

# **PUBLIC DISCLOSURE**

November 4, 2013

## **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, 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 Bank (“Adirondack”) 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		

The satisfactory performance of 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 areas.
- Adirondack’s loan-to-deposit ratio was reasonable.
- The distribution of loans to borrowers of different income levels and businesses of different sizes reflects reasonable penetration.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment areas.
- The overall level of community development loans, qualified investments and community development services demonstrates adequate responsiveness to community development needs in the assessment areas.

#### DESCRIPTION OF INSTITUTION

Headquartered in Utica, NY, Adirondack is the sole bank subsidiary of Adirondack Bancorp, Inc., a bank holding company. The bank operates 17 branches located in northern and central New York State. As of December 31, 2012, the bank had total assets of \$586 million, net loans and leases of \$365 million and total domestic deposits of \$489 million. Of the bank’s total real estate loans, 40% (\$147 million) were secured by one- to four-family residential properties.

Adirondack is a full service commercial bank that offers a variety of credit products to consumers and businesses. Consumer products include residential mortgages (fixed and adjustable rate), automobile/RV/watercraft loans, credit cards, home equity loans and lines of credit, and unsecured personal loans. Commercial products include commercial mortgages, term loans, lines of credit, construction loans, business credit cards, letters of credit, and loans to small businesses.

The bank operates in a competitive market with branches of numerous local, regional, and international banks operating in the bank's assessment areas. Local peer banks include The Oneida Savings Bank, Bank of Utica, and NBT Bank N.A. Based on deposits reported to the Federal Deposit Insurance Corporation ("FDIC") on June 30, 2012, Adirondack has the fifth largest deposit market share (11%) in the Utica-Rome metropolitan statistical area ("MSA"), the assessment area where the bank conducts a majority of its business.

Adirondack's previous CRA examination was conducted as of August 22, 2011, using the Federal Financial Institutions Examination Council's ("FFIEC") Intermediate Small Bank Examination Procedures. The prior examination resulted in an overall rating of "satisfactory." There are no financial or legal factors that would prevent Adirondack from fulfilling its responsibility under CRA.

## **DESCRIPTION OF ASSESSMENT AREA**

Adirondack has three assessment areas that are located in central and northern New York State. The assessment areas consist of the following:

**MSA 46540 (Utica-Rome, NY)**, which includes all of Herkimer County and Oneida County.

**Non-MSA Area**, which includes portions of Clinton, Essex, Franklin, Fulton, Hamilton, Lewis and Montgomery Counties.

**MSA 45060 (Syracuse, NY)**, which includes a portion of Onondaga County, specifically the City of Syracuse, NY.

Adirondack's assessment area delineation remained unchanged since its prior review. However, demographic components of the assessment areas have changed resulting from changes reported in the 2010 Census compared to the 2000 Census. Based on the 2010 Census, Adirondack's total combined assessment area has 269 census tracts, of which 34 are low-income, 49 are moderate-income, 109 are middle-income, 69 are upper-income, and eight tracts have no income designation.

Adirondack's assessment area is in compliance with the requirements of Section 228.41 of Regulation BB and does not arbitrarily exclude low- and moderate-income ("LMI") geographies. Additional assessment area data can be found in Exhibit 1. See Appendix B for a map illustrating the bank's assessment areas.

<b>Exhibit I</b>				
<b>Summary of Key Assessment Area Data</b>				
	<b>MSA 46540</b>	<b>Non MSA</b>	<b>MSA 45060</b>	<b>TOTALS</b>
<b>Total Population<sup>1</sup></b>	<b>299,397</b>	<b>154,566</b>	<b>435,729</b>	<b>889,692</b>
Population % of AA population	34%	17%	49%	100%
<b>Families</b>	<b>76,949</b>	<b>38,778</b>	<b>104,963</b>	<b>220,690</b>
Families % of AA families	35%	18%	48%	100%
<b>Total Census Tracts<sup>1</sup></b>	<b>93</b>	<b>44</b>	<b>132</b>	<b>269</b>
Tracts % AA tracts	35%	16%	49%	100%
<b>LMI tracts<sup>1</sup></b>	<b>23</b>	<b>9</b>	<b>51</b>	<b>83</b>
LMI tracts % all AA LMI tracts	28%	11%	61%	100%
<b>Total Owner-Occupied Units<sup>1</sup></b>	<b>81,329</b>	<b>41,781</b>	<b>110,735</b>	<b>233,845</b>
Units % of AA units	35%	18%	47%	100%
<b>Business Establishments<sup>5</sup></b>	<b>12,770</b>	<b>7,937</b>	<b>23,458</b>	<b>44,165</b>
Bus. est. % AA bus. est.	29%	18%	53%	100%
<b>Number of Branches<sup>4</sup></b>	<b>12</b>	<b>4</b>	<b>1</b>	<b>17</b>
Branches % all branches	71%	24%	6%	100%
<b>Branches in LMI tracts</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>1</b>
LMI branches % AA LMI branches	0%	0%	100%	100%
<b>Branch Deposits (\$'000s)<sup>3</sup></b>	<b>388,381</b>	<b>91,259</b>	<b>5,786</b>	<b>485,426</b>
Deposits % AA deposits	80%	19%	1%	100%
Deposit Market Share (%) / Rank in Market	10.5%/5 of 16	2.39%/9 of 13	.07%/17 of 18	
<b>Home Purchase Originations<sup>2</sup></b>	<b>206</b>	<b>17</b>	<b>4</b>	<b>227</b>
HP originations % AA orig.	91%	7%	2%	100%
<b>Refinance Originations<sup>2</sup></b>	<b>349</b>	<b>69</b>	<b>12</b>	<b>430</b>
RF originations % AA orig.	81%	16%	3%	100%
<b>Home Improvement Originations<sup>2</sup></b>	<b>285</b>	<b>39</b>	<b>13</b>	<b>337</b>
HI originations % AA orig.	85%	12%	4%	100%
<b>Multi-Family<sup>2</sup></b>	<b>5</b>	<b>0</b>	<b>2</b>	<b>7</b>
MF originations % AA orig.	71%	0%	29%	100%
<b>Small Business Originations<sup>2</sup></b>	<b>87</b>	<b>5</b>	<b>7</b>	<b>99</b>
SB orig. % AA orig.	88%	5%	7%	100%
<b>Consumer Originations<sup>2</sup></b>	<b>125</b>	<b>19</b>	<b>5</b>	<b>149</b>
Cons orig. % AA orig.	84%	13%	3%	100%
<b>Combined Loan Totals</b>	<b>1,057</b>	<b>149</b>	<b>43</b>	<b>1,249</b>
% of AA Orig.	85%	12%	3%	100%

1. Source: 2010 Census data.  
2. Loans originated and purchased between January 1, 2011 and December 31, 2012. Small business and consumer loans consist of a data sample.  
3. Source: Federal Deposit Insurance Corporation ("FDIC") Summary of deposit data as of 6/30/2012  
4. Number of branches as of 9/30/2013  
5. Source: 2013 Dun & Bradstreet

## SCOPE OF EXAMINATION

### *Procedures*

Adirondack was examined using the FFIEC's Intermediate Small Institution Examination Procedures, which consist of a lending test and a community development test.

### *Products*

Loan products analyzed during this examination included all HMDA-related loans (home purchase, home improvement, and refinance loans) and a sample of consumer loans and small business loans. The small business and consumer loan samples were selected using the Board of Governors' sampling procedures. The sample consisted of 133 small business loans and 184 consumer loans. Examiners verified the integrity of the bank's HMDA, consumer, and small business loan data as part of the onsite examination. Multifamily loans were excluded from the analysis as the volume was too insignificant for analysis.

### *Examination Period*

All HMDA-related loans and a sample of small business and consumer loan originations from January 1, 2011 through December 31, 2012 were analyzed. Loans, investments, philanthropic grants, and services provided between January 1, 2011 and September 30, 2013 were evaluated as qualifying community development activities.

### *Full Scope Assessment Areas*

MSA 46540 (Utica-Rome, NY) and the non-MSA assessment area were analyzed as full scope assessment areas since 99% of Adirondack's deposit activity and 97% of its loan activity occurred within these assessment areas. MSA 45060 (Syracuse, NY) was analyzed as a limited scope assessment area because only 1% of Adirondack's deposits and 3% of the bank's loan activity occurred in that area. In addition, only one of the bank's seventeen branches is located in MSA 45060 (Syracuse, NY).

### *Lending Distribution Analysis*

The borrower and geographic loan distribution analyses were based on loan activity in Adirondack's assessment areas. Performance in MSA 46540 (Utica-Rome, NY) was given the most weight in determining the overall rating because of the concentration of Adirondack's branches, branch deposits, and lending activity in that MSA. Adirondack made 85% of the bank's total loans, and generated 80% of its total deposits in MSA 46540 (Utica-Rome NY). Also, 71% of Adirondack's total branches are located in MSA 46540 (Utica-Rome, NY). Adirondack's lending 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 area. Income estimates from the U.S. Department of Housing and Urban Development (“HUD”) were used to categorize borrower income. To evaluate consumer loans, the proportion of loan originations was compared to the proportion of LMI households located in the assessment area. For small business lending, Adirondack’s proportion of loans to businesses with gross annual revenues (“GAR”) of \$1 million or less, based on Dun and Bradstreet data, was compared to the proportion of all such businesses located in the assessment area. 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 evaluate 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. To evaluate consumer loans, the proportion of Adirondack’s loan originations was compared to the proportion of households located in LMI geographies. For small business loans, the analysis compared the proportion of loan originations with the proportion of businesses located in moderate-income geographies.

