

# **PUBLIC DISCLOSURE**

**June 13, 2011**

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Adirondack Trust Company  
RSSD No. 645317**

**473 Broadway  
Saratoga Springs, NY 12866**

**Federal Reserve Bank of New York**

**33 Liberty Street  
New York, NY 10045**

**NOTE:** This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

## TABLE OF CONTENTS

Institution’s CRA Rating .....	BB1
Description of Institution .....	BB2
Description of Assessment Areas .....	BB2
Scope of Examination .....	BB4
Conclusions with Respect to Performance Tests .....	BB5
Lending Test .....	BB5
Community Development Test .....	BB6
Fair Lending or Other Illegal Credit Practices Review .....	BB6
 <i>MSA 10580 (Albany-Schenectady-Troy, NY) – Full Scope</i>	
Description of Operations .....	BB7
Performance Context .....	BB7
Conclusions with Respect to Performance Tests .....	BB9
 <i>MSA 24020 (Glens Falls, NY) – Limited Scope</i>	
Conclusions with Respect to Performance Tests .....	BB15
 Exhibits	
Exhibit I – Summary of Key Assessment Area Data.....	BB3
Exhibit II – Assessment Area Demographics of MSA 10580 .....	BB8
Exhibit III – Loan Distribution Table MSA 24020 .....	BB16
 Appendices	
CRA Appendix A: Glossary .....	BB17
CRA Appendix B: Assessment Area Map .....	BB20

**INSTITUTION'S CRA RATING:** Adirondack Trust Company (“ATC”) is rated “OUTSTANDING”.

The following table indicates the performance level of the institution with respect to the lending and community development tests.

PERFORMANCE LEVELS	PERFORMANCE TESTS	
	Lending Test	Community Development Test
Outstanding		X
Satisfactory	X	
Needs to Improve		
Substantial Noncompliance		

The major factors supporting this rating follow:

- The level of community development loans, qualified investments and community development services demonstrates excellent responsiveness to community development needs in the assessment areas.
- A substantial majority of loans were made in the assessment areas.
- The bank’s loan-to-deposit ratio was reasonable.
- The distribution of loans to borrowers of different income levels and businesses of different sizes reflects reasonable penetration.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment areas.

## DESCRIPTION OF INSTITUTION

ATC is a full service commercial bank headquartered in Saratoga Springs, NY. The institution is a subsidiary of 473 Broadway Holding Corporation, a bank holding company. The bank operates eleven retail branches located throughout the central portion of Saratoga County and the southeastern portion of Warren County in the eastern-central part of New York State.

ATC's product base consists of various consumer and commercial lending and deposit products, trust services, and insurance services. Loan products include residential mortgages, small business loans, and consumer loans. As of December 31, 2010, the bank had total assets of \$883 million, net loans and leases of \$437 million, total domestic deposits of \$773 million, and total real estate loans of \$313 million.

Based on deposits reported to the Federal Deposit Insurance Corporation on June 30, 2010, ATC ranked 7<sup>th</sup> of 28 banks with 4% of deposit market share in MSA 10580, Saratoga County. In MSA 24040, Warren County, ATC is ranked last out of 11 banks with less than 1 percent of the market share.

ATC's previous CRA performance evaluation was dated May 18, 2009, and the bank received an overall rating of "Outstanding". There are no financial or legal impediments preventing ATC from serving the credit needs of small businesses in its assessment area.

## DESCRIPTION OF ASSESSMENT AREA

ATC has two assessment areas consisting of portions of Saratoga County and Warren County, which are contiguous, in New York State. The bank's assessment area has not changed since the preceding examination. For purposes of this evaluation, lending activity in Saratoga and Warren Counties will be considered separately. A description of the assessment areas follows:

**MSA 10580 (Albany-Schenectady-Troy, NY)**, consisting of portions of Saratoga County that include the municipalities of Saratoga, Saratoga Springs, Stillwater, Malta, Ballston, Milton, Greenfield, Wilton, Northumberland, Moreau, Town of Corinth, and Village of Corinth.

**MSA 24020 (Glens Falls, NY)**, consisting of a small portion of Warren County which includes the municipalities of Glens Falls, Glens Falls North, West Glens Falls, Town of Queensbury, and town of Lake George.

ATC's assessment areas are predominantly rural and consist of 39 geographies, of which 29 are middle- and upper-income geographies, 9 are moderate-income geographies, and one has no income designation. There are no low-income geographies in the bank's assessment areas. ATC's assessment areas are in compliance with the requirements of 12 CFR §228.41 and do not arbitrarily exclude low- and moderate-income ("LMI") geographies.

Additional assessment area data can be found in Exhibit I. A map illustrating the institution's assessment areas is located in Appendix B of this evaluation.

