



Comptroller of the Currency
Administrator of National Banks

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PUBLIC DISCLOSURE

February 24, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank of Rochester
Charter Number: 15556
35 State Street
Rochester, NY 14614

Comptroller of the Currency
Syracuse Duty Station
Interstate Place II
100 Elwood Davis Road
North Syracuse, New York 13212

<p>NOTE: This evaluation is not, nor should be construed as, an assessment of the financial condition of the 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.</p>

GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (CRA) performance of the First National Bank of Rochester prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency.

The evaluation represents the OCC's current assessment and rating of the institution's CRA performance based on an examination conducted as of December 31, 1996. It does not reflect any CRA-related activities that may have been initiated or discontinued by the institution after the completion of the examination.

The purpose of the Community Reinvestment Act of 1977 (12 U.S.C. 2901), as amended, is to encourage each financial institution to help meet the credit needs of the communities in which it operates. The Act requires that in connection with its examination of a financial institution, each federal financial supervisory agency shall (1) assess the institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution, and (2) take that record of performance into account when deciding whether to approve an application of the institution for a deposit facility.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989, Pub. L. No. 101-73, amended the CRA to require the Agencies to make public certain portions of their CRA performance assessments of financial institutions.

Basis for the Rating

The assessment of the institution's record takes into account its financial capacity and size, legal impediments and local economic conditions and demographics, including the competitive environment in which it operates. Assessing the CRA performance is a process that does not rely on absolute standards. Institutions are not required to adopt specific activities, nor to offer specific types or amounts of credit. Each institution has considerable flexibility in determining how it can best help to meet the credit needs of its entire community. In that light, evaluations are based on a review of 12 assessment factors, which are grouped together under 5 performance categories, as detailed in the following section of this evaluation.

ASSIGNMENT OF RATING

Identification of Ratings:

In connection with the assessment of each insured depository institution's CRA performance, a rating is assigned from the following groups:

Outstanding record of meeting community credit needs.

An institution in this group has an outstanding record of, and is a leader in, ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Satisfactory record of meeting community credit needs.

An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Needs to improve record of meeting community credit needs.

An institution in this group needs to improve its overall record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Substantial noncompliance in meeting community credit needs.

An institution in this group has a substantially deficient record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

DISCUSSION OF INSTITUTION'S PERFORMANCE

Institution's Rating:

Based on the findings presented below, this institution is rated: Satisfactory.

Community Profile:

The First National Bank of Rochester (FNB Rochester) is a community bank with its headquarters in the City of Rochester in Monroe County New York. FNB Rochester had assets of \$438 million as of December 31, 1996. The bank has four service areas or delineated communities. The Rochester delineated community contains the majority of Monroe County. It does not include the extreme western part of the County due to the distance from the bank's branch offices. The southern portion of the delineation picks up the towns of Lima and West Bloomfield in Livingston and Ontario Counties respectively. The Elmira, NY, delineation includes the majority of Chemung County; it does not include the towns of Erin and Van Etten located in the eastern portion of the County. The Syracuse, NY, delineation covers part of Onondaga County, i.e., Clay, Cicero, Salina, Geddes, Camillus, Onondaga, Cicero, Dewitt, Manlius, and the City of Syracuse. The Buffalo, NY, delineation includes the City of Buffalo, and the towns of Tonawanda, Amherst, and Cheektowaga, all within Erie County.

The combined communities consist of 482 census tracts, and span four Metropolitan Statistical Areas (MSA). The MSAs are Rochester (6840), Syracuse (8160), Elmira (2335), and Buffalo (1280). The delineations include 72 low income tracts and 95 moderate income tracts. The total population of the combined areas is 1,818,218. The vast majority of business activity is in the Rochester community, where the bank has 11 offices. There are two branch offices in the Elmira community. The Buffalo and Syracuse communities have only one office each; the offices concentrate on commercial loans and deposits.