HMDA-related lending and small business lending performance was based on Adirondack’s 2012 and 2011 performance compared respectively to the 2012 and 2011 performance data for the aggregate of all lenders in the assessment areas subject to HMDA and/or CRA small business loan reporting. Aggregate lending data is not available for consumer loans, and therefore no aggregate comparison could be made for that loan category.

### ***Community Contacts***

Examiners conducted interviews with two community development organizations in order to gain an understanding of local credit needs.

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

### **LENDING TEST**

Adirondack’s record of meeting the credit needs of its assessment areas through its lending performance 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 reasonable. The geographic distribution of loans also reflected reasonable penetration throughout the bank’s assessment areas.

### **LOAN-TO-DEPOSIT RATIO**

Adirondack’s loan-to-deposit ratio was reasonable given the bank’s size, financial condition, and the credit needs of its assessment areas. Adirondack’s average loan-to-deposit ratio for the eight quarters between January 1, 2011 and December 31, 2012 was 69%, based on information contained in its *Consolidated Report of Condition and Income*. This ratio was below the national

peer average of 75% for similarly-sized banks and slightly below an average of 71% for three similarly-situated banks with branches located in Adirondack's assessment areas during the evaluation period.

### LENDING IN ASSESSMENT AREAS

Adirondack originated a substantial majority of its loans in its assessment areas. Overall, 92% of the loans evaluated for this examination period were originated in the assessment areas. Adirondack originated 96% of its HMDA-related loans to individuals residing in the bank's assessment areas. Of the small business and consumer loans sampled for this evaluation, 74% of small business loans were extended to small businesses located in the assessment areas and 81% of consumer loans were to individuals residing in the assessment areas.

**Adirondack Bank**  
**Lending Inside and Outside the Assessment Areas**  
**2011 - 2012**

Loan Types	Inside				Outside			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Home Purchase	227	94.2	\$31,473	94.2	14	5.8	\$1,953	5.8
Home Improvement	337	96.8	\$12,881	92.4	11	3.2	\$1,065	7.6
Refinancing	430	96.0	\$59,198	96.3	18	4.0	\$2,291	3.7
Multi-Family Housing	7	87.5	\$2,744	89.7	1	12.5	\$315	10.3
<b>Total HMDA related</b>	<b>1,001</b>	<b>95.8</b>	<b>\$106,296</b>	<b>95.0</b>	<b>44</b>	<b>4.2</b>	<b>\$5,624</b>	<b>5.0</b>
<b>Total Consumer related</b>	<b>149</b>	<b>81.0</b>	<b>\$3,576</b>	<b>77.3</b>	<b>35</b>	<b>19.0</b>	<b>\$1,051</b>	<b>22.7</b>
<b>Total Small Bus. related</b>	<b>99</b>	<b>74.4</b>	<b>\$8,483</b>	<b>62.5</b>	<b>34</b>	<b>25.6</b>	<b>\$5,100</b>	<b>37.5</b>
<b>TOTAL LOANS</b>	<b>1,249</b>	<b>91.7</b>	<b>\$118,355</b>	<b>91.0</b>	<b>113</b>	<b>8.3</b>	<b>\$11,774</b>	<b>9.0</b>

### LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES

Adirondack's overall lending penetration among borrowers of different income levels (including LMI individuals) and businesses of different sizes was reasonable based on reasonable performance in both MSA 46540 (Utica-Rome, NY) and the non-MSA assessment area.

### GEOGRAPHIC DISTRIBUTION OF LOANS

Adirondack's overall geographic distribution of loans reflected reasonable dispersion throughout the assessment areas based on good performance in MSA 46540 (Utica-Rome, NY) and poor performance in the non-MSA assessment area.

### RESPONSE TO COMPLAINTS

Adirondack received no complaints relating to the bank'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**

Adirondack demonstrated overall adequate 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 in MSA 46540 (Utica-Rome, NY) and a poor level in the non-MSA assessment area. This assessment also considered Adirondack’s capacity and the need and availability of opportunities for community development in the assessment areas.

During the examination period, Adirondack made a total of \$16.8 million in community development loans and qualified investments, of which 94% were made in Adirondack’s assessment areas. New community development loans and qualified investments made during this exam period totaled \$14 million or 85%. On an annualized basis, Adirondack’s total community development efforts in terms of dollar volume increased by 69% compared to the prior examination. Charitable donations to community development organizations throughout the assessment areas totaled \$231 thousand.

See chart below for details of Adirondack’s total community development loans and qualified investments made during the review period.

<b>ADIRONDACK BANK</b>										
<b>January 1, 2011 to September 30, 2013</b>										
<b>Community Development Loans &amp; Qualified Investments (combined)</b>										
<b>ASSESSMENT AREA</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize and Stabilize</b>		<b>TOTAL</b>	
	<b>#</b>	<b>(\$000s)</b>	<b>#</b>	<b>(\$000s)</b>	<b>#</b>	<b>(\$000s)</b>	<b>#</b>	<b>(\$000s)</b>	<b>#</b>	<b>(\$000s)</b>
MSA 46540	11	\$361	65	\$10,022	17	\$1,208	16	\$3,581	109	\$15,172
MSA 45060	9	\$263	3	\$401	2	\$32	4	\$583	18	\$1,279
Non MSA	0	\$0	0	\$0	4	\$32	0	\$0	4	\$32
Broader Statewide	1	\$0.25	6	\$294	0	\$0	0	\$0	7	\$294
<b>Total CD Loans and Investments</b>	<b>21</b>	<b>\$624</b>	<b>74</b>	<b>\$10,717</b>	<b>23</b>	<b>\$1,272</b>	<b>20</b>	<b>\$4,164</b>	<b>138</b>	<b>\$16,777</b>

Adirondack provided a significant number of community development services, primarily in MSA 46540. Adirondack provided a total of 32 technical assistance, financial literacy, mortgage education, and small business seminars during the current examination period. A total of 41 members of Adirondack’s management and staff also served as directors, advisors, or committee members to 66 non-profit and community-based organizations operating throughout Adirondack’s assessment areas.

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

Adirondack 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 46540 (UTICA-ROME, NY)**

### **(FULL SCOPE REVIEW)**

#### **DESCRIPTION OF OPERATIONS**

Adirondack's banking activities within its assessment areas were primarily conducted in MSA 46540. As of December 31, 2012, Adirondack operated 12 of 17 branches (71%) in this MSA. These branches generated \$388 million in deposits, which accounts for 80% of the bank's total branch deposits as of June 30, 2012. Of the bank's 994 HMDA loans originated in the assessment areas during 2011 and 2012, 85% were originated in this assessment area. Of the sample of 149 consumer loans, 84% were originated in this assessment area, and of the sample of 99 small business loans, 88% were originated in this assessment area. For additional assessment area data, see Exhibits I and II.

Adirondack's market area is highly competitive with branches of local and regional banks operating in the assessment area. Primary bank competitors in the local market include Bank of Utica, Manufacturers and Traders Trust Company, Bank of America N.A., NBT Bank, N.A., and First Niagara Bank.

#### **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 (2010 Census), U.S. Department of Labor, U.S. Department of Housing and Urban Development ("HUD"), New York State Association of Realtors ("NYSAR"), and the New York State Department of Labor.

##### **Demographic Characteristics**

The MSA 46540 assessment area consists of Herkimer County and Oneida County. According to the 2010 Census, the MSA 46540 assessment area has 93 census tracts, which includes 8 low-income tracts and 15 moderate-income tracts. Most of the LMI areas of the assessment area are located in Oneida County in the cities of Utica and Rome, which are located along the Erie Canal.

According to the 2010 Census, the assessment area has a population of 299,397, representing a slight population decline of less than 1% since the 2000 Census. The Census reports the 2012 population estimates at 298,064. Oneida County, which includes both the cities of Utica and Rome, accounts for nearly 78% of the area's population.

##### **Income Characteristics**

According to the 2010 Census data, the MSA 46540 assessment area has 21% of families that are low-income, 17% that are moderate-income, and 10% of families living below the poverty level.

The 2012 HUD-adjusted median family income for the Utica-Rome MSA is \$58,800, which represents a 4% increase over the 2010 median family income for the MSA, as reported during the prior exam.

