



**NEW YORK STATE
DEPARTMENT OF FINANCIAL SERVICES
FINANCIAL FRAUDS AND CONSUMER PROTECTION DIVISION**

One State Street
New York, NY 10004

PUBLIC SUMMARY

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Date of Evaluation: December 31, 2018

Institution: Catskill Hudson Bank
95 Schwenk Drive
Kingston, NY 12402

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 Department of Financial Services 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 Catskill Hudson Bank (“CHB” or the “Bank”) prepared by the New York State Department of Financial Services (“DFS” or the “Department”). This evaluation represents the Department’s current assessment and rating of the institution’s CRA performance based on an evaluation conducted as of December 31, 2018.

Section 28-b of the New York Banking Law, as amended, requires that when evaluating certain applications, the Superintendent of Financial Services 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 Superintendent (“GRS”) implements Section 28-b and further requires that the Department assess the CRA performance records of regulated financial institutions. Part 76 establishes the framework and criteria by which the Department will evaluate institutions’ performance. Section 76.5 further provides that the 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 in 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 banking institutions are primarily based on a review of performance tests and standards described in Section 76.7 and detailed in Sections 76.8 through 76.13. The tests and standards incorporate the 12 assessment factors contained in Section 28-b of the New York 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

DFS evaluated CHB according to the intermediate small banking institution performance criteria pursuant to Sections 76.7 and 76.12 of the GRS. The evaluation period included calendar years 2016 and 2017 for the lending test, plus 2018 for the community development test. CHB is rated "Satisfactory" or "2." This rating means CHB had a satisfactory record of helping to meet community credit needs.

The rating is based on the following factors:

Lending Test: "Satisfactory"

Loan-to-Deposit Ratio and Other Lending-Related Activities: "Satisfactory"

CHB's average loan-to-deposit ("LTD") ratio was reasonable considering its size, business strategy, financial condition and peer group activity.

CHB's average LTD ratio of 63.1% was 18.7% lower than its peer group's average ratio of 81.8%, but an 18.8% improvement over the Bank's prior evaluation period average LTD ratio of 53.1%. The primary reason for the gap is the Bank's high level of municipal deposits which are not available for lending.

Assessment Area Concentration: "Satisfactory"

During the evaluation period, CHB originated 78.3% by number and 62.8% by dollar value of its total HMDA-reportable and small business loans within the assessment area. This majority of lending inside of its assessment area is a reasonable concentration of lending within CHB's assessment area.

Distribution by Borrower Characteristics: "Satisfactory"

CHB's HMDA-reportable and small business lending demonstrated a reasonable distribution of loans among individuals of different income levels and businesses of different revenue sizes.

Geographic Distribution of Loans: "Needs to Improve"

CHB's origination of HMDA-reportable and small business loans in census tracts of varying income levels demonstrated a less than adequate distribution of lending. CHB's rates of lending in LMI census tracts was lower than the aggregate's rates by both number and dollar value of loans.

Action Taken in Response to Written Complaints with Respect to CRA: "N/A"

Neither DFS nor CHB received any written complaints during the evaluation period regarding CHB's CRA performance.

Community Development Test: “Satisfactory”

CHB’s community development performance demonstrated reasonable responsiveness to the community development needs of its assessment area through community development loans, investments and services, considering CHB’s capacity, and the need for and availability of opportunities for community development in its assessment area.

Community Development Lending: “Satisfactory”

During the evaluation period, CHB originated \$13.1 million in new community development loans, and had \$ 1.6 million outstanding from prior evaluation periods. The level of new loans represented a significant increase over the prior evaluation period.

Qualified Investments: “Satisfactory”

CHB made \$1.3 million in new community development investments during the evaluation period, a decrease of \$600,000 from the prior period. CHB did not make any community development grants during the period. This demonstrated a reasonable level of qualified investments over the course of the evaluation period.

Community Development Services: “Satisfactory”

CHB demonstrated a reasonable level of community development services over the course of the evaluation period.

CHB staff and officers served with various nonprofit organizations that impact the lives of LMI individuals and groups. The organizations’ missions include affordable housing, economic development and financial education.

