

PUBLIC DISCLOSURE

August 20, 2007

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Adirondack Bank
RSSD No. 101671**

**185 Genesee Street
Utica, New York 13501**

FEDERAL RESERVE BANK OF NEW YORK

**33 LIBERTY STREET
NEW YORK, N.Y. 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 Bank 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		
Satisfactory	X	X
Needs to Improve		
Substantial Noncompliance		

For the examination period of January 1, 2005, through December 31, 2006, the satisfactory performance of Adirondack Bank (“Adirondack”) with regard to the Community Reinvestment Act (“CRA”) is based on the following performance criteria:

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

DESCRIPTION OF INSTITUTION

Adirondack Bank has total assets of \$446 million as of December 31, 2006, and is a community bank serving the Adirondack and Utica-Rome areas of New York State. Adirondack is wholly-owned by Adirondack Bancorp, Inc., a one-bank holding company.

Adirondack offers a variety of deposit and loan products to consumers and businesses. Commercial credit products include term loans, lines of credit, construction loans, business credit cards, letters of credit, and commercial mortgages. Retail credit products include home purchase, refinance, installment, automobile/RV/watercraft, credit cards, home improvement, and home equity lines and loans.

The bank's market is highly competitive with branches of numerous local, regional and multinational banks, mortgage companies, credit unions and other financial institutions operating in the bank's assessment areas. Primary bank competitors include Manufacturers and Traders Trust Company, HSBC Bank NA, Partner's Trust Bank, Oneida Savings Bank, Key Bank NA, Community Bank NA, and First Niagara Bank.

The bank's previous CRA examination, dated August 22, 2005, was conducted by the Federal Reserve Bank of New York using small bank performance standards and an overall rating of "Satisfactory" was assigned. There are no financial or legal impediments preventing the bank from servicing the credit needs of its assessment area.

DESCRIPTION OF ASSESSMENT AREAS

Adirondack has three assessment areas that are located in contiguous areas of central and northern New York State. Since the last examination, the assessment areas have expanded with the addition of MSA 45060 (Syracuse, NY) as the bank opened a branch in the City of Syracuse. Combined, the assessment areas have 278 census tracts of which 31 are low-income and 46 are moderate-income. The assessment areas do not arbitrarily exclude low-or moderate-income areas.

Adirondack's assessment areas consist of the following:

- MSA 46540 (Utica-Rome, NY), which includes Herkimer County and portions of Oneida County.
- A non-MSA Assessment Area which includes portions of Clinton, Essex, Franklin, Fulton, Hamilton, Lewis and Montgomery Counties. These counties are geographically large and extend up to the Canadian and Vermont borders.
- MSA 45060 (Syracuse, NY), Portions of Onondaga and Madison Counties including the City of Syracuse.

See page BB22 for a map illustrating Adirondack's assessment areas.

SCOPE OF EXAMINATION

Adirondack's CRA performance was reviewed using the Federal Financial Institutions Examination Council's Intermediate Small Bank Examination Procedures.

Retail loan products evaluated include home purchase, refinance, home improvement, consumer and small business loans. A sample of HMDA-related, consumer, and small business loans was analyzed. Loans for analysis were selected using the Board of Governors' sampling procedures and data was verified as part of the onsite exam. The loan sample review period covered January 1, 2005 through December 31, 2006, and included a sample of 171 HMDA-related loans, 155 small business loans and 187 consumer loans. Community development activities occurring January 1, 2005 through December 31, 2006 were also reviewed.

Full scope reviews were conducted for the Utica-Rome MSA assessment area and the non-MSA assessment area as 100% of deposit activity and 95% of loan activity are located within these assessment areas. A limited scope review was conducted for the Syracuse MSA assessment area due to Adirondack's limited presence with just one of the bank's seventeen branches located in the MSA.

Examiners also conducted interviews with two community development organizations in order to gain an understanding of local credit needs. One community contact focused on affordable housing for LMI individuals while the other promoted economic development through lending programs for small businesses.

Exhibit 1 Summary of Key Assessment Area Data				
	MSA 46540	Non MSA	MSA 45060	TOTALS
Total Population	299,896	150,400	111,173	561,469
Population % of AA population	53%	27%	20%	100%
Families	76,588	37,209	116,853	230,650
Families % of AA families	33%	16%	51%	100%
Total Census Tracts	92	43	143	278
Tracts % AA tracts	33%	15%	51%	100%
LMI tracts	27	5	45	77
LMI tracts % all AA LMI tracts	35%	6%	58%	100%
Total Owner-Occupied Units	79,126	38,907	117,192	235,225
Units % of AA units	34%	17%	50%	100%
Business Establishments⁴	8,936	5,096	16,796	30,828
Bus. est. % AA bus. est.	29%	17%	54%	100%
Farm Establishments⁴	457	263	207	927
Bus. est. % AA bus. est.	49%	28%	22%	100%
Number of Branches³	12	4	1	17
Branches % all branches	71%	24%	6%	100%
Branches in LMI tracts	3	0	1	4
LMI branches % AA LMI branches	75%	0%	25%	100%
Branch Deposits (\$'000s)²	303,274	78,662	1,625	383,561
Deposits % AA deposits	79%	21%	0%	100%
Deposit Market Share (%) / Rank in Market	15.23%/2	4.20%/6	.32%/13	
HMDA Originations¹	836	201	50	1,087
HP originations % AA orig.	77%	18%	5%	100%
Small Business Originations	473	103	61	637
SB orig. % AA orig.	74%	16%	10%	100%
Consumer Originations	1,842	382	46	2,270
Cons orig. % AA orig.	81%	17%	2%	100%
Combined Loan Totals	3,151	686	157	3,994
% of AA Orig.	79%	17%	4%	100%

