

**Community Reinvestment Act Performance Evaluation Public
Disclosure**

Please be advised that only the CAR Performance Evaluation marked "Public Disclosure" is to be made public. The contents of the entire Consumer Affairs Report of Examination is for Alden's use only and is strictly confidential.

The CAR Public Evaluation as presented is to be placed in Alden's public file within 30 business days after its receipt. Any written responses the bank makes to the public evaluation should also be included in the public file and copies sent to the Reserve Bank's Compliance Examinations Department. Please let us know if the bank makes the public evaluation available before the end of the 30 day period.

The CAR Public Evaluation must be made available for inspection to any member of the public. Banks may charge a reasonable fee for reproduction and mailing of the evaluation.

PUBLIC DISCLOSURE

DECEMBER 1, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Alden State Bank
02-36-0170**

**13216 Broadway
Alden, New York 14004**

Federal Reserve Bank of New York

33 Liberty Street

New York, New York 10045-0001

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Alden State Bank** (~~A~~Alden) prepared by the **Federal Reserve Bank of New York** on behalf of the Board of Governors of the Federal Reserve System, the institution's supervisory agency, as of December 1, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.*

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

Over the examination period of May 1, 1996 through November 30, 1997, Alden's performance with regard to the CRA is rated ~~A~~Outstanding.@ This determination is based on the following performance criteria: 1) a loan-to-deposit ratio that is more than reasonable when compared to the bank's peer group; 2) a substantial majority of its loans in its assessment area; 3) an excellent distribution of loans to individuals of different income levels (including low- and moderate-income individuals) and businesses and farms of different sizes; and 4) an excellent geographic distribution of loans within the bank's assessment area.

DESCRIPTION OF INSTITUTION

Alden operates from its main office located in the Village of Alden and one branch office in the town of Lancaster in Erie County. The bank is not part of a holding company and is not affiliated with any other institution. As of September 30, 1997, the bank had total assets of \$140.1 million and loans of \$103.3 million. There are no financial or legal impediments preventing Alden from meeting the credit needs of its assessment area.

Alden is a retail-oriented bank that provides consumer and business loans including residential and commercial construction and mortgage loans, mobile home, home improvement, home equity, small business and farm loans for various purposes. As of September 30, 1997, approximately 83 percent or \$86 million of the bank's loans were secured by real estate.

DESCRIPTION OF ALDEN'S ASSESSMENT AREA

The following demographic and economic information was obtained from publicly available sources that include the United States Department of Commerce's Bureau of the Census, 1990, the United States Department of Labor, and the Department of Housing and Urban Development.

The bank's assessment area contains parts of two metropolitan statistical areas (AMSA@), Buffalo-Niagara Falls and Rochester, and part of one non-MSA that includes a portion of Wyoming County.

MSA 1280: NIAGARA FALLS

There are 13 census tracts included in Alden's assessment area within part of the Buffalo-Niagara Falls MSA. Of the 13 tracts, 10 are middle-income areas, and 3 are upper-income areas. There are no low- or moderate-income census tracts in this part of the assessment area.

The portion of the bank's assessment area within the Buffalo-Niagara Falls MSA consists of the towns of Alden, Elma, Lancaster, Newstead, Marilla, and the villages of Alden, Crittenden, Millgrove, Lancaster, and Depew in Erie County.

The portion of the bank's assessment area within the Buffalo-Niagara Falls MSA is largely suburban. According to the 1990 United States Census, the bank's assessment area contains 58,607 individuals and a labor force of 30,061. According to the United States Bureau of Labor Statistics, the unemployment rate in this portion of the assessment area was 4.5 percent in the fourth quarter of 1996, a decline from 4.8 percent in the fourth quarter of 1995. The unemployment rate in the area was significantly below the 6.2 percent unemployment rate for New York State. At year-end 1997, the unemployment rate was 5.2 percent in the area and 5.7 percent in the state. In 1996, the primary types of employers in the area were the following: services (29 percent); government (16 percent); retail and wholesale trade (24 percent); and, manufacturing (17 percent). Between 1992 and 1996, the manufacturing jobs declined 2.6 percent while service industry jobs increased 9 percent. There are 21,605 housing units, of which 16,603 are owner-occupied.

