



**LARGE BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **Public Disclosure**

June 09, 2003

# **Community Reinvestment Act Performance Evaluation**

**Alliance Bank, National Association  
Charter Number: 1090**

**160 Main Street**

**Oneida, NY 13421**

**Office of the Comptroller of the Currency  
Syracuse Field Office  
231 Salina Meadows Parkway 105  
Syracuse, NY 13212**

**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, and should not 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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## Overall CRA Rating

**Institution's CRA Rating:** This institution is rated **Satisfactory**.

The following table indicates the performance level of **Alliance Bank, National Association** with respect to the Lending, Investment, and Service Tests:

Performance Levels	Alliance Bank, N.A. Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	X		X
Low Satisfactory		X	
Needs to Improve			
Substantial Noncompliance			

\* The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

The major factors that support this rating include:

- Lending levels that reflect a good responsiveness by Alliance Bank, N. A. (ABNA) to the credit needs of its assessment area (AA) given the bank's size, resources and level of competition.
- Good distribution of loans among geographies of different income levels throughout the AA, along with an excellent ratio of loans originated inside the AA.
- A good distribution of loans among borrowers of different income levels throughout the AA.
- Community development lending that had a positive impact on the bank's lending performance.
- Flexible lending products that had a positive impact on the bank's lending performance.
- Investments that reflect an adequate responsiveness to the credit and community development needs of the AAs.
- Service delivery systems that are accessible to geographies and individuals of different income levels in the AA.
- Excellent performance in providing community development services.

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

**Affiliate:** Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**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 MA/assessment area.

**Block Numbering Area (BNA):** A statistical subdivision of a county for grouping and numbering blocks in non-metropolitan counties where local census statistical area committees have not established census tracts. A BNA does not cross county lines.

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

**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.

**Community Reinvestment Act (CRA):** the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

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

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also

include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male household and no wife present) or 'female householder' (a family with a female householder and no husband present).

**Full Review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

**Geography:** A census tract or a block numbering area delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application (e.g., approved, denied, and withdrawn).

**Home Mortgage Loans:** such loans include home purchase and home improvement loans, as defined in the HMDA regulation. This definition also includes loans for multifamily (five or more families) dwellings, loans for the purchase of manufactured homes and refinancing of home improvement and home purchase loans.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited Review:** Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

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

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

**Metropolitan Area (MA):** Any primary metropolitan area (PMA), metropolitan area (MA), or consolidated metropolitan area (CMA), as defined by the Office of Management and Budget, with a population of 250,000 or more, and any other area designated as such by the appropriate federal financial supervisory agency.

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

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

**Multifamily:** Refers to a residential structure that contains five or more units.

**Other Products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified Investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

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

**Small Loan(s) to Business(es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

**Small Loan(s) to Farm(s):** A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

**Tier One Capital:** The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

**Upper-Income:** Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent, in the case of a geography.

## Description of Institution

The Alliance Bank, National Association (ABNA) is headquartered in Oneida, New York and is a wholly owned subsidiary of Alliance Financial Corporation (AFC), a one-bank financial holding company. AFC had total average assets of \$755 million as of December 31, 2002. AFC has no other subsidiaries. ABNA's single operating subsidiary is a leasing company in the name of Alliance Leasing.

ABNA is a full service intrastate bank with 17 full service branches and one full service freestanding drive-up facility serving six counties in the Central Region of New York State. The bank expanded by nine branches during the evaluation period. Five branches were added and retained through the acquisition of the First National Bank of Cortland, which was merged into ABNA in April 1999, the additional four branches were opened during the evaluation period.

ABNA offers a wide range of financial services, with their primary focus on loans to consumers. In addition to traditional deposit and loan products, ABNA offers its customers investment products and trust services.

As of March 31, 2003, ABNA had \$779 million in total assets that included \$418 million in net loans, representing 54% of total assets. The bank's loan mix consists of 61% real estate loans, (75% residential real estate 20% commercial real estate, 3% construction, 1% farm and 1% multifamily), 21% loans to individuals, 17% commercial and industrial loans and 1% lease financing. Since March 31, 2002 total assets increased 6.96% due primarily to an increase in net loans of 8.96%. As of March 31, 2003, ABNA reported Tier 1 capital of \$55 million.

ABNA operates in a competitive financial services market with savings banks, credit unions, large regional banks and community banks. ABNA is not subject to any known financial, legal or regulatory restrictions that would impede its ability to help meet the credit needs of its assessment area.

ABNA's last CRA exam was January 9, 1998, at which time the bank's performance was rated "Satisfactory." At that time the bank was chartered under the name of Oneida Valley National Bank. The name was changed in 1999 at the time of the merger activity referenced above.

# Scope of the Evaluation

## Evaluation Period/Products Evaluated

The evaluation period covered January 1, 2000, through December 31, 2002, for Home Mortgage Disclosure Act (HMDA), small business and small farm loans. HMDA loans include home purchase and refinance loans. The evaluation period for Community Development (CD) loans, investments, and services is January 9, 1998, through June 9, 2003. This represents the time period between the start of the bank's last and current CRA exams. The market share and peer comparisons are based on the information contained in the aggregate HMDA and Small Business/Farm Registers for 2001. The aggregate HMDA and Small Business/Farm Reports are available for public review.

The peer comparisons in this report include only lenders who were required to file HMDA and Small Business/Farm Reports for 2001. Any lender with significant mortgage loan activity operating in ABNA's four AAs would be required to file a HMDA report for 2001. Small business reporting is required only of banks and thrift institutions with assets of \$250 million or more as of December 31 of the prior two calendar years preceding the reporting year, or an affiliate of a holding company with \$1 billion or more in assets for the same time period.

For the lending test, we evaluated ABNA's origination of home mortgage loans, small business and farm loans and CD loans.

## Data Integrity

We performed a data integrity exam of the loan information indicated above. We chose samples with 95% reliability and 5% precision, which resulted in random samples of 60 HMDA loans and 60 small business/small farm loans. We found the HMDA loan data to be of good quality and no corrective action was required. The bank's small business and small farm loan data was found to be of adequate quality, management was asked to provide corrected small business and small farm loan data due to the number of errors identified. Three of the errors identified in the small business-small farm data involved differences in revenue coding and three errors identified involved the improper reporting of advances on lines of credit as loan originations. Management reviewed the entire small business and small farm loan registers for the evaluation period and provided us with corrected data for this examination.

## Selection of Areas for Full-Scope Review

We completed full-scope reviews of the bank's Syracuse Metropolitan Statistical Area (MSA) AA and Cortland County AA. We completed a limited scope review of the bank's Binghamton MSA AA and Utica-Rome MSA AA. We chose the Syracuse and Cortland AAs for full-scope reviews because they comprise the area with the highest percentages of the bank's lending, deposits and branches. These AAs represent 90% of ABNA's lending for the evaluation period. These AAs also comprise 93% of ABNA's deposits and 89% of its branches. Please refer to Appendix A later in the report for more information.