<b>Exhibit I</b>			
<b>Adirondack Trust Company - Summary of Key Assessment Area and Lending Data</b>			
	<b>MSA 10580 Saratoga County, NY</b>	<b>MSA 24040 Warren County, NY</b>	<b>TOTALS</b>
<b>Total Population<sup>4</sup></b>	<b>126,992</b>	<b>46,592</b>	<b>173,584</b>
Population % of AA population	73%	27%	100%
<b>Families</b>	<b>33,424</b>	<b>12,533</b>	<b>45,957</b>
Families % of AA families	73%	27%	100%
<b>Total Census Tracts<sup>4</sup></b>	<b>28</b>	<b>11</b>	<b>39</b>
Tracts % AA tracts	72%	28%	100%
<b>LMI tracts</b>	<b>7</b>	<b>2</b>	<b>9</b>
LMI tracts % all AA LMI tracts	78%	22%	100%
<b>Total Owner-Occupied Units<sup>4</sup></b>	<b>34,914</b>	<b>12,693</b>	<b>47,607</b>
Units % of AA units	73%	27%	100%
<b>Business Establishments<sup>5</sup></b>	<b>5,350</b>	<b>2,718</b>	<b>8,068</b>
Bus. est. % AA bus. est.	66%	34%	100%
<b>Number of Branches<sup>1</sup></b>	<b>9</b>	<b>2</b>	<b>11</b>
Branches % all branches	82%	18%	100%
<b>Branches in LMI tracts</b>	<b>0</b>	<b>0</b>	<b>0</b>
LMI branches % AA LMI branches	0%	0%	0%
<b>Branch Deposits (\$'000s)<sup>2</sup></b>	<b>697,378</b>	<b>12,765</b>	<b>710,143</b>
Deposits % AA deposits	98%	2%	100%
Deposit Market Share (%)/ Rank in Market*	3.58%/7	0.65%/11	N/A
<b>Home Purchase Originations<sup>3</sup></b>	<b>94</b>	<b>7</b>	<b>101</b>
HP originations % AA orig.	93%	7%	100%
<b>Refinance Originations<sup>3</sup></b>	<b>152</b>	<b>18</b>	<b>170</b>
Refi orig. % AA orig.	89%	11%	100%
<b>Home Improvement Originations<sup>3</sup></b>	<b>40</b>	<b>3</b>	<b>43</b>
Home Improvement orig. % AA orig.	93%	7%	100%
<b>Small Business Originations<sup>3</sup></b>	<b>490</b>	<b>63</b>	<b>553</b>
SB orig. % AA orig.	89%	11%	100%
<b>Combined Loan Totals</b>	<b>776</b>	<b>91</b>	<b>867</b>
% of AA Orig.	90%	10%	100%

(1) Branch numbers are as of 12/31/2010.

(2) Branch deposits and deposit market share are from the FDIC as of 6/30/10.

(3) Originations are loans reported under HMDA or CRA small business reporting for 2009 and 2010.

(4) Demographic information was obtained from the 2000 Census.

(5) Business establishments' information was reported by D&B for 2008.

## SCOPE OF EXAMINATION

### *Procedures*

ATC was examined using the Federal Financial Institutions Examination Council's Intermediate Small Bank CRA examination procedures which consist of tests for lending and community development performance.

### *Products*

Loan products analyzed during this examination included home purchase, refinance, home improvement, small business, and other loans qualifying as community development. Real estate-related loans were reported under the Home Mortgage Disclosure Act (HMDA).

### *Examination Period*

All HMDA-related and small business loans originated between January 1, 2009 and December 31, 2010 were used in the analysis. The integrity of the bank's HMDA-related and small business loan data was verified by examiners. Activities pertaining to community development during the same period were considered in the community development test.

### *Lending Distribution Analysis*

The analysis of borrower and geographic loan distribution was based on loan activity in ATC's assessment areas. The bank's performance was compared to the most recent performance data publicly available for the aggregate of all loan reporters in the assessment area (2009). Performance in 2010 was compared to preliminary 2010 aggregate data to determine consistency with performance in 2009.

To evaluate the geographic distribution of HMDA-related loans, the proportion of loan originations was compared with the proportion of owner-occupied housing units located in moderate-income geographies of the assessment areas. For small business loans, the analysis compared the proportion of loan originations with the proportion of businesses located in moderate-income geographies. There are no low-income geographies in the assessment areas.

To analyze borrower characteristics of HMDA-related loans, the proportion of originations to LMI borrowers was compared with the proportion of LMI families in the assessment areas. Income estimates from the U.S. Department of Housing and Urban Development ("HUD") were used to categorize borrower income. For small business loans, the bank's percentage of loans to businesses with gross annual revenues ("GAR") of \$1 million or less was compared to the percentage of all such businesses in the assessment areas. The size of the small business loan was also used as a proxy to identify lending to businesses with GAR of \$1 million or less.

### *Community Contacts*

Interviews with two economic development organizations were conducted in order to gain an understanding of local credit needs. One organization focuses primarily on attracting new businesses to the area as well as retaining and expanding currently operating businesses. The other organization focuses primarily on a single project expected to have significant regional economic impact.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS**

### **LENDING TEST**

ATC's record of meeting the credit needs of its assessment areas through lending performance is satisfactory. The institution originated a substantial majority of loans within its assessment areas and its loan-to-deposit ratio was reasonable. The overall distribution of loans to borrowers of different incomes and businesses of different sizes was reasonable. Geographic distribution of HMDA-related and small business loans represented reasonable penetration among moderate-income geographies.

#### **Loan-to-Deposit Ratio**

ATC's loan-to-deposit ("LTD") ratio was reasonable given the institution's size, financial condition, and the credit needs of its assessment areas. The institution's average LTD ratio for the eight quarters between January 1, 2009 and December 31, 2010 was 56 percent based on information contained in its *Consolidated Report of Condition and Income*. This ratio was below the national peer average of 83 percent for similarly-sized banks as well as below an average of 84 percent for local peer banks operating in ATC's assessment area. While ATC's LTD ratio is substantially lower than peer banks, it is consistent with the bank's business model in that the bank sells many of its HMDA-reportable loans to FNMA, which reduces its LTD ratios substantially. Additionally, ATC's LTD ratios since the preceding examination, while trending downward, are consistent with declines in ratios for national and local peers in the same time period.

