



Comptroller of the Currency
Administrator of National Banks

Public Disclosure

January 5, 1998

Community Reinvestment Act Performance Evaluation

**The National Bank of Geneva
Charter Number: 12450**

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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.

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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 CRA performance of **The National Bank of Geneva** (NBG) prepared by **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **January 5, 1998**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.

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

The primary factors supporting the overall rating are:

- a good responsiveness to assessment area credit needs;
- a substantial majority of loans were made in the bank's assessment area;
- A very good percentage of loans to small size businesses and farms as well as loans for small dollar amounts (\$100,000 or less);
- a good geographic distribution of loans;
- a good distribution of loans among borrowers of different income levels;
- a very significant community development loan;
- a significant dollar level of complex community development investments, and
- services that are accessible to essentially all portions of the bank's assessment areas.

The following chart indicates the performance level of NBG with respect to the lending, investment, and service tests:

The National Bank of Geneva Performance Tests			
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	X	X	X
Low Satisfactory			
Needs to Improve			
Substantial noncompliance			

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

Description of Institution

NBG is a \$317 million community bank located in Geneva, New York. It is 99% owned by Financial Institutions, Inc., a four bank holding company. Financial Institutions, Inc. has approximately \$800 million in assets. Geneva is situated in the Finger Lakes region of the state, and is centrally located between the cities of Syracuse, Rochester and Ithaca.

There are no impediments which would hamper NBG’s ability to help meet the credit needs of its community. The bank faces strong competition with other financial institutions, including community banks, branches of regional and multinational banks, mortgage companies, and finance companies. As of September 30, 1997 net loans represented 68% of the bank’s average assets. The loan portfolio is comprised of 4% construction loans, 17% residential real estate loans, 21% commercial real estate, 27% commercial and industrial loans, 15% installment loans, 15% agricultural loans, and 1% credit cards.

Description of Assessment Areas (AA)

NBG has two assessment areas, one consisting of the County of Ontario located within the six county Rochester Metropolitan Statistical Area (MSA), and the other consisting of the adjacent counties of Seneca and Yates, which are both located in nonmetropolitan areas. Ontario County is located in the Southeastern portion of the Rochester MSA. It represents the most significant portion of the bank’s overall AA, with 23 or 61% of the bank’s total geographies. The county encompasses all of the moderate income *geographies*** that are in the bank’s overall AA. The Census Median Family Income for the MSA, which is used for categorizing the income level of geographies is \$40,519. The 1997 Updated Median Family Income for the MSA, which is used to categorize the income level of individual borrowers, is \$47,200. The updated median family income levels of families is based on information from the Department of Housing and Urban Development (HUD).

**words that first appear in italics are defined in the definitions section of this evaluation.

Based on the 1990 US Census, Ontario County's population of 95,101 represents 63% of the combined 151,954 population of the bank's assessment areas. Census information also shows the County's 38,947 housing units to represent 60% of the 64,890 housing units, and 62% of the owner occupied housing (25,600 units out of 41,167 units) in the two areas.

As mentioned earlier, the other AA consists of the adjacent counties of Seneca and Yates. Seneca County is located east and Yates County southeast of Ontario County. Both of these rural counties touch Ontario County as well as each other. The area is comprised of 14 middle income geographies, one upper income geography, and two geographies which are not income categorized because they are under water (Seneca Lake) and have no population. The 1990 US Census Median Family Nonmetro Income for New York State, which is used to income categorize these nonmetropolitan area geographies, is \$31,473. The 1997 Nonmetro Median Family Income for New York State, which is used to categorize the income level of individual borrowers residing in nonmetropolitan areas, is \$37,100.

The information that follows in this section is combined information for the two AAs. The areas are combined to provide a complete picture of the situation and circumstances the bank operates within. They are also combined due to their geographic proximity and because there are no salient characteristics in either AA that would require a separate review.

Geneva is the largest city in the AA, with a population of 14,143. The AA is comprised of four moderate income geographies (10%), 31 middle income geographies (77%), and three upper-income geographies (8%), as well as the two noncategorized geographies (5%). There are no low income geographies in the AA. The family breakdown by income levels is 18% low income families, 21% moderate income families, 26% middle income families, and 35% upper income families.

Based on 1990 Census data, there are a total of 64,890 housing units, with owner-occupied units comprising 63% of the total housing units, rental units 23%, and vacant homes 14%. The median housing value is \$70,374.

Major industries represented include manufacturing, government, services, and farming. The region attracts tourists and vacationers during the summer months. Overall, the economy is stable with some areas of growth. Guardian Industries Corp., a major glass manufacturer, recently chose an industrial park in Geneva as the site for a new plant. A recent newspaper article stated that this is the largest industrial expansion into New York State in 25 years. The facility is expected to be completed in May 1998 and will bring approximately 450 new jobs to the city of Geneva.

The real estate market is soft. Despite favorable interest rates, buyer activity is slow in the region and home values have declined slightly. Community officials hope job growth created by the new glass factory will help to improve the local real estate market.

Business demographic data indicates that there are over 3,000 businesses in the three county AA. The vast majority of these businesses have fewer than 10 employees and are considered small businesses, with annual revenues of \$1 million or less. Three percent of the households are self-employed farmers.

Community contacts with a local economic development official and a housing organization were complimentary of the bank's efforts to help meet credit needs of the community. Affordable housing (both rental and owner-occupied) was mentioned as a community credit need. Local organizations are working with the banks to develop affordable housing programs and flexible lending techniques to help meet this need. Community contacts also indicated that small business financing is vital for continued business growth and expansion.

Conclusions with Respect to Performance Tests

Scope of Review

This review covers the two-year time period beginning January 1, 1996, and ending December 31, 1997. The bank's small business and small farm lending activity discussed in this report are mainly 1997 activities. NBG was not required to collect and report data on its small business and small farm lending activity until 1997. As a result, the bank's lending activity was not included in the small business/small farm aggregate lending reports for 1996. These reports contain information on the lending activities of all lenders required to submit information. A lender is required to collect and report information when its asset size equals or exceeds \$250 million on the last day of the two years prior to the reporting period, or regardless of size if owned by a holding company with total bank and thrift assets of \$1 billion or more.