## **Ratings**

The bank's overall rating is based primarily on those areas that received full-scope reviews. When determining conclusions for the Lending Test, home mortgage products were weighted the heaviest followed by small loans to businesses and small loans to farms. Within the home mortgage product category home purchase loans were weighted more heavily than home refinance loans. This weighting is reflective of ABNA's volume by loan type over the evaluation period. Home improvement and multifamily loans were not considered under the Lending Test and consequently Tables 3, 5 and 9 were omitted from the evaluation due to the small number of home improvement and multifamily loans made during the evaluation period.

ABNA's overall ratings under each test are the consolidation of conclusions reached for each full-scope AA, along with consideration of any impact on performance by the limited scope AAs. When consolidating full scope AA conclusions into overall ratings, greater weight was given to the Syracuse MSA than the Cortland County AA. The weighting was based on the vastly greater lending and deposit activity in the Syracuse MSA and the much larger number of branch offices in this AA. Additionally, the Syracuse MSA contains the only low or moderate-income geographies of either of the full-scope AAs, therefore emphasis was placed on this AA for the analysis of geographic distribution.

## **Other**

Two community contacts were made in conjunction with this review, one in the Cortland County AA and the other in the Syracuse MSA. The contacts were made with a government representative involved with economic development and an organization dedicated to the provision of affordable housing.

In the Cortland County AA our contact believes the primary credit need identified is financing for new and expanding businesses, especially small businesses. The contact also stressed the need for micro-loan or small dollar financing for mom/pop type businesses. Many local small businesses find it difficult, or perceive it is difficult to obtain bank financing of this nature.

In the Syracuse MSA our contact believes the primary credit need identified is affordable housing for low and moderate-income individuals. Our contact stated that much of the housing stock in the AA is being purchased by individuals from out-of-town that are using it as investment property to the detriment of low and moderate-income individuals who would like to purchase their own home.

The identified need for small business and affordable housing related credit, investments and services was considered in our evaluation of ABNA's performance under the Lending, Investment and Service Tests. Refer to the Market Profile in Appendix B of this Evaluation for more information.

## **Fair Lending Review**

We found no evidence of illegal discrimination or other illegal credit practices.

# Conclusions with Respect to Performance Tests

## LENDING TEST

### Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the lending test is rated "High Satisfactory."

Based on the full-scope review, the bank's performance in the Cortland County AA and in the Syracuse MSA is good.

### Lending Activity

Refer to Table 1 in Appendix C for the facts and data used to evaluate the bank's lending activity.

The bank's leading product was home mortgage loans, representing 50% of the loans originated during the evaluation period in the Cortland County AA and 66% in the Syracuse MSA. Small business loans represented 46% in the Cortland County AA and 32% in the Syracuse MSA. Small farm loans had the smallest representation with 4% of originated loans in the Cortland County AA and 2% in the Syracuse MSA.

Among originated home mortgage loans, 55% of Cortland County loans and 49% of Syracuse MSA loans were for home purchase; and 44% of Cortland County and 49% of Syracuse MSA loans were for home mortgage refinance. The remaining 1% of Cortland County loans and 2% of Syracuse MSA loans were for home improvement.

ABNA's overall lending activity is good. The lending activity is excellent in the Cortland County AA and good in the Syracuse MSA.

In the Cortland County AA, ABNA ranks second for deposits with a 35.88% market share. Based on 2001 aggregate HMDA data, ABNA is the second ranked originator/purchaser of both home purchase (14.70%) and refinance (10.28%) loans. Based on 2001 CRA aggregate data, ABNA is the number one originator/purchaser of small loans to businesses (20.46%) and is ranked second for small loans to farms (25.86%).

In the Syracuse MSA, ABNA ranks eighth for deposits with a 3.86% market share. The Syracuse MSA is a highly competitive environment and based on 2001 aggregate HMDA data, ABNA is ranked sixteenth for home purchase loans (2.00%) and is fifteenth in ranking for refinance loans (2.24%). Based on 2001 CRA aggregate data, ABNA is the tenth originator/purchaser of small loans to businesses (3.94%) and ranked fourth for small loans to farms (7.10%).

## **Distribution of Loans by Income Level of the Geography**

The geographic distribution of ABNA's home mortgage loans and small loans to businesses and farms reflects good penetration throughout the full scope AA geographies.

We placed our emphasis on the geographic distribution within Syracuse MSA, as all of the bank's low and moderate-income geographies are located within this AA. No analysis was done for geographic distribution in Cortland County AA as it would not be meaningful given the lack of either low or moderate-income geographies.

### ***Home Mortgage Loans***

Refer to Tables 2 and 4 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations and purchases.

The overall geographic distribution of home mortgage loans is good.

The geographic distribution of home purchase loans is good. The portion of home purchase loans made in low-income geographies is below the portion of owner-occupied units that are in those geographies. The portion of home purchase loans made in moderate-income geographies substantially exceeds the portion of owner-occupied housing units that are in those geographies. The market share of loans originated in low-income geographies is below and in moderate-income geographies exceeds the bank's overall market share.

The geographic distribution of refinance loans is good. The portion of refinance loans made in low-income geographies is below the portion of owner-occupied units that are in those geographies. The portion of refinance loans made in moderate-income geographies substantially exceeds the portion of owner-occupied housing units that are in those geographies. The market share of loans originated in low-income geographies is below and in moderate-income geographies exceeds the bank's overall market share.

### ***Small Loans to Businesses***

Refer to Table 6 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's origination/purchase of small loans to businesses.

The overall geographic distribution of small loans to businesses is good. The portion of small loans to businesses made in low-income geographies is below the portion of businesses that are in those geographies. The portion of small loans to businesses made in moderate-income geographies substantially exceeds the portion of businesses that are in those geographies. The market share of small loans to businesses originated in low-income geographies is below and in moderate-income geographies exceeds the bank's overall market share.

### ***Small Loans to Farms***

Refer to Table 7 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's origination/purchase of small loans to farms.

The overall geographic distribution of small loans to farms is poor. The portion of small loans to farms made in low-income geographies is below the portion of farms that are in those geographies. The portion of small loans to farms made in moderate-income geographies is also below to the portion of businesses that are in those geographies, the bank made no loans to farms in moderate-income geographies during the evaluation period while 6.38% or 67 farms are located within these geographies. The market share of small loans to farms made in both low and moderate-income geographies is below the bank's overall market share.

### **Lending Gap Analysis**

Reports detailing ABNA's lending activity over the evaluation period for home mortgage loans and small loans to businesses were reviewed to identify gaps in the geographic distribution of loans. No unexplained conspicuous gaps were identified.