Exhibit II 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	8	8.6	4,597	6.0	1,932	42.0	16,207	21.1
Moderate-income	15	16.1	9,515	12.4	2,036	21.4	13,301	17.3
Middle-income	45	48.4	43,432	56.4	3,316	7.6	16,466	21.4
Upper-income	19	20.4	19,396	25.2	659	3.4	30,975	40.3
Unknown-income	6	6.5	9	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>93</b>	<b>100.0</b>	<b>76,949</b>	<b>100.0</b>	<b>7,943</b>	<b>10.3</b>	<b>76,949</b>	<b>100.0</b>
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied		Rental		Vacant		
		#	%	%	#	%	#	%
Low-income	9,625	2,362	2.9	24.5	5,668	58.9	1,595	16.6
Moderate-income	20,173	7,182	8.8	35.6	10,033	49.7	2,958	14.7
Middle-income	77,326	48,814	60.0	63.1	15,992	20.7	12,520	16.2
Upper-income	30,011	22,962	28.2	76.5	5,256	17.5	1,793	6.0
Unknown-income	133	9	0.0	6.8	71	53.4	53	39.8
<b>Total Assessment Area</b>	<b>137,268</b>	<b>81,329</b>	<b>100.0</b>	<b>59.2</b>	<b>37,020</b>	<b>27.0</b>	<b>18,919</b>	<b>13.8</b>
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	573	4.5	503	4.4	39	4.6	31	5.7
Moderate-income	1,669	13.1	1,443	12.7	132	15.4	94	17.3
Middle-income	7,055	55.2	6,343	55.8	418	48.8	294	54.1
Upper-income	3,339	26.1	2,998	26.4	225	26.3	116	21.4
Unknown-income	134	1.0	84	0.7	42	4.9	8	1.5
<b>Total Assessment Area</b>	<b>12,770</b>	<b>100.0</b>	<b>11,371</b>	<b>100.0</b>	<b>856</b>	<b>100.0</b>	<b>543</b>	<b>100.0</b>
<b>Percentage of Total Businesses:</b>			<b>89.0</b>		<b>6.7</b>		<b>4.3</b>	

Based on 2010 ACS Information.

### Housing Characteristics

The Utica-Rome assessment area has 137,268 housing units, of which 59% are owner-occupied, 27% are rental, and 14% are vacant, as of the 2010 Census. Of the total owner-occupied housing units, 12% are located in LMI census tracts. Demographic information from the 2010 census estimated that the median age of the housing stock in MSA 46540 is 58 years.

Housing in the Utica-Rome MSA is generally affordable, but according to community contacts, affordable housing remains a pressing need in the area. NYSAR reports the median sales prices

for single family homes in Oneida County at \$112,900 in 2012 and \$109,950 in 2011. In Herkimer County, NYSAR reports the median sales prices for single family homes at \$98,685 in 2012 and \$91,000 in 2011. In comparison, the median sales price for a single family home in New York State is \$215,000 in 2012 and \$214,000 in 2011. Rents are also relatively affordable in the MSA. The 2010 Census put median gross rent for the MSA at \$623, compared to median gross rent of \$1,061 for New York State. The median housing costs in the assessment area are about three times the median family income of a low-income borrower and two times the income of a moderate-income borrower.

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

The manufacturing industry historically accounted for a relatively large share of the local economy in the MSA 46540 assessment area. However, many manufacturing companies have left the area, which led to a dramatic drop in population and an increase in unemployment. As of 2012, there were 12,770 businesses operating in the assessment area, of which 5% were in low-income tracts and 13% were in moderate-income tracts.

The annual unemployment rate was 8.6% for Oneida County and 9.0% for Herkimer County in 2012, compared to 8.7% for New York State. Although the assessment area's unemployment rates are comparable to the state, the area tends to have low-paying jobs.

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

### **LENDING TEST**

Adirondack's overall record of lending in MSA 46540 was satisfactory. The overall distribution of loans to borrowers of different incomes and businesses of different sizes was reasonable. Geographic distribution of lending represented reasonable penetration.

### **LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES**

Adirondack's overall distribution of HMDA-related, consumer, and small business loans in MSA 46540 reflected reasonable penetration among individuals of different income levels and businesses of different sizes. Adirondack'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 and 2012 aggregate data. An analysis of the lending in each loan category follows:

#### ***Home Purchase Loans***

Adirondack's overall distribution of home purchase loans to LMI borrowers in MSA 46540 was reasonable. In 2012, Adirondack originated 10% of its home purchase loans to low-income borrowers, compared to 21% of low-income families residing in the assessment area. The bank's home purchase lending to low-income borrowers was slightly above the aggregate, which

originated 8% of its home purchase loans to low-income borrowers in 2012. Adirondack's 2011 home purchase lending to low-income borrowers was less favorable than its lending in 2012.

In 2012, Adirondack's originated 14% of its home purchase lending to moderate-income borrowers, compared to 17% of moderate-income families residing in the area. Home purchase lending to moderate-income borrowers was below the aggregate, which originated 23% of its home purchase loans to moderate-income borrowers. Adirondack's 2011 home purchase lending to moderate-income borrowers was comparable to its lending in 2012.

### ***Refinance Loans***

Adirondack's overall distribution of refinance loans to LMI borrowers in MSA 46540 was reasonable. In 2012, Adirondack originated 4% of its refinance loans to low-income borrowers, compared to 21% of low-income families residing in the assessment area. The bank's refinance lending to low-income borrowers was below the aggregate, which originated 5% of its refinance loans to low-income borrowers in 2012. Adirondack's 2011 refinance lending to low-income borrowers was comparable to its lending in 2012.

In 2012, Adirondack's originated 11% of its refinance lending to moderate-income borrowers, compared to 17% of moderate-income families residing in the area. Refinance lending to moderate-income borrowers was below the aggregate, which originated 16% of its refinance loans to moderate-income borrowers. Adirondack's 2011 refinance lending to moderate-income borrowers was more favorable than its lending in 2012.

### ***Home Improvement Loans***

Adirondack's overall distribution of home improvement loans to LMI borrowers in MSA 46540 was excellent. In 2012, Adirondack originated 14% of its home improvement loans to low-income borrowers, compared to 21% of low-income families residing in the assessment area. The bank's home improvement lending to low-income borrowers was slightly above the aggregate, which originated 11% of its home improvement loans to low-income borrowers in 2012. Adirondack's 2011 home improvement lending to low-income borrowers was more favorable than its lending in 2012.

In 2012, Adirondack's originated 24% of its home improvement lending to moderate-income borrowers, compared to 17% of moderate-income families residing in the area. Home improvement lending to moderate-income borrowers was slightly above the aggregate, which originated 22% of its home improvement loans to moderate-income borrowers. Adirondack's 2011 home improvement lending to moderate-income borrowers was comparable to its lending in 2012.

### ***Consumer Loans***

Adirondack's overall distribution of consumer loans to LMI borrowers in MSA 46540 was excellent. In 2012, Adirondack originated 25% of its consumer loans to low-income borrowers in

2010, compared to 25% of low-income households in the assessment area. The bank's performance in 2011, when compared to the proportion of low-income households in the assessment area, was slightly less favorable than its 2012 performance.

In 2012, Adirondack made 22% of its consumer loans to moderate-income borrowers, compared to 16% of moderate-income households in the area. The bank's performance in 2011, when compared to the proportion of moderate-income households in the assessment area, was comparable to its 2012 performance.

### ***Small Business Loans***

Adirondack's distribution of loans to businesses of different sizes was excellent in MSA 46540. In 2012, Adirondack made 100% of its small business loans (49 total) to businesses with GAR of \$1 million or less, compared to 89% of such businesses operating in the assessment area. Adirondack's performance was significantly above the aggregate, which reported 31% of its loans to small businesses with GAR of \$1 million or less.

Of the total small business loans made in 2012, 84% were in amounts of \$100 thousand or less. Adirondack's proportion of small business loans in the amount of \$100 thousand or less was slightly below the aggregate, which originated 95% of its loans in amounts of \$100 thousand or less. Adirondack's 2011 small business lending performance was comparable to its lending in 2012.

### **GEOGRAPHIC DISTRIBUTION OF LOANS**

Adirondack's overall geographic distribution of HMDA-related, consumer, and small business loans reflected reasonable dispersion throughout MSA 46540. Adirondack'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 and 2012 aggregate data. An analysis of the lending distribution in each loan category follows:

### ***Home Purchase Loans***

Adirondack's distribution of home purchase loans in the LMI areas of MSA 46540 was reasonable. In 2012, Adirondack originated 3% of its home purchase loans in low-income areas, compared to 3% of owner-occupied housing units located in low-income geographies in the assessment area. Adirondack's performance was significantly above the aggregate, which made 2% of its home purchase loans in low-income geographies. Adirondack's 2011 home purchase lending in low-income geographies was less favorable than its lending in 2012.

In 2012, Adirondack originated 3% of its home purchase loans in moderate-income areas, compared to 9% of owner-occupied housing units located in moderate-income geographies in the assessment area. Adirondack's performance was significantly below the aggregate, which made 8% of its home purchase loans in moderate-income geographies. Adirondack's 2011 home

purchase lending in moderate-income geographies was slightly more favorable than its lending in 2012.

### ***Refinance Loans***

Adirondack's distribution of refinance loans in the LMI areas of MSA 46540 was reasonable. In 2012, Adirondack originated 1% of its refinance loans in low-income areas, compared to 3% of owner-occupied housing units located in low-income geographies in the assessment area. Adirondack's performance was similar to the aggregate, which also made 1% of its refinance loans in low-income geographies. Adirondack's 2011 refinance lending in low-income geographies was less favorable than its lending in 2012.

In 2012, Adirondack originated 6% of its refinance loans in moderate-income areas, compared to 9% of owner-occupied housing units located in moderate-income geographies in the assessment area. Adirondack's performance was slightly above the aggregate, which made 5% of its refinance loans in moderate-income geographies. Adirondack's 2011 refinance lending in moderate-income geographies was more favorable than its lending in 2012.

