



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

PUBLIC SUMMARY

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Date of Evaluation: December 31, 2009

Institution: Riverside Bank
11-13 Garden Street
Poughkeepsie, NY 12545

Note: This evaluation is not an assessment of the financial condition of this institution. The rating assigned does not represent an analysis, conclusion or opinion of the New York State Banking Department concerning the safety and soundness of this financial institution.

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GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (“CRA”) performance of Riverside Bank (“Riverside”) prepared by the New York State Banking Department. The evaluation represents the Banking Department’s current assessment and rating of the institution’s CRA performance based on an evaluation conducted as of December 31, 2009.

Section 28-b of the New York State Banking Law, as amended, requires that when evaluating certain applications, the Superintendent of Banks shall assess a banking institution’s record of helping to meet the credit needs of its entire community, including low- and moderate-income (“LMI”) areas, consistent with safe and sound operations.

Part 76 of the General Regulations of the Banking Board implements Section 28-b and further requires that the Banking Department assess the CRA performance records of regulated financial institutions. Part 76 establishes the framework and criteria by which the Department will evaluate the performance. Section 76.5 further provides that the Banking Department will prepare a written report summarizing the results of such assessment and will assign to each institution a numerical CRA rating based on a 1 to 4 scoring system. The numerical scores represent an assessment of CRA performance as follows:

- (1) outstanding record of meeting community credit needs;
- (2) satisfactory record of meeting community credit needs;
- (3) needs to improve record of meeting community credit needs; and
- (4) substantial noncompliance in meeting community credit needs.

Section 76.5 further requires that the CRA rating and the written summary be made available to the public (“Evaluation”). Evaluations of banking institutions are primarily based on a review of performance tests and standards described in Section 76.7 and detailed in Sections 76.12. The tests and standards incorporate the 12 assessment factors contained in Section 28-b of the New York State Banking Law.

For an explanation of technical terms used in this report, please consult the **GLOSSARY** at the back of this document.

OVERVIEW OF INSTITUTION'S PERFORMANCE

RB's performance was 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 2006, 2007, 2008 and 2009. RB is rated "1," indicating an "**Outstanding**" record of helping to meet community credit needs. RB 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, 2005.

This rating is based on the following factors:

- **Loan-to-Deposit (LTD) Ratio and Other Lending-Related Activities:** "Outstanding"
RB's average LTD ratio was more than reasonable considering the bank's size, business strategy, financial condition, aggregate and peer group activity. Throughout the 16-quarter period, RB's LTD ratios were consistently higher than its peer group, averaging 92.7%, while the peer average was 84.0%. RB also enhanced the availability of credit in its assessment area by providing \$3.4 million of community development lending.
- **Assessment Area Concentration:** "Outstanding"
As a small local bank, RB's ratios demonstrated its commitment to meeting the needs of the small businesses in its assessment area. During the evaluation period, RB originated 88.7% by number, and 87.2% by dollar value, of its loans within the assessment area. RB's record improved each year. By the final year, RB's record of lending within its assessment area had increased to 90%.
- **Distribution by Borrowers Characteristics:** "Outstanding"
The distribution of small business loans based on the revenue size of the business demonstrated an excellent penetration rate of lending among individuals of different income levels and businesses of different revenue sizes. The penetration rates (by number) for this factor were generally double the rates for the aggregate (for the years in which the data were available), and closely matched the business demographics.
- **Geographic Distribution of Loans:** "Outstanding"
The distribution of small business loans based on the income level of the geography of the business demonstrated an excellent penetration rate of lending.

In all years that data were available during the assessment period, RB's penetration rate in LMI geographies exceeded both the aggregate and the business demographics. In 2008, the latest year for which aggregate data are available for comparison, RB's LMI penetration ratios were particularly impressive. RB's ratios for number and volume were 40.0% and 38.3% respectively, while the aggregate's

ratios were 12.7% and 14.2%. Eighteen percent of the assessment area businesses were located in these census tracts.