Based on the 1990 United States Census, the percentage and number of families with low, moderate, middle, and upper income are as follows:

Income Level	Number of Families	% of Population
Low	1,830	11.6%
Moderate	2,690	17.0%
Middle	4,175	26.3%
Upper	7,156	45.1%

The 1997 United States Census and the Department of Housing and Urban Development's estimated median family income for the Buffalo-Niagara Falls MSA is \$42,600. This figure was used to determine the income distribution of borrowers.

MSA 6840 : ROCHESTER

The bank's assessment area within the Rochester MSA includes two block numbering areas (ABNAs) that became part of the MSA in 1994 and are designated as middle-income. They encompass the towns of Pembroke, Darien, and the Village of Corfu in Genessee County.

The bank's assessment area within the Rochester MSA is largely rural and serves as a residential community for the city of Rochester. Based on 1990 United States Census figures, the bank's assessment area contains 11,460 individuals and a labor force of 5,827. According to the United States Bureau of Labor Statistics, the unemployment rate in this portion of the assessment area was 3.4 percent in the fourth quarter of 1996, a decline from 3.9 percent in the fourth quarter of 1995. The unemployment rate in the area was significantly below the 6.2 percent unemployment rate for New York State. At year-end 1997, the unemployment rate was 4 percent in the area and 5.7 percent in the state. In 1996, the primary types of employers in the area were the following: services (29 percent); government (15 percent); retail and wholesale trade (21 percent); and, manufacturing (24 percent). Between 1992 and 1996, the manufacturing jobs declined 3.7 percent while service industry jobs increased 12.7 percent. There are 4,058 housing units, of which 3,115 are owner-occupied.

The percentage and number of families with low, moderate, middle, and upper income are as follows:

Income Level	Number of Families	% of Population
Low	590	18.8%
Moderate	798	25.4%
Middle	935	29.7%
Upper	821	26.1%

The 1997 United States Census and the Department of Housing and Urban Development's estimated median family income for the Rochester MSA is \$47,200. This figure was used to determine the income distribution of borrowers.

NON-MSA: WYOMING COUNTY

The bank's non-MSA assessment area includes one BNA found within Wyoming County. Wyoming County is classified as an upper-income area and contains the town of Bennington and the Village of Cowlesville.

The bank's assessment area within the non-MSA may be generally described as a rural area. Based on 1990 US Census figures, the bank's assessment area contains 3,046 individuals and a labor force of 1,641. According to the New York State Labor Department, the unemployment rate in this portion of the assessment area was 7.7 percent at year-end 1997, an increase from 6.5 percent at year-end 1996. The unemployment rate was higher than the 5.7 percent unemployment rate for New York State at year-end 1997. There are 1,119 housing units, of which 909 are owner-occupied units.

The percentage and number of families with low, moderate, middle, and upper income are as follows:

Income Level	Number of Families	% of Population
Low	85	9.7%
Moderate	125	14.3%
Middle	190	21.7%
Upper	474	54.3%

According to the 1997 US Census and the Department of Housing and Urban Development's estimated median family income of Wyoming County is \$47,200. This figure was used to determine the income distribution of borrowers.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

The CRA examination of Alden covered the period from May 1, 1996 through November 30, 1997. The CRA performance of the bank is **Outstanding** and is based on the favorable assessment of the bank's core performance criteria.

For the lending, income and geographic distribution performance criteria, the examiners analyzed 219 loans originated from May 1996 through September 1997 and reported under the Home Mortgage Disclosure Act Statement (**HMDA**). A sample of 191 consumer loans and 134 business and farm loans made during the period from May 1996 through November 1996 were also reviewed. The universe of consumer loans and business and farm loans during the review period was respectively 2,013 and 356. For information relating to the specific performance of the bank within its two MSAs and one non-MSA, see the section entitled **MSA and Non-MSA Borrower Income and Geographic Distribution Analysis** beginning on page 7.

