



**NEW YORK STATE BANKING DEPARTMENT
CONSUMER SERVICES DIVISION
One State Street
New York, NY 10004**

PUBLIC SUMMARY

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Date of Evaluation: December 31, 2003

Institution: Riverside Bank
11-13 Garden Street
Poughkeepsie, NY 12601

Note: This evaluation is not an assessment of the financial condition of this institution. The rating assigned does not represent an analysis, conclusion or opinion of the New York State Banking Department concerning the safety and soundness of this financial institution.

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GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (“CRA”) performance of Riverside Bank (“Riverside”) prepared by the New York State Banking Department. The evaluation represents the Banking Department’s current assessment and rating of the institution’s CRA performance based on an evaluation conducted as of December 31, 2003.

Section 28-b of the New York State Banking Law, as amended, requires that when evaluating certain applications, the Superintendent of Banks shall assess a banking institution’s record of helping to meet the credit needs of its entire community, including low- and moderate-income (“LMI”) areas, consistent with safe and sound operations.

Part 76 of the General Regulations of the Banking Board implements Section 28-b and further requires that the Banking Department assess the CRA performance records of regulated financial institutions. Part 76 establishes the framework and criteria by which the Department will evaluate the performance. Section 76.5 further provides that the Banking Department will prepare a written report summarizing the results of such assessment and will assign to each institution a numerical CRA rating based on a 1 to 4 scoring system. The numerical scores represent an assessment of CRA performance as follows:

- (1) outstanding record of meeting community credit needs;
- (2) satisfactory record of meeting community credit needs;
- (3) needs to improve record of meeting community credit needs; and
- (4) substantial noncompliance in meeting community credit needs.

Section 76.5 further requires that the CRA rating and the written summary (“Evaluation”) be made available to the public. Evaluations of small banking institutions are primarily based on a review of performance tests and standards described in Section 76.7 and detailed in Section 76.12 of the regulation. The tests and standards incorporate the 12 assessment factors contained in Section 28-b of the New York State Banking Law.

For an explanation of technical terms used in this report, please consult the **GLOSSARY** at the back of this document.

OVERVIEW OF INSTITUTION'S PERFORMANCE

Riverside is rated "2", indicating a satisfactory record of helping to meet the credit needs of its community. This rating is based on the following factors:

- ***Loan-to-Deposit ("LTD") Ratio:*** In light of its size, financial condition and the credit needs of the assessment area, Riverside's LTD ratio is reasonable. Riverside's average LTD ratio was 63.0% for the eight consecutive quarters ended December 31, 2003. While this ratio is well below the bank's peer group ratio of 75.9%, it shows significant improvement over Riverside's average ratio of 52.4% at the previous evaluation.
- ***Assessment Area Concentration:*** A substantial majority of Riverside's small business loans were extended within the assessment area. During the evaluation period, approximately 92% of Riverside's 630 small business loan originations fell inside the assessment area. Based on dollar volume, almost 90% of Riverside's small business lending fell inside the assessment area.
- ***Geographic Distribution of Loans:*** The geographic distribution of Riverside's small business loans reflects excellent dispersion throughout the assessment area.
 - In 2002, the bank originated 84 small business loans, totaling \$9.3 million, in LMI areas. Riverside's LMI-area penetration ratio based on number of loans (31%) was somewhat lower than the 34.2% ratio achieved by the bank in 2001; however, Riverside's 2002 penetration ratio based on dollar volume (27.6%) was higher than the 24.4% ratio achieved in 2001.
 - In 2003, the bank originated 84 small business loans, totaling \$15 million, in LMI areas. Between 2002 and 2003, Riverside's LMI area penetration ratio declined from 31% to 27.4% based on number of loans, but was stable at approximately 28% based on dollar volume.
- ***Distribution by Borrower Characteristics:*** Riverside achieved a reasonable distribution of loans among businesses of different sizes. In 2002, 70.1% of Riverside's small business loans were extended to businesses with gross annual revenues of \$1 million or less. In 2003, this ratio decreased to 63.8%.
- Neither Riverside nor the New York State Banking Department received any complaints regarding Riverside's CRA performance during the evaluation period.