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

Since the latest CRA evaluation as of December 31, 2005, neither RB nor the New York State Banking Department received any written complaints regarding RB’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 on February 15, 1988 by New York State Banking Department, Riverside Bank (“RB”) is a Federal Deposit Insurance Corporation (“FDIC”) insured commercial bank. RB provides commercial banking services to small and medium sized businesses and professional businesses in the Hudson Valley.

RB’s main operations are conducted at its Poughkeepsie office, with three other branches located in Newburgh, Fishkill and the Red Oaks Mill area in the town of Poughkeepsie. The bank does not operate or own Automated Teller Machines (“ATMs”). During the examination period, the bank did not open or close any branches.

According to the Consolidated Report of Condition (“Call Report”) filed with the FDIC on December 31, 2009, the bank reported total assets of \$171 million, of which \$141 million were net loans and leases. Total deposits were \$152 million, resulting in a loan-to-deposit ratio of 92.9%. According to the latest available comparative deposit data as of June 30, 2009, RB obtained a market share of 1.25%, or \$150 million inside its market, ranking it 16th among 32 deposit-taking institutions in the Poughkeepsie-Newburgh-Middletown, NY area.

The following is a summary of the bank’s loan portfolio based on the Call Report, Schedule RC-C for December 31, 2006, December 31, 2007, December 31, 2008 December 31, 2009:

TOTAL GROSS LOANS OUTSTANDING								
Loan Type	12/31/2006		12/31/2007		12/31/2008		12/31/2009	
	\$000's	%			\$000's	%	\$000's	%
Commercial Mortgage Loans	37,250	29.4	39,234	29.8	43,088	31.0	67,490	47.1
Commercial & Inds. Loans	65,254	51.5	67,055	51.0	72,716	52.3	50,647	35.4
Construction Loans	14,867	11.7	16,458	12.5	14,896	10.7	16,140	11.3
Multifamily Mortgages	4,296	3.4	4,544	3.5	6,001	4.3	7,079	4.9
Consumer Loans	3,422	2.7	2,681	2.0	2,023	1.5	1,155	0.8
1-4 Family Res. Mtge Loans	1,539	1.2	1,589	1.2	282	0.2	719	0.5
Other Loans	4	0.0	0	0.0	0	0.0	1	0.0
Total Gross Loans	126,632	100.0	131,561	100.0	139,006	100.0	143,231	100.0

As reflected in the above chart, RB’s primary business is in commercial lending which accounted for 82.5% of its loan portfolio. Construction loans followed at 11.3% and multi-family at 4.9%. Although the chart shows a small amount of 1-4 family residential mortgage loans, the bank does not generally write or originate residential mortgage loans. These residential mortgages reflect instances where residential property served as collateral for commercial loans.

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

Assessment Area:

The bank's assessment area includes Dutchess County in its entirety, the northeastern portion of Orange County and the southern portion of Ulster County. The assessment area contains 97 census tracts, of which seven are low-income, 13 are moderate income, 61 middle-income, 14 upper-income and two are tracts with no income indicated.

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

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	5	7	43	9	66	18.2		18%
Orange	0	2	6	11	0	19	42.1		42%
Ulster	0	0	0	7	5	12	0.0		0%
Total	2	7	13	61	14	97	20.6	0	21%

Demographic & Economic Data

The assessment area had a population of 428 thousand during the examination period. About 11.68% of the population were over the age of 65 and 22.9% were under the age of 16.

Of the 106,353 families in the assessment area, 18.7% were low-income, 18.4% were moderate-income, 24.6% were middle-income and 38.3% were upper-income families. There were 151,555 households in the assessment area, of which 8.5% had income below the poverty level and 2.7% were on public assistance.

The MSA median family income within the assessment area was \$60 thousand. The U.S. Department of Housing and Urban Development ("HUD") estimated median family income for the area was \$80 thousand in 2009.