1. Loans originated and purchased between January 1, 2005 and December 31, 2006

2. Source: Federal Deposit Insurance Corporation ("FDIC") Summary of deposit data as of 6/30/2007

3. Number of branches as of 12/31/2006

4. Source: 2006 Dun & Bradstreet

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

Adirondack's record of meeting the credit needs of its assessment areas through its lending is rated satisfactory. Adirondack originated a substantial majority of its loans within its assessment areas and its loan-to-deposit ratio was reasonable. The overall distribution of its loans among borrowers of different income levels and businesses of different sizes was excellent. The geographic distribution of HMDA-related and small business loans reflected reasonable penetration throughout the bank's assessment areas.

Loan-to-Deposit Ratio

The loan-to-deposit ratio was reasonable given the bank's size, financial condition, and the credit needs of its assessment areas. The bank's average loan-to-deposit ratio for the eight quarters ending December 31, 2006, was 68%, based on information contained in its Consolidated Report of Condition and Income. This ratio was below the national peer average of 86% for similarly sized banks and a local peer average of 84% for 5 similarly situated banks with branches in Adirondack's assessment areas during the same time period.

Lending in Assessment Areas

Adirondack originated a substantial majority of its loans in its assessment areas. Of the 155 small business loans, 171 HMDA-related loans, and 187 consumer loans originated in 2005 and 2006, 134 or 86% of the small business loans, 163 or 95% of the HMDA-related loans, and 172 or 92% of the consumer loans were extended to businesses or individuals located in the bank's assessment areas.

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

The overall distribution among borrowers of different income levels and businesses of different sizes was excellent based on excellent performance in MSA 46540 (Utica-Rome, NY) and reasonable performance in the non-MSA assessment area.

Geographic Distribution of Loans

The overall geographic distribution of loans reflected reasonable penetration in LMI geographies throughout the assessment areas. Performance in MSA 46540 (Utica-Rome, NY) was reasonable while performance in the non-MSA assessment area reflected poor geographic distribution although opportunities to lend are limited.

Response to Complaints

No complaints were received by Adirondack relating to the bank's CRA performance, and no complaints have been filed with the Federal Reserve Bank of New York since the previous examination.

COMMUNITY DEVELOPMENT TEST

Adirondack's community development performance was satisfactory and demonstrated a reasonable responsiveness to the community development needs of its assessment areas through community development loans, qualified investments, and community development services. This conclusion considers Adirondack's capacity and the need and availability of opportunities for community development in Adirondack's assessment areas.

Community Development Loans and Investments

Community Development Lending & Qualified Investments		
Purpose	#	\$(000s)
Affordable Housing	1	26
Community Services	53	4,669
Economic Development	2	372
Revitalize/Stabilization	4	155
Totals	60	5,222

Adirondack's community development performance overall was reasonable, totaling \$5.2 million. Adirondack's community development efforts consisted of \$5 million in community development loans and \$200,000 in qualified investments. As shown in the table to the left, the bank's community development efforts primarily targeted community services for LMI individuals.

Qualified investments were primarily municipal bonds for infrastructure improvements and the purchase of road equipment that assisted in revitalizing distressed middle-income census tracts in Lewis and Montgomery counties.

Community Development Services

Adirondack provides an adequate level of community development services hosting seminars and offering technical assistance to various organizations that furnish community development services to LMI individuals. Six bank officers and employees serve on the boards and committees of various community development organizations. Additionally, the availability of branches in low- and moderate-income geographies enhanced the delivery of financial services to LMI individuals. In 2006, 24% of branches (4/17) were in LMI census tracts compared to 21% of the assessment area population. During the examination period one new branch was opened in a low-income census tract in Syracuse, New York while another was opened in an upper-income census tract in MSA 46540.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

No evidence of discriminatory or other illegal credit practices, including the Equal Credit Opportunity Act and the Fair Housing Act, was identified as being inconsistent with helping to meet community credit needs.

METROPOLITAN AREA MSA 46540 (UTICA-ROME, NY)

DESCRIPTION OF OPERATIONS

As of December 31, 2006, Adirondack operated 12 branches in this MSA, representing 71% of its total number of branches. These branches contained \$303 million in deposits, or 79% of the bank's total branch deposits in New York State as of June 30, 2006. Of Adirondack's total retail loans, 79% were originated in this MSA during 2005 and 2006. For additional assessment area data, see Exhibits 1 and 2.