Lending Activity

NBG's lending levels reflect good responsiveness to AA credit needs. In 1996, NBG originated 381 home mortgage loans in its AA and ranked first with respect to the market share percentage (11.20%) of all home mortgage loans reported as originated in the AA. NBG was ranked second in market share percentage when analyzed in terms of total dollars of home mortgage loans (\$15.8 million). There was a total of 174 lenders that reported home mortgage loans in NBG's AA. Market share information was not available for 1997, but NBG's origination levels as of November 30, 1997, are relatively consistent with 1996.

NBG is also one of the leaders with respect to the number of small business and small farm loan originations made in the AA. Bank records show it originated 615 small business loans and 494 small farm loans in its AA. We compared NBG's number of small business and small farm originations in 1996 to the number of originations reported by three competing financial institutions in the AA. NBG's origination volume in the AA was significantly higher than its competitors. NBG's small business and small farm originations were down slightly in 1997 due to increased competition, but activity is still very strong.

The bank ranked fifth, behind four much larger regional banking institutions, with respect to the dollar level of Small Business Administration (SBA) guaranteed loans originated (\$2.3 million) out of the SBA's Rochester region in 1997. Twenty-five banks reported SBA activity in this region.

Between September 30, 1995 and September 30, 1997, NBG's loan-to-deposit ratio averaged 74%, rising steadily from 70% at September 30, 1995 to 82% at September 30, 1997. NBG's loan-to-deposit ratio at September 30, 1997, compares favorably to both the national peer average of 76% and the local peer average of 69%.

Assessment Area Concentration

The following table demonstrates a substantial majority of NBG's loans are made inside its AA. Table 1 shows the number and dollar amount of NBG's Home Mortgage Disclosure Act (HMDA), small business, and small farm loans originated in 1997. The bank's HMDA data showed 90% of the total number of loans were made inside the AA in 1996.

Table 1				
Ratio of Loans Originated Inside the Assessment Area - 1/1/97-11/30/97				
	HMDA	Small Business	Small Farm	Total
Number				
# of loans inside the AA	334	530	465	1,329
Total # of Loans	373	581	550	1,504
% of Loans Inside/Total # of Loans	90%	91%	85%	88%
Dollars (in 000's)				
\$ of Loans Inside the AA	14,239	28,525	19,932	62,696
Total \$ of Loans	16,707	32,789	23,022	72,518
% of Loans Inside/Total \$ of Loans	85%	87%	87%	86%

Source: 1997 HMDA LAR, Small Business/Small Farm Data Collection Register

During 1996, the bank made 90% or 381 of its 421 HMDA loans within its AA. An even larger portion of the \$17.3 million (\$15.9 million for 92%) dollars loaned were kept within the AA.

Geographic Distribution

Small Business and Farm Loans:

NBG's geographic distribution of small business loans reflects good penetration throughout the AA. This conclusion is based on the following:

- strong small business lending activity in the moderate-income geographies of Geneva; and,
- an overall percentage of total loans in moderate-income geographies which is equal to the percentage of loans reported in aggregate by other lenders in 1996 in the AA.

The heaviest concentration of small business loans is in Geneva, which is the largest city in the AA, the location of the bank's main office, and where the greatest opportunity exists for small business lending in moderate-income geographies. Bank management has identified the two moderate-income geographies of downtown Geneva as the primary area in need of small business financing for economic development in its AA. It has responded to this need by making 46 small business loans in these geographies in 1996, and 40 loans in 1997. NBG's loan volume in these two geographies compares favorably to the aggregate loan volume reported by other lenders (24 loans) in 1996.

Areas of lesser penetration are residential neighborhoods and/or on the outer corners of the bank's AA. The city of Canandaigua also shows lesser penetration despite having a large number of businesses, due to strong competition from banks that are active lenders in that city.

Table 2 illustrates the number and dollar amount of small business loans originated in *moderate-, middle-, and upper-income* geographies in the bank's AA.

Income Level	# of geographies	% of total geographies	# of Loans in the AA	Percent of Total	Dollar of Loans in the AA (000's)	Percent of Total
Moderate-Income	4	10%	50	10%	1,078	4%
Middle-Income	31	82%	447	84%	25,904	91%
Upper-Income	3	8%	33	6%	1,542	5%
Total	38*	100%	530	100%	28,524	100%

Source: Small Business Data Collection Register

*All tables exclude the 2 geographies categorized as N/A

In terms of the number of small business loans originated, the bank's penetration in moderate income census tracts (10%) is the same as the percentage of moderate-income geographies in the AA (10%). NBG's dollar amount of loans in moderate-income geographies is lower (4%), attributable to the smaller borrowing needs of start-up businesses and very small businesses that dominate these geographies.

In 1996, the bank made 9% of its small business loans in moderate-income geographies, which is consistent with its performance in 1997. This is also consistent with the percentage of loans reported in aggregate by other lenders in 1996 in the AA.

Small farm loans are also well-dispersed in the AA. Areas of low or no penetration are in downtown villages and cities that do not have any farms. A geographic distribution analysis was not included for small farm loans, since the majority of the farms are not located in moderate-income geographies of the bank's AA.

Home Mortgage Loans:

NBG's geographic distribution of HMDA loans reflects an overall adequate penetration in its AA. The bank's distribution of HMDA loans to the AA's four moderate income geographies is equal to the average distribution of the other 14 most active lenders in the AA. However, NBG's performance varied amongst the three product categories of HMDA loans. The bank had a strong showing in home improvement lending compared to the average for the other 14 lenders, but was below average compared to these lenders for home purchase and refinance loans.

