



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

PUBLIC SUMMARY

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Date of Evaluation: December 31, 2004

Institution: Rhinebeck Savings Bank
2 Jefferson Plaza
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 Rhinebeck Savings Bank (“RSB”) 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, 2004.

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 an institution’s 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 Sections 76.7 and detailed in Section 76.12. These 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

Rhinebeck Savings Bank's rating is "2," reflecting a "Satisfactory" record of addressing local credit needs. This rating is based on the following factors:

I. Lending Test: "Satisfactory"

- RSB's Loan-To-Deposit ("LTD") ratio is more than reasonable in light of the bank's size, financial condition and the credit needs of its assessment area. The bank's average LTD ratio for the eight consecutive quarters ending December 31, 2004, was 83.4%, which is above the average of 80.4% for the bank's peer group.
- RSB originated a substantial majority of its HMDA-reportable and small business loans within the assessment area. During the evaluation period, the bank originated 79.2% of its total HMDA-reportable and small business loans within the assessment area. During the previous evaluation period, the bank's assessment concentration ratio was 84.9%.
- RSB's geographic distribution of its HMDA-reportable and small business loans reflects a reasonable dispersion among census tracts of different income levels. While the bank's LMI penetration rates for its HMDA-reportable and small business loans have improved during the evaluation period, they remain below the aggregate's LMI penetration rates.
- RSB's loan distribution based on borrower characteristics reflects an excellent penetration among individuals of different income levels and businesses of different revenue sizes. During the evaluation period, the bank's performance far exceeded the market aggregate in terms of the percentage of HMDA-reportable loans granted to LMI borrowers and the percentage of small business loans extended to borrowers with gross annual revenues of \$1 million or less.

II. Community Development Test: "Satisfactory"

RSB's community development activities demonstrate adequate responsiveness to the assessment area's community development needs. During the evaluation period, RSB amassed community development loans and investments totaling \$1.1 million and provided a high level of community development services.

Neither the bank nor the New York State Banking Department received any complaints with respect to RSB'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 Part 76 of the General Regulations of the Banking Board.

PERFORMANCE CONTEXT

Institution Profile

Rhinebeck Savings Bank ("RSB") was chartered in 1860 and is a mutual savings bank located in Poughkeepsie, New York, within Dutchess County.

According to its Call Report for December 31, 2004, RSB holds total assets of \$382.7 million, including \$295.7 million in net loans and leases. As of the same date, RSB held deposits totaling \$319.2 million, resulting in a loan-to-deposit ratio of 92.6%.

According to the FDIC's 2004 Deposit Market Share Report (compiled as of June 30, 2004), RSB ranks seventh out of 20 deposit-taking institutions in the assessment area. As of the report's compilation date, RSB held a market share of 7.3% based on deposits of \$320.7 million within a market of \$4.4 billion in deposits.

The following table summarizes RSB's year-end loan portfolio for calendar years 2002 through 2004 based on Schedule RC-C of the bank's December 31st Call Reports:

TOTAL LOANS OUTSTANDING (\$ in Thousands)						
LOAN TYPE	2002		2003		2004	
	\$	%	\$	%	\$	%
1-4 Residential Mortgage Loans	56,292	24.1	60,303	23.3	68,395	22.9
Commercial & Industrial Loans	14,801	6.3	17,876	6.9	25,172	8.4
Commercial Mortgage Loans	59,808	25.6	69,513	26.8	85,821	28.8
Multifamily Mortgages	6,778	2.9	5,814	2.2	4,904	1.6
Consumer Loans	92,873	39.7	97,513	37.6	102,779	34.4
Agricultural Loans	0	0.0	59	0.0	803	0.3
Construction Loans	3,115	1.3	7,868	3.0	10,531	3.5
Obligations of states & municipalities	116	0.0	79	0.0	52	0.0
Total Loans	233,783	100.0	259,025	100.0	298,457	100.0

As illustrated in the table, the bank's loan portfolio emphasizes consumer lending followed by commercial and one- to four-family residential mortgage lending. The composition of the portfolio did not change significantly during the evaluation period.

