMDA-reportable and small business loan aggregate data were not available when this evaluation was conducted.

Statistics employed in this evaluation were derived from various sources. In addition to specific loan information submitted by ATC, aggregate data for small business and HMDA-reportable lending activity were obtained from the Federal Financial Institutions Examination Council ("FFIEC"). Loan-to-deposit ratios were calculated from information shown in the bank's Uniform Bank Performance Report ("UBPR") as prepared by the FDIC. Deposit market share was derived from FDIC's deposit market share reports.

The demographic and census data referred to in this report were obtained from the 2000 U.S. Census Data, with updated median family income figures provided by the US Department of Housing and Urban Development ("HUD"). Business demographic data used in this report are information on US businesses, enhanced by Dun & Bradstreet and updated annually.

ATC received a rating of "1" reflecting an "Outstanding" record of helping to meet community credit needs based on the **prior** NYSBD Performance Evaluation dated December 31, 2006.

CRA Rating: "Outstanding"

I Lending Test: “Satisfactory”

Loan-to-Deposit (“LTD”) Ratio Analysis: “Satisfactory”

ATC’s LTD ratio was reasonable given the bank’s size, financial condition and the credit needs of the assessment area.

ATC’s average LTD ratio for the eight quarters since the prior evaluation was 60.2%, lower than the peer group’s 83.3%¹. The difference was attributed to two factors: 1) 38% of ATC’s assets consisted of investments in the form of available-for-sale securities, and 2) more than half of all HMDA-reportable loans were sold to the secondary market and therefore were taken off the balance sheet. 167 originations, (62.6% of all 2007 and 2008 originations) were sold to the Federal National Mortgage Association (“FNMA”).

The difference between the select peer LTD ratios and that of the bank widened slightly during the evaluation period. Local banks in the area experienced an increase in their deposits during the period. Bank management attributed the increases to the current economic environment that prompted depositors to move funds into smaller banks, away from large national institutions. ATC’s deposit growth was faster than that of its peers. This trend was evidenced by the increase in the bank’s market share within Saratoga County from 20% to 21.4% between June 30, 2005 and June 30, 2008.

The chart below illustrates ATC’s and its peer group’s LTD ratios for the 8 quarters ending December 31, 2008:

Loan-to-Deposit Ratios									
	2007	2007	2007	2007	2008	2008	2008	2008	Average LTD
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Bank	61.44	63.53	60.34	61.88	59.01	60.58	56.55	58.17	60.19
Peer	80.57	82.47	81.76	83.30	81.76	84.91	85.93	85.31	83.25

Assessment Area Concentration: “Outstanding”

ATC extended a substantial majority of its HMDA-reportable and small business loans inside its assessment area. Considering both types of lending, ATC extended 85.8% of the number of loans and 84.6% of the dollars lent within its assessment area.

During 2007 and 2008, ATC originated a substantial majority of its HMDA-reportable loans within the assessment area: 89.9% by number and 88.7% by dollar volume. In the same period, the bank extended 84.5% of its small business loans to businesses located in its assessment area.

¹ The bank’s peer group includes the following four banks: Ballston Spa National Bank, Glens Falls National Bank and Trust Company, Pioneer Savings Bank, and Saratoga National Bank and Trust. All four banks are primarily New York State banks and operate within or near ATC’s assessment area. Their total assets range from \$246.7 million to \$1.4 billion.

The following table illustrates the distribution of small business loans and HMDA 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 -2007	132	89.2	16	10.8	148	17,017	89.5	2002	10.5	19,019
HMDA -2008	108	90.8	11	9.2	119	13,948	87.7	1952	12.3	15,900
2-year total	240	89.9	27	10.1	267	30,965	88.7	3,954	11.3	34,919
SBL -2007	435	85.7	73	14.3	508	49,817	85.4	8544	14.6	58,361
SBL -2008	294	82.7	61	17.3	355	35,011	80.4	8514	19.6	43,525
2-year total	729	84.5	134	15.5	863	84,828	83.3	17,058	16.7	101,886
Grand Total	969	85.8	161	14.2	1130	115,793	84.6	21,012	15.4	136,805

* Analysis of small business loans ("SBL") was performed on a sample of 164 loans. Number and dollar volume of loans were then extrapolated from the resulting percentages and are not actual results.