Loan to Deposit Ratio

Alden's loan-to-deposit ratio is more than reasonable when compared to the bank's peer group, and given the bank's size, financial condition, and the credit needs of its assessment area. For the four most recent quarters ending September 30, 1997, the bank's average loan-to-deposit ratio was 81.6 percent based on information contained in its Consolidated Report of Condition and Income. The bank's ratio exceeds a primary competitor's ratio of 76.1 percent and is above the peer group average of 69.7 percent achieved by institutions of similar size and location in New York State as of the June 30, 1997 Uniform Bank Performance Report. Alden's high ratio is the result of the bank's loan portfolio growing faster than peer bank average for the past five years.

Lending in Assessment Area

During the review period of May 1996 through November 1997, Alden made a substantial majority of its loans within its assessment area. Classifying the bank's loans into three major product categories shows that a majority of the HMDA, consumer, small business and farm loans sampled were made within its assessment area, as the following chart demonstrates:

Loan Type	Loans Made Within Assessment Area	Total Loans	% of Loans Within Assessment Area
HMDA	157	219	72%
Consumer	154	191	81%
Small Business and Farm	104	134	78%
Totals	415	544	76%

Lending to Borrowers of Different Income Levels and to Businesses and Farms of Different Sizes

Alden's record of lending to individuals of different income levels (including low- and moderate-income individuals) and businesses and farms of different sizes is excellent given the demographics of its assessment area. In particular, mortgage related loans reported under HMDA and consumer loans represent a large majority of the bank's loan originations during the review period, and a significant percentage of the loans are made to low- and moderate-income individuals. Loans to small businesses also represent a substantial majority of the total business loan originations.

Geographic Distribution of Loans

Alden's geographic distribution of loans given the demographics of its assessment area is excellent. Overall, the bank is lending in all areas of its assessment area. There are no low- or moderate-income census tracts or BNAs located within the assessment area.

Response to Complaints

No complaints relating to Alden's CRA performance were received by the bank and none have been filed with the Federal Reserve Bank of New York since the last examination.

Alden is in compliance with the substantive provisions of the antidiscrimination laws and regulations, including the Equal Credit Opportunity Act (Regulation B), Home Mortgage Disclosure Act (Regulation C), the Fair Housing Act and any agency regulations pertaining to nondiscriminatory treatment of credit applicants. Management has developed adequate policies, procedures and training programs supporting nondiscrimination in lending and credit practices.

MSA AND NON-MSA BORROWER INCOME AND GEOGRAPHIC DISTRIBUTION ANALYSIS:

MSA 1280: Buffalo-Niagara Falls

Alden's record of lending in the portion of its assessment area within the Buffalo-Niagara Falls MSA is excellent. An analysis of the distribution of loans for each major loan category follows:

Lending to Borrowers of Different Income Levels and to Businesses and Farms of Different Sizes

TABLE A1

Distribution of Loans Within Assessment Area By Income Level of Borrower
 May 1996 through November 1997

	HMDA	Consumer	TOTAL
LOW INCOME: <i>Less Than 50% of Median Income</i>			
Number	29	43	72
Percentage	24%	37%	31%
Amount(\$)	\$901,00	\$129,678	\$1,030,678
Percentage	16%	24%	16%
MODERATE INCOME: <i>At least 50% and less than 80% of Median Income</i>			
Number	28	27	55
Percentage	23%	23%	23%
Amount(\$)	\$863,000	\$98,134	\$961,134
Percentage	15%	19%	15%
MIDDLE INCOME: <i>At least 80% and less than 120% of Median Income</i>			
Number	25	33	58
Percentage	21%	28%	25%
Amount(\$)	\$1,146,000	\$189,127	\$1,335,127
Percentage	20%	35%	21%
UPPER INCOME: <i>120% or more of Median Income</i>			
Number	37	13	50
Percentage	32%	12%	21%
Amount(\$)	\$2,867,000	\$120,697	\$2,987,697
Percentage	49%	22%	48%

TABLE A2

Distribution of Loans Within Assessment Area By Income Level of Borrower
 May 1996 through November 1997

