

PUBLIC DISCLOSURE

April 29, 2013

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.

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INSTITUTION'S CRA RATING

Adirondack Trust Company ("ATC") is rated "Satisfactory".

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 overall 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 overall distribution of loans to borrowers of different income levels and businesses of different sizes reflects reasonable penetration.
- The overall geographic distribution of loans reflects reasonable dispersion throughout the assessment areas.
- ATC's loan-to-deposit ratio was reasonable.

DESCRIPTION OF INSTITUTION

ATC is a full service commercial bank headquartered in Saratoga Springs, NY. ATC is a subsidiary of 473 Broadway Holding Corporation, a bank holding company. ATC 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, 2012, ATC had total assets of \$1.02 billion, net loans and leases of \$495 million, and total deposits of \$895 million.

Based on deposits reported to the Federal Deposit Insurance Corporation on June 30, 2012, ATC ranked 7th of 25 banks in MSA 10580 (Albany-Schenectady-Troy, NY), with 4% of deposit market share. In MSA 24040 (Glen Falls, NY), ATC is ranked 10th out of 11 banks with less than 2% of the deposit market share.

ATC's previous CRA performance evaluation was dated June 13, 2011, and ATC received an overall rating of "Outstanding". There are no financial or legal factors that would prevent ATC from fulfilling its obligations under CRA.

DESCRIPTION OF ASSESSMENT AREAS

ATC has two assessment areas, consisting of portions of Saratoga County and Warren County, which are contiguous counties in New York State. The assessment areas are predominantly rural and consist of a total of 43 census tracts, of which six are moderate-income tracts, 36 are middle- and upper-income tracts, and one tract that has no income designation. There are no low-income geographies in ATC's assessment areas. 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 has not changed its assessment areas since the prior examination. However, changes to the assessment areas have resulted from demographic changes reported in the 2010 Census compared to the 2000 Census. Based on the 2010 Census, ATC's total combined assessment area has increased by four census tracts, and three tracts in Saratoga County that were moderate-income tracts under the 2000 Census are now designated as middle- or upper-income tracts. 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 ATC's assessment

areas is located in Appendix B.

Exhibit I
Adirondack Trust Company
Summary of Key Assessment Area and Lending Data

| | MSA 10580 (Saratoga County, NY) | MSA 24020 (Warren County, NY) | TOTALS |
|--|---------------------------------------|-------------------------------------|---------|
| Total Population¹ | 139,153 | 49,463 | 188,616 |
| Population % of AA population | 74% | 26% | 100% |
| Families | 36,027 | 13,605 | 49,632 |
| Families % of AA families | 73% | 27% | 100% |
| Total Census Tracts¹ | 30 | 13 | 43 |
| Tracts % AA tracts | 70% | 30% | 100% |
| LMI tracts | 4 | 2 | 6 |
| LMI tracts % all AA LMI tracts | 67% | 33% | 100% |
| Total Owner-Occupied Units¹ | 39,721 | 14,076 | 53,797 |
| Units % of AA units | 74% | 26% | 100% |
| Business Establishments² | 7,417 | 3,519 | 10,936 |
| Bus. est. % AA bus. est. | 68% | 32% | 100% |
| Number of Branches³ | 9 | 2 | 11 |
| Branches % all branches | 82% | 18% | 100% |
| Branches in LMI tracts | 0 | 0 | 0 |
| LMI branches % AA LMI branches | 0% | 0% | 0% |
| Branch Deposits (\$'000s)⁴ | 796,624 | 34,893 | 831,517 |
| Deposits % AA deposits | 96% | 4% | 100% |
| Deposit Market Share (%)/ Rank in Market | 3.82%/7 of 25 | 1.67%/10 of 11 | N/A |
| Home Purchase Originations⁵ | 170 | 21 | 191 |
| HP originations % AA orig. | 89% | 11% | 100% |
| Refinance Originations⁵ | 236 | 39 | 275 |
| Refi orig. % AA orig. | 86% | 14% | 100% |
| Home Improvement Originations⁵ | 63 | 12 | 75 |
| Home Improvement orig. % AA orig. | 84% | 16% | 100% |
| Small Business Originations⁵ | 388 | 76 | 464 |
| SB orig. % AA orig. | 84% | 16% | 100% |
| Combined Loan Totals | 857 | 148 | 1,005 |
| % of AA Orig. | 85% | 15% | 100% |

(1) Demographic information was obtained from the 2010 Census.

(2) Business establishments' information was reported by Dunn & Bradstreet for 2012.

(3) Branch numbers are as of 12/31/2012.

(4) Branch deposits and deposit market share are from the FDIC as of 6/30/12.

(5) Originations are loans reported under HMDA or CRA small business reporting for 2011 and 2012.