In both 1996 and 1997, NBG had loan activity in every income categorized geography within the bank's AA. Areas of lesser penetration are primarily middle- or upper-income geographies at the outer corners of the AA, which are further away from the bank's branches. Additionally, less penetration is noted in moderate-income geographies, where owner-occupied housing comprises less than 50% of total housing units. Despite the fact census tract 0517.00 (parts of the city and town of Geneva) is a moderate-income census tract with only 28% owner-occupied housing, the bank made four HMDA loans in this geography in both 1996 and 1997.

Tables 3 and 4 illustrate the number and dollar amount of HMDA loans were originated in moderate, middle, and upper income geographies in the bank's AA.

Table 3 Geographic Distribution of HMDA Loans in Assessment Area - 1/1/97-11/30/97 Originations						
Income Level	# of geographies	Percent of total geographies	# of Loans	Percent of Total Loans	Dollar of Loans (000's)	Percent of Total Dollars
Moderate-Income	4	10%	14	4%	321	2%
Middle-Income	31	82%	310	93%	13,279	93%
Upper-Income	3	8%	10	3%	639	5%
Total	38	100%	334	100%	14,239	100%

Source: 1997 HMDA LAR

Table 4 Geographic Distribution of HMDA Loans in Assessment Area - 1996 Originations						
Income Level	# of geographies	Percent of total geographies	# of Loans	Percent of Total Loans	Dollar of Loans (000's)	Percent of Total Dollars
Moderate-Income	4	10%	18	5%	274	2%
Middle-Income	31	82%	356	93%	15,291	96%
Upper-Income	3	8%	7	2%	285	2%
Total	38	100%	381	100%	15,850	100%

Source: 1996 Aggregate HMDA Disclosure

In terms of the number of HMDA loans originated, the bank's penetration in moderate income geographies is below the percentage of moderate income geographies in its AA. However, in 1996 NBG's penetration in the moderate-income geographies (5%) is consistent with the average penetration rate of a peer group consisting of the 14 most active lenders in the AA.

Tables 5 through 10 show the geographic distribution of HMDA loans by product type (*home purchase, refinance, home improvement*).

Table 5 Geographic Distribution of HMDA Loans in Assessment Area - 1/1/97-11/30/97 Home Purchase - Originations						
Income Level	# of geographies	Percent of total geographies	# of Loans	Percent of Total Loans	Dollar of Loans (000's)	Percent of Total Dollars
Moderate-Income	4	10%	1	1%	7	1%
Middle-Income	31	82%	97	96%	6,311	94%
Upper-Income	3	8%	3	3%	369	5%
Total	38	100%	101	100%	6,687	100%

Source: 1997 HMDA LAR

Table 6 Geographic Distribution of HMDA Loans in Assessment Area - 1996 Home Purchase - Originations						
Income Level	# of geographies	Percent of total geographies	# of Loans	Percent of Total Loans	Dollar of Loans (000's)	Percent of Total Dollars
Moderate-Income	4	10%	3	3%	145	3%
Middle-Income	31	82%	86	94%	5,646	94%
Upper-Income	3	8%	3	3%	202	3%
Total	38	100%	92	100%	5,993	100%

Source: 1996 Aggregate HMDA Disclosure

With respect to home purchase loans, NBG's penetration in moderate-income geographies is below the percentage of moderate-income geographies in the AA. In 1996, NBG's penetration in moderate-income geographies was below the penetration of the 14 other most active lenders in terms of both number of loans originated (3% vs. 6%) and dollars originated (3% vs. 5%).

Table 7 Geographic Distribution of HMDA Loans in Assessment Area - 1/1/97-11/30/97 Refinance - Originations						
Income Level	# of geographies	Percent of total geographies	# of Loans	Percent of Total Loans	Dollar of Loans (000's)	Percent of Total Dollars
Moderate-Income	4	10%	5	4%	235	4%
Middle-Income	31	82%	127	94%	6,320	93%
Upper-Income	3	8%	3	2%	229	3%
Total	38	100%	135	100%	6,784	100%

Source: 1997 HMDA LAR

Table 8 Geographic Distribution of HMDA Loans in Assessment Area - 1996 Refinance - Originations						
Income Level	# of geographies	Percent of total geographies	# of Loans	Percent of Total Loans	Dollar of Loans (000's)	Percent of Total Dollars
Moderate-Income	4	10%	2	1%	55	1%
Middle-Income	31	82%	167	98%	9,186	98%
Upper-Income	3	8%	1	1%	75	1%
Total	38	100%	170	100%	9,316	100%

Source: 1996 Aggregate HMDA Disclosure

With respect to refinance loans, NBG's penetration in moderate-income geographies is below the percentage of moderate-income geographies in the AA. In 1996, NBG's penetration to moderate-income geographies was below the 14 other most active lenders in terms of both number of loans originated (1% vs. 4%) and dollars originated (1% vs. 3%).

Table 9 Geographic Distribution of HMDA Loans in Assessment Area - 1/1/97-11/30/97 Home Improvement - Originations						
Income Level	# of geographies	Percent of total geographies	# of Loans	Percent of Total Loans	Dollar of Loans (000's)	Percent of Total Dollars
Moderate-Income	4	10%	8	8%	79	13%
Middle-Income	31	82%	85	88%	468	80%
Upper-Income	3	8%	4	4%	41	7%

Table 9 Geographic Distribution of HMDA Loans in Assessment Area - 1/1/97-11/30/97 Home Improvement - Originations						
Total	38	100%	97	100%	588	100%

Table 10 Geographic Distribution of HMDA Loans in Assessment Area - 1996 Home Improvement - Originations						
Income Level	# of geographies	Percent of total geographies	# of Loans	Percent of Total Loans	Dollar of Loans (000's)	Percent of Total Dollars
Moderate-Income	4	10%	13	11%	74	14%
Middle-Income	31	82%	103	87%	459	85%
Upper-Income	3	8%	3	2%	8	1%
Total	38	100%	119	100%	541	100%

Source: 1996 Aggregate HMDA Disclosure

NBG's penetration in moderate-income geographies with respect to home improvement loans is good. To date in 1997, NBG's penetration to moderate-income geographies is above the percentage of moderate-income geographies in the AA when analyzed in terms of dollars. In 1996, NBG's penetration to moderate-income geographies was higher than the percentage of moderate-income geographies and was well-above the 14 other most active lenders in terms of both number of loans originated (11% vs. 4%) and dollars originated (14% vs. 4%). NBG offers an unsecured home improvement product which helps meet the credit needs in the moderate-income geographies of the bank's AA.

