



**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, 2008

**Institution:** Bank of Richmondville  
857 East Main Street  
Cobleskill, New York 12043

**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 the Bank of Richmondville ("BOR") 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, 2008.

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 be made available to the public ("Evaluation"). 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. 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.

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## OVERVIEW OF INSTITUTION'S PERFORMANCE

BOR's performance was evaluated according to the small bank performance criteria. BOR is rated "2" indicating a "**Satisfactory**" record of helping to meet community credit needs. This rating is downgraded from the prior New York State Banking Department Performance Evaluation, dated January 1, 2004, wherein BOR was rated "Outstanding." BOR's rating is based on the following factors:

- ***Loan-to-Deposit ("LTD") Ratio and Other Lending-Related Activities:*** "Satisfactory"

The bank's LTD ratio was reasonable considering the bank's size, financial condition and the credit needs of the assessment area. The bank's average LTD ratio for the prior four years ending December 31, 2008 was 65.5%, which was below the peer group's average of 83.7%.

The bank enhanced the availability of credit in its assessment area with community development loans totaling \$2.3 million.

- ***Assessment Area Concentration:*** "Outstanding"  
Overall, whether considering number of loans or dollars lent, BOR originated more than 80% of its loans within its assessment area. In particular, regarding HMDA-reportable loans, BOR lent 90% of these loans within its assessment area. BOR's HMDA-reportable loan record is most responsible for the overall rating of "Outstanding."

- ***Distribution by Borrower Characteristics:*** "Satisfactory"  
The distribution of loans based on borrower characteristics reflected a reasonable penetration among individuals of different income levels and businesses of different sizes. However, HMDA-reportable loans, the largest proportion of BOR's lending, reflected a poor penetration rate. This was offset by excellent penetration rates in small business and consumer lending.

From 2004 – 2007, BOR's HMDA-reportable lending penetration rate to LMI borrowers was between 24% and 35% below the aggregate's penetration rate. In 2008, BOR's lending to LMI borrowers improved, but it was still 11% below the aggregate's penetration rate.

In 2006 and 2007, BOR's lending penetration rate to businesses with revenues of less than or equal to \$1MM was almost double that of the aggregate's penetration rate. In 2008, this record improved still further and was 140% better than the aggregate's penetration rate

BOR's consumer lending penetration rate to LMI borrowers consistently exceeded the demographics. While 46% of households in the assessment area are LMI, BOR's lending penetration ratio was between 66.7% and 81.8%

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for 2006, 2007 and 2008.

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

The geographic distribution of loans reflected an excellent penetration rate among census tracts of different income levels. The geographic distribution of HMDA related loans reflected an excellent penetration rate among census tracts of different income levels. From 2004 to 2007, BOR’s lending penetration rates exceeded the aggregate’s penetration rates, with exceptionally strong performance in 2004, 2006 and 2007. In 2008, BOR’s lending penetration rate was comparable to the aggregate’s record.

The bank’s geographic distribution of small business loans reflected a reasonable penetration rate among census tracts of different income levels. From 2006 – 2008, BOR’s lending penetration rate in moderate-income census tracts averaged more than 40%. However, this trailed the aggregate’s penetration rate, which averaged more than 50%.

Within BOR’s assessment area, 49% of households live in moderate-income census tracts. In 2008, BOR made 52.5% of its consumer loans in these census tracts.

- ***Action Taken In Response to Written Complaints With Respect to CRA: “Satisfactory”***

Neither the bank nor the New York State Banking Department received any complaints with respect to its 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's Profile:

The Bank of Richmondville ("BOR") was established in 1881 as a privately owned bank. In 1893, BOR became chartered by New York State as a commercial bank. BOR operated from a single location in Richmondville, NY until 1982. In 1982, BOR opened an office in Cobleskill, NY. In 1998, a branch was opened in Schoharie, NY.

BOR is a community bank which offers a broad range of financial products and services to its customers. The products offered include construction, residential, commercial home equity, home improvement, mobile home and personal consumer loans. BOR also has a wide array of deposit type products. Each branch offers extended hours on Fridays, and the branches in Cobleskill and Schoharie offer drive-through service on Saturday mornings. Supplementing each branch office is an Automated-Teller-Machine ("ATM").

According to Bank of Richmondville's call report dated December, 31, 2008 as submitted to the FDIC, BOR reported total assets of \$109.9 million, of which, \$67.1 million were loans. BOR reported total deposits of \$87.6 million, resulting in a loan-to-deposit ratio of 76.6%. According to the latest available comparative deposit data (June 30, 2008), BOR obtained a market share of 24.8%, or \$93.9 million out of \$378.3 million within its market, ranking it second among all seven deposit-taking institutions in Schoharie County.

