



**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, 2013

Institution: Putnam County Savings Bank
2477 Route 6
Brewster, NY 10509

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
Lending Test	
Loan-to-Deposit Ratio and Other Lending-Related Activities	
Assessment Area Concentration	
Distribution by Borrower Characteristics	
Geographic Distribution of Loans	
Action Taken in Response to Written Complaints with Respect to CRA	
Community Development Test	
Community Development Loans	
Community Development Investments	
Community Development Services	
Additional Factors	
Glossary	5

GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (“CRA”) performance of Putnam County Savings Bank (“PCSB”) 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, 2013.

Section 28-b of the New York Banking Law, as amended, requires that when evaluating certain applications, the Superintendent of Financial Institutions 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 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 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 PCSB according to the intermediate small bank performance criteria pursuant to General Regulations of the Superintendent ("GRS") Parts 76.7 and 76.12. This assessment period included calendar years 2011, 2012 and 2013. PCSB is rated "2," indicating a "Satisfactory" record of helping to meet community credit needs.

The rating is based on the following factors:

Lending Test: "Satisfactory"

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

PCSB'S average LTD ratio was less than reasonable considering its size, business strategy, financial condition, and the lending activity of its peer group.

During the evaluation period PCSB's average LTD ratio was 54.9% compared to its peer group's ratio of 81.4%. DFS examiners considered PCSB's LTD ratio, particularly the 26.5% differential in comparison with its peer group, to be less than reasonable.

- **Assessment Area Concentration:** "Satisfactory"

During the evaluation period PCSB originated 79.6% by number and 68.6% by dollar value of its small business and HMDA-reportable loans within its assessment area. This majority of lending was a reasonable record of lending inside of its assessment area.

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

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

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

The distribution of loans based on lending in census tracts of varying income levels demonstrated reasonable rates of lending.

PCSB's assessment area has no low-income census tracts; therefore, there were no loans in low-income tracts.

Action Taken in Response to Written Complaints with Respect to CRA:

Neither PCSB nor DFS received any written complaints regarding PCSB's CRA performance since the prior CRA evaluation (as of December 31, 2010).

Community Development Test (Loans, Investments, Services): “Satisfactory”

Considering PCSB’s capacity and the need for and availability of such opportunities for community development in its assessment area, PCSB’s community development performance demonstrated reasonable responsiveness to the community development needs of its assessment area. This was accomplished through community development loans, investments and services.

- **Community Development Loans: “Satisfactory”**

During the evaluation period PCSB originated \$5.9 million in new community development loans and had \$1.5 million outstanding from prior evaluation periods, totaling \$7.4 million. This represented 0.78% of PCSB’s assets (0.26% annualized over the three-year evaluation period), demonstrating a reasonable level of community development lending over the course of the evaluation period.

- **Community Development Qualified Investments: “Satisfactory”**

During the evaluation period PCSB made \$1.7 million in new community development investments and had \$2.5 million outstanding from prior evaluation periods. In addition, PCSB made \$34,000 in community development grants. This demonstrated a reasonable level of community development investments and grants over the course of the evaluation period.

- **Community Development Services: “Satisfactory”**

PCSB demonstrated an adequate level of community development services over the course of the evaluation period.

- **Responsiveness to Credit and Community Development Needs:**

PCSB demonstrated an adequate level of responsiveness to credit and community development needs of the assessment area through its qualified community development lending, investments and services. In addition, PCSB offers flexible lending products and a basic checking account with no monthly maintenance fee, free online banking, and bill pay service.

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 1871, Putnam County Savings Bank (“PCSB”) is a mutual savings bank headquartered in Brewster, NY. Including its Brewster main office, PCSB has ten branches located in the following four New York counties: Dutchess, Putnam, Rockland and Westchester. PCSB’s tenth branch was opened in Rockland County in November 2013.

PCSB has three wholly owned subsidiaries: PCSB Funding Corp., a real estate investment trust, which purchases real estate properties from savings bank from time to time; PCSB Commercial Bank, a limited purpose financial institution for the sole purpose of accepting municipal deposits; and PCSB Realty Limited.

PCSB offers a full selection of deposit products and services, including checking (personal and business), savings, money market and time deposit accounts. Services include debit cards, online banking, phone banking, and direct deposit. Loan products include consumer and residential mortgage loans, commercial real estate and non-real estate loans.

