



**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: March 31, 2015

Institution: Mahopac Bank
90 Main Street
Batavia, NY 14020

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 Mahopac Bank (“MB”) prepared by the New York State Department of Financial Services (“DFS”). This evaluation represents the DFS’s current assessment and rating of the institution’s CRA performance based on an evaluation conducted as of March 31, 2015.

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

Part 76 of the General Regulations of the Superintendent 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 DFS will evaluate the performance. Section 76.5 further provides that DFS 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 (“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 MB according to the intermediate small bank performance criteria pursuant to Part 76.7 and Part 76.12 of the General Regulations of the Superintendent ("GRS"). This assessment period covered the period January 1, 2012 through March 31, 2015. MB is rated "2" indicating a "Satisfactory" record of helping to meet community credit needs. This is the first evaluation by DFS since the bank converted from a national charter to state charter in 2014.

The rating is based on the following factors:

Lending Test: "Satisfactory"

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

MB's average LTD ratio was reasonable considering its size, business strategy, financial condition and peer group activity. During the evaluation period, MB's average LTD ratio was 74.5% which was slightly lower than MB's peer group's ratio of 75.7%.

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

During the evaluation period, MB originated 87.7% by number, and 81.5% by dollar value of its HMDA, small business, and consumer loans within the assessment area. This majority of lending inside its assessment area is a reasonable record of lending.

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

Overall, the distribution of loans based on borrower characteristics demonstrated a reasonable rate of lending, based on reasonable levels of lending to small businesses with annual revenues equal to or less than \$1 million.

- **Geographic Distribution of Loans:** "Needs to Improve"

The distribution of loans based on lending in LMI census tracts demonstrated a less than reasonable rate of lending.

During the evaluation period, MB's average rate of for HMDA-reportable and small business loans in LMI geographies were 2.5% by number and 3.8% by dollar value, which were less than its aggregate's rate of lending of 5.5% and 4.1%, respectively.

- **Action Taken in Response to Written Complaints with Respect to CRA:** "Not Rated"

During the evaluation period, neither MB nor DFS received any written complaints regarding MB's CRA performance.

Community Development Test: “Satisfactory”

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

Community Development Lending: “Satisfactory”

During this evaluation period, MB originated 24 community development loans, totaling 84.7 million. This is an adequate level of community development lending over the course of the evaluation period. There were no community development loans recorded in the previous evaluation.

Community Development Qualified Investments: “Satisfactory”

During this evaluation period MB recorded six investments for \$3.0 million, as follows: Two loans for \$2.4 million in Affordable Housing; and Four loans totaling \$0.7 million in Economic Development Loans.

Community Development Services: “Satisfactory”

MB demonstrated an adequate level of community development services over the term of the evaluation period. MB has participated in community development volunteer services, and community development loans and grants to LMI areas within MB’s assessment area.

Innovative or Complex Practices

MB is committed to developing innovative community investments including the following programs: Community One; Home Possible / Home Possible Advantage; and First Home Club Buyers program.

Responsiveness to Credit and Community Development Needs:

MB demonstrated an adequate level of responsiveness to credit and community development needs.

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

PERFORMANCE CONTEXT

Institution Profile

Founded in 1927 as Mahopac National Bank, MB is a full-service, locally managed community bank with 14 branches serving Dutchess, Putnam, and Westchester counties in the Hudson Valley region of New York. In 2014, Mahopac National Bank converted to New York state charter and changed its name to Mahopac Bank (MB). Since September 1, 2000 MB has operated as a subsidiary of Tompkins Financial Corporation.

Per the Consolidated Report of Condition (the "Call Report"), as of March 31, 2015, filed with the Federal Deposit Insurance Corporation ("FDIC"), MB reported total assets of \$1.1 billion, of which \$664.8 million were net loans and lease finance receivables. It also reported total deposits of \$897.6 million, resulting in a loan-to-deposit ratio of 74.1%. According to the latest available comparative deposit data, as of June 30, 2014, MB had a market share of 1.2% or \$846.2 million in deposits in a market of \$68.8 billion, ranking it 15th among 46 deposit taking institutions.