This evaluation was conducted based on a review of the 12 assessment factors set forth in Section 28-b of the New York State Banking Law and the requirements of Part 76 of the General Regulations of the Banking Board.

PERFORMANCE CONTEXT

Institution's Profile:

Founded in 1988, Riverside Bank is a publicly owned, New York State-chartered commercial bank based in Poughkeepsie. Riverside focuses servicing on professionals and small to midsize businesses, but also serves individuals. The bank operates four full-service banking offices, including three offices in Dutchess County -- two in Poughkeepsie and one in Fishkill -- and an office in Orange County in Newburgh.

Riverside's main office in Poughkeepsie is located in a low-income area, while all three of its branch offices are located in middle-income areas. Riverside does not maintain any onsite automated teller machines ("ATMs"), nor does it participate in any governmentally guaranteed or sponsored loan programs.

On its year-end Call Report for 2003, Riverside reported total assets of \$117.5 million, including \$72.4 million in net loans. The bank also reported total deposits of \$108.9 million, resulting in a loan-to-deposit (LTD) ratio of 66.5%. According to deposit data published by the FDIC and reported as of June 30, 2003, approximately 84% of Riverside's total deposits come from customers located in Dutchess County.

The bank is primarily a commercial lender, with approximately 78% of its total loan portfolio in commercial and industrial loans and commercial mortgages. Another major lending category is construction, land development and land loans, which accounted for 13.5% of Riverside's portfolio.

The following table provides a summary of Riverside's loan portfolio based on the bank's year-end Call Reports for 2001, 2002, and 2003:

TOTAL GROSS LOANS OUTSTANDING (dollars in thousands)						
LOAN TYPE	2001		2002		2003	
	\$	%	\$	%	\$	%
Commercial & Industrial Loans	24,755	57.6	28,923	51.2	41,453	56.4
Commercial Mortgage Loans	7,813	18.2	14,055	24.9	16,041	21.8
Construction, Land Development and Land Loans	5,932	13.8	7,714	13.6	9,893	13.5
Other Consumer Loans (installment, single payment)	2,333	5.4	1,823	3.2	2,038	2.8
Revolving Open-End Loans & LOCs (secured by 1-4 family)	1,014	2.4	1,703	3.0	1,981	2.7
Secured by Multifamily Residential Properties	734	1.7	1,479	2.6	1,474	2.0
Other Loans	276	0.6	680	1.2	484	0.7
Consumer Loans Under Revolving Credits	151	0.4	136	0.2	142	0.2
Credit Cards	0	0.0	0	0.0	2	0.0
Total Gross Loans	43,008	100.0	56,513	100.0	73,508	100.0

The bank's loan portfolio has grown significantly between December 31, 2001 and December 31, 2003. Total gross loans increased by 31.4% between year-end 2001 and year-end 2002, and by 30.1% between year-end 2002 and year-end 2003. Overall, Riverside's loan portfolio increased 70.9% during the evaluation period.

Riverside offers the following types of credit:

- Corporate business loans
- Retail installment loans
- Open-end credit
- Commercial mortgages
- Residential construction loans

At its prior CRA performance evaluation, conducted by the New York State Banking Department as of December 31, 2001, Riverside received a rating of “2”, indicating a satisfactory record of helping to meet the credit needs of its assessment area.

There are no known financial or legal impediments that adversely impacted the bank’s ability to meet the credit needs of its community.

Assessment Area:

At the previous evaluation, the bank’s assessment area only included portions of Dutchess, Orange and Ulster counties. During the evaluation period, Riverside changed its assessment area to incorporate Dutchess County in its entirety. As a result, the assessment area now encompasses all of Dutchess County, the southern portion of Orange County and the eastern portion of Ulster County. According to updated data from the 2000 U.S. Census, Riverside’s assessment area now encompasses 96 census tracts, including 19 (19.8%) LMI tracts, 56 (58.3%) middle-income tracts, 19 (19.8%) upper-income tracts, and two (2.1%) zero-income tracts.