PERFORMANCE CONTEXT

The following demographic and economic information was obtained from publicly available sources that include the U.S. Department of Commerce's Bureau of Census, 2000, the U.S. Department of Labor, the U.S. Department of Housing and Urban Development ("HUD"), the New York Association of Realtors, the New York State Department of Labor, and the Federal Reserve Bank of New York Utica-Rome District Profile-October 2006.

EXHIBIT 2								
Assessment Area Demographics								
MSA 46540 Utica-Rome, NY								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	10	10.9	3,873	5.1	1,416	36.6	15,196	19.8
Moderate-income	17	18.4	9,267	12.1	1,849	20.0	13,909	18.2
Middle-income	48	52.2	47,724	62.3	3,667	7.7	17,647	23.0
Upper-income	16	17.4	15,724	20.5	404	2.6	29,836	39.0
Unknown-income	1	1.1	0	0.0	0	0.0	0	0.0
Total Assessment Area	92	100.0	76,588	100.0	7,336	9.6	76,588	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	10,912	2,090	2.6	19.2	5,815	53.3	3,007	27.6
Moderate-income	19,195	7,415	9.4	38.6	9,109	47.5	2,671	13.9
Middle-income	81,823	51,688	65.3	63.2	18,123	22.1	12,012	14.7
Upper-income	22,895	17,931	22.7	78.3	4,055	17.7	909	4.0
Unknown-income	4	2	0.0	50.0	2	50.0	0	0.0
Total Assessment Area	134,829	79,126	100.0	58.7	37,104	27.5	18,599	13.8
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low-income	853	9.5	716	9.2	108	13.1	29	9.7
Moderate-income	1,227	13.7	1,069	13.7	125	15.2	33	11.1
Middle-income	5,085	56.9	4,467	57.2	430	52.2	188	63.1
Upper-income	1,771	19.8	1,563	20.0	160	19.4	48	16.1
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	8,936	100.0	7,815	100.0	823	100.0	298	100.0
	Percentage of Total Businesses:			87.5	9.2	3.3		

Demographic Characteristics

According to the 2000 Census, the Utica-Rome MSA assessment area contains 92 census tracts, including 10 low-income tracts and 17 moderate-income tracts. Most of the LMI tracts are in Oneida County, concentrated in the cities of Utica and Rome. The low-income tracts contain 6% of the population and 10% of the businesses. The moderate-income tracts contain 13% of the population and 14% of businesses.

The Utica-Rome MSA assessment area has a population of 299,896, a 5.3% decrease since 1990. This represents the continuation of a trend that has occurred since the 1970's as working-age people move out of the area in response to a lack of job opportunities due to local manufacturers that closed or relocated. According to the US Census, the decline has continued through 2004, with an additional 4% decrease in population from 2000. This decline would be greater, except for a recent influx of immigrants from Eastern Europe.

Community contacts noted challenges for the area, with a net out-migration of the working-age population with higher education, an increasing proportion of an older population and a less skilled workforce. The Utica area, with a less highly educated workforce, has also had difficulty attracting higher paying employers. There is a need for small business lending as well as community development activities to encourage new businesses to locate in the area.

Income Characteristics

The Utica-Rome MSA assessment area lags the state and nation in income. The 2006 HUD-adjusted median family income for the Utica-Rome MSA is \$52,600, 14% under the New York State average.

Housing Characteristics

Housing in the Utica-Rome MSA assessment area is generally affordable. The New York Association of Realtors reports median sales prices for single family homes in the chart to the right.

MEDIAN SALES PRICES – SINGLE FAMILY HOMES		
Area	2005	2006
Oneida County, NY	\$91,000	\$98,700
Herkimer County, NY	\$74,900	\$80,000
New York State	\$255,675	\$248,500

Rents are also relatively affordable in the MSA. The 2000 Census put median gross rent at \$470 for Oneida County and \$420 for Herkimer County, compared to \$672 for New York State.

The 2000 Census shows that in the Utica-Rome MSA assessment area, 59% of housing is owner-occupied, 27% is rental, and 14% of the units are vacant. Housing in the Utica-Rome MSA assessment area tends to be old. The 2000 Census reports that 63% of housing stock in Oneida County and 60% of housing stock in Herkimer County was built before 1960, indicating a need for home improvement loans. However, community contacts noted that many older homes would need substantial funding for renovation due to age and the high cost of lead and asbestos removal.

Labor, Employment and Economic Characteristics

Unemployment in the Utica-Rome MSA assessment area averaged 4.4% for 2006, which approximates the New York State annual average of 4.5%. However, jobs tend to be low paying; with substantial growth in back-office service orientated operations as well as large retail operations. Dun and Bradstreet data for 2006 shows that 88% of the 8,936 businesses in the Utica-Rome MSA assessment area have revenues of \$1 million or less, indicating a need for small business loans.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LENDING TEST

Adirondack's overall record of lending in MSA 46540 (Utica-Rome, NY) was reasonable. An analysis of lending to borrowers of different income levels and to businesses of different sizes and the geographic distribution of loans follows:

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

The overall borrower distribution of loans reflected excellent performance based on excellent performance in both HMDA-related and consumer lending to moderate-income borrowers and excellent performance in consumer lending to low-income borrowers. HMDA-related lending to low-income borrowers was reasonable. The distribution of loans to businesses of different sizes also reflected reasonable performance.