The Rochester community represents 173 census tracts, of which 32 are low income and 31 are moderate income tracts. There are 23,497 households in low income tracts and 36,477 in moderate income tracts.

Each of the communities is well served by other financial institutions. FNB Rochester faces stiff competition in each of the communities. The bank is one of the smallest banks in each of the markets.

The local economy is generally stable. The unemployment rate has declined from 1993 to 1995 for each of the MSA's in which the bank operates. The rates, which are all in the 4-6% range, are considered reflective of a healthy economy.

A recent article in the local newspaper voiced a concern that the population in the Rochester MSA is beginning to “seep away”. According to the article, the MSA recently experienced its first annual drop in population in a decade. This follows several years of below average population growth. The article states that the direction of change could be ominous if it continued. It could result in a decline in the business climate, e.g., fewer new customers for retailers, home builders, and a smaller workforce.

I. ASCERTAINMENT OF COMMUNITY CREDIT NEEDS

Assessment Factor A - Activities conducted by the institution to ascertain the credit needs of its community, including the extent of the institution's efforts to communicate with members of its community regarding the credit services it provides.

FNB Rochester effectively ascertains the credit needs of its community through its ongoing community contacts.

Management stays abreast of community credit needs through a variety of means which include meeting with community groups, employee and officer membership on community organization boards and committees, neighborhood sales blitzes, and contact with professionals such as accountants and attorneys.

Some of the groups in which the bank has representation are: the Rochester Chamber of Commerce CRA Banking Committee, the Rochester Urban League Minority and Women Business Loan Committee, the New York State Business Development Corporation, the New York State Division of Human Rights Advisory Council, the Community Commercial Development Council (CCDP), the Finger Lakes Development Corporation, and the Office of Urban Initiatives of Buffalo, New York.

Management is involved with several organizations which provide information on credit and banking service needs in low and moderate income neighborhoods. These organizations include the neighborhood groups from the 19th, 17th and 22nd wards of the City of Rochester, the Black Ministers Alliance in Rochester, the City of Rochester, the Greater Rochester community of Churches, and the United Neighborhood Centers of Greater Rochester.

Employees conduct periodic neighborhood “sales blitzes” to ascertain credit needs and develop new business. Teams consisting of as many as 45 employees from different areas of the bank canvas an area contiguous to a banking office, visiting as many as 500 businesses and 4000 households in a day. The objective of the blitzes is to increase awareness of the bank and the products it offers, as well as learn first hand about the market. Blitzes are conducted annually for each branch office. Smaller blitzes conducted by branch employees are done every 2-3 months.

The primary community credit needs identified by the bank are the need for affordable housing loans, small business loans, home improvement loans, used auto loans and consumer loans.

Assessment Factor C - The extent of participation by the institution's board of directors in formulating the institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act.

The Board and the Senior Management Group are very committed to the community and have provided a reasonable level of oversight to the CRA process.

The bank has a good organizational structure for the administration of a CRA program. The Board is advised of the bank's CRA activities through monthly reports given by the bank's CRA Committee. The CRA Committee, which meets monthly, is responsible for managing the bank's CRA program. The Committee members include the two senior vice-presidents in charge of the bank's lending functions, with the senior loan officer serving as the chairman. There are also members from key functional areas such as branch administration, finance, risk management, marketing, commercial and consumer lending.

The Board receives reports on all new commercial loan activity, i.e., loan originations, denials, and withdrawals. The reports which are broken down by loan officer, include details such as the name of the business, the type of financing, and the amount of the loan request. The Board receives information on consumer loan activity from the CRA Committee Chairman's report to the Board.

The Consumer Lending Manager provides the CRA Committee reports on the distribution of consumer loans to individuals with low and moderate income (LMI), compared to the total number of loans made. The reports also provide details on the volume originated from each branch and each delineated community, and the loan approval rates. The Committee also reviews the activity of loans made with a Small Business Administration (SBA) guarantee, loan activity for all special programs aimed at small businesses or LMI neighborhoods or individuals, and the annual Home Mortgage Disclosure Act (HMDA) report.