Per the Consolidated Report of Condition (the “Call Report”) as of December 31, 2013, filed with the Federal Deposit Insurance Corporation (“FDIC”), PCSB reported total assets of \$960.5 million, of which \$494.8 million were net loans and lease finance receivables. It also reported total deposits of \$845.8 million, resulting in a loan-to-deposit ratio of 58.5%. According to the latest available comparative deposit data, PCSB had a market share of 1.21% or \$855.1 million in a market of \$70.4 billion, ranking it 18th among 47 deposit-taking institutions in the assessment area.

The following is a summary of PCSB’s loan portfolio based on Schedule RC-C of the bank’s December 31, 2011, 2012 and 2013 Call Reports:

TOTAL GROSS LOANS OUTSTANDING						
Loan Type	2011		2012		2013	
	\$000's	%	\$000's	%	\$000's	%
1-4 Family Residential Mortgage	165,469	34.6	159,040	35.0	204,544	41.0
Commercial & Industrial	61,395	12.8	66,792	14.7	42,238	8.5
Commercial Mortgage	165,015	34.5	153,514	33.8	182,668	36.6
Multifamily Mortgages	26,376	5.5	23,741	5.2	26,885	5.4
Consumer	1,216	0.3	720	0.2	678	0.1
Construction	51,698	10.8	44,354	9.8	36,479	7.3
Obligations of States & Municipalities	5,348	1.1	5,562	1.2	5,434	1.1
Other	1,752	0.4	217	0.0	310	0.1
Total Gross Loans	478,269		453,940		499,236	

As illustrated in the above table PCSB is primarily a residential mortgage and commercial loan lender. Single family and multifamily mortgages comprised 46.4% of the loan portfolio, while commercial & industrial loans and commercial mortgages made up an additional 45.1%.

PCSB originated or purchased \$41.9 million worth of small business loans and \$28.0 million of HMDA-reportable loans inside the assessment area during the evaluation period.

As noted above, PCSB operates ten banking offices: one in Rockland County and the other nine branches are equally distributed in the three counties of Dutchess, Putnam and Westchester. Supplementing the banking offices is a non-deposit taking automated teller machine (“ATM”) network at each of the branches. Except for the Yorktown Heights branch in Westchester County, all PCSB branches have drive-thru or drive-up windows and offer Saturday banking hours from 9:00AM to 1:00PM.

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

Assessment Area

PCSB’s assessment area is comprised of all of Putnam County, which consists of only upper-income census tracts, and parts of Dutchess, Rockland and Westchester counties.

There are 104 census tracts in the area, of which six are moderate-income, 26 are middle-income, 67 are upper-income, and five are tracts that 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 %
Dutchess*	2		4	18	10	34	11.8		12%
Putnam					19	19	0.0		0%
Rockland*					1	1	0.0		0%
Westchester*	3		2	8	37	50	4.0		4%
Total	5	0	6	26	67	104	5.8	0	6%

* Partial county

PCSB added a branch in Rockland County towards the end of the evaluation period, which will result in the inclusion of LMI census tracts in PCSB's assessment area for the next CRA evaluation.

Demographic & Economic Data

The assessment area had a population of 453,205 during the evaluation period. About 12.8% of the population were over the age of 65 and 20.9% were under the age of sixteen.

Of the 117,432 families in the assessment area, 10.7% were low-income, 11.4% were moderate-income, 16.4% were middle-income and 61.4% were upper-income families. There were 158,335 households in the assessment area, of which 5.0% had income below the poverty level and 0.7% were on public assistance.

The weighted average median family income within the assessment area was \$110,448.

There were 169,056 housing units within the assessment area, of which 85.2% were one-to-four family units, and 13.3% were multifamily units. A majority (73.6%) of the area's housing units were owner-occupied, while 20.1% were rental units. Of the 124,399 owner-occupied housing units, 2.7% were in moderate-income census tracts while 97.3% were in middle- and upper-income census tracts. The median age of the housing stock was 46 years and the median home value was \$456,224.

There were 38,699 non-farm businesses in the assessment area. Of these, 76.6% reported revenues of less than or equal to \$1 million, 3.5% reported more than \$1 million, and 19.9% did not report their revenues. Of all businesses in the assessment area, 82.4% had less than fifty employees, and 94.7% operated from a single location. The largest industries in the area were services (46.0%), retail trade (11.9%), and construction (10.3%), while 12.2% of businesses in the assessment area were not classified.