The following is a summary of the bank's loan portfolio, based on Schedule RC-C of the bank's December 31, 2012, 2013 and 2014 Call Reports.

TOTAL GROSS LOANS OUTSTANDING						
Loan Type	2012		2013		2014	
	\$000's	%	\$000's	%	\$000's	%
1-4 Family Residential Mtge Loans	210,507	36.4	223,243	34.6	227,541	34.8
Multifamily Mortgage Loans	39,473	6.8	42,399	6.6	45,449	6.9
Commercial & Industrial Loans	68,376	11.8	74,487	11.5	77,665	11.9
Commercial Mortgage Loans	229,282	39.6	265,830	41.2	265,064	40.5
Construction Loans	25,343	4.4	26,268	4.1	21,694	3.3
Consumer Loans	5,081	0.9	8,017	1.2	11,674	1.8
Agricultural Loans	150	0.0	0	0.0	0	0.0
Other Loans	515	0.1	5,195	0.8	4,988	0.8
Total Gross Loans	578,727		645,439		654,075	

As illustrated in the above table, as of December 31, 2014 MB was primarily a mortgage lender, with 40.5% of its loan portfolio in commercial mortgage loans and 34.8% in 1–4 family residential mortgage loans. Commercial and industrial loans were 11.9% for the same period, while construction loans, consumer loans, and other loans comprised 5.9% of the portfolio. Over the course of the evaluation period the loan stratification remained relatively unchanged with only minor movements.

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

Assessment Area

MB's assessment area is comprised of Dutchess, Putnam, and portions of Westchester County.

There are 231 census tracts in the area, of which nine are low-income, 26 are moderate-income, 90 are middle-income, 100 are upper-income, and six are tracts with no income indicated.

Assessment Area Census Tracts by Income Level							
County	N/A	Low	Mod	Middle	Upper	Total	LMI %
Dutchess	2	5	12	49	11	79	21.5
Putnam	0	0	0	12	7	19	0.0
Westchester*	4	4	14	29	82	133	13.5
Total	6	9	26	90	100	231	15.2

**Partial county*

Demographic & Economic Data

The assessment area had a population of 961,271 during the evaluation period, with 13.5% of the population over the age of 65 and 20.4% of the population under the age of sixteen.

Of the 243,030 families in the assessment area, 16.1% were low-income, 14.1% were moderate-income, 18.2% were middle-income, and 51.6% were upper-income families. There were 344,733 households in the assessment area, of which 7.5% had income below the poverty level and 1.7% were on public assistance.

The weighted average median family income in the assessment area was \$102,523.

There were 369,945 housing units in the assessment area, of which 76.5% were one-to-four family units, and 22% were multifamily units. A majority (64.6%) of the area's housing units were owner-occupied, while 28.6% were rental units. Of the 239,094 owner-occupied housing units, 7.1% were in low- and moderate-income census tracts while 92.9% were in middle- and upper-income census tracts. The median age of the housing stock was 59 years and the median home value in the assessment area was \$436,633.

There were 68,459 non-farm businesses in the assessment area. Of these, 80.7% were businesses with reported revenues of less than or equal to \$1 million; 4.8% reported revenues of more than \$1 million; and 14.5% did not report their revenues. Of all businesses in the assessment area, 88.5% were businesses with less than fifty employees and 92.1% operated from a single location. The largest industries in the

area were services (51.4%), retail trade (13.4%), construction (9.7%), and 4.6% were businesses that were not classified.

According to the New York State Department of Labor, the average NYS unemployment rate declined from 8.5% in 2012 to 6.3% in 2014. The three counties in the assessment area exhibited similar declines in unemployment rates with Putnam County displaying the lowest unemployment rate of 4.9% in 2014.

Assessment Area Unemployment Rate				
	NYS	Dutchess	Putnam	Westchester
2012	8.5%	7.8%	7.1%	7.3%
2013	7.7%	6.6%	6.1%	6.3%
2014	6.3%	5.3%	4.9%	5.1%

Community Information

For this evaluation, The Westchester County Association was interviewed to understand more about the MB's assessment area, its changing demographics, and its banking and credit needs.

