



**LARGE BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **Public Disclosure**

November 10, 2003

### **Community Reinvestment Act Performance Evaluation**

**Bath National Bank  
Charter Number: 10235**

**44 Liberty Street  
Bath, NY 14810**

**Office of the Comptroller of the Currency**

**ADC-Upstate New York (Syracuse)  
231 Salina Meadows Parkway, Suite 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 **Bath National Bank (BNB)** with respect to the Lending, Investment, and Service Tests:

Performance Levels	Bath National Bank Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding	X		
High Satisfactory			
Low Satisfactory		X	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 an excellent responsiveness by BNB to the credit needs of its assessment area (AA) given the bank’s size, resources and level of competition.
- Excellent distribution of loans among geographies of different income levels throughout the AA, along with an excellent ratio of loans originated inside the AA.
- An excellent 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 reasonably accessible to geographies and individuals of different income levels in the AA.
- Good 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 Bath National Bank (BNB) is headquartered in Bath, New York, and is a wholly owned subsidiary of Financial Institutions, Inc. (FII), a multi-bank financial holding company. FII had total average assets of \$2.1 billion as of June 30, 2003. FII's other subsidiaries include three additional commercial banks, an investment brokerage firm and an employee benefits and compensation consulting firm. BNB has no operating subsidiaries.

BNB is a full service intrastate bank with 12 full service branches serving seven counties in the Finger Lakes/Southern Tier Region of New York State. The number of branches remains unchanged from the last evaluation, however the bank expanded into the Elmira Metropolitan Statistical Area (MSA) through the acquisition of two branches from a local savings bank in December 2002. One additional branch was added through the acquisition of a state chartered institution in May 2001. An additional branch was opened during the evaluation period, and four others were closed.

BNB offers a wide range of financial services, with their primary focus on loans to consumers. In addition to traditional deposit and loan products, BNB offers investments, insurance products and trust services.

As of June 30, 2003, BNB had \$499 million in total assets that included \$241 million in net loans, representing 48% of total assets. The bank's loan mix consists of 65% real estate loans, (50% residential real estate, 43% commercial real estate, 5% home equity and 2% construction), 15% loans to individuals, 18% commercial and industrial loans, 1% credit card loans and 1% agricultural. Since June 30, 2002, total assets increased 11.68% due primarily to an increase in net loans of 18.92%. As of June 30, 2003, BNB reported net Tier 1 capital of \$26 million.

BNB operates in a very competitive financial services market with large regional banks, community banks and finance and mortgage companies. BNB 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.

BNB's last CRA exam was May 22, 2000, at which time the bank's performance was rated "Satisfactory."

# **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) loans, small business and small farm loans. HMDA loans include home purchase, home improvement and refinance loans. The evaluation period for Community Development (CD) loans, investments, and services is May 22, 2000, through November 10, 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 2002. 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 2002. Any lender with significant mortgage loan activity operating in BNB's three AAs would be required to file a HMDA report for 2002. 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 BNB'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. We found the bank's small business and small farm loan data to be of adequate quality, requiring some corrections to be made. The errors identified in the small business/small farm data involved duplicate reporting of loans. Management reviewed the entire small business/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 a full-scope review of the bank's Non-Metropolitan AA. We completed limited scope reviews of the bank's Elmira MSA AA and Rochester MSA AA. We chose the Non-Metropolitan AA for a full-scope review because it comprises the area with the highest percentages of the bank's lending, deposits and branches. This AA represents 89% of BNB's lending for the evaluation period. This AA also comprises 82% of BNB's deposits and 67% of its branches. Additionally, BNB did not enter the Elmira MSA AA until late 2002 through the acquisition and merger activity outlined earlier in the Description of Institution section of this evaluation. Please refer to Appendix A later in the report for more information.

## **Ratings**

The bank's overall rating is based primarily on the area that received a full-scope review. When determining conclusions for the Lending Test in the full-scope AA, 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 refinance loans were weighted more heavily than home improvement loans followed by home purchase loans. Multi-family loans were not considered under the Lending Test as the bank's volume of multi-family loans throughout all of its AAs during the evaluation period was not significant. (Table 5 was excluded from the evaluation). This weighting is reflective of BNB's volume by loan type over the evaluation period. BNB's overall rating under each test is the consolidation of the conclusion reached for the full-scope AA, along with consideration of any impact on performance by the limited scope AAs.