According to the New York State Department of Labor, New York State unemployment rates eased in 2013 to 7.7% compared to the previous year's rate of 8.5%. PCSB's four-county assessment area unemployment rates were better than New York's rates in all years of the evaluation period. Putnam and Rockland counties had the lowest rates at 5.8% and 5.9%, respectively in 2013.

Assessment Area Unemployment Rate					
	NYS	Dutchess	Putnam	Rockland	Westchester
2011	8.2	7.6	6.8	6.7	7.0
2012	8.5	7.8	6.7	6.8	7.2
2013	7.7	6.8	5.8	5.9	6.3

Community Information

The community contacts DFS examiners interviewed for this evaluation observed a decline in residential real estate primarily due to loss of employment or lack thereof. They noted, however, that Westchester County had experienced growth in construction projects.

These contacts expressed their belief that the community's immigrant population needed financial education about how to manage basic bank accounts and the community's business community needed training on financing micro-construction projects. Additionally, they identified a need for small business loans with more flexible underwriting standards for businesses that are less experienced or less bankable.

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

DFS evaluated PCSB under the intermediate small bank performance standards in accordance with GRS Parts 76.7 and 76.12, 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 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*

The following factors were also considered in assessing the bank's record of performance:

- 1. Extent of participation by the board of directors or board of trustees in formulating CRA policies and reviewing CRA performance;*
- 2. 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 the statistics employed in this evaluation from various sources. PCSB 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 calculated loan-to-deposit ratios from information shown in the bank's Uniform Bank Performance Report submitted to the FDIC.

DFS derived the demographic data referred to in this report from the 2010 U.S. Census and the U.S. Department of Housing and Urban Development. Business demographic data used in this report were based on Dun & Bradstreet reports, which are updated annually. DFS obtained unemployment data from the New York State Department of Labor. Some non-specific bank data were only available on a county-wide basis and were used even where the institution's assessment area included partial counties.

The assessment period included calendar years 2011, 2012 and 2013.

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

PCSB is not required to report small business loan data. Therefore, PCSB's small business loans are not included in the aggregate data. Small business loan aggregate data are shown only for comparative purposes. PCSB did not make any small farm loans; thus examiners based all analyses on PCSB's small business loans.

Because of a lack of lending opportunities in the assessment area in 2013, PCSB purchased \$49 million worth of mortgage loans from a New Jersey bank, of which six loans, totaling \$3.5 million, were originated in New York.

HMDA-reportable and small business loan data evaluated in this performance evaluation represented actual originations including the six purchased loans mentioned above.

DFS examiners considered the relative share of PCSB's small business and HMDA-reportable lending to PCSB's total lending when assigning ratings for this evaluation.

PCSB 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 (now DFS) as of December 31, 2010.

Current CRA Rating: "Satisfactory"

Lending Test: "Satisfactory"

PCSB's small business and HMDA-reportable activities were reasonable in light of the lending activity of its peer group activity and demographic characteristics of the assessment area.

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

PCSB'S average LTD ratio was less than reasonable considering the bank's size, business strategy, financial condition, and peer group's lending activity.

For the evaluation period, PCSB's average LTD ratio was 54.9% compared to its peer group's ratio of 81.4%. PCSB's LTD ratios trended downward during the period before increasing in the last quarter of 2013. These ratios reflected PCSB senior management expressed a desire to sustain bank growth through controlled and conservative lending activities. In addition, PCSB competes in a market with larger regional and national banks and credit unions, which have greater market exposures. However, with a low LTD average ratio of 54.9%, which was 26.5% lower than its peer group for the evaluation period, examiners considered PCSB's LTD ratio to be less than reasonable lending activity.

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

Loan-to-Deposit Ratios													
	2011 Q1	2011 Q2	2011 Q3	2011 Q4	2012 Q1	2012 Q2	2012 Q3	2012 Q4	2013 Q1	2013 Q2	2013 Q3	2013 Q4	Avg.
Bank	58.5	56.7	57.5	56.2	54.5	53.4	53.7	53.1	52.5	51.6	52.8	58.5	54.9
Peer	81.6	80.9	80.0	80.4	80.7	81.2	81.7	81.9	80.8	82.0	82.4	83.5	81.4

Assessment Area Concentration: “Satisfactory”

During the evaluation period PCSB originated 79.6% by number and 68.6% by dollar value of its total HMDA-reportable and small business loans within its assessment area. This was a reasonable record of lending inside the assessment area.