Borrower Characteristics

Small Business and Small Farm Lending:

The distribution of NBG's small business and small farm loans based on business customers of different sizes in the AA is very good. This conclusion is based on the following:

- a high percentage of loans to business with revenues less than \$1 million, which compares favorably to the percentage reported by other lenders in the AA; and,
- a high percentage of loans in small dollar amounts, which also compares favorably to the percentage reported by other lenders in the AA.

Business demographic data indicates 76% of the businesses and 92% of the farms in the AA have revenues less than \$1 million. Eighty-four percent of the businesses and farms in the AA have less

than 10 employees. Table 11 shows that a majority of NBG's loans to small businesses and small farms originated in the AA are made to businesses or farms with revenues of less than \$1 million. The distribution demonstrates that the bank is offering product lines consistent with the business demographics and needs of the community.

Table 11 Revenue Analysis - Loans to Small Business and Small Farms in Assessment Area - 1/1/97-11/30/97								
Type of Loan	Number < \$1MM	% of Total	Number >\$1MM	% of Total	\$ Amount (000's) < \$1MM	% of Total	\$ Amount (000's) > \$1MM	% of Total
Small Business Loans	428	81%	102	19%	14,678	51%	13,847	49%
Small Farm Loans	447	96%	18	4%	17,277	87%	2,655	13%
Total	875	88%	120	12%	31,955	66%	16,502	34%

Source: Small Business/Small Farm Data Collection Register

NBG's percentage of loans to businesses with revenues less than \$1 million for 1997 compares favorably to the percentage of total loans reported in aggregate by other lenders to businesses with revenues of less than \$1 million in 1996. (81% vs. 53%). The comparison is also favorable with respect to small farm loans (96% vs. 54%).

Table 12 summarizes NBG's small business and small farm lending by varying loan amounts in its AA. The following table shows that 89% of total small business and farm loans originated have loan amounts less than \$100,000. The analysis demonstrates that NBG is meeting the credit needs for small dollar size loans.

Table 12 Small Business & Small Farm Loans by Loan Amount at Origination - 1/1/97-11/30/97				
Origination Amount	Count	% of Total Loans	\$ Amount (000's)	% of Total Dollars
Less than \$100,000	891	89%	21,179	44%
Between \$100,000 and \$250,000	76	8%	12,348	25%
Greater than \$250,000	28	3%	14,930	31%
Total	995	100%	48,457	100%

Source: Small Business/Small Farm Data Collection Register
Business Demographic Data

NBG's percentage of small business and small farm loans with dollar amounts less than \$100,000 in 1997 compares favorably to the aggregate percentage of total loans reported by other lenders with dollar amounts less than \$100,000 in the AA (89% vs. 86%).

Home Mortgage Loans:

The distribution of NBG's HMDA loans reflects good penetration among borrowers of different income levels. This conclusion is based on the following:

- NBG lead the market in 1996 with its share of home improvement and refinance loans to low and moderate income borrowers.
- Although it did not lead the market in home purchase loans to low and moderate income individuals in 1996, NBG's market share was reasonable, ranking fourth place for its market share of low income borrowers and third place for its market share of moderate income borrowers.
- NBG's percentage of home purchase loans to low income borrowers increased significantly in 1997 from 1996 (9% vs 4%). This was somewhat offset by a 3% decrease in the percentage of loans to moderate income borrowers.

Table 13 compares NBG's total market share percentage of all borrowers to its market share percentage of low income and moderate income borrowers in the AA. It also shows the bank's ranking as compared to all lenders in the AA.

Table 13 Market Share Comparison - 1996 Originations						
Type of Loan	All Borrowers % Market Share	All Borrowers rank	Low Income Borrowers % Market Share	Low Income Borrowers rank	Moderate Income Borrowers % Market Share	Moderate Income Borrowers rank
Home Purchase	6.1%	2nd	4.6%	4th	5.5%	3rd
Refinance	14.9%	1st	15.9%	1st	16.1%	1st
Home Improvement	16.2%	1st	14.1%	1st	21.9%	1st
Total HMDA	11.2%	1st	10.3%	1st	12.5%	1st

Source: 1996 Aggregate HMDA Disclosure

NBG ranks first in market share percentage to LMI individuals in the total number of HMDA loans, and first in three out of the four categories presented above (total HMDA, refinance, home

improvement). NBG's market share of total HMDA loans was less than 1% lower (10.3% vs 11.2%) for low-income applicants compared to all applicants and was over 1% higher (12.5% vs 11.2%) for moderate-income applicants.

Tables 14 and 15 show a borrower distribution of HMDA loans.

Table 14					
Borrower Distribution of HMDA Loans in Assessment Area - 1/1/97-11/30/97					
Originations					
Income Level	% of families in AA	# of Loans in AA	% of Total Loans	Dollars (\$) of loans in AA	% of Total Dollars
Low-Income	18%	37	11%	572	4%
Moderate-Income	21%	66	20%	1,969	14%
Middle-Income	26%	120	36%	4,806	34%
Upper-Income	35%	108	32%	6,691	47%
N/A	0%	3	1%	201	1%
Total	100%	334	100%	14,239	100%

Source: 1997 HMDA-LAR

Table 15					
Borrower Distribution of HMDA Loans - 1996					
Originations					
Income Level	% of families in AA	# of Loans in AA	% of Total	Dollars (\$) of loans in AA	% of Total
Low-Income	18%	21	6%	498	3%
Moderate-Income	21%	87	23%	2,360	15%
Middle-Income	26%	112	29%	4,280	27%
Upper-Income	35%	153	40%	8,345	53%
N/A	0%	8	2%	367	2%
Total	100%	381	100%	15,850	100%