SCOPE OF EXAMINATION

Procedures

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

Products

Loan products analyzed during this examination included home purchase, refinance, home improvement, and small business loans, as well as other loans qualifying as community development loans. 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, 2011 and December 31, 2012 were used in the analysis. ATC's HMDA-related and small business loan data was verified by examiners. Loans, investments, philanthropic grants, and services provided between January 1, 2011 and March 31, 2013 were evaluated as qualifying community development activities.

Lending Distribution Analysis

The borrower and geographic loan distribution analyses were based on loan activity in ATC's assessment areas. ATC's performance in 2011 was compared to 2000 Census demographic data, while its performance in 2012 was compared to 2010 Census demographic data.

To analyze the borrower characteristics of HMDA-related lending, the proportion of originations to LMI borrowers was compared to the proportion of LMI families residing 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 lending, ATC's proportion of loans to businesses with gross annual revenues ("GAR") of \$1 million or less, based on Dunn and Bradstreet data, was compared to the proportion of all such businesses located in the assessment areas. The size of the small business loans was also used as a proxy to identify lending to businesses with GAR of \$1 million or less.

To analyze the geographic distribution, the proportion of HMDA-related 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.

Borrower and geographic distribution analyses compared ATC's 2011 performance to the 2011 performance data for the aggregate of all loan reporters in the assessment areas. The 2011 aggregate data was the most recent aggregate performance data publicly available at the time of this evaluation. ATC's performance in 2012 was also compared to preliminary 2012 aggregate data to determine consistency with performance in 2011.

Community Contacts

In order to learn more about community credit needs, examiners conducted interviews with three community-based organizations.

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. ATC 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. ATC's overall geographic distribution of HMDA-related and small business loans represented reasonable penetration throughout the assessment areas.

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.

ATC's average LTD ratio for the eight quarters between January 1, 2011 and December 31, 2012 was 56%, based on information reported in ATC's Consolidated Report of Condition and Income. While this ratio was below the national peer average of 75% for similarly-sized banks and below an average of 77% for similarly-sized banks operating in ATC's assessment area, performance consideration was given to ATC's business strategy, under which ATC sold most of its mortgage loans to FNMA, thereby reducing its LTD ratio. ATC's LTD ratio is stable and remains consistent with its LTD at the prior CRA examination.

LENDING IN ASSESSMENT AREA

ATC originated a substantial majority of loans in its assessment areas. Eighty percent of ATC's HMDA-related loans originated during the review period and 81% of ATC's small business loans were originated in ATC'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 overall reasonable performance in MSA 10580.

GEOGRAPHIC DISTRIBUTION OF LOANS

ATC's overall geographic distribution of loans reflected reasonable dispersion, based primarily on overall reasonable performance in MSA 10580.

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 demonstrated excellent responsiveness to the community development needs of its assessment areas. This conclusion was based on an excellent level of community development loans, qualified investments, and community development services, primarily in MSA 10580. This assessment also considered ATC's capacity and the need and availability of opportunities for community development in the assessment areas.

During the examination period, ATC made a total of \$37 million in community development loans and qualified investments, of which 94% were made in ATC's assessment areas. New community development loans and qualified investments made during this exam period totaled \$20 million or 54%. On an annualized basis, ATC's total community development efforts in terms of dollar volume decreased by 15% compared to the prior examination. See chart below for details of ATC's total community development loans and qualified investments made during the review period.

| Community Development Loans and Qualified Investments | | | | | | | | | | |
|---|--------------------|--------------|----------------------|------------|--------------------|---------------|--------------------------|---------------|-----------------|---------------|
| Assessment Area | Affordable Housing | | Economic Development | | Community Services | | Revitalize and Stabilize | | Combined Totals | |
| | # | (\$000s) | # | (\$000s) | # | (\$000s) | # | (\$000s) | # | (\$000s) |
| MSA 10580 (Saratoga County) | 17 | 2,695 | 17 | 455 | 88 | 12,418 | 13 | 19,070 | 135 | 34,638 |
| MSA 24020 (Warren County) | 2 | 41 | 3 | 7 | 30 | 21 | 0 | 0 | 35 | 69 |
| Broader Statewide | 0 | 0 | 2 | 50 | 3 | 0 | 7 | 1,974 | 12 | 2,024 |
| Total C:D Loans and QI | 19 | 2,736 | 22 | 512 | 121 | 12,439 | 20 | 21,044 | 182 | 36,731 |

ATC also provided a significant number of community development services, primarily in MSA 10580. ATC provided a total of 19 financial literacy, mortgage education, and small business seminars during the current examination period. A total of 27 members of ATC's management and staff also served as directors, advisors, or committee members to 29 non-profit and community-based organizations operating throughout ATC's assessment areas.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

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

DESCRIPTION OF OPERATIONS

ATC's banking activities within its assessment areas were primarily conducted in MSA 10580. As of December 31, 2012, ATC operated nine of its eleven branches (82%) in this assessment area. These branches generated \$797 million in deposits, which accounts for 96% of ATC's total branch deposits as of June 30, 2012. Of ATC's HMDA loans originated in its assessment areas during the review period, 87% were originated in this assessment area. Of its total small business loans originated in the assessment areas, 84% 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 and 2010 Bureau of Census, 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 the assessment area. Primary bank competitors in the local market include TrustCo Bank, First Niagara Bank, NA, Saratoga National Bank, Ballston Spa National Bank, and Bank of America, NA.