There were 161,446 housing units within the assessment area, of which 87.5% were one- to four-family units, and 12.5% were multifamily units. A majority (63%) of the area's housing units were owner-occupied, while 32.8% were rental units. Of the 101,722 owner-occupied housing units, 58.5% were in low- and moderate-income

geographies while 66.8% were in middle-income tracts. The median age of the housing stock was 46 years and the median home value in the assessment area was \$140 thousand.

There were 36,272 non-farm businesses in the assessment area. Of these, 77.2% were businesses with reported revenues of less than or equal to \$1 million, 4.0% reported revenues of more than \$1 million and 18.7% did not report their revenues. Of all the businesses in the assessment area, 85.9% were businesses with less than fifty employees while 91.5% operated from a single location. The largest industries in the area were services (44.3%), followed by retail trade (16.2%) and construction (10.1%), while 7.4% of businesses in the assessment area were not classified.

According to the New York State Department of Labor, unemployment rate for New York State was 8.4% for 2009. In comparison, the three counties reflected slightly better unemployment rates, 7.6% to 7.8%. However, the considerable increase in unemployment rates for New York State and the three counties, from 2007 to 2009, was due to nationwide, if not global, economic downturn.

Assessment Area Unemployment Rate				
Annual Average	NYS	Dutchess	Ulster	Orange
2009	8.4	7.6	7.7	7.8
2008	5.3	5.0	5.4	5.3
2007	4.5	3.9	4.4	4.3
2006	4.6	3.9	4.2	4.3

Community Information

Community contacts interviewed for this examination were United Way of Dutchess County (“UWDC”) and Hudson River Housing. UWDC has been in Dutchess County for more than 70 years, and has worked in conjunction with agencies and community organizations to identify ways to address the needs of the area. Hudson River Housing develops and preserves quality affordable housing, and helps to maintain housing through education, advocacy and support services.

The community contacts expressed that Riverside Bank is meeting the lending needs of its assessment area, particularly those of small businesses and individual proprietors. Along with other local banks, Riverside Bank is actively participating and reaching out to the community.

Although, the assessment area was affected by the nationwide economic downturn, the community contacts observed that it has shown resiliency, especially in Poughkeepsie and neighboring areas, where there are four major providers of employment: IBM, local and regional hospitals, three colleges and Central Hudson Gas and Electric. However, there are two pressing needs that need to be addressed: lack of affordable housing and the financial literacy of teenagers and

young adults.

In the last two years, the community contacts mentioned that the assessment area experienced increased real estate foreclosures, resulting in an increased demand for rental units. Property owners paid higher carrying costs and real estate taxes increased. These factors caused higher rates in rental property prices. One-bedroom apartments now range from \$950 to \$1,100, which can be cost prohibitive for a family with only one income-earner.

Equally important, according to one community contact, is the need for community service, particularly educating the young citizens about finances and financial responsibility. The community contact observed that there is an alarming increase in teenagers and young adults (ages 12 – 20 years) carrying debt beyond their means. The community contact believes that this age group is taking on more of the financial responsibilities of their families. Therefore, their lack of financial knowledge and options exacerbates their predicaments. The community contact suggested that local banks should work with its organization or with other local organizations to conduct financial literacy workshops and/or seminars, specifically targeting this age group.

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

RB 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. RB's 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. In addition to bank-specific information submitted by the bank, aggregate data for small business lending activity were obtained from the Federal Financial Institutions Examination Council ("FFIEC") and deposit data were obtained from the FDIC.

The demographic data referred to in this report were derived from the 2000 U.S. Census, with the updated median family income figures provided by the U.S. Department of Housing and Urban Development ("HUD"). Business demographic data used in this report 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. Non-specific bank data were sometimes 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 2006, 2007, 2008 and 2009. Examiners considered small business in evaluating factors (2), (3) and (4), as noted above. The bank is not a HMDA-reporting institution. The bank's main business is lending to commercial and small business entities. Accordingly, this assessment focused on the bank's small business lending activities.

RB 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, 2005.