### ***Inside/Outside Ratio***

A substantial majority (93%) of the home mortgage loans, small business loans, small farm loans and CD loans were made within the bank's AAs. By product, 91% of the bank's home mortgage loans, 95% of the small loans to businesses, 94% of the small loans to farms and 100% of the CD loans were within the bank's AAs. The home mortgage products were each close to the 91% overall in/out ratio with home purchase at 89% and refinances at 93%. This performance was positively factored into the overall analysis of the geographic distribution of lending by income level of geography.

### **Distribution of Loans by Income Level of the Borrower**

The borrower distribution of ABNA's home mortgage, small loans to businesses and small loans to farms reflect a good dispersion among borrowers of different income levels throughout the AA. In the evaluation of borrower distribution, we gave consideration to the poverty levels within the AAs. The poverty level in the Cortland County AA is 13.09% and in the Syracuse MSA is 10.54%. Due to reasons of affordability, it is unlikely that those with incomes below the poverty level would be involved in home mortgage financing. Accordingly, we considered this in evaluating the bank's lending distribution to low-income borrowers.

### ***Home Mortgage Loans***

Refer to Tables 8 and 10 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.

The overall distribution of home mortgage loans is good. Performance is good in both the Cortland County AA and the Syracuse MSA.

Home purchase loan borrower distribution is excellent. In the Cortland County AA, performance is excellent. The portion of home purchase loans to low-income borrowers is

below the portion of low-income families, but is excellent when considering the 13.09% of households living below the poverty level. The portion of home purchase loans to moderate-income borrowers exceeds the portion of families defined as such. The market share for loans made to low-income borrowers exceeds and to moderate-income borrowers is below ABNA's overall market share in the AA for home purchase loans. Performance in the Syracuse MSA is also excellent. The portion of home purchase loans to low-income borrowers is less than the portion of low-income families, but is excellent when considering the 10.54% of households living below the poverty level. The portion of home purchase loans to moderate-income borrowers exceeds the portion of families defined as such. The market share for loans made to both low-income and to moderate-income borrowers substantially meets ABNA's overall market share in the AA for home purchase loans.

Refinance loan borrower distribution is adequate. Performance in both the Cortland County AA and Syracuse MSA is adequate. In Cortland County the portion of home refinance loans to low-income borrowers is below the portion of low-income families but is adequate when considering the 13.09% of households living below the poverty level. The portion of home refinance loans to moderate-income borrowers is below the portion of families defined as such. The market share for loans made to both low-income and moderate-income borrowers is below ABNA's overall market share in the AA for home refinance loans. In the Syracuse MSA the portion of home refinance loans to low-income borrowers is less than the portion of low-income families, but is adequate when adjusted for the 10.54% of households living below the poverty level. The portion of home refinance loans to moderate-income borrowers is near to the portion of families defined as such. The market share for loans made to both low-income borrowers is below and to moderate-income borrowers exceeds ABNA's overall market share in the AA for home refinance loans.

### ***Small Loans to Businesses***

Refer to Table 11 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's origination/purchase of small loans to businesses.

The borrower distribution of small loans to businesses is excellent. Performance in both the Cortland County and Syracuse AAs is excellent. In both AAs the portion of ABNA loans to small businesses (businesses with revenues of \$1 million or less) exceeds the portion of businesses that are defined as such. The market share of small loans to small businesses exceeds ABNA's overall market share in both AAs.

### ***Small Loans to Farms***

Refer to Table 12 in the Appendix C for the facts and data used to evaluate the borrower distribution of the bank's origination/purchase of small loans to businesses.

The borrower distribution of small loans to farms is excellent. Performance in both the Cortland County and Syracuse AAs is excellent. In the Cortland County AA the portion of ABNA loans to small farms (farms with revenues of \$1 million or less) is near to and in the Syracuse MSA exceeds the portion of farms that are defined as such. The market share of small loans to small farms exceeds ABNA's overall market share in both AAs.

## **Community Development Lending**

Refer to Table 1 Lending Volume in Appendix C for the facts and data used to evaluate the bank's level of community development lending. This table includes all CD loans, including multifamily loans that also qualify as CD loans.

ABNA's level of community development lending had a positive impact on the evaluation of its lending performance activity. The bank's community development activities were responsive to the credit needs of the AAs.

ABNA originated one CD loan for \$1.5 million in its Cortland County AA. The loan was made to a non-profit organization that provides community services targeted to low and moderate-income individuals.

ABNA originated 11 CD loans for \$2.5 million in its Syracuse MSA. The loans were comprised of: two loans for \$1.4 million that was made to an organization that provides community services targeted to low and moderate-income individuals and nine loans for \$1.1 million that was made to an organization that provides affordable housing to low and moderate-income individuals.

## **Product Innovation and Flexibility**

ABNA's innovative and flexible lending activity had a positive impact on the evaluation of its lending performance. Flexible lending programs are described below.

Thoma Development Consultants – The program provides financing to eligible borrowers to purchase homes within the City of Cortland. The borrowers must be first-time homebuyers that have low or moderate-income to qualify. The maximum purchase price of the home cannot exceed \$69 thousand. The bank offers these loans at favorable terms such as an interest rate  $\frac{1}{2}\%$  below the convention rate, the waiver of points and application fee and City funds may be used for the down payment. The bank originated five loans for \$158 thousand under this program during the evaluation period.

Cortland Housing Assistance Council – The program, sponsored by the City of Cortland is designed to provide affordable housing for low and moderate-income individuals within the City. Mortgages are provided to rehabilitate low and moderate-income housing. The financing is split between Federal funds, which are allocated by the City at no or low-cost with the remaining financing originated by the bank. The bank originated six loans for \$293 thousand during the evaluation period.

Madison County Homebuyer Program – The program provides financing to eligible borrowers to purchase homes within the County. The borrower must be low or moderate-income and have received a grant from the Community Action Program to qualify. The program waives the down payment from the borrower and PMI. The application fee is also waived. The bank originated 35 loans for \$1.4 million under this program during the evaluation period.

Madison County Community Action Auto Program - The program, which is sponsored cooperatively by the Madison County Department of Social Services and SUNY Morrisville, is designed to aid low and moderate-income individuals whose barrier to employment is reliable

transportation. The Department of Social Services purchases older model automobiles to which the Auto Tech students at SUNY Morrisville make any required repairs. The goal is to help individuals maintain or gain employment by providing them with affordable and reliable vehicles. ABNA provides these secured and unsecured installment loans to individuals who would not otherwise qualify for credit, and at interest rates below the conventional rate. The grant funds to the Department of Social Services do not become available until July 2003 therefore the bank has not yet originated any loans under this program.

## **Conclusions for Areas Receiving Limited-Scope Reviews**

Based on the limited-scope review, the bank's performance under the lending test in both the Binghamton and Utica-Rome MSAs is not inconsistent with the bank's overall performance under the lending test. Refer to Tables 1 through 12 in Appendix C for the facts and data that support these conclusions.