Responsiveness to Community Development Needs:

CHB demonstrated a reasonable level of responsiveness to credit and community development needs

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

PERFORMANCE CONTEXT

Institution Profile

Chartered in 1993 in Monticello, New York as Community Bank of Sullivan County, the Bank changed its name in 2006 to Catskill Hudson Bank to reflect its expansion into Orange and Ulster counties. CHB is now headquartered in Kingston, New York. CHB's geographic market consists of all of Sullivan County and parts of Albany, Dutchess, Orange, Saratoga, and Ulster counties. CHB does not have any affiliates and is a wholly-owned subsidiary of Catskill Hudson Bancorp, Inc.

CHB offers traditional banking products such as personal and business checking accounts, savings accounts, certificates of deposit, and individual retirement accounts, with online and mobile access. While CHB's main lending products are commercial mortgage and small business loans, it also offers consumer loans, home equity loans, and lines of credit. In 2018, the Bank decided to expand its residential lending.

As stated in the Consolidated Report of Condition (the "Call Report") as of December 31, 2017, filed with the Federal Deposit Insurance Corporation ("FDIC"), CHB reported total assets of \$442.3 million, of which \$273.4 million were net loans and lease financing receivables. It also reported total deposits of \$408.4 million, resulting in a LTD ratio of 67%.

According to the latest available comparative deposit data as of June 30, 2017, CHB had a market share of 0.93%, or \$392.9 million in a market of \$42.4 billion, ranking it 18th among 46 deposit-taking institutions in the counties of Albany, Dutchess, Orange, Saratoga, Sullivan, and Ulster.

The following is a summary of the Bank's loan portfolio, based on Schedule RC-C of the Bank's December 31, 2016 and 2017 Call Reports:

TOTAL GROSS LOANS OUTSTANDING				
Loan Type	2016		2017	
	\$000's	%	\$000's	%
1-4 Family Residential Mortgage Loans	19,133	7.9	16,340	5.9
Commercial & Industrial Loans	41,335	17.0	37,922	13.7
Commercial Mortgage Loans	160,568	65.9	193,227	69.9
Multifamily Mortgages	4,278	1.8	6,985	2.5
Consumer Loans	5,476	2.2	3,337	1.2
Agricultural Loans	255	0.1	0	0.0
Construction Loans	10,804	4.4	16,936	6.1
Obligations of States & Municipalities	0	0.0	0	0.0
Other Loans	1,862	0.8	1,783	0.6
Lease Financing	0	0.0	0	0.0
Total Gross Loans	243,711		276,530	

As illustrated in the above table, CHB is primarily a commercial real estate and commercial and industrial lender, with 69.9% and 13.7% of its loan portfolio consisting of commercial mortgage loans and commercial and industrial loans, respectively, as of December 31, 2017.

In addition to its headquarters in Kingston, CHB has a loan operations center in Middletown and thirteen branches as follows: six in Sullivan County; two in Ulster County; one in Orange County; and four in the Capital District including a branch opened in 2018 in Green Island. Supplementing the banking offices is an automated teller machine (“ATM”) network consisting of one ATM in each branch. All ATMs are deposit-taking. Two branches do not have Saturday hours, neither of which are located in LMI census tracts.

Examiners did not find evidence of financial or legal impediments that had an adverse impact on the Bank’s ability to meet the credit needs of its community.

Assessment Area

The Bank’s assessment area is comprised of all of Sullivan County and parts of Albany, Dutchess, Orange, Saratoga, and Ulster counties.

There are 192 census tracts in the assessment area, of which 16 are low-income, 35 moderate-income, 99 middle-income, 40 upper-income, and 2 have no income indicated.

Assessment Area Census Tracts by Income Level									
County	N/A	Low	Mod	Middle	Upper	Total	LMI %	Dis-tressed & Under-served	LMI & Dis-tressed %
Albany*	1	10	13	17	10	51	45.1		45%
Dutchess*	0	5	5	23	4	37	27.0		27%
Orange*	0	0	3	8	8	19	15.8		16%
Saratoga*	1	0	3	18	13	35	8.6		9%
Sullivan	0	0	4	17	3	24	16.7		17%
Ulster*	0	1	7	16	2	26	30.8		31%
Total	2	16	35	99	40	192	26.6	0	27%

*Partial county

Demographic & Economic Data

The assessment area had a total population of 769,122 during the evaluation period. About 15% of the population were over the age of 65 and 18% were under the age of sixteen.