Current CRA Rating: "Outstanding"

Lending Test: “Outstanding”

RB’s small business activities were more than reasonable in light of aggregate and peer group activity and demographics.

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

RB’s average LTD ratio was more than reasonable considering the bank’s size, business strategy, financial condition, aggregate and peer group activity.

RB’s high LTD ratios reflected management’s strategy of aggressive but cautious lending to commercial and small businesses during the assessment period. Throughout the 16-quarter period, RB’s LTD ratios were consistently higher than its peer group, averaging 92.7%, while the peer average was 84.0%. This average also reflected a considerable increase from the prior period average of 79.0%.

The chart below shows RB’s LTD ratios as compared with the peer group’s ratios for the 16 quarters since the prior evaluation.

	2006 Q1	2006 Q2	2006 Q3	2006 Q4	2007 Q1	2007 Q2	2007 Q3	2007 Q4	2008 Q1	2008 Q2	2008 Q3	2008 Q4	2009 Q1	2009 Q2	2009 Q3	2009 Q4	Avg.
Bank	86.7	94.5	91.7	88.5	90.0	92.4	94.8	96.1	92.7	93.9	99.3	105	86.4	90.5	87.9	92.9	92.7
Peer	81.8	83.1	83.4	82.4	82.1	83.6	84.7	85.5	85.8	86.8	87.3	86.8	84.2	83.6	82.6	81.1	84.0

Community Development Lending

RB enhanced the availability of credit in its assessment area by providing \$3.4 million of community development lending, including a \$1.4 million letter of credit (“LOC”) to Affordable Housing Concept, LLC (“AHC”) and a \$2 million LOC to Hudson River Housing (“HRH”). Both organizations are active in providing affordable housing in the assessment area. AHC helped build the first affordable workforce housing in Orange County called Horizons at Wawayanda. HRH is further discussed under “Other Factors” at the end of this section and under “Community Information” in the Performance Context section. AHC is also further discussed under “Other Factors.”

Assessment Area Concentration: “Outstanding”

As a small local bank, RB’s lending ratios demonstrated its commitment to meeting the needs of the small businesses in its assessment area.

During the evaluation period, RB originated 88.7% by number, and 87.2% by dollar value, of its loans within the assessment area. This substantial majority of lending inside of its assessment area reflects an “Outstanding” record of lending within RB’s assessment area. In addition, RB’s record improved each year. In the first year of the evaluation period, RB originated 80.0% of the dollar volume of lending within its assessment area. By the final year, RB’s record of lending within its assessment area

had increased to 90%.

The following table shows the percentages of the RB's 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
	#	%	#	%		\$	%	\$	%	
Small Business										
2006	149	88.2%	20	11.8%	169	16,370	80.0%	4,090	20.0%	20,460
2007	154	87.5%	22	12.5%	176	18,647	87.6%	2,649	12.4%	21,296
2008	120	90.2%	13	9.8%	133	14,259	93.3%	1,019	6.7%	15,278
2009	105	89.7%	12	10.3%	117	15,219	90.0%	1,688	10%	16,907
Grand Total	528	88.7%	67	11.3%	595	64,495	87.2%	9,446	12.8%	73,941

Distribution by Borrower Characteristics: "Outstanding"

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

The bank's core philosophy of servicing the needs of small- to medium-sized businesses was most evident in this category. The penetration rates (by number) for this factor were generally double the rates for the aggregate (for the years in which the data were available), and closely matched the business demographics. It is noteworthy that in 2009, while the total number of loans dropped significantly, the penetration rate of lending to small businesses (by number) reached a four-year high of 70.5%.