### ***Home Improvement Loans***

Adirondack's distribution of home improvement loans in the LMI areas of MSA 46540 was reasonable. In 2012, Adirondack originated 4% of its home improvement loans in low-income areas, compared to 3% of owner-occupied housing units located in low-income geographies in the assessment area. Adirondack's performance was above the aggregate, which also made 3% of its home improvement loans in low-income geographies. Adirondack's 2011 home improvement lending in low-income geographies was less favorable than its lending in 2012.

In 2012, Adirondack originated 9% of its home improvement loans in moderate-income areas, compared to 9% of owner-occupied housing units located in moderate-income geographies in the assessment area. Adirondack's performance was slightly above the aggregate, which made 7% of its home improvement loans in moderate-income geographies. Adirondack's 2011 home improvement lending in moderate-income geographies was less favorable than its lending in 2012.

### ***Consumer Loans***

Adirondack's distribution of consumer loans in LMI areas in MSA 46540 was poor. In 2012, Adirondack originated 3% of its consumer loans in low-income areas, compared to 7% of households in low-income geographies in the assessment area. Adirondack's 2011 consumer lending, when compared to the level of households in low-income areas, in was less favorable than its lending in 2012.

**2012 Aggregate Comparison Loan Distribution Table**  
Assessment Area: MSA 46540

Income Categories	HMDA									
	By Tract Income					By Borrower Income				
	Bank		Aggregate			Bank		Aggregate		
	#	%	% \$(000s)	%	% \$(000s)	#	%	% \$(000s)	%	% \$(000s)
<b>Home Purchase</b>										
Low	4	3.2%	0.8%	1.7%	0.8%	12	9.6%	3.5%	7.9%	4.5%
Moderate	4	3.2%	1.3%	8.3%	4.9%	18	14.4%	7.6%	23.1%	17.7%
Middle	77	61.6%	61.1%	58.2%	53.9%	28	22.4%	19.6%	23.7%	23.7%
Upper	40	32.0%	36.8%	31.8%	40.4%	65	52.0%	68.8%	26.5%	37.9%
Unknown	0	0.0%	0.0%	0.0%	0.0%	2	1.6%	0.6%	18.7%	16.2%
<b>Total</b>	<b>125</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>125</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Refinance</b>										
Low	3	1.2%	0.5%	1.1%	0.5%	9	3.5%	1.4%	5.1%	2.5%
Moderate	15	5.9%	3.1%	4.8%	2.8%	29	11.4%	5.5%	15.5%	10.2%
Middle	155	60.8%	58.1%	56.3%	53.1%	52	20.4%	14.5%	24.7%	20.3%
Upper	82	32.2%	38.3%	37.8%	43.7%	160	62.7%	75.3%	47.6%	58.3%
Unknown	0	0.0%	0.0%	0.0%	0.0%	5	2.0%	3.3%	7.1%	8.7%
<b>Total</b>	<b>255</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>255</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Home Improvement</b>										
Low	6	3.8%	1.8%	2.8%	1.5%	22	13.9%	5.9%	11.3%	6.2%
Moderate	14	8.9%	6.7%	7.1%	5.7%	38	24.1%	11.2%	21.6%	12.9%
Middle	106	67.1%	52.7%	63.6%	59.0%	34	21.5%	20.0%	25.5%	23.6%
Upper	32	20.3%	38.8%	26.5%	33.9%	60	38.0%	61.6%	40.0%	55.7%
Unknown	0	0.0%	0.0%	0.0%	0.0%	4	2.5%	1.3%	1.4%	1.6%
<b>Total</b>	<b>158</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>158</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Multi-Family</b>										
Low	0	0.0%	0.0%	5.6%	0.5%	0	0.0%	0.0%	0.0%	0.0%
Moderate	0	0.0%	0.0%	16.7%	2.2%	0	0.0%	0.0%	0.0%	0.0%
Middle	2	100.0%	100.0%	55.6%	87.6%	0	0.0%	0.0%	0.0%	0.0%
Upper	0	0.0%	0.0%	22.2%	9.7%	0	0.0%	0.0%	0.0%	0.0%
Unknown	0	0.0%	0.0%	0.0%	0.0%	2	100.0%	100.0%	100.0%	100.0%
<b>Total</b>	<b>2</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>2</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>HMDA Totals</b>										
Low	13	2.4%	0.8%	1.6%	0.7%	43	8.0%	2.6%	7.1%	3.5%
Moderate	33	6.1%	3.0%	6.5%	3.8%	85	15.7%	6.8%	19.3%	13.3%
Middle	340	63.0%	58.7%	58.1%	54.4%	114	21.1%	16.6%	24.4%	21.5%
Upper	154	28.5%	37.6%	33.8%	41.1%	285	52.8%	70.8%	38.4%	48.3%
Unknown	0	0.0%	0.0%	0.0%	0.0%	13	2.4%	3.1%	10.9%	13.4%
<b>Total</b>	<b>540</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>540</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>SMALL BUSINESS</b>										
<b>By Tract Income</b>										
		Bank			Aggregate			Aggregate		
	#	%	% \$(000s)	%	% \$(000s)		%	% \$(000s)	%	% \$(000s)
Low	1	2.0%	0.6%				4.1%	2.6%		
Moderate	12	24.5%	25.2%				12.4%	10.9%		
Middle	20	40.8%	52.6%				50.5%	50.7%		
Upper	16	32.7%	21.7%				27.1%	29.3%		
Unknown	0	0.0%	0.0%				1.5%	5.0%		
Tract Unknown	0	0.0%	0.0%				4.5%	1.4%		
<b>Total</b>	<b>49</b>	<b>100.0%</b>	<b>100.0%</b>				<b>100.0%</b>	<b>100.0%</b>		
<b>By Revenue</b>										
\$1 Million or Less	49	100.0%	100.0%				31.0%	34.0%		
<b>By Loan Size</b>										
\$100,000 or less	41	83.7%	52.4%				94.6%	38.0%		
\$100,001-\$250,000	7	14.3%	35.2%				3.1%	18.4%		
\$250,001-\$1 Million	1	2.0%	12.4%				2.3%	43.7%		
<b>Total</b>	<b>49</b>	<b>100.0%</b>	<b>100.0%</b>				<b>100.0%</b>	<b>100.0%</b>		

Originations and Purchases



In 2012, Adirondack made 7% of its consumer loans in moderate-income geographies, compared to 15% of households in moderate-income geographies. Adirondack's 2011 consumer lending, when compared to the level of households in moderate-income areas, was comparable to its lending in 2012.

### ***Small Business Loans***

Adirondack's overall distribution of small business loans in LMI geographies of MSA 46540 was reasonable. In 2012, Adirondack originated 2% of its small business loans in low-income geographies, compared to 5% of small businesses in the assessment area operating in low-income geographies. Adirondack's small business lending in low-income geographies was below the aggregate, which made 4% of its small business loans in low-income geographies. Adirondack's 2011 small business lending in low-income geographies was more favorable than its lending in 2012.

In 2012, Adirondack originated 24% of its small business loans in moderate-income geographies, compared to 13% of small businesses in the assessment area operating in moderate-income geographies. Adirondack's small business lending in moderate-income geographies was significantly above the aggregate, which made 12% of its small business loans in moderate-income geographies. Adirondack's 2011 small business lending in moderate-income geographies was comparable to its lending in 2012.

### **COMMUNITY DEVELOPMENT TEST**

Adirondack's community development performance in MSA 46540 demonstrates excellent responsiveness to the community development needs of the area. This assessment of Adirondack's performance considers Adirondack's capacity and the need and availability of opportunities for community development activities in MSA 46540.

Adirondack's community development loans and qualified investments targeting MSA 46540 totaled \$15 million or 90% of Adirondack's overall community development loans and qualified investments. Eighty-six percent (86%) of assessment area community development loans and qualified investments were new activities made during the examination period.

On an annualized basis, Adirondack's community development loans and qualified investments made in this assessment area increased by 79%, compared to the prior examination. When compared to three similarly-situated banks operating in the assessment area, Adirondack's annualized community development loans and qualified investments as a percent of average assets, deposits, and Tier 1 capital exceeded its peers.

Adirondack was responsive to credit needs in MSA 46540. Of the bank's total community development loans and qualified investments, 66%, in terms of dollar volume, targeted community service efforts. Communication with community contacts identified community

services as a primary assessment area need, since the area has a limited number of community-based organizations providing services to LMI individuals.

In terms of community development services, Adirondack provided a significant amount of community development services in MSA 46540. During the 33-month evaluation period, Adirondack held 32 technical assistance, financial literacy, mortgage education, and small business assistance sessions targeted to LMI individuals and small businesses, compared to 14 events held during the last evaluation period of 24 months. Adirondack officers, directors, and employees served on boards or committees of 66 non-profit organizations located throughout its assessment areas, compared to 18 organizations at the last examination. Adirondack has also developed ongoing community partnerships with various community development organizations in order to gain knowledge of and to better meet the community lending needs of the assessment area.

### ***Community Development Loans***

Adirondack made \$15 million in community development loans in MSA 46540. Of this total dollar amount of community development loans, 67% financed community service projects and 23% was for revitalization of LMI geographies. A total of 85% of community development loans represented new commitments originated since the prior CRA evaluation.