Source: 1996 Aggregate HMDA Disclosure

In 1996, 23% of HMDA loans were made to moderate-income individuals, as compared to 21% of the families living in the AA with moderate incomes. This compares favorably with the average penetration rate among moderate-income individuals for the 14 most active lenders in the AA (21%). The percentage of dollars to moderate-income individuals is lower than the percentage of

loans, due to the smaller average size of loans requested by LMI individuals. The bank's penetration of HMDA loans among low-income individuals (6%) is low compared to the number of low-income families in the AA (18%). However, based on 1996 aggregate HMDA data, NBG's penetration among low-income borrowers is close to the average penetration rate among low-income borrowers for the other 14 most active lenders in the AA (7%). Also, in 1997, NBG's percentage of loans to low-income individuals improved to 11%. The increase in the percentage of loans to low-income individuals suggests that the bank is making better use of flexible loan products to help meet the special credit needs of low-income individuals.

Tables 16 through 21 demonstrate a borrower distribution in the AA of HMDA loans by product type (home purchase, refinance, home improvement).

Table 16					
Borrower Distribution of HMDA Loans - 1/197-11/30/97					
Home Purchase - Originations					
Income Level	% of families in AA	# of Loans in AA	% of Total	Dollars (\$) of loans in AA	% of Total
Low-Income	18%	9	9%	246	4%
Moderate-Income	21%	23	23%	1,101	16%
Middle-Income	26%	37	36%	2,229	33%
Upper-Income	35%	32	32%	3,111	47%
N/A	0%	0	0%	0	0%
Total	100%	101	100%	6,687	100%

Source: 1997 HMDA-LAR

Table 17					
Borrower Distribution of HMDA Loans - 1996					
Home Purchase - Originations					
Income Level	% of families in AA	# of Loans in AA	% of Total	Dollars (\$) of loans in AA	% of Total
Low-Income	18%	4	4%	238	4%
Moderate-Income	21%	18	20%	833	14%
Middle-Income	26%	22	24%	1,410	24%
Upper-Income	35%	46	50%	3,382	56%
N/A	0%	2	2%	130	2%
Total	100%	92	100%	5,993	100%

Source: 1996 Aggregate HMDA Disclosure

With respect to home purchase loans, NBG's penetration to LMI borrowers is below the percentage of LMI families in the AA. In 1996, NBG's percentage of loans to LMI borrowers

was below the percentage of the 14 other most active lenders (24% vs. 29%). However, NBG's percentage of home purchase loans to LMI individuals increased from 24% in 1996 to 32% in 1997.

Table 18 Borrower Distribution of HMDA Loans - 1/1/97-11/30/97 Refinance - Originations					
Income Level	% of families in AA	# of Loans in AA	% of Total	Dollars (\$) of loans in AA	% of Total
Low-Income	18%	8	6%	215	3%
Moderate-Income	21%	20	15%	715	11%
Middle-Income	26%	49	36%	2,359	35%
Upper-Income	35%	57	42%	3,477	51%
N/A	0%	1	1%	18	-
Total	100%	135	100%	6,784	100%

Source: 1997 HMDA-LAR

Table 19 Borrower Distribution of HMDA Loans - 1996 Refinance - Originations					
Income Level	% of families in AA	# of Loans in AA	% of Total	Dollars (\$) of loans in AA	% of Total
Low-Income	18%	7	4%	218	2%
Moderate-Income	21%	35	21%	1,380	15%
Middle-Income	26%	52	30%	2,710	29%
Upper-Income	35%	71	42%	4,780	51%
N/A	0%	5	3%	228	3%
Total	100%	170	100%	9,316	100%

Source: 1996 Aggregate HMDA Disclosure

With respect to refinance loans, NBG's penetration to LMI borrowers is below the percentage of LMI families in the AA. In 1996, NBG's percentage of loans to LMI borrowers was above the percentage of the 14 other most active lenders (25% vs. 24%). NBG's percentage of refinance loans to low-income individuals increased in 1997, but declined to moderate-income individuals.

Table 20					
Borrower Distribution of HMDA Loans - 1/1/97-11/30/97					
Home Improvement					
Income Level	% of families in AA	# of Loans in AA	% of Total	Dollars (\$) of loans in AA	% of Total
Low-Income	18%	20	21%	111	19%
Moderate-Income	21%	23	24%	153	26%
Middle-Income	26%	34	35%	218	37%
Upper-Income	35%	19	20%	103	18%
N/A	0%	1	-	3	-
Total	100%	97	100%	588	100%

Source: 1997 HMDA-LAR

Table 21					
Borrower Distribution of HMDA Loans - 1996					
Home Improvement					
Income Level	% of families in AA	# of Loans in AA	% of Total	Dollars (\$) of loans in AA	% of Total
Low-Income	18%	10	8%	42	8%
Moderate-Income	21%	34	29%	147	27%
Middle-Income	26%	38	32%	160	29%
Upper-Income	35%	36	30%	183	34%
N/A	0%	1	1%	9	2%
Total	100%	119	100%	541	100%

Source: 1996 Aggregate HMDA Disclosure

NBG's percentage of home improvement borrowers increased in 1997 and is above the percentage of LMI families in the AA. In 1996, NBG's percentage of loans to LMI borrowers was well-above the 14 other most active lenders in terms of both number of loans originated (37% vs. 28%) and dollars originated (36% vs. 17%). The bank offers an unsecured home improvement product which helps meet the credit needs of LMI individuals in the bank's AA.

Community Development Lending

NBG's dollar level of *community development* lending is very high, given the size of the bank and demographics of the bank's AA. NBG originated one *community development loan*, totaling \$5 million in 1996. The dollar level of the loan is very significant, given the size of the bank. It is the largest loan in the bank's loan portfolio. The loan supported the construction of the Geneva Lakefront Hotel, which is located in a moderate geography, as well as an area targeted by New York State as an economic development zone (EDZ). The hotel has provided 70 new jobs and has helped to revitalize and stabilize downtown Geneva. The EDZ designation brings with it a wide range of tax credits for new employment and investment initiatives, as well as substantial property tax abatements and utility tax reductions.