The following table summarizes the distribution of HMDA and consumer loans in the Utica-Rome assessment area.

Distribution of Loans in Utica–Rome Assessment Area By Income Level of Borrower January 1, 2005 – December 31, 2006			
	HMDA-RELATED*	CONSUMER	TOTAL
LOW-INCOME: Less than 50% of Median Income			
Number	4	33	37
Percentage	3.0%	21.9%	13.0%
Amount (\$)	\$99,000	\$261,000	\$360,000
Percentage	1.0%	10.5%	2.9%
MODERATE-INCOME: At least 50% & less than 80% of Median Income			
Number	27	35	62
Percentage	20.3%	23.2%	21.8%
Amount (\$)	\$1,197,000	\$381,000	\$1,578,000
Percentage	12.2%	15.4%	12.8%
MIDDLE-INCOME: At least 80% & less than 120% of Median Income			
Number	38	44	82
Percentage	28.6%	29.1%	28.9%
Amount (\$)	\$1,968,000	\$646,000	\$2,614,000
Percentage	20.0%	26.1%	21.3%
UPPER-INCOME: 120% or more of Median Income			
Number	64	39	103
Percentage	48.1%	25.8%	36.3%
Amount (\$)	\$6,552,000	\$1,190,000	\$7,742,000
Percentage	66.7%	48.0%	63.0%

*Does not include 3 HMDA-related loans which did not report income.

Performance overall in HMDA-related lending to borrowers of different income levels was excellent based on excellent performance with moderate-income borrowers. Performance was excellent as 20% of Adirondack’s HMDA-related lending was to moderate-income borrowers while 18% of all families in the assessment area are moderate-income. Performance in lending to low-income borrowers however, was poor as 3% of Adirondack’s loans were to low-income borrowers while 20% of all families in the assessment area are low-income.

Performance overall in consumer lending to low-income borrowers was also excellent based on excellent performance to both low- and moderate-income borrowers. Exhibit 3 indicates 22% of consumer loans were to low-income borrowers compared to 20% of all families in the assessment area that are low-income. It also indicates 23% of consumer loans were to moderate-income borrowers while 18% of all families in the assessment area are of moderate-income.

Lending to Businesses of Different Sizes

Overall, the distribution of loans to businesses of different sizes was reasonable. 67% of Adirondack’s small business loans went to businesses with GAR of less than \$1,000,000 compared to 88% of all business establishments in Adirondack’s assessment area having GAR of less than \$1,000,000. In addition, 73 loans or 74% were in amounts \$100,000 or less. The average loan size was \$44,918, an amount reflecting the credit needs of smaller businesses.

The following table summarizes the bank’s performance in lending to businesses of different sizes.

Distribution of Loans in Assessment Area By Size of Business					
January 1, 2005 – December 31, 2006					
SMALL BUSINESS LENDING SUMMARY					
Number of loans to businesses	Number of loans to <u>small</u> businesses*	% of loans to <u>small</u> businesses	\$ amount of loans to businesses	\$ amount of loans to <u>small</u> businesses*	% of \$ amount of loans to <u>small</u> businesses*
98	66	67%	\$14,371,000	\$5,420,000	38%

*Does not include 4 loans which did not report income

Geographic Distribution of Loans

Overall, the geographic distribution of loans was considered reasonable based on reasonable performance in HMDA-related, consumer, and small business lending distribution given the demographics of the assessment area. The distribution of lending for each loan category is analyzed as follows:

HMDA-related Loans

The geographic distribution of the bank’s HMDA-related lending was reasonable. Of the 136 HMDA-related loans included in the analysis and within the bank’s assessment area, 2% were located in low-income tracts and 7% were located in moderate-income tracts compared to 3% and 9%, respectively, of owner-occupied housing units in these tracts.

Consumer Loans

The geographic distribution of the bank’s consumer loans was reasonable with 1% of consumer loans originated in low-income tracts compared to 5% of families located in those tracts. In moderate-income tracts 13% of consumer loans were originated compared to 12% of families located in those tracts.

Small Business Loans

The geographic distribution of the bank’s small business loans was reasonable. In low-income census tracts, 6% of loans were originated compared to 10% of businesses located in those tracts.

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

In moderate-income tracts 15% of loans were originated compared to 14% of businesses located in those tracts.

COMMUNITY DEVELOPMENT TEST

Adirondack's community development performance was reasonable in this assessment area and compared favorably to some similarly situated banks. During the examination period, loans and qualified investments benefiting the MSA assessment area totaled \$4.7 million. The loans primarily involved community services for LMI individuals as well as economic development opportunities. Examples of community development loans and qualified investments include:

A \$440,000 participation in a \$4 million loan to provide relocation expenses to a company that will relocate its operations to the former Griffiss Air Force Base, which is now an Empire Development Zone and located in a moderate-income area of Rome, NY. The company will create jobs and economic opportunities throughout the area.