The organization is deeply rooted in White Plains, NY. The organization's mission statement is to drive economic vitality and development in Westchester and the region, to stimulate new business creation, and to provide a strong and clear voice for the interest of businesses of all sizes. They also strive to be an information resource center for members. The association fosters economic growth in Westchester and the region by developing programs, policies, and initiatives to help business thrive and create jobs. The Westchester County Association serves the following counties: Westchester, Rockland, Putnam, and the Bronx.

The president discussed the following topics:

- The economics in Westchester County have improved considerably since the 2007 – 2008 recession. The residential market has continued to pick up. New apartment complexes have been completed or are in the process of being constructed in Yonkers, White Plains, Port Chester, Harrison, New Rochelle, Bronxville, Tarrytown and Dobbs Ferry.
- The health care and biotech industries provide needed economic growth in the area, even though there has been a consolidation in health care providers.
- The business environment has continued to change with greater use of telecommuting and internet related interfaces, but has created an overcapacity of Class A office buildings in the areas.

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

DFS evaluated MB under the intermediate small banking institution's performance standards in accordance with Parts 76.7 and 76.12 of the General Regulations of the Superintendent, 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. The 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 statistics employed in this evaluation from various sources. MB submitted bank-specific information both as part of the evaluation 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 were obtained from the FDIC. Loan-to-deposit ratios were calculated from information shown in the Bank's Uniform Bank Performance Report ("UBPR") 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. DFS based business demographic data 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 includes partial counties.

The assessment period included calendar years 2012, 2013, 2014 and the first quarter of 2015.

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

Aggregate small business loan data are shown for comparative purposes only. MB is not required to report this data. Since MB did not make any small farm loans, all analyses were based only on small business lending.

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

This is the first CRA evaluation of MB conducted by the New York State Department of Financial Services.

Current CRA Rating: "Satisfactory"

Lending Test: "Satisfactory"

MB's HMDA-reportable and small business lending activities were reasonable in light of aggregate and peer group activity and the demographics of the assessment area.

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

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

During the evaluation period, MB's average LTD ratio for the 13 quarters ended March 31, 2015 was 74.5%, compared to its peer group's ratio of 75.7%. These ratios reflect MB's growth and conservative lending activities, and are in line with its peer group's ratios. As the table indicates there were periods when MB exceeded as well as lagged behind its peer group's quarterly ratios.

The table below shows MB's LTD ratios in comparison with the peer group's ratios for the 13 quarters ended March 31, 2015.

Loan-to-Deposit Ratios														
	2012 Q1	2012 Q2	2012 Q3	2012 Q4	2013 Q1	2013 Q2	2013 Q3	2013 Q4	2014 Q1	2014 Q2	2014 Q3	2014 Q4	2015 Q1	Avg.
Bank	71.1	72.6	72.0	77.3	71.3	74.5	75.0	81.8	75.3	73.7	71.8	78.3	74.1	74.5
Peer	73.3	74.3	74.5	74.0	73.2	74.9	75.1	75.8	74.9	77.0	79.0	79.7	78.9	75.7

Assessment Area Concentration: "Satisfactory"

During the evaluation period MB originated 87.7% by number, and 81.5% by dollar value of its total HMDA-reportable and small business loans within the assessment area. This majority of lending inside of its assessment area is considered a reasonable record of

lending.

HMDA-reportable lending inside the assessment area trended downward from 132 loans totaling \$39.4 million in 2012 to 63 loans totaling \$14.5 million in 2014. Small business lending followed the same trend, but not as steeply, from 310 loans totaling \$49.2 million in 2012 to 293 loans totaling \$58.3 million in 2014. These results reflect market conditions experienced in the assessment area during the evaluation period.

HMDA-Reportable Loans:

During the evaluation period, MB originated 87.5% by number, and 76.2% by dollar value of its HMDA-reportable loans within the assessment area. This majority of lending inside of its assessment area is a reasonable record of lending.

