



**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, 2010

Institution: Rondout Savings Bank
300 Broadway
Kingston, NY 12401

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.

TABLE OF CONTENTS

	Section
General Information	1
Overview of Institution's Performance	2
Performance Context	3
Institution Profile	
Assessment Area	
Demographic & Economic Data	
Community Information	
Performance Standards and Assessment Factors	4
Loan-to-Deposit Analysis and Other	
Lending-Related Activities	
Assessment Area Concentration	
Distribution by Borrowers Characteristics	
Geographic Distribution of Loans	
Action Taken in Response to Written Complaints	
With Respect to CRA	
Additional Factors	
Glossary	5

GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (“CRA”) performance of Rondout Savings Bank (“RSB” or the “Bank”) prepared by the New York State Department of Financial Services¹ (“Department” or “DFS”). The evaluation represents the Department’s current assessment and rating of the institution’s CRA performance based on an evaluation conducted as of December 31, 2010.

Section 28-b of the New York 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 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 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 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.

¹ Effective October 3, 2011, the New York State Banking Department merged with the New York State Insurance Department and was renamed as the New York State Department of Financial Services.

OVERVIEW OF INSTITUTION'S PERFORMANCE

RSB is evaluated according to the small bank performance criteria pursuant to Part 76.12 of the General Regulations of the Banking Board. This assessment period included calendar years 2008, 2009 and 2010. RSB is rated "2," indicating a "Satisfactory" record of helping to meet community credit needs.

The rating is based on the following factors:

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

RSB's average LTD ratio was more reasonable considering its size, business strategy, financial condition and peer group activity. RSB's average LTD ratio for the 12 quarters ending December 31, 2010 of 78.9% was below the peer group average of 88.4%. Contributing to its lower average LTD ratio was the sale of 244 loans, totaling \$44.0 million, in years 2008, 2009 and 2010.

- **Assessment Area Concentration** "Outstanding"

During the evaluation period, totaling HMDA-reportable and small business lending, RSB originated 89.1% by number, and 85.5% by dollar value of its loans within the assessment area. This substantial majority of lending inside of its assessment area is an excellent record of lending.

- **Distribution by Borrowers Characteristics** "Satisfactory"

The distribution of loans based on borrower characteristics demonstrated a reasonable penetration rate of lending among individuals of different income levels and businesses of different revenue sizes operating within the assessment area.

Although RSB's HMDA-reportable loan penetration rates to low- to moderate-income ("LMI") borrowers were below those of its peer group, lending to low-income families was slightly above the peer group. Small business loan penetration rates to businesses with annual revenues of less than \$1 million were considered to be excellent.

- **Geographic Distribution of Loans** "Outstanding"

The distribution of loans based on lending in census tracts of varying income levels demonstrated an excellent penetration rate of lending. During the evaluation period, RSB's penetration rates in moderate income tracts, both for HMDA-reportable and small business loans, outperformed its aggregate and demographics.

- **Action Taken in Response to Written Complaints With Respect to CRA:** "Satisfactory"

Since the latest CRA evaluation as of December 31, 2007, neither RSB nor the New York State Department of Financial Services has received any written complaints regarding RSB's CRA performance

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

PERFORMANCE CONTEXT

Institution Profile:

Chartered in 1868, Rondout Savings Bank (“RSB” or the “Bank”) is a mutually owned savings bank headquartered in the city of Kingston, NY in Ulster County. RSB has one wholly-owned subsidiary, Rondout Financial Services, Inc. (“RFS”), formed in 1990 as a Non Deposit Investment Product (“NDIP”) conduit to sell securities and insurance products offered by Essex National Securities, Inc. and Essex National Insurance Agency, Inc.

Per the Consolidated Report of Condition (“Call Report”) as of December 31, 2010, filed with the Federal Deposit Insurance Corporation (“FDIC”), RSB reported total assets of \$229.6 million, of which \$153.5 million were net loans and lease finance receivables. The Bank also reported total deposits of \$197.2 million, resulting in a loan-to-deposit ratio of 78.1%¹. According to the latest available comparative deposit data as of June 30, 2011, RSB obtained a market share of 16.3%, or \$498.5 million in a market of \$3,063.8 million inside its market, ranking it second among 19 deposit-taking institutions in Ulster County.