HMDA-reportable lending inside the assessment area trended upward, peaking in 2013 at 63 loans totaling \$12.8 million. Conversely, small business lending trended downward with the lowest lending in 2013 at 62 loans totaling \$13.6 million. According to PCSB’s management, these shifts in lending reflected market conditions during the evaluation period. While mortgage refinancing applications decreased, home purchases picked up, and small business lending activities decreased, due mostly to an increase in interest rates.

HMDA-Reportable Loans:

During the evaluation period, PCSB originated or purchased 86.3% by number, and 75.0% by dollar value of its HMDA-reportable loans within the assessment area. This was a reasonable record of lending inside PCSB’s assessment area.

Small Business Loans:

During the evaluation period, PCSB originated 76.0% by number, and 64.9% by dollar value of its small business loans within the assessment area. This was a reasonable record of lending inside of PCSB’s assessment area.

The following table shows the percentages of PCSB’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										
2011	19	95.0%	1	5.0%	20	4,349	87.4%	627	12.6%	4,976
2012	56	86.2%	9	13.8%	65	10,853	83.7%	2,115	16.3%	12,968
2013	63	84.0%	12	16.0%	75	12,808	66.0%	6,605	34.0%	19,413
Subtotal	138	86.3%	22	13.8%	160	28,010	75.0%	9,347	25.0%	37,357
Small Business										
2011	94	75.2%	31	24.8%	125	13,719	54.2%	11,573	45.8%	25,292
2012	72	75.8%	23	24.2%	95	14,587	67.5%	7,034	32.5%	21,621
2013	62	77.5%	18	22.5%	80	13,566	76.9%	4,085	23.1%	17,651
Subtotal	228	76.0%	72	24.0%	300	41,872	64.9%	22,692	35.1%	64,564
Grand Total	366	79.6%	94	20.4%	460	69,882	68.6%	32,039	31.4%	101,921

Distribution by Borrower Characteristics: "Satisfactory"

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

HMDA-Reportable Loans:

PCSB's HMDA-reportable loans demonstrated less than reasonable rates of lending among borrowers of different income levels.

For the evaluation period, PCSB's average rate of lending to LMI borrowers was 4.4% by dollar volume, which was lower than the aggregate's lending rate of 5.2%.

PCSB made no loans to low-income borrowers in 2011 and 2013, and the aggregate made less than one percent of its loans to low-income borrowers in both years. In addition, PCSB's and the aggregate's rates of lending to LMI borrowers compared unfavorably to the percentage of families in the assessment area that were LMI families (22.1%).

The following table provides a summary of PCSB's HMDA-reportable lending distribution based on borrower income.

Distribution of HMDA-Reportable Lending by Borrower Income									
2011									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	143	2.0%	15,698	0.7%	9.1%
Moderate	2	11.1%	150	3.7%	591	8.4%	92,376	4.4%	10.5%
LMI	2	11.1%	150	3.7%	734	10.4%	108,074	5.1%	19.7%
Middle	3	16.7%	452	11.1%	1,312	18.7%	261,139	12.4%	16.8%
Upper	10	55.6%	2,459	60.2%	4,797	68.2%	1,677,852	79.8%	63.6%
Unknown	3	16.7%	1,026	25.1%	186	2.6%	55,984	2.7%	
Total	18		4,087		7,029		2,103,049		
2012									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	2	3.6%	253	2.4%	179	2.1%	22,376	0.9%	10.7%
Moderate	2	3.6%	275	2.6%	703	8.3%	105,679	4.3%	11.4%
LMI	4	7.3%	528	5.0%	882	10.4%	128,055	5.2%	22.1%
Middle	10	18.2%	882	8.4%	1,601	19.0%	317,676	13.0%	16.4%
Upper	37	67.3%	8,148	77.6%	5,719	67.7%	1,919,701	78.3%	61.4%
Unknown	4	7.3%	945	9.0%	244	2.9%	87,576	3.6%	
Total	55		10,503		8,446		2,453,008		
2013									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	Data Not Available				10.7%
Moderate	3	4.9%	401	4.0%					11.4%
LMI	3	4.9%	401	4.0%					22.1%
Middle	12	19.7%	1,223	12.3%					16.4%
Upper	46	75.4%	8,309	83.7%					61.4%
Unknown	0	0.0%	0	0.0%					
Total	61		9,933				-		
GRAND TOTAL									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	2	1.5%	253	1.0%		2.1%		0.8%	
Moderate	7	5.2%	826	3.4%		8.4%		4.3%	
LMI	9	6.7%	1,079	4.4%		10.4%		5.2%	
Middle	25	18.7%	2,557	10.4%		18.8%		12.7%	
Upper	93	69.4%	18,916	77.1%		68.0%		79.0%	
Unknown	7	5.2%	1,971	8.0%		2.8%		3.2%	
Total	134		24,523						