Small Business Loans:

During the evaluation period, MB originated 87.7% by number, and 84.3% by dollar value of its small business loans within the assessment area. This majority of lending within the assessment area demonstrated a reasonable record of lending.

The following table shows the percentages of MB'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										
2012	132	91.7%	12	8.3%	144	39,351	85.9%	6,471	14.1%	45,822
2013	129	89.0%	16	11.0%	145	33,935	70.2%	14,374	29.8%	48,309
2014	63	80.8%	15	19.2%	78	14,495	67.3%	7,033	32.7%	21,528
2015 Q1	12	70.6%	5	29.4%	17	7,062	79.6%	1,811	20.4%	8,873
Subtotal	336	87.5%	48	12.5%	384	94,843	76.2%	29,689	23.8%	124,532
Small Business										
2012	310	93.7%	21	6.3%	331	49,088	90.9%	4,891	9.1%	53,979
2013	409	89.5%	48	10.5%	457	82,373	85.6%	13,838	14.4%	96,211
2014	293	82.1%	64	17.9%	357	58,269	81.0%	13,687	19.0%	71,956
2015 Q1	45	76.3%	14	23.7%	59	10,051	67.2%	4,903	32.8%	14,954
Subtotal	1,057	87.8%	147	12.2%	1,204	199,781	84.3%	37,319	15.7%	237,100
Grand Total	1,393	87.7%	195	12.3%	1,588	294,624	81.5%	67,008	18.5%	361,632

Distribution by Borrower Characteristics: "Satisfactory"

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

HMDA-Reportable Loans:

MB's HMDA-reportable lending demonstrated a reasonable rate of lending among borrowers of different income levels.

For the 12 quarters ending at December 31, 2014, MB's average rate of lending to low- and moderate-income borrowers was 13.4% by number and 5.6% by dollar value, compared to the aggregate's lending rates of 12.9% and 6.1%, respectively.

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

Distribution of HMDA-Reportable Lending by Borrower Income									
2012									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	1	0.8%	41	0.1%	459	2.9%	56,158	1.2%	14.5%
Moderate	11	8.9%	1,109	3.3%	1,487	9.3%	220,393	4.7%	13.0%
LMI	12	9.8%	1,150	3.4%	1,946	12.1%	276,551	5.9%	27.5%
Middle	22	17.9%	3,472	10.2%	3,175	19.8%	607,076	13.0%	17.0%
Upper	82	66.7%	27,505	81.0%	10,375	64.8%	3,601,405	77.3%	55.6%
Unknown	7	5.7%	1,810	5.3%	525	3.3%	175,736	3.8%	
Total	123		33,937		16,021		4,660,768		
2013									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	3	2.4%	308	1.0%	435	2.7%	55,759	1.2%	14.5%
Moderate	10	8.1%	980	3.2%	1,442	9.1%	208,463	4.4%	13.0%
LMI	13	10.6%	1,288	4.3%	1,877	11.8%	264,222	5.5%	27.5%
Middle	22	17.9%	3,121	10.3%	2,966	18.7%	551,899	11.6%	17.0%
Upper	80	65.0%	24,417	80.7%	10,540	66.4%	3,776,581	79.2%	55.6%
Unknown	8	6.5%	1,442	4.8%	484	3.1%	178,172	3.7%	
Total	123		30,268		15,867		4,770,874		
2014									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	5	8.5%	352	3.0%	387	3.5%	45,096	1.3%	16.1%
Moderate	11	18.6%	1,443	12.2%	1,337	12.2%	204,509	5.8%	14.1%
LMI	16	27.1%	1,795	15.2%	1,724	15.7%	249,605	7.1%	30.2%
Middle	11	18.6%	1,978	16.7%	2,141	19.5%	428,656	12.3%	18.2%
Upper	28	47.5%	6,633	56.0%	6,862	62.5%	2,723,171	77.9%	51.6%
Unknown	4	6.8%	1,435	12.1%	245	2.2%	95,754	2.7%	
Total	59		11,841		10,972		3,497,186		
GRAND TOTAL									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	9	3.0%	701	0.9%	1,281	3.0%	157,013	1.2%	
Moderate	32	10.5%	3,532	4.6%	4,266	10.0%	633,365	4.9%	
LMI	41	13.4%	4,233	5.6%	5,547	12.9%	790,378	6.1%	
Middle	55	18.0%	8,571	11.3%	8,282	19.3%	1,587,631	12.3%	
Upper	190	62.3%	58,555	77.0%	27,777	64.8%	10,101,157	78.1%	
Unknown	19	6.2%	4,687	6.2%	1,254	2.9%	449,662	3.5%	
Total	305		76,046		42,860		12,928,828		