#### **Lending in Assessment Area**

ATC originated a substantial majority of loans in its assessment areas. Of the HMDA-reportable loans originated during the review period, 89 percent were located in the institution's assessment areas. Of the small business loans originated, 81 percent were located in the institution's assessment areas.

**Lending to Borrowers of Different Incomes and to Businesses of Different Sizes**

ATC’s overall lending penetration among borrowers of different income levels (including LMI individuals) and businesses of different sizes was reasonable based primarily on reasonable performance in MSA 10580 (Albany-Schenectady-Troy, NY).

**Geographic Distribution of Loans**

ATC’s geographic distribution of loans reflected reasonable dispersion based primarily on reasonable performance in MSA 10580 (Albany-Schenectady-Troy, NY).

**Response to Complaints**

ATC received no complaints relating to the institution’s CRA performance. Since the previous examination, there were no CRA-related complaints filed with the Federal Reserve Bank of New York.

**COMMUNITY DEVELOPMENT TEST**

ATC’s community development performance was rated outstanding. This conclusion was based on an excellent level of community development loans and investments made and services provided, primarily in MSA 10580 (Albany-Schenectady-Troy, NY). This assessment considers ATC’s capacity and the need and availability of opportunities for community development in its assessment areas.

During the examination period, the bank made a total of \$38 million in community development loans and qualified investments, of which 90 percent were made in the bank’s assessment areas. In terms of dollar volume, total community development efforts increased by 11 percent since the prior examination. See chart below for details of the bank’s total community development loans and qualified investments made during the review period.

<b>Community Development Loans &amp; Qualified Investments</b>										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize and Stabilize		Totals	
	#	(\$000s)	#	(\$000s)	#	(\$000s)	#	(\$000s)	#	(\$000s)
MSA 10580	20	\$15,127	98	\$2,831	20	\$3,720	36	\$16,677	174	\$38,356
Total (%) #/\$	11%	39%	56%	7%	11%	10%	21%	43%	100%	100%

**FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

The bank is in compliance with the substantive provisions of the anti-discrimination laws and regulations. No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet the community credit needs was identified.



## **METROPOLITAN AREA MSA 10580 (ALBANY-SCHENECTADY-TROY, NY) (FULL REVIEW)**

### **DESCRIPTION OF OPERATIONS**

ATC's banking activities within its assessment areas were primarily conducted within MSA 10580. As of December 31, 2010, ATC operated nine of its eleven branches (82%) in this MSA. These branches generated \$697 million in deposits, which accounts for 98 percent of the bank's total branch deposits as of June 30, 2010. Of the bank's total HMDA-related loans originated during the review period, 91 percent were originated in this MSA. Of its total small business loans originated in the assessment areas, 89 percent were originated in this MSA. For additional assessment area data, see Exhibits I and II.

### **PERFORMANCE CONTEXT**

The following demographic and economic information was obtained from publicly available sources that include the U.S. Department of Commerce's 2000 Bureau of Census (Census data from 2010, was considered, when available, for performance context analysis), the U.S. Department of Labor, the U.S. Department of Housing and Urban Development (HUD), and the National Association of Realtors.

ATC's market area is highly competitive with branches of local, regional, and international banks, mortgage companies, and other financial institutions operating within its assessment area. ATC's primary bank competitors include Saratoga National Bank, Ballston Spa National Bank, Glens Falls National Bank and Trust Company, and Trustco Bank.

#### *Demographic Characteristics*

Saratoga County continues to grow in population. According to the 2010 Census, the county has a population of 219,607, representing a .01% growth in population since the preceding examination and a 73% percent growth since the 2000 Census. This growth is significant when compared to the population growth in the overall MSA 10580 (Albany-Schenectady-Troy, NY), which has grown by 5.4 percent since the 2000 census. The median age of the Saratoga County population is 40 years, which is slightly higher than that of New York State at 38 years. The percentage of the population aged 65 and older in Saratoga County is 13.1 percent, compared to 13.4 percent of the overall New York State population aged 65 and over.

According to the 2000 Census, 16 percent of the assessment area population resides in moderate-income geographies, while 66 percent resides in middle-income geographies and 18 percent in upper-income geographies. Exhibit II provides a summary of demographic information related to ATC's MSA 10580 assessment area.