The credit products and services offered by RSB include:

Consumer Products

- Checking and Savings Account
- Visa Check Cards
- Certificate of Deposit
- Personal Loans
- Auto Loans
- Overdraft Protection
- Mortgages
- Home Equity Loans and Lines of Credit

Commercial Products

- Checking and Savings Account
- Visa Check Cards
- Business Loans/Term Loans
- Mortgages/Construction Loans
- Overdraft Protection/Lines of Credit
- Merchant Services
- Sweep Accounts
- Employer Tax Remittance

RSB operates six full-service offices, three of which are located in Poughkeepsie. The three remaining branches are located in Rhinebeck, Hyde Park and Red Hook. The bank's network of branches is supplemented by 11 onsite, deposit-taking automated teller machines ("ATMs"). The bank also operates one off-site ATM that only dispenses cash and does not accept deposits. RSB did not open or close any branches during the evaluation period.

RSB operates in an extremely competitive marketplace. The bank's assessment area is dominated by large regional and interstate banks, including some of the largest banks in the nation.

Lending Market Share

Home Mortgage Loans - In 2003, RSB ranked eighth among 279 home mortgage lenders in the assessment area based on a market share of 2.4% by number of loans and 1.3% by dollar volume. In 2004, the bank ranked thirteenth among 298 home mortgage lenders based on market shares of 2.1% by number of loans and 0.9% by dollar volume.

Small Business Loans - In 2003, the bank ranked tenth in its assessment area with a market share of 2.4% by number of loans and 9.9% by dollar volume. There were 58 small business lenders within the assessment area during that year. In 2004, the bank ranked twelfth among 64 small business lenders, achieving a market share of 1.7% by number of loans and 8.2% by dollar volume .

RSB participates in government-guaranteed/sponsored loan programs. During the evaluation period, the bank originated: 11 State of New York Mortgage Association (SONYMA) loans totaling \$1.7 million; 223 Federal Home Loan Mortgage Corporation ("Freddie Mac") loans totaling \$26.5 million; and six U. S. Small Business Association (SBA) loans totaling approximately \$1.0 million.

The bank's previous CRA Performance Evaluation, conducted by the New York State Banking Department as of December 31, 2002, resulted in a rating of "2." This rating reflected the bank's "Satisfactory" record of helping to meet community credit needs.

There are no known financial or legal impediments affecting the bank's ability to meet the credit needs of its community.

Overview of the Assessment Area

RSB's assessment area ("AA") comprises the western portion of Columbia County and the southeastern portion of Dutchess County. The Columbia County portion of the AA includes the municipalities of Livingston, Clermont, Gallatin and Germantown. The Dutchess County portion of the AA includes the municipalities Poughkeepsie, Hyde Park, Rhinebeck, La Grange, East Fishkill, Fishkill, Wappinger, Wappinger Falls, Pleasant Valley, Clinton, Milan, Beacon and Red Hook.

The following chart shows the distribution of census tract within the AA during 2003 and 2004.¹

Distribution of Assessment Area Census Tracts by Income Level								
County	Zero	Low	Moderate	Middle	Upper	Total	LMI %	
Columbia	2003	0	0	0	4	0	4	0.0
	2004	0	0	0	2	2	4	0.0
Dutchess	2003	0	5	7	31	8	51	23.5
	2004	0	5	5	33	8	51	19.6
Total 2003	0	5	7	35	8	55	21.8	
Total 2004	0	5	5	35	10	55	18.2	

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

Assessment Area Demographics

The demographic data in this report are based on the 2000 U.S. Census. Updated median family income figures for 2003 and 2004 were obtained from annual estimates published by the U.S. Department of Housing and Urban Development (HUD).

The following information is based on the bank's specific assessment area and does not include all of Dutchess or Columbia Counties. As mentioned previously, the bank's assessment area does not include either county in its entirety.

Population and Income

The assessment area has a total population of 235.8 thousand residents. Of the total population, 12.3% are individuals 65 years of age or older, and 21.8% are individuals under the age of 17.

Of the 84.0 thousand households in the assessment area, 7.9% were living below the poverty level. Among the 58.1 thousand families in the assessment area, 18.2% were low-income, 17.8% were moderate-income, 24.5% were middle income and 39.5% were upper-income families. Approximately 29.0% of LMI families lived in LMI areas.

In 2003, the median family income for the assessment area was \$63.2 thousand and the updated HUD median family income for the entire metropolitan area was \$66.3 thousand.

¹ Effective 2004, the Office of Management and Budget's basis for determining census tract income level was changed. Due to this change, the income levels of tracts in 2004 can be different from 2003.