Small Business and Farm Lending Summary					
Number of loans to businesses and farms	Number of loans to <u>small</u> businesses and farms*	% of loans to <u>small</u> businesses and farms	\$ amount of loans to businesses and farms	\$ amount of loans to <u>small</u> businesses and farms*	% of \$ amount to <u>small</u> businesses and farms
80	77	96%	\$1,202,361	\$927,361	77%

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

HMDA

Table A1 shows that the bank has an excellent distribution of HMDA loans among individuals of different income levels. HMDA loans originated to low- and moderate-income borrowers comprise 47 percent (or 57 out of 119) of the HMDA loans sampled, with loans to low-income borrowers representing 24 percent (or 29 out of 119). This appears strong in comparison to the demographics of this portion of the assessment area where 29 percent of the families are of low- and moderate-income and approximately 12 percent are of low-income.

Consumer

The bank's consumer loan originations to individuals of different income levels is excellent. Table A1 shows that of the sample, 60 percent (or 70 out of 116) were made to borrowers of low- and moderate-income, with loans to low-income borrowers representing 37 percent (or 43 out of 116). These ratios appear extremely strong in comparison to the demographics of this area.

Small Business and Farm

Lending to small businesses and farms with revenues of \$1 million or less is excellent. Table A2 shows that of the sample, 96 percent (or 77 out of 80) were made to such businesses and farms.

Geographic Distribution of Loans

HMDA, Consumer, Small Business and Farm Loans

An analysis of HMDA, consumer, small business and farm loans shows that the bank is lending for each of these major loan types throughout the Buffalo-Niagara Falls portion of the assessment area.

As previously mentioned, there are no low- or moderate-income census tracts in this portion of the assessment area.

MSA 6840: Rochester

Alden's record of lending in the portion of its assessment area within the Rochester MSA is excellent. An analysis of the distribution of loans for each major loan category follows:

Lending to Borrowers of Different Income Levels and to Businesses and Farms of Different Sizes

TABLE B1

Distribution of Loans Within Assessment Area By Income Level of Borrower
 May 1996 through November 1997

	HMDA	Consumer	TOTAL
LOW INCOME: <i>Less Than 50% of Median Income</i>			
Number	5	10	15
Percentage	20%	38%	29%
Amount(\$)	\$22,000	\$28,348	\$50,345
Percentage	2%	34%	4%
MODERATE INCOME: <i>At least 50% and less than 80% of Median Income</i>			
Number	9	7	16
Percentage	36%	27%	31%
Amount(\$)	\$348,000	\$12,250	\$360,250
Percentage	32%	14%	31%
MIDDLE INCOME: <i>At least 80% and less than 120% of Median Income</i>			
Number	8	5	13
Percentage	32%	20%	26%
Amount(\$)	\$480,000	\$33,827	\$513,827
Percentage	44%	40%	44%
UPPER INCOME: <i>120% or more of Median Income</i>			
Number	3	4	7
Percentage	12%	15%	14%
Amount(\$)	\$241,000	\$10,006	\$251,056
Percentage	22%	12%	21%

TABLE B2

Distribution of Loans Within Assessment Area By Income Level of Borrower
 May 1996 through November 1997

Small Business and Farm Lending Summary					
Number of loans to businesses and farms	Number of loans to <u>small</u> businesses and farms*	% of loans to <u>small</u> businesses and farms	\$ amount of loans to businesses and farms	\$ amount of loans to <u>small</u> businesses and farms*	% of \$ amount to <u>small</u> businesses and farms
17	17	100%	\$305,025	\$305,025	100%

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

HMDA

Table B1 shows that the bank has an excellent distribution of HMDA loans among individuals of different income levels. HMDA loans originated to low- and moderate-income borrowers comprise 56 percent (or 14 out of 25) of the HMDA loans sampled, with loans to low-income borrowers representing 20 percent (or 5 out of 25). These ratios are reasonable in comparison to the demographics of this portion of the assessment area where approximately 44 percent of the families are of low- and moderate-income and 19 percent are of low-income.