EXHIBIT II									
Assessment Area Demographics									
MSA 10580 (Albany-Schenectady-Troy, NY)									
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income		
	#	%	#	%	#	%	#	%	
Low-income	0	0.0	0	0.0	0	0.0	5,765	17.2	
Moderate-income	7	25.0	5,481	16.4	417	7.6	6,677	20.0	
Middle-income	16	57.1	22,077	66.1	968	4.4	8,210	24.6	
Upper-income	4	14.3	5,866	17.6	109	1.9	12,772	38.2	
Unknown-income	1	3.6	0	0.0	0	0.0	0	0.0	
<b>Total Assessment Area</b>	<b>28</b>	<b>100.0</b>	<b>33,424</b>	<b>100.0</b>	<b>1,494</b>	<b>8.1</b>	<b>33,424</b>	<b>100.0</b>	
	Housing Units by Tract	Housing Types by Tract							
		Owner-occupied			Rental		Vacant		
		#	%	%	#	%	#	%	
Low-income	0	0	0.0	0.0	0	0.0	0	0.0	
Moderate-income	9,333	5,338	15.3	57.2	3,088	33.1	907	9.7	
Middle-income	35,211	23,516	67.4	66.8	9,241	26.2	2,454	7.0	
Upper-income	8,532	6,060	17.4	71.0	1,874	22.0	598	7.0	
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0	
<b>Total Assessment Area</b>	<b>53,076</b>	<b>34,914</b>	<b>100.0</b>	<b>65.8</b>	<b>14,203</b>	<b>26.8</b>	<b>3,959</b>	<b>7.5</b>	
	Total Businesses by Tract	Businesses by Tract & Revenue Size							
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported			
		#	%	#	%	#	%		
Low-income	0	0.0	0	0.0	0	0.0	0	0.0	
Moderate-income	737	13.8	660	13.7	37	10.3	40	22.7	
Middle-income	3,758	70.2	3,368	70.0	273	75.8	117	66.5	
Upper-income	852	15.9	785	16.3	48	13.3	19	10.8	
Unknown-income	3	0.1	1	0.0	2	0.6	0	0.0	
<b>Total Assessment Area</b>	<b>5,350</b>	<b>100.0</b>	<b>4,814</b>	<b>100.0</b>	<b>360</b>	<b>100.0</b>	<b>176</b>	<b>100.0</b>	
		Percentage of Total Businesses:			<b>90.0</b>		<b>6.7</b>		<b>3.3</b>

Based on 2000 Census Data.

### Income Characteristics

According to 2000 census data, the assessment area has 17 percent of families that are low-income, 20 percent of families that are moderate-income, and 4 percent of families living below the poverty level. HUD's median family income for MSA 10580 in 2009 was \$74,100 and \$75,500 in 2010.

### Housing Characteristics

According to the National Association of Realtors, the median annual sales price of existing single-family homes in MSA 10580 was \$195,700 in 2010. Due to continued distress in the housing market, median home sales prices saw a slight decrease of 1 percent in Saratoga County.

The 2000 Census indicates that 66 percent of total housing units in the assessment area are owner-occupied. A total of 15 percent of owner-occupied units are located in moderate-income geographies. Community contacts indicate that affordable housing for LMI borrowers continues to be a challenge, particularly in Saratoga County. As indicated above, Saratoga County has been comparatively insulated from significant economic fluctuations in terms of income and housing characteristics.

### *Labor, Employment, and Economic Characteristics*

Saratoga County's primary industries include retail, manufacturing, technology, sports and recreation, and tourism. Geographically, the city of Saratoga Springs benefits from its relatively close proximity to New York City, Boston and Montreal, all of which are approximately 180 miles away. Saratoga County also benefits from its proximity to Albany, the state capital of New York, and its close proximity to a number of leading universities. This central location enables the region to attract firms that take advantage of academic research and a concentration of skilled workers.

Regionally, the area's dominant industry is state government, which has helped to insulate the area from prior economic downturns as well as the current recession. The region has emerged as a leader in the development of nano-technology, with a large semiconductor manufacturing plant to be opened within the next year. This project is expected to initially employ over 1,450 individuals with plans for construction of more fabrication plants in the area.

In addition, tourism is a major industry in Saratoga Springs, with peak tourism season being horse-racing in the summer months. Tourism revenue contributes significantly to local retail shops, restaurants, hotels, and entertainment venues located in the city.

Unemployment has increased both on a statewide and regional level during the review period, however, unemployment rates in Saratoga County remain lower than those of New York State. The New York State Department of Labor reported an average 2009 unemployment rate of 6.5 percent and an average 2010 unemployment rate of 6.8 percent in Saratoga County. New York State reported unemployment rates of 8.4 percent and 8.6 percent in 2009 and 2010, respectively.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS**

### **LENDING TEST**

ATC's record of meeting the credit needs of its assessment areas through lending performance is satisfactory. The overall distribution of loans to borrowers of different incomes and businesses of different sizes was reasonable. Geographic distribution of HMDA-related and small business loans represented reasonable penetration among moderate-income geographies although geographic distribution was weaker than ATC's borrower distribution performance.

### *Lending to Borrowers of Different Incomes and to Businesses of Different Sizes*

The overall distribution of HMDA-related and small business loans reflected reasonable penetration among individuals of different income levels and businesses of different sizes. An analysis of the lending distribution in each loan category follows:

#### *Home Purchase Loans*

ATC's distribution of home purchase loans to LMI borrowers was reasonable. In 2009, the bank extended 5 percent of its home purchase loans to low-income borrowers, compared to 17 percent of low-income families residing in the assessment area. The bank's home purchase lending to low-income borrowers was consistent with the aggregate, which originated 5 percent of its home purchase loans to low-income borrowers as well. In 2009, ATC extended 22 percent of its home purchase loans to moderate-income borrowers, compared to 20 percent of moderate-income families residing in the assessment area. The bank's 2009 home purchase lending to moderate-income borrowers was slightly below the aggregate, which originated 27 percent of its home purchase loans to moderate-income borrowers. Bank performance in 2010 was less favorable when compared to the number of LMI families in the assessment area.