Of the families in the assessment area 22.1% were low-income, 17.3% were moderate-income, 21.5% were middle-income, and 39.2% were upper-income. There were 296,641 households in the assessment area, of which 12% had income below the poverty level and 2.9% were on public assistance.

The weighted average median family income in the assessment area was \$79,583.

There were 348,790 housing units within the assessment area, of which 80% were one-to-four family units, and 15.8% were multifamily units. A majority, 52.4%, of the area's housing units were owner-occupied, while 32.7% were rental units. Of the 182,689 owner-occupied housing units, 15.2% were in LMI census tracts while 84.8% were in middle- and upper-income census tracts. The median age of the housing stock was 54 years, and the median home value in the assessment area was \$210,302.

There were 48,739 non-farm businesses in the assessment area. Of these, 79% were businesses with reported revenues of less than or equal to \$1 million, 7% reported revenues of more than \$1 million, and 14% did not report their revenues. Of all the businesses in the assessment area, 95.9% were businesses with less than fifty employees while 84.9% operated from a single location. The largest industries in the assessment area were services (46.2%), retail (15.2%), and finance, insurance and real estate (7.9%); 6.6% of businesses in the assessment area were not classified.

According to the New York State Department of Labor, the average unemployment

rate for New York State decreased slightly from 4.8% in 2016 to 4.7% in 2017. The average unemployment rates for all of the counties in the assessment area, with the exception of Sullivan County, were consistently lower than the average unemployment rates for New York State.

Assessment Area Unemployment Rate							
	Statewide	Albany	Dutchess	Orange	Saratoga	Sullivan	Ulster
2016	4.8%	4.1%	4.2%	4.3%	3.8%	4.8%	4.4%
2017	4.7%	4.3%	4.3%	4.6%	4.0%	4.9%	4.6%

Community Information

As part of the evaluation process, a community based, governmental nonprofit agency was interviewed. The organization identified its function as small business counseling and training, intended to expand the economic and employments needs of the area it serves. Overall, economic conditions in the area were assessed to be positive. The demand for affordable housing continues to be an issue that needs to be addressed.

Community banks were noted as having the opportunity to be involved in the financial needs of LMI individuals and were viewed in a positive light; larger banks were not deemed to be involved to a significant degree.

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

DFS evaluated CHB under the intermediate small banking institution performance standards in accordance with Sections 76.7 and 76.12 of the GRS, which consist of the lending test and the community development test.

The lending test includes:

- 1. Loan-to-deposit ratio and other lending-related activities;*
- 2. Assessment area concentration;*
- 3. Distribution of loans by borrower characteristics;*
- 4. Geographic distribution of loans; and*
- 5. Action taken in response to written complaints regarding CRA.*

The community development test includes:

- 1. Community development lending;*
- 2. Community development investments;*
- 3. Community development services; and*
- 4. Responsiveness to community development needs.*

DFS also considered the following factors in assessing the Bank's record of performance:

- 1. The extent of participation by the board of directors or board of trustees in formulating CRA policies and reviewing CRA performance;*
- 2. Evidence of any practices intended to discourage credit applications;*
- 3. Evidence of prohibited discriminatory or other illegal credit practices;*
- 4. Record of opening and closing offices and providing services at offices; and*
- 5. Process factors, such as activities to ascertain credit needs and the extent of marketing and special credit related programs.*

DFS derived statistics employed in this evaluation from various sources. CHB submitted bank-specific information both as part of the examination process and on its Call Report submitted to the FDIC. DFS obtained aggregate lending data from the Federal Financial Institutions Examination Council ("FFIEC") and deposit data from the FDIC. DFS obtained LTD ratios from information shown in the Bank's Uniform Bank Performance Report, compiled by the FFIEC from Call Report data.