The following is a summary of RSB’s loan portfolio, based on Schedule RC-C² of RSB’s December 31, 2008, 2009 and December 31, 2010’s Call Reports:

TOTAL GROSS LOANS OUTSTANDING						
Loan Type	2008		2009		2010	
	\$000's	%	\$000's	%	\$000's	%
1-4 Family Residential Mortgage Loans	96,583	66.9	94,427	64.5	95,851	61.5
Commercial & Industrial Loans	14,534	10.1	15,046	10.3	15,043	9.7
Commercial Mortgage Loans	27,088	18.8	32,388	22.1	36,318	23.3
Multifamily Mortgages	1,333	0.9	2,282	1.6	3,663	2.4
Consumer Loans	963	0.7	1,069	0.7	1,138	0.7
Agricultural Loans	0	0.0	0	0.0	0	0.0
Construction Loans	3,844	2.7	1,175	0.8	3,825	2.5
Obligations of States & Municipalities	0	0.0	0	0.0	0	0.0
Other Loans	0	0.0	0	0.0	0	0.0
Lease financing	0	0.0	0	0.0	0	0.0
Total Gross Loans	144,345		146,387		155,838	

As illustrated in the above chart, RSB is primarily a real estate lender, with 87.2% of its loan portfolio in real estate (of which 63.9% is residential real estate), followed by commercial and industrial at 9.7%. RSB’s gross loan portfolio has consistently

¹ LTD ratio taken from UBPR.

² Total Gross Loans outstanding should be the amount as indicated on Lines 1 through 10.

increased since the prior evaluation (December 31, 2007), rising by 15.5% to \$155.8 million from \$134.9 million during this period. Management attributed this increase in part to lower interest rates and the lower price of the housing stock in the assessment area, which increased the purchase and refinancing of commercial and real estate loans.

RSB operates one loan office center and four banking offices: three offices are located in the City of Kingston, including RSB’s main office (where the loan center is also located) and one branch is located in the Village of West Hurley. All of RSB’s branches are located in middle-income tracts. Supplementing the banking offices is an automated teller machine (“ATM”) network consisting of six machines: one ATM at each of the branches except for the main office which has two ATMs. An additional off-site, free-standing ATM is located inside the Hurley Ridge Market. RSB also has retail internet banking (on-line) and on-line bill pay, Visa debit/ATM cards point of sale (“POS”), night drop and bank by mail.

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

Assessment Area:

RSB’s assessment area is comprised of all of Ulster County. There are 49 census tracts in the county, of which seven are moderate-income, 35 are middle-income, and seven are upper-income. There are no low-income tracts in Ulster County.

Assessment Area Census Tracts by Income Level									
County	N/A	Low	Mod	Middle	Upper	Total	LMI %	Dis-tressed & Under-served	LMI & Dis-tressed %
Ulster			7	35	7	49	14.3		14.3%
Total	0	0	7	35	7	49	14.3	0	14.3%

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

Demographic & Economic Data

The assessment area had a population of 177,749 during the examination period. About 13.3% of the population was over the age of 65 and 20.7% was under the age of 16.

Of the 43,790 families in the assessment area, 19.2% were low-income, 18.2% were moderate-income, 23.7% were middle-income and 38.8% were upper-income families. There were 67,501 households in the assessment area, of which 10.5% had income below the poverty level and 2.5% were on public assistance.

The MSA median family income within the assessment area was \$51,753. The U.S. Department of Housing and Urban Development (“HUD”) estimated median family income for the area was \$70,100 in 2010.

There were 77,656 housing units within the assessment area, of which 91.9% were one- to-four family units, and 8.1% were multifamily units. A majority (59.1%) of the area’s housing units were owner-occupied, while 27.8% were rental units. Of the 45,916 owner-occupied housing units, 8.3% were in moderate-income census tracts while 91.7% were in middle- and upper-income census tracts. The median age of the housing stock was 51 years and the median home value in the assessment area was \$111,549.

There were 12,700 non-farm businesses in the assessment area. Of these, 79.6% were businesses with reported revenues of less than or equal to \$1 million, 3.5% reported revenues of more than \$1 million and 16.9% did not report their revenues. Of all the businesses in the assessment area, 88.5% were businesses with less than fifty employees while 91.8% operated from a single location. The largest industries in the area were services (47.0%), followed by retail trade (16.1%) and construction (9.7%), while 5.3% of businesses in the assessment area were not classified.