The following is a summary of the bank's year-end loan portfolio, based on Schedule RC-C from December 31, 2005 to December 31, 2008 Call Reports:

<b>TOTAL GROSS LOANS OUTSTANDING</b>										
<b>LOAN TYPE</b>	<b>12/31/2004</b>		<b>12/31/2005</b>		<b>12/31/2006</b>		<b>12/31/2007</b>		<b>12/31/2008</b>	
	<b>\$000</b>	<b>%</b>	<b>\$000</b>	<b>%</b>	<b>\$000</b>	<b>%</b>	<b>\$000</b>	<b>%</b>	<b>\$000</b>	<b>%</b>
1-4 Residential Loans	33,183	56.3	33,888	56.2	38,328	59.2	43,337	65.4	47,066	69.1
Commercial Mortgage Loans	11,710	19.9	11,264	18.7	10,933	16.9	9,240	13.9	9,513	14.0
Commercial & Industrial Loans	7,023	11.9	6,930	11.5	6,898	10.7	6,613	10.0	5,512	8.1
Consumer Loans	3,623	6.1	3,760	6.2	4,565	7.1	4,357	6.6	3,741	5.5
Construction Loans	1,011	1.7	1,804	3.0	1,643	2.5	454	0.7	196	0.3
Multifamily Loans	1,486	2.5	1,258	2.1	963	1.5	838	1.3	738	1.1
Other Loans & Farmland	945	1.6	1,396	2.3	1,383	2.1	1,434	2.2	1,366	2.0
<b>Total Gross Loans</b>	<b>58,981</b>	<b>100.0</b>	<b>60,300</b>	<b>100.0</b>	<b>64,713</b>	<b>100.0</b>	<b>66,273</b>	<b>100.0</b>	<b>68,132</b>	<b>100.0</b>

As illustrated in the above chart, BOR is primarily a real estate lender, with 83.1% of its loan portfolio in residential and commercial mortgage loans.

The bank is an approved Small Business Administration and Farmers Home Administration lender. BOR made one \$116.5 thousand SBA guaranteed loan in July 2004.

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The bank received a rating of “1” reflecting an “Outstanding” record of helping to meet community credit needs at its prior Performance Evaluation conducted by the New York State Banking Department on January 1, 2004.

*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:**

The bank’s assessment area is comprised of the eastern portion of Otsego County and almost all of Schoharie County.

There are nine census tracts in BOR’s assessment area, of which four are moderate-income, four are middle-income, and one census tract did not have available income information. There are two middle-income census tracts in Otsego County. Schoharie County has two middle-income, four moderate-income and one tract that did not have available income information.

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

**Demographic & Economic Data:**

According to the 2000 U.S. Census Bureau, the assessment area had a population of 35 thousand. About 14.7% of the population were over the age of 65 and 20.8% were under the age of 16.

Of the 9,062 families in the assessment area, 24.1% were low-income, 25% were moderate-income, 24.6% were middle-income and 26.4% were upper- income families. There were 13,253 households in the assessment area, of which 11% had income below the poverty level and 2.3% were on public assistance.

According to the 2000 U.S. Census, the MSA median family income within the assessment area was \$52 thousand. The U.S. Department of Housing and Urban Development (“HUD”) estimated median family income for the area was \$67 thousand in 2008.

There were 19,319 housing units within the assessment area, of which 83.6% were one- to four-family units, and 3.2% were multifamily units. A majority (51.4%) of the area’s housing units were owner-occupied, while 17% were rental units. Of the 10,000 owner-occupied housing units, 52.1% were in moderate income geographies while 47.9% were in middle-income tracts. The median age of the housing stock was 31 years and the median home value in the assessment area was \$81 thousand.

There were 2,561 businesses in the assessment area. Of these, 57.4% were businesses with reported revenues of less than or equal to \$1 million, 2.8% reported revenues of more

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than \$1 million and 40% did not report their revenues. Of all the businesses in the assessment area, 66.3% were businesses with less than fifty employees while 90.8% operated from a single location. The largest industries in the area were service providers (25.2%), followed by retail trade companies (14.4%) and construction firms (8%), while 27.8% of businesses in the assessment area were not classified.

Unemployment in Schoharie County is higher than the New York State's average. In 2008, New York State had a 5.4% unemployment rate versus Schoharie County's 6.9%. In 2007, New York State had a 4.5% unemployment rate versus Schoharie County's 5.8%.

Management stated that BOR is in a depressed area with a high unemployment rate and area businesses have been moving or downsizing.