#### *Refinance Loans*

ATC's distribution of refinance loans to LMI borrowers was reasonable. In 2009, the bank extended 2 percent of its refinance loans to low-income borrowers, which was below the aggregate, which originated 5 percent of its refinance loans to low income borrowers. In 2009, the bank extended 20 percent of its refinance loans to moderate-income borrowers, compared to 20 percent of moderate-income families residing in the assessment area. The bank's 2009 refinance lending to moderate-income borrowers exceeded the aggregate, which originated 17 percent of its refinance loans to moderate-income borrowers. Bank performance in 2010 was more favorable when compared to the number of LMI families in the assessment area.

#### *Home Improvement Loans*

ATC's distribution of home improvement loans to LMI borrowers was reasonable. In 2009, the bank extended 14 percent of its home improvement loans to low-income borrowers, compared with 17 percent of low-income families residing in the assessment area. The bank's 2009 home improvement lending to low-income borrowers was above the aggregate, which originated 10 percent of its home improvement loans to low-income borrowers. In 2009, ATC extended 10 percent of its home improvement loans to moderate-income borrowers, compared to 20 percent of moderate-income families residing in the assessment area. The bank's 2009 home improvement lending was below the aggregate, which originated 20 percent of its home improvement loans to moderate-income borrowers. Bank performance in 2010 was less favorable when compared to the number of LMI families residing in the assessment area.

### Lending to Businesses of Different Sizes

ATC's distribution of loans to businesses of different sizes was reasonable. The proportion of loans to businesses with GAR of \$1 million or less was 41 percent in 2009, compared to 90 percent of such businesses located in the assessment area. ATC's 2009 performance significantly exceeded the aggregate, which reported 21 percent of its loans to small businesses. ATC's performance was similar in 2010.

Of ATC's small business loans, 74 percent in 2009 were in amounts of \$100 thousand or less. The bank's percentage of 2009 small business loans in the amount of \$100 thousand or less was below the aggregate, which originated 94 percent of its loans in amounts of \$100 thousand or less. Bank performance in 2010 was consistent with 2009 performance.

### Geographic Distribution of Loans

ATC's overall geographic distribution of loans reflected reasonable dispersion throughout MSA 10580. Performance is based on penetration in moderate-income census tracts as there are no low-income census tracts in MSA 10580. While both HMDA-related and small business lending generally lagged aggregate performance and demographic benchmarks, ATC's HMDA-related lending improved slightly since the preceding CRA performance evaluation and has shown a positive trend into 2010, particularly with respect to home improvement loans. An analysis of the lending distribution in each loan category follows:

#### Home Purchase Loans

ATC's distribution of home purchase loans in moderate-income geographies was poor. The bank originated 2 percent, which represented only one home purchase loan, in a moderate-income census tract, compared to 15 percent of owner-occupied housing units located in moderate-income geographies in the MSA. ATC's performance was significantly below the aggregate, which made 12 percent of its home purchase loans in moderate-income geographies.

#### Refinance Loans

ATC's distribution of refinance loans in moderate-income geographies was marginally reasonable. The bank originated 4 percent, or three, refinance loans in moderate-income census tracts, compared to 15 percent of owner-occupied housing units located in moderate-income geographies. ATC's refinance lending performance in moderate-income geographies was below the aggregate, which made 9 percent of its refinance loans in moderate-income geographies. Performance in 2010 was consistent with 2009 performance.

Home Improvement Loans

ATC’s distribution of home improvement loans in moderate-income geographies was reasonable. The bank originated 5 percent, or one, home improvement loan in a moderate-income census tract, compared to 15 percent of owner-occupied housing units located in moderate-income geographies. While ATC’s performance in 2009 was below the aggregate’s performance of 13 percent, the bank’s performance in 2010 significantly improved and exceeded the aggregate’s performance.

Small Business Loans

ATC’s distribution of small business loans in moderate-income geographies was marginally reasonable. The bank originated 4 percent, or 11, small business loans in moderate-income geographies in 2009, compared to 14 percent of small businesses in the assessment area located in moderate-income geographies. ATC’s small business lending in moderate-income geographies was below the aggregate, which made 12 percent of its small business loans in moderate-income geographies in 2009. Performance in 2010 was consistent.

**COMMUNITY DEVELOPMENT TEST**

ATC’s community development performance in MSA 10580 demonstrates excellent responsiveness to the community development needs of the assessment area through community development loans, qualified investments and community development services. This assessment of ATC’s performance considers the bank’s capacity and the need and availability of such opportunities for community development in MSA 10580. The bank’s level of community development activities compared very favorably to three similarly-situated banks located in MSA 10580.

The bank’s overall community development loans and investment activity was primarily targeted to MSA 10580, which received 86 percent (\$32.9 M) of the bank’s total community development loans and investments (\$38.4M).

Community Development Loans & Qualified Investments (MSA 10580)										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize and Stabilize		Totals	
	#	(\$000s)	#	(\$000s)	#	(\$000s)	#	(\$000s)	#	(\$000s)
MSA 10580	20	\$15,127	83	\$2,813	17	\$3,719	17	\$11,295	137	\$32,953
Total (%) #/\$	15%	46%	62%	9%	13%	11%	13%	34%	100%	100%

### **Community Development Loans**

ATC originated 51 community development loans in MSA 10580 for a total of \$22 million. Of this total, 51 percent provided community development services targeted to LMI individuals, 39 percent financed affordable housing, 6 percent targeted economic development initiatives, and 4 percent targeted revitalization and stabilization efforts of moderate-income geographies. A total of 22 percent of community development loans represented new commitments originated since the prior CRA evaluation.