## **INVESTMENT TEST**

### **Conclusions for Areas Receiving Full-Scope Reviews**

The bank's performance under the investment test is rated "Low Satisfactory". Based on this full-scope review, the bank's performance is adequate in the Cortland County AA and good in the Syracuse MSA in relation to the bank's size and resources.

Refer to Table 14 in Appendix C for the facts and data used to evaluate the bank's level of qualified investments.

In the Cortland County AA, ABNA exhibited an adequate responsiveness to credit and community development needs. Community development investment opportunities although available in the AA are somewhat limited. During the evaluation period, ABNA made 15 qualified investments, grants and donations totaling \$246 thousand.

In the Syracuse MSA, ABNA exhibited a good responsiveness to credit and community development needs. Community development investment opportunities are available in the AA. During the evaluation period, ABNA made 24 qualified investments, grants and donations totaling \$940 thousand.

ABNA invested \$763 thousand in mortgage-backed securities issued by FHLMC during the evaluation period. Of the total investment \$60 thousand has been allocated to the Cortland County AA, \$619 thousand to the Syracuse MSA and the remainder to the limited-scope AAs based upon the location of the mortgaged properties. All the mortgages backing this security have been financed to moderate-income borrowers.

ABNA also invested \$500 thousand in a CRA mutual fund, which was initiated nationwide in June 1999 but is new to the area. The fund is a concept that allows the purchase of shares in a CRA-dedicated mutual fund. The fund allows banks to specify underlying securities located in its assessment area. Because the bank made its initial investment immediately prior to the commencement of this evaluation and the funds have not yet been allocated to specific securities, the total investment was distributed based on an analysis of the bank's deposit



structure with \$175 thousand allocated to the Cortland County AA, \$290 thousand to the Syracuse MSA and the remainder to the limited-scope AAs.

During the evaluation period, ABNA made 13 qualifying grants and donations totaling \$11 thousand in the Cortland County AA. The grants were spread among several organizations, the vast majority providing affordable housing for low and moderate-income individuals or community services targeted to low and moderate-income individuals.

ABNA made 22 qualifying grants and donations totaling \$31 thousand in the Syracuse MSA. The grants were spread among several organizations the vast majority serving community service needs primarily serving low and moderate-income individuals. The remainder allocated to organizations for financial literacy and credit education initiatives for low and moderate-income individuals.

### **Conclusions for Area Receiving Limited-Scope Reviews**

Based on limited-scope reviews, the bank's performance under the investment test in the Utica-Rome MSA is stronger than and in the Binghamton MSA not inconsistent with the bank's overall "Low Satisfactory" performance under the investment test. Refer to Table 14 in Appendix C for the facts and data that support these conclusions.

The stronger performance in the Utica-Rome MSA is based on the fact that while only 4% of the deposits and 5.5% of the branches are located in the AA, 8% of the total investments are in the AA.

## **SERVICE TEST**

### **Conclusions for Areas Receiving Full-Scope Reviews**

The bank's performance under the Service Test is rated "High Satisfactory". Based on full-scope reviews, the bank's performance is excellent in the Cortland County AA and good in the Syracuse MSA.

### **Retail Banking Services**

Refer to Table 15 in Appendix C for the facts and data used to evaluate the distribution of the bank's branch delivery system and branch openings and closings.

ABNA's delivery systems are accessible to all portions of the full-scope AAs. Accessibility is excellent in the Cortland County AA and good in the Syracuse MSA.

In the Cortland County AA, there are no low or moderate-income geographies. All of ABNA's offices are located in middle-income geographies where approximately 89.77% of the population and 92.81% of low and moderate-income families reside. Additionally, 98.13% of low and moderate-income families reside within surrounding geographies within a two-mile radius of the specific geographies where the five branches are located, making the branches readily accessible to those of low and moderate-income.

In the Syracuse MSA, the distribution of ABNA's offices throughout both low and moderate-income geographies exceeds the distribution of the population living in such geographies.

The branch network throughout the full-scope AAs expanded by eight branches since the last evaluation. Four branches were opened and an additional six branches were acquired through the bank's merger and acquisition activity discussed earlier. The openings occurred with one branch opened in a low-income geography, one in a middle-income geography and two in upper-income geographies. There was one branch closure and one branch consolidation in the full-scope AAs during the evaluation period. The closure occurred in a middle-income geography. The consolidation occurred between two branches located within the same moderate-income geography in the Syracuse MSA, which were four-tenths of a mile apart. Management determined that the needs of the moderate-income geography would continue to be served with the consolidation. The bank's percentage of branches within moderate-income geographies continues to exceed the portion of population within these geographies.

ABNA's hours and services offered throughout the full-scope AAs are good. Hours and services are excellent in Cortland County and good in the Syracuse MSA. Services offered are comparable among locations regardless of the income level of the geography. Substantially all branch offices offer extended hours on various days of the week including Saturday hours. The South State Street branch is the only branch in the Syracuse MSA located in a low-income geography. While ABNA offers extended hours in all other branches, including those located within moderate-income geographies, this branch does not offer extended hours.

ABNA offers alternative delivery systems in the form of ATMs. The geographic distribution of the bank's ATMs in the various categories of income geographies is similar to its branch distribution. Customers and non-customers alike can access their accounts through ABNA ATMs, which are connected to the NYCE, Cirrus, MAC, STARR and PULSE ATM systems. Customers may also use their ABNA ATM card to obtain cash at non-proprietary ATMs throughout the world, which bear the NYCE, Cirrus, MAC, STARR or PULSE logos.

ABNA also offers alternative delivery systems of bank-by-phone and bank-by-mail. These services allow customers to obtain deposit and loan account information, make payments on ABNA loans, transfer funds, and pay other household bills. We did not place significant weight on these alternative delivery systems because no data was available to determine the impact of these retail-banking services on low and moderate-income geographies and individuals.

## **Community Development Services**

ABNA's performance in providing community development services is excellent in both of its full scope AAs.

Management and bank employees support various organizations in the communities served by the bank by offering financial expertise to such groups. The bank's senior officers were active members of the boards of directors or finance committees of 18 organizations that provide community development services. These organizations are very responsive to the credit and service needs of the community and ABNA's officers hold key leadership roles in many of these organizations.

During the evaluation period a senior officer of the bank served on the loan committees of three Regional Organizations. These corporations serve a multi-county area that includes Cortland County and the Syracuse MSA. Two consist of one Statewide and one Regional Development Corporation that provides loan funds at low interest rates to businesses that have difficulty obtaining bank loans for business start-up or expansion. A substantial majority of the businesses receiving loans are small businesses, which will create, improve or retain jobs. The third organization is a corporation dedicated to providing affordable housing to low and moderate-income individuals.

In the Cortland County AA, members of the ABNA senior management and staff participate in three organizations that promote economic development by providing affordable financing for small sized businesses and farms that employ low and moderate-income individuals and support permanent job creation, retention, and improvement in areas targeted for redevelopment by state government and one organization that provides services targeted to low and moderate-income individuals.