Innovative or Flexible Lending Practices

NBG uses flexible lending practices to help address the credit needs of LMI individuals and small businesses and farms. The bank's flexible lending programs include:

City of Geneva Neighborhood Rehabilitation Program - The program was established in October, 1995 by the City of Geneva to provide financing to encourage improvements and rehabilitation of housing occupied by persons of LMI incomes. The program is funded by four participating banks, including NBG, each who have agreed to provide \$50,000 per year for three years for the program. The City of Geneva, through its Revolving Loan Fund, will contribute \$125,000 per year for three years as well. Owners of residential properties consisting of four units or less are eligible for a loan if the property is occupied or will be occupied by persons of LMI income, according to HUD requirements. Owner-occupants may be eligible if they have LMI incomes. The City Revolving Loan Fund will fund 40% of the loan at a 0% interest rate. The lending institution will fund the remaining 60% at either Prime less .5% for owner-occupied properties; or Prime plus .5% for investor properties. All rates will be determined and fixed at time of closing. The term of the loan will be five years, but can be increased to seven on a case-by-case basis. Each lender underwrites, closes, and services its own loans. To date, NBG has made one loan for \$20,000 under this program.

City of Geneva Downtown Revitalization Loan Program - The program was established in August, 1996 by the City of Geneva to provide financing to encourage the stabilization, expansion and development of business in downtown Geneva. The program is funded by three participating banks, including NBG, who have agreed to provide a loan pool of \$150,000. The City of Geneva, through its Revolving Loan Fund, will contribute \$150,000 as well. All commercial and retail businesses employing five or less employees within the Business Improvement District are eligible to apply for the program. Fifty percent of the loan is provided by a participating lender at a fixed rate of Prime less 1% and 50% of the loan is advanced by the Revolving Loan Fund at a fixed rate of 3%. The maximum loan amount is \$20,000 per business, loans must be secured, and the maximum term is five years. Each lender services its own loans. NBG has made seven loans under this program, and has two other applications pending.

City of Geneva Homeownership Assistance Program - The program was established in October,

1997 and is designed to encourage homeownership in the City, and to provide income-eligible and otherwise qualified persons the assistance needed to facilitate the purchase of existing homes. Assistance is in the form of a deferred payment loan whereby a second mortgage is financed by the City of Geneva for up to \$15,000 at a 3% interest rate for a term of up to 15 years. Repayment of the loan is deferred for a period of five years. The intent is to provide 100% financing of the home purchase. Participating lenders will provide first mortgages for homes to be purchased with flexible and advantageous loan terms. The program is limited to households with incomes below 80% of the area median income for their household size and will be available to home buyers that qualify for a mortgage with a participating lending institution. This is a new program and the bank has not closed any loans to date.

FMHA Guaranteed Rural Housing Loans - This government guaranteed program allows the bank to provide up to 102% financing of either new or existing homes in rural areas. Debt ratios are also more flexible. The program is limited to borrowers with an adjusted annual family income that does not exceed 115% of the median income for the area. In 1996 and 1997, the bank originated 8 loans using this program.

Bishop Sheen Grant - In conjunction with the FMHA Guaranteed Rural Housing Program, Bishop Sheen Ecumenical Housing Foundation provides \$25,000 grants in the form of a second mortgage to reduce the cost of a home for low-income individuals. The \$25,000 is forgiven entirely after 10 years. The grant targets individuals with incomes from 30%-80% of area median income in Ontario County. The bank began participating in this program in July, 1997 and has originated three loans using Bishop Sheen grants.

Keuka Housing Council Grant - This home buyer program will provide funds up to \$25,000 to assist a low-income family with the purchase of a home in Yates County. The funds will be used to bridge the gap between what the home buyer can afford in permanent financing and the cost of the home. The bank began participating in this program in February 1997 and has originated two loans using these grants.

NBG also demonstrates flexibility in helping to meet special needs of the community by offering several government funded or guaranteed loan programs. Using these programs helps the bank to provide long-term, fixed-rate financing and, in some cases more flexible loan terms, if the program guidelines are met. NBG uses the following programs:

- SBA Guaranteed Program
- Federal Housing Administration
- Farm Service Agency
- Farmers Home Business Program
- Farmers Home Rural Housing Program

Investment Test

NBG has an significant dollar level of *qualified investments*, given the size and financial capacity of the bank. The bank's qualified investments are considered complex, given the extensive role the bank played in the coordination of the purchase of the investments. NBG's qualified investments exhibit good responsiveness to credit and community economic development needs, based on the available opportunities in the bank's AA.

The bank's primary qualified investments are \$689,959 in low-income housing tax credits for South Main Manor, a 30 unit low-income housing project located in downtown Geneva. The \$689,959 consists of the \$607,709 value of the investment at the beginning of 1996, plus an additional \$82,250 in investments made in 1996 and 1997. The South Main Manor project involved the restoration of two buildings, one of which is classified as a historic building. The rehabilitation provided critically needed low-income housing to area residents and helped to revitalize and stabilize the City of Geneva, a moderate-income geography. The bank's involvement in the project, which included the investment in the tax credits, over \$1 million in construction financing, and placement of the permanent mortgage with one of its affiliate banks was critical in making this community development initiative a success. The bank played a leadership role in the organization of the financing for this project and worked extensively with the developer to obtain the tax credits. Management spent months working with the bank's accountant and lawyer to ensure the purchase and amortization of the tax credits were handled correctly.

NBG also made several small donations (totaling \$500-\$1,000) to community organizations which provide services that primarily benefit LMI individuals.

Service Test

Overall, NBG's services demonstrate:

- delivery systems, products, and services that are accessible to essentially all portions of its AA.
- a significant increase in the number of ATMs available to customers, including a new ATM in a moderate income geography.
- business hours that reasonably serve the AA, including moderate income geographies and LMI individuals.
- a relatively high level of community development services.