In 2004, HUD's estimated median family income for the metropolitan area increased to \$69.0 thousand; however, the median family income did not change because it is based on data from the 2000 Census. The overall distribution of families by income level was not affected significantly in 2004; however, the percentage of LMI families living in LMI areas decreased by 20%, dropping from 29.0% in 2003 to 23.1% in 2004.

Housing

According to the 2000 Census, the assessment area contains 88.9 thousand housing units. A substantial majority (81.3%) of these units are located in one- to four-family buildings, while 14.8% are in multi-family structures. Owner-occupied units account for 63.9% total housing units, while rental units and vacancies represent 32.2% and 5.8% of the housing supply, respectively.

In 2003, the assessment area contained 56.8 thousand owner-occupied units, distributed as follows: 1.9% in low-income tracts, 7.88% in moderate-income tracts, 65.8% in middle-income tracts and 24.4% in upper-income tracts.

Due to revisions by the U.S. Office of Management and Budget in 2004, owner-occupied units in moderate-income tracts decreased to 4.7% of the housing supply, while middle-income tracts and upper-income increased to 67.1% and 26.3%, respectively. However, there was no change in the number of owner-occupied units located in low-income tracts.

Businesses

In 2003, there were 14.9 thousand businesses in the assessment area. A high percentage (67.4%) of these businesses reported that their gross annual revenues are less than \$1 million. Another 4.9% of businesses indicated that their gross annual revenues were \$1 million or more; however, 27.7% of businesses in the assessment area did not report their revenues at all. Approximately four out of five businesses (80.1%) had fewer than 50 employees and 87.4% were operating from a single location.

The total number of businesses in the assessment area increased to 15.1 thousand in 2004. Of this total, 68.2% reported revenues of \$1 million or less, 4.8% reported revenues of more than \$1 million and 27.0% did not report their revenues. In 2004, the percentage of total businesses with fewer than 50 employees remained stable at 80.8%. The percentage of businesses operating from a single location also was stable, at 87.7%.

Details of Assessment Area by County

Population and Income

Columbia County

The Columbia County portion of the assessment area contains a total population of 8.7 thousand residents, of which 17.6% are persons over age 65 and 21.0% are individuals under 17 years of age. The partial county's median family income for 2003 was \$47.0 thousand, and the HUD-estimated median family income for the metropolitan area was \$47.9 thousand. Approximately 7.0% of the partial county's 3.4 thousand households live below the poverty level.

In 2003, the income distribution of families was: 12.1% low-income; 17.6% moderate-income; 26.3% middle-income; and 43.9% upper-income families. There were no LMI families living in LMI areas during 2003. The recalculation of metropolitan median family incomes in 2004 did not have a material impact on the 2003 distribution families by income level.

Dutchess County

The Dutchess County portion of the assessment area has a total population of 227.2 thousand residents, of which 12.1% are people over age 65 and 21.9% are individuals under the age of 17. The area's median family income was \$63.9 thousand in 2003, compared to a HUD-estimated median family income of \$70.7 thousand for the entire metropolitan area.

The assessment area has 55.8 thousand families and 80.6 thousand households, 8.0% of which live below the poverty level.

In 2003, the income distribution of families was: 18.4% low-income; 17.9% moderate-income; 24.4% middle-income families; and 39.3% upper-income families. LMI families living in LMI tracts accounted for 30.0% of total LMI families.

Due to the recalculation of the MSA/Metropolitan Division Median Family Income, there has been a slight change in the classification of families based on income levels in 2004. Specifically, the percentage of LMI families in LMI tracts decreased to 23.9%.

Housing

Columbia County

There are 4.3 thousand housing units in the Columbia County portion of the assessment area. A substantial majority of these units (approximately 83%) are located in one- to four-family buildings, while 2.0% are in multi-family structures. The area's rate of owner

occupancy is 60.0%, while rentals and vacant units account for 19% and 21% of total housing units, respectively.

In 2003, 100% of the area's owner-occupied housing units were located in middle-income census tracts. Due to revisions by the U.S. Office of Management and Budget ("OMB"), the distribution of owner-occupied housing in 2004 changed to 41.65% in upper-income tracts and 58.4% in middle-income tracts.

Dutchess County

The Dutchess County portion of the assessment area contains 84.7 thousand housing units, 81.0% of which are in one- to four-family buildings. Another 15.0% of the units were located in multifamily structures. The rate of owner occupancy was 64.0%. Rental and boarded-up units accounted for 33.0% and 5.0% of total housing units, respectively.