In the Syracuse MSA, members of the ABNA senior management and staff participate in six organizations that promote economic development by providing affordable financing for small sized businesses and farms that employ low and moderate-income individuals and support permanent job creation, retention, and improvement in areas targeted for redevelopment by state government; four organizations focused on providing services targeted to low and moderate-income individuals and one organization that is dedicated to providing affordable housing for low and moderate-income individuals.

### **Conclusions for Areas Receiving Limited-Scope Reviews**

Based on limited-scope reviews, the bank's performance under the Service Test in the Utica-Rome MSA is not inconsistent with and in the Binghamton MSA is weaker than the bank's overall performance under the Service Test. Refer to Table 15 in Appendix C for the facts and data that support these conclusions.

The weaker performance in the Binghamton MSA is due to the accessibility of ABNA's offices in the AA. The portion of ABNA's offices in moderate-income geographies is less than the portion of the population living in such geographies. This weaker performance in the AA did not negatively impact the conclusion for the Service Test as the bank has only one branch in the MSA that was acquired as the result of merger activity.

## Appendix A: Scope of Examination

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The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and non-metropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

<b>Time Period Reviewed</b>	Lending Test (excludes CD Loans): 01/01/98 to 12/31/02 Investment, Service Tests & CD Loans: 01/09/98 to 06/09/03	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
Alliance Bank, NA (ABNA) Oneida, NY	Home Purchase and Refinance Loans reported on the HMDA LAR, Small Business and Small Farm Loans reported on the CRA Register and CD loans.	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
None		
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Cortland County AA Syracuse MSA Binghamton MSA Utica-Rome MSA	Full-Scope Full-Scope Limited-Scope Limited-Scope	

# Appendix B: Market Profiles for Full-Scope Areas

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### Market Profiles for Areas Receiving Full-Scope Reviews

Cortland County AA .....	2
Syracuse MSA .....	4

## Cortland County AA

Demographic Information for Full-Scope Area: Cortland County AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	12	0.00	0.00	91.67	8.33	0.00
Population by Geography	48,963	0.00	0.00	89.77	10.23	0.00
Owner-Occupied Housing by Geography	11,103	0.00	0.00	89.08	10.92	0.00
Businesses by Geography	2,259	0.00	0.00	91.46	8.54	0.00
Farms by Geography	176	0.00	0.00	98.86	1.14	0.00
Family Distribution by Income Level	11,982	16.95	18.23	24.77	40.05	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	4,215	0.00	0.00	92.81	7.19	0.00
Median Family Income HUD Adjusted Median Family Income for XXXX Households Below the Poverty Level	= \$31,472 = \$43,600 =13.09%	Median Housing Value Unemployment Rate		= \$64,795 = 3.11%		

(\*) The NA category consists of geographies that have not been assigned an income classification.

Source: 1990 U.S. Census, and 2002 HUD updated MFI.

The Cortland County AA consists of all the geographies of Cortland County. The AA meets the requirement of the regulation and does not arbitrarily exclude low- or moderate-income geographies. The composition of the AA geographies by income level is: 0% low-income, 0% moderate-income, 92% middle-income, 8% upper-income and 0% for which income has not been designated.

The level of competition among financial service providers in the AA is moderate. ABNA competes primarily with large interstate regional banking companies, large national mortgage companies and local community and savings banks. According to the FDIC market share report as of June 30, 2002, ABNA is ranked number two for market share of deposits in the AA at 35.88%. ABNA is a full service lender offering a broad menu of lending products that include business loans, home mortgage loans, home equity lines, and consumer loans. The bank's business focus is primarily on consumer lending.

Seventy-eighty percent of the housing in the AA is one to four family units, 11% is multifamily units, 10% is mobile homes and 1% is condominiums. Of total housing units, 59% is owner-occupied, 33% is renter-occupied, and 8% is vacant. The median housing value was \$64,795 in the 1990 census. Housing stock consists mostly of older homes with the median year built of 1950.

According to the 2002 business demographics there are 2,435 businesses, of which 176 are farms in the AA. Small businesses and farms represent 78% of all the businesses and farms. Approximately 69% of businesses reported having less than 10 employees. The primary

industries in the AA are services 36% and retail trade 20%. Major employers in the AA include the Marietta Corporation, Cortland County, Cortland Memorial Hospital, Pall Trinity Micro Corp., and SUNY - Cortland.

The AA has opportunities available in the areas of community development lending and services. On the other hand, community development investment opportunities are somewhat limited. Our assessment of community development opportunities was based on community contacts and public information.

## Syracuse MSA

Demographic Information for Full-Scope Area: Syracuse MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	159	10.69	15.72	47.80	25.16	0.63
Population by Geography	538,093	8.14	13.26	49.55	28.97	0.09
Owner-Occupied Housing by Geography	130,461	1.73	8.31	56.18	33.79	0.00
Businesses by Geography	31,800	9.10	10.87	49.47	30.47	0.09
Farms by Geography	1,050	0.67	6.38	63.52	29.43	0.00
Family Distribution by Income Level	136,647	17.22	17.84	24.28	40.66	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	47,904	11.83	19.77	51.20	17.20	0.00
Median Family Income HUD Adjusted Median Family Income for XXXX Households Below the Poverty Level	= \$36,672 = \$50,300 =10.54%	Median Housing Value Unemployment Rate		= \$76,717 = 2.63%		

(\*) The NA category consists of geographies that have not been assigned an income classification.

Source: 1990 U.S. Census, and 2002 HUD updated MFI.

The Syracuse MSA consists of all of geographies of Onondaga and Madison counties. The AA meets the requirement of the regulation and does not arbitrarily exclude low- or moderate-income geographies. The composition of the AA geographies by income level is: 10.5% low-income, 16% moderate-income, 48% middle-income, 25% upper-income and 0.50% for which income has not been designated.

The level of competition among financial service providers in the AA is high. ABNA competes with large mortgage companies, large interstate regional banking companies, credit unions and various community and savings banks. According to the FDIC market share report as of June 30, 2002, ABNA is ranked eighth for market share of deposits in the AA at 3.86%. ABNA is a full service lender offering a broad menu of lending products that include business loans, home mortgage loans, home equity lines, and consumer loans. The bank's business focus is primarily on consumer lending.

Seventy-eighty percent of the housing in the AA is one to four family units, 18% is multifamily units, 3% is mobile homes and 1% is condominiums. Of total housing units, 60% is owner-occupied, 33% is renter-occupied, and 7% is vacant. The median housing value was \$76,717 in the 1990 census. Housing stock consists mostly of older homes with the median year built of 1955.

According to the 2002 business demographics there are 32,850 businesses, of which 1,050 are farms in the AA. Small businesses and farms represent 74% of all the businesses and farms. Approximately 65% of businesses reported having less than 10 employees. The



primary industries in the AA are services 36%, and retail trade 17%. Major employers in the AA include the SUNY Upstate Medical, Syracuse University, New Process Gear, St. Joseph's Hospital and Carrier Corporation.