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## **PERFORMANCE STANDARDS AND ASSESSMENT FACTORS**

*BOR's performance was evaluated according to the small bank performance criteria, which includes 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 following factors were also considered in assessing BOR's record of performance: the extent of participation by the board of directors or board of trustees in formulating CRA policies and reviewing CRA performance; any practices intended to discourage credit applications, evidence of prohibited discriminatory or other illegal credit practices; record of opening and closing offices and providing services at offices; and process factors such as activities to ascertain credit needs and the extent of marketing and special credit related programs. Finally, the evaluation considered other factors as delineated in Section 28-b of the Banking Law that reasonably bear upon the extent to which a banking institution is helping to meet the credit needs of its entire community.*

The assessment period includes calendar years 2004 to 2008. However, the bulk of analysis considered the most recent activity years. Examiners considered BOR's HMDA-reportable, small business and consumer installment loans in evaluating factors (2), (3) and (4), as noted above. Factors (3) and (4) only consider loans within BOR's assessment area. HMDA-reportable loans received the greatest emphasis, since these loans were a larger portion of BOR's lending than small business or consumer loans. Small business loan aggregate data are shown for comparative purposes; BOR is not required to report this data and as such, BOR is not included in the aggregate data. For consumer lending, a sample of 97 loans was used to extrapolate performance results; 75% of these loans were from 2008. Consumer aggregate data are generally not available.

With the exception of BOR-specific data as supplied by BOR, data are only available at the county-wide level. Comparative data such as aggregate or demographic data reflect entire counties, not just BOR's assessment area. In addition to bank-specific loan information submitted by BOR, aggregate data for HMDA-reportable and small business lending activity were obtained from the Federal Financial Institutions Examination Council ("FFIEC"). Call report data were obtained from the reports submitted by BOR to the Federal Deposit Insurance Corporation ("FDIC"). The demographic data referred to in this report were derived from the 2000 U.S. Census Data, with the updated median family income figures provided by the U.S. Department of Housing and Urban Development ("HUD"). Business demographic data used in this report were derived from information on US businesses, enhanced by Dun & Bradstreet and updated annually.

BOR received a rating of "1" reflecting an "Outstanding" record of helping to meet community credit needs based on the **prior** NYSBD Performance Evaluation dated January 1, 2004.

**Overall CRA Rating: "Satisfactory"**

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- **Loan-to-Deposit (“LTD”) Ratio Analysis and other Lending-Related Activities: “Satisfactory”**

The bank’s LTD ratio was reasonable considering the bank’s size, financial condition and the credit needs of the assessment area.

The bank’s average LTD ratio for the prior four years ending December 31, 2008 was 65.5%, which was below the peer group’s average of 83.7%. These ratios were calculated from information shown in the bank’s Uniform Bank Performance Report (“UBPR”) prepared by the Federal Deposit Insurance Corporation (“FDIC”). As shown on the table below, both the bank’s LTD ratios and the peer groups showed an increase over time.

Loan-to-Deposit Ratios																	
	2005	2005	2005	2005	2006	2006	2006	2006	2007	2007	2007	2007	2008	2008	2008	2008	Av'g.
	(Q1)	(Q2)	(Q3)	(Q4)	(Q1)	(Q2)	(Q3)	(Q4)	(Q1)	(Q2)	(Q3)	(Q4)	(Q1)	(Q2)	(Q3)	(Q4)	LTD
Bank	57.8	59.7	60	62.7	60.3	63.8	66.7	69	66.1	70.9	64.6	69.5	64.5	67.8	67.3	76.6	65.5
Peer	80.7	81.7	81.8	81.7	81.8	83.1	83.4	82.4	82	83.5	84.7	85.5	85.3	86.8	87.2	86.9	83.7

*Other Lending-Related Activities, Including Community Development Loans and Qualified Investments:*

BOR offers mortgage loans on single-wide mobile homes, responding to a credit need that the bank has ascertained is needed by the community. For calendar years 2006 to 2008, BOR made 12 loans totaling \$505 thousand on single-wide mobile homes.

The bank enhanced the availability of credit in its assessment area with community development loans/qualified investments totaling \$2.3 million:

- \$100,000 line of credit to a non-profit organization that offers programs to prevent and eliminate poverty in Schoharie County; renewed five times during the evaluation period.
- \$25,000 loan to a non-profit in Schoharie County that delivers human service activities throughout the county.
- \$100,000 loan to an organization that offers loans to small businesses, including start-ups throughout the state of New York.
- Five loans totaling \$1.582MM to a non-profit that focuses on children in Schoharie County. The entity administers the Head Start program for Schoharie County.

During the last evaluation period, BOR made a loan to a non-profit organization that focuses on rural preservation and affordable housing in Schoharie County. There is \$113,000 still outstanding on this loan.

In addition, BOR made \$14,248 in charitable donations to local charities and community organizations in 2008.

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

Overall, whether considering number of loans or dollars lent, BOR originated more than 80% of its loans within its assessment area. In particular, regarding HMDA-reportable loans, BOR lent 90% of these loans within its assessment area. BOR’s HMDA-reportable loan record is most responsible for the overall rating of “Outstanding” for this factor.