Small Business Loans:

The distribution of PCSB's small business loans by business revenue size demonstrated an excellent rate of lending to small businesses.

During the evaluation period, PCSB's average rate of lending to businesses with gross annual revenues of \$1.0 million or less was 58.3% by number and 55.6% by dollar value of

total loans made, while its peer group's averages were 40.1% and 36.4%, respectively. Both PCSB and its aggregate's rates of lending were below the assessment area's business demographics, as 76.7% of businesses had revenues of \$1.0 million or less in 2013.

The following table provides a summary of the distribution of small business loans by the revenue size of the businesses during the evaluation period.

Distribution of Small Business Lending by Revenue Size of Business									
2011									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	59	62.8%	8,396	61.2%	4,080	39.3%	97,730	37.6%	70.7%
Rev. > \$1MM	35	37.2%	5,323	38.8%					2.6%
Rev. Unknown		0.0%		0.0%					26.6%
Total	94		13,719		10,375		259,590		
2012									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	44	61.1%	7,272	49.9%	4,177	40.8%	96,283	35.1%	75.5%
Rev. > \$1MM	28	38.9%	7,315	50.1%					3.2%
Rev. Unknown		0.0%		0.0%					21.3%
Total	72		14,587		10,270		274,702		
2013									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	30	48.4%	7,615	56.1%	Data Not Available				76.7%
Rev. > \$1MM	30	48.4%	5,351	39.4%					3.5%
Rev. Unknown	2	3.2%	600	4.4%					19.8%
Total	62		13,566						
GRAND TOTAL									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	133	58.3%	23,283	55.6%		40.1%		36.4%	
Rev. > \$1MM	93	40.8%	17,989	43.0%					
Rev. Unknown	2	0.9%	600	1.4%					
Total	228		41,872						

Geographic Distribution of Loans: "Satisfactory"

Examiners found PCSB's distribution of loans in census tracts of varying income levels to be reasonable. PCSB's assessment area does not include any low-income census tracts; therefore, there were no loans in low-income census tracts. As noted in Section 3 of this performance evaluation, changes towards the end of the prior evaluation period will result in the inclusion of LMI census tracts in PCSB's assessment area for the next CRA evaluation.

HMDA-Reportable Loans:

The distribution of HMDA-reportable loans based on the income level of the geography demonstrated a reasonable rate of lending.

In 2011 PCSB did not originate any loans in LMI census tracts. PCSB's average rates of lending for the three-year evaluation period in LMI census tracts were 2.2% by number and 11.1% by dollar value, which were higher than its aggregate's rates of 1.9% and 1.3%, respectively. Both PCSB's and its aggregate's rates of lending outperformed the share of LMI owner-occupied households of 2.7% of households in the assessment area.

PCSB's overall rate of lending by dollar value was 11.1% in moderate-income census tracts. This double digit penetration rate of lending was due to one multifamily loan in the amount of \$2.6 million which is discussed in the Community Development Lending section of this report.

The following table provides a summary of the distribution of HMDA-reportable lending based on the income level of the geography.