## **Other**

A community contact was made in conjunction with this review. The contact was made with a local organization that is involved with the provision of affordable housing for low and moderate-income individuals.

Our contact believes the primary credit need identified was affordable housing for low and moderate-income individuals. Our contact also anticipates a future need for financing and opportunities for investment as the City of Bath attempts to build a relationship with New York State's Small Cities Program. The City of Bath has submitted an application to obtain grant monies under this program for a Bath Downtown Revitalization Initiative.

The identified needs for credit, investments and services were considered in our evaluation of BNB'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 "Outstanding."

Based on the full-scope review, the bank's performance in the Non-Metropolitan AA is excellent.

### Lending Activity

Refer to Tables 1 and 2 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 53% of the loans originated during the evaluation period followed by small loans to businesses with 39%. Small loans to farms had the smallest representation with 8% of originated loans.

In the Non-Metropolitan AA, BNB's lending activity is excellent. BNB ranks second for deposits with a 19.81% market share. Based on 2002 CRA aggregate data, BNB is the number two originator/purchaser of both small loans to businesses (10.77%) and small loans to farms (11.27%). Based on 2002 aggregate HMDA data, BNB is the number one originator/purchaser of refinance loans (17.55%) and the number two originator/purchaser of both home purchase (7.88%) and home improvement loans (22.84%).

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

The geographic distribution of BNB's home mortgage loans and small loans to businesses and farms reflects excellent penetration throughout the full scope AA. There are no low-income geographies within the Non-Metropolitan AA.

#### *Home Mortgage Loans*

Refer to Tables 2, 3 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 excellent.

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

The geographic distribution of home improvement loans is excellent. The portion of home improvement loans made in moderate-income geographies exceeds the portion of owner-

occupied housing units that are in those geographies. The market share of loans originated in moderate-income geographies exceeds the bank's overall market share of home improvement loans.

The geographic distribution of refinance loans is excellent. The portion of refinance loans made in moderate-income geographies exceeds the portion of owner-occupied housing units that are in those geographies. The market share of loans originated 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 excellent. The portion of small loans to businesses made in moderate-income geographies exceeds the portion of businesses that are in those geographies. The market share of small loans to businesses made 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 excellent. The portion of small loans to farms made in moderate-income geographies exceeds the portion of farms that are in those geographies. The market share of small loans to farms made in moderate-income geographies exceeds the bank's overall market share.

## **Lending Gap Analysis**

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

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

A substantial majority (95%) of the home mortgage loans, small business loans, small farm loans and Community Development (CD) loans were made within the bank's AAs. By product, 97% of the bank's home mortgage loans, 91% of the small loans to businesses, 97% 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 97% overall in/out ratio with home purchase at 97%, home improvement at 98%, and refinances at 97%. This performance was positively factored into the overall analysis of the geographic distribution of lending by income level of the geography.

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

The borrower distribution of BNB's home mortgage, small loans to businesses and small loans to farms reflect an excellent dispersion among borrowers of different income levels and businesses and farms of different sizes throughout the AA. In the evaluation of borrower distribution, we gave consideration to the poverty level within the AA. The poverty level in the Non-Metropolitan AA is 12.15%. 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, 9, 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 excellent.

Home purchase loan borrower distribution 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 12.15% 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 substantially meets, BNB's overall market share in the AA for home purchase loans.

Home improvement loan borrower distribution is excellent. The portion of home improvement loans to low-income borrowers is near to the portion of low-income families, and is excellent when considering the 12.15% of households living below the poverty level. The portion of home improvement 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 substantially meets, BNB's overall market share in the AA for home purchase loans.

Refinance loan borrower distribution is excellent. The portion of home refinance loans to low-income borrowers is below the portion of low-income families but is good when considering the 12.15% households living below the poverty level. The portion of home refinance loans to moderate-income borrowers exceeds the portion of families defined as such. The market share for loans made to both low-income and moderate-income borrowers exceeds BNB'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. The portion of BNB loans to small businesses (businesses with revenues of \$1 million or less) significantly exceeds the portion of businesses that are defined as such. The market share of small loans to small businesses exceeds BNB's overall market share in the AA.