The AA has opportunities available in the areas of community development lending, services and investment. Our assessment of community development opportunities was based on OCC internal resources, community contacts and public information.

## Appendix C: Tables of Performance Data

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### Content of Standardized Tables

References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the lending test tables, the following are applicable: purchased loans are treated as originations/purchases and market share is the number of loans originated and purchased by the bank as a percentage of the aggregate number of reportable loans originated and purchased by all lenders in the MA/assessment area. Tables without data are not included in this PE.

The following is a listing and brief description of the tables:

- Table 1. Lending Volume** - Presents the number and dollar amount of reportable loans originated and purchased by the bank over the evaluation period by MA/assessment area. Community development loans to statewide or regional entities or made outside the bank’s assessment area may receive positive CRA consideration. Refer to Interagency Q&As \_\_.12(i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such loans. When such loans exist, insert a line item with the appropriate caption, such as “Statewide/Regional” or “Out of Assessment Area,” in the MA/Assessment Area column and record the corresponding numbers and amounts in the “Community Development Loans” column.
- Table 1. Other Products** - Presents the number and dollar amount of any unreported category of loans originated and purchased by the bank over the evaluation period by MA/assessment area. Examples include consumer loans or other data that a bank may provide, at its option, concerning its lending performance. This is a two-page table that lists specific categories.
- Table 2. Geographic Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents market share information based on the most recent aggregate market data available.
- Table 3. Geographic Distribution of Home Improvement Loans** - See Table 2.
- Table 4. Geographic Distribution of Home Mortgage Refinance Loans** - See Table 2.
- Table 5. Geographic Distribution of Multifamily Loans** - Compares the percentage distribution of the number of multifamily loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of multifamily housing units throughout those geographies. The table

also presents market share information based on the most recent aggregate market data available.

- Table 6. Geographic Distribution of Small Loans to Businesses** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available. Because small business data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.
- Table 7. Geographic Distribution of Small Loans to Farms** - The percentage distribution of the number of small loans (less than or equal to \$500,000) to farms originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available. Because small farm data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.
- Table 8. Borrower Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MA/assessment area. The table also presents market share information based on the most recent aggregate market data available.
- Table 9. Borrower Distribution of Home Improvement Loans** - See Table 8.
- Table 10. Borrower Distribution of Refinance Loans** - See Table 8.
- Table 11. Borrower Distribution of Small Loans to Businesses** - Compares the percentage distribution of the number of small loans (less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to the percentage distribution of businesses with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the business. Market share information is presented based on the most recent aggregate market data available.
- Table 12. Borrower Distribution of Small Loans to Farms** - Compares the percentage distribution of the number of small loans (less than or equal to \$500,000) originated and purchased by the bank to farms with revenues of \$1 million or less to the percentage distribution of farms with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the farm.

Market share information is presented based on the most recent aggregate market data available.

**Table 13. Geographic and Borrower Distribution of Consumer Loans (OPTIONAL)** - For geographic distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of households within each geography. For borrower distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage of households by income level in each MA/assessment area.

**Table 14. Qualified Investments** - Presents the number and dollar amount of qualified investments made by the bank in each MA/AA. The table separately presents investments made during prior evaluation periods that are still outstanding and investments made during the current evaluation period. Prior-period investments are reflected at their book value as of the end of the evaluation period. Current period investments are reflected at their original investment amount even if that amount is greater than the current book value of the investment. The table also presents the number and dollar amount of unfunded qualified investment commitments. In order to be included, an unfunded commitment must be legally binding and tracked and recorded by the bank's financial reporting system.

A bank may receive positive consideration for qualified investments in statewide/regional entities or made outside of the bank's assessment area. See Interagency Q&As \_\_.12(i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such investments. When such investments exist, insert a line item with the appropriate caption, such as "Statewide/Regional" or "Out of Assessment Area," in the MA/Assessment Area column and record the corresponding numbers and amounts in the "Qualified Investments" column.

**Table 15. Distribution of Branch Delivery System and Branch Openings/Closings** - Compares the percentage distribution of the number of the bank's branches in low-, moderate-, middle-, and upper-income geographies to the percentage of the population within each geography in each MA/AA. The table also presents data on branch openings and closings in each MA/AA.

**Table 1. Lending Volume**

LENDING VOLUME												
Geography: ALLIANCE BANK NA												
Evaluation Period: JANUARY 1, 1998 TO DECEMBER 31, 2002												
MA/Assessment Area (2002):	% of Rated Area Loans (#) in MA/AA*	Home Mortgage		Small Loans to Businesses		Small Loans to Farms		Community Development Loans**		Total Reported Loans		% of Rated Area Deposits in MA/AA***
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	
<b>Full Review:</b>												
Cortland County AA	21.71	346	24,828	318	20,053	25	454	1	1,500	690	46,835	35.00
Syracuse MSA	68.20	1,435	116,483	685	65,260	35	636	11	2,490	2,166	184,869	58.00
<b>Limited Review:</b>												
Binghamton MSA	1.70	42	2,871	11	823	1	10	0	0	54	3,704	3.00
Utica-Rome MSA	8.38	196	13,768	58	2,910	12	455	0	0	266	17,133	4.00

\* Loan Data as of December 31, 2002. Rated area refers to either the state or multi-state MA rating area.

\*\* The evaluation period for Community Development Loans is From January 09, 1998 to June 09, 1998.

\*\*\* Deposit Data as of June 30, 2002. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.

**Table2. Geographic Distribution of Home Purchase Loans**

Geographic Distribution: HOME PURCHASE		Geography: ALLIANCE BANK NA					Evaluation Period: JANUARY 1, 1998 TO DECEMBER 31, 2002					Market Share (%) by Geography*				
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall	Low	Mod	Mid	Upp	
	#	% of Total**	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans						
<b>Full Review:</b>																
Cortland County AA	191	18.95	0.00	0.00	0.00	0.00	89.08	84.29	10.92	15.71	14.70	0.00	0.00	14.25	17.19	
Syracuse MSA	705	69.94	1.73	0.28	8.31	18.44	56.18	58.30	33.79	22.98	2.00	0.00	3.70	2.39	1.31	
<b>Limited Review:</b>																
Binghamton MSA	21	2.08	0.00	0.00	14.84	38.10	85.16	61.90	0.00	0.00	2.63	0.00	8.70	1.55	0.00	
Utica-Rome MSA	91	9.03	0.00	0.00	0.00	0.00	100.00	100.00	0.00	0.00	10.31	0.00	0.00	10.31	0.00	

\* Based on 2001 Peer Mortgage Data: Northeast Region.

\*\* Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by the number of owner occupied housing units in the area based on 1990 Census information.