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

Distribution of Small Business Loans by Business Revenue Size									
Revenue Size	2006								Bus. Demo
	Bank				Aggregate				
	#	%	\$000's	%	#	%	\$000's	%	
\$1 million or less	101	67.8	8,738	53.4	6,612	33.13	161,663	44.4	66.6
Over \$1 million	48	32.2	7,632	46.6	Not Available				4.6
No Revenue Info	0	0.0	0	0.0	Not Available				28.7
Total	149	100.0	16,370	100	19,959	100.0	364,398	100.0	100.0
Revenue Size	2007								Bus. Demo
	Bank				Aggregate				
	#	%	\$000's	%	#	%	\$000's	%	
\$1 million or less	102	66.2	9,006	48.3	7,099	34.9	157,414	41.4	67.9
Over \$1 million	52	33.8	9,641	51.7	Not Available				4.5
No Revenue Info	0	0.0	0	0.0	Not Available				27.6
Total	154	100.0	18,647	100	20,333	100.0	380,350	100.0	100.0
Revenue Size	2008								Bus. Demo
	Bank				Aggregate				
	#	%	\$000's	%	#	%	\$000's	%	
\$1 million or less	66	55.0	4,920	34.5	4,157	27.1	101,819	33.2	66.3
Over \$1 million	54	45.0	9,339	65.5	Not Available				4.2
No Revenue Info	0	0.0	0	0.0	Not Available				29.5
Total	120	100.0	14,259	100	15,355	100.0	306,699	100.0	100.0
Revenue Size	2009								Bus. Demo
	Bank				Aggregate				
	#	%	\$000's	%	#	%	\$000's	%	
\$1 million or less	74	70.5	7,076	46.5	Not Available				77.2
Over \$1 million	31	29.5	8,143	53.5	Not Available				4.0
No Revenue Info	0	0.0	0	0.0	Not Available				18.7
Total	105	100.0	15,219	100	Not Available				100.0
Revenue Size	GRAND TOTAL								Bus. Demo
	Bank				Aggregate				
	#	%	\$000's	%	#	%	\$000's	%	
\$1 million or less	343	65.0	29,740	46.1	17,868	32.1	420,896	40.0	66.3
Over \$1 million	185	35.0	34,755	53.9	Not Available				4.2
No Revenue Info	0	0.0	0	0.0	Not Available				29.5
Total	528	100.0	64,495	100	55,647	100.0	1,051,447	100.0	100.0

Geographic Distribution of Loans: "Outstanding"

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

For all of the years in which data were available, RB's penetration rate in LMI geographies exceeded both the aggregate and the business demographics. In 2008, the latest year for which aggregate data are available for comparison, RB's LMI penetration ratios were particularly impressive. RB's ratios for number and volume were 40.0% and 38.3% respectively, while the aggregate's ratios were 12.7% and 14.2%. Eighteen percent of the assessment area's businesses were located in these

census tracts.