Distribution by Borrower Characteristics: "Satisfactory"

ATC's distribution of HMDA-reportable and small business loans based on borrower characteristics reflected a reasonable penetration among borrowers of different income levels and businesses of different revenue sizes operating within the assessment area.

HMDA-reportable Loans: "Satisfactory"

In 2007, ATC's penetration ratio for number of HMDA-reportable loans to LMI borrowers was comparable to the aggregate's penetration rate (22.7% vs. 22.9%). In 2008, ATC's penetration ratios decreased to 16.7%, primarily due to the general slowdown in real estate market. No aggregate 2008 data were available for comparison purposes at the time of the evaluation.

In addition to overall reasonable performance, ATC's 2007 penetration ratio for number of HMDA-reportable loans to low-income borrowers significantly exceeded the aggregate's penetration rate.

^Distribution of HMDA-reportable Loans by Borrower Income Level									
2007									
Borrower Income Level	Bank				Aggregate				Family
	#	%	\$000's	%	#	%	\$000's	%	%
Low	11	8.3	534	3.1	319	4.9	22,688	2.2	17.0
Moderate	19	14.4	838	4.9	1,169	18.0	119,011	11.5	19.4
Middle	26	19.7	1,621	9.5	1,810	27.9	239,246	23.2	24.2
Upper	69	52.3	13,429	78.9	2,966	45.7	581,515	56.3	39.4
N/A	7	5.3	595	3.5	224	3.5	70,108	6.8	
Total	132	100.0	17,017	100.0	6,488	100.0	1,032,568	100.0	100.0
2008									
Borrower Income Level	Bank				Aggregate				
	#	%	\$000's	%	#	%	\$000's	%	%
Low	4	3.7	265	1.9	<i>not available</i>				17.0
Moderate	14	13.0	909	6.5					19.4
Middle	23	21.3	2,822	20.2					24.2
Upper	60	55.6	8,996	64.5					39.4
N/A	7	6.5	956	6.9					
Total	108	100.0	13,948	100.0					100.0
LMI 2-year	48	20.0%	2,546	8.2%					
Total	240	100.0%	30,965	100.0%					

^ Chart does not include multi-family lending, which is included in HMDA chart for income of geography.
Percentage column may not add due to rounding.

Small Business Loans: "Satisfactory"

For 25%-30% of ATC's small business loans, gross annual revenue was not collected or reported² making it difficult to analyze its performance in lending to businesses by revenue size. Notwithstanding this, ATC's lending penetration ratio to businesses with known gross annual revenue of <= \$1MM reflected a reasonable penetration rate. In addition, a number of these loans were made to start-up businesses, a critical economic development need.

In 2007, ATC originated 35.4% of its small business loans to businesses with annual revenues of \$1 million or less, in line with the aggregate banks' penetration ratio of 36.4% for the same category of borrowers.

In 2008, ATC's penetration ratio improved slightly to 37.2% of all small business loans it generated within the assessment area.

ATC participates in government-sponsored or guaranteed lending programs. During the evaluation period, ATC extended 23 SBA-guaranteed loans to small business customers, totaling \$1.8 million.

The following table illustrates the distribution of small business loans by business revenue

² The regulations do not require institutions to request or consider revenue information when making a loan. If an institution does not collect gross annual revenue information for its small business borrowers, it must enter the code indicating "Revenue Not Known".

size for 2007 and 2008.