In 2003, 8.3% of owner-occupied housing units were located in moderate-income census tracts, with another 64.2% in middle-income tracts. Due to OMB revisions in 2004, owner-occupied housing units in moderate-income tracts decreased to 4.9%, while housing units in middle-income tracts increased to 67.6%.

Business Demographics

Columbia County

In 2003, there were 576 businesses in the Columbia County portion of the assessment area. Among these businesses, 70.3% reported revenues of \$1 million or less, while 5.2% reported revenues of more than \$1 million, and 24.5% did not report their revenues at all.

Businesses with fewer than 50 employees account for 81.4% local businesses. The percentage of companies operating from a single location was 92.5%.

In 2004, the total number of businesses in the assessment area increased slightly to 588 firms. Of this total, 70.4% reported revenues of \$1 million or less, 4.9% reported revenues of more than \$1 million and 24.7% did not report their revenues at all. The percentage of businesses with fewer than 50 employees increased to 82.0% and businesses operating from a single location increased to 93.0%.

Dutchess County

In 2003, there were 14.3 thousand businesses in the Dutchess County portion of the assessment area, of which 67.4% reported revenues of \$1 million or less, 4.9% reported revenues of more than \$1 million and 27.7% did not report their revenues. Eighty percent of total businesses in the area operated with fewer than 50 employees, and 87.2% operated from a single location.

In 2004, the total number of businesses in the assessment area increased slightly to 14.5 thousand, of which 68.1% reported revenues of less than \$1 million, 4.8% reported revenues of more than \$1 million and 27.1% did not report their revenues at all. Businesses with fewer than 50 employees stood at 80.8% of the total and those operating from a single location represented 87.5% of local firms.

Unemployment data

According to the U.S. Department of Labor, Dutchess County's average unemployment rates for 2003 and 2004 were 4.1% and 4.2%, respectively. Columbia County's average unemployment rates for 2003 and 2004 were 4.4% and 4.3%, respectively. The average unemployment rates for Dutchess and Columbia Counties were well below the average unemployment rates of New York State, which were 6.4% and 5.8% during 2003 and 2004, respectively.

CHART # 3

BUSINESS DEMOGRAPHICS BY COUNTY											
COUNTY AND ASSESSMENT AREA (A/A)	Number of Businesses	Businesses with Rev. of \$1 million or less		Businesses with Rev. of more than \$1 million		Businesses with no revenues reported		Businesses with less than 50 employees		Operating from a single location	
		#	%	#	%	#	%	#	%	#	%
Columbia	588	414	70.4	29	4.9	145	24.7	482	82.0	544	92.5
Dutchess	14,484	9,863	68.1	701	4.8	3,920	27.1	11,702	80.8	12,667	87.5
Total A/A	15,072	10,277	68.2	730	4.8	4,065	27.0	12,184	80.8	13,211	87.7

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

The Banking Department assesses an Intermediate Small Bank's CRA performance under the Lending and Community Development Tests.

The Lending Test is evaluated according to the following criteria: (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 Community Development Test is evaluated according to the following criteria: (1) Community Development Loans, (2) Qualified Investments and (3) Community Development Services. These two tests are pursuant to Sub-parts 76.11 and 76.12 of the General Regulations of the Banking Board.

The evaluation period covered calendar years 2003 and 2004 in their entirety. Examiners considered HMDA-reportable and small business lending in evaluating factors (2), (3) and (4) of the Lending Test, as noted above. Both products received equal weight when assigning ratings to the bank's performance.

Statistics cited in this evaluation were derived from various sources. In addition to bank-specific loan information submitted by bank management, aggregate data for HMDA-reportable and small business loans was obtained from the Federal Financial Examination Council ("FFIEC") and PCi Corporation's CRA Wiz[®] software.

In the evaluation, the number of originations (rather than the dollar volume) was the primary consideration in weighing the bank's performance, evaluating trends and drawing comparisons. Any references to dollar amounts are clearly identified as such in this report.

I. Lending Test: "Satisfactory"

The bank's HMDA-reportable and small business lending activities are reasonable in light of the assessment area's credit needs.