Another example included a \$2.6 million construction loan and \$1.2 million line of credit to a non-profit corporation to acquire and renovate a building in Utica to house expanding community development services. The non-profit corporation provides benefits to people with disabilities and the elderly. It provides services such as adult day care, advocacy, employment, and home-based care. Seventy-five percent of funding was from Medicaid, indicating benefits are primarily for low- and moderate-income individuals.

Community Development Services

Adirondack provides an adequate level of community development services hosting seminars and offering technical assistance to various organizations that furnish community development services to LMI individuals. Additionally, the availability of branches in low- and moderate-income geographies enhanced the delivery of financial services to LMI individuals.

Three bank officers and employees serve on the boards and committees of various community development organizations. These organizations include:

- An economic development organization providing businesses with tax incentives based on job creation and economic investment. One officer serves as Chairman of the Board and directs all activities and meetings.
- An economic development corporation whose mission is to maintain and improve the economic vitality and quality of life by encouraging commercial, industrial and financial development. One officer chairs the operations committee of the Board of Directors which provides direction for all aspects of operating initiatives and projects.
- An economic development organization that assists the needs of businesses in the greater Oneida area. One officer serves on the loan committee, which processes and approves loans to small and medium sized businesses in Oneida County.

Adirondack helped sponsor a Freddie Mac program for first time home buyers in the Mohawk Valley. Various officers prepared all marketing and program materials and served as speakers for the program.

The overall branch distribution provides excellent accessibility to the LMI population and geographies within the assessment area. In 2006, three or 25% of branches were located in LMI census tracts compared to 19% of the assessment area population located in LMI census tracts. The branches provide a full range of financial services to the individuals who reside in those geographies.

NON METROPOLITAN AREA

(Clinton, Essex, Franklin, Fulton, Hamilton, Lewis and Montgomery Counties, NY).

DESCRIPTION OF OPERATIONS

As of December 31, 2006, Adirondack operated 4 branches in the six counties making up the non-MSA assessment area, representing 24% of its total number of branches. These branches contained \$79 million in deposits, or 21% of the bank's total branch deposits in New York State as of June 30, 2006. Of Adirondack's total retail loans, 17% were originated in the non-MSA assessment area during 2005 and 2006. For additional data, see Exhibits 1 and 5.

PERFORMANCE CONTEXT

The following demographic and economic information was obtained from publicly available sources that include the U.S. Department of Commerce's Bureau of Census, 2000, the U.S. Department of Labor, the U.S. Department of Housing and Urban Development ("HUD"), the New York Association of Realtors, the New York State Department of Labor.

EXHIBIT 3								
Assessment Area Demographics								
Non-MSA Assessment Area								
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	7,146	19.2
Moderate-income	5	11.6	3,685	9.9	778	21.1	6,920	18.6
Middle-income	34	79.1	30,317	81.5	2,710	8.9	8,411	22.6
Upper-income	3	7.0	3,207	8.6	160	5.0	14,732	39.6
Unknown-income	1	2.3	0	0.0	0	0.0	0	0.0
Total Assessment Area	43	100.0	37,209	100.0	3,648	9.8	37,209	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	7,131	3,184	8.2	44.7	3,048	42.7	899	12.6
Middle-income	62,572	32,197	82.8	51.5	14,421	23.0	15,954	25.5
Upper-income	4,981	3,526	9.1	70.8	1,093	21.9	362	7.3
Unknown-income	5	0	0.0	0.0	5	100.0	0	0.0
Total Assessment Area	74,689	38,907	100.0	52.1	18,567	24.9	17,215	23.0
	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	544	10.7	456	10.3	76	16.6	12	5.9
Middle-income	4,031	79.1	3,526	79.5	329	72.0	176	87.1
Upper-income	519	10.2	453	10.2	52	11.4	14	6.9
Unknown-income	2	0.0	2	0.0	0	0.0	0	0.0
Total Assessment Area	5,096	100.0	4,437	100.0	457	100.0	202	100.0
Percentage of Total Businesses:				87.1	9.0	4.0		

Demographic Characteristics

The non-MSA assessment area encompasses portions of 7 contiguous counties located in northern New York State. These counties are primarily rural with towns and villages scattered across the assessment area. According to the 2000 Census, the non-MSA assessment area's population totals 150,400. The assessment area contains 27% of the bank's combined assessment area population. Within the non-MSA assessment area, 7 middle-income census tracts in two counties (Lewis, and Montgomery) meet the new FFIEC definition of distressed non-metropolitan middle-income census tracts due to population losses and a third county, Hamilton, has 2 middle-income census tracts that meet the new FFIEC definition of underserved remote rural areas.

Income Characteristics

The HUD-adjusted median family income for the non-MSA assessment area was \$48,550 in 2005 and \$49,600 in 2006. Based on the 2000 Census, of the 43 census tracts in the assessment area, none are low-income, 12% are moderate-income, 79% are middle-income, 7% are upper-income and one does not report income. Ten percent of all families within the non-MSA assessment area have incomes below the poverty level.