DFS derived the demographic data referred to in this report from the 2010 U.S. Census and the FFIEC. DFS based business data on Dun & Bradstreet reports, which Dun & Bradstreet updates annually. DFS obtained unemployment data from the New York State Department of Labor. Some non-specific bank data are only available on a county-wide basis, and DFS used this information even though CHB's assessment area includes several partial counties.

The evaluation period was calendar years 2016 and 2017 for the lending test and 2016, 2017, and 2018 for the community development test.

Examiners considered CHB’s HMDA-reportable and small business loans in evaluating factors (2), (3), and (4) of the lending test noted above.

HMDA-reportable and small business loan data evaluated in this performance evaluation represented actual originations.

Examiners gave greater weight to CHB’s small business lending in this evaluation, since originations for this loan type constituted the most significant proportion of total loans originated by dollar value (89.8%), and by number of loans (89.7%) during the evaluation period.

At its **prior** Performance Evaluation, as of December 31, 2015, DFS assigned CHB a rating of “2” reflecting a “Satisfactory” record of helping to meet the credit needs of CHB’s communities.

Current CRA Rating: “Satisfactory”

Lending Test: “Satisfactory”

CHB’s small business and HMDA-reportable lending activities were reasonable in light of CHB’s size, business strategy, and financial condition, as well as aggregate and peer group activity, and the demographic characteristics and credit needs of the assessment area.

Loan-to-Deposit Ratio and Other Lending-Related Activities: “Satisfactory”

CHB’s average LTD ratio was reasonable considering its size, business strategy, financial condition, and peer group activity.

CHB’s average LTD ratio of 63.1% was lower than its peer group’s average ratio of 81.8%. However, this was an improvement from the Bank’s prior evaluation average LTD ratio of 53.1%. The gap between the Bank’s ratio compared with the peer group’s ratio steadily narrowed throughout the evaluation period. The primary reason for the gap was the high level of CHB’s municipal deposits, which cannot be used for lending.

The table below shows CHB’s LTD ratios in comparison with the peer group’s ratios for the eight quarters of the evaluation period.

Loan-to-Deposit Ratios									
	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3	2017 Q4	Avg.
Bank	53.1	54.9	51.1	58.7	60.5	65.8	65.2	66.9	63.1
Peer	80.0	81.3	82.2	81.1	80.4	81.7	82.1	82.2	81.8

Assessment Area Concentration: “Satisfactory”

During the evaluation period, CHB originated 78.3% by number and 62.8% by dollar value of its total HMDA-reportable and small business loans within the assessment area. This majority of lending inside of its assessment area is a reasonable concentration of lending within CHB’s assessment area.

HMDA-Reportable Loans

During the evaluation period, CHB originated 94.1% by number and 97.8% by dollar value of its HMDA-reportable loans within the assessment area. This substantial majority of lending inside of CHB’s assessment area reflects an excellent concentration of lending within CHB’s assessment area.

Small Business Loans

During the evaluation period, CHB originated 76.8% by number and 60.3% by dollar value of its small business loans within the assessment area. This majority of lending inside of CHB’s assessment area reflects a reasonable concentration of lending within CHB’s assessment area.

The following table shows the percentages of CHB’s HMDA-reportable and small business loans originated inside and outside of the assessment area.

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-Reportable										
2016	10	100.0%	0	0.0%	10	2,347	100.0%	0	0.0%	2,347
2017	6	85.7%	1	14.3%	7	232	80.0%	58	20.0%	290
Subtotal	16	94.1%	1	5.9%	17	2,579	97.8%	58	2.2%	2,637
Small Business										
2016	66	80.5%	16	19.5%	82	9,619	50.1%	9,588	49.9%	19,207
2017	73	73.7%	26	26.3%	99	13,155	71.0%	5,379	29.0%	18,534
Subtotal	139	76.8%	42	23.2%	181	22,774	60.3%	14,967	39.7%	37,741
Grand Total	155	78.3%	43	21.7%	198	25,353	62.8%	15,025	37.2%	40,378

Distribution by Borrower Characteristics: “Satisfactory”

CHB’s HMDA-reportable and small business lending demonstrated a reasonable distribution of loans among individuals of different income levels and businesses of different revenue sizes.