- **Loan-to-Deposit Ratio: "Outstanding"**

The bank's LTD ratio is more than reasonable considering the bank's size, financial condition and the credit needs of the assessment area. The bank's average LTD ratio for the eight calendar quarters ending December 31, 2004, was 83.4%, which is above the bank's peer group average of 80.4%.¹

As shown in the following table, the bank's LTD ratio was above the peer group ratio for

¹ These ratios were calculated from information shown in the bank's Uniform Bank Performance Report ("UBPR") as prepared by the FDIC. RSB's peer group includes all FDIC-insured savings banks having assets between \$300 million and \$1 billion.

seven of the eight quarters in the evaluation period:

Loan-to-Deposit Ratio									
	2003 (Q1)	2003 (Q2)	2003 (Q3)	2003 (Q4)	2004 (Q1)	2004 (Q2)	2004 (Q3)	2004 (Q4)	Average LTD
Bank	79.1	77.0	79.7	84.7	84.9	82.7	86.3	92.6	83.4
Peer	78.7	77.5	77.8	79.9	80.5	81.8	82.3	83.8	80.4

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

The bank originated a majority of its HMDA-reportable and small business loans within the assessment area. On a combined basis, the bank originated 79.2% of its HMDA-reportable and small business loans within the assessment area during the evaluation period. This level of performance was 5.7 percentage points lower than RSB’s performance ratio of 84.9% during the previous evaluation period.

The following table depicts the distribution of RSB’s loans inside and outside the assessment area during the evaluation period:

Distribution of Loans Inside and Outside of the Assessment Area											
Loan Type	Number of Loans					Loans in Dollars (In Thousands)					
	Inside		Outside		Total	Inside		Outside		Total	
	#	%	#	%		\$	%	\$	%		
HMDA											
2003	359	78.7	97	21.3	456	32,378	79.8	8,209	20.2	40,587	
2004	233	80.6	56	19.4	289	18,061	78.2	5,043	21.8	23,104	
Subtotal	592	79.5	153	20.5	745	50,439	79.2	13,252	20.8	63,691	
Small Business											
2003	215	83.0	44	17.0	259	22,150	79.3	5,770	20.7	27,920	
2004	162	73.6	58	26.4	220	19,712	80.9	4,639	19.1	24,351	
Subtotal	377	78.7	102	21.3	479	41,862	80.1	10,409	19.9	52,271	
Total	969	79.2	255	20.8	1,224	92,301	79.6	23,661	20.4	115,962	

HMDA-reportable Loans

During the current evaluation period, RSB originated 592 HMDA-reportable loans, compared to 491 reportable loans during the prior period. This increase in HMDA-reportable originations was driven by the strong mortgage refinance market in 2003.

The percentage of HMDA-reportable loans that RSB originated within the assessment area remained fairly stable between examinations, standing at 79.5% this review period compared to 81.6% at the prior evaluation.

Small Business Loans

The bank originated a majority of its small business loans within the assessment area; however, the bank's origination rates in the assessment area decreased from 89.4% at the prior evaluation to 78.7% during the present review period.

- **Geographic Distribution of Loans:** "Satisfactory"

The geographic distribution of HMDA-reportable and small business loans reflects a reasonable dispersion among census tracts of different income levels. During the evaluation period, the bank's penetration rates for HMDA-reportable and small business loans in LMI geographies were lower than the aggregate's LMI penetration rates.

HMDA Loans

The geographic distribution of HMDA-reportable loans reflects a reasonable dispersion among census tracts of different income levels.

The following chart summarizes the distribution of RSB's HMDA-reportable lending during the evaluation period:

Distribution of HMDA-reportable Loans by Geographic Income Level*								
Geography Income Level	Bank				Aggregate			
	#	%	\$000	%	#	%	\$000	%
	Low	5	1.4	707	2.2	423	2.8	48,345
Moderate	17	4.7	1,933	6.0	1,344	8.8	200,777	8.2
LMI	22	6.1	2,640	8.2	1,767	11.6	249,122	10.2
Middle	321	89.4	27,177	83.9	9,372	61.4	1,398,472	57.5
Upper	16	4.5	2,561	7.9	4,122	27.0	784,809	32.3
Total	359	100.0	32,378	100.0	15,261	100.0	2,432,403	100.0
Geography Income Level	Bank				Aggregate			
	#	%	\$000	%	#	%	\$000	%
	Low	4	1.7	273	1.5	438	4.0	71,230
Moderate	9	3.9	841	4.7	778	7.1	123,928	6.4
LMI	13	5.6	1,114	6.2	1,216	11.1	195,158	10.1
Middle	198	85.0	15,480	85.7	7,069	64.2	1,168,977	60.7
Upper	22	9.4	1,467	8.1	2,710	24.6	558,982	29.1
N/A	0	0.0	0	0.0	13	0.1	2,329	0.1
Total	233	100	18,061	100	11,008	100.1	1,925,446	100.0

*Geographic income level is based on 2000 Census data for the MSA in which the mortgaged property is located. Low-income is defined as <50% of the MSA median family income, moderate-income is 50% to <80% of the MSA median income, middle-income is 80% to <120%, and upper-income is at least 120% of median.