Distribution of HMDA-Reportable Lending by Geographic Income of the Census Tract									
2011									
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	0	0.0%	0	0.0%	90	1.3%	17,084	0.8%	1.2%
LMI	0	0.0%	0	0.0%	90	1.3%	17,084	0.8%	1.2%
Middle	1	5.3%	262	6.0%	1,406	19.9%	294,843	13.8%	19.5%
Upper	18	94.7%	4,087	94.0%	5,570	78.8%	1,826,584	85.4%	79.3%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
Total	19		4,349		7,066		2,138,511		
2012									
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	2	3.6%	528	4.9%	204	2.4%	43,749	1.7%	2.7%
LMI	2	3.6%	528	4.9%	204	2.4%	43,749	1.7%	2.7%
Middle	8	14.3%	840	7.7%	1,548	18.3%	396,717	15.7%	19.2%
Upper	46	82.1%	9,485	87.4%	6,718	79.3%	2,085,910	82.5%	78.1%
Unknown	0	0.0%	0	0.0%	2	0.0%	574	0.0%	
Total	56		10,853		8,472		2,526,950		
2013									
Geographic	Bank				Aggregate				OO HUs
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	Data Not Available				0.0%
Moderate	1	1.6%	2,575	20.1%					2.7%
LMI	1	1.6%	2,575	20.1%					2.7%
Middle	5	7.9%	865	6.8%					19.2%
Upper	57	90.5%	9,368	73.1%					78.1%
Unknown	0	0.0%	0	0.0%					
Total	63		12,808				-		
GRAND TOTAL									
Geographic	Bank				Aggregate				OO HUs
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%		0.0%		0.0%	
Moderate	3	2.2%	3,103	11.1%		1.9%		1.3%	
LMI	3	2.2%	3,103	11.1%	294	1.9%	60,833	1.3%	
Middle	14	10.1%	1,967	7.0%		19.0%		14.8%	
Upper	121	87.7%	22,940	81.9%		79.1%		83.9%	
Unknown	0	0.0%	0	0.0%		0.0%		0.0%	
Total	138		28,010						

Small Business Loans:

The distribution of small business loans based on the income level of the geography of the business demonstrated less than reasonable rates of lending.

As with HMDA-reportable lending, no loans were extended to moderate-income census tracts in 2011. During the evaluation period PCSB originated 2.2% by number, and 3.8% by dollar value, of its total small business loans in LMI census tracts. These rates were lower

than its aggregate's rates of 3.3% and 4.8%, respectively. In addition, both PCSB's and the aggregate's rates of lending were less than the assessment area business demographics of 5.9%.

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

Distribution of Business Lending by Geographic Income of the Census Tract									
2011									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Moderate	0	0.0%	0	0.0%	281	2.7%	8,479	3.3%	3.4%
LMI	0	0.0%	0	0.0%	281	2.7%	8,479	3.3%	3.4%
Middle	22	23.4%	2,749	20.0%	1,622	15.6%	55,688	21.5%	19.1%
Upper	72	76.6%	10,970	80.0%	8,469	81.6%	195,409	75.3%	77.5%
Unknown	0	0.0%	0	0.0%	3	0.0%	14	0.0%	
Total	94		13,719		10,375		259,590		
2012									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Moderate	2	2.8%	800	5.5%	407	4.0%	17,045	6.2%	5.5%
LMI	2	2.8%	800	5.5%	407	4.0%	17,045	6.2%	5.5%
Middle	15	20.8%	3,505	24.0%	1,699	16.5%	49,464	18.0%	18.4%
Upper	55	76.4%	10,282	70.5%	8,158	79.4%	208,100	75.8%	76.0%
Unknown	0	0.0%	0	0.0%	6	0.1%	93	0.0%	
Total	72		14,587		10,270		274,702		
2013									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	Data Not Available				0.0%
Moderate	3	4.8%	790	5.8%					5.9%
LMI	3	4.8%	790	5.8%					5.9%
Middle	12	19.4%	1,823	13.4%					18.9%
Upper	47	75.8%	10,953	80.7%					75.0%
Unknown	0	0.0%	0	0.0%					
Total	62		13,566				-		
GRAND TOTAL									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%		0.0%		0.0%	
Moderate	5	2.2%	1,590	3.8%		3.3%		4.8%	
LMI	5	2.2%	1,590	3.8%		3.3%		4.8%	
Middle	49	21.5%	8,077	19.3%		16.1%		19.7%	
Upper	174	76.3%	32,205	76.9%		80.5%		75.5%	
Unknown	0	0.0%	0	0.0%		0.0%		0.0%	
Total	228		41,872						

Action Taken in Response to Written Complaints with Respect to CRA

Neither PCSB nor DFS received any written complaints regarding PCSB's CRA performance since the prior CRA evaluation.