Examples of Adirondack's community development loans made in MSA 46540 include:

- A \$2 million line of credit for an organization that provides community development services to LMI individuals in Utica, NY who are physically, developmentally, or mentally challenged.
- Three construction loans totaling \$896 thousand to revitalize a moderate-income census tract in Oneida County.
- A \$670 thousand commercial real estate mortgage to acquire a hotel, which will revitalize a moderate-income tract in Oneida County.
- A \$100,000 working capital line of credit to an organization that provides community services such as counseling, emergency assistance, food and clothing distribution in a moderate-income census tract in Herkimer County.

### ***Community Development Investments***

Adirondack's qualified investments in MSA 46540 totaled \$663 thousand. In terms of dollar amount, 48% of the investments were dedicated to community services efforts and 45% targeted revitalization and stabilization efforts in LMI geographies. A total of 85% of qualified investments represented new investments made since the prior CRA evaluation. Total charitable donations to community development organizations in MSA 46540 totaled \$206 thousand.

Examples of qualified investments include:

- A \$266 thousand bond to purchase a school bus for a school district whose students are primarily low or moderate-income.
- Five bonds totaling \$175 thousand to provide essential services to a school district in Herkimer County, whose students are primarily LMI.
- Charitable donations totaling \$60 thousand to an organization in Rome, NY that provides food distribution and shelter to the homeless.

### *Community Development Services*

Examples of community development services include:

- The President and Chief Executive Officer of the bank served on the board of foundation that works to secure private sector funding for scholarships to LMI students at a local community college.
- An Assistant Vice President served on the board of a housing authority that provides subsidized housing projects and programs for lower income families, and elderly and disabled individuals.
- Adirondack Bank sponsored a small business training program, in which the bank partnered with several community organizations. At the end of the training, several of the attendees started their own businesses.
- An Assistant Vice President taught banking skills to special needs children in Herkimer County and another Branch Manager taught a banking class to foster children at a community organization that serves throughout central New York.
- An Assistant Vice President served as Treasurer of an organization in Utica, NY that works with young people to conduct service projects targeting LMI areas throughout the community.
- An Assistant Vice President/Branch Manager served as a board member of a hunger coalition organization that benefits the Herkimer County school district, as well as local food pantries.

**NON METROPOLITAN AREA**  
**CLINTON, ESSEX, FRANKLIN, FULTON, HAMILTON, LEWIS AND**  
**MONTGOMERY COUNTIES, NY**  
**(FULL SCOPE REVIEW)**

**DESCRIPTION OF OPERATIONS**

As of December 31, 2012, Adirondack operated four of 17 branches (24%) in the seven counties that make up the non-MSA assessment area. These branches generated \$91 million in deposits, which accounts for 19% of the bank's total branch deposits as of June 30, 2012. Of the bank's 994 HMDA loans originated in the assessment areas during 2011 and 2012, 13% were originated in this assessment area. Of the sample of 149 consumer loans, 13% were originated in this assessment area, and of the sample of 99 small business loans, 5% were originated in this assessment area. For additional assessment area data, see Exhibits I and III.

**PERFORMANCE CONTEXT**

The following demographic and economic information was obtained from publicly available sources that include the 2010 Census, U.S. Department of Labor, U.S. Department of Housing and Urban Development ("HUD"), New York State Association of Realtors ("NYSAR"), and the New York State Department of Labor.

**Demographic Characteristics**

The non-MSA assessment area encompasses portions of seven contiguous counties: Clinton, Essex, Franklin, Fulton, Hamilton, Lewis, and Montgomery, located in northern New York State. These counties are primarily rural with towns and villages scattered across the assessment area. According to the 2010 Census, the non-MSA assessment area contains 44 census tracts, which include one low-income tract and 8 moderate-income tracts. Within the assessment area, two middle-income census tracts in Hamilton County meet the FFIEC definition of distressed and underserved remote rural areas.

According to the 2010 Census, the assessment area has a population of 154,566, representing a population increase of about 2% since the 2000 Census.

**Income Characteristics**

According to the 2010 Census, the non-MSA assessment area has 38,778 families, of which 20% are low-income, 18% are moderate-income, and 11% of families live below the poverty level. The 2012 HUD-adjusted median family income for the non-MSA assessment area ranges from a low of \$51,200 in Lewis County to a high of \$63,300 in Clinton County.

Exhibit III 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	1	2.3	730	1.9	331	45.3	7,825	20.2
Moderate-income	8	18.2	6,259	16.1	1,167	18.6	7,031	18.1
Middle-income	25	56.8	22,553	58.2	2,240	9.9	7,748	20.0
Upper-income	9	20.5	9,214	23.8	420	4.6	16,174	41.7
Unknown-income	1	2.3	22	0.1	22	100.0	0	0.0
<b>Total Assessment Area</b>	<b>44</b>	<b>100.0</b>	<b>38,778</b>	<b>100.0</b>	<b>4,180</b>	<b>18.8</b>	<b>38,778</b>	<b>100.0</b>
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	1,443	428	1.0	29.7	837	58.0	178	12.3
Moderate-income	13,027	5,193	12.4	39.9	6,150	47.2	1,684	12.9
Middle-income	48,472	25,414	60.8	52.4	8,430	17.4	14,628	30.2
Upper-income	18,743	10,746	25.7	57.3	3,642	19.4	4,355	23.2
Unknown-income	22	0	0.0	0.0	22	100.0	0	0.0
<b>Total Assessment Area</b>	<b>81,707</b>	<b>41,781</b>	<b>100.0</b>	<b>51.1</b>	<b>19,081</b>	<b>23.4</b>	<b>20,845</b>	<b>25.5</b>
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low-income	120	1.5	102	1.4	15	3.3	3	0.8
Moderate-income	1,371	17.3	1,182	16.6	113	24.8	76	20.7
Middle-income	4,277	53.9	3,859	54.2	205	45.1	213	57.9
Upper-income	2,147	27.1	1,952	27.4	119	26.2	76	20.7
Unknown-income	22	0.3	19	0.3	3	0.7	0	0.0
<b>Total Assessment Area</b>	<b>7,937</b>	<b>100.0</b>	<b>7,114</b>	<b>100.0</b>	<b>455</b>	<b>100.0</b>	<b>368</b>	<b>100.0</b>
<b>Percentage of Total Businesses:</b>			<b>89.6</b>		<b>5.7</b>		<b>4.6</b>	

Based on 2010 ACS Information.

### Housing Characteristics

The non-MSA assessment area has 81,707 housing units, of which 51% are owner-occupied, 23% are rental, and 26% are vacant, as of the 2010 Census. Of the owner-occupied housing units, 13% are located in LMI census tracts. Demographic information from the 2010 census estimated that the median age of the housing stock throughout the assessment area was 55 years.

According to the NYSAR, the 2011 median sales price for a single family home in the assessment area ranged from a low of \$85,750 in Franklin County to a high of \$185,000 in Hamilton County. In 2012, the median sales price for a single family home in the assessment area ranged from a low of \$92,000 in Franklin County to a high of \$165,000 in Hamilton County. The median housing costs in the various counties comprising the non-MSA assessment area ranged from four to five times the median family income of a low-income borrower and

from two to three times the income of a moderate-income borrower. Housing affordability therefore may be difficult for some low-income individuals in the area.

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

As of 2012, there were 7,937 businesses operating in the assessment area, of which 2% were in low-income tracts and 17% were in moderate-income tracts. In 2012, unemployment rates in the non-MSA assessment area ranged from a low of 8.6% in Hamilton County to a high of 10.6% in Fulton County. Unemployment in the non-MSA assessment area was generally higher than New York State's annual rates of 8.7%.

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

### **LENDING TEST**

Adirondack's overall record of lending in the non-MSA assessment area was satisfactory. The overall distribution of loans to borrowers of different incomes and businesses of different sizes was reasonable. Geographic distribution of lending represented poor penetration.

### **LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES**

Adirondack's overall distribution of HMDA-related, consumer, and small business loans in the non-MSA area reflected reasonable penetration among individuals of different income levels and businesses of different sizes. Adirondack'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 and 2012 aggregate data. An analysis of the lending in each loan category follows:

#### ***Home Purchase Loans***

Adirondack's overall distribution of home purchase loans to LMI borrowers in non-MSA assessment area was poor. In 2012, Adirondack did not originate any home purchase loans to low-income borrowers, compared to 20% of low-income families residing in the assessment area. The aggregate, however, made 5%, or 60, of its home purchase loans to low-income borrowers in 2012. Adirondack's 2011 home purchase lending to low-income borrowers was comparable to its lending in 2012.

In 2012, Adirondack's originated 8%, or one, of its home purchase loans to moderate-income borrowers, compared to 18% of moderate-income families residing in the area. Home purchase lending to moderate-income borrowers was below the aggregate, which originated 16% of its home purchase loans to moderate-income borrowers. Adirondack's 2011 home purchase lending to moderate-income borrowers was less favorable than its lending in 2012.

### ***Refinance Loans***

Adirondack's overall distribution of refinance loans to LMI borrowers in the non-MSA assessment area was reasonable. In 2012, Adirondack originated 4% of its refinance loans to low-income borrowers, compared to 20% of low-income families residing in the assessment area. The bank's refinance lending to low-income borrowers was similar to the aggregate, which originated 4% of its refinance loans to low-income borrowers in 2012. Adirondack's 2011 refinance lending to low-income borrowers was less favorable than its lending in 2012.

