

PUBLIC DISCLOSURE

November 21, 2016

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Ulster Savings Bank
Certificate Number: 15970

180 Schwenk Drive
Kingston, New York 12401

Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
New York Regional Office

350 Fifth Avenue, Suite 1200
New York, New York 10118

This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated **Satisfactory**.

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities. The following factors support the rating.

The Lending Test is rated Satisfactory.

- The average net loan-to-deposit ratio is reasonable given the bank's size, financial condition, and the assessment area credit needs.
- The bank made a majority of its loans in its assessment area.
- The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area.
- The distribution of borrowers reflects reasonable penetration among borrowers of different income levels.
- There were no CRA-related complaints during the evaluation period. As a result, examiners did not evaluate this performance criterion.

The Community Development Test is rated Satisfactory.

The bank's community development performance demonstrates adequate responsiveness to the community development needs in its assessment area through its community development loans, qualified investments, and community development services, as appropriate, considering the institution's capacity and the need and availability of such opportunities for community development in its assessment area. Community development lending and services were the primary focus of the bank's community development activities.

- In 2014, the bank made a \$156,381 refinance mortgage loan to a non-profit organization that provides community development services to the AA's low- and moderate-income individuals and families. The loan helped to lower expenses to fund ongoing property maintenance needs. The organization provides job training and leadership development programs for low- and moderate-income individuals between the ages of 16 and 24, as well as education and health enhancement programs for low- and moderate-income individuals and families.

Qualified Investments

Ulster's qualified investments total approximately \$1.8 million, which represents 0.2 percent of total assets (\$814.9 million) as of September 30, 2016. The qualified investments include 81 new investments and grants totaling approximately \$862,000. The new investment and the majority of the grants and donations primarily supported organizations that provide community development services to low- and moderate-income individuals within the assessment area. Prior period investments still outstanding total \$900,000, and supported revitalization and stabilization.

Table 9 summarizes the bank's qualified investments by year and purpose.

Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Neighborhood Stabilization		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	0	0	0	0	0	0	1	900	0	0	1	900
2013	0	0	0	0	0	0	0	0	0	0	0	0
2014	0	0	0	0	0	0	0	0	0	0	0	0
2015	0	0	0	0	0	0	0	0	0	0	0	0
2016 YTD	0	0	1	468	0	0	0	0	0	0	1	468
Subtotal	0	0	1	468	0	0	1	900	0	0	2	1,368
Qualified Grants & Donations	22	82	54	289	1	5	3	18	0	0	80	394
Total	22	82	55	757	1	5	4	918	0	0	82	1,762

Source: Bank Records

Notable examples of the bank's community development investments and grants/donations follow:

Prior Period Investments

- **Solomon Hess Small Business Administration (SBA) Loan Fund:** The current outstanding balance of the bank's prior period capital investment in the Solomon Hess SBA Loan Fund, LLC, is \$900,000. Capital investments in the fund are used to invest in the federally guaranteed portion of SBA 7(a) loans made to businesses located in low- and moderate-income census tracts. Four loans to small businesses located within the institution's AA

collateralize the investment, including two loans in moderate-income census tracts in Orange County and two loans in moderate-income census tracts in Dutchess County. The fund's mission is to promote job creation and retention in low- or moderate-income areas, or for low- and moderate-income persons employed by small businesses.

New Investments

- CRA Qualified Investment Fund: In September 2016, the bank made a \$500,000 investment in the CRA Qualified Investment Fund (Fund), which subsequently used the funds to purchase a mortgage-backed security. The mortgage-backed security was collateralized by 23 mortgage loans to low- and moderate-income borrowers residing in various states. For the bank's investment, the Fund earmarked two loans made to moderate-income borrowers in Dutchess County totaling \$468,396. In addition, the annual \$6,250 dividend from the investment supported a crime prevention program at an elderly living center in Lake Katrine, New York. Approximately 80.0 percent of the center's residents are low- and moderate-income persons.

Grants

- RUPCO, Inc. (RUPCO) – RUPCO is a non-profit housing corporation dedicated to preserving and creating affordable housing for New York residents. The organization also offers homebuyer workshops and foreclosure prevention services. During the evaluation period, Ulster provided \$34,800 in funding to support the organization's affordable housing initiatives. This total includes a \$10,000 capital grant that supported the rehabilitation of an abandoned factory into 55 units of affordable rental housing, known as The Lace Mill, in Kingston, New York.
- Rebuilding Together Dutchess County – This non-profit housing organization focuses on providing home repair services to low-income homeowners. The organization sponsors two annual rebuilding days during which volunteers and organization employees come together to rehabilitate homes owned by low-income individuals. In addition to the rebuilding days, the organization sponsors a year-round program that provides minor home repairs and accessibility modifications to low-income homeowners. Ulster provided \$17,500 in total grants to support the organization's programs during the evaluation period.
- Newburgh Armory Unity Center – This non-profit organization promotes community development by providing community services to low- and moderate-income residents of the Mid-Hudson Valley. The organization offers various programs including, for example, literacy and job readiness training. Ulster donated \$28,700 to support the organization's literacy programs during the evaluation period.
- Family of Woodstock – This non-profit organization provides community development services such as emergency food and shelter, domestic violence services, court advocates, counseling, and case management services to low- and moderate-income residents of Ulster County. The bank provided a \$10,000 grant to support the organization's Student Success Center and a \$3,000 grant for capital improvements during the evaluation period.