Housing Characteristics

The assessment area contains 74,689 housing units, of which 52% are owner-occupied. Only 8% of owner-occupied housing units are in the moderate-income census tracts and represent 45% of total housing units in these census tracts. Demographic information from the 2000 census estimated that the median age of the housing stock throughout the MSA to be 46 years. According to the New York Association of Realtors, the median sales price of homes in 2006 ranged from a low of \$86,980 in Lewis County to a high of \$192,000 in Essex County. In 2006, the median housing costs in the various counties comprising the non-MSA assessment area ranged from 3.5 to 7.7 times the median family income of a low-income borrower and from 2.2 to 4.8 times the income of a moderate-income borrower. Housing affordability therefore may be difficult for both low-income and moderate-income individuals.

Given the age of the housing stock, community contacts have stated that there is a need for home improvement and home rehabilitation loans.

Labor, Employment and Economic Characteristics

During the examination period, average annual unemployment rates decreased slightly from 5.5% in 2005 to 5.4% in 2006 within the 7 counties making up the non-MSA assessment area. Unemployment Rates for 2006 in the non-MSA assessment area vary from a low of 5.2% in Lewis County to a high of 5.6% in Essex County. All rates are higher than the average for New York State of 4.5%.

According to the NYS Department of Labor, the economy in the North Country region of New York State has grown over the past four years with most of the growth in the natural resources and mining sector as well as the trade, transportation, and utilities sectors. Most growth in the trade, transportation and utilities sectors has been in retail trade, as major stores such as Wal-Mart, Best Buy, Kohl's, and Lowe's have opened stores in the region. Like many areas in Upstate New York, the North Country continues to suffer from an eroding manufacturing base.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

Adirondack's overall record of lending in the non-MSA assessment area was reasonable. An analysis of lending to borrowers of different income levels and to businesses of different sizes and the geographic distribution of loans follows:

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

The overall borrower distribution of loans reflected reasonable performance. Performance in HMDA-related lending to both low- and moderate-income borrowers was poor while consumer lending to low- and moderate-income borrowers was excellent. The distribution of loans to businesses of different sizes reflected reasonable performance.

Performance overall in HMDA-related lending to borrowers of different income levels was weak and needs to improve, as only one loan, or 5% of all HMDA loans, was made to a low-income borrower and one loan, or 5% of all HMDA loans was made to a moderate-income borrower. In comparison, 19% of all families in the assessment area are low-income and 19% of all families are moderate-income.

Performance in consumer lending was excellent as 21% of all consumer loans were to low-income borrowers, while 19% of all families are low-income and 37% of all consumer loans were to moderate-income borrowers, while 19% of all families in the assessment area are moderate-income.

The following table summarizes the distribution of HMDA and consumer loans in the non-MSA assessment area:

Distribution of Loans in the non-MSA Assessment Area By Income Level of Borrower			
January 1, 2005 – December 31, 2006			
	HMDA-RELATED*	CONSUMER	TOTAL
LOW-INCOME: Less than 50% of Median Income			
Number	1	4	5
Percentage	5.0%	21.1%	12.8%
Amount (\$)	\$17,000	\$17,000	\$34,000
Percentage	1.1%	7.2%	2.0%
MODERATE-INCOME: At least 50% & less than 80% of Median Income			
Number	1	7	8
Percentage	5.0%	36.8%	20.5%
Amount (\$)	\$100,000	\$49,000	\$149,000
Percentage	6.6%	20.8%	8.6
MIDDLE-INCOME: At least 80% & less than 120% of Median Income			
Number	3	4	7
Percentage	15.0%	21.1%	17.9%
Amount (\$)	\$248,000	\$116,000	\$364,000
Percentage	16.5%	49.2%	20.9%
UPPER-INCOME: 120% or more of Median Income			
Number	15	4	19
Percentage	75%	21.1%	48.7%
Amount (\$)	\$1,140,000	\$54,000	\$1,194,000
Percentage	75.7%	22.9%	68.6%

*Does not include 1 HMDA-related loan which did not report income.

Lending to Businesses of Different Sizes

Performance in lending to businesses of different sizes was reasonable as 76% of Adirondack's small business loans went to businesses with GAR of less than \$1,000,000 compared to 87% of all business establishments in Adirondack's assessment area having GAR of less than \$1,000,000. In addition, 15 loans or 88% were in amounts of \$100,000 or less. The average loan size was \$24,267, an amount reflecting the credit needs of smaller businesses. The following table summarizes the bank's performance in lending to businesses of different sizes:

Distribution of Loans in Assessment Area By Size of Business January 1, 2005 – December 31, 2006					
SMALL BUSINESS LENDING SUMMARY					
Number of loans to businesses	Number of loans to <u>small</u> businesses*	% of loans to <u>small</u> businesses	\$ amount of loans to businesses	\$ amount of loans to <u>small</u> businesses*	% of \$ amount of loans to <u>small</u> businesses*
17	13	76%	\$736,000	\$665,000	90%

Geographic Distribution of Loans

The geographic distribution of the bank’s HMDA-related, consumer, and small business lending was poor. No loans were made in the 5 moderate-income census tracts located in the 7 counties that make up the non-MSA Assessment Area while 8% of owner-occupied housing units and 11% of business establishments are located there. Comparisons to the market aggregate indicated that 9% of the aggregate’s HMDA-related lending and 8% of its small business lending were in these census tracts.