HMDA-Reportable Loans

CHB's HMDA-reportable lending demonstrated a reasonable distribution of loans among borrowers of different income levels.

For the current evaluation period, CHB's level of lending to LMI borrowers was 37.5% by number and 11% by dollar value; this was comparable to 26.8% by number and 19% by dollar value for the aggregate.

The following table provides a summary of the distribution of CHB's one-to-four family loans by borrower income.

Distribution of 1-4 Family Loans by Borrower Income									
2016									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	1	10.0%	60	2.6%	822	6.3%	86,457	3.4%	20.6%
Moderate	4	40.0%	218	9.3%	2,560	19.8%	381,060	15.0%	17.5%
LMI	5	50.0%	278	11.8%	3,382	26.1%	467,517	18.4%	38.1%
Middle	2	20.0%	155	6.6%	3,556	27.5%	641,220	25.3%	21.6%
Upper	2	20.0%	55	2.3%	5,321	41.1%	1,278,528	50.4%	40.4%
Unknown	1	10.0%	1,859	79.2%	688	5.3%	150,033	5.9%	
Total	10		2,347		12,947		2,537,298		
2017									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	1	16.7%	6	2.6%	801	6.6%	85,616	3.6%	22.1%
Moderate	0	0.0%	0	0.0%	2,556	20.9%	386,034	16.1%	17.3%
LMI	1	16.7%	6	2.6%	3,357	27.5%	471,650	19.6%	39.4%
Middle	2	33.3%	43	18.5%	3,306	27.1%	608,535	25.3%	21.5%
Upper	3	50.0%	183	78.9%	5,052	41.4%	1,213,508	50.5%	39.1%
Unknown	0	0.0%	0	0.0%	502	4.1%	107,063	4.5%	
Total	6		232		12,217		2,400,756		
GRAND TOTAL									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	2	12.5%	66	2.6%	1,623	6.4%	172,073	3.5%	
Moderate	4	25.0%	218	8.5%	5,116	20.3%	767,094	15.5%	
LMI	6	37.5%	284	11.0%	6,739	26.8%	939,167	19.0%	
Middle	4	25.0%	198	7.7%	6,862	27.3%	1,249,755	25.3%	
Upper	5	31.3%	238	9.2%	10,373	41.2%	2,492,036	50.5%	
Unknown	1	6.3%	1,859	72.1%	1,190	4.7%	257,096	5.2%	
Total	16		2,579		25,164		4,938,054		

Small Business Loans

CHB's small business lending demonstrated a reasonable distribution of loans among businesses of different revenue sizes.

During the evaluation period, CHB originated 33.8% of its small business loans to businesses with revenue of \$1 million or less. This was below the aggregate's rate of lending by number of loans of 47.8%; however, CHB's 35.2% of loans by dollar value exceeded the aggregate's rate of 31.4%.

The following table provides a summary of the distribution of CHB's small business loans by the revenue size of the business.

Distribution of Small Business Lending by Revenue Size of Business									
2016									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. < = \$1MM	26	39.4%	3,867	40.2%	5,816	45.9%	150,362	29.0%	78.9%
Rev. > \$1MM	40	60.6%	5,752	59.8%					7.1%
Rev. Unknown									14.0%
Total	66		9,619		12,673		518,870		
2017									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. < = \$1MM	21	28.8%	4,145	31.5%	6,579	49.6%	188,050	33.6%	79.1%
Rev. > \$1MM	52	71.2%	9,010	68.5%					7.0%
Rev. Unknown									13.8%
Total	73		13,155		13,265		560,317		
GRAND TOTAL									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. < = \$1MM	47	33.8%	8,012	35.2%	12,395	47.8%	338,412	31.4%	
Rev. > \$1MM	92	66.2%	14,762	64.8%					
Rev. Unknown									
Total	139		22,774		25,938		1,079,187		

Geographic Distribution of Loans: "Needs to Improve"

CHB's origination of loans in census tracts of varying income levels demonstrated a less than adequate distribution of lending.