Demographic Characteristics

The MSA 10580 assessment area consists solely of a portion of Saratoga County. Saratoga County is in northeastern New York's Capital Region, which is within 180 miles of Boston, New York City, and Montreal, Canada. The MSA has 30 census tracts, of which 13% are moderate-income, 70% are middle-income, and 13% are upper-income geographies. The MSA has no low-income geographies. The assessment area continues to grow in population. According to the 2010 Census, the assessment area has a population of 139,153, representing a 10% growth in population since the 2000 Census. This growth in ATC's assessment area is significant when compared to the population growth in the overall MSA 10580 (Albany-Schenectady-Troy, NY), which has grown by only 5% since the 2000 census. According to the 2010 Census, 9% of the assessment area families reside in moderate-income geographies, while 75% reside in middle-income and 15% in upper-income geographies.

The median age of the Saratoga County population is 41 years, which is higher than the New York State median age of 38 years. The percentage of the population aged 65 and older in Saratoga County is 13.7%, which is similar to the 13.5% of New York State population at age 65 and over.

Exhibit II provides a summary of demographic information related to ATC's MSA 10580 assessment area.

Income Characteristics

Saratoga County is a thriving affluent community. According to the 2010 Census data, 18% of families are low-income, 19% of families are moderate-income, 23% of families are middle-income, and 40% are upper-income. Of the total families residing in the assessment area, 4% live below the poverty level. HUD's median family income ("MFI") for MSA 10580 was \$78,100 in 2012 and \$77,000 in 2011, exceeding New York State MFI of \$56,900 in 2012 and \$56,100 in 2011.

Housing Characteristics

The 2010 Census indicates that the assessment area has 60,499 housing units, of which 66% are owner-occupied, 25% are rental, and 9% are vacant. Seven 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 and reduces lending opportunities, particularly in Saratoga Springs, Stillwater, and Clifton Park.

Saratoga County has been relatively isolated from significant economic fluctuations resulting from the recent recession and housing crisis. According to the National Association of Realtors, the median annual sales price of existing single-family homes in MSA 10580 was \$200,300 in 2012. From 2010 to 2012, median housing prices increased by 2%.

Exhibit II
Assessment Area Demographics
MSA 10580 (Saratoga County, 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 | 6,449 | 17.9 |
| Moderate-income | 4 | 13.3 | 3,054 | 8.5 | 288 | 9.4 | 6,763 | 18.8 |
| Middle-income | 21 | 70.0 | 26,851 | 74.5 | 1,172 | 4.4 | 8,324 | 23.1 |
| Upper-income | 4 | 13.3 | 6,122 | 17.0 | 140 | 2.3 | 14,491 | 40.2 |
| Unknown-income | 1 | 3.3 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Total Assessment Area | 30 | 100.0 | 36,027 | 100.0 | 1,600 | 4.4 | 36,027 | 100.0 |
| | 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 | 5,169 | 3,075 | 7.7 | 59.5 | 1,822 | 35.2 | 272 | 5.3 |
| Middle-income | 46,171 | 30,051 | 75.7 | 65.1 | 11,799 | 25.6 | 4,321 | 9.4 |
| Upper-income | 9,159 | 6,595 | 16.6 | 72.0 | 1,667 | 18.2 | 897 | 9.8 |
| Unknown-income | 0 | 0 | 0.0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Total Assessment Area | 60,499 | 39,721 | 100.0 | 65.7 | 15,288 | 25.3 | 5,490 | 9.1 |
| | 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 | 534 | 7.2 | 484 | 7.2 | 16 | 4.3 | 34 | 11.7 |
| Middle-income | 5,786 | 78.0 | 5,247 | 77.7 | 323 | 86.1 | 216 | 74.5 |
| Upper-income | 1,097 | 14.8 | 1,021 | 15.1 | 36 | 9.6 | 40 | 13.8 |
| Unknown-income | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Total Assessment Area | 7,417 | 100.0 | 6,752 | 100.0 | 375 | 100.0 | 290 | 100.0 |
| Percentage of Total Businesses: | | | 91.0 | | 5.1 | | 3.9 | |

Based on 2010 Census and 2012 Dunn and Bradstreet Information.

Labor, Employment, and Economic Characteristics

Saratoga County's primary industries include retail, manufacturing, technology, sports and recreation, and tourism. The area benefits from its relatively close proximity to New York City, Boston and Montreal, Canada and from its proximity to Albany, the state capital of New York. The area also has close proximity to a number of leading universities, which enables the region to attract firms that take advantage of academic research and a concentration of skilled workers.