Although the bank's LMI penetration rate improved from 2.5% in 2002 to 6.1% in 2003, RSB's performance still fell short of the market aggregate's LMI penetration rates in both 2003 and 2004.

An analysis of the bank's lending activities shows that RSB has posted a higher penetration rate in middle-income areas compared to the aggregate. In 2003, the bank originated 89.4% of its HMDA-reportable loans in middle-income areas compared to 61.4% for the aggregate. In 2004, the bank continued to make a high percentage (85.0%) of its HMDA-reportable loans in middle-income areas compared to the aggregate's performance (64.2%).

Small Business Loans

The bank's geographic distribution of small business loans reflects a reasonable dispersion among census tracts of different income levels.

The following chart summarizes RSB's small business lending distribution during the evaluation period:

Distribution of Small Business Loans by Geographic Income Level								
Geography Income Level	Bank				Aggregate			
	#	%	\$000	%	#	%	\$000	%
Low	16	7.4	3,088	13.9	415	7.0	15,598	9.5
Moderate	11	5.1	1,232	5.6	669	11.3	18,445	11.3
LMI	27	12.6	4,320	19.5	1,084	18.3	34,043	20.8
Middle	174	80.9	16,656	75.2	3,597	60.6	97,284	59.4
Upper	14	6.5	1,174	5.3	1,252	21.1	32,403	19.8
Total	215	100.0	22,150	100.0	5,933	100.0	163,730	100.0
Geography Income Level	Bank				Aggregate			
	#	%	\$000	%	#	%	\$000	%
Low	14	8.6	1,452	7.4	431	6.8	17,028	10.3
Moderate	13	8.0	616	3.1	350	5.6	8,396	5.1
LMI	27	16.7	2,068	10.5	781	12.4	25,424	15.4
Middle	120	74.1	14,841	75.3	4,038	64.1	100,439	61.0
Upper	15	9.2	2,803	14.2	1,480	23.5	38,781	23.6
Total	162	100.0	19,712	100.0	6,299	100.0	164,644	100.0

RSB substantially improved its LMI penetration rate between 2002 (6.5%) and 2003 (12.6%). The bank's performance continued to improve in 2004, reaching a penetration rate of 16.7% compared to the aggregate's rate of 12.4%.

As was the case with HMDA-reportable loans, RSB extended a larger percentage of its small business loans in middle-income areas compared to the aggregate. In 2003, the bank extended 80.9% of its total small business loans in middle income areas, while the aggregate's penetration rate was 60.6%. In 2004, RSB's distribution of small business loans to middle-income areas was similar to the bank's performance in 2003.

- **Distribution by Borrower Characteristics:** “Outstanding”

RSB’s distribution of loans based on borrower income level reflects an excellent penetration among individuals of different income levels and businesses of different revenue sizes. During the evaluation period, the bank outperformed the market aggregate on a percentage basis in terms of HMDA-reportable loans originated to LMI borrowers and small business loans granted to borrowers with gross annual revenues of \$1 million or less.

HMDA Loans

The bank’s HMDA-reportable lending distribution reflects excellent penetration among individuals of different income levels.

The following chart summarizes the bank’s HMDA-reportable lending distribution during the evaluation period:

Distribution of HMDA-reportable Loans by Borrower Income Level								
Geography Income Level	2003							
	Bank				Aggregate			
	#	%	\$000	%	#	%	\$000	%
Low	28	7.8	1,566	4.8	622	4.1	53,106	2.2
Moderate	94	26.2	6,258	19.3	2,685	17.6	320,151	13.2
LMI	122	34.0	7,824	24.1	3,307	21.7	373,257	15.4
Middle	117	32.6	11,361	35.1	4,485	29.4	659,752	27.1
Upper	119	33.1	13,077	40.4	6,234	40.8	1,182,424	48.6
N/A	1	0.3	116	0.4	1,235	8.1	216,970	8.9
Total	359	100.0	32,378	100.0	15,261	100.0	2,432,403	100.0
Geography Income Level	2004							
	Bank				Aggregate			
	#	%	\$000	%	#	%	\$000	%
Low	19	8.2	611	3.4	560	5.1	50,465	2.6
Moderate	48	20.6	2,491	13.8	2,126	19.3	276,834	14.4
LMI	67	28.8	3,102	17.2	2,686	24.4	327,299	17.0
Middle	79	33.8	5,574	30.8	3,415	31.1	562,982	29.2
Upper	85	36.5	9,067	50.2	4,286	38.9	913,715	47.5
N/A	2	0.9	318	1.8	621	5.6	121,450	6.3
Total	233	100.0	18,061	100.0	11,008	100.0	1,925,446	100.0

*Borrower income level is based upon the Department of Housing and Urban Development’s annual estimate of median family income (“MFI”) figure for the MSA of the mortgaged property. Low-income is defined as <50% of the MSA MFI, moderate-income is 50% to <80%, middle-income is 80% to <120%, and upper-income is at least 120%.

In 2003, the bank originated 122 loans to LMI borrowers, resulting in a penetration ratio of 34.0%. This level of performance was well above the aggregate’s ratio of 21.7%, and more than reasonable compared to the 36.1% of families in the area that were LMI.

In 2004, the bank's total HMDA-reportable lending decreased substantially as refinancing activity slowed down. This decrease in activity was mirrored in RSB's total originations to LMI borrowers, which fell to 55 loans in 2004. Despite its decreased lending, RSB still posted an LMI penetration rate of 28.8% during 2004, exceeding the aggregate's penetration rate of 24.4%.

Small Business Loans

As summarized in the table below, RSB's distribution of small business loans among borrowers of different revenue sizes was excellent during the evaluation period.

Distribution of Small Business Loans by Business Revenue Size								
Revenue Size	2003				2004			
	#	%	\$000	%	#	%	\$000	%
\$1million or less	130	60.5	14,070	63.5	71	43.8	7,956	40.4
Over \$1 million	26	12.1	4,086	18.4	26	16.1	3,242	16.4
No Revenue Info	59	27.4	3,994	18.1	65	40.1	8,514	43.2
Total	215	100.0	22,150	100.0	162	100.0	19,712	100.0

In 2003, 60.5% of the bank's small business loans were extended to businesses with revenues of \$1 million or less. This was an excellent distribution of lending compared to the aggregate's performance of 35.4%.

Although RSB's lending to businesses of revenues of \$1 million or less decreased to 43.8% in 2004, the bank still outperformed the aggregate's penetration rate of 31.9%.

To facilitate comparisons, the following table shows the penetration rates achieved by the market aggregate during the evaluation period.

Distribution of Aggregate Small Business Loans by Business Revenue Size								
Revenue Size	2003				2004			
	#	%	\$000	%	#	%	\$000	%
\$1million or less	2,098	35.4	68,401	41.8	2,010	31.9	65,761	39.9
Over \$1 million								
No Revenue Info	3,835	64.6	95,329	58.2	4,289	68.1	98,883	60.1
Total	5,933	100.0	163,730	100.0	6,299	100.0	164,644	100.0

II. Community Development Test: “Satisfactory”

The bank’s performance on the Community Development Test demonstrates adequate responsiveness to the community development needs of its assessment area through community development loans, qualified investments and community development services.

Qualified Community Development Loans

During the evaluation period, the bank posted \$450 thousand in qualified community development loans, all of which was new money. This total was distributed 44.4% to affordable housing programs and 55.6% to economic development initiatives. Examples of RSB’s community development lending are provided below:

- Since 2001, the bank has extended a \$250 thousand unsecured line of credit that provides working capital for a nonprofit organization servicing the children of LMI families. These children are unable to live at home due to the death or incapacity of one or both parents.
- In 2004, the bank approved a \$200 thousand unsecured line of credit to an organization that provides financing for relatively high-risk small businesses throughout New York State.