## ***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 farms.

The borrower distribution of small loans to farms is excellent. The portion of BNB loans to small farms (farms with revenues of \$1 million or less) exceeds the portion of farms that are defined as such. The market share of small loans to small farms exceeds BNB's overall market share in the AA.

## **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.

BNB'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 AA.

BNB originated six CD loans for \$1.74 million in its full-scope AA. The loans were comprised of: one loan for \$1.5 million that was made to a small business that will provide new jobs for low and moderate-income individuals; three loans for \$144 thousand to an organization that provides community services targeted to low and moderate-income people; and two loans for \$93 thousand to an organization that provides affordable housing to low- and moderate-income individuals.

## **Product Innovation and Flexibility**

BNB's flexible lending activity had a positive impact on its lending performance. Flexible lending programs are described below.

BNB participates in a program with the Steuben Church People Against Poverty Inc. (SCAP). SCAP received HUD Home grant monies to help assist lower income people in the purchase of a home. Eligible borrowers are provided grant funds to assist the borrower with the down payment and closing costs. BNB offers borrowers a conventional fixed rate mortgage, with a 10 to 20 year term, to finance the remaining balance. BNB waives the application fee and the Private Mortgage Insurance requirements for these loans. Additionally, the industry standard for the borrower's debt-to-income ratio (DTI) is 36%. BNB's acceptable DTI for this program is 38%. The bank made eight loans under the SCAP program during the evaluation period.

BNB participated in the Tri-County Housing Council (TCHC) affordable housing program. The program is only for low and moderate-income borrowers. This program featured grants of up to 25% of the purchase price of the home (\$12,200 maximum grant), which was used to cover the down payment, closing costs and escrow costs. Due to lack of grant funding on the part of TCHC, BNB made only two mortgages under this program during the evaluation period.

Pro Action of Steuben and Yates County Auto Program is a program designed to aid low and moderate-income individuals whose barrier to employment is reliable transportation. BNB

provides installment loans to individuals who may not otherwise qualify for credit by relaxing underwriting standards. The bank has dedicated a \$60 thousand revolving loan pool to fund these loans. The entire sum is secured by a deposit account held by Pro Action. The bank made 26 loans under this program during the evaluation period.

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

Based on the limited-scope review, the bank's performance under the lending test in the Rochester MSA AA is consistent with, and in the Elmira MSA AA is weaker than, the bank's overall performance. The weaker performance in the Elmira MSA AA is attributable to its geographic distribution, borrower distribution, and overall lending activity that is only considered adequate. These performance differences noted did not have an impact on the lending test conclusions or rating. The volume of lending in the Elmira MSA AA is low and BNB did not enter into the Elmira MSA AA until the end of 2002. 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 the full-scope review, the bank's performance in the Non-Metropolitan AA is adequate in relation to the bank's size and resources and the opportunities for qualified investments in the AA.

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

During the evaluation period, BNB made five qualified grants and donations totaling \$143 thousand in the Non-Metropolitan AA. In its investing activities, BNB exhibited an adequate responsiveness to community development needs. Community development investment opportunities in the AA are somewhat limited.

BNB has a prior period investment of \$902 thousand. BNB is a limited partner in a Small Business Investment Corporation (SBIC) along with four other Upstate New York Banks. The limited partners advance funds whenever the SBIC requests funding to cover new loan originations. The limited partners in the SBIC actively participate in discussions regarding potential loans. The limited partners are present for all loan discussions. BNB has made the maximum investment it is allowed in the SBIC based on the partnership agreement. There have been no loans made in the bank's AA, to date; the entire investment of \$1.1 million has been allocated throughout the bank's AAs based upon deposit share. The SBIC has primarily made loans in the Rochester area.

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

Based on the limited-scope reviews, the bank's performance under the investment test in the Elmira MSA AA and Rochester MSA AA is consistent with the bank's overall performance under the investment test. Refer to Table 14 in Appendix C for the facts and data that support these conclusions.

## **SERVICE TEST**

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

The bank's performance under the Service Test is rated "Low Satisfactory." Based on the full-scope review, the bank's performance is adequate in the AA.

#### **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.

BNB's delivery systems are reasonably accessible to all portions of the full-scope AA. Accessibility is adequate in the AA.

The distribution of BNB's offices throughout moderate-income geographies is less than the distribution of the population living in such geographies. The bank has no branches located in moderate-income areas where 9% of the AA population resides.