The following chart provides a summary of the RB'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									
2006									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	18	12.1%	1,444	8.8%	859	4.3%	21,730	6.0%	7.2%
Moderate	21	14.1%	1,347	8.2%	1,678	8.4%	36,367	10.0%	10.9%
LMI	39	26.2%	2,791	17.0%	2,537	12.7%	58,097	15.9%	18.1%
Middle	89	59.7%	9,864	60.3%	13,653	68.4%	245,825	67.5%	66.2%
Upper	21	14.1%	3,715	22.7%	3,765	18.9%	60,421	16.6%	15.6%
Unknown	0	0.0%	0	0.0%	4	0.0%	55	0.0%	0.0%
Total	149		16,370		19,959		364,398		
2007									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	22	14.3%	3,082	16.5%	875	4.3%	21,023	5.5%	7.0%
Moderate	23	14.9%	1,718	9.2%	1,700	8.4%	34,479	9.1%	11.1%
LMI	45	29.2%	4,800	25.7%	2,575	12.7%	55,502	14.6%	18.0%
Middle	85	55.2%	9,495	50.9%	13,615	67.0%	254,278	66.9%	66.3%
Upper	24	15.6%	4,352	23.3%	4,134	20.3%	70,489	18.5%	12.8%
Unknown	0	0.0%	0	0.0%	9	0.0%	81	0.0%	0.0%
Total	154		18,647		20,333		380,350		
2008									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	15	12.5%	2,671	18.7%	699	4.6%	15,014	4.9%	7.0%
Moderate	33	27.5%	2,791	19.6%	1,244	8.1%	28,562	9.3%	11.3%
LMI	48	40.0%	5,462	38.3%	1,943	12.7%	43,576	14.2%	18.3%
Middle	54	45.0%	5,897	41.4%	10,268	66.9%	205,115	66.9%	66.2%
Upper	18	15.0%	2,900	20.3%	3,138	20.4%	57,994	18.9%	15.5%
Unknown	0	0.0%	0	0.0%	6	0.0%	14	0.0%	0.0%
Total	120		14,259		15,355		306,699		
2009									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	13	12.4%	2,605	17.1%	Data Not Available				7.0%
Moderate	14	13.3%	1,258	8.3%					10.4%
LMI	27	25.7%	3,863	25.4%					17.4%
Middle	65	61.9%	8,927	58.7%					66.4%
Upper	13	12.4%	2,429	16.0%					16.2%
Unknown	0	0.0%	0	0.0%					0.0%
Total	105		15,219						
GRAND TOTAL									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	68	12.9%	9,802	15.2%		4.4%		5.5%	
Moderate	91	17.2%	7,114	11.0%		8.3%		9.5%	
LMI	159	30.1%	16,916	26.2%	7,057	12.7%	157,172	14.9%	
Middle	293	55.5%	34,183	53.0%		67.5%		67.1%	
Upper	76	14.4%	13,396	20.8%		19.8%		18.0%	
Unknown	0	0.0%	0	0.0%		0.0%		0.0%	
Total	528		64,495						

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

Since the latest CRA evaluation as of December 31, 2005, neither RB nor the New York State Banking Department has received any written complaints regarding RB'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

The board of directors reviews and assesses the bank's CRA performance annually. The CRA Officer performs an informal annual CRA self-assessment. RB's CRA Statement is also reviewed and approved annually by the board.

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

NYSBD 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.

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

Record of opening and closing offices and providing services at offices

RB has a total of four branches. Three branches are located in Dutchess County, one in a low-income census tract and two in middle-income census tracts. One branch is located in Orange County in a middle-income census tract.

RB did not open or close any branches during this evaluation period.

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.

RB's management and officers are directors and/or members of the boards of numerous civic organizations and local chambers of commerce in the assessment area. Some of these organizations are Council of Industry, Dutchess County External Marketing Council, Gateway to Entrepreneurial Tomorrows, Inc., Habitat for Humanity, Mid-Hudson Patterns for Progress, Orange County Capital

Development Corporation, Stewart Regional Alliance, Orange County Citizens Foundation, Orange County Partnership, Ulster County Chamber, Mid-Hudson Women's Professional Network, United Way of Orange County, New Paltz Regional Chamber, Poughkeepsie Area Chamber of Commerce and The Chamber of Commerce of Orange County. It is through these memberships and participations that RB's management ascertains the needs of its community and communicates information about the bank's products and credit services.

- *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*

RB marketed its credit services and bank products by advertising in local newspapers. It also bought advertising space in local civic organizations' publications, particularly the local chambers of commerce.

Other Factors

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

As a small bank, RB is not required to make community development loans. However, RB is committed to helping to meet the credit needs of its community. In addition to the community development loans of \$3.4 million mentioned above, an additional \$3.7 million of lending was extended specifically targeting community development.

These credits were included in the analyses for small business lending, as the credit amounts were less than or equal to \$1 million. However, these credits also served a community development purpose. Hudson River Housing ("HRH") received a \$1 million LOC and a \$950 thousand commercial mortgage. Habitat for Humanity of Greater Newburgh received an \$800 thousand LOC; Affordable Housing Concepts LLC received a \$986 thousand LOC. These credits significantly enhanced RB's record of meeting the credit needs of its community and contributed to the overall rating of "Outstanding."

GLOSSARY

Aggregate

The cumulative lending by all HMDA-reporting lenders in the same geographic area under evaluation.