Qualified Community Development Investment and Grants

During the evaluation period, RSB made a total of \$629.6 thousand in qualified community development investment and grants. Approximately 99% of this amount was allocated to affordable housing programs. The bank’s qualified investments are described below:

- In 2004, the bank made an investment of \$500 thousand in a private mortgage lender that specializes in financing low-, moderate- and middle-income housing throughout New York State. Sponsored by 94 banks and insurance companies, the organization has financed more than 92 thousand affordable housing units, representing an investment of more than \$3.2 billion, since its founding in 1974.
- In 2003, the bank purchased \$119.2 thousand in tax credits to close a funding gap in the rehabilitation of a building in Poughkeepsie, New York. The building provides transitional housing and supports other programs for LMI youth.
- During the evaluation period, the bank contributed \$6.2 thousand to the Federal Home Loan Bank of New York’s (“FHLBNY”) Affordable Housing Program (“AHP”).

In addition to the above investments, the bank donated a total of \$4.2 thousand to various non-profit organizations.

Qualified Community Development Services

The bank provides a high level of qualified community development services either directly or indirectly.

- In 2004, the bank's Human Resources department worked with the Family Partnership Center to prepare an individual for the transition from public assistance to a job at RSB. The bank hopes to hire the person in 2005.
- During the evaluation period, the bank successfully sponsored a grant application under the Federal Home Loan Bank's Affordable Housing Program. The grant supported renovations at an 81-unit housing development for senior citizens in Hyde Park/Staatsburg. The renovations helped improve the property's affordability and physical accessibility for LMI senior citizens.
- In 2004, under its Financial Literacy for Customers program, the bank's marketing department created educational brochures regarding identify theft and check fraud, and made these materials available at each RSB branch.
- During the evaluation period, the bank participated in First-Time Homebuyer Programs sponsored by the City of Poughkeepsie and Dutchess County. As part of its participation in these programs, RSB provided down payment and closing cost assistance to LMI homebuyers.
- In 2003, the bank sponsored an annual coat drive for LMI families and individuals in Poughkeepsie. Collection points were set up in the bank's main office and branches.

In addition to the community development services described above, the bank's officers actively participate either as board members, volunteers or regular members of several organizations, as described below:

- The bank's CRA officer is a board member of Hudson River Housing and chairs that organization's Home Ownership Education Committee.
- A bank executive is a member of Dutchess Community College's Business Partnership Committee. The committee oversees several programs that promote community development activity. For example, the committee administers the local Public Assistance Comprehensive Employment and Training ("PACE") Program, which helps low-income parents return to school and obtain both a college degree and employment. As part of the program, students receive a comprehensive array of support services, including help with their day care needs. The majority of more than 200 PACE Program graduates are now fully employed.

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- An executive of the bank is a member of the board of Dutchess County Workforce Investment Board (“DCWIB”). The mission of DCWIB includes facilitating cooperation among businesses, educational institutions and government agencies to ensure that local job seekers and employees have - - and maintain - - the skills needed to work at local businesses.

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

During the evaluation period, neither the bank nor the New York State Banking Department received any written complaints regarding RSB’s CRA performance.

- **Discrimination and other Illegal Practices**

Examiners did not note any 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 RSB were conducted concurrently with this evaluation and found satisfactory adherence to anti-discrimination and other applicable laws and regulations. No evidence of 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’s management ascertains the credit needs of the assessment area by participating in a broad range of local activities, such as volunteering at local community development organizations and working with local, state and federal agencies.

Additionally, the bank’s CRA officer holds positions at various community development and social service organizations and attended courses on LMI lending and home ownership education. These activities provide the bank with additional information about the credit needs of the assessment area and on potentially innovative partnering programs.

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.

The bank has a full-time marketing staff, business development officers and a sales staff that devote a majority of their efforts to informing the public about the bank's products and services. The bank's special loan products are advertised at all branches using special marketing materials.

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

The board discusses CRA activities on a regular basis and reviews the bank's CRA Statement to ensure accuracy and identify potential enhancements. The CRA Officer attend the bank's board meetings and provides CRA information to the board's Examining Committee. Board members also contribute to the bank's community development efforts by working with local businesses and community groups on the bank's behalf.

- **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.

During the evaluation period, the bank contributed \$302.9 thousand to various community oriented organizations promoting general community welfare. These donations did not qualify for CRA credit because they did not have a primary purpose of community development, as defined in Part 76 of the General Regulations of the Banking Board. In the future, the bank plans to direct a larger proportion of its charitable donations to qualified affordable housing, economic development and neighborhood revitalization initiatives and qualified community development services.

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:

- 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

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- 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;
 - 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 2000 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.