One of the four moderate-income geographies in the AA, which consists of a portion of the Town and Village of Bath, as well as the Village of Savona, is well served by the bank's two offices located in an adjacent geography. The two offices are located in the geography, which is at the center of Bath, and is the primary business area of the Village and Town of Bath. The Town and Village of Bath are comprised of three adjacent geographies. The distance from the nearest bank office to the Village of Savona is less than two miles. Automobile transportation is the norm in the AA since there is no public transportation.

There is no office in the moderate-income geography in the City of Hornell, due to the New York State Home Office Protection Rule. Under the State law, banks with main offices located in smaller municipalities are protected against other banks opening branch offices within that municipality. The City of Hornell consists of three geographies and is the home of Steuben Trust Company. BNB located its office just outside the city limits.

The other two moderate-income geographies are located in the southwest corner of Steuben County. They consist of the towns of Jasper, Troupsburg, Greenwood, Hartsville, West Union, Woodhull and Tuscarora. BNB has not opened branches in these geographies due to the low population density, and the presence of three branches of two other financial institutions in the area. The population of these two geographies is 6,939, representing only 4.5% of the population of the AA.

The branch network throughout the full-scope AA decreased by three branches since the last evaluation; four branches were closed in middle-income geographies and one branch, also in a middle-income geography, was added through the merger and acquisition activity discussed in the Description of Institution section of the evaluation.

BNB's hours and services offered throughout the full-scope AA are good. Services offered are comparable among locations regardless of the income level of the geography. Eight branch

offices are located within the full-scope AA, all but one, which is in a middle-income geography, offer extended hours on various days of the week and the vast majority offer Saturday hours.

BNB also provides cashing of government checks for customers and non-customers receiving Social Security, Child Support or Unemployment benefits free of charge, a service that is helpful to low and moderate-income people. BNB offers alternative delivery systems in the form of ATMs. The geographic distribution of the bank's ATMs is similar to its branch distribution. Customers and non-customers alike can access their accounts through BNB ATMs, which are connected to the MAC, Cirrus and PLUS ATM systems. Customers may also use their BNB ATM card to obtain cash at non-proprietary ATMs throughout the world, which bear the MAC, Cirrus or PLUS logos.

BNB also offers alternative delivery systems of bank-by-phone, bank-by-mail and Internet banking. These services allow customers to obtain deposit and loan account information, make payments on BNB 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**

BNB's performance in providing community development services is good.

Management and bank employees support various organizations in the communities served by the bank. The bank's employees and senior officers were active members of the boards of directors or finance committees of 13 organizations that provide community development services. These organizations are very responsive to the credit and service needs of the community.

During the evaluation period a senior officer of the bank served on the Board of a regional organization. This organization, the Regional Development Corporation, provides loans at low interest rates to businesses that have difficulty obtaining bank loans for start-up or expansion. A substantial majority of the businesses receiving loans are small businesses, which will create, improve or retain jobs.

In the Non-Metropolitan AA, members of the BNB senior management and staff participate in 10 organizations focused on providing services targeted to low and moderate-income individuals, and two other organizations that are dedicated to providing affordable housing for low- and moderate-income individuals.

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

Based on the limited-scope reviews, the bank's performance under the Service Test in both the Elmira MSA and the Rochester MSA AAs is stronger 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 stronger performance in both AAs is due to the accessibility of its branches to all portions of the limited-scope AAs. Accessibility in the Rochester MSA AA is excellent. BNB has 100% of their branches in the moderate-income geography where only 37.01% of the population resides. Accessibility in the Elmira MSA AA is also excellent. BNB has 33% of its branches in a moderate-income geography where only 17.58% of the population resides. While BNB has no branches in a low-income geography where 3.56% of the population resides, they have a branch in an adjacent geography. This stronger performance in these AAs did not impact the conclusion for the Service Test.