The area's dominant industry is state government, which has helped to insulate it from recent economic downturns. Within Saratoga Springs, tourism is a main source of income, especially during the summer months, while Saratoga Race Course is open. Tourism revenue contributes significantly to local retail shops, restaurants, hotels, and entertainment venues located in the

city. Major companies doing business in Saratoga County include Quad/Graphics, State Farm Insurance, Target, Stewart's Ice Cream, Sysco Food Services, the Ball Corporation, and most recently, Global Foundries. Global Foundries, opened in Malta, NY in December 2011, is the world's first full-service semiconductor foundry. The company now employs about 1,900 employees and is expected to add about 1,400 more with the opening of an additional plant. Besides the existing Global Foundries jobs, thousands of spinoff jobs are expected to be created in the region.

Unemployment has increased both on a statewide and regional level during the review period. However, the unemployment rate in Saratoga County remained lower than in the rest of New York State. U.S. Department of Labor reported an average Saratoga County unemployment rate of 7% in 2012 and 6.7% in 2011; whereas, unemployment rates for New York State were reported at 8.5% and 8.3% in 2012 and 2011, respectively.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

ATC's overall lending test performance in the MSA 10580 assessment area 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 overall reasonable penetration throughout the assessment area.

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. ATC's performance in 2011 was compared to 2000 Census demographic data and 2011 aggregate data, while its performance in 2012 was compared to 2010 Census demographic data. 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 2011, ATC extended three or 5% of its home purchase loans to low-income borrowers, compared to 17% of low-income families residing in the assessment area. ATC's home purchase lending to low-income borrowers was slightly below the aggregate, which originated 6% of its home purchase loans to low-income borrowers. ATC's 2012 home purchase lending to low-income borrowers was less favorable, when compared to the number of low-income families in the assessment area.

In 2011, ATC extended six or 9% of its home purchase loans to moderate-income borrowers, compared to 20% of moderate-income families residing in the assessment area. ATC's 2011 home purchase lending to moderate-income borrowers was below the aggregate, which

originated 22% of its home purchase loans to moderate-income borrowers. ATC's 2012 home purchase lending to moderate-income borrowers was more favorable, when compared to the number of moderate-income families in the assessment area.

Refinance Loans

ATC's distribution of refinance loans to LMI borrowers was reasonable. In 2011, ATC extended two or 3% of its refinance loans to low-income borrowers, compared to 17% of low-income families residing in the assessment area. ATC refinance lending to low-income was below the aggregate, which originated 5% of its refinance loans to low-income borrowers. ATC's 2012 refinance lending to low-income borrowers was more favorable, when compared to the number of low-income families in the assessment area.

In 2011, ATC extended 10 or 13% of its refinance loans to moderate-income borrowers, compared to 20% of moderate-income families residing in the assessment area. ATC's 2011 refinance lending to moderate-income borrowers was below the aggregate, which originated 17% of its refinance loans to moderate-income borrowers. ATC's 2012 refinance lending to moderate-income borrowers was more favorable, when compared to the number of moderate-income families in the assessment area.

Home Improvement Loans

ATC's distribution of home improvement loans to LMI borrowers was reasonable. In 2011, ATC extended one or 6% of its home improvement loans to low-income borrowers, compared with 17% of low-income families residing in the assessment area. ATC's 2011 home improvement lending to low-income borrowers was below the aggregate, which originated 9% of its home improvement loans to low-income borrowers. ATC's home improvement lending performance in 2012 was slightly better, when compared to the number of low-income families residing in the assessment area.

In 2011, ATC extended four or 24% of its home improvement loans to moderate-income borrowers, compared to 20% of moderate-income families residing in the assessment area. ATC's 2011 home improvement lending was similar to the aggregate, which originated 25% of its home improvement loans to moderate-income borrowers. ATC's performance in 2012 was comparable, when compared to the number of moderate-income families residing in the assessment area.

Lending to Businesses of Different Sizes

ATC's distribution of loans to businesses of different sizes was reasonable in MSA 10580. In 2011, ATC made 106 or 50% of loans to businesses with GAR of \$1 million or less, compared to 91% of such businesses operating in the assessment area. ATC's 2011 performance exceeded

the aggregate, which reported 35% of its loans to small businesses. ATC's small business lending performance in 2012 was similar.

Of ATC's small business loans, 74% in 2011 were in amounts of \$100 thousand or less. ATC's proportion of 2011 small business loans that were in the amount of \$100 thousand or less was below the aggregate, which originated 91% of its loans in amounts of \$100 thousand or less. ATC's small business lending performance in 2012 was similar to its 2011 performance.

GEOGRAPHIC DISTRIBUTION OF LOANS

ATC's overall geographic distribution of loans reflected reasonable dispersion throughout MSA 10580. This evaluation is based on ATC's penetration in moderate-income census tracts, as there are no low-income tracts in MSA 10580. ATC's performance in 2011 was compared to 2000 Census demographic data and 2011 aggregate data, while its performance in 2012 was compared to 2010 Census demographic data.