COMMUNITY DEVELOPMENT TEST

Adirondack’s community development performance was reasonable in this assessment area. During the examination period, loans and qualified investments benefiting the non-MSA assessment area totaled \$155,000. The qualified investments included four municipal bonds that were issued to acquire road equipment and make necessary repairs, purchase snow removal equipment and police vehicles. The equipment and repairs assisted in revitalizing distressed middle-income census tracts in Lewis and Montgomery counties. Maintenance of roads is an activity that will help provide essential services and maintain businesses and residents.

The assessment area also benefited from a \$127,000 line of credit to a New York Development Corporation which makes loans to small businesses across New York.

The bank provided a limited number of community development services consisting of one financial literacy presentation to special needs students of Saranac Lake Village, NY.

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

METROPOLITAN AREA

(LIMITED REVIEW)

MSA 45060 (SYRACUSE, NY)

Conclusions regarding performance in this limited-review assessment area are related to the bank's overall performance. HMDA and small business volume was low but generally reflective of the bank's limited presence and recent entry in this assessment area. Performance under the lending and community development tests follow:

Lending Test	Community Development Test
Below	Consistent

CRA APPENDIX A

GLOSSARY

Aggregate lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Census tract: A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Consumer loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

Full-scope 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 the income of applications, the amount of loan requested, and the disposition of the application (for example, approved, denied, and 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: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

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

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

Metropolitan area (MA): A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a population of at least 2.5 million may be divided into MDs.

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

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

Rated area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

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 percent of the area median income, or a median family income that is more than 120 percent, in the case of a geography.