## 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 a 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): (01/01/00 to 12/31/02) Investment and Service Tests and CD Loans: (05/22/00 to 11/10/03)	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
Bath National Bank (BNB) Bath, New York		
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
<i>None</i>		
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Non-Metropolitan AA Elmira MSA AA #2335 Rochester MSA AA #6840	Full-Scope Limited-Scope Limited-Scope	

# Appendix B: Market Profiles for Full-Scope Areas

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## Table of Contents

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

Non-Metropolitan AA.....	Appendix B-2
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## Non-Metropolitan AA

Demographic Information for Full-Scope Area: Non-Metropolitan AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	43	0.00	9.30	83.72	6.98	0.00
Population by Geography	154,213	0.00	8.98	80.58	10.43	0.00
Owner-Occupied Housing by Geography	41,694	0.00	8.45	83.11	8.44	0.00
Businesses by Geography	7,020	0.00	7.22	82.82	9.96	0.00
Farms by Geography	791	0.00	11.88	84.96	3.16	0.00
Family Distribution by Income Level	40,455	19.69	20.52	24.46	35.33	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	16,266	0.00	11.47	83.06	5.47	0.00
Median Family Income						
HUD Adjusted Median Family Income for 2002	\$31,472					
Households Below the Poverty Level	\$43,600 12.15%					
			Median Housing Value		\$48,438	
			Unemployment Rate		3.37%	

(\*) 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 Non MSA AA consists of all the geographies of Schuyler, Steuben and Yates Counties and the western-most geography of Allegany 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, 9% moderate-income, 84% middle-income, 7% upper-income and 0% for which income has not been designated.

The level of competition among financial service providers in the AA is relatively high. BNB competes with large interstate regional banking companies, credit unions and various community and savings banks. According to the FDIC market share report as of June 30, 2003, BNB is ranked number two for market share of deposits in the AA at 19.81%. BNB is a full service lender offering a broad menu of lending products that include home mortgage loans, business and farm loans, home equity loans, and consumer loans. The bank's business focus is primarily on consumer lending.

Seventy-eight percent of the housing in the AA is one to four family units, 6% is multifamily units and 16% is mobile homes. Of total housing units, 62% is owner-occupied, 22% is renter-occupied, and 16% is vacant. The median housing value was \$48,438 in the 1990 census. Housing stock consists mostly of older homes with the median year built of 1953.

According to the 2002 business demographics there are 7,811 businesses, of which 791 are farms in the AA. Small businesses and farms represent 79% of all the businesses and farms. Approximately 72% of businesses reported having less than 10 employees. The primary

industries in the AA are services 34%, retail trade 18%, and agriculture 10%. Major employers in the AA include the Corning Incorporated, Dresser Rand and Phillips Lighting.

The AA has opportunities available in the areas of community development lending and services. Community development investment opportunities are somewhat limited. Our assessment of community development opportunities was based on a community contact 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: BATH NB				Evaluation Period: JANUARY 1, 2000 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>												
Bath Non MSA AA	88.56	1,278	59,443	935	55,986	210	5,447	6	1,742	2,429	122,618	82.00
<b>Limited Review:</b>												
Elmira MSA AA	2.16	29	1,511	30	3,952	0	0	0	0	59	5,463	12.00
Rochester MSA AA	9.28	132	6,173	113	7,351	9	893	1	1,035	255	15,452	6.00

\* 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 May 22, 2000 to November 10, 2003.

\*\*\* Deposit Data as of June 30, 2003. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.

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

Geographic Distribution: HOME PURCHASE		Geography: BATH NB				Evaluation Period: JANUARY 1, 2000 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>															
Bath Non MSA AA	262	90.97	0.00	0.00	8.45	14.12	83.11	83.59	8.44	2.29	7.88	0.00	20.83	7.82	1.48
<b>Limited Review:</b>															
Elmira MSA AA	5	1.74	0.75	0.00	9.71	0.00	63.06	80.00	26.49	20.00	0.29	0.00	0.00	0.46	0.00
Rochester MSA AA	21	7.29	0.00	0.00	33.40	61.90	66.60	38.10	0.00	0.00	2.49	0.00	2.48	2.50	0.00

\* Based on 2002 Peer Mortgage Data: Northeast Region 2.

\*\* 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.

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Table 3. Geographic Distribution of Home Improvement Loans

Geographic Distribution: HOME IMPROVEMENT		Geography: BATH NB				Evaluation Period: JANUARY 1, 2000 TO DECEMBER 31, 2002					Market Share (%) by Geography*				
MA/Assessment Area:	Total Home Improvement 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>															
Bath Non MSA AA	432	87.63	0.00	0.00	8.45	12.50	83.11	85.42	8.44	2.08	22.84	0.00	38.64	20.94	14.29
<b>Limited Review:</b>															
Elmira MSA AA	9	1.83	0.75	0.00	9.71	22.22	63.06	44.44	26.49	33.33	2.95	0.00	5.41	1.81	4.55
Rochester MSA AA	52	10.55	0.00	0.00	33.40	51.92	66.60	48.08	0.00	0.00	12.26	0.00	16.07	10.10	0.00

\* Based on 2002 Peer Mortgage Data: Northeast Region 2.