**Table 4. Geographic Distribution of Home Mortgage Refinance Loans**

Geographic Distribution: HOME MORTGAGE REFINANCE		Geography: ALLIANCE BANK NA					Evaluation Period: JANUARY 1, 1998 TO DECEMBER 31, 2002					Market Share (%) by Geography*				
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall	Low	Mod	Mid	Upp	
	#	% of Total**	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans						
<b>Full Review:</b>																
Cortland County AA	153	15.69	0.00	0.00	0.00	0.00	89.08	92.81	10.92	7.19	10.28	0.00	0.00	10.57	7.69	
Syracuse MSA	698	71.59	1.73	0.14	8.31	17.34	56.18	62.32	33.79	20.20	2.24	0.00	6.25	2.53	1.38	
<b>Limited Review:</b>																
Binghamton MSA	21	2.15	0.00	0.00	14.84	33.33	85.16	66.67	0.00	0.00	3.72	0.00	14.29	1.88	0.00	
Utica-Rome MSA	103	10.56	0.00	0.00	0.00	0.00	100.00	100.00	0.00	0.00	3.38	0.00	0.00	3.38	0.00	

\* Based on 2001 Peer Mortgage Data: Northeast Region.

\*\* Home mortgage refinance loans originated and purchased in the MA/AA as a percentage of all home mortgage refinance loans originated and purchased in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by number of owner occupied housing units in the area based on 1990 Census information.

**Table 6. Geographic Distribution of Small Loans to Businesses**

Geographic Distribution: SMALL LOANS TO BUSINESSES															
Geography: ALLIANCE BANK NA															
Evaluation Period: JANUARY 1, 1998 TO DECEMBER 31, 2002															
MA/Assessment Area:	Total Small Business Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography <sup>*</sup>				
	#	% of Total <sup>**</sup>	% of Businesses <sup>***</sup>	% BANK Loans	% of Businesses <sup>***</sup>	% BANK Loans	% of Businesses <sup>***</sup>	% BANK Loans	% of Businesses <sup>***</sup>	% BANK Loans	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Cortland County AA	318	29.42	0.00	0.00	0.00	0.00	91.46	92.14	8.54	7.86	20.46	0.00	0.00	12.32	27.66
Syracuse MSA	685	64.20	9.10	3.94	10.87	19.27	49.47	58.69	30.47	18.10	3.94	1.40	6.36	3.67	1.57
<b>Limited Review:</b>															
Binghamton MSA	11	1.02	0.00	0.00	12.06	27.27	87.94	72.73	0.00	0.00	0.17	0.00	0.15	0.12	0.00
Utica-Rome MSA	58	5.37	0.00	0.00	0.00	0.00	100.00	100.00	0.00	0.00	0.87	0.00	0.00	1.30	0.25

<sup>\*</sup> Based on 2001 Peer Small Business Data: US&PR.

<sup>\*\*</sup> Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

<sup>\*\*\*</sup> Source Data - Dun and Bradstreet (2002).



**Table 7. Geographic Distribution of Small Loans to Farms**

Geographic Distribution: SMALL LOANS TO FARMS		Geography: ALLIANCE BANK NA					Evaluation Period: JANUARY 1, 1998 TO DECEMBER 31, 2002					Market Share (%) by Geography <sup>*</sup>				
MA/Assessment Area:	Total Small Farm Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall	Low	Mod	Mid	Upp	
	#	% of Total <sup>**</sup>	% of Farms <sup>***</sup>	% BANK Loans	% of Farms <sup>**</sup>	% BANK Loans	% of Farms <sup>**</sup>	% BANK Loans	% of Farms <sup>**</sup>	% BANK Loans						
<b>Full Review:</b>																
Cortland County AA	25	34.25	0.00	0.00	0.00	0.00	98.86	100.00	1.14	0.00	25.86	0.00	0.00	17.65	0.00	
Syracuse MSA	35	47.95	0.67	0.00	6.38	0.00	63.52	91.43	29.43	8.57	7.10	0.00	0.00	3.01	0.00	
<b>Limited Review:</b>																
Binghamton MSA	1	1.37	0.00	0.00	20.83	100.00	79.17	0.00	0.00	0.00	1.10	0.00	9.09	0.00	0.00	
Utica-Rome MSA	12	16.44	0.00	0.00	0.00	0.00	100.00	100.00	0.00	0.00	5.56	0.00	0.00	2.35	0.00	

<sup>\*</sup> Based on 2001 Peer Small Business Data: US&PR.

<sup>\*\*</sup> Small loans to farms originated and purchased in the MA/AA as a percentage of all small loans to farms originated and purchased in the rated area.

<sup>\*\*\*</sup> Source Data - Dun and Bradstreet (2002).

**Table 8. Borrower Distribution of Home Purchase Loans**

Borrower Distribution: HOME PURCHASE		Geography: ALLIANCE BANK NA					Evaluation Period: JANUARY 1, 1998 TO DECEMBER 31, 2002					Market Share <sup>*</sup>				
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall	Low	Mod	Mid	Upp	
	#	% of Total**	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****						
<b>Full Review:</b>																
Cortland County AA	191	18.95	16.95	6.99	18.23	19.89	24.77	25.27	40.05	47.85	16.53	26.32	14.29	12.66	18.95	
Syracuse MSA	705	69.94	17.22	6.82	17.84	24.01	24.28	25.00	40.66	44.18	2.45	2.24	2.40	2.23	2.65	
<b>Limited Review:</b>																
Binghamton MSA	21	2.08	20.95	9.52	22.54	19.05	25.98	28.57	30.53	42.86	3.01	0.00	0.00	2.08	6.67	
Utica-Rome MSA	91	9.03	13.27	2.20	17.91	15.38	27.78	24.18	41.04	58.24	12.50	0.00	14.63	9.21	15.22	

<sup>\*</sup> Based on 2001 Peer Mortgage Data: Northeast Region.

<sup>\*\*</sup> As a percentage of loans with borrower income information available. No information was available for 0.60% of loans originated and purchased by BANK.

<sup>\*\*\*</sup> Percentage of Families is based on the 1990 Census information.

<sup>\*\*\*\*</sup> Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

**Table 10. Borrower Distribution of Home Mortgage Refinance Loans**

Borrower Distribution: HOME MORTGAGE REFINANCE		Geography: ALLIANCE BANK NA					Evaluation Period: JANUARY 1, 1998 TO DECEMBER 31, 2002					Market Share <sup>*</sup>				
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall	Low	Mod	Mid	Upp	
	#	% of Total <sup>**</sup>	% Families <sup>***</sup>	% BANK Loans <sup>****</sup>	% Families <sup>***</sup>	% BANK Loans <sup>****</sup>	% Families <sup>***</sup>	% BANK Loans <sup>****</sup>	% Families <sup>***</sup>	% BANK Loans <sup>****</sup>						
<b>Full Review:</b>																
Cortland County AA	153	15.69	16.95	1.99	18.23	12.58	24.77	21.85	40.05	63.58	12.42	0.00	7.94	11.27	15.85	
Syracuse MSA	698	71.59	17.22	3.77	17.84	16.55	24.28	25.40	40.66	54.28	2.64	1.20	2.66	2.49	2.80	
<b>Limited Review:</b>																
Binghamton MSA	21	2.15	20.95	0.00	22.54	9.52	25.98	52.38	30.53	38.10	4.43	0.00	6.06	6.78	1.79	
Utica-Rome MSA	103	10.56	13.27	3.03	17.91	12.12	27.78	21.21	41.04	63.64	3.78	0.00	0.00	4.00	4.73	

<sup>\*</sup> Based on 2001 Peer Mortgage Data: Northeast Region.