Small Business Loans:

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

During the evaluation period (through December 2014 only, since aggregate data was not available for the first quarter of 2015), MB's average rates of lending to businesses with annual revenues of \$1.0 million or less was 60.9% by number and 48.7% by dollar value. These rates exceeded the aggregate's lending rates of 43.5% and 36.0%, respectively.

The following table provides a summary of MB's small business lending distribution based on the revenue size of the business.

Distribution of Small Business Lending by Revenue Size of Business									
2012									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	193	62.5%	21,788	44.4%	8,400	40.5%	195,633	33.6%	74.0%
Rev. > \$1MM	111	35.9%	26,764	54.5%					3.9%
Rev. Unknown	5	1.6%	536	1.1%					22.1%
Total	309		49,088		20,734		582,098		
2013									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	285	69.7%	47,482	57.6%	8,634	47.4%	243,138	39.0%	75.2%
Rev. > \$1MM	119	29.1%	34,565	42.0%					4.2%
Rev. Unknown	5	1.2%	326	0.4%					20.7%
Total	409		82,373		18,209		622,757		
2014									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	138	47.1%	23,187	39.8%	8,757	43.2%	223,230	35.2%	75.5%
Rev. > \$1MM	126	43.0%	31,526	54.1%					4.6%
Rev. Unknown	29	9.9%	3,556	6.1%					20.0%
Total	293		58,269		20,291		634,500		
GRAND TOTAL									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	616	60.9%	92,457	48.7%	25,791	43.5%	662,001	36.0%	
Rev. > \$1MM	356	35.2%	92,855	48.9%					
Rev. Unknown	39	3.9%	4,418	2.3%					
Total	1,011		189,730		59,234		1,839,355		

Geographic Distribution of Loans: “Needs to Improve”

The distribution of loans based on lending in LMI census tracts demonstrated a poor rate of lending during the evaluation period.

MB’s combined averages of HMDA-reportable and small business loan rates in LMI geographies during the 2012 through 2014 period were 4.4% by number and 6.7% by dollar value. (These percentages were arrived at by averaging the grand totals of LMI rates in the HMDA-reportable and small business lending tables by geographic income of census tract). These ratios were less than the aggregate group’s combined average ratios of 7.1% by number and 7.9% by dollar value of loans.

HMDA-Reportable Loans:

The geographic distribution of HMDA-reportable loans in LMI census tracts demonstrated a poor distribution during the evaluation period.

MB’s average HMDA-reportable lending in LMI census tracts during 2012 through 2014 was 2.5% by number and 3.8% by dollar value of loans, which was less than the aggregate’s rates of 5.5% by number and 4.1% by dollar value of loans.