Opportunities to lend in moderate-income areas in the assessment area are less available compared to prior examination periods, as the percentage of owner-occupied housing units in moderate-income tracts decreased from 15% to 8% and the percentage of small businesses in moderate-income areas decreased from 13% to 7%, based on 2010 Census data. Performance consideration was also made for ATC's assessment area market, which is highly competitive, with large financial institutions operating as the primary lenders in the market. 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 reasonable. In 2011, ATC originated two or 3% of its home purchase loans in moderate-income areas, compared to 15% of owner-occupied housing units located in moderate-income geographies in the MSA. ATC's performance was significantly below the aggregate, which made 11% of its home purchase loans in moderate-income geographies. ATC's performance in 2012 was similar to its 2011 performance.

Refinance Loans

ATC's distribution of refinance loans in moderate-income geographies was reasonable. In 2011, ATC originated four or 5% of its refinance loans in moderate-income census tracts, compared to 15% 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 10% of its refinance loans in moderate-income geographies. Performance in 2012 was less favorable than 2011 performance.

Home Improvement Loans

ATC's distribution of home improvement loans in moderate-income geographies was reasonable. In 2011, ATC originated two or 12% of its home improvement loan in moderate-income geographies, compared to 15% of owner-occupied housing units located in moderate-income geographies. ATC's performance in 2011 was below the aggregate, which made 15% of its home improvement loans in moderate-income geographies. ATC's performance in 2012 was less favorable than its 2011 performance.

Small Business Loans

ATC's distribution of small business loans in moderate-income geographies was reasonable. ATC originated 20 or 9% small business loans in moderate-income geographies in 2011, compared to 13% of small businesses in the assessment area operating in moderate-income geographies. ATC's 2011 small business lending in moderate-income geographies was below the aggregate, which made 12% of its small business loans in moderate-income geographies. However, in 2011, ATC was the third largest individual small business lender among CRA small business reporters in moderate-income geographies in the assessment area. ATC's performance in 2012 was less favorable than its 2011 performance.

COMMUNITY DEVELOPMENT TEST

ATC's community development performance in MSA 10580 demonstrates excellent responsiveness to the community development needs of the assessment area. This assessment of ATC's performance considers ATC's capacity and the need and availability of opportunities for community development activities in MSA 10580.

ATC's community development loans and qualified investments targeting MSA 10580 totaled \$35 million or 94% of ATC's overall community development loans and qualified investments. Fifty-four percent of community development loans and qualified investments were new activities made during the examination period.

| Community Development Loans and Qualified Investments MSA 10580 (Saratoga County) | | | | | | | | | | |
|--|---------------------------|-----------------|-----------------------------|-----------------|---------------------------|-----------------|---------------------------------|-----------------|------------------------|-----------------|
| | Affordable Housing | | Economic Development | | Community Services | | Revitalize and Stabilize | | Combined Totals | |
| | # | (\$000s) | # | (\$000s) | # | (\$000s) | # | (\$000s) | # | (\$000s) |
| Total CD Loans and QI | 17 | 2,695 | 17 | 455 | 88 | 12,418 | 13 | 19,070 | 135 | 34,638 |
| Total% (#/\$) | 13% | 8% | 13% | 1% | 65% | 36% | 10% | 55% | 100% | 100% |

On an annualized basis, ATC's community development loans and qualified investments decreased by 6%, compared to the prior examination. However, when compared to four similarly-situated banks operating in the assessment area, ATC annualized community development loans and qualified investments as a percent of average assets and deposits compared favorably.

ATC was responsive to credit needs in MSA 10580. Of the bank's total community development loans and qualified investments, 55% targeted needed revitalization and stabilization efforts. Discussions with community contacts also identified community services as an important assessment area need, since the area has a limited number of community-based organizations providing services to LMI individuals. ATC dedicated 36% of community development loans and qualified investments to finance community service projects.

In terms of community development services, ATC provided 19 financial literacy, mortgage education, and technical assistance sessions to LMI individuals and small businesses. ATC also provided meeting space free of charge for non-profits to provide financial training sessions. ATC officers, directors and employees served on boards or committees of 29 non-profit organizations.

ATC made \$26 million in community development loans in MSA 10580. Of this total, 53% was for revitalization of moderate-income geographies and 36% financed community service projects. A total of 71% 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 \$2.7 million term loan to construct an administrative office building for a non-profit organization that provides residential and community-based services to LMI and disabled individuals in Saratoga Springs, NY.
- A \$2 million term loan to a local hospital in Saratoga Springs to purchase property for the hospital's future community health center, which will provide affordable health-related services to LMI individuals.
- A \$646 thousand term loan to a community action agency in Saratoga County, whose mission is to assist LMI individuals and families to access the services needed to meet their basic needs and to obtain the skills, knowledge, and resources necessary to work towards self-sufficiency.
- A \$260 thousand term loan to revitalize a moderate-income area through the purchase and renovation of a dilapidated building in Schuylerville, NY.