<b>Distribution of Loans Inside and Outside of the Assessment Area</b>										
<b>Loan Category or Type</b>	<b>Number of Loans</b>					<b>Dollars in Loans (000)</b>				
	<b>Inside</b>		<b>Outside</b>		<b>Total</b>	<b>Inside</b>		<b>Outside</b>		<b>Total</b>
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>		<b>\$000</b>	<b>%</b>	<b>\$000</b>	<b>%</b>	
Home Mortgage										
2004	66	89.2	8	10.8	74	5,559	88.6	712	11.4	6,271
2005	50	90.9	5	9.1	55	4,595	85	808	15	5,403
2006	71	92.2	6	7.8	77	7,738	92.7	610	7.3	8,348
2007	66	90.4	7	9.6	73	7,138	89.4	846	10.6	7,984
2008	81	93.1	6	6.9	87	8,414	89.8	960	10.2	9,374
<b>Subtotal</b>	<b>334</b>	<b>91.3</b>	<b>32</b>	<b>8.7</b>	<b>366</b>	<b>33,444</b>	<b>89.5</b>	<b>3,936</b>	<b>10.5</b>	<b>37,380</b>
Small Business										
2006	46	83.6	9	16.4	55	2,921	90.5	308	9.5	3,229
2007	36	90	4	10	40	1,912	90.3	205	9.7	2,117
2008	32	84.2	6	15.8	38	1,298	89	160	11	1,458
<b>Subtotal</b>	<b>114</b>	<b>85.7</b>	<b>19</b>	<b>14.3</b>	<b>133</b>	<b>6,131</b>	<b>90.1</b>	<b>673</b>	<b>9.9</b>	<b>6,804</b>
*Installment Loans										
2006	348	91.7	31	8.3	379	2,833	86	461	14	3,294
2007	251	75	84	25	335	2,504	85.3	431	14.7	2,935
2008	240	80.8	57	19.2	297	1,544	72.1	598	27.9	2,142
<b>Subtotal</b>	<b>839</b>	<b>82.5</b>	<b>172</b>	<b>17.5</b>	<b>1011</b>	<b>6,881</b>	<b>81.1</b>	<b>1,490</b>	<b>18.9</b>	<b>8,371</b>
<b>Grand Total</b>	<b>1287</b>	<b>85.2</b>	<b>223.2</b>	<b>14.8</b>	<b>1510</b>	<b>46,456</b>	<b>88.4</b>	<b>6,099</b>	<b>11.6</b>	<b>52,555</b>

\*Analysis for installment loans was performed on a sample of 79 loans to determine percentages inside and outside the assessment area. Number and dollars of loans were then extrapolated from these percentages and are not actual results.

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

The distribution of loans based on borrower characteristics reflected a reasonable penetration among individuals of different income levels and businesses of different sizes. However, HMDA-reportable loans, the largest proportion of BOR’s lending, reflected a poor penetration rate. This was offset by excellent penetration rates in small business and consumer lending.

**HMDA-Reportable Loans: “Needs to Improve”**

The bank’s HMDA-reportable lending distribution based on borrower characteristics reflected a poor penetration rate among individuals of different income levels. From 2004 – 2007, BOR’s lending penetration rate to LMI borrowers was between 24% and 35% below the aggregate’s penetration rate. In 2008, BOR’s lending to LMI borrowers improved, but it was still 11% below the aggregate’s penetration rate.

The following chart provides a summary of the bank’s HMDA lending distribution during the evaluation period:

<b>Distribution of HMDA-Reportable Loans by Borrower Income Level</b>									
<b>2004</b>									
<b>Borrower Income</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Fam. Demo.</b>
	<b>#</b>	<b>%</b>	<b>\$000</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000</b>	<b>%</b>	<b>%</b>
Low	9	14.3%	378	6.7%	132	13.5%	7,204	8.9%	24.0%
Moderate	11	17.5%	696	12.3%	278	28.5%	20,562	25.3%	25.0%
Middle	19	30.2%	1,596	28.2%	260	26.6%	21,424	26.3%	24.6%
Upper	22	34.9%	2,791	49.4%	261	26.7%	28,324	34.8%	26.4%
N/A	2	3.2%	190	3.4%	46	4.7%	3,881	4.8%	
<b>Total</b>	<b>63</b>	<b>100%</b>	<b>5,651</b>	<b>100%</b>	<b>977</b>	<b>100%</b>	<b>81,395</b>	<b>100%</b>	<b>100%</b>
<b>2005</b>									
<b>Borrower Income</b>	<b>Bank</b>				<b>Aggregate</b>				
	<b>#</b>	<b>%</b>	<b>\$000</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000</b>	<b>%</b>	
Low	3	6.3%	140	2.8%	111	11.3%	6,802	7.3%	24.0%
Moderate	11	22.9%	921	18.3%	269	27.3%	21,714	23.4%	25.0%
Middle	14	29.2%	1,180	23.4%	307	31.2%	28,751	30.9%	24.6%
Upper	19	39.6%	2,700	53.6%	263	26.7%	32,675	35.2%	26.4%
N/A	1	2.1%	100	2.0%	35	3.6%	2,968	3.2%	
<b>Total</b>	<b>48</b>	<b>100%</b>	<b>5,041</b>	<b>100%</b>	<b>985</b>	<b>100%</b>	<b>92,910</b>	<b>100%</b>	<b>100%</b>
<b>2006</b>									
<b>Borrower Income</b>	<b>Bank</b>				<b>Aggregate</b>				
	<b>#</b>	<b>%</b>	<b>\$000</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000</b>	<b>%</b>	
Low	5	7.9%	420	5.6%	110	10.8%	6,178	6.1%	24.0%
Moderate	12	19.0%	1,029	13.6%	274	27.0%	21,278	21.0%	25.0%
Middle	21	33.3%	2,357	31.3%	298	29.4%	29,839	29.5%	24.6%
Upper	25	39.7%	3,734	49.5%	307	30.2%	40,817	40.3%	26.4%
N/A	0	0.0%	0	0.0%	26	2.6%	3,116	3.1%	
<b>Total</b>	<b>63</b>	<b>100%</b>	<b>7,540</b>	<b>100%</b>	<b>1,015</b>	<b>100%</b>	<b>101,228</b>	<b>100%</b>	<b>100%</b>
<b>2007</b>									
<b>Borrower Income</b>	<b>Bank</b>				<b>Aggregate</b>				
	<b>#</b>	<b>%</b>	<b>\$000</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000</b>	<b>%</b>	
Low	3	5.4%	180	2.6%	89	10.2%	5,787	6.3%	24.0%
Moderate	11	19.6%	696	10.1%	248	28.3%	20,280	21.9%	25.0%
Middle	14	25.0%	1,459	21.1%	261	29.8%	27,381	29.6%	24.6%
Upper	26	46.4%	4,401	63.8%	265	30.3%	38,035	41.1%	26.4%
N/A	2	3.6%	167	2.4%	13	1.5%	1,021	1.1%	
<b>Total</b>	<b>56</b>	<b>100%</b>	<b>6,903</b>	<b>100%</b>	<b>876</b>	<b>100%</b>	<b>92,504</b>	<b>100%</b>	<b>100%</b>
<b>2008</b>									
<b>Borrower Income</b>	<b>Bank</b>				<b>Aggregate</b>				
	<b>#</b>	<b>%</b>	<b>\$000</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000</b>	<b>%</b>	
Low	8	11.0%	595	6.8%	72	11.5%	4,674	6.8%	24.0%
Moderate	19	26.0%	1,740	20.0%	187	29.9%	16,858	24.7%	25.0%
Middle	18	24.7%	2,360	27.1%	178	28.4%	20,667	30.3%	24.6%
Upper	22	30.1%	3,435	39.5%	172	27.5%	24,408	35.7%	26.4%
N/A	6	8.2%	564	6.5%	17	2.7%	1,674	2.5%	
<b>Total</b>	<b>73</b>	<b>100%</b>	<b>8,694</b>	<b>100%</b>	<b>626</b>	<b>100%</b>	<b>68,281</b>	<b>100%</b>	<b>100%</b>

Small Business Loans: "Outstanding"

The bank's small business lending distribution based on borrower characteristics reflected an excellent penetration rate among businesses of different sizes. In 2006 and 2007, BOR's lending penetration rate to businesses with revenues of less than or equal to \$1MM was almost double that of the aggregate's penetration rate. In 2008, this record improved still further and was 140% better than the aggregate's penetration rate.

The following chart provides a summary of the bank's small business lending distribution based on borrower revenues during the evaluation period:

<b>Distribution of Small Business Loans by Revenues and Loan Size</b>									
<b>2006</b>									
<b>Revenues</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus. Demo.</b>
	<b>#</b>	<b>%</b>	<b>\$000</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000</b>	<b>%</b>	<b>%</b>
One million or less	34	73.9	1,890	64.7	357	37.1	6,199	48.9	60.3
Over one million	12	26.1	1,032	35.3	604	62.9	6,474	51.1	
<b>Total</b>	<b>46</b>	<b>100</b>	<b>2,922</b>	<b>100</b>	<b>961</b>	<b>100</b>	<b>12,673</b>	<b>100</b>	<b>100</b>
<b>2007</b>									
<b>Revenues</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus. Demo.</b>
	<b>#</b>	<b>%</b>	<b>\$000</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000</b>	<b>%</b>	
One million or less	28	77.8	1,494	78.1	404	39.6	6,388	47.6	59.2
Over one million	8	22.2	420	21.9	617	60.4	7,025	52.4	
<b>Total</b>	<b>36</b>	<b>100</b>	<b>1,914</b>	<b>100</b>	<b>1,021</b>	<b>100</b>	<b>13,413</b>	<b>100</b>	<b>100</b>
<b>2008</b>									
<b>Revenues</b>	<b>Bank</b>				<b>Aggregate</b>				<b>Bus. Demo.</b>
	<b>#</b>	<b>%</b>	<b>\$000</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000</b>	<b>%</b>	
One million or less	26	81.3	1,023	78.8	239	33.9	4,709	34.7	57.4
Over one million	6	18.8	275	21.2	466	66.1	8,844	65.3	
<b>Total</b>	<b>32</b>	<b>100</b>	<b>1,298</b>	<b>100</b>	<b>705</b>	<b>100</b>	<b>13,553</b>	<b>100</b>	<b>100</b>