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

Distribution of HMDA-Reportable Lending by Geographic Income of the Census Tract									
2012									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	1	0.8%	260	0.7%	89	0.6%	24,276	0.5%	0.1%
Moderate	4	3.0%	2,093	5.3%	669	4.1%	160,352	3.3%	5.2%
LMI	5	3.8%	2,353	6.0%	758	4.7%	184,628	3.8%	5.3%
Middle	16	12.1%	3,696	9.4%	4,313	26.7%	1,074,833	21.9%	27.7%
Upper	111	84.1%	33,302	84.6%	11,084	68.6%	3,648,844	74.3%	66.3%
Unknown	0	0.0%	0	0.0%	6	0.0%	1,117	0.0%	
Total	132		39,351		16,161		4,909,422		
2013									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	107	0.7%	22,974	0.5%	0.9%
Moderate	3	2.3%	970	2.9%	778	4.9%	181,364	3.6%	5.2%
LMI	3	2.3%	970	2.9%	885	5.5%	204,338	4.0%	6.1%
Middle	24	18.6%	6,531	19.2%	4,118	25.7%	992,042	19.6%	27.7%
Upper	102	79.1%	26,434	77.9%	11,028	68.8%	3,875,852	76.4%	66.3%
Unknown	0	0.0%		0.0%	7	0.0%	1,381	0.0%	
Total	129		33,935		16,038		5,073,613		
2014									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	86	0.8%	12,793	0.3%	0.9%
Moderate	0	0.0%	0	0.0%	661	6.0%	162,734	4.4%	6.2%
LMI	0	0.0%	0	0.0%	747	6.7%	175,527	4.7%	7.1%
Middle	26	41.3%	6,866	47.4%	3,880	35.0%	938,094	25.1%	37.6%
Upper	37	58.7%	7,629	52.6%	6,469	58.3%	2,625,435	70.2%	55.4%
Unknown	0	0.0%	0	0.0%	4	0.0%	700	0.0%	
Total	63		14,495		11,100		3,739,756		
GRAND TOTAL									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	1	0.3%	260	0.3%	282	0.7%	60,043	0.4%	
Moderate	7	2.2%	3,063	3.5%	2,108	4.9%	504,450	3.7%	
LMI	8	2.5%	3,323	3.8%	2,390	5.5%	564,493	4.1%	
Middle	66	20.4%	17,093	19.5%	12,311	28.4%	3,004,969	21.9%	
Upper	250	77.2%	67,365	76.7%	28,581	66.0%	10,150,131	74.0%	
Unknown	0	0.0%	0	0.0%	17	0.0%	3,198	0.0%	
Total	324		87,781		43,299		13,722,791		

Small Business Loans:

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

During the evaluation period MB originated 6.3% by number and 9.5% by dollar value of its total small business loans in LMI census tracts. These rates were lower than its aggregate's lending rates of 8.7% by number and 11.6% by dollar value.

The following table provides a summary of the MB'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									
2012									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	1	0.3%	100	0.2%	378	1.8%	20,531	3.5%	2.9%
Moderate	14	4.5%	3,028	6.2%	1,328	6.4%	46,861	8.1%	8.6%
LMI	15	4.9%	3,128	6.4%	1,706	8.2%	67,392	11.6%	11.5%
Middle	66	21.4%	8,060	16.4%	4,813	23.2%	135,918	23.3%	25.1%
Upper	228	73.8%	37,900	77.2%	14,206	68.5%	378,640	65.0%	63.2%
Unknown	0	0.0%	0	0.0%	9	0.0%	148	0.0%	0.1%
Total	309		49,088		20,734		582,098		
2013									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	4	1.0%	686	0.8%	379	2.1%	15,124	2.4%	3.0%
Moderate	20	4.9%	6,823	8.3%	1,164	6.4%	50,168	8.1%	8.9%
LMI	24	5.9%	7,509	9.1%	1,543	8.5%	65,292	10.5%	11.9%
Middle	88	21.5%	19,949	24.2%	4,257	23.4%	160,778	25.8%	25.7%
Upper	297	72.6%	54,915	66.7%	12,404	68.1%	396,640	63.7%	62.4%
Unknown	0	0.0%	0	0.0%	5	0.0%	47	0.0%	0.1%
Total	409		82,373		18,209		622,757		
2014									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	4	1.4%	990	1.7%	406	2.0%	24,765	3.9%	2.9%
Moderate	21	7.2%	6,480	11.1%	1,518	7.5%	55,278	8.7%	9.6%
LMI	25	8.5%	7,470	12.8%	1,924	9.5%	80,043	12.6%	12.5%
Middle	169	57.7%	30,606	52.5%	6,608	32.6%	224,869	35.4%	33.2%
Upper	99	33.8%	20,193	34.7%	11,750	57.9%	329,510	51.9%	54.3%
Unknown	0	0.0%	0	0.0%	9	0.0%	78	0.0%	0.1%
Total	293		58,269		20,291		634,500		
GRAND TOTAL									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	9	0.9%	1,776	0.9%	1,163	2.0%	60,420	3.3%	
Moderate	55	5.4%	16,331	8.6%	4,010	6.8%	152,307	8.3%	
LMI	64	6.3%	18,107	9.5%	5,173	8.7%	212,727	11.6%	
Middle	323	31.9%	58,615	30.9%	15,678	26.5%	521,565	28.4%	
Upper	624	61.7%	113,008	59.6%	38,360	64.8%	1,104,790	60.1%	
Unknown	0	0.0%	0	0.0%	23	0.0%	273	0.0%	
Total	1,011		189,730		59,234		1,839,355		