*Distribution of Small Business Loans by Business Revenue Size									
2007									
Business Revenue Level	Bank				Aggregate				Business
	#	%	\$(000's)	%	#	%	\$(000's)	%	%
\$1million or less	154	35.4%	11,983	24.1%	2,894	36.4	63,063	36.0	62.4
Over \$1 million	172	39.6%	29,387	59.0%	-	-	-	-	4.5
No Revenue Info	109	25.0%	8,447	17.0%	-	-	-	-	
Total	435	100.0%	49,817	100.0%	7,952	100.0	175,053	100.0	
2008									
Business Revenue Level	Bank				Aggregate				Business
	#	%	\$(000's)	%	#	%	\$(000's)	%	%
\$1million or less	109	37.2%	4,523	12.9%	<i>not available</i>				61.1
Over \$1 million	96	32.6%	10,552	30.1%					4.1
No Revenue Info	89	30.2%	19,936	56.9%					
Total	294	100.0%	35,011	100.0%					
2 Year Total	729	100.0	84,828	100.0					
Total <\$1 million	263	36.1	16,506	19.5					

*Analysis of small business loans was performed on a sample of 164 loans. Number and dollar volume of loans were then extrapolated from the resulting percentages and are not actual results. Percentage column may not add due to rounding.

Geographic Distribution of Loans: "Satisfactory"

While small business lending in LMI geographies was reasonable, HMDA-reportable lending remained poor, as it was at the prior evaluation period. The overall factor for geographic distribution is reasonable, due to both the size of small business lending relative to HMDA-reportable lending, and the mitigating factors affecting HMDA-reportable lending (see below).

HMDA-reportable Loans: "Needs to Improve"

In 2007, ATC originated 3.8% of its HMDA-reportable loans within moderate-income geographies, which was lower than the aggregate banks' 12.9%. There are no low-income tracts within the assessment area.

In 2008, ATC's LMI-geography lending improved to 5.6% by number of loans originated in the assessment area. No aggregate data were available at the evaluation.

ATC did not offer FHA loans, an important product for the LMI community within its assessment area. ATC also began offering a home equity line program which was not HMDA-reportable, but had a more favorable interest rate than the home equity loan program which was HMDA-reportable. These two facts can be considered mitigating factors that led to ATC's poor results.

The following chart summarizes the bank's distribution of HMDA-reportable loans by geographic income level.

Distribution of HMDA-reportable Loans by Geographic Income Level*									
2007									
Geography Income Level	Bank				Aggregate**				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0
Moderate	5	3.8%	383	2.3%	836	12.9%	94,223	9.1%	12.5
Middle	99	75.0%	10,228	60.1%	4,086	63.0%	629,635	61.0%	63.4
Upper	28	21.2%	6,406	37.6%	1,562	24.1%	307,843	29.8%	24.1
NA					4	0.1%	867	0.1%	
Total	132	100.0%	17,017	100.0%	6,488	100.0%	1,032,568	100.0%	100.0
2008									
Geography Income Level	Bank				Aggregate**				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	<i>not available</i>				0.0
Moderate	6	5.6%	238	1.7%					12.5
Middle	79	73.1%	10,645	76.3%					63.4
Upper	23	21.3%	3,065	22.0%					24.1
NA	0	0.0%	0	0.0%					
Total	108	100.0%	13,948	100.0%					100.0
LMI 2-year	11	4.6	621	2.0					
Total	240	100.0	30,965	100.0					

Small Business Loans: Satisfactory

In 2007, ATC originated 9.4% of its small business loans within moderate-income geographies, which was in line with the aggregate level of 10.5%.

In 2008, ATC's LMI-geography lending decreased to 7.0% by number of loans originated in the assessment area, which was caused by the overall slowdown of economic activity. No aggregate data were available at the evaluation.

The following chart summarizes the bank's distribution of small business loans by geographic income level.

*Distribution of Small Business Loans by Geographic Income Level									
2007									
Geography Income Level	Bank				Aggregate				Business Demo- graphics
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	0	0.0	0	0.0	0
Moderate	41	9.4%	5,939	11.9%	831	10.5	20,360	11.6	13.6
Middle	322	74.0%	37,836	76.0%	4,853	61.0	102,985	58.8	62.3
Upper	73	16.7%	6,042	12.1%	2,268	28.5	51,708	29.5	24.1
NA									
Total	435	100.0%	49,817	100.0%	7,952	100.0	175,053	100.0	100
2008									
Geography Income Level	Bank				Aggregate				
	#	%	\$000's	%	#	%	\$000's	%	
Low	0	0.0%	0	0.0%	<i>not available</i>				0
Moderate	21	7.0%	172	0.5%					13.5
Middle	239	81.4%	32,492	92.8%					62.4
Upper	34	11.6%	2,347	6.7%					24.1
NA	0	0.0%							0
Total	294	100.0%	35,011	100.0%					100.0
LMI 2-year	61	8.4%	6,111	7.2%					
Total	729		84,828						