Examples of ATC's community development loans made in MSA 10580 include:

- A \$500 thousand line of credit to cover operating expenses for a non-profit organization which advocates for mentally handicapped individuals, providing housing, supervision, and career programs.
- A \$100 thousand term loan to help fund the purchase of a five unit property to be rented to LMI individuals.
- A \$5M line of credit to help fund the infrastructure costs associated with the development of a 330 acre parcel to be sold for under \$210 thousand in partnership with the State of New York Mortgage Agency and the Community Preservation Corporation.
- A \$610 thousand secured term loan to fund the construction of a fifteen unit apartment building which will house LMI individuals and families.

### **Qualified Investments**

ATC's qualified investments totaled \$11 million in MSA 10580, demonstrating excellent responsiveness to community development needs. Qualified investments consisted primarily of equity investments, targeted municipal bonds and charitable contributions. This figure represents 67 percent of the total dollar amount of qualified investments made by the bank. A total of 77 percent of the investments were new, made during the current review period. Most of the investments (97 percent, in terms of dollar amount) were targeted to efforts relating to revitalization and stabilization of moderate-income geographies within the assessment area. Examples of qualified investments include:

- Charitable donations to various non-profit organizations which provide services to LMI individuals and families in MSA 10580.
- General obligation bonds targeted to infrastructure improvements to moderate-income geographies and underserved middle-income geographies.
- An equity investment in a small business loan fund.

### Community Development Services

ATC provided financial technical assistance to a variety of non-profit organizations which furnish community development services to LMI individuals and also provided financial education. The bank also provides a meeting room free of charge for financial training sessions. ATC officers, directors and employees serve in board or committee roles for the following community-based organizations:

- An organization which provides a community fund supporting charitable giving programs and provides donor advisory services.
- A revolving loan fund for the city of Saratoga Springs, which provides low-cost home improvement loans to qualified individuals.
- An organization providing emergency shelter to victims of domestic violence and supportive services to prevent or alleviate homelessness.
- An organization providing community housing rehabilitation services to LMI individuals.
- An organization that provides funding alternatives to traditional business lending routes.
- An organization that provides services to individuals with mental and physical disabilities in order to promote self-sufficiency and employment.
- An organization which provides preservation services to LMI individuals and low-income housing to war veterans.
- An organization that provides affordable housing, a food pantry, and clothing donations to LMI individuals and families.



## METROPOLITAN AREA MSA 24020 (GLENS FALLS, NY)

### (LIMITED REVIEW)

The bank's performance in MSA 24020 was consistent with overall lending performance and consistent with overall community development performance. The bank has a limited presence in MSA 24020, reflective of its lending activity.

Two of ATC's eleven branches operate in MSA 24020. As of June 30, 2010, these branches generated 2 percent of the total assessment areas' branch deposits.

A total of 44 loans were originated in this assessment area in 2009. This figure consisted of 15 HMDA-related loans and 29 small business loans, representing 9 percent of total HMDA originations and 9 percent of small business originations in the total assessment area in 2009. No HMDA-related loans were originated in moderate-income geographies, however, 17 percent of small business loans were originated in moderate-income geographies, which compares favorably to the aggregate's level of originations, at 14 percent, as well as the demographics, which indicate that 13 percent of small businesses are located in moderate income geographies. The bank's HMDA-related loan performance in 2010 was consistent with 2009 and compared very favorably to 2010 aggregate lending data.

Community development loans and investments were consistent with overall community development performance. \$1.5M, or 4 percent of the bank's total dollar amount of community development loans and investments (total of \$38.4M) were made in MSA 24020. See Exhibit I for additional assessment area demographic information and Exhibit III for additional lending data.

Community Development Loans & Qualified Investments (MSA 24020)										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize and Stabilize		Totals	
	#	(\$000s)	#	(\$000s)	#	(\$000s)	#	(\$000s)	#	(\$000s)
MSA 24020	0	\$0	15	\$18	3	\$2	2	\$1,442	20	\$1,462
Total (%) #/\$	0%	0%	75%	1%	15%	0%	10%	99%	100%	100%