The following table summarizes the distribution of census tracts within Riverside’s assessment area:

Distribution of Assessment Area Census Tracts by Geography Income Level							
	Zero	Low	Moderate	Middle	Upper	Total	LMI %
Census Tracts	2	7	12	56	19	96	19.8
%	2.1	7.3	12.5	58.3	19.8	100.0	

The assessment area appears reasonable based upon the location of Riverside’s offices and its lending patterns. There is no evidence that LMI areas have been arbitrarily excluded from the assessment area.

Assessment Area Demographics

Population: According to data from the 2000 U.S. Census, Riverside’s assessment area has a total population of 426.9 thousand. Residents over the age of 15 comprised 77.1% of the area’s population, while residents 65 years of age and older constituted 11.7% of the population. Unemployed labor accounted for 2.8% of the population.

Income: The assessment area includes approximately 106 thousand families, of which 18.1% were low-income, 18.1% moderate-income, 23.9% middle-income and 39.9% upper-income. Nine percent of all families live below the poverty level. Of the 38.4 thousand LMI families living in the assessment area, 27.3% lived in LMI areas.

According to the U.S. Department of Housing and Urban Development (“HUD”), the 2003 estimated median family income for the assessment area was \$64.6 thousand.

Housing: As of the 2000 Census, there were 161.4 thousand housing units within the assessment area. Approximately 63% of these units were owner-occupied, while 33% were rental units. Of all owner-occupied housing units in the assessment area, 1.8% were located in low-income areas, 7% in moderate-income areas, 64.4% in middle-income areas and 26.9% in upper-income areas.

Approximately 83% of all housing units were in one- to four-family buildings, 12% were in multifamily buildings, and 4% were mobile homes or trailers.

Six percent of all housing units were vacant.

Business: According to business demographic data for 2003, the assessment area contains 27,794 businesses. Approximately 67% of these businesses reported revenues of \$1 million or less, while 5% reported revenues greater than \$1 million and 27.9% did not report their revenues. Approximately 79% of all businesses in the assessment area reported having 50 or fewer employees and 87.8% operated from a single location.

Dutchess County: The Dutchess County portion of Riverside’s assessment area contains:

- Two-thirds of the assessment area’s total population
- Almost two-thirds of the assessment area’s LMI families
- 74% of the LMI tracts in the assessment area.

As a final note, the 2003 estimated median family income for Dutchess County (\$67.8 thousand) is higher than the median family income for the broader assessment area (\$64.6 thousand).

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

Riverside's performance was evaluated according to the small bank performance criteria, which include the following: (1) Loan-to-Deposit Ratio and Other Lending-Related Activities, (2) Assessment Area Concentration, (3) Geographic Distribution of Loans, (4) Distribution by Borrower Characteristics and (5) Action Taken in Response to Written Complaints Regarding CRA.

The evaluation period covers calendar years 2002 and 2003. The demographic data referenced in this evaluation were obtained from the 1990 and 2000 U. S. Censuses. Updated median family income figures were obtained from HUD.

Riverside is primarily a small business lender. HMDA-reportable loans represent only a small percentage of all loans generated by the bank. Consequently, examiners only considered small business loans in evaluating factors (2), (3) and (4) noted above.

- **Loan-to-Deposit Ratio (LTD) Analysis: "Satisfactory"**

Riverside's LTD ratio is reasonable considering the bank's size, financial condition and the credit needs of its assessment area.

The bank's average LTD ratio was 63.0% for the eight quarters ended December 31, 2003, which is almost 13 percentage points lower than the average LTD ratio for the bank's peer group (75.9%). Nonetheless, the bank's average LTD ratio has increased by 10.6 percentage points since the prior evaluation (52.4%), and the bank has been able to narrow the gap with its peer group by approximately 7 percentage points.

Riverside's peer group is defined as "insured commercial banks with assets between \$100 million and \$300 million". The peer group's LTD ratios were calculated from information shown in the Uniform Bank Performance Report ("UBPR") prepared by the Federal Deposit Insurance Corporation ("FDIC").