ATC's qualified investments in MSA 10580 totaled \$8 million, demonstrating good responsiveness to community development needs. In terms of dollar amount, 61% of the investments targeted revitalization and stabilization efforts in moderate-income geographies and 36% were dedicated to community services in the assessment area. Qualified investments consisted primarily of targeted municipal bonds, equity investments, and charitable contributions. New investments made during the examination period consisted solely of charitable donations totaling \$148 thousand or 2% of the total qualified investments made to community development organizations throughout MSA 10580.

Other examples of qualified investments include:

- A \$2.9 million general obligation bond to fund a community center in the Town of Malta. The center provides services targeted to LMI individuals such as a food pantry and assistance in obtaining social services.
- A \$97 thousand equity investment in a small business loan fund.

ATC provided a significant amount of community development services in MSA 10580, including technical services such as seminars in financial literacy, mortgage education, and small business training. ATC also provided meeting space free of charge to numerous nonprofit organizations. In addition, management and staff members served as directors, advisors, or committee members to non-profit and community based organizations throughout MSA 10580. These community development organizations include:

- An organization that provides emergency shelter to victims of domestic violence and supportive services to prevent or alleviate homelessness.
- An organization that provides shelter, affordable housing opportunities, advocacy, referral services and informational resources, to adults in the Greater Saratoga Region who are homeless, or at risk of homelessness.
- A non-profit organization that provides LMI veterans and others with both shelter and support. Services offered includes transitional housing for homeless male and female veterans, permanent housing for veterans and their families, employment and training assistance for veterans, and mortgage assistance for affordable home ownership.
- 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)

ATC has a limited presence in MSA 24020, reflective of its lending and deposit activity. As such, a limited evaluation of ATC's performance in this assessment area was completed. ATC's performance in MSA 24020 was consistent with overall lending performance and consistent with overall community development performance, given ATC's limited presence in this assessment area. Only two of ATC's eleven branches operated in MSA 24020. As of June 30, 2012, these branches generated 4% of ATC's total branch deposits. See Exhibit I for additional assessment area data.

In 2011, ATC made a total of 26 HMDA-related loans in MSA 24020. The bank did not originate any HMDA-related loans in moderate-income geographies. In 2011, ATC made 37 small business loans in this MSA. Thirty-five percent of the small business loans were originated in moderate-income geographies, which exceeded the aggregate's lending level of 13%, as well as the demographics of 12% of small businesses located in moderate-income geographies. ATC's HMDA-related and small business loan performance in 2012 was more favorable than 2011. See Exhibit III for additional details on lending activity in MSA 24020.

Of ATC's total dollar amount of community development loans and investments, only \$69 thousand was dedicated to MSA 24020. Sixty percent of the dollar volume of community development loans and qualified investments targeted affordable housing. ATC staff and management also provided community development services to five community organizations in MSA 24020.