In 2012, Adirondack's originated 14% of its refinance lending to moderate-income borrowers, compared to 18% of moderate-income families residing in the non-MSA assessment area. Refinance lending to moderate-income borrowers was slightly above the aggregate, which originated 12% of its refinance loans to moderate-income borrowers. Adirondack's 2011 refinance lending to moderate-income borrowers was less favorable than its lending in 2012.

### ***Home Improvement Loans***

Adirondack's overall distribution of home improvement loans to LMI borrowers in the non-MSA assessment area was excellent. In 2012, Adirondack originated 10% of its home improvement loans to low-income borrowers, compared to 20% of low-income families residing in the assessment area. The bank's home improvement lending to low-income borrowers was above the aggregate, which originated 9% of its home improvement loans to low-income borrowers in 2012. Adirondack's 2011 home improvement lending to low-income borrowers was more favorable than its lending in 2012.

In 2012, Adirondack's originated 33% of its home improvement lending to moderate-income borrowers, compared to 18% of moderate-income families residing in the area. Home improvement lending to moderate-income borrowers exceeded the aggregate, which originated 24% of its home improvement loans to moderate-income borrowers. Adirondack's 2011 home improvement lending to moderate-income borrowers was comparable to its lending in 2012.

### ***Consumer Loans***

Adirondack's overall distribution of consumer loans to LMI borrowers in the non-MSA assessment area was excellent. In 2012, Adirondack originated 44% of its consumer loans to low-income borrowers, compared to 24% of low-income households in the assessment area. The bank's performance in 2011, when compared to the proportion of low-income households in the assessment area, was comparable to its 2012 performance.

In 2012, Adirondack made 22% of its consumer loans to moderate-income borrowers, compared to 16% of moderate-income households in the area. The bank's performance in 2011, when compared to the proportion of moderate-income households in the assessment area, was comparable to its 2012 performance.

**2012 Aggregate Comparison Loan Distribution Table**  
Assessment Area: Non-MSA

Income Categories	HMDA									
	By Tract Income					By Borrower Income				
	#	%	% \$(000s)	%	% \$(000s)	#	%	% \$(000s)	%	% \$(000s)
	<b>Home Purchase</b>									
Low	0	0.0%	0.0%	1.7%	0.9%	0	0.0%	0.0%	5.2%	2.7%
Moderate	0	0.0%	0.0%	15.1%	10.8%	1	8.3%	4.3%	15.8%	11.7%
Middle	8	66.7%	54.7%	54.7%	53.7%	1	8.3%	5.4%	24.8%	21.3%
Upper	4	33.3%	45.3%	28.5%	34.6%	10	83.3%	90.3%	33.1%	47.3%
Unknown	0	0.0%	0.0%	0.0%	0.0%	0	0.0%	0.0%	21.1%	17.1%
<b>Total</b>	<b>12</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>12</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
	<b>Refinance</b>									
Low	0	0.0%	0.0%	0.4%	0.2%	2	3.5%	1.4%	4.2%	2.2%
Moderate	1	1.8%	1.4%	9.0%	6.3%	8	14.0%	7.5%	11.8%	7.4%
Middle	26	45.6%	37.0%	55.9%	53.1%	6	10.5%	5.7%	22.6%	17.2%
Upper	30	52.6%	61.6%	34.7%	40.4%	39	68.4%	83.3%	48.8%	59.8%
Unknown	0	0.0%	0.0%	0.0%	0.0%	2	3.5%	2.0%	12.6%	13.5%
<b>Total</b>	<b>57</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>57</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
	<b>Home Improvement</b>									
Low	0	0.0%	0.0%	0.0%	0.0%	2	9.5%	0.5%	8.7%	3.1%
Moderate	2	9.5%	9.8%	12.8%	11.3%	7	33.3%	13.5%	24.3%	15.4%
Middle	11	52.4%	28.0%	62.3%	58.4%	3	14.3%	4.3%	24.3%	22.0%
Upper	8	38.1%	62.3%	24.9%	30.3%	9	42.9%	81.7%	38.9%	54.5%
Unknown	0	0.0%	0.0%	0.0%	0.0%	0	0.0%	0.0%	3.7%	4.9%
<b>Total</b>	<b>21</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>21</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
	<b>Multi-Family</b>									
Low	0	0.0%	0.0%	0.0%	0.0%	0	0.0%	0.0%	0.0%	0.0%
Moderate	0	0.0%	0.0%	50.0%	77.8%	0	0.0%	0.0%	0.0%	0.0%
Middle	0	0.0%	0.0%	30.0%	11.2%	0	0.0%	0.0%	0.0%	0.0%
Upper	0	0.0%	0.0%	20.0%	11.0%	0	0.0%	0.0%	0.0%	0.0%
Unknown	0	0.0%	0.0%	0.0%	0.0%	0	0.0%	0.0%	100.0%	100.0%
<b>Total</b>	<b>0</b>	<b>0.0%</b>	<b>0.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0</b>	<b>0.0%</b>	<b>0.0%</b>	<b>100.0%</b>	<b>100.0%</b>
	<b>HMDA Totals</b>									
Low	0	0.0%	0.0%	0.8%	0.5%	4	4.4%	1.1%	5.4%	2.4%
Moderate	3	3.3%	2.2%	12.0%	9.5%	16	17.8%	7.7%	15.5%	9.5%
Middle	45	50.0%	39.1%	56.5%	53.1%	10	11.1%	5.5%	23.6%	18.9%
Upper	42	46.7%	58.7%	30.6%	36.9%	58	64.4%	84.4%	41.1%	53.6%
Unknown	0	0.0%	0.0%	0.0%	0.0%	2	2.2%	1.4%	14.4%	15.5%
<b>Total</b>	<b>90</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>90</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
	<b>SMALL BUSINESS</b>									
	<b>By Tract Income</b>									
	#	Bank		Aggregate						
		%	% \$(000s)	%	% \$(000s)	Bank		Aggregate		
						%	% \$(000s)	%	% \$(000s)	
Low	0	0.0%		0.0%		2.7%		2.3%		
Moderate	1	25.0%		12.0%		17.8%		23.1%		
Middle	2	50.0%		80.9%		52.5%		43.7%		
Upper	1	25.0%		7.1%		26.8%		30.8%		
Unknown	0	0.0%		0.0%		0.2%		0.1%		
Tract Unknown	0	0.0%		0.0%		0.0%		0.0%		
<b>Total</b>	<b>4</b>	<b>100.0%</b>		<b>100.0%</b>		<b>100.0%</b>		<b>100.0%</b>		
	<b>By Revenue</b>									
\$1 Million or Less	4	100.0%		100.0%		30.6%		41.4%		
	<b>By Loan Size</b>									
\$100,000 or less	3	75.0%		26.0%		92.4%		32.2%		
\$100,001-\$250,000	1	25.0%		74.0%		4.0%		19.2%		
\$250,001-\$1 Million	0	0.0%		0.0%		3.6%		48.7%		
<b>Total</b>	<b>4</b>	<b>100.0%</b>		<b>100.0%</b>		<b>100.0%</b>		<b>100.0%</b>		

Originations and Purchases



### ***Small Business Loans***

Adirondack's distribution of loans to businesses of different sizes in the non-MSA assessment area was excellent. In 2012, Adirondack made all of its four small business loans to businesses with GAR of \$1 million or less, compared to 90% of such businesses operating in the assessment area. Adirondack's performance was significantly above the aggregate, which reported 31% of its loans to small businesses with GAR of \$1 million or less.

Of the total small business loans made in 2012, 75% were in amounts of \$100 thousand or less. Adirondack's proportion of small business loans in the amount of \$100 thousand or less was slightly below the aggregate, which originated 92% of its loans in amounts of \$100 thousand or less. Adirondack's 2011 small business lending performance was comparable to its lending in 2012.

### **GEOGRAPHIC DISTRIBUTION OF LOANS**

Adirondack's overall geographic distribution of HMDA-related, consumer, and small business loans reflected poor dispersion throughout the non-MSA assessment area. Adirondack'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 and 2012 aggregate data.

As of the 2000 Census, the non-MSA assessment area had no low-income tracts. However, the 2010 Census reports that the non-MSA assessment area now has one low-income tract, with limited number of owner-occupied housing units in the low-income area. As such, the analysis of the lending distribution throughout the non-MSA assessment area was based primarily on lending performance in moderate-income geographies. An analysis of the lending distribution in each loan category follows:

### ***Home Purchase Loans***

Adirondack's distribution of home purchase loans in the LMI areas of the non-MSA assessment area was poor. In 2012, Adirondack did not originate any home purchase loans in the low-income area of the non-MSA assessment area, compared to 1% of owner-occupied housing units located in the low-income geography. Opportunities to lend in the low-income area were limited as indicated by the low volume of loans made by the aggregate. In 2012, the aggregate made 2% or 20 home purchase loans in low-income geographies.

In 2012, Adirondack did not originate any home purchase loans in moderate-income areas, compared to 12% of owner-occupied housing units being located in moderate-income geographies in the non-MSA assessment area. The aggregate, however, made 15% of its home purchase loans in moderate-income geographies. Adirondack's 2011 home purchase lending in moderate-income geographies was comparable to its lending in 2012.