Action Taken in Response to Written Complaints with Respect to CRA: "Not Rated"

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

Community Development Test: “Satisfactory”

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

During the evaluation period MB originated \$84.7 million in new community development loans. MB had no community development loans outstanding from prior evaluation periods. Additionally, MB made \$3.1 million in new community development investments and had \$1.8 million outstanding from prior evaluation periods. MB also made \$149,000 in community development grants.

A more detailed description of MB’s community development activity follows.

Community Development Lending: “Satisfactory”

During the evaluation period, MB originated \$84.7 million in new community development loans. As shown in the table below, most of this money (35%) went to community services activities such as child care, health care, financial services, etc.; 27% went for rehabilitation and stabilization services; 22% for affordable housing activities, and 16% for economic development activities. This demonstrated a reasonable level of community development lending.

Community Development Loans				
Purpose	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Loans	\$000	# of Loans	\$000
Affordable Housing	3	18,415		
Economic Development	10	13,214		
Community Services	6	30,043		
Other (Revitalization/Stabilization)	5	23,050		
Total	24	84,722	0	0

Community Development Investments: “Satisfactory”

During the evaluation period, MB made \$3.1 million in new community development investments, and had \$1.8 million outstanding from prior evaluation periods. In addition, MB made \$149,000 in community development grants to various nonprofit community service organizations. This demonstrated a reasonable level of community development investments over the course of the evaluation period.

The CRA qualified mortgage backed securities placed during the evaluation period consisted of six securities totaling \$3.1 million as of March 31, 2015, as follows: two FNMA

pass-through securities valued at \$2.4 million and four New York State bonds valued at \$688,000. The underlying pools of FNMA securities represent loans to LMI individuals. The New York State bonds represent funding for various school districts in MB's assessment area.

Additionally, MB made \$148,485 in community development grants. Community development grants were allocated as follows: economic development grants of \$101,130 (68.1% by dollar value and 27% by number); community services grants of \$44,855 (30.2% by dollar value and 66.2% by number); and affordable housing grants of \$2,500 (1.7% by dollar value and 6.8% by number). This demonstrated an increased level of grants since the last evaluation period.

Community Development Investments and Grants				
	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Inv.	\$000	# of Inv.	\$000
CD Investments				
Affordable Housing	2	2,389	3	286
Economic Development	4	688	5	1,520
Community Services				
Other (Please Specify)				
Total	6	3,077	8	1,806
CD Grants	# of Grants	\$000	Not Applicable	
Affordable Housing	5	3		
Economic Development	20	101		
Community Services	49	45		
Other (Please Specify)				
Total	74	149		

Community Development Services: "Satisfactory"

MB demonstrated a reasonable level of community development services over the course of the evaluation period. MB's management actively seeks opportunities to help LMI individuals directly or through loans and grants to nonprofit community organizations, and by conducting educational activities in the community and serving in various capacities, such as board members, committee members, etc., with those organizations.

MB conducted seminars on topics such as: "first-time homebuyer," "financing options for small business," SONYMA Program Highlights, "minority-owned business," "small business qualifications," and "business plans/credit quality," etc. Additionally, MB participated in the New York State "Bridge to Success" program wherein loans are offered to minority and women-owned business enterprises to meet their capital needs.