Community Development Test: "Satisfactory"

PCSB's community development ("CD") performance demonstrated reasonable responsiveness to the community-development needs of its assessment area through CD loans, investments and services, considering PCSB's capacity and the need for and availability of such opportunities for community development in its assessment area.

During the evaluation period, PCSB originated \$5.9 million in new CD loans and had \$1.5 million outstanding from prior evaluation periods. Additionally, PCSB made \$1.7 million in new CD investments and had \$2.5 million outstanding from prior evaluation periods. PCSB also made \$34,000 in CD grants.

PCSB's CD loans and investment activities totaled \$11.7 million representing 1.2% of its assets or 0.40% annualized for the three year evaluation period. Compared to the prior period's \$15.9 million, PCSB's CD loans and investments were lower by \$4.2 million. Examiners considered this to be reasonable in light of the limited number of qualified CD lending and investment opportunities available in PCSB's assessment area during the evaluation period. In addition, PCSB's ratios were comparable to banks with similar asset sizes.

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

Community Development Lending: "Satisfactory"

PCSB originated \$5.9 million in new CD loans and had \$1.5 million outstanding from prior evaluation periods, totaling \$7.4 million. This demonstrated a reasonable level of CD lending over the course of the evaluation period.

Below are highlights of PCSB's CD lending.

Community Service

PCSB made loans to a nonprofit organization whose mission is to operate a residential and day care program for individuals who are developmentally disabled and/or behaviorally challenged. This organization receives substantially all of its fees from Medicaid in conjunction with the New York State Office of People with Developmental Disabilities and from the Social Security Administration. In 2011 PCSB extended two commercial mortgages totaling \$1.2 million and a \$314,000 commercial loan, renewed annually for three years (for a total of \$942,000 in CD loans). Additionally, the organization had various loans totaling \$1.2 million outstanding from prior periods. Thus, PCSB had CRA-qualified CD loans totaling \$3.3 million to this organization during the evaluation period. All of the funds were used to

purchase and/or renovate various properties to support the nonprofit’s mission.

Affordable Housing

PCSB extended a \$2.6 million commercial mortgage loan to a nonprofit organization that provides affordable housing in the Hudson Valley region. The funds were used to acquire a former hospital that was renovated and converted to affordable senior housing. The property is located in a moderate-income census tract. PCSB extended a \$465,000 unsecured commercial loan to the same organization to fund renovation costs associated with the organization’s rehabilitation of a seven-unit affordable housing apartment building in Wappingers Falls.

PCSB also extended a \$75,000 installment loan to fund construction of a bicycle path and the purchase of security cameras for a 54-unit LMI family housing complex.

Community Development Loans				
Purpose	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Loans	\$000	# of Loans	\$000
Affordable Housing	5	3,803	2	275
Community Services	4	2,142	7	1,227
Other (Please Specify)				
Total	9	5,945	9	1,502

Community Development Investments: “Satisfactory”

During the evaluation period, PCSB made \$1.7 million in new CD investments and had \$2.5 million outstanding from prior evaluation periods. In addition, PCSB made \$34,000 in CD grants. This demonstrated a reasonable level of CD investments and grants over the course of the evaluation period.

Below are highlights of PCSB’s CD investments and grants.

During the evaluation period, PCSB made one new CD investment. PCSB bought \$1.7 million worth of seven-year CRA qualified bonds in 2013, which supported affordable housing for LMI individuals 55 years and older. The housing facility is adjacent to PCSB’s assessment area.

PCSB gave seven grants totaling \$5,500 to various nonprofit organizations supporting child advocacy, food banks, and family and community services in the assessment area.

A nonprofit community action group, which assists affordable housing in Putnam County, received two grants totaling \$2,000.

PCSB donated \$6,000 to an economic development nonprofit that facilitates economic growth by connecting local resources with economic development opportunities. The organization works to expand existing businesses as well as to promote commercial real estate to attract new businesses with marketing about the area's proximity to New York City, its Metro-North transit links, its infrastructure, and its skilled workforce.