HMDA-Reportable Loans

The distribution of CHB's HMDA-reportable loans among census tracts of different income levels was less than adequate. CHB's rates of lending in LMI census tracts was 12.5% by number of loans and 6% by dollar value. By comparison, the aggregate's rates were 14.4% and 11.6%, respectively.

The following table provides a summary of the distribution of CHB's HMDA-reportable loans by the income level of the geography where the property was located.

Distribution of HMDA-Reportable Lending by Geographic Income of the Census Tract									
2016									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	338	2.6%	72,060	2.5%	2.9%
Moderate	2	20.0%	155	6.6%	1,456	11.0%	240,537	8.4%	13.0%
LMI	2	20.0%	155	6.6%	1,794	13.6%	312,597	10.9%	15.9%
Middle	7	70.0%	333	14.2%	7,195	54.6%	1,579,911	55.2%	53.5%
Upper	1	10.0%	1,859	79.2%	4,191	31.8%	971,421	33.9%	30.6%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Total	10		2,347		13,180		2,863,929		
2017									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	384	3.1%	89,495	3.2%	2.9%
Moderate	0	0.0%	0	0.0%	1,524	12.2%	257,693	9.1%	12.3%
LMI	0	0.0%	0	0.0%	1,908	15.3%	347,188	12.2%	15.2%
Middle	5	83.3%	217	93.5%	7,093	56.8%	1,578,654	55.6%	57.6%
Upper	1	16.7%	15	6.5%	3,478	27.9%	912,168	32.1%	27.2%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Total	6		232		12,479		2,838,010		
GRAND TOTAL									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	722	3%	161,555	2.8%	
Moderate	2	12.5%	155	6.0%	2,980	11.6%	498,230	8.7%	
LMI	2	12.5%	155	6.0%	3,702	14.4%	659,785	11.6%	
Middle	12	75.0%	550	21.3%	14,288	55.7%	3,158,565	55.4%	
Upper	2	12.5%	1,874	72.7%	7,669	29.9%	1,883,589	33.0%	
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
Total	16		2,579		25,659		5,701,939		

Small Business Loans

The distribution of CHB's small business loans among census tracts of varying income levels was less than adequate.

CHB's rates of lending in LMI census tracts of 10.8% by number and 6.4% by dollar value of loans for the evaluation period was significantly lower than the aggregate's rates of 21.7% and 22.5%, respectively.

The following table provides a summary of the distribution of CHB's small business loans by the income level of the geography where the business was located.

Distribution of Small Business Lending by Geographic Income of the Census Tract									
2016									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	799	6.3%	51,298	9.9%	7.3%
Moderate	8	12.1%	237	2.5%	2,029	16.0%	78,291	15.1%	19.7%
LMI	8	12.1%	237	2.5%	2,828	22.3%	129,589	25.0%	27.0%
Middle	50	75.8%	7,753	80.6%	6,103	48.2%	246,493	47.5%	46.9%
Upper	8	12.1%	1,629	16.9%	3,742	29.5%	142,788	27.5%	26.1%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Total	66		9,619		12,673		518,870		
2017									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	1,048	7.9%	54,927	9.8%	10.7%
Moderate	7	9.6%	1,222	9.3%	1,760	13.3%	58,804	10.5%	14.4%
LMI	7	9.6%	1,222	9.3%	2,808	21.2%	113,731	20.3%	25.0%
Middle	55	75.3%	10,364	78.8%	6,722	50.7%	264,235	47.2%	49.9%
Upper	11	15.1%	1,569	11.9%	3,728	28.1%	181,693	32.4%	24.9%
Unknown	0	0.0%	0	0.0%	7	0.1%	658	0.1%	0.2%
Total	73		13,155		13,265		560,317		
GRAND TOTAL									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	1,847	7.1%	106,225	9.8%	
Moderate	15	10.8%	1,459	6.4%	3,789	14.6%	137,095	12.7%	
LMI	15	10.8%	1,459	6.4%	5,636	21.7%	243,320	22.5%	
Middle	105	75.5%	18,117	79.6%	12,825	49.4%	510,728	47.3%	
Upper	19	13.7%	3,198	14.0%	7,470	28.8%	324,481	30.1%	
Unknown	0	0.0%	0	0.0%	7	0.0%	658	0.1%	
Total	139		22,774		25,938		1,079,187		

Action Taken in Response to Written Complaints with Respect to CRA: "N/A"

Neither DFS nor CHB received any CRA related written complaints during the evaluation period.