The CRA Committee used the last CRA report issued by this agency as a guide for enhancing CRA performance. The committee reviewed public evaluation reports from several other local banks in an attempt to assess how the bank's performance compared to other institutions in the marketplace.

The Board ensured employees received appropriate CRA training. It has also ensured the technical requirements of the regulation were met through its annual review of the CRA Statement and maintenance of the CRA public file and properly posted CRA notices.

II. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED

Assessment Factor B - The extent of the institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the institution.

FNB Rochester has a comprehensive marketing program that includes regular promotion of its credit products and services.

The most significant promotion each year is the bank's annual "money sale". This promotion features reduced rates on instalment loans. The money sale resulted in 951 loans for \$7.092 million in 1996 and 647 loans for \$4.783 million in 1995.

As mentioned earlier under Assessment Factor A, the bank conducts neighborhood sales blitzes to directly spread the word about the products and services it offers. Product handouts, discount coupons, newsletters and free gifts are distributed to businesses and households during these blitzes.

The bank uses television, print and radio advertising throughout the year to promote its lending products. The media used reaches all areas of the bank's market.

Mortgage lending is promoted primarily by personal calls on real estate offices. Updated mortgage sheets are distributed to real estate offices each week. The bank's mortgage, home improvement and home equity rates are published each week in local newspapers along with other lenders.

Assessment Factor I - The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business or small farm loans within its community, or the purchase of such loans originated in its community.

FNB Rochester is actively involved in home purchase, home improvement, small business and consumer lending. The bank is active in small business lending in all four communities, but has concentrated its home improvement, home purchase and consumer loan activity in the Rochester and Elmira communities.

FNB Rochester's 74% loan to deposit ratio (as of 9-30-96) is slightly above average compared to other banks in New York State of similar size. The ratio is slightly below average compared to the bank's national bank peer group.

The following tables show the number of home purchase, home refinance and home improvement

loans the bank processed during 1995 and 1996. The tables show fairly equal home purchase loan activity for each year. The tables also show significant growth in home refinances (171%) and home improvement loans (167%) from 1995 to 1996 (percentages based on the # of originations). A substantial majority of the loans were made within the four delineated communities, with the greatest number in the Rochester community.

Product	1995		1995		% originated within delineated community
	applications received #	\$000's	loans originated #	\$000's	
Home Purchase	198	20,120	181	18,668	85
Home Refinance	79	7,808	70	7,127	69
Home Improvement	138	1,172	96	722	92

Product	1996		1996		% originated within delineated community
	applications received #	\$000's	loans originated #	\$000's	
Home Purchase	195	18,064	184	17,304	86
Home Refinance	211	21,746	190	19,695	70
Home Improvement	299	2,302	256	1,988	77

FNB Rochester is also actively involved in small business lending (loans for less than \$1 million). The table below shows a consistent volume of small business loan origination activity by the bank for 1995 and 1996. It should be noted that the percentage of loans originated within the delineated community in 1996 was based on a sample of loans. The percentage for 1995 was based on a review of all accounts.

Year	# of loans	\$ 000's	% within delineated communities
1995	475	41,791	82
1996	459	47,983	68

In 1996, 241 of the loans for \$15.3 million (53%) were made to businesses with annual revenues of less than \$1 million. This information was not available for 1995. The average loan size was \$88 thousand in 1995, and \$105 thousand in 1996.

The bank is also an active consumer lender. The following table shows the volume of consumer

loan activity for auto loans, personal loans, credit card, home equity and overdraft protection lines of credit. Used auto loans represented approximately 25% of the volume each year. The number of loans originated in 1996 was 43% higher than 1995. A substantial majority of the loans are made within the bank's delineated communities.

Year	applications received #	loans originated #	\$000's
1995	3,549	2,034	17,227
1996	4,615	2,907	22,571

Assessment Factor J - The institution's participation in governmentally-insured, guaranteed or subsidized loan programs for housing, small businesses, or small farms.