* Analysis of small business loans was performed on a sample of 164 loans. Number and dollar volume 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: Satisfactory

Neither ATC nor the New York State Banking Department has received any written complaints regarding the bank's CRA performance since the latest CRA evaluation conducted as of December 31, 2006.

II. Community Development Test: "Outstanding"

ATC's community development performance demonstrates excellent responsiveness to community development needs in its assessment area through community development loans, qualified investments, and community development services.

Community Development Loans: "Outstanding"

ATC is a leader in making qualified community development loans.

During the evaluation period, ATC's community development commitments totaled \$22.4 million, of which 88.7% (\$19.9 million) was new money. In addition, the community development lending in the current period was almost double the size of the prior period's

\$10.7 million.

ATC's community development commitments include loans and credit lines to non-profit organizations and other businesses and entities engaged in affordable housing projects, economic development, revitalization and stabilization, and community service. All of these borrowers either are located in or have operations within the Albany-Schenectady-Troy MSA.

The chart following on the next page shows the number of loans and dollar volume by designation.

Community Development Loans			
<i>Designation</i>	<i># of loans</i>	<i>volume (\$000s)</i>	<i>volume %</i>
Affordable Housing	10	\$ 10,720	47.8%
Community Service	31	\$ 5,716	25.5%
Economic Development	8	\$ 5,531	24.7%
Revitalization & Stabilization	3	\$ 462	2.1%
Total	52	\$ 22,429	100.0%

The following are examples of the larger commitments among the fifty-two community development loans and credit lines extended during the evaluation period:

- In 2008, ATC approved a renewal of a \$350 thousand credit line to a non-profit company engaged in community services to individuals with mental and physical disabilities, mostly LMI. The line was extended for short-term cash flow funding purposes.
- In 2007, ATC approved an increase (from \$2.5 million to \$4.07 million) of an existing line of credit for purposes of funding development of affordable housing units in the town of Fort Edward. Partnered in the project were SONYMA and the Community Preservation Corporation.
- In 2008, ATC extended a \$2 million term loan to fund an affordable housing project in Saratoga Springs. The funds would be used for acquisition of seven buildings with 28 units in total, of which 18 would be rented to low-income tenants through the HUD's Section 8 voucher program.
- In 2007, the bank extended four loans totaling \$5.125 million to a building renovation project in Troy, NY. This formerly vacant department store, located in a low-income geography, would become a residential building with 19 apartments and the 1st floor designated as retail space for various vendors. The project will foster economic development in an LMI geography.

Community Development Qualified Investments: "Outstanding"

ATC's level of qualified community development investments reflected an excellent responsiveness to the credit needs of the assessment area.

During the evaluation period, qualified investments, including \$330.4 thousand in 68 grants, totaled \$12.3 million, of which \$3.8 million was new money.

The following chart shows the number of investments and grants as well as the dollar volume allocated by designation:

Community Development Investments and Grants			
<i>Designation</i>	<i># of items</i>	<i>volume (\$000s)</i>	<i>volume %</i>
Revitalization & Stabilization	24	\$ 10,793	87.7%
Community Service	55	\$ 708	5.7%
Economic Development	9	\$ 690	5.6%
Affordable Housing	10	\$ 117	1.0%
Total	98	\$ 12,308	100.0%

The following are some examples of the bank's qualified investments and/or grants:

