

PUBLIC DISCLOSURE

June 2, 1997

COMMUNITY REINVESTMENT ACT

PERFORMANCE EVALUATION

First Tier Bank & Trust

02-36-6880

**107 Main Street
Salamanca, NY 14779**

Federal Reserve Bank of New York

33 Liberty Street

New York, NY 10045

NOTE: 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.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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.

Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of First Tier Bank and Trust prepared by the Federal Reserve Bank of New York on behalf of the Board of Governors of the Federal Reserve System, the institution's supervisory agency, as of June 2, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

INSTITUTION'S CRA RATING: This institution is rated Outstanding.

Over the review period August 1, 1995 through April 1, 1997 First Tier Bank and Trust's CRA performance is assessed as "Outstanding." This determination is based on the following performance criteria: 1) the bank's loan-to-deposit ratio with consideration given to the bank's community development lending; 2) a substantial majority of its loans in the assessment area; 3) a reasonable distribution of loans to individuals of different income levels (including low- and moderate-income individuals and businesses of different sizes; and 4) an excellent distribution of loans within the bank's assessment area.

community contacts' conclusion that there is an outward migration of population. This ownership legislation on the Allegany Indian Reservation (BNA 9621). According to the contact, "home owners" leasing real estate on the Allegany Indian Reservation no longer have legal ownership of the existing improvements on the real estate. Several home owners,

The assessment area is primarily rural in nature and is comprised of several small towns and villages. Over 25 percent of the population is in the city of Olean, which contains one of the territory also known as the Allegany Indian Reservation. A large portion of the southerly-most BNA is comprised of the Allegany State Park and therefore has a low population.

manufacturing sector. According to New York Department of Labor's Bureau of Labor employment. Furthermore, government, manufacturing, and retail trade each provide approximately 18 percent of overall job opportunities within the county. The statistics show 1994.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

The CRA evaluation of First Tier covered the period August 1, 1995 through April 1, 1997. The bank's CRA performance is rated "Outstanding" and is based on the favorable assessment of the bank's core performance criteria. For the lending, income, and geographic distribution performance criteria, examiners analyzed a sample of 109 housing-related, 160 consumer, and 87 small business loans originated during the examination period.

Loan-to-Deposit Ratio

At this examination, the bank's loan-to-deposit ratio, based on information contained in its Consolidated Report of Condition and Income for the four most recent quarters ending March 31, 1997 is 73 percent. This is slightly above the national peer group average of 70 percent and at the high end of ratios achieved by four similarly-situated banks. Ratios achieved by these banks ranged from 42 to 78 percent. The similarly-situated bank which achieved the 78 percent loan-to-deposit ratio is much smaller than First Tier with only \$12 million in total assets.

The bank's community development loans as of examination date totaled \$784 thousand and consist of the following:

- **A \$440 thousand loan to construct a multi-tenant facility for small businesses;**
- **A \$15 thousand working capital loan to an organization providing assistance to Native Americans;**
- **A \$250 thousand loan to a local economic development corporation which plans to construct facilities that will attract business to Alleghany County;**
- **A \$79 thousand line of credit to a statewide small business development loan fund.**

Lending in the Assessment Area

During the review period, First Tier originated a majority of its loans within its assessment area. Eighty eight percent (315 out of 356) of the loans sampled were originated within the bank's assessment area. An analysis of the loans sampled shows that 90 percent (98 out of 109) of housing-related loans, 90 percent (144 out of 160) of consumer loans, and 84 percent (73 out of 87) of small business loans sampled were originated within the bank's assessment area.

Lending to Borrowers of Different Income Levels and to Business of Different Sizes

First Tier's record of lending to borrowers of different income levels (including low- and moderate-income individuals) and businesses of different sizes is reasonable, given the demographics of the assessment area. An analysis of the distribution of loans across income

levels for each loan category is presented in Tables A and B.