Community Development Test: "Satisfactory"

CHB's community development performance demonstrated reasonable responsiveness to the community development needs of its assessment area through community development loans, investments, and services, considering CHB's capacity, and the need for and availability of opportunities for community development in its assessment area.

A more detailed description of the CHB's community development activity follows.

Community Development Lending: "Satisfactory"

During the evaluation period, CHB originated \$13.1 million in new community development loans, a \$10 million increase over the prior evaluation period. Additionally,

the Bank had \$1.6 million outstanding from prior evaluation periods.

Community Development Loans				
Purpose	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Loans	\$000	# of Loans	\$000
Affordable Housing	2	1594	3	1,294
Economic Development	1	500		
Community Services	5	9,025	1	356
Revitalize/Stabilize	9	1,945		
Total	17	13,064	4	1,650

Below are highlights of CHB's community development lending.

Affordable Housing

- CHB originated a \$656,250 loan for the purchase of a mixed-use property that contains four two- and three-bedroom apartments meant for LMI individuals. The monthly rents charged are below HUD's Fair Market Rents for the geography. The property is located in a low-income census tract where affordable housing is in strong demand.

Community Services

- CHB originated five loans amounting to \$9 million including a \$160,000 mortgage loan to a corporation that provides ambulance services to LMI individuals in a low-income census tract.

Revitalize/Stabilize

- CHB originated nine loans totaling \$1.9 million to a construction company that has created permanent employment for LMI income individuals. The company is located in a moderate-income census tract.

Qualified Investments: "Satisfactory"

During the evaluation period, CHB made \$1.3 million in new community development investments, a decrease compared with the prior evaluation period's \$1.9 million. The outstanding balance from prior evaluation periods was \$2.6 million.

CHB did not make any community development grants this evaluation period compared with \$52,000 made in the prior evaluation period.

Overall, the amount of qualified investments demonstrated a reasonable level of community development investments over the course of the evaluation period.

Community Development Investments and Grants				
	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Inv.	\$000	# of Inv.	\$000
CD Investments				
Affordable Housing				
Economic Development				
Community Services	1	200	1	35
Revitalize/Stabilize	5	1,129	5	2,559
Total	6	1,329	6	2,594
CD Grants	# of Grants	\$000	Not Applicable	
Affordable Housing				
Economic Development				
Community Services				
Other (Please Specify)				
Total	0	0		

Below are highlights of CHB's community development investments.

Community Services

- CHB invested in a municipal bond issue that was dedicated to the acquisition of highway equipment needed for road construction, snow removal, and other critical services.

Revitalize/Stabilize

- CHB invested in five municipal bond issues in various towns and villages within CHB's assessment area totaling \$1.1 million during the evaluation period. The funding was used for the repair and construction of critical infrastructure.

Community Development Services: "Satisfactory"

CHB demonstrated a reasonable level of community development services over the course of the evaluation period.

CHB's senior management and executives served with various nonprofit organizations that assist LMI individuals and groups. The organizations' missions included affordable housing, economic development and financial education.

Below are highlights of CHB's community development services.

- CHB's president serves on the board of directors of a nonprofit organization that provides assistance in the construction of affordable housing for LMI individuals and families.

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- CHB 's EVP serves on the board of directors of a nonprofit organization that helps LMI individuals by providing financial literacy, budget counseling, and homebuyer education.
 - CHB officers serve as members of a nonprofit organization that focuses on providing loans to small businesses.
 - During the evaluation period CHB made a branch available for several functions, such as distribution of food and winter clothing, helping LMI individuals and families.

Responsiveness to Community Development Needs

CHB demonstrated a reasonable level of responsiveness to credit and community development needs.