### *Refinance Loans*

Adirondack's distribution of refinance loans in the LMI areas of the non-MSA assessment area was poor. In 2012, Adirondack did not originate any refinance loans in the low-income area of the non-MSA assessment area, compared to 1% of owner-occupied housing units located in the low-income geography. Opportunities to lend in the low-income area were limited as indicated by the low volume of loans made by the aggregate. In 2012, the aggregate made less than 1%, or 5, refinance loans in low-income geographies.

In 2012, Adirondack originated 2% or 1 refinance loan in moderate-income areas, compared to 12% of owner-occupied housing units located in moderate-income geographies in the non-MSA assessment area. Adirondack's performance was significantly below the aggregate, which made 9% of its refinance loans in moderate-income geographies. Adirondack's 2011 refinance lending in moderate-income geographies was comparable to its lending in 2012.

### *Home Improvement Loans*

Adirondack's distribution of home improvement loans in the LMI areas of the non-MSA assessment area was poor. In 2012, Adirondack did not originate any home improvement loans in the low-income area of the non-MSA assessment area, compared to 1% of owner-occupied housing units located in the low-income geography. Opportunities to lend in the low-income area were limited as indicated by the performance of the aggregate, which also did not make any home improvement loans in the low-income area.

In 2012, Adirondack originated 10%, or 2, home improvement loans in moderate-income areas, compared to 12% of owner-occupied housing units located in moderate-income geographies in the non-MSA assessment area. Adirondack's performance was below the aggregate, which made 13% of its home improvement loans in moderate-income geographies. Adirondack's 2011 home improvement lending in moderate-income geographies was less favorable than its lending in 2012.

### *Consumer Loans*

Adirondack's distribution of consumer loans in LMI areas in the non-MSA assessment area was adequate. In 2012, Adirondack did not originate any consumer loans in the low-income area of the non-MSA assessment area, compared to 2% of households in the low-income geography in the non-MSA assessment area.

In 2012, Adirondack made 11%, or one, consumer loan in moderate-income geographies, compared to 19% of households in moderate-income geographies. Adirondack's 2011 consumer lending, when compared to the level of households in moderate-income areas, was less favorable than its lending in 2012.

### ***Small Business Loans***

Adirondack's overall distribution of small business loans in LMI geographies of the non-MSA assessment area was excellent, based primarily on performance in moderate-income areas. In 2012, Adirondack did not originate any small business loans in the low-income geography of the non-MSA assessment area. Opportunities to lend in the low-income area were limited, as indicated by the low number of small businesses operating in the area (2% or 120 small businesses) as well as by the aggregate's low volume of 3%, or 68, small business loans made in the low-income area.

In 2012, Adirondack originated 25% of its small business loans in moderate-income geographies of the non-MSA assessment area, compared to 17% of small businesses in the assessment area operating in moderate-income geographies. Adirondack's small business lending in moderate-income geographies was above the aggregate, which made 18% of its small business loans in moderate-income geographies. Adirondack's 2011 small business lending in moderate-income geographies was comparable to its lending in 2012.

### **COMMUNITY DEVELOPMENT TEST**

Adirondack's community development performance in the non-MSA assessment area demonstrates poor responsiveness to the community development needs of the area. This assessment of Adirondack's performance considers Adirondack's capacity and the need and availability of opportunities for community development activities in non-MSA assessment area.

Adirondack's community development loans and qualified investments targeting the non-MSA area totaled \$32 thousand or less than 1% of Adirondack's overall community development loans and qualified investments. All of the non-MSA assessment area community development loans and qualified investments were new activities made during the examination period and all targeted economic development efforts.

On an annualized basis, Adirondack's community development loans and qualified investments made in this assessment area decreased by 75%, compared to the prior examination. The market area is highly competitive with branches of large regional banks operating within the assessment area. Adirondack's community development loans and qualified investments made in the non-MSA assessment area include:

- A \$25 thousand line of credit to a chamber of commerce that supports small businesses in a distressed middle-income area of Franklin County.
- A \$5 thousand charitable donation to an organization that supports economic development by assisting 10 small businesses in the Franklin County area.

In terms of community development services, Adirondack provided a very limited number of community development services in the non-MSA assessment area. During the evaluation

period, a Senior Vice President and Chief Credit Officer served as a board member of an organization that provides economic development efforts in 14 counties of Northern New York State, which includes the non-MSA assessment area.

**METROPOLITAN AREA**  
**MSA 45060 (SYRACUSE, NY)**  
**(LIMITED REVIEW)**

A limited evaluation of the Adirondack's performance in the MSA 45060 was completed, given the bank's limited presence and lending activity in this assessment area. Adirondack's performance in MSA 45060 was consistent with overall lending performance and consistent with overall community development performance. Adirondack operated only one of its 17 branches in MSA 45060, and this branch generated 1% of its total branch deposits, as of June 30, 2012. See Exhibit I for additional assessment area data.

In 2011 and 2012, Adirondack made 29 HMDA-related loans in MSA 45060, representing 3% of HMDA originations made in all the assessment areas. The bank originated 28% of its HMDA-related loans in LMI geographies, compared to 19% of owner-occupied housing units located in LMI geographies. In 2011 and 2012, Adirondack made seven small business loans in this MSA, representing 7% of the bank's total small business originations. Forty-three percent (43%) of the small business loans were originated in LMI geographies, which exceeded the demographics of 31% of small businesses located in moderate-income geographies.

Adirondack made \$1.3 million in community development loans and qualified investments dedicated to MSA 45060, representing 8% of the bank's total community development loans and qualified investments. Forty-five percent (45%) of the dollar volume of community development loans and qualified investments targeted revitalization of LMI areas and 31% targeted community services.

**2012 Aggregate Comparison Loan Distribution Table**  
Assessment Area: MSA 45060

Income Categories	HMDA									
	By Tract Income					By Borrower Income				
	#	%	% \$(000s)	%	% \$(000s)	#	%	% \$(000s)	%	% \$(000s)
	<b>Home Purchase</b>									
Low	1	50.0%	17.9%	2.8%	1.6%	0	0.0%	0.0%	9.8%	5.5%
Moderate	1	50.0%	82.1%	13.6%	8.8%	1	50.0%	82.1%	22.5%	17.5%
Middle	0	0.0%	0.0%	34.8%	31.4%	0	0.0%	0.0%	21.2%	20.7%
Upper	0	0.0%	0.0%	48.8%	58.2%	0	0.0%	0.0%	29.1%	40.4%
Unknown	0	0.0%	0.0%	0.0%	0.0%	1	50.0%	17.9%	17.4%	15.8%
<b>Total</b>	<b>2</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>2</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
	<b>Refinance</b>									
Low	0	0.0%	0.0%	1.4%	0.7%	1	12.5%	22.2%	5.7%	3.0%
Moderate	0	0.0%	0.0%	9.3%	5.3%	0	0.0%	0.0%	14.6%	9.6%
Middle	1	12.5%	8.0%	33.3%	29.0%	1	12.5%	8.0%	23.9%	19.7%
Upper	7	87.5%	92.0%	56.0%	64.9%	6	75.0%	69.8%	44.6%	55.1%
Unknown	0	0.0%	0.0%	0.0%	0.0%	0	0.0%	0.0%	11.2%	12.7%
<b>Total</b>	<b>8</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>8</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
	<b>Home Improvement</b>									
Low	1	10.0%	2.3%	5.9%	3.3%	1	10.0%	2.3%	12.4%	7.3%
Moderate	4	40.0%	65.9%	13.2%	7.2%	6	60.0%	70.7%	25.7%	15.1%
Middle	3	30.0%	28.7%	35.0%	30.8%	0	0.0%	0.0%	22.7%	17.3%
Upper	2	20.0%	3.2%	45.6%	58.6%	3	30.0%	27.1%	36.8%	54.4%
Unknown	0	0.0%	0.0%	0.2%	0.0%	0	0.0%	0.0%	2.4%	5.9%
<b>Total</b>	<b>10</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>10</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
	<b>Multi-Family</b>									
Low	1	100.0%	100.0%	32.4%	17.3%	0	0.0%	0.0%	0.0%	0.0%
Moderate	0	0.0%	0.0%	20.6%	16.1%	0	0.0%	0.0%	0.0%	0.0%
Middle	0	0.0%	0.0%	8.8%	1.1%	0	0.0%	0.0%	0.0%	0.0%
Upper	0	0.0%	0.0%	38.2%	65.5%	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%
<b>Total</b>	<b>1</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>1</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
	<b>HMDA Totals</b>									
Low	3	14.3%	50.4%	2.6%	1.5%	2	9.5%	7.7%	8.2%	4.3%
Moderate	5	23.8%	12.0%	11.7%	7.3%	7	33.3%	12.7%	19.2%	13.4%
Middle	4	19.0%	6.4%	34.1%	29.7%	1	4.8%	2.7%	22.5%	19.8%
Upper	9	42.9%	31.1%	51.6%	61.5%	9	42.9%	26.8%	36.7%	46.7%
Unknown	0	0.0%	0.0%	0.0%	0.0%	2	9.5%	50.1%	13.4%	15.7%
<b>Total</b>	<b>21</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>21</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
	<b>SMALL BUSINESS</b>									
	<b>By Tract Income</b>									
	#	Bank			Aggregate					
		%	% \$(000s)		% \$(000s)		% \$(000s)			
Low	1	25.0%	77.2%		16.2%		18.5%			
Moderate	1	25.0%	6.7%		12.4%		11.8%			
Middle	0	0.0%	0.0%		37.5%		39.3%			
Upper	2	50.0%	16.1%		33.9%		30.4%			
Unknown	0	0.0%	0.0%		0.1%		0.0%			
Tract Unknown	0	0.0%	0.0%		0.0%		0.0%			
<b>Total</b>	<b>4</b>	<b>100.0%</b>	<b>100.0%</b>		<b>100.0%</b>		<b>100.0%</b>			
	<b>By Revenue</b>									
\$1 Million or Less	4	100.0%	100.0%		26.6%		22.5%			
	<b>By Loan Size</b>									
\$100,000 or less	3	75.0%	22.8%		92.6%		27.6%			
\$100,001-\$250,000	0	0.0%	0.0%		3.4%		15.5%			
\$250,001-\$1 Million	1	25.0%	77.2%		4.0%		56.9%			
<b>Total</b>	<b>4</b>	<b>100.0%</b>	<b>100.0%</b>		<b>100.0%</b>		<b>100.0%</b>			

Originations and Purchases

## 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, 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 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; or, activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize 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 LMI individuals.