The October 7, 2010 New York State Banking Department 90-Day Pre-Foreclosure Notice Report showed continuing foreclosure activity. Ulster County ranked 15th out of 62 New York State counties with 1.9% of New York State’s total 134,000 pre-foreclosure notices sent to Ulster County households between February and August 2010. The state-wide average for such pre-foreclosure notices, as a percentage of the total 2.6 million state-wide mortgages on comparable properties, was 5.2%, while this average for Ulster County was 8.1%, which is the highest percentage of all New York State counties.

According to the New York State Department of Labor, the average unemployment rate for New York State increased significantly between 2008 and 2010, rising to 8.6% from 5.3%. The increase was slightly smaller, in Ulster County, where the unemployment rate increased to 8.2% in 2010 from 5.4% in 2008. This upward trend in unemployment rates, at both the state and county levels, is directly tied to the economic downturn experienced nationwide during this period.

Assessment Area Unemployment Rate		
	Statewide	Ulster
2008	5.3	5.4
2009	8.4	7.9
2010	8.6	8.2

Community Contacts

Representatives of three nonprofit organizations were contacted and interviewed for this evaluation. One organization is a local chamber of commerce, the second organization is Ulster County's leading economic development agency, and the third organization provides social services to local residents of Kingston.

The community contacts interviewed gave positive comments on local banks, including RSB. The representatives of all three organizations observed that RSB and most local banks are active in their communities, and are also involved in financing local initiatives and community projects, while national banks with a local presence in the assessment area are perceived as being less responsive.

Community contacts indicated a need for increased financing and technical assistance to entrepreneurs as many unemployed residents were starting new businesses. Financial literacy programs that specifically target small business owners were also noted as a community need.

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

RSB was evaluated under the small banking institution's performance standards in accordance with Parts 76.7 and 76.12 of the General Regulations of the Banking Board. RSB performance was evaluated according to the small bank performance criteria, which consists of the lending test including:

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

The following factors were also considered in assessing the bank'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.

Statistics employed in this evaluation were derived from various sources. Bank-specific information was submitted by the bank both as part of the examination process and on its Call Report submitted to the Federal Deposit Insurance Corporation ("FDIC"). Aggregate lending data were obtained from the Federal Financial Institutions Examination Council ("FFIEC") and deposit data were obtained from the FDIC. Loan-to-deposit ratios were calculated from information shown in the bank's Uniform Bank Performance Report ("UBPR") as submitted to the FDIC.

The demographic data referred to in this report were derived from the 2000 U.S. Census and HUD. Business demographic data used in this report provide information on US businesses, enhanced by Dun & Bradstreet reports and updated annually. Unemployment data were obtained from the New York State Department of Labor. Some non-specific bank data are only available on a county-wide basis, and were used even where the institution's assessment area includes partial counties.

The assessment period included calendar years 2008, 2009 and 2010.

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

Small business loan aggregate data are shown for comparative purposes. RSB is not required to report this data and as such is not included in the aggregate data. As RSB did not make any small farm loans, all analyses was based on small business lending only.

HMDA-reportable and small business loan data evaluated in this performance evaluation represented actual originations. HMDA-reportable lending was given greater weight in this evaluation as it represented approximately 65% of total HMDA-reportable and small business originations made during the evaluation period.

RSB received a rating of "2," reflecting a "Satisfactory" record of helping to meet community credit needs at its **prior** Performance Evaluation conducted by the New York State Banking Department as of December 31, 2007.

Current CRA Rating: "Satisfactory"

Lending Test: "Satisfactory"

RSB's small business and HMDA-reportable lending activities are reasonable in light of aggregate and peer group activity and demographics.

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

RSB's average LTD ratio was reasonable considering its size, business strategy, financial condition, aggregate and peer group activity.

RSB's average LTD ratio for the 12 quarters ending December 31, 2010 was 78.9% which is below the peer group's average of 88.4%. During the evaluation period, RSB sold 244 loans, totaling \$44.0 million, contributing to the lower average LTD ratio. During this period, RSB's LTD ratio trended downward, ranging from a high of 85.9% in the second quarter of 2008 to a low of 74.8% in the third quarter of 2009. However, RSB's average LTD ratio during this period was higher than the average LTD ratio of 65.9% recorded during the prior evaluation period.