Consumer

The bank's consumer loan originations to individuals of different income levels is excellent. Table B1 shows that of the sample, 65 percent (or 17 out of 26) were made to borrowers of low- and moderate-income, with loans to low-income borrowers representing 38 percent (or 10 out of 26). These ratios appear extremely strong in comparison to the demographics of this area.

Small Business and Farm

Lending to small business and farms with revenues of \$1 million or less is excellent. Table B2 shows that of the loans sampled, 100 percent (or 17 out of 17) were made to such small businesses and farms.

Geographic Distribution of Loans

HMDA, Consumer, Small Business and Farm Loans

An analysis of HMDA, consumer, small business and farm loans shows that the bank is lending for each of these major loan types throughout the Rochester MSA portion of the assessment area. As previously stated, this portion of the assessment area consists of two middle-income BNAs.

NON-MSA: WYOMING COUNTY

Alden's record of lending in its non-MSA assessment area is excellent. An analysis of the distribution of loans for each major loan category follows:

Lending to Borrowers of Different Income Levels and to Businesses and Farms of Different Sizes

TABLE C1

Distribution of Loans Within Assessment Area By Income Level of Borrower
 May 1996 through November 1997

	HMDA	Consumer	TOTAL
LOW INCOME: <i>Less Than 50% of Median Income</i>			
Number	2	3	5
Percentage	15%	25%	20%
Amount(\$)	\$48,000	\$4,900	\$52,900
Percentage	11%	10%	11%
MODERATE INCOME: <i>At least 50% and less than 80% of Median Income</i>			
Number	3	3	6
Percentage	23%	25%	24%
Amount(\$)	\$96,000	\$8,694	\$104,694
Percentage	22%	18%	22%
MIDDLE INCOME: <i>At least 80% and less than 120% of Median Income</i>			
Number	3	3	6
Percentage	23%	25%	24%
Amount(\$)	\$115,000	\$13,702	\$128,702
Percentage	26%	28%	27%
UPPER INCOME: <i>120% or more of Median Income</i>			
Number	5	3	8
Percentage	39%	25%	32%
Amount(\$)	\$176,000	\$21,529	\$197,529
Percentage	41%	44%	40%

TABLE C2

Distribution of Loans Within Assessment Area By Income Level of Borrower
 May 1996 through November 1997

Small Business and Farm Lending Summary					
Number of loans to businesses and farms	Number of loans to <u>small</u> businesses and farms*	% of loans to <u>small</u> businesses and farms	\$ amount of loans to businesses and farms	\$ amount of loans to <u>small</u> businesses and farms*	% of \$ amount to <u>small</u> businesses and farms
7	6	86%	\$183,300	\$143,300	78%

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

HMDA

Table C1 shows that the bank has an excellent distribution of HMDA loans among individuals of different income levels. HMDA loans originated to low- and moderate-income borrowers comprise 38 percent (or 5 out of 13) of the HMDA loans sampled, with loans to low-income borrowers representing 15 percent (or 2 out of 135). This appears strong in comparison to the demographics of this portion of the assessment area where 24 percent of the families are low- and moderate-income and approximately 10 percent are low-income.

Consumer

The bank's consumer loan originations to individuals of different income levels is excellent. Table C1 shows that of the sample, 50 percent (or 6 out of 12) were made to borrowers of low- and moderate-income, with loans to low-income borrowers representing 25 percent (or 3 out of 12). These ratios appear extremely strong in comparison to the demographics of this area.

Small Business and Farm

Lending to small businesses and farms with revenues of \$1 million or less is excellent, considering the small loan market in the bank's non-MSA assessment area. Table C2 shows that of the loans sampled, 86 percent (or 6 out of 7) were made to such small businesses and farms.

Geographic Distribution of Loans

HMDA, Consumer, Small Business and Farm Loans

An analysis of HMDA, consumer, small business and farm loans shows that the bank is lending for each of these major loan types throughout the non-MSA portion of the assessment area. As previously stated, this portion of the assessment area consists of one upper-income BNA.