The following table shows quarterly LTD ratios for the bank and its peer group since the previous evaluation:

Loan-to-Deposit Ratios									
	2002 (Q1)	2002 (Q2)	2002 (Q3)	2002 (Q4)	2003 (Q1)	2003 (Q2)	2003 (Q3)	2003 (Q4)	Average
Bank	66.16	66.18	63.08	62.60	64.67	56.76	58.22	66.47	63.02
Peer	75.22	75.59	75.13	74.62	72.75	77.29	77.92	78.91	75.93

- **Assessment Area Concentration: “Outstanding”**

The bank originated a substantial majority of its small business loans within the assessment area.

During the evaluation period, the bank extended 91.8% of the number and 89.3% of the dollar volume of its small business loans within the assessment area.

The following table depicts the bank’s lending inside and outside the assessment area:

Distribution of Small Business Loans Inside and Outside of the Assessment Area										
Year	Number of Loans					Loans in Dollars (in thousands)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
2002	271	90.9	27	9.1	298	33,794	85.8	5,575	14.2	39,369
2003	307	92.5	25	7.5	332	53,352	91.7	4,821	8.3	58,173
Total	578	91.7	52	8.3	630	87,146	89.3	10,396	10.7	97,542

In 2002, 90.9% of Riverside’s small business loan originations fell within the bank’s assessment area; based on dollar volume, the ratio was 85.8%. In 2003, Riverside increased its assessment area concentration for small business lending to 92.5% based on number of loans, and to 91.7% based on dollar volume.

- **Geographic Distribution of Loans: “Outstanding”**

Riverside’s small business lending reflects excellent geographic distribution throughout the assessment area. In both years of the evaluation period, the percentage of Riverside’s total small business lending that fell within LMI areas exceeded the percentage of all businesses located in LMI geographies (19%) within the assessment area.

The following table illustrates the geographic distribution of Riverside’s small business loan originations within the assessment area during the evaluation period:

Distribution of Small Business Loans by Geography Income Level								
Geography Income Level	2002				2003			
	#	%	\$(000's)	%	#	%	\$(000's)	%
Low	35	12.9	3,196	9.5	39	12.7	6,069	11.4
Moderate	49	18.1	6,131	18.1	45	14.7	8,925	16.7
Middle	138	50.9	17,128	50.7	155	50.5	27,021	50.6
Upper	49	18.1	7,339	21.7	68	22.1	11,337	21.2
Total	271	100.0	33,794	100.0	307	100.0	53,352	100.0

In 2002, the bank originated 84 (31.0%) small business loans, totaling \$9.3 million (27.6%), in LMI areas. Compared to its performance in 2001, Riverside’s LMI area penetration ratios for 2002 were mixed. LMI-area loans fell slightly from 34.2% to 31.0% of total lending based on number of loans, but increased from 24.4% to 27.6% of total lending based on dollar volume.

During 2003, Riverside's level of small business lending inside the assessment area increased by 13.3% based on number of loans and 57.9% based on dollar volume. At the same time, the number of LMI-area originations remained steady at 84 loans, causing Riverside's LMI penetration ratio based on number of loans to fall by 3.6 percentage points.

Even so, Riverside's dollar volume of LMI-area loans increased sufficiently to keep the bank's LMI penetration ratio based on dollar volume steady at approximately 28%.

- **Distribution by Borrower Characteristics: "Satisfactory"**

The distribution of the bank's loans among businesses of different sizes is reasonable. The following table stratifies Riverside's small business lending activity based on the gross annual revenues of the borrower:

Distribution of Small Business Loans by Business Revenue Size								
Revenue Size	2002				2003			
	#	%	\$(000's)	%	#	%	\$(000's)	%
\$1million or less	190	70.11	19,930	58.97	196	63.84	33,125	62.09
Over \$1 million	80	29.52	13,834	40.94	71	23.13	15,816	29.64
No Revenue Info	1	0.37	30	0.09	40	13.03	4,411	8.27
Total	271	100.00	33,794	100.00	307	100.00	53,352	100.00

In 2002, of the 271 loans originated by Riverside within the assessment area, 190 loans (70.1%) totaling \$19.9 million (59%) were extended to businesses with gross annual revenues of \$1 million or less. In 2003, Riverside's distribution of loans to businesses in this revenue category was 196 (63.8%) out of 307 loans. According to business demographic data for 2002 and 2003, 73.1% and 66.4%, respectively, of all non-farm businesses in the assessment area reported gross annual revenues of \$1 million or less.