The chart below shows RSB's LTD ratios in comparison with the peer group's ratios for the 12 quarters since the prior evaluation.

	2008 Q1	2008 Q2	2008 Q3	2008 Q4	2009 Q1	2009 Q2	2009 Q3	2009 Q4	2010 Q1	2010 Q2	2010 Q3	2010 Q4
Bank	85.1	85.9	84.4	81.5	78.2	76.3	74.8	74.9	76.1	75.3	75.7	78.1
Peer	90.2	92.0	93.3	93.0	89.6	88.4	88.8	87.3	85.0	84.7	85.0	83.3

Assessment Area Concentration: “Outstanding”

During the evaluation period, totaling HMDA-reportable and small business lending, RSB originated 89.1% by number, and 85.5% by dollar value of its loans within the assessment area. This substantial majority of lending inside of its assessment area is an excellent record of lending within RSB’s assessment area.

HMDA-Reportable Loans:

During the evaluation period, for HMDA-reportable lending, RSB originated 87.9% by number, and 84.0% by dollar value, of its loans within the assessment area. This substantial majority of lending inside of its assessment area is an excellent record of lending within RSB’s assessment area.

Small Business Loans:

During the evaluation period, for small business lending, RSB originated 91.5% by number, and 88.4% by dollar value of its loans within the assessment area. This substantial majority of lending inside of its assessment area is an excellent record of lending.

The following table shows the percentages of the RSB’s small business and HMDA-reportable 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										
2008	147	89.1%	18	10.9%	165	19,255	84.7%	3,482	15.3%	22,737
2009	178	90.4%	19	9.6%	197	29,047	89.7%	3,319	10.3%	32,366
2010	132	83.5%	26	16.5%	158	20,371	76.5%	6,253	23.5%	26,624
Subtotal	457	87.9%	63	12.1%	520	68,673	84.0%	13,054	16.0%	81,727
Small Business										
2008	102	94.4%	6	5.6%	108	13,930	93.6%	948	6.4%	14,878
2009	81	93.1%	6	6.9%	87	13,191	92.2%	1,114	7.8%	14,305
2010	64	85.3%	11	14.7%	75	10,621	78.5%	2,912	21.5%	13,533
Subtotal	247	91.5%	23	8.5%	270	37,742	88.4%	4,974	11.6%	42,716
Grand Total	704	89.1%	86	10.9%	790	106,415	85.5%	18,028	14.5%	124,443

Distribution by Borrower Characteristics: “Satisfactory”

The distribution of loans based on borrower characteristics demonstrated a reasonable penetration rate of lending among individuals of different income levels and businesses of different revenue sizes.

HMDA-Reportable Loans:

RSB's HMDA-reportable lending demonstrated a reasonable penetration of lending among individuals of different income levels.

During the evaluation period, RSB's penetration rate to LMI borrowers of 20.8% by number of loans and 12.4% by dollar value was below the aggregate penetration rates of 23.4% and 15.9%, respectively. RSB also trailed the LMI family demographic of 37.4%.

RSB's penetration rates to low-income borrowers generally slightly exceeded the aggregate's penetration rates during the evaluation period by number of loans, with a penetration rate of 5.9% by number of loans and 2.4% by dollar value, compared to the aggregate rates of 5.1% and 2.7%, respectively.

The following chart provides a summary of the HMDA-reportable lending distribution based on borrower income.