\*\* Home improvement loans originated and purchased in the MA/AA as a percentage of all home improvement 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 4. Geographic Distribution of Home Mortgage Refinance Loans**

Geographic Distribution: HOME MORTGAGE REFINANCE															Geography: BATH NB					Evaluation Period: JANUARY 1, 2000 TO DECEMBER 31, 2002				
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*													
	#	% of Total**	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Overall	Low	Mod	Mid	Upp									
<b>Full Review:</b>																								
Bath Non MSA AA	580	88.69	0.00	0.00	8.45	11.03	83.11	85.86	8.44	3.10	17.55	0.00	32.81	18.09	6.15									
<b>Limited Review:</b>																								
Elmira MSA AA	15	2.29	0.75	0.00	9.71	6.67	63.06	73.33	26.49	20.00	1.05	0.00	0.00	1.47	0.61									
Rochester MSA AA	59	9.02	0.00	0.00	33.40	50.85	66.60	49.15	0.00	0.00	7.65	0.00	14.65	5.18	0.00									

\* Based on 2002 Peer Mortgage Data: Northeast Region 2.

\*\* 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: BATH NB															
Evaluation Period: JANUARY 1, 2000 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>															
Bath Non MSA AA	935	86.73	0.00	0.00	7.22	11.12	82.82	82.99	9.96	5.88	10.77	0.00	19.20	10.76	12.93
<b>Limited Review:</b>															
Elmira MSA AA	30	2.78	4.73	10.00	27.88	16.67	46.69	20.00	20.64	53.33	0.97	0.00	1.65	0.36	2.14
Rochester MSA AA	113	10.48	0.00	0.00	52.24	61.95	47.76	38.05	0.00	0.00	0.86	0.00	2.93	0.65	0.00

<sup>\*</sup> Based on 2002 Peer Small Business Data: US and 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 (2003).

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

Geographic Distribution: SMALL LOANS TO FARMS		Geography: BATH NB				Evaluation Period: JANUARY 1, 2000 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>																
Bath Non MSA AA	210	95.89	0.00	0.00	11.88	21.43	84.96	78.57	3.16	0.00	11.27	0.00	34.62	10.32	0.00	
<b>Limited Review:</b>																
Elmira MSA AA	0	0.00	0.00	0.00	7.79	0.00	57.14	0.00	35.06	0.00	0.00	0.00	0.00	0.00	0.00	
Rochester MSA AA	9	4.11	0.00	0.00	27.38	66.67	72.62	33.33	0.00	0.00	0.43	0.00	3.13	0.23	0.00	

<sup>\*</sup> Based on 2002 Peer Small Business Data: US and 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 (2003).

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

Borrower Distribution: HOME PURCHASE		Geography: BATH NB				Evaluation Period: JANUARY 1, 2000 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 <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>															
Bath Non MSA AA	262	90.97	19.69	11.97	20.52	21.62	24.46	34.36	35.33	32.05	8.66	17.05	8.56	9.17	6.99
<b>Limited Review:</b>															
Elmira MSA AA	5	1.74	20.77	20.00	19.32	40.00	22.12	20.00	37.79	20.00	0.32	0.00	0.60	0.00	0.42
Rochester MSA AA	21	7.29	20.36	19.05	25.40	28.57	28.63	23.81	25.61	28.57	3.01	4.55	2.83	2.47	3.33

<sup>\*</sup> Based on 2002 Peer Mortgage Data: Northeast Region 2.