FNB Rochester is actively involved in government guaranteed loan programs that guarantee financing for small business and home purchase loans. It has exceeded the volume of many larger institutions in each of the three Small Business Administration (SBA) regions it is part of.

The bank regularly uses the guarantee services of the Small Business Administration (SBA). The bank became a Certified SBA Lender in January 1995. This designation allows the bank to process SBA loans more quickly, thereby providing funds earlier to its borrowers.

For the government fiscal year ending September 30, 1995, the bank ranked sixth in loan dollar volume and fourth in number of loans originated within the SBA's Rochester office. The bank's origination of 20 loans for \$2.580 million exceeded the loan volume of several larger institutions. The Syracuse region ranked 27th out of 85 lenders in the SBA's Syracuse Region with 8 loans for \$1.71 million. The Buffalo region ranked 7th out of 21 lenders with 16 loans for \$1.9 million.

For the government fiscal year ending September 30, 1996, the Rochester region finished 2nd out of 24 lenders with 28 loans for \$3.858 million. The Syracuse region came in number 30 out of 92 lenders with 6 loans for \$.55 million. The Buffalo region placed 12 out of 27 with 9 loans for \$.59 million.

FNB Rochester participates in the Federal Housing Administration (FHA) loan program and Veterans Administration (VA) home loan programs. In 1996 the Bank originated 8 government guaranteed mortgage loans for \$.527 million, and in 1995 it originated 24 loans for \$1.365 million. The vast majority (91%) were made within the bank's CRA delineation.

III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

Reasonableness of Delineated Community

The bank’s delineated community is reasonable and does not exclude any low or moderate income areas.

Please refer to the Community Profile section on page 3 of this report and the bank’s CRA Statement for a description of the bank’s four delineated communities.

Assessment Factor E - The geographic distribution of the institution's credit extensions, credit applications, and credit denials.

The bank has a reasonable penetration of loans in low and moderate income census tracts and to low and moderate income individuals when considering the bank’s office locations, size and competition in its market.

The following tables show the percentage of the number of loan applications (apps) and originations by census tract income level (first table) and income level of the borrower (second table). The tables include only home purchase, home refinance and home improvement loans which were made within one of the bank’s four communities. The vast majority of these loans were made within the Rochester community.

year	% apps/loans low income census tracts	% apps/loans moderate income census tracts	% apps/loans middle income census tracts	% apps/loans upper income census tracts	% apps/loans no income information
1995	5.6/5.5	11.5/10.6	44.3/44.1	38.7/39.9	0/0
1996	2.5/2.4	14.2/13.9	43.6/42.7	39.6/40.7	.2/.2

year	% apps/loans low income applicants	% apps/loans moderate income applicants	% apps/loans middle income applicants	% apps/loans upper income applicants	% apps/loans no income information
1995	8.0/7.7	22.4/19.4	22.9/24.1	44.3/46.6	2.4/1.6
1996	10.2/9.3	17.1/16.9	23.6/22.4	47.9/50.4	1.3/1.0

Management tracks the percentage of consumer loans made to individuals with low or moderate

income. Over 40% of the consumer loans (includes home improvement loans) originated each quarter in 1995 & 1996 were made to individuals with low or moderate income. Management uses a conservative income level (\$28 thousand annually) to judge which loans are made to individuals with low or moderate income. Moderate income in the Rochester MSA is income below \$32.8 thousand. Moderate income in all of the bank's MSA's combined is income below \$29.8 thousand.

Assessment Factor G - The institution's record of opening and closing offices and providing services at offices.

FNB Rochester offers many convenient services to its customers and potential customers. It has increased the availability of its services in the Rochester area through the addition of new branches.