Consumer Loans: "Outstanding"

Based on a sample of consumer loans, the bank's consumer lending distribution based on borrower characteristics reflected an excellent penetration rate among households with various incomes. Seventy-five percent of the loans analyzed were from 2008. Aggregate lending data were not available. However, comparing BOR's record to the demographics of the assessment area, BOR's lending penetration rate to LMI borrowers consistently exceeded the demographics. While 46% of households in the assessment area are LMI, BOR's lending penetration ratio was between 66.7% and 81.8% for 2006, 2007 and 2008.

*Distribution of Consumer Loans by Borrower Income Level					
2006					
Geography	Bank				HH Demographics
	#	%	\$000	%	
Low	276	72.7	2,102	63.8	26%
Moderate	34	9.1	494	15	20%
Middle	69	18.2	698	21.2	21%
Upper		-		-	33%
N/A		-		-	0%
<b>Total</b>	<b>379</b>	<b>100</b>	<b>3,294</b>	<b>100</b>	<b>100%</b>
2007					
Geography	Bank				HH Demographics
	#	%	\$000	%	
Low	186	55.6	1,890	64.4	26%
Moderate	37	11.1	150	5.1	20%
Middle	112	33.3	895	30.5	21%
Upper		-		-	33%
N/A		-		-	0%
<b>Total</b>	<b>335</b>	<b>100</b>	<b>2,935</b>	<b>100</b>	<b>100%</b>
2008					
Geography	Bank				HH Demographics
	#	%	\$000	%	
Low	126	42.3	1,062	49.6	26%
Moderate	111	37.3	583	27.2	20%
Middle	25	8.5	111	5.2	21%
Upper	35	11.9	386	18	33%
N/A		-		-	0%
<b>Total</b>	<b>297</b>	<b>100</b>	<b>2,142</b>	<b>100</b>	<b>100%</b>

\*Analysis for installment loans was performed on a sample of 79 loans to determine percentages inside and outside the assessment area. Number and dollars of loans were then extrapolated from these percentages and are not actual results.

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

The geographic distribution of loans reflected an excellent penetration rate among census tracts of different income levels.

*HMDA-Reportable Loans: “Outstanding”*

The geographic distribution of HMDA related loans reflected an excellent penetration rate among census tracts of different income levels. From 2004 to 2007, BOR’s lending penetration rates exceeded the aggregate’s penetration rates, with exceptionally strong performance in 2004, 2006 and 2007. In 2008, BOR’s lending penetration rate was comparable to (slightly below) the aggregate’s record. When all five years were considered, BOR’s record is excellent.

The following chart provides a summary of the bank’s HMDA-reportable lending distribution during the evaluation period:

<b>Distribution of HMDA Reportable Loans by Geographic Income Level</b>									
<b>2004</b>									
<b>Geography</b>	<b>Bank</b>				<b>Aggregate</b>				<b>OO HUs</b>
	<b>#</b>	<b>%</b>	<b>\$000</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000</b>	<b>%</b>	
Low	-	-	-	-	-	-	-	-	
Moderate	40	60.6	3,090	55.6	534	51.2	43,641	51.4	52.1
Middle	26	39.4	2,469	44.4	504	48.3	40,924	48.2	47.9
Upper	-	-	-	-	-	-	-	-	
N/A	-	-	-	-	5	0.5	325	0.4	
<b>Total</b>	<b>66</b>	<b>100.0</b>	<b>5,559</b>	<b>100.0</b>	<b>1,043</b>	<b>100.0</b>	<b>84,890</b>	<b>100.0</b>	<b>100</b>
<b>2005</b>									
<b>Geography</b>	<b>Bank</b>				<b>Aggregate</b>				<b>OO HUs</b>
	<b>#</b>	<b>%</b>	<b>\$000</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000</b>	<b>%</b>	
Low	-	-	-	-	-	-	-	-	
Moderate	28	56.0	2,458	53.5	546	52.1	52,285	54.0	52.1
Middle	22	44.0	2,137	46.5	501	47.8	44,571	46.0	47.9
Upper	-	-	-	-	-	-	-	-	
N/A	-	-	-	-	1	0.1	53	0.1	
<b>Total</b>	<b>50</b>	<b>100.0</b>	<b>4,595</b>	<b>100.0</b>	<b>1,048</b>	<b>100.0</b>	<b>96,909</b>	<b>100.0</b>	<b>100</b>
<b>2006</b>									
<b>Geography</b>	<b>Bank</b>				<b>Aggregate</b>				<b>OO HUs</b>
	<b>#</b>	<b>%</b>	<b>\$000</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000</b>	<b>%</b>	
Low	-	-	-	-	-	-	-	-	
Moderate	49	69.0	5,075	65.6	552	49.6	53,996	47.4	52.1
Middle	22	31.0	2,663	34.4	560	50.4	60,028	52.6	47.9
Upper	-	-	-	-	-	-	-	-	
N/A	-	-	-	-	-	-	-	-	
<b>Total</b>	<b>71</b>	<b>100.0</b>	<b>7,738</b>	<b>100.0</b>	<b>1,112</b>	<b>100.0</b>	<b>114,024</b>	<b>100.0</b>	<b>100</b>
<b>2007</b>									
<b>Geography</b>	<b>Bank</b>				<b>Aggregate</b>				<b>OO HUs</b>
	<b>#</b>	<b>%</b>	<b>\$000</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000</b>	<b>%</b>	
Low	-	-	-	-	-	-	-	-	
Moderate	42	63.6	4,374	61.3	515	53.9	54,037	50.2	52.1
Middle	24	36.4	2,764	38.7	441	46.1	53,646	49.8	47.9
Upper	-	-	-	-	-	-	-	-	
N/A	-	-	-	-	-	-	-	-	
<b>Total</b>	<b>66</b>	<b>100.0</b>	<b>7,138</b>	<b>100.0</b>	<b>956</b>	<b>100.0</b>	<b>107,683</b>	<b>100.0</b>	<b>100</b>
<b>2008</b>									
<b>Geography</b>	<b>Bank</b>				<b>Aggregate</b>				<b>OO HUs</b>
	<b>#</b>	<b>%</b>	<b>\$000</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000</b>	<b>%</b>	
Low	-	-	-	-	-	-	-	-	
Moderate	41	50.6	4,420	52.5	356	51.5	38,497	53.4	52.1
Middle	40	49.4	3,994	47.5	335	48.5	33,583	46.6	47.9
Upper	-	-	-	-	-	-	-	-	
N/A	-	-	-	-	-	-	-	-	

<b>Total</b>	<b>81</b>	<b>100.0</b>	<b>8,414</b>	<b>100.0</b>	<b>691</b>	<b>100.0</b>	<b>72,080</b>	<b>100.0</b>	<b>100</b>
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Small Business Loans: “Satisfactory”

The bank’s geographic distribution of small business loans reflected a reasonable penetration rate among census tracts of different income levels. From 2006 – 2008, BOR’s lending penetration rate in moderate-income census tracts averaged more than 40%. However, this trailed the aggregate’s penetration rate, which averaged more than 50%.

The following chart provides a summary of the bank’s small business lending distribution during the evaluation period:

Distribution of Small Business Loans by Geography Income Level									
2006									
Geography	Bank				Aggregate				Bus. Demo
	#	%	\$000	%	#	%	\$000	%	
Low	-	-	-	-	-	-	-	-	
Moderate	18	39.1	1,194	40.9	465	48.4	5,989	47.3	46.4
Middle	27	58.7	1,715	58.7	494	51.4	6,285	49.6	53
Upper	-	-	-	-	-	-	-	-	
N/A	1	2.2	12	0.4	2	0.2	399	3.1	0.6
<b>Total</b>	<b>46</b>	<b>100.0</b>	<b>2,921</b>	<b>100.0</b>	<b>961</b>	<b>100.0</b>	<b>12,673</b>	<b>100.0</b>	<b>100.0</b>
2007									
Geography	Bank				Aggregate				Bus. Demo
	#	%	\$000	%	#	%	\$000	%	
Low	-	-	-	-	-	-	-	-	
Moderate	16	44.4	905	47.3	543	53.2	6,377	47.5	47.7
Middle	20	55.6	1,007	52.7	477	46.7	7,031	52.4	51.9
Upper	-	-	-	-	-	-	-	-	
N/A	-	-	-	-	1	0.1	5	0.0	0.4
<b>Total</b>	<b>36</b>	<b>100.0</b>	<b>1,912</b>	<b>100.0</b>	<b>1,021</b>	<b>100.0</b>	<b>13,413</b>	<b>100.0</b>	<b>100.0</b>
2008									
Geography	Bank				Aggregate				Bus. Demo
	#	%	\$000	%	#	%	\$000	%	
Low	-	-	-	-	-	-	-	-	
Moderate	14	43.8	405	31.2	381	54.0	8,359	61.7	46
Middle	18	56.3	893	68.8	324	46.0	5,194	38.3	53.6
Upper	-	-	-	-	-	-	-	-	
N/A	-	-	-	-	-	-	-	-	0.4
<b>Total</b>	<b>32</b>	<b>100.0</b>	<b>1,298</b>	<b>100.0</b>	<b>705</b>	<b>100.0</b>	<b>13,553</b>	<b>100.0</b>	<b>100.0</b>

Consumer Loans: “Satisfactory”

Based on a sample of consumer loans, BOR’s lending penetration rate to consumers in moderate-income geographies was reasonable. There were no aggregate data for comparison. Seventy-five percent of the loans analyzed were from 2008, so the most weight was given to this year. Within BOR’s assessment area, 49% of households live in



moderate-income census tracts. In 2008, BOR made 52.5% of its consumer loans in these census tracts.