- **Action Taken In Response to Written Complaints With Respect to CRA**

Since the prior CRA evaluation, conducted as of December 31, 2001, neither Riverside nor the New York State Banking Department has received any written complaints regarding the bank's CRA performance.

- **Discrimination and other Illegal Practices**

Any practices intended to discourage applications for types of credit set forth in the banking institution's CRA Public File.

Examiners noted no practices that were intended to discourage applications for the types of credit offered by the institution.

Evidence of prohibited discriminatory or other illegal credit practices.

The most recent regulatory compliance and fair lending examinations of Riverside were conducted concurrently with this evaluation and indicated satisfactory adherence to anti-discrimination and other applicable laws and regulations. No evidence of prohibited discriminatory or other illegal credit practices was noted.

- **Process Factors**

Activities conducted by the banking institution to ascertain the credit needs of its community, including the extent of the banking institution's efforts to communicate with members of its community regarding the credit services being provided by the banking institution.

The bank ascertains the credit needs of its assessment area mainly through the community involvement of its officers, directors and advisors. There is an ongoing effort to become acquainted with people in local organizations that are concerned with community development and/or serve the needs of LMI individuals.

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

In addition to its personal outreach efforts, Riverside regularly advertises in local newspapers to make the community aware of its products and services.

The extent of participation by the banking institution's board of directors/trustees in formulating the banking institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act.

The board of directors takes an active role in formulating the bank's CRA policies. Riverside's CRA statement is reviewed annually to determine if any change is required. The board also has appointed a CRA Officer, who is responsible for administering the bank's technical CRA compliance and performance programs. The CRA Officer reports to management and the board on a quarterly basis. All employees are required to cooperate with and support the CRA program.

- **Other Factors**

Other factors that in the judgment of the Superintendent and Banking Board bear upon the extent to which a banking institution is helping to meet the credit needs of its entire community.

None noted.

GLOSSARY

Aggregate

The cumulative lending by all HMDA-reporting lenders in the same geographic area under evaluation.

Community Development

The term “community development” is defined to mean:

1. Affordable housing (including multifamily housing) for low- or moderate-income (“LMI”) individuals;
2. Community services targeted to LMI individuals;
3. Activities that promote economic development by financing business or farms that meet the size eligibility standards of the United States Small Business Administration (“SBA”) Development Company or Small Business Investment Company programs, or have gross annual incomes of \$1 million or less;
4. Activities that revitalize or stabilize LMI geographies; and
5. Activities that seek to prevent defaults and/or foreclosures in loans included in (1) and (3), above.

A “community development loan” is defined as a loan that has as its *primary purpose* community development. This includes but is not limited to loans to:

- Borrowers for affordable housing rehabilitation and construction, including construction and permanent financing for multifamily rental property serving low or moderate income (“LMI”) persons;
- Nonprofit organizations serving primarily LMI or other community development needs;
- Borrowers to construct or rehabilitate community facilities that are located in LMI areas or that primarily serve LMI individuals;
- Financial intermediaries including community development financial institutions, community development corporations, minority- and women-owned financial institutions, community loan funds or pools, micro-finance institutions, and low-income or community development credit unions that primarily lend or facilitate lending to promote community development;
- Local, state and tribal governments for community development activities; and
- Borrowers to finance environmental clean up or redevelopment of an industrial site as part of an effort to revitalize the LMI community in which the property is located.