**EXHIBIT III**  
**Adirondack Trust Company**  
**Loan Distribution Table**  
**MSA 24020 (Glens Falls, NY)**

**2009 Aggregate Comparison Loan Distribution Table**  
**Assessment Area: MSA 24020**

Income Categories	HMDA									
	By Tract Income					By Borrower Income				
	#	Bank %	% \$(000s)	%	Aggregate % \$(000s)	#	Bank %	% \$(000s)	%	Aggregate % \$(000s)
<b>Home Purchase</b>										
Low	0	0.0%	0.0%	0.0%	0.0%	0	0.0%	0.0%	3.4%	1.6%
Moderate	0	0.0%	0.0%	8.8%	6.0%	0	0.0%	0.0%	24.5%	17.7%
Middle	0	0.0%	0.0%	51.1%	45.9%	1	50.0%	38.9%	24.8%	23.5%
Upper	2	100.0%	100.0%	40.1%	48.1%	1	50.0%	61.1%	42.1%	51.0%
Unknown	0	0.0%	0.0%	0.0%	0.0%	0	0.0%	0.0%	5.2%	6.2%
<b>Total</b>	<b>2</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>2</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Refinance</b>										
Low	0	0.0%	0.0%	0.0%	0.0%	0	0.0%	0.0%	4.1%	2.5%
Moderate	0	0.0%	0.0%	5.3%	3.7%	1	10.0%	6.5%	13.1%	9.3%
Middle	2	20.0%	16.9%	50.3%	46.8%	2	20.0%	6.7%	22.5%	18.4%
Upper	8	80.0%	83.1%	44.5%	49.6%	6	60.0%	72.7%	45.5%	54.7%
Unknown	0	0.0%	0.0%	0.0%	0.0%	1	10.0%	14.1%	14.9%	15.1%
<b>Total</b>	<b>10</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>10</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Home Improvement</b>										
Low	0	0.0%	0.0%	0.0%	0.0%	0	0.0%	0.0%	6.6%	0.9%
Moderate	0	0.0%	0.0%	3.3%	2.3%	0	0.0%	0.0%	18.5%	12.2%
Middle	2	66.7%	59.2%	54.3%	40.7%	0	0.0%	0.0%	27.2%	17.7%
Upper	1	33.3%	40.8%	42.4%	57.0%	2	66.7%	59.2%	45.0%	62.4%
Unknown	0	0.0%	0.0%	0.0%	0.0%	1	33.3%	40.8%	2.6%	6.8%
<b>Total</b>	<b>3</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>3</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Multi-Family</b>										
Low	0	0.0%	0.0%	0.0%	0.0%	0	0.0%	0.0%	0.0%	0.0%
Moderate	0	0.0%	0.0%	50.0%	30.6%	0	0.0%	0.0%	0.0%	0.0%
Middle	0	0.0%	0.0%	33.3%	40.4%	0	0.0%	0.0%	0.0%	0.0%
Upper	0	0.0%	0.0%	16.7%	29.1%	0	0.0%	0.0%	0.0%	0.0%
Unknown	0	0.0%	0.0%	0.0%	0.0%	0	0.0%	0.0%	100.0%	100.0%
<b>Total</b>	<b>0</b>	<b>0.0%</b>	<b>0.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0</b>	<b>0.0%</b>	<b>0.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>HMDA Totals</b>										
Low	0	0.0%	0.0%	0.0%	0.0%	0	0.0%	0.0%	4.1%	2.0%
Moderate	0	0.0%	0.0%	6.5%	5.5%	1	6.7%	4.4%	17.5%	12.0%
Middle	4	26.7%	19.7%	50.8%	45.9%	3	20.0%	11.6%	23.6%	19.5%
Upper	11	73.3%	80.3%	42.7%	48.6%	9	60.0%	68.7%	44.1%	51.6%
Unknown	0	0.0%	0.0%	0.0%	0.0%	2	13.3%	15.3%	10.7%	14.9%
<b>Total</b>	<b>15</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>15</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>SMALL BUSINESS</b>										
<b>By Tract Income</b>										
	#	Bank %	% \$(000s)	%	Aggregate % \$(000s)					
Low	0	0.0%	0.0%	0.0%	0.0%					
Moderate	5	17.2%	17.2%	43.2%	13.9%					
Middle	3	10.3%	10.3%	34.4%	42.6%					
Upper	21	72.4%	72.4%	22.4%	43.5%					
Unknown	0	0.0%	0.0%	0.0%	0.0%					
Tract Unknown	0	0.0%	0.0%	0.0%	0.0%					
<b>Total</b>	<b>29</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>					
<b>By Revenue</b>										
\$1 Million or Less	4	13.8%	13.8%	35.4%	25.1%					
<b>By Loan Size</b>										
\$100,000 or less	24	82.8%	82.8%	23.1%	90.6%					
\$100,001-\$250,000	3	10.3%	10.3%	16.4%	4.9%					
\$250,001-\$1 Million	2	6.9%	6.9%	60.5%	4.5%					
<b>Total</b>	<b>29</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>					

Originations and Purchases

## CRA APPENDIX A

### GLOSSARY

**Census tract:** A small, relatively permanent statistical subdivision of a county or statistically equivalent entity delineated for data presentation purposes by a local group of census data users or the geographic staff of a regional census center in accordance with the Census Bureau guidelines. Designed to be relatively homogeneous units with respect to population characteristics, economic status, and living conditions at the time they are established, census tracts generally contain between 1,000 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries are delineated with the intention of being stable over many decades, so the generally follow relatively permanent visible features. However, they may follow governmental unit boundaries and other invisible features in some instances; the boundary of a state or county) or statistically equivalent entity) is always a census tract boundary.

**Community development:** Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize and stabilize definition of community development. Activities that revitalize or stabilize-

- (i) Low-or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-
  - a. Rates of poverty, unemployment, and population loss; or
  - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including the needs of low- and moderate-income individuals.

**Family:** A family is a group of two or more people related by birth, marriage, or adoption and residing together; all such people (including related subfamily members) are considered as members of one family.

**Full review:** Performance is analyzed considering performance context, quantitative factors and qualitative factors.

**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 statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and income of applicants, the amount of loan requested, and the disposition of the application (e.g., approved, denied, withdrawn).

**Home mortgage loans:** Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes, and refinancings of home improvement and home purchase loans.

**Household:** A household consists of all the people who occupy a housing unit. A household includes the related family members and all the unrelated people, if any, such as lodgers, foster children, wards, or employees who share the housing unit. A person living alone in a housing unit, or a group of unrelated people sharing a housing unit such as partners or roomers, is also counted as a household. The count of households excludes group quarters.