Distribution of HMDA-Reportable Lending by Borrower Income									
2008									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	10	6.8%	683	3.5%	156	4.6%	13,762	2.4%	19.2%
Moderate	26	17.7%	2,127	11.0%	607	18.1%	74,397	12.9%	18.2%
LMI	36	24.5%	2,810	14.6%	763	22.7%	88,159	15.3%	37.4%
Middle	35	23.8%	3,715	19.3%	971	28.9%	145,475	25.3%	23.7%
Upper	59	40.1%	10,592	55.0%	1,513	45.1%	319,311	55.5%	38.8%
Unknown	17	11.6%	2,138	11.1%	110	3.3%	21,985	3.8%	
Total	147		19,255		3,357		574,930		
2009									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	7	4.0%	491	1.7%	177	4.9%	17,392	2.8%	19.2%
Moderate	26	14.7%	3,173	10.9%	681	18.8%	86,952	13.8%	18.2%
LMI	33	18.6%	3,664	12.6%	858	23.7%	104,344	16.5%	37.4%
Middle	47	26.6%	6,300	21.7%	1,010	27.9%	159,297	25.2%	23.7%
Upper	84	47.5%	16,483	56.8%	1,585	43.8%	334,413	53.0%	38.8%
Unknown	13	7.3%	2,595	8.9%	164	4.5%	32,847	5.2%	
Total	177		29,042		3,617		630,901		
2010									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	10	7.6%	498	2.4%	181	6.0%	16,014	3.1%	19.2%
Moderate	16	12.1%	1,523	7.5%	537	17.9%	65,389	12.7%	18.2%
LMI	26	19.7%	2,021	9.9%	718	23.9%	81,403	15.8%	37.4%
Middle	42	31.8%	6,590	32.3%	806	26.8%	124,927	24.2%	23.7%
Upper	55	41.7%	10,111	49.6%	1,385	46.0%	290,392	56.3%	38.8%
Unknown	9	6.8%	1,649	8.1%	99	3.3%	19,345	3.7%	
Total	132		20,371		3,008		516,067		
GRAND TOTAL									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	27	5.9%	1,672	2.4%		5.1%		2.7%	
Moderate	68	14.9%	6,823	9.9%		18.3%		13.2%	
LMI	95	20.8%	8,495	12.4%		23.4%		15.9%	
Middle	124	27.2%	16,605	24.2%		27.9%		25.0%	
Upper	198	43.4%	37,186	54.2%		44.9%		54.8%	
Unknown	39	8.6%	6,382	9.3%		3.7%		4.3%	
Total	456		68,668						

Small Business Loans:

The distribution of small business loans based on the revenue size of the business demonstrated an excellent penetration rate of lending among businesses of different revenue sizes.

Of the 247 loans made during the evaluation period, all but one were extended to businesses with gross annual revenues of less than \$1.0 million, significantly

outperforming both the aggregate penetration rate and the business demographic.

The following chart provides a summary of the RSB's small business lending distribution based on revenue size during the evaluation period:

Distribution of Small Business Lending by Revenue Size of Business									
2008									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	101	99.0%	13,905	99.8%	1,897	28.7%	35,176	32.7%	66.9%
Rev. > \$1MM	1	1.0%	25	0.2%					3.6%
Rev. Unknown		0.0%		0.0%					29.5%
Total	102		13,930		6,600		107,457		
2009									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	81	100.0%	13,191	100.0%	696	27.2%	17,646	35.6%	78.3%
Rev. > \$1MM	-	0.0%	0	0.0%					3.7%
Rev. Unknown		0.0%		0.0%					18.1%
Total	81		13,191		2,560		49,633		
2010									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	64	100.0%	10,621	100.0%	593	25.6%	12,276	23.4%	79.6%
Rev. > \$1MM		0.0%		0.0%					3.5%
Rev. Unknown		0.0%		0.0%					16.9%
Total	64		10,621		2,314		52,373		
GRAND TOTAL									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	246	99.6%	37,717	99.9%		27.8%		31.1%	
Rev. > \$1MM	1	0.4%	25	0.1%					
Rev. Unknown	-	0.0%	-	0.0%					
Total	247		37,742						

Geographic Distribution of Loans: "Outstanding"

The distribution of loans based on lending in census tracts of varying income levels demonstrated an excellent penetration rate of lending.

There are no low-income census tracts in RSB's assessment area. As a result this analysis was based on an evaluation of RSB's lending in moderate, middle, and upper-income census tracts within the assessment area.

HMDA-Reportable Loans:

The distribution of HMDA-reportable loans based on the income level of the geography demonstrated an excellent penetration rate of lending.

During the evaluation period, RSB originated 17.1% by number, and 12.1% by dollar value of its HMDA-reportable loans within moderate geographies, outperforming the aggregate rates of 8.1% and 5.8%, respectively. RSB also exceeded the demographics for owner occupied homes in moderate census tracts of 8.3%.