Community Development

The term “community development” is defined to mean:

1. Affordable housing (including multifamily housing) for low- or moderate-income (“LMI”) individuals;
2. Community services targeted to LMI individuals;
3. Activities that promote economic development by financing business or farms that meet the size eligibility standards of the United States Small Business Administration (“SBA”) Development Company or Small Business Investment Company programs, or have gross annual incomes of \$1 million or less;
4. Activities that revitalize or stabilize LMI geographies; and
5. Activities that seek to prevent defaults and/or foreclosures in loans included in (1) and (3), above.

A “community development loan” is defined as a loan that has as its *primary purpose* community development. This includes but is not limited to loans to:

- Borrowers for affordable housing rehabilitation and construction, including construction and permanent financing for multifamily rental property serving low or moderate income (“LMI”) persons;
- Nonprofit organizations serving primarily LMI or other community development needs;
- Borrowers to construct or rehabilitate community facilities that are located in LMI areas or that primarily serve LMI individuals;
- Financial intermediaries including community development financial institutions, community development corporations, minority- and women-owned financial institutions, community loan funds or pools, micro-finance institutions, and low-income or community development credit unions that primarily lend or facilitate lending to promote community development;
- Local, state and tribal governments for community development activities; and
- Borrowers to finance environmental clean up or redevelopment of an industrial site as part of an effort to revitalize the LMI community in which the property is located.

A “qualified investment” is defined as a lawful investment, deposit, membership share or grant that has as its *primary purpose* community development. This includes but is not limited to investments, deposits, membership shares or grants in or to:

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- 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;

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- ❖ Developing loan processing systems;
 - ❖ Developing secondary market vehicles or programs;
 - ❖ Assisting in marketing financial services, including the development of advertising and promotions, publications, workshops and conferences;
 - ❖ Furnishing financial services training for staff and management;
 - ❖ Contributing accounting/bookkeeping services; and
 - ❖ Assisting in fund raising, including soliciting or arranging investments.

Home Mortgage Disclosure Act (“HMDA”)

The Home Mortgage Disclosure Act, enacted by Congress in 1975, and subsequently amended, requires institutions to annually report data about applications for residential (including multifamily) financing.

Loans to Small Businesses

Small business loans to businesses with gross annual revenues of \$1 million or less.

Low or Moderate Income (“LMI”) Geographies

Those census tracts or block numbering areas (“BNAs”), where according to the 2000 US Census, the median family income is less than 80% of the area median family income. In the case of tracted areas that are part of a Metropolitan Statistical Area (“MSA”) or Primary Metropolitan Statistical Area (“PMSA”), this would relate to the median family income for the MSA or PMSA in which the tracts are located. In the case of BNAs and tracted areas that are not part of a MSA or PMSA, the area median family income would be the statewide non-metropolitan median family income.

LMI Borrowers

Borrowers whose income, as reported on the loan application which the lender relied upon in making the credit decision, is less than 80% of the area median family income. In the case where the residential property is located in a MSA or PMSA, this would relate to the median family income for that MSA or PMSA. Otherwise, the area median family income would be the statewide non-metropolitan median family income. In all instances, the area median family incomes used to measure borrower income levels are updated annually by the U.S. Department of Housing and Urban Development (“HUD”).

LMI Individuals/Persons

Those individuals, whose income is less than 80% of the area median family income. In the case where the individual resides in a MSA or PMSA, this would relate to the median family income for that MSA or PMSA. Otherwise, the area median family income would be the statewide non-metropolitan median family income. In all instances, the area median family incomes used to measure individual income levels are updated annually by HUD.

LMI Penetration Rate

A number that depicts the percentage of a bank's total loans (for a particular product) that was extended to LMI geographies or borrowers. For example, an LMI penetration rate of 20% would indicate that the bank made 20 out of a total of 100 loans to LMI geographies or borrowers.

Small Business Loans

Loans to businesses with original amounts of \$1 million or less.