**Exhibit III
MSA 24020 (Warren County)
2011 Aggregate Comparison Loan Distribution Table**

| Income Categories | HMDA | | | | | | | | | |
|-------------------------|-----------------|---------------|---------------|---------------|---------------|--------------------|---------------|---------------|---------------|---------------|
| | By Tract Income | | | | | By Borrower Income | | | | |
| | Bank | | Aggregate | | | Bank | | Aggregate | | |
| | # | % | % \$(000s) | % | % \$(000s) | # | % | % \$(000s) | % | % \$(000s) |
| Home Purchase | | | | | | | | | | |
| Low | 0 | 0.0% | 0.0% | 0.0% | 0.0% | 0 | 0.0% | 0.0% | 4.0% | 2.1% |
| Moderate | 0 | 0.0% | 0.0% | 6.9% | 4.9% | 1 | 25.0% | 6.0% | 24.1% | 16.3% |
| Middle | 1 | 25.0% | 18.7% | 53.0% | 46.1% | 1 | 25.0% | 18.7% | 23.5% | 19.9% |
| Upper | 3 | 75.0% | 81.3% | 40.1% | 49.1% | 2 | 50.0% | 75.3% | 38.5% | 52.7% |
| Unknown | 0 | 0.0% | 0.0% | 0.0% | 0.0% | 0 | 0.0% | 0.0% | 9.8% | 9.0% |
| Total | 4 | 100.0% | 100.0% | 100.0% | 100.0% | 4 | 100.0% | 100.0% | 100.0% | 100.0% |
| Refinance | | | | | | | | | | |
| Low | 0 | 0.0% | 0.0% | 0.0% | 0.0% | 0 | 0.0% | 0.0% | 4.8% | 2.6% |
| Moderate | 0 | 0.0% | 0.0% | 4.5% | 2.8% | 1 | 5.9% | 7.9% | 14.2% | 10.2% |
| Middle | 7 | 41.2% | 45.0% | 50.6% | 48.0% | 1 | 5.9% | 4.5% | 23.3% | 18.7% |
| Upper | 10 | 58.8% | 55.0% | 45.0% | 49.2% | 15 | 88.2% | 87.6% | 49.9% | 60.8% |
| Unknown | 0 | 0.0% | 0.0% | 0.0% | 0.0% | 0 | 0.0% | 0.0% | 7.8% | 7.8% |
| Total | 17 | 100.0% | 100.0% | 100.0% | 100.0% | 17 | 100.0% | 100.0% | 100.0% | 100.0% |
| Home Improvement | | | | | | | | | | |
| Low | 0 | 0.0% | 0.0% | 0.0% | 0.0% | 0 | 0.0% | 0.0% | 7.0% | 2.7% |
| Moderate | 0 | 0.0% | 0.0% | 3.0% | 0.9% | 2 | 50.0% | 25.8% | 13.0% | 9.0% |
| Middle | 3 | 75.0% | 35.5% | 55.0% | 45.6% | 1 | 25.0% | 9.7% | 26.0% | 20.4% |
| Upper | 1 | 25.0% | 64.5% | 42.0% | 53.5% | 1 | 25.0% | 64.5% | 51.0% | 63.3% |
| Unknown | 0 | 0.0% | 0.0% | 0.0% | 0.0% | 0 | 0.0% | 0.0% | 3.0% | 4.6% |
| Total | 4 | 100.0% | 100.0% | 100.0% | 100.0% | 4 | 100.0% | 100.0% | 100.0% | 100.0% |
| Multi-Family | | | | | | | | | | |
| 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% | 66.7% | 98.7% | 0 | 0.0% | 0.0% | 0.0% | 0.0% |
| Middle | 1 | 100.0% | 100.0% | 33.3% | 1.3% | 0 | 0.0% | 0.0% | 0.0% | 0.0% |
| Upper | 0 | 0.0% | 0.0% | 0.0% | 0.0% | 0 | 0.0% | 0.0% | 0.0% | 0.0% |
| Unknown | 0 | 0.0% | 0.0% | 0.0% | 0.0% | 1 | 100.0% | 100.0% | 100.0% | 100.0% |
| Total | 1 | 100.0% | 100.0% | 100.0% | 100.0% | 1 | 100.0% | 100.0% | 100.0% | 100.0% |
| HMDA Totals | | | | | | | | | | |
| Low | 0 | 0.0% | 0.0% | 0.0% | 0.0% | 0 | 0.0% | 0.0% | 4.6% | 2.3% |
| Moderate | 0 | 0.0% | 0.0% | 5.7% | 7.6% | 4 | 15.4% | 7.5% | 18.1% | 12.4% |
| Middle | 12 | 46.2% | 41.4% | 51.8% | 45.1% | 3 | 11.5% | 7.0% | 23.5% | 18.5% |
| Upper | 14 | 53.8% | 58.6% | 42.5% | 47.3% | 18 | 69.2% | 83.5% | 45.0% | 54.8% |
| Unknown | 0 | 0.0% | 0.0% | 0.0% | 0.0% | 1 | 3.8% | 1.9% | 8.7% | 12.0% |
| Total | 26 | 100.0% | 100.0% | 100.0% | 100.0% | 26 | 100.0% | 100.0% | 100.0% | 100.0% |
| SMALL BUSINESS | | | | | | | | | | |
| By Tract Income | | | | | | | | | | |
| | | Bank | | | Aggregate | | | | | |
| | # | % | % \$(000s) | % | % \$(000s) | % | % \$(000s) | % | % \$(000s) | % \$(000s) |
| Low | 0 | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Moderate | 13 | 35.1% | 48.6% | 12.6% | 15.0% | 12.6% | 15.0% | 12.6% | 15.0% | 15.0% |
| Middle | 8 | 21.6% | 14.6% | 40.1% | 38.8% | 40.1% | 38.8% | 40.1% | 38.8% | 38.8% |
| Upper | 16 | 43.2% | 36.7% | 47.2% | 46.2% | 47.2% | 46.2% | 47.2% | 46.2% | 46.2% |
| Unknown | 0 | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Tract Unknown | 0 | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Total | 37 | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| By Revenue | | | | | | | | | | |
| \$1 Million or Less | 16 | 43.2% | 35.1% | 37.2% | 24.8% | 37.2% | 24.8% | 37.2% | 24.8% | 24.8% |
| By Loan Size | | | | | | | | | | |
| \$100,000 or less | 22 | 59.5% | 14.9% | 86.7% | 27.0% | 86.7% | 27.0% | 86.7% | 27.0% | 27.0% |
| \$100,001-\$250,000 | 10 | 27.0% | 28.9% | 7.2% | 22.7% | 7.2% | 22.7% | 7.2% | 22.7% | 22.7% |
| \$250,001-\$1 Million | 4 | 10.8% | 33.1% | 6.1% | 50.2% | 6.1% | 50.2% | 6.1% | 50.2% | 50.2% |
| Total | 37 | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