The following chart provides a summary of the RSB's HMDA-reportable lending distribution based on the income level of the geography.

Distribution of HMDA-Reportable Lending by Geographic Income of the Census Tract									
2008									
Geographic	Bank				Aggregate				OO Hus
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Moderate	26	17.7%	1,965	10.2%	338	9.8%	40,315	6.9%	8.3%
LMI	26	17.7%	1,965	10.2%	338	9.8%	40,315	6.9%	8.3%
Middle	109	74.1%	15,213	79.0%	2,608	75.8%	440,536	75.4%	76.9%
Upper	12	8.2%	2,077	10.8%	492	14.3%	103,089	17.6%	14.8%
Unknown	0	0.0%	0	0.0%	3	0.1%	150	0.0%	
Total	147		19,255		3,441		584,090		
2009									
Geographic	Bank				Aggregate				OO Hus
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Moderate	33	18.5%	4,668	16.1%	264	7.2%	33,493	5.1%	8.3%
LMI	33	18.5%	4,668	16.1%	264	7.2%	33,493	5.1%	8.3%
Middle	132	74.2%	21,747	74.9%	2,721	73.9%	490,529	74.2%	76.9%
Upper	13	7.3%	2,632	9.1%	696	18.9%	136,482	20.7%	14.8%
Unknown	0	0.0%		0.0%	3	0.1%	205	0.0%	
Total	178		29,047		3,684		660,709		
2010									
Geographic	Bank				Aggregate				OO Hus
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Moderate	19	14.4%	1,653	8.1%	227	7.4%	29,700	5.5%	8.3%
LMI	19	14.4%	1,653	8.1%	227	7.4%	29,700	5.5%	8.3%
Middle	100	75.8%	16,288	80.0%	2,258	73.9%	386,679	72.2%	76.9%
Upper	13	9.8%	2,430	11.9%	569	18.6%	118,904	22.2%	14.8%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
Total	132		20,371		3,054		535,283		
GRAND TOTAL									
Geographic	Bank				Aggregate				OO Hus
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%		0.0%		0.0%	
Moderate	78	17.1%	8,286	12.1%		8.1%		5.8%	
LMI	78	17.1%	8,286	12.1%		8.1%		5.8%	
Middle	341	74.6%	53,248	77.5%		74.5%		74.0%	
Upper	38	8.3%	7,139	10.4%		17.3%		20.1%	
Unknown	-	0.0%	-	0.0%		0.1%		0.0%	
Total	457		68,673						

Small Business Loans:

The distribution of small business loans based on the income level of the geography of the business demonstrated an excellent rate of lending.

During the evaluation period, RSB's penetration rate of lending in moderate-income census tracts of 23.5% by number of loans and 27.1% by dollar value substantially outperformed the aggregate rates of 8.5% and 11.6%, respectively. RSB penetration rates also significantly exceeded the business demographic every year during the

evaluation period.

The following chart provides a summary of the RSB's small business lending distribution based on the income level of the geography.

Distribution of Small Business Lending by Geographic Income of the Census Tract									
2008									
Geographic	Bank				Aggregate				Bus.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Moderate	24	23.5%	4,607	33.1%	595	9.0%	14,722	13.7%	11.6%
LMI	24	23.5%	4,607	33.1%	595	9.0%	14,722	13.7%	11.6%
Middle	68	66.7%	8,368	60.1%	4,823	73.1%	75,375	70.1%	75.1%
Upper	10	9.8%	955	6.9%	1,182	17.9%	17,360	16.2%	13.3%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Total	102		13,930		6,600		107,457		
2009									
Geographic	Bank				Aggregate				Bus.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Moderate	16	19.8%	2,722	20.6%	202	7.9%	5,179	10.4%	11.1%
LMI	16	19.8%	2,722	20.6%	202	7.9%	5,179	10.4%	11.1%
Middle	57	70.4%	7,653	58.0%	1,911	74.6%	38,055	76.7%	74.9%
Upper	8	9.9%	2,816	21.3%	447	17.5%	6,399	12.9%	14.0%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Total	81		13,191		2,560		49,633		
2010									
Geographic	Bank				Aggregate				Bus.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Moderate	18	28.1%	2,883	27.1%	182	7.9%	4,408	8.4%	10.8%
LMI	18	28.1%	2,883	27.1%	182	7.9%	4,408	8.4%	10.8%
Middle	40	62.5%	6,053	57.0%	1,696	73.3%	40,112	76.6%	75.2%
Upper	6	9.4%	1,685	15.9%	436	18.8%	7,853	15.0%	14.0%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Total	64		10,621		2,314		52,373		
GRAND TOTAL									
Geographic	Bank				Aggregate				Bus.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%		0.0%		0.0%	
Moderate	58	23.5%	10,212	27.1%		8.5%		11.6%	
LMI	58	23.5%	10,212	27.1%		8.5%		11.6%	
Middle	165	66.8%	22,074	58.5%		73.5%		73.3%	
Upper	24	9.7%	5,456	14.5%		18.0%		15.1%	
Unknown	-	0.0%	-	0.0%		0.0%		0.0%	
Total	247		37,742						