**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.

**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 a geography.



# Adirondack Bank

Assessment Area

2011

## Legend

Income

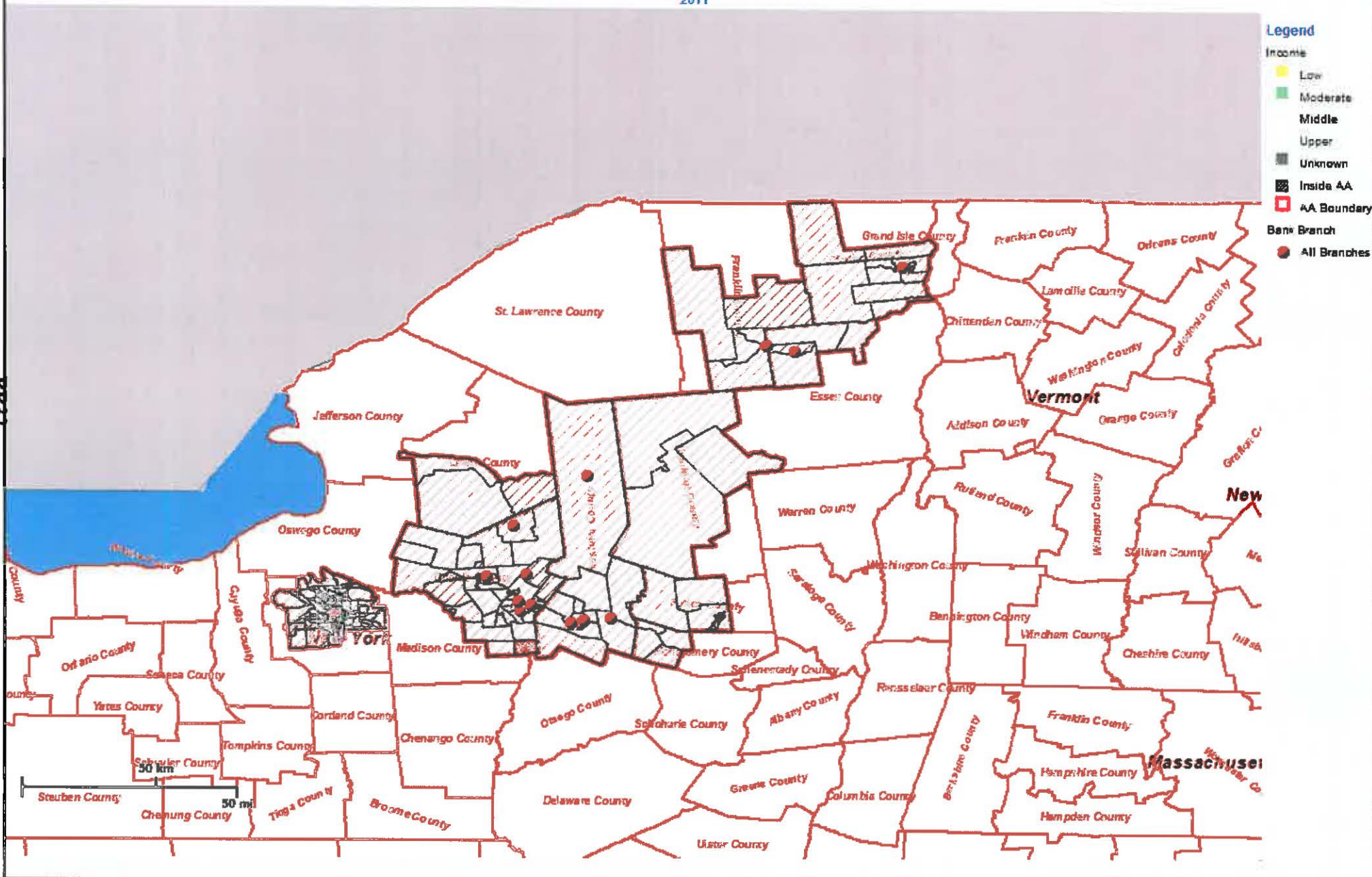
- Low
- Moderate
- Middle
- Upper
- Unknown

Inside AA

AA Boundary

Bank Branch

All Branches

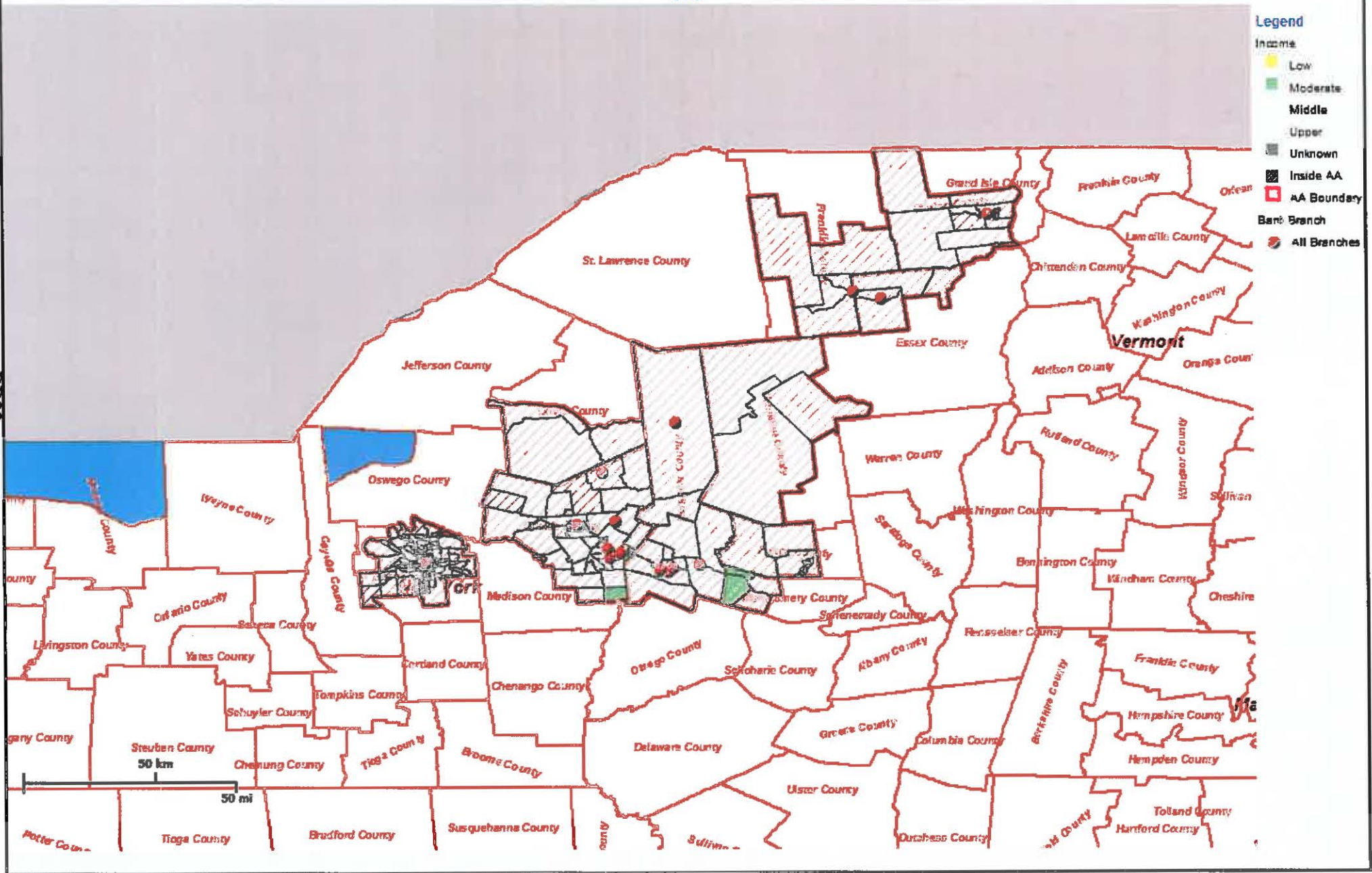


BB52

# Adirondack Bank

Assessment Area

2012



BB33