Additional Factors

The extent of participation by the banking institution's Board of Directors or Board of Trustees in formulating the banking institution's policies and reviewing its performance with respect to the purposes of the CRA.

Members of CHB's board of directors continue to be involved in the CRA program and process, which includes discussion of the annual presentation by the compliance officer. In addition, the internal auditor annually informs the audit committee and CHB's senior management of the Bank's CRA performance.

Discrimination and other illegal practices

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

DFS examiners did not note evidence of practices by CHB intended to discourage applications for the types of credit offered by CHB.

- *Evidence of prohibited discriminatory or other illegal credit practices.*

DFS examiners did not note evidence of prohibited, discriminatory or other illegal credit practices.

Record of opening and closing offices and providing services at offices

During the evaluation period CHB opened two branches and closed three.. Management stated that it closed the three branches due to a lack of demand or overlapping branch

coverage. The two branches opened are in middle-income census tracts. Of the branches closed, one was in an upper, one was in a middle, and one was in a moderate-income census tract.

Distribution of Branches within the Assessment Area							
County	N/A #	Low #	Moderate #	Middle #	Upper #	Total #	LMI %
Sullivan				5	1	6	0%
Ulster*			1	1		2	50%
Orange*				1		1	0%
Dutchess*							0%
Saratoga*				2		2	0%
Albany*				2		2	0%
Rensselaer*							0%
Schenectady*							0%
Total			1	11	1	13	8%

*Partial County

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 develops information regarding community needs in part through its support of, and membership in various community groups and trade associations. While affordable housing is universally identified as a major community need, the Bank also tries to fill the need for business capital via its commercial lending efforts.

CHB's active involvement in and/or leadership roles in various economic, civic and public policy organizations allows it to remain aware of the most pressing and relevant credit and banking needs in each community it serves.

- *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*

Through local media outlets (print, radio, promotional media) the Bank increases the awareness of its various products. It also markets certain products in its branches, using flyers and brochures. Information on all products is also available on CHB's website. The Bank is also actively involved in numerous civic, economic and community organizations, and participates in trade shows and events which allow it to educate the public about its products and services.

Other factors that in the judgment of the Superintendent bear upon the extent to which CHB is helping to meet the credit needs of its entire community

In 2018, CHB opened a Banking Development District (BDD) participating branch in the existing Village of Green Island BDD. CHB's BDD branch replaced a branch that closed in June 2017.

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

“Community development”:

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.

Community Development Loan

A loan that has 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.

Community Development Service

Service that has community development as its *primary purpose*, 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.

Geography

A census tract delineated by the United States Bureau of the Census in the most recent decennial census

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 for borrowers is based on household or family income. 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.

Income level of individual or geography	% of the area median income
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 of \$1 million or less.

Low or Moderate Income (“LMI”) Geographies

Those census tracts or block numbering areas where, according to the 2000 U.S. 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 cases 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 represents 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.

Low-Income Housing Tax Credit (LIHTC)

A dollar for dollar tax credit for affordable housing, created under the Tax Reform Act of 1986, that provides incentives to invest in projects for the utilization of private equity in the development of affordable housing aimed at low income Americans. It is also more commonly called Section 42 credits in reference to the applicable section of the IRC. The tax credits are more attractive than tax deductions as they provide a dollar for dollar reduction in a taxpayer's federal income tax. It is more commonly attractive to corporations since the passive loss rules and similar tax changes greatly reduced the value of tax credits and deductions to individual taxpayers.

New Markets Tax Credit (NMTC)

The New Markets Tax Credits (NMTC) Program was established by Congress in December 2000 to stimulate economic and community development and job creation in low-income communities. It permits individual and corporate taxpayers to receive a credit against federal income taxes for making qualified equity investments in Community Development Entities (CDEs). The credit provided to the investor totals 39% of the cost of the investment and is claimed over a 7-year period. CDEs must use substantially all of the taxpayer's investments to make qualified investments in low-income communities. The Fund is administered by the US Treasury Department's Community Development Financial Institutions Fund (CDFI).

Qualified Investment

A lawful investment, deposit, membership share or grant that has community development as its *primary purpose*. 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.