<sup>\*\*</sup> As a percentage of loans with borrower income information available. No information was available for 1.04% 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 9. Borrower Distribution of Home Improvement Loans**

Borrower Distribution: HOME IMPROVEMENT		Geography: BATH NB				Evaluation Period: JANUARY 1, 2000 TO DECEMBER 31, 2002					Market Share <sup>*</sup>				
MA/Assessment Area:	Total Home Improvement 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>															
Bath Non MSA AA	432	87.63	19.69	17.86	20.52	28.57	24.46	25.24	35.33	28.33	22.75	28.42	22.58	23.83	19.66
<b>Limited Review:</b>															
Elmira MSA AA	9	1.83	20.77	0.00	19.32	33.33	22.12	44.44	37.79	22.22	3.07	0.00	2.82	5.13	2.33
Rochester MSA AA	52	10.55	20.36	40.38	25.40	32.69	28.63	15.38	25.61	11.54	12.67	27.59	17.07	2.13	9.09

<sup>\*</sup> Based on 2002 Peer Mortgage Data: Northeast Region 2.

<sup>\*\*</sup> As a percentage of loans with borrower income information available. No information was available for 2.43% of loans originated and purchased by BANK.

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

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

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

Borrower Distribution: HOME MORTGAGE REFINANCE		Geography: BATH NB					Evaluation Period: JANUARY 1, 2000 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>																
Bath Non MSA AA	580	88.69	19.69	7.08	20.52	21.42	24.46	26.90	35.33	44.60	19.09	21.65	24.68	18.81	17.29	
<b>Limited Review:</b>																
Elmira MSA AA	15	2.29	20.77	0.00	19.32	35.71	22.12	14.29	37.79	50.00	1.06	0.00	2.31	0.81	0.85	
Rochester MSA AA	59	9.02	20.36	15.52	25.40	20.69	28.63	32.76	25.61	31.03	8.35	16.67	5.97	10.32	7.01	

<sup>\*</sup> Based on 2002 Peer Mortgage Data: Northeast Region 2.

<sup>\*\*</sup> As a percentage of loans with borrower income information available. No information was available for 2.60% 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.

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

Borrower Distribution: SMALL LOANS TO BUSINESSES		Geography: BATH NB			Evaluation Period: JANUARY 1, 2000 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>									
Bath Non MSA AA	935	86.73	76.75	88.98	86.95	8.02	5.03	10.77	24.27
<b>Limited Review:</b>									
Elmira MSA AA	30	2.78	77.00	66.67	53.33	33.33	13.33	0.97	3.18
Rochester MSA AA	113	10.48	79.03	77.88	83.19	12.39	4.42	0.86	1.68

<sup>\*</sup> Based on 2002 Peer Small Business Data: US and 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 - 2003).

<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 0.28% 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: BATH NB		Evaluation Period: JANUARY 1, 2000 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>									
Bath Non MSA AA	210	95.89	94.56	98.57	96.67	3.33	0.00	11.27	11.49
<b>Limited Review:</b>									
Elmira MSA AA	0	0.00	94.81	0.00	0.00	0.00	0.00	0.00	0.00
Rochester MSA AA	9	4.11	95.24	100.00	44.44	55.56	0.00	0.43	0.51

<sup>\*</sup> Based on 2002 Peer Small Business Data: US and 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 - 2003).

<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: BATH NB									
Evaluation Period: MAY 22, 2000 TO NOVEMBER 10, 2003									
MA/Assessment Area:	Prior Period Investments <sup>*</sup>		Current Period Investments		Total Investments			Unfunded Commitments <sup>**</sup>	
	#	\$(000's)	#	\$(000's)	#	\$(000's)	% of Total	#	\$(000's)
<b>Full Review:</b>									
Bath Non MSA AA	1	902	5	143	6	1,045	84.00	0	0
<b>Limited Review:</b>									
Elmira MSA AA	1	132	0	0	1	132	11.00	0	0
Rochester MSA AA	1	66	0	0	1	66	5.00	0	0

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

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

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

DISTRIBUTION OF BRANCH DELIVERY SYSTEM AND BRANCH OPENINGS/CLOSINGS				Geography: BATH NB				Evaluation Period: MAY 22, 2000 TO NOVEMBER 10, 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>																	
Bath Non MSA AA	82.00	8	66.7	0.00	0.00	87.50	12.50	0	4	0	0	-4	0	0.00	8.98	80.58	10.43
<b>Limited Review:</b>																	
Elmira MSA AA	12.00	3	25.0	0.00	33.33	66.67	0.00	1	0	0	0	1	0	3.56	17.58	54.80	21.46
Rochester MSA AA	6.00	1	8.3	0.00	100.00	0.00	0.00	0	0	0	0	0	0	0.00	37.01	62.99	0.00