Some members of the board, senior management and staff of MB volunteered their time for the betterment of their communities that are in the assessment area of the bank. The CEO of MB served as a board member of a county association and as chairman of the board of a hospital center foundation. In addition, several members of management and

staff served as board and committee members of several nonprofit community organizations in the assessment area. Others participated in activities to raise needed funds for these organizations.

Innovativeness of Community Development Investments:

MB is committed to innovative community investments including the following programs: Community One; Home Possible/Home Possible Advantage; and First Home Club buyers program.

The Community One program is a lending program for owner-occupied 1-4 family purchase transactions, with no mortgage insurance requirement. It offers reduced fees, maximum financing and higher qualifying ratios for eligible borrowers. This program is subject to income qualifying guidelines where income may not exceed 80% of FHLB's median mortgage bond guidelines. A satisfactory credit history is required with a minimum twelve month documented history. Homebuyer counseling is required.

Home Possible/Home Possible Advantage are residential loan programs administered by Freddie Mac and designed to assist low- and moderate-income families and first-time homebuyers. Maximum income levels are \$80,700 for Westchester and Putnam counties and \$86,700 for Dutchess County. Borrower income may not exceed 100% of median income levels with financing of up to 97% LTV and maximum debt to income level of 45%. Borrower must be enrolled in First Home Club through participating First Home Club members.

MB participates in the First Home Club, administered by the FHLB of New York, designed to help first-time homebuyers. This program provides assistance of up to \$7,500 to be used for a down payment or closing costs for the purchase of a home. Eligible properties are 1-4 family houses, condos and cooperatives.

Responsiveness of Community Development Investments to Credit and Community Development Needs:

MB's level of community development investments exhibited adequate responsiveness to credit and community development needs.

Additional Factors

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

According to MB's board minutes, the board is actively involved in community development and community services. MB lends to nonprofit agencies that are active in the community, and members of the board and bank staff serve on many boards and committees of local organizations.

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

It is evident from the minutes of the board meetings that the board is actively involved in community development and community services. MB lends to nonprofit agencies that are active in helping LMI communities and management encourages bank personnel to get involved in community service activities.

Discrimination and other illegal practices

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

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

Record of opening and closing offices and providing services at offices:

MB did not open or close any branch office during the evaluation period. However, in August 2012 MB moved its branch office in Yonkers from 634 Yonkers Avenue to 766 Yonkers Avenue. There was no change in census tract or tract income level.

MB operates 14 full service branch offices, each of which has a 24-hour ATM. In addition, it operates two ATMs at two different locations for cash dispensing purpose only. They are at the Carmel Town Hall, 60 McAlpin Avenue, Mahopac, NY 10541, and MB’s Wealth Management Office, 10 Bank St., White Plains, NY 10606.

MB offers full service banking, including 24-hour ATMs at all of its branch offices. Ten of the branch offices offer Saturday hours until 12 noon. The Ossining office that is in a moderate-income census tract does not offer banking services on Saturday. However, it closes at 6PM on Thursdays and 4 PM on other days. The following table shows the distribution of branch offices in the assessment area.

Distribution of Branches within the Assessment Area								
County	N/A	Low	Moderate	Middle	Upper	Total	LMI	LMI and
	#	#	#	#	#	#	%	Distressed or
								Underserved
Dutchess				2	1	3	0%	0%
Putnam				4	1	5	0%	0%
Westchester*			1	1	4	6	17%	17%
Total	-	-	1	7	6	14	7%	7%
*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.

MB's management, members of the board of trustees, and senior bank officers actively participate as members of committees or boards of various community groups. Some of these organizations are economic development corporations, banker's associations, local rotaries, hospital foundations, various local chambers of commerce, and various community-based nonprofit organizations.

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.

MB markets all its products and services equally in the community through local and regional newspapers. However, MB markets and communicates its flexible lending programs through its involvement with a local housing corporation and memberships 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

DFS noted no other factors.

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.