- ATC carried from the prior evaluation period, four municipal bonds, totaling \$6.1 million, that were issued by the City of Saratoga Springs to finance various projects for economic development, and revitalization and stabilization, a majority of which benefited moderate-income neighborhoods.
- Similar to the above, the bank kept a \$1.2 million municipal bond issued by the County of Schenectady that was also used for public improvement projects in LMI geographies.
- In 2007, ATC purchased two municipal series bonds, totaling \$645 thousand, which were issued by the County of Livingston to fund construction of a skilled nursing facility that is Medicare and Medicaid eligible.
- ATC carried a non-controlling \$500 thousand investment in a limited partnership that engages in investments that finance small businesses, primarily in Saratoga County. The partnership is licensed as an SBA small business investment company.
- In 2008, ATC donated \$100 thousand to an affordable housing project in Saratoga Springs. The grant money, along with the bank's loans to the same entity, was to be used for acquisition of seven buildings with 28 units in total, and 18 of which would be rented to low-income tenants through the HUD's Section 8 voucher program.

Community Development Services: "Outstanding"

ATC is a leader in providing community development services. ATC's management and other staff provide technical assistance to organizations and programs that promote affordable housing, economic development and community services in the assessment

area. ATC's directors and officers also serve on boards or in management positions of several local organizations that involve economic development of the area or are active in providing a variety of services for the LMI population, and physically and mentally disabled individuals.

The following are examples of the organizations, projects, events or services through which ATC's directors, officers and employees provide community development services:

- ATC's CRA Officer was the chair of a public hearing to review grant applications for the HUD Small Cities Community Development Block Grant Program
- ATC's AVP of Commercial Loans is on the board of Junior Achievement of Northeastern New York and the Chair of the Adirondack Region.
- ATC was a lead sponsor (\$20,000) of an annual dinner for the Saratoga Economic Development Corporation ("SEDC"). SEDC is the parent organization for the Saratoga Entrepreneurial Loan Fund a community development initiative that provides financing to start-up and small businesses. SEDC presented ATC's President and CEO with a "Distinguished Economic Development Leadership Award".
- As a community development service, ATC provides its computer and servicing capabilities, at no cost, to The City of Saratoga Springs Office of the Community Development City-Wide Housing Revolving Loan Program.
- As a community development service, ATC also provides its computer and servicing capabilities, at no cost, to the Saratoga Entrepreneurial Fund Inc. ATC volunteered to be the interim administrator of the fund in September 2004, and has formerly volunteered to administer the fund for the year's 2005 through 2009.

IV. Additional Factors

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

ATC's board of directors reviews and approves the bank's CRA statement on an annual basis. The board last reviewed and approved the bank's CRA statement on December 3, 2008.

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

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

Evidence of prohibited discriminatory or other illegal credit practices

No evidence of prohibited discrimination 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

ATC ascertains the credit needs of its community mainly through active involvement by its directors, officers and employees with various community organizations. ATC's officers meet with officials of civic, religious, neighborhood and not-for-profit organizations to discuss the credit needs of the community. These organizations include Saratoga Economic Development Corporation, Shelters of Saratoga (the only homeless shelter in Saratoga) and City of Saratoga Springs office of the Community Development, etc.

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

The bank has employed a full time marketing director, and has developed its own "in- house" advertising copy production capabilities, as well as having used outside local agencies. This enabled the bank to coordinate and more effectively communicate its ability to meet the credit needs of the community through various products and services.

ATC uses a variety of media to promote and inform the community about its products and credit services. Examples of the print media used include the following: *Ballston Journal, The Community News, Saratogian* and *Saratoga Living, Saratoga Today*. ATC also advertises on following radio stations and television: Star Radio FM 101.3

WABY AM, WNCE-True North TV 8. Time Warner Cable--Saratoga & Glens Falls Zones.

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

Two organizations located in the bank's assessment area (one active in economic development projects and the other in community services to homeless people) were contacted to share information on the credit needs of the area and the extent to which those needs are met by banks serving the area. They had no concerns or adverse comments on ATC.

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

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.

Income Level

The income level of the person, family or household is based on the income of person, family or household. 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 (“GAR”) of \$1 million or less (“< = \$ 1MM”).

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

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 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 in LMI geographies or to LMI borrowers.

Small Business Loans

Loans to businesses with original amounts of \leq \$1MM.