**Limited-scope review:** Performance is analyzed using only quantitative factors.

**Low-income:** Individual income that is less than 50% of the area median income, or a median family income that is less than 50%, in the case of a geography.

**Metropolitan Statistical Area (“MSA”):** A geographic entity defined by the federal Office of Management and Budget for use by federal statistical agencies, based on the concept of a core area with a large population nucleus, plus adjacent communities having a high degree of economic and social integration with that core.

**Metropolitan Division:** A county or group of counties within a **Metropolitan Statistical Area** that contains a population of at least 2.5 million and represents an employment center(s) associated through commuting ties.

**Middle-income:** Individual income that is at least 80% and less than 120% of the area median income, or a median family income that is at least 80% and less than 120%, in the case of geography.

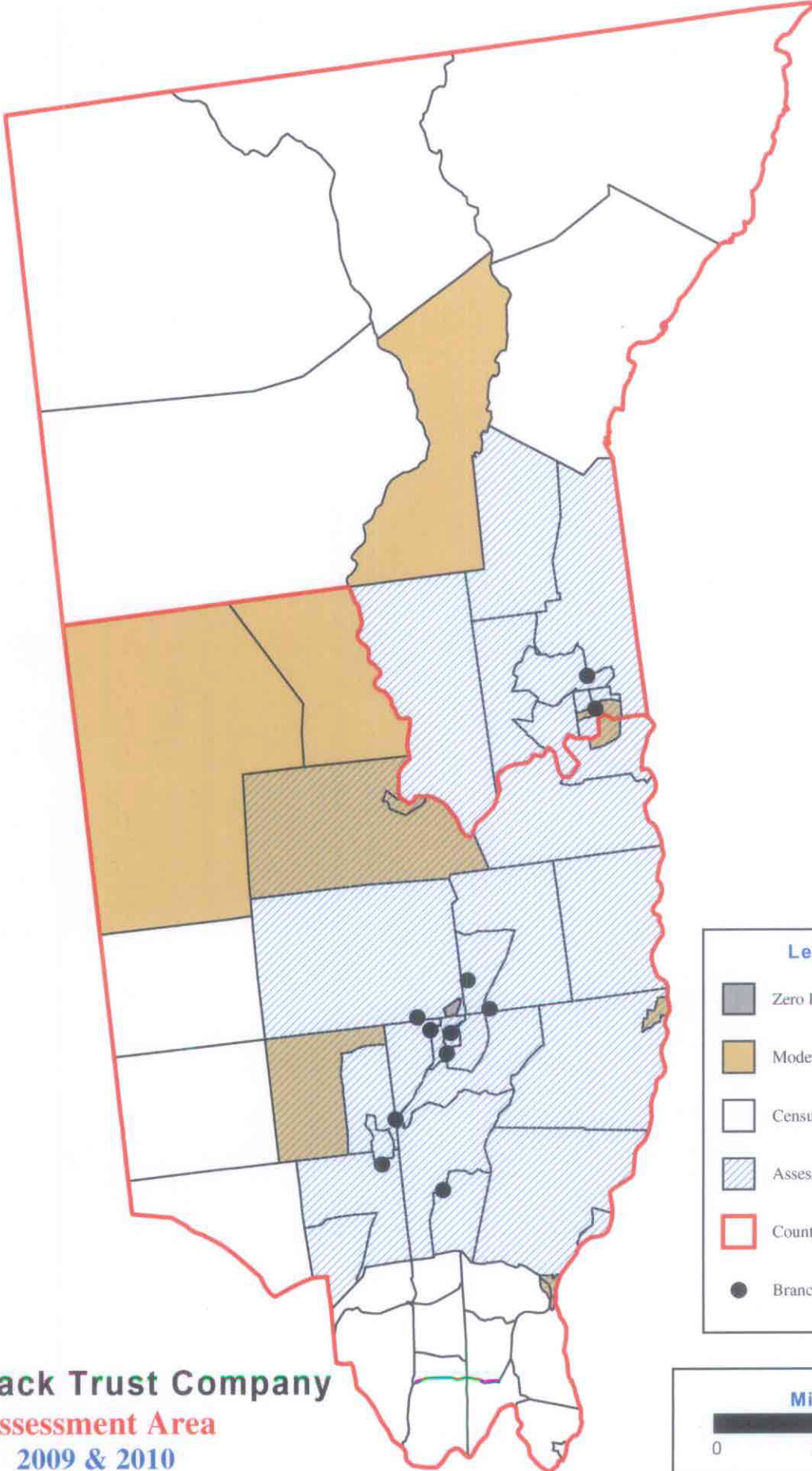
**Moderate-income:** Individual income that is at least 50% and less than 80% of the area median income, or a median family income that is at least 50% and less than 80%, in the case of geography.

**Owner-occupied units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified investment:** A qualified investment is defined as any lawful investment, deposit, membership share or grant that has as its primary purpose community development.

**Small loan(s) to business(es):** A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income (“Call Report”) and the Thrift Financial Reporting (“TFR”) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as “small business loans” if the loans are reported on the TFR as nonmortgage, commercial loans.

**Upper-income:** Individual income that is more than 120% of the area median income, or a median family income that is more than 120%, in the case of geography.



**Adirondack Trust Company**  
**Assessment Area**  
**2009 & 2010**

**Legend**

- Zero Income Tracts
- Moderate Income Tracts
- Census Tracts
- Assessment Area
- County
- Branch