<b>*Distribution of Consumer Loans by Geography Income Level</b>					
<b>2006</b>					
<b>Geography</b>	<b>Bank</b>				<b>HH Demo.</b>
	<b>#</b>	<b>%</b>	<b>\$000</b>	<b>%</b>	
Low		-		-	
Moderate	103	27.3	619	18.8	48.6
Middle	276	72.7	2,678	81.3	51.4
Upper		-		-	
<b>Total</b>	<b>379</b>	<b>100</b>	<b>3,294</b>	<b>100</b>	<b>100</b>
<b>2007</b>					
<b>Geography</b>	<b>Bank</b>				
	<b>#</b>	<b>%</b>	<b>\$000</b>	<b>%</b>	
Low		-		-	
Moderate	112	33.3	810	27.6	48.6
Middle	223	66.7	2,125	72.4	51.4
Upper		-		-	
<b>Total</b>	<b>335</b>	<b>100</b>	<b>2,935</b>	<b>100</b>	<b>100</b>
<b>2008</b>					
<b>Geography</b>	<b>Bank</b>				
	<b>#</b>	<b>%</b>	<b>\$000</b>	<b>%</b>	
Low		-		-	
Moderate	156	52.5	940	43.9	48.6
Middle	141	47.5	1,202	56.1	51.4
Upper		-		-	
<b>Total</b>	<b>297</b>	<b>100</b>	<b>2,142</b>	<b>100</b>	<b>100</b>

\*Analysis for installment loans was performed on a sample of 79 loans to determine percentages inside and outside the assessment area. Number and dollars of loans were then extrapolated from these percentages and are not actual results.

- **Action Taken In Response to Written Complaints With Respect to CRA: “Satisfactory”**

Since the latest CRA evaluation on December 31, 2003, neither the bank nor the New York State Banking Department has received any written complaints regarding the bank’s CRA performance.

- **Additional factors:**

**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.**

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The board of directors is updated on CRA matters at its regular meetings via management reports. Twice a year the board is given data regarding deposits and loans generated in the bank's trade area. Annually, the board is given information regarding community development lending, loan to deposit ratios, and various community service activities.

**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 conducted indicate 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.

Senior bank managers are actively involved with numerous local organizations which give them the opportunity to interact and ascertain credit needs of the community. For example, BOR's President is active in numerous activities that to support education for needy children, including his membership on the SUNY Cobleskill Foundation Investment Committee, and his role as Treasurer of the Cobleskill-Richmondville Education Foundation, The BOR President is also active with the Exchange Club of Cobleskill which supports a local food pantry.

A VP and Senior Loan Officer was on the board of directors and remains active with the Schoharie County Association for Retarded Citizens ("ARC"), which has ten multi-family properties in Schoharie County. He is an active member of the Exchange Club of Cobleskill.

A VP is a board member of the Schoharie County Community Action Program, a nonprofit with a goal of eliminating poverty. She is an organization member of the Schoharie County Child Development - Christmas Wish Program. Many employees and a few customers of the bank supply a needy child with a Christmas gift.

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.

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BOR advertised extensively in local newspapers including the Times Journal and My Shopper. The bank also advertised in yearly magazines like "Hometown Cooking," "The Tastes of Schoharie County" and "Schoharie County's Original Home Buyer's Guide" issued by these previously mentioned periodicals. BOR also used radio advertising to attract business.

**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.

## GLOSSARY

### Aggregate Penetration Rate

The number of loans originated and purchased by all reporting lenders in specified categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the assessment area.

### 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
- 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.

**Income Level**

The income level of the person, family or household is based on the income of person, family or household. A geography’s income is categorized by median family income for the geography. In both cases, the income is compared to the MSA or statewide nonmetropolitan median income.

<b>Income level of individual or geography</b>	<b>% of the area median income</b>
Low-income	Less than 50
Moderate-income	At least 50 and less than 80
Middle-income	At least 80 and less than 120
Upper-income	120 or more

**Loans to Small Businesses**

Small business loans to businesses with gross annual revenues (“GAR”) of \$1 million or less (“< = \$ 1MM”).

**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**

Individuals or persons 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 in LMI geographies or to LMI borrowers.

### **Small Business Loans**

Loans to businesses with original amounts of  $\leq$  \$1MM.