Retail Banking Services

NBG operates four full service branch offices, one limited service motor facility, and 12 ATMs in its AA. Eight of the ATM's are free standing facilities and four are located at branch locations. Two full service branches and the limited service facility are located in Geneva. There are also full service branches located in Canandaigua and Penn Yan. Table 22 shows a good distribution of branches in moderate- and middle-income geographies.

Table 22 Geographic Distribution of Branches					
Income Level	# of Branches	% of Total Branches	# of ATMs (free standing only)	% of Total ATMs	% of Geographies in AA
Moderate-Income	2*	40%	2	25%	10%
Middle-Income	3	60%	6	75%	82%
Upper-Income	0	0%	0	0%	8%
Total	5	100%	8	100%	100%

Source: Bank Public File

*One of the branches is a limited-service motor facility.

NBG's addition of an ATM improved the accessibility of its delivery systems in its AA, including to LMI individuals and moderate income geographies. The bank's stand alone ATM network increased from three to eight over the last two years. One of the new ATM's is in a moderate income census tract. The bank has not closed any branch offices.

Branch hours provide reasonable service in the bank's AA. All of the branches have drive-up or walk-up facilities that open at 8:30 AM on weekdays. Additionally, all of the branches are open until 6 PM on Fridays. NBG does close its Geneva Main Office Branch, in a moderate income geography, at 3 PM Monday-Wednesday and at 5:00 PM on Thursday. The walk-up window and loan office stay open until 5:00 PM on the days that the branch closes early. Additionally, the Motor Bank Facility, located in the same geography and a short walk from the Main Office Branch, is open until 5:30 PM, Monday-Wednesday, and 6:00 PM, Thursday. The other three full service branches are open until 5 PM Monday-Wednesday and 6 PM on Thursday.

Three branches have Saturday morning hours. Although the 2 branches in the moderate-income geography do not have Saturday morning hours, this geography is reasonably served by the Geneva Plaza Office, located approximately 1 mile from the Main Office Branch. Bank management explained that it was the first bank to begin offering Saturday morning hours in its AA. Prior to opening the Geneva Plaza Office on Saturday mornings, management evaluated service needs and determined that the Geneva Plaza Office branch would be the most convenient branch for all segments of the Geneva community, including LMI individuals. This is because it is located adjacent to the major supermarkets and shopping areas of the town. The Plaza Office is easily accessible from downtown Geneva via public bus transportation.

NBG offers a wide variety of products and services at all its full service branches. Examples of the types of products offered include savings/checking accounts, individual retirement accounts,

commercial and agricultural loans, mortgage and home equity loans, personal loans, student loans, credit cards, and wire services.

NBG offers all customers access to the following alternative delivery services:

- ATM cards - Gives customers 24 hour access to their accounts at all NYCE, Cirrus, and Pulse ATM machines throughout the United States.
- X-Press Banking - 24 hour banking by phone at no cost. Service includes customer service assistance, account information, rate and product information, fund transfers, and loan payments.
- Business X-Press Banking - banking by computer for businesses. This service provides an easy and convenient way for businesses to have and use several banking services directly from a personal computer.
- banking by mail - deposits and payments by mail.

Community Development Services

NBG provides a relatively high level of *community development services*. These services help to meet the financial service needs of the community, and provide community members (especially low-and moderate-income individuals) with information, education and counseling regarding credit and financial services. Below are the community development services provided by the bank:

Seminars - NBG participated in a local Small Business Startup seminar in September, 1996. A bank representative presented the topic "bank credit". The seminar was sponsored by the Geneseo Small Business Development Center.

Affordable Housing Activities - Representatives from the bank participated in the City of Geneva's Homeownership Assistance Program Open House in October, 1997. The open house was advertised in local papers and was organized to help educate community members on the qualifications and benefits of the program. (See flexible and innovative loan products for a description of the program). As part of the promotion, the bank is offering a \$100 fee credit to applicants who apply for a mortgage in conjunction with this program through May 1, 1998.

Participation in Local Government and Nonprofit Organizations - Bank employees represent the bank as board or committee members and provide technical assistance on financial matters for various organizations serving low-and moderate-income housing or economic revitalization and development needs. These organizations include the City of Geneva New Horizon Fair Housing, City of Geneva Revolving Loan Committee, Jobs for Geneva, Inc., Community Development Block Grant Committee, Seneca County Industrial Development Authority Loan Review Committee, Rochester/Finger Lakes Regional Development Corp. Loan Review Committee, Geneva/Finger Lakes Regional Planning Council Loan Review Committee, Ontario County Industrial Development

Authority Revolving Loan Committee, and Geneva Community Projects.

Participation in Community Development Organizations - Bank employees provide technical assistance on financial matters by serving in capacities such as treasurer or on financial committees of various organizations which target services to low-or moderate-income individuals or revitalize and stabilize moderate-income geographies. Examples of these activities include Ontario Day Care Center (child care services for low-income residents at reduced cost based on income) and Clinton Crest Manor (adult care for low-income residents at reduced cost based on income).

Family Budget Counseling - The bank's CRA officer is a committee member of the Cornell Cooperative Extension, an organization which provides family budget counseling for low-income individuals. The organization states that 90% of low-income family members have reduced their credit use and 86% are in a better financial situation as a result of participating in a credit education program. Currently, the bank is helping to market "Money 2000", a savings program designed to help individuals save \$2000 (or smaller predetermined goal) by December 31, 2000.

The bank also periodically participates in local college fairs. Bank employees provide student loan pamphlets and answer questions about the financing of a college education.

Checking Services - a lower-cost checking account is available for individuals with low transaction activity (8 checks per month, unlimited ATM withdrawals). There is no minimum balance requirement for this account and the customer is charged a flat monthly maintenance fee of \$3. This product was designed to help meet the needs of low-and moderate-income individuals.