<sup>\*\*</sup> As a percentage of loans with borrower income information available. No information was available for 1.54% of loans originated and purchased by BANK.

<sup>\*\*\*</sup> Percentage of Families is based on the 1990 Census information.

<sup>\*\*\*\*</sup> Home mortgage refinance loans originated and purchased in the MA/AA as a percentage of all home mortgage refinance loans originated and purchased in the rated area.

**Table 11. Borrower Distribution of Small Loans to Businesses**

Borrower Distribution: SMALL LOANS TO BUSINESSES		Geography: ALLIANCE BANK NA			Evaluation Period: JANUARY 1, 1998 TO DECEMBER 31, 2002				
MA/Assessment Area:	Total Small Loans to Businesses		Businesses With Revenues of \$1 million or less		Loans by Original Amount Regardless of Business Size			Market Share <sup>*</sup>	
	#	% of Total <sup>**</sup>	% of Businesses <sup>***</sup>	% BANK Loans <sup>****</sup>	\$100,000 or less	> \$100,000 to \$250,000	> \$250,000 to \$1,000,000	All	Rev\$ 1 Million or Less
<b>Full Review:</b>									
Cortland County AA	318	29.42	77.16	81.13	84.59	12.26	3.14	20.46	33.10
Syracuse MSA	685	64.20	73.20	77.08	79.11	10.95	9.93	3.94	6.10
<b>Limited Review:</b>									
Binghamton MSA	11	1.02	76.77	72.73	81.82	9.09	9.09	0.17	0.28
Utica-Rome MSA	58	5.37	75.31	96.55	89.66	8.62	1.72	0.87	1.65

<sup>\*</sup> Based on 2001 Peer Small Business Data: US&PR.

<sup>\*\*</sup> Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

<sup>\*\*\*</sup> Businesses with revenues of \$1 million or less as a percentage of all businesses (Source D&B - 2002).

<sup>\*\*\*\*</sup> Small loans to businesses with revenues of \$1 million or less as a percentage of all loans reported as small loans to businesses. No information was available for 0.00% of small loans to businesses originated and purchased by the bank.

**Table 12. Borrower Distribution of Small Loans to Farms**

Borrower Distribution: SMALL LOANS TO FARMS		Geography: ALLIANCE BANK NA			Evaluation Period: JANUARY 1, 1998 TO DECEMBER 31, 2002				
MA/Assessment Area:	Total Small Loans to Farms		Farms With Revenues of \$1 million or less		Loans by Original Amount Regardless of Farm Size			Market Share <sup>*</sup>	
	#	% of Total <sup>**</sup>	% of Farms <sup>***</sup>	% BANK Loans <sup>****</sup>	\$100,000 or less	> \$100,000 to \$250,000	> \$250,000 to \$1,000,000	All	Rev\$ 1 Million or Less
<b>Full Review:</b>									
Cortland County AA	25	34.25	93.18	100.00	100.00	0.00	0.00	25.86	26.79
Syracuse MSA	35	47.95	92.00	91.43	100.00	0.00	0.00	7.10	7.19
<b>Limited Review:</b>									
Binghamton MSA	1	1.37	97.22	100.00	100.00	0.00	0.00	1.10	1.16
Utica-Rome MSA	12	16.44	95.38	100.00	100.00	0.00	0.00	5.56	6.06

<sup>\*</sup> Based on 2001 Peer Small Business Data: US&PR.

<sup>\*\*</sup> Small loans to farms originated and purchased in the MA/AA as a percentage of all small loans to farms originated and purchased in the rated area.

<sup>\*\*\*</sup> Farms with revenues of \$1 million or less as a percentage of all farms (Source D&B - 2002).

<sup>\*\*\*\*</sup> Small loans to farms with revenues of \$1 million or less as a percentage of all loans reported as small loans to farms. No information was available for 0.00% of small loans to farms originated and purchased by the bank.

**Table 14. Qualified Investments**

QUALIFIED INVESTMENTS									
Geography: ALLIANCE BANK NA									
Evaluation Period: JANUARY 9, 1998 TO JUNE 9, 2003									
MA/Assessment Area:	Prior Period Investments*		Current Period Investments		Total Investments			Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	\$(000's)	% of Total	#	\$(000's)
<b>Full Review:</b>									
Cortland County AA	0	0	15	246	15	246	18.76	0	0
Syracuse MSA	0	0	24	940	24	940	71.62	0	0
<b>Limited Review:</b>									
Binghamton MSA	0	0	2	15	2	15	1.13	0	0
Utica-Rome MSA	0	0	11	111	11	111	8.47	0	0

\* 'Prior Period Investments' means investments made in a previous evaluation period that are outstanding as of the examination date.

\*\* 'Unfunded Commitments' means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.

**Table 15. Distribution of Branch Delivery System and Branch Openings/Closings**

DISTRIBUTION OF BRANCH DELIVERY SYSTEM AND BRANCH OPENINGS/CLOSINGS																	
Geography: ALLIANCE BANK NA																	
Evaluation Period: JANUARY 9, 1998 TO JUNE 9, 2003																	
MA/Assessment Area:	Deposits	Branches						Branch Openings/Closings						Population			
	% of Rated Area Deposits in AA	# of BANK Branches	% of Rated Area Branches in AA	Location of Branches by Income of Geographies (%)				# of Branch Openings	# of Branch Closings	Net change in Location of Branches (+ or -)				% of Population within Each Geography			
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp
<b>Full Review:</b>																	
Cortland County AA	35.00	5	28.0	0.00	0.00	100.00	0.00	0	0	0	0	0	0	0.00	0.00	89.77	10.23
Syracuse MSA	58.00	11	61.0	9.09	18.18	27.27	45.46	4	2	1	-1	0	2	8.14	13.26	49.55	28.97
<b>Limited Review:</b>																	
Binghamton MSA	3.00	1	5.50	0.00	0.00	100.00	0.00	0	0	0	0	0	0	0.00	14.89	85.11	0.00
Utica-Rome MSA	4.00	1	5.50	0.00	0.00	100.00	0.00	0	0	0	0	0	0	0.00	0.00	100.00	0.00