A “qualified investment” is defined as a lawful investment, deposit, membership share or grant that has as its *primary purpose* community development. This includes but is not limited to investments, deposits, membership shares or grants in or to:

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- Financial intermediaries (including community development financial institutions, community development corporations, minority- and women-owned financial institutions, community loan funds, micro-finance institutions and low-income or community development credit unions) that primarily lend or facilitate lending in LMI areas or to LMI individuals in order to promote community development;
 - Organizations engaged in affordable housing rehabilitation and construction;
 - Organizations, including, for example, small business investment corporations that promote economic development by financing small businesses;
 - Facilities that promote community development in LMI areas or LMI individuals, such as youth programs, homeless centers, soup kitchens, health care facilities, battered women's centers, and alcohol and drug recovery centers;
 - Projects eligible for low-income housing tax credits;
 - State and municipal obligations, such as revenue bonds that specifically support affordable housing or other community development needs;
 - Organizations serving LMI housing or other community development needs, such as counseling for credit, home ownership, home maintenance, and other financial services education; and
 - Organizations supporting activities essential to the capacity of LMI individuals or geographies to utilize credit to sustain economic development, such as day care operations and job training programs that facilitate access to permanent jobs.

A "community development service" is defined as a service that has as its *primary purpose* community development, is related to the provision of financial services, and has not been considered in the evaluation of the banking institution's retail banking services. This includes but is not limited to:

- Providing technical assistance on financial matters to nonprofit, tribal or government organizations serving LMI housing or economic revitalization and development needs;
- Providing technical assistance on financial matters to small businesses or community development organizations;
- Lending employees to provide financial services for organizations facilitating affordable housing construction and rehabilitation or development of affordable housing;
- Providing credit counseling, home buyers and home maintenance counseling, financial planning or other financial services education to promote community development and affordable housing;
- Establishing school savings programs for LMI individuals;
- Providing seminars for LMI persons on banking and bank account record-keeping;
- Making ATM "Training Machines" available for extended periods at LMI community sites or at community facilities that serve LMI individuals; and
- Technical assistance activities to community development organizations such as:
 - ❖ Serving on a loan review committee;
 - ❖ Developing loan application and underwriting standards;
 - ❖ Developing loan processing systems;

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- ❖ Developing secondary market vehicles or programs;
 - ❖ Assisting in marketing financial services, including the development of advertising and promotions, publications, workshops and conferences;
 - ❖ Furnishing financial services training for staff and management;
 - ❖ Contributing accounting/bookkeeping services; and
 - ❖ Assisting in fund raising, including soliciting or arranging investments.

Home Mortgage Disclosure Act (“HMDA”)

The Home Mortgage Disclosure Act, enacted by Congress in 1975, and subsequently amended, requires institutions to annually report data about applications for residential (including multifamily) financing.

Loans to Small Businesses

Small business loans to businesses with gross annual revenues of \$1 million or less.

Low or Moderate Income (“LMI”) Geographies

Those census tracts or block numbering areas (“BNAs”), where according to the 1990 US Census, the median family income is less than 80% of the area median family income. In the case of tracted areas that are part of a Metropolitan Statistical Area (“MSA”) or Primary Metropolitan Statistical Area (“PMSA”), this would relate to the median family income for the MSA or PMSA in which the tracts are located. In the case of BNAs and tracted areas that are not part of a MSA or PMSA, the area median family income would be the statewide non-metropolitan median family income.

LMI Borrowers

Borrowers whose income, as reported on the loan application which the lender relied upon in making the credit decision, is less than 80% of the area median family income. In the case where the residential property is located in a MSA or PMSA, this would relate to the median family income for that MSA or PMSA. Otherwise, the area median family income would be the statewide non-metropolitan median family income. In all instances, the area median family incomes used to measure borrower income levels are updated annually by the U.S. Department of Housing and Urban Development (“HUD”).

LMI Individuals/Persons

Those individuals, whose income is less than 80% of the area median family income. In the case where the individual resides in a MSA or PMSA, this would relate to the median family income for that MSA or PMSA. Otherwise, the area median family income would be the statewide non-metropolitan median family income. In all instances, the area median family incomes used to measure individual income levels are updated annually by HUD.

LMI Penetration Rate

A number that depicts the percentage of a bank's total loans (for a particular product) that was extended to LMI geographies or borrowers. For example, an LMI penetration rate of 20% would indicate that the bank made 20 out of a total of 100 loans to LMI geographies or borrowers.

Small Business Loans

Loans to businesses with original amounts of \$1 million or less.