Fair Lending Review

No violations of the substantive provisions of the antidiscrimination laws and regulations were identified.

Rochester MSA (6840)

NBG's performance in this MSA is consistent with its performance in its overall AA.

Description of the Institution's Operations

The MSA houses the majority of the bank's operations, including the bank's Main Office and all but one branch office.

Description of the Rochester MSA

NBG operates in only one of the six counties (Ontario) comprising this MSA. The largest county in the MSA is Monroe County, which includes the City of Rochester. The census median family income of the MSA is \$40,519 and the median family income is \$47,200. The leading employers in the area are from the manufacturing, service, government, hospital, education, and retail sectors. The unemployment rate for the MSA was 4.7% in January 1998, slightly below the 5.2% national unemployment average, and significantly below the 6.6% average for New York State. Despite the good unemployment statistic, the Greater Rochester area has lost and continues to lose manufacturing jobs, as large employers such as Eastman Kodak and Bausch and Lomb continue major downsizing activities. Ontario County contains only 9% of the 1.1 million population of the MSA.

Lending Test

Slightly more than half of the bank's lending is done in this MSA. The following table shows the representation of the various loan products discussed within this report. Small farm loans are the only type of loan where the bank did not make at least 50% of the overall number of loans within this MSA. This is a reasonable situation, considering that many of the farms are located in the more rural nonmetropolitan AA.

Loan Products	#	%	\$	%
Home Purchase	61	60	4,561	68
Refinances	78	58	4,145	61
Home Improvement	49	51	287	49
Small Business	323	61	14,541	51
Small Farm	162	35	8,287	42
Total	673	51	31,821	51

Geographic Distribution of Loans

All loans made to moderate income geographies are made within this MSA. The MSA encompasses all moderate tracts the bank includes in its two AAs. There are no low income tracts in any of the bank's AAs. Please refer to the Geographic Distribution of Loans section earlier in this report for further information.

Borrower Characteristics

NBG distribution of loans to low and moderate income individuals and small businesses and small farms in this MSA was consistent with its performance in its overall AA. Over the two year period of this evaluation, this MSA accounted for 72% of the bank's number of HMDA loans made to low income borrowers, and 56% of the number of loans made to moderate income borrowers. This is a reasonable distribution since the majority of the bank's low and moderate income families reside in this MSA. Sixty-three percent of the population of the bank's overall AA reside here. The distribution of families by income for this MSA is identical for low income (18%) and slightly higher for moderate income (22% vs. 21%) compared to the overall AA.

NBG made a substantial number of small business and small farm loans for \$100,000 or less in this MSA. Ninety-three percent of the loans made to small businesses, and 88% of the loans made to small farms were for less than \$100,000.

The percentage of loans made to small size businesses and farms was also very high. Seventy-nine percent of the business loans for less than \$1 million were made to businesses with annual revenues of \$1 million or less. Ninety-one percent of the farm loans for less than \$500 thousand were made to farms with annual revenues of \$1 million or less.

Community Development Lending

NBG's \$5 million community development loan made to the Geneva Lakefront Hotel, is located in this MSA. Please refer to the Community Development Lending comment appearing earlier in this report for further details.

Innovative or Flexible Lending Practices

NBG offers all of the flexible lending programs discussed earlier in this report in this MSA, except for the Keuka Housing Council Grant. This program is offered only in Yates County, the county the program is affiliated with.

Investment Test

Nearly 100% of the bank's qualified investment activity occurred in this MSA. This is attributed mainly to the low-income housing tax credit associated with the South Main Manor housing project discussed earlier under the Investment Test section of this report.

Service Test

The majority of the bank's operations are located within this MSA. All services mentioned earlier under the Service Test, including community development services are provided here. All but one of the bank's branch facilities are located in this MSA. Three of the eight free standing ATMs are located here, along with three ATMs located at branch facilities. Please refer to the Service Test comment appearing earlier in this report for further details.

Appendix

Scope of Examination

The table below lists the scope of the examination. Specifically, it lists the lending products reviewed, NBG’s branches visited, and the time period covered in the review.

Scope of Examination			
Time Period Reviewed	1996 and 1/1/97-11/30/97		
Financial institution National Bank of Geneva, Geneva, NY	Products Reviewed Real Estate Loans reported on HMDA LAR, Small business and Small farm, loans.		
List of Assessment Areas and Type of Examination			
Assessment Areas	Type of Exam	Branches Visited	Other Information
1. Ontario County - Rochester MSA 2. Seneca, and Yates Counties, NY	On-site	Main Office, Canandaigua Office	See “Description of Assessment Area”

Definitions

Low-Income means an individual income that is less than 50% of the area median income, or a median family income (MFI) that is less than 50%, in the case of a geography.

Moderate-Income means an individual income that is at least 50% and less than 80% of the area median income, or a MFI that is at least 50% and less than 80%, in the case of a geography.

Middle-Income means an individual income that is at least 80% and less than 120% of the area median income, or a MFI that is at least 80% and less than 120%, in the case of a geography.

Upper-Income means an individual income that is 120% or more of the area median income, or a MFI that is 120% or more, in the case of a geography.

Geography means a census tract or block numbering area.

HMDA loan means “home improvement loan”, “refinance loan” or “home purchase loan”.

Home purchase loan means any loan secured by and made for the purpose of purchasing a dwelling.

Home improvement loan means any loan that is for the purpose of repairing, rehabilitating, remodeling, or improving a dwelling or the real property on which it is located.

Refinance loan means any loan in which the existing obligation, involving either a home purchase or a home improvement loan, that is satisfied and replaced by a new obligation.

Community development means affordable housing and community services targeted to LMI individuals, activities that promote economic development by financing small businesses or farms, and activities that revitalize or stabilize LMI geographies.

Community development loan means a loan that has its primary purpose in community development, benefits the AA, and has not been reported or collected by the bank for consideration as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling.

Qualified investment means a lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Community development service means a service that has its primary purpose in community development, is related to the provision of financial services, and has not been considered in the evaluation of the bank’s retail banking services.