Action Taken In Response to Written Complaints With Respect to CRA:

Since the latest CRA evaluation as of December 31, 2007, neither RSB nor DFS has received any written complaints regarding RSB's CRA performance.

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 Community Reinvestment Act

RSB's CRA officer reports any CRA activity to the board of trustees on a monthly basis. In addition, the bank's CRA policy is reviewed on an annual basis.

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

DFS 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

DFS noted no evidence of prohibited discriminatory or other illegal practices.

Record of opening and closing offices and providing services at offices

Distribution of Branches within the Assessment Area								
County	N/A #	Low #	Moderate #	Middle #	Upper #	Total #	LMI %	LMI and Distressed or Underserved
Ulster	0	0	0	4	0	4	0%	0%
Total	-	-	-	4	-	4	0%	0%

RSB did not open or close any branch during the evaluation period. RSB has four branch offices, all of which are all located in middle-income tracts. Three of the offices are located in the City of Kingston and one in the Town of West Hurley. All of the offices have drive-through service and ATM machines. RSB also has a loan office located at the same address as its main office in Kingston.

Each office is a full service branch, offering checking, savings, and certificates of deposit, as well as accepting loan applications, and offering retail internet banking, account link (voice response), night drop, bank by mail, e-statements, and on-line bill payments.

All offices are open standard business hours with some weekend and evening hours. Drive through banking services and loan services are also offered during regular business hours.

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.

RSB ascertains the credit needs of its community, through the involvement of its board of trustees and officers in various organizations and not for profit entities throughout the community. Senior bank personnel and trustees are active in, or board members of, various civic and community nonprofit organizations including youth services, small business lending, economic development and housing organizations serving LMI families.

- 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

RSB markets its products to potential borrowers through advertising in local newspaper, as well as via radio and television ads. In addition, RSB's loan originators are in contact with area real estate agents to market RSB's loan programs, and RSB representatives participate in local events to market its programs to potential homebuyers.

Special Credit-Related Programs:

RSB offers two special credit programs: the First Home Club and a First Time Homebuyers Program. The First Home Club is offered in conjunction with the Federal Home Loan Bank of New York (FHLB") and requires eligible first time homebuyers to open a dedicated savings account with RSB for a minimum of ten months to a maximum of 30 months, with monthly deposits of an agreed upon systematic amount. FHLB then matches potential homebuyers' contributions 3 to 1 with a maximum of \$5,000 towards the purchase of a first home. In the First Time Homebuyers Program RSB pays a portion of closing costs and offers a lowered interest rate and flexible underwriting to LMI families.

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

RSB provided qualified community development loans and investments even though, as a small bank, it is not required to do so. As an example, RSB was part of a combined effort with economic development corporations and another local bank to extend funds to a local ice cream distributor enabling it to stay in New York and expand its facility, rather than relocate to another state. Other entities involved in this effort were New York's Empire State Development Corporation, the Ulster County Revolving Loan Fund, and the New York State Business Development Corporation. RSB extended loans totaling \$2.7 million to this distributor during the assessment period. Although these loans were below \$1 million, and thus already part of the small business data, it should be noted that these loans also served a community development purpose, by allowing a local family-owned company to remain in New York State.

Additionally, NYBDC has a \$170,000 member line commitment with RSB.

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 businesses 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 (4) 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.

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 (“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.