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 they 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; activities that revitalize or stabilize low- or moderate-income geographies; or loans, investments or services that (i) Support, enable or facilitate projects or activities that meet the "eligible uses" criteria described in Section 2301c of the Housing and Economic Recovery Act of 2008 ("HERA"), Public Law 110-289, 122 Stat. 2654, as amended, and are conducted in designated target areas identified in plans approved by the United States Department of Housing and Urban Development in accordance with the Neighborhood Stabilization Program ("NSP"); (ii) Are provided no later than two years after the last date funds appropriated for the NSP are required to be spent by grantees; (iii) Benefit low-, moderate- and middle-income individuals and geographies in the bank's assessment area(s) or geographies outside the bank's assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

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 or 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 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.

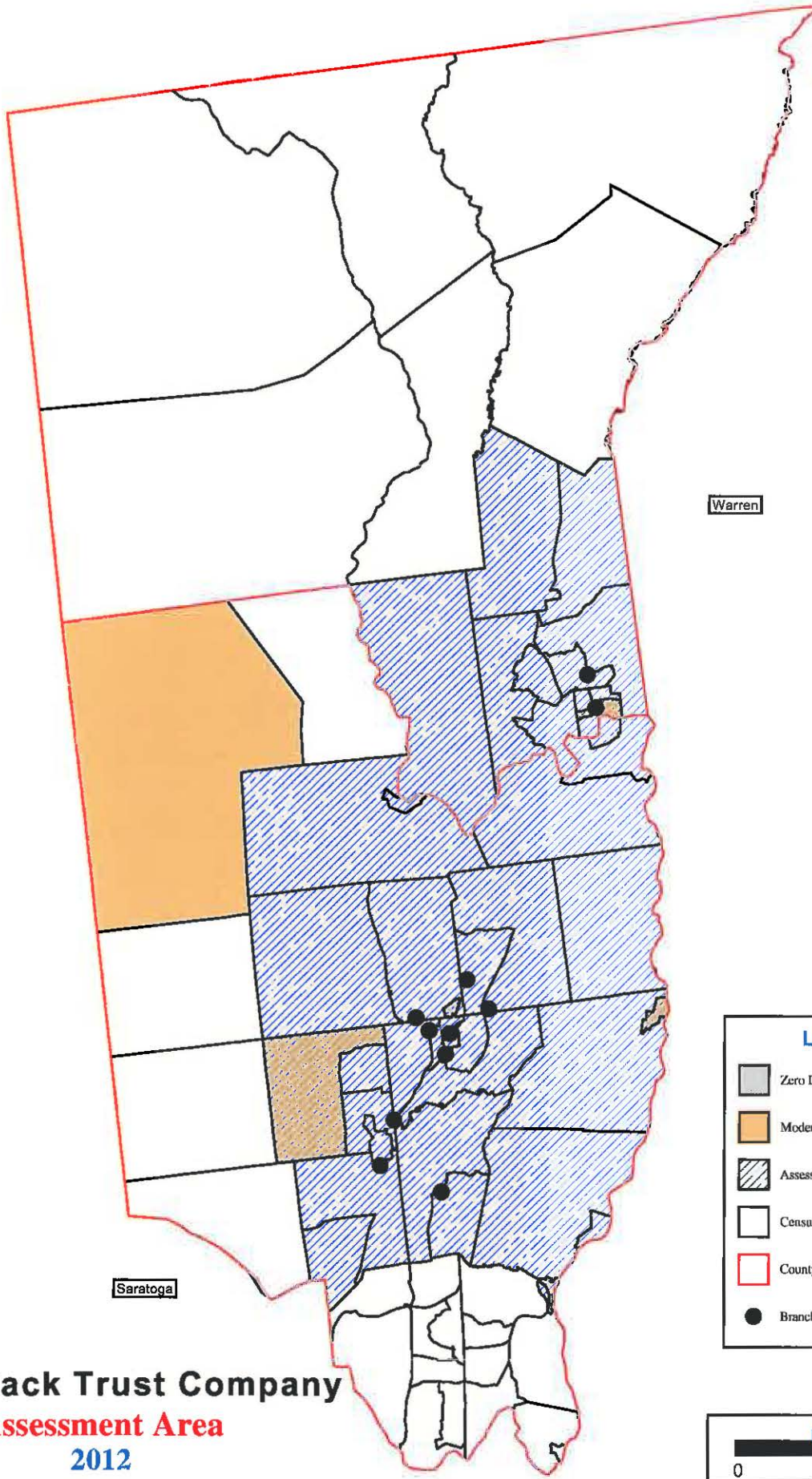
Moderate-income: Individual income that is at least 50% and less than 80% of the area median income, or a median family income that is at least 50% and less than 80%, in the case of geography.

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.



Warren

Saratoga

Legend

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



Adirondack Trust Company
Assessment Area
2012