The good level of service provided is somewhat diminished by the lack of offices in Rochester, Buffalo or Syracuse located in low and moderate income neighborhoods. The downtown branch in Rochester, and the offices in Buffalo and Syracuse are located in the business districts of each city. All bank offices are chartered for full service, however the Syracuse and Buffalo offices primarily focus on generating small business loans and commercial deposits.

The bank's branches are open well beyond traditional banking office hours. All suburban offices are open until 7:30 PM Monday through Friday, and until 3:30 PM on Saturday. The downtown offices are open until 5 PM Monday through Friday. Loan officers are available after regular hours to meet with customers. All offices, except the two in the Elmira region, have ATMs.

The bank offers a telephone banking service which enables customers to perform activities such as balance inquiries, transfer funds, and determining whether a check has been paid. The bank accepts deposits by mail and offers a braille Visa credit card for the visually impaired.

No branch offices have been closed over the last two years. The Odessa, NY branch was sold to another financial institution in November 1996. Four offices have been opened in suburban communities of Rochester. The bank has a branch closing policy that management must follow when considering the closing of a branch. The policy includes steps to minimize the negative impact a closing may have on a neighborhood.

IV. DISCRIMINATION AND OTHER ILLEGAL CREDIT PRACTICES

Assessment Factor D - Any practices intended to discourage applications for types of credit set forth in the institution's CRA Statement(s).

There was no evidence of any practices that would serve to discourage any potential credit applicants.

Written policies and procedures do not contain underwriting guidelines that would result in unfair treatment toward credit applicants. Employees have received training in fair lending laws and regulations. The bank has a second level review committee which reviews mortgage loan denials of LMI applicants and minority applicants. The committee has the authority to overrule the underwriter's decision.

Assessment Factor F - Evidence of prohibited discriminatory or other illegal credit practices.

We found no evidence of illegal discrimination in our fair lending examination.

The bank's loan policy addresses illegal discrimination to ensure employee awareness and compliance. The policy is supported by equal credit opportunity training for employees.

V. COMMUNITY DEVELOPMENT

Assessment Factor H - The institution's participation, including investments, in local community development and redevelopment projects or programs.

The bank has an acceptable level of involvement in community development activities.

The bank offers its own mortgage loan programs aimed at applicants in low and moderate income census tracts. The "Fantastic Five" loan program features low down payment requirements, with down payments as low as \$499. The bank has closed 121 of these loans for \$5.5 million over the last two years.

FNB Rochester is a participant in the Community Commercial Development Partnership Committee. The partnership which consists of several local banks and the City of Rochester, attempts to provide financing to small to medium sized businesses that have been turned down for conventional financing. The bank has committed \$2 million as well as the time and talent of some of its officers to the program. In 1996, FNB Rochester closed two loans which came through the partnership. One of the loans involved the financing of a downtown restaurant located in an LMI census tract. The building where the restaurant operates had been empty for a period of time after the prior restaurant closed.

The bank made loans totaling \$335 thousand to two churches located in low income census tracts. It also provided \$125 thousand in financing to a nonprofit organization concerned with children's rights, which is located in a moderate income census tract.

The bank contributed \$8,250 in 1996 toward the Federal Home Bank of New York's Affordable Housing Program. The Home Loan Bank's programs include the bank's market areas.

Assessment Factor K - The institution's ability to meet various community credit needs based on its financial condition and size, legal impediments, local economic conditions and other factors.

There are no legal impediments or other factors hindering the bank from meeting its obligations under the CRA. Please refer to the Community Profile section earlier in this report for background information on the community.

Assessment Factor L - Any other factors that, in the regulatory authority's judgment, reasonably bear upon the extent to which an institution is helping to meet the credit needs of its entire community.

FNB Rochester made a \$50 thousand non-member deposit to the Progressive Credit Union of Rochester shortly after it became chartered. The Credit Union focuses on serving the needs of low and moderate income neighborhoods.

The bank donated \$1,000 to Neighborhood Housing Services (NHS) of Rochester, an organization involved in improving housing conditions and neighborhoods within the City.