TABLE A

Distribution of Loans Within Assessment Area By Income Level of Borrower

August 1, 1995 through April 1, 1997

| | Housing-Related | Consumer | TOTAL |
|---|--------------------|------------------|--------------------|
| LOW INCOME: <i>Less Than 50% of Median Income</i> | | | |
| Number | 7 | 25 | 32 |
| Percentage | 7% | 18% | 13% |
| Amount(\$) | \$261,500 | \$85,468 | \$346,968 |
| Percentage | 5% | 6% | 6% |
| MODERATE INCOME: <i>At least 50% and less than 80% of Median Income</i> | | | |
| Number | 16 | 31 | 47 |
| Percentage | 16% | 22% | 20% |
| Amount(\$) | \$535,260 | \$164,647 | \$699,907 |
| Percentage | 11% | 12% | 11% |
| MIDDLE INCOME: <i>At least 80% and less than 120% of Median Income</i> | | | |
| Number | 29 | 40 | 69 |
| Percentage | 30% | 28% | 29% |
| Amount(\$) | \$1,353,225 | \$254,017 | \$1,607,242 |
| Percentage | 28% | 18% | 25% |
| UPPER INCOME: <i>120% or more of Median Income</i> | | | |
| Number | 46 | 46 | 92 |
| Percentage | 47% | 32% | 38% |
| Amount(\$) | \$2,768,708 | \$885,551 | \$3,654,259 |
| Percentage | 56% | 64% | 58% |

TABLE B

Distribution of Loans Within Assessment Area By Income Level of Borrower

August 1, 1995 through April 1, 1997

| Small Business and Farm Lending Summary* | | | | | |
|---|---|--|---|---|--|
| Number of loans to businesses and farms | Number of loans to <u>small</u> businesses and farms | % of loans to <u>small</u> businesses and farms | \$ amount of loans to businesses and farms | \$ amount of loans to <u>small</u> businesses and farms* | % of \$ amount to <u>small</u> businesses and farms |
| 73 | 68 | 93% | \$6,095,730 | \$5,163,683 | 85% |

* **Businesses and farms with gross annual revenues of \$1 million or less.**

Housing-Related

An analysis of a sample of mortgage loans shows that lending to borrowers of different income levels shows a moderate level of weakness in loans made to low- and moderate-income borrowers, with the most significant weakness noted in loans to low-income borrowers. Table A shows that loans to low- and moderate-income borrowers represent 7 and 16 percent of the loans originated, respectively. The 1990 census information reveals that low- and moderate-income families represent 21 and 22 percent of the families within the assessment area, respectively.

Consumer

Consumer lending to borrowers of different income levels is at a very satisfactory level. Table A shows that loans to low- and moderate-income borrowers represent 18 and 22 percent, respectively. These ratios compare satisfactorily to the demographics of the assessment area which show low- and moderate-income families represent 44 percent of total families within the bank's assessment area.

Small Business

The bank's lending to small businesses with revenues of \$1 million or less is excellent. Table B shows that a substantial majority, 93 percent of the loans sampled, were made to such businesses.

Geographic Distribution of Loans

The overall geographic distribution of loans shows an excellent dispersion throughout the bank's assessment area including the two moderate-income BNAs.

Housing-Related

The geographic distribution of mortgage loans is excellent. When the sample of mortgage lending in the assessment area is adjusted to reflect the number of owner-occupied units, the demand-adjusted level of mortgage lending in the moderate-income BNAs is nearly twice as high as lending in the middle-income geographies. Overall, 26 percent (or 25 out of 98) of housing-related loans were originated in moderate-income BNAs. Moderate-income BNAs contain 19 percent of population in the bank's assessment area.

Consumer

An analysis of a sample of consumer loans shows that lending in moderate-income geographies is strong. Of consumer loans originated in the assessment area, 32 percent (46 out of 144) were originated within moderate-income BNAs.

Small Business Lending

Based on an analysis of a sample of small business loans, distribution is considered excellent. Of the small business loans originated within the assessment area, 48% percent (35 out of 73) were originated within moderate-income geographies. An analysis of the 1,878 small business establishments within the assessment area shows that 32 percent are located within moderate-income BNAs.

Response to Complaints

No Complaints relating to First Tier's CRA performance were received by the bank and none have been filed with the Federal Reserve Bank of New York since the previous evaluation.

First Tier is in compliance with the substantive provisions of antidiscrimination laws and regulations including the Equal Credit Opportunity Act (Regulation B), the Fair Housing Act or any agency regulations pertaining to non-discriminatory treatment of credit applications.

First Tier's Branch Closing Policy was reviewed and found to be appropriate to the size and needs of the bank. First Tier closed no branches since the previous evaluation.

Community Development Services

The bank continues to improve the availability of its services by opening new branch facilities. Since the previous evaluation, the bank opened two additional full-service facilities. The Olean branch, opened June 10, 1996, is located in one of the current assessment area's moderate-income BNAs. The Cuba branch, opened April 10, 1997, signifies the bank's strategy to expand its assessment area into Allegany County. According to management, the bank will formally augment its assessment area during the next monthly board meeting.