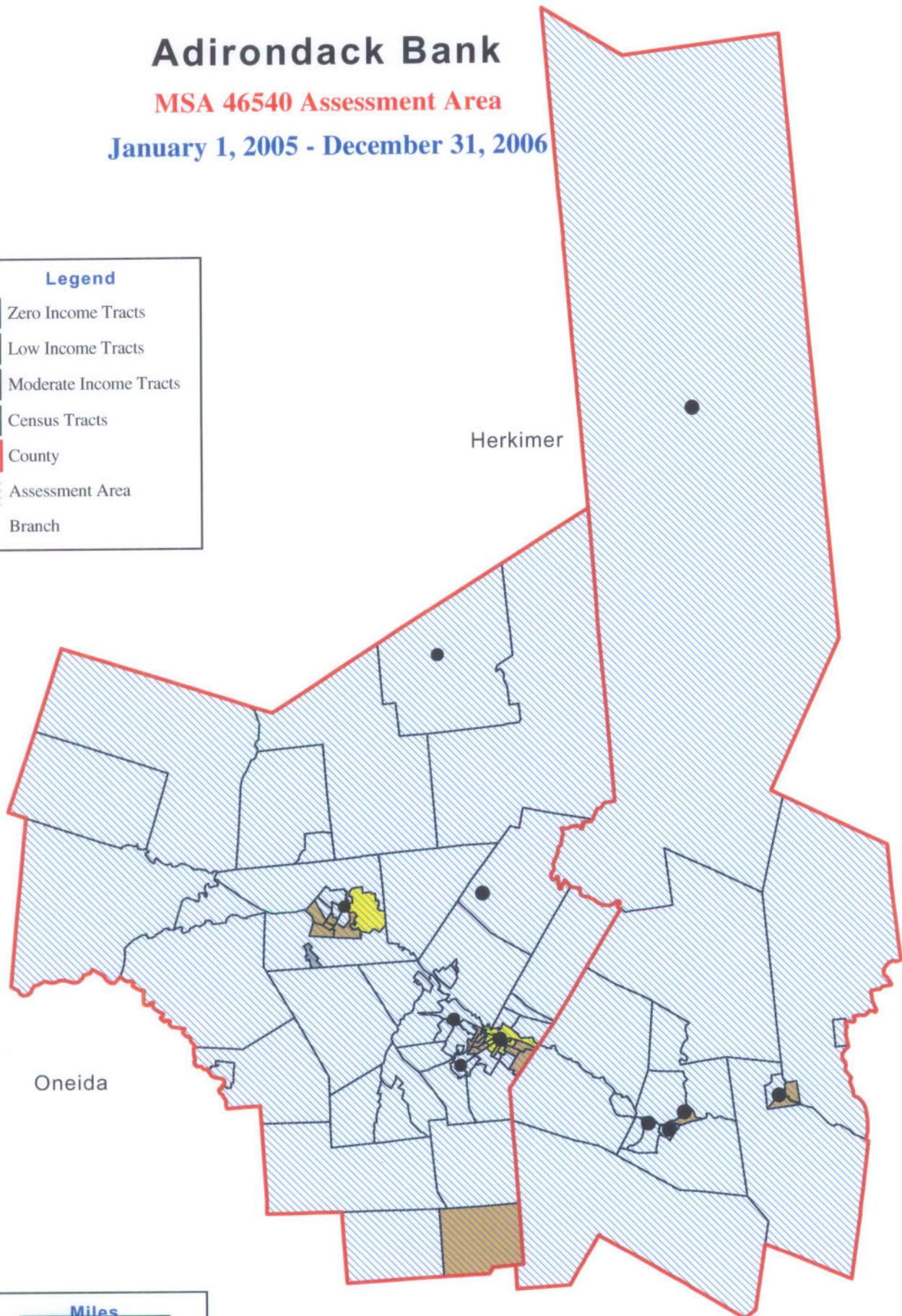
Adirondack Bank

MSA 46540 Assessment Area

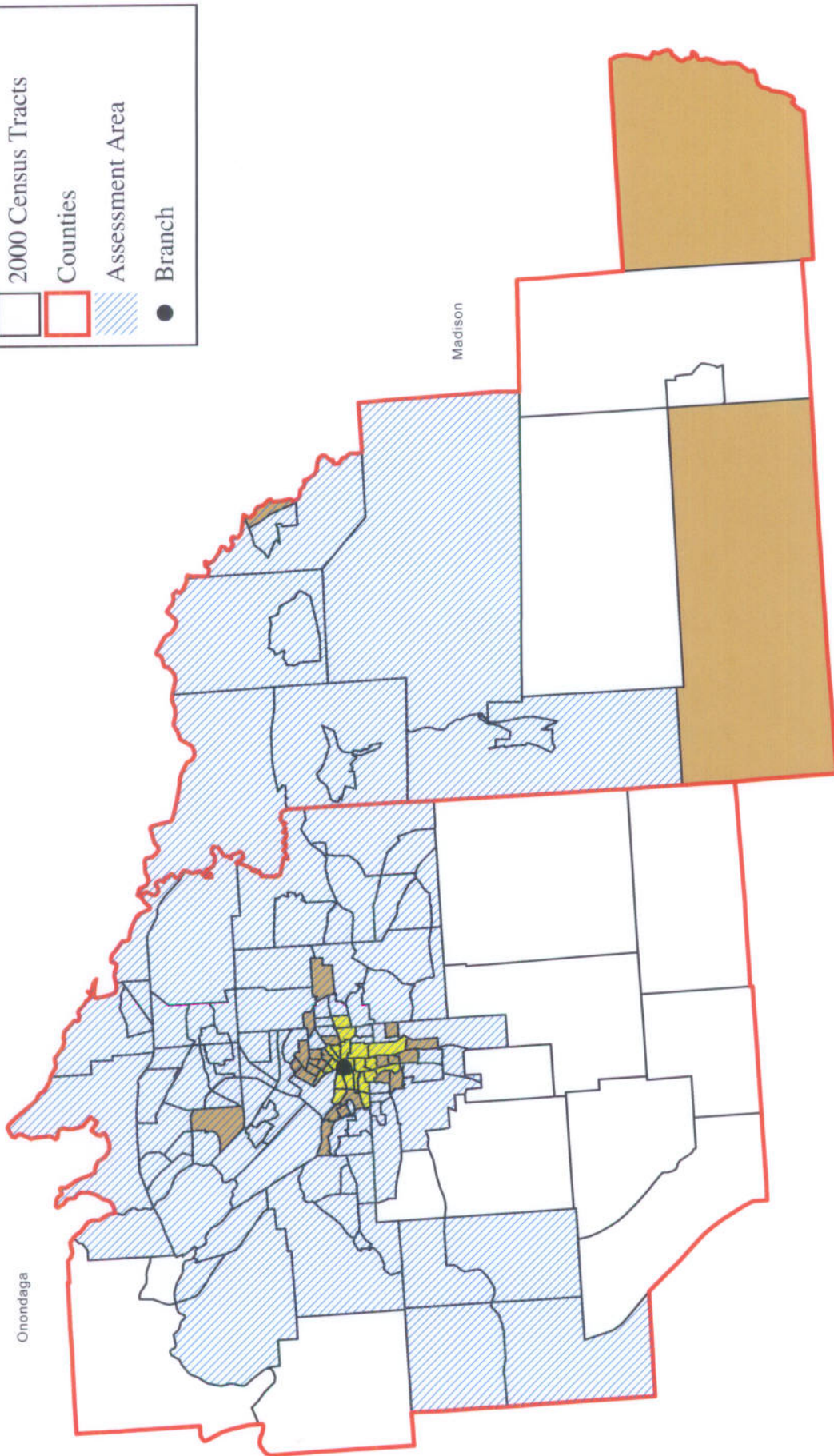
January 1, 2005 - December 31, 2006

Legend

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



Adirondack Bank MSA 45060 Assessment Area January 1, 2005 - December 31, 2006



Adirondack Bank

Non - MSA Assessment Area

January 1, 2005 - December 31, 2006