Community Development Investments and Grants				
	This Evaluation Period		Outstandings from Prior Evaluation Periods	
CD Investments	# of Inv.	\$000	# of Inv.	\$000
Affordable Housing	1	1,703	7	1,685
Economic Development			1	50
Revitalizes/Stabilize			3	765
Other (Please Specify)				
Total	1	1,703	11	2,500
CD Grants	# of Grants	\$000	Not Applicable	
Affordable Housing	5	20		
Community Services	11	8		
Economic Development	2	6		
Other (Please Specify)				
Total	18	34		

Community Development Services: "Satisfactory"

PCSB demonstrated a reasonable level of CD services over the course of the evaluation period.

Below are some examples of PCSB's qualified CD services.

Economic Development

PCSB's president and CEO is a board member of an economic development corporation which advocates for development projects among municipalities and planning boards to ensure economic growth. It also educates and assists local nonprofits, small businesses and municipalities with incentive and grant programs from New York State, utility companies and other funding sources.

Affordable Housing

A vice president is a member of the board of trustees of a nonprofit organization that provides for the development of LMI housing. This individual is also a member of the loan committee of another private, nonprofit corporation, whose mission is to stabilize, strengthen and sustain low- and mixed-income communities.

A member of the board of trustees is a director and treasurer of a housing corporation that promotes and preserves affordable housing for LMI individuals in the assessment area.

In conjunction with a local nonprofit housing organization, a PCSB vice president, who is also

a residential mortgage officer, conducted “First Time Homeowners / Shopping for Your Loans” seminars in 2012 and 2013.

Community Service

Two vice presidents are members of the fund raising committees and/or advisory boards of nonprofit organizations in the community. One is a local food pantry working to help struggling members of the community, and the other promotes awareness and prevention of substance use/abuse and other destructive behaviors of youth in the community.

Responsiveness to Community Development Needs

PCSB demonstrated an adequate level of responsiveness to credit and community development needs through its qualified CD lending, investments and services. In addition, PCSB offers flexible lending products as discussed above.

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

PCSB’s board of trustees reviews the CRA compliance policy annually. The compliance officer performs an annual review of the CRA assessment area which also is reviewed by the board of trustees. During the evaluation period, the board of trustees last reviewed these documents in August 2013.

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

- *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

PCSB opened its first branch in Rockland County in November 2013. The branch is located in New City, which is in an upper-income census tract.

PCSB has no branches located in LMI census tracts. Eight of its ten branches are located in upper-income and two are located in middle-income census tracts.

All branches provide full access to banking services during business hours. They are open Monday to Friday, from 9:00AM to 4:00PM, and Saturday from 9:00AM to 1:00PM. Drive-through windows are open an extra hour on days that the branches are open.

Distribution of Branches within the Assessment Area							
County	N/A	Low	Moderate	Middle	Upper	Total	LMI
	#	#	#	#	#	#	%
Dutchess*				2	1	3	0%
Putnam					3	3	0%
Rockland*					1	1	0%
Westchester*					3	3	0%
Total	0	0	0	2	8	10	0%
*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.

PCSB's management, senior bank officers and members of the board of trustees actively participate as members of committees or boards of various community groups. Some of these organizations are economic development corporations, bankers associations, local rotaries, hospital foundations, various local chambers of commerce, and various community-based nonprofit organizations. It is through these board memberships, advisory councils and affiliations that PCSB ascertains the credit needs and communicates its credit and banking services to the community.

- 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.

PCSB markets its products and services in the community through local and regional newspapers. However, PCSB markets and communicates its flexible lending programs through its involvement with local housing corporations and memberships in and affiliations with various civic, community and nonprofit organizations.

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

PCSB extended two new qualified CD loans outside its assessment area for \$6.7 million and had a loan with a \$615,596 balance outstanding from a prior period, for a total of \$7.4 million. These loans were extended in the neighboring Ulster County region, to nonprofit

organizations whose primary purpose is supporting and providing affordable housing for LMI individuals in PCSB's region. Details of the loans are as follows:

- In 2013 PCSB participated in a commercial construction loan to build a 75-unit affordable housing apartment complex. PCSB's share was \$2.3 million. Units will be under restricted rents which are affordable to households with incomes of 30.0% and 50.0% of the area median income.
- PCSB participated in a commercial loan for a project to construct 164 apartments, subject to rent and income limitations, for LMI individuals and families. In addition, 20% will be reserved for individuals and families with developmental and physical disabilities. PCSB's share of this project was \$4.5 million.

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.