

PUBLIC DISCLOSURE

October 5, 2015

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Bank of Millbrook
RSSD No. 175609**

**3243 Franklin Avenue
Millbrook, NY 12545**

FEDERAL RESERVE BANK OF NEW YORK

**33 LIBERTY STREET
NEW YORK, NY 10045**

NOTE: 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.

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INSTITUTION'S CRA RATING: The Bank of Millbrook (“Millbrook”) is rated **“Satisfactory.”**

The satisfactory performance of Millbrook with regard to the Community Reinvestment Act (“CRA”) is based on the following performance criteria:

- Millbrook’s loan-to-deposit ratio was reasonable given the bank’s size, financial condition and assessment area credit needs.
- A substantial majority of loans and other lending-related activities were made in the assessment area.
- Lending to borrowers of different income levels, including low- and moderate-income (“LMI”) individuals and businesses of different sizes showed reasonable distribution.
- The geographic distribution of HMDA-related, small business, and consumer loans reflects reasonable dispersion throughout the assessment area.

DESCRIPTION OF INSTITUTION

Established in 1891, Millbrook is a New York State-chartered bank headquartered in Millbrook, New York. The bank is the sole subsidiary of Millbrook Bank Systems, Inc., a one-bank holding company organized in April 1998. Millbrook has four branches, which are all located in Dutchess County in the mid-Hudson Valley region of New York State, approximately 90 miles north of New York City.

Millbrook offers a variety of consumer and commercial products such as fixed and adjustable rate residential mortgage loans, home equity loans and lines of credit, refinance and home improvement loans, secured and unsecured consumer installment loans, credit cards, overdraft lines of credit, and small business and farm loans. As of September 30, 2015, Millbrook had total assets of \$208 million, with total loans and leases of \$101 million and total deposits of \$104 million. Loans secured by one- to four-family residential properties represent 61% of all real estate loans and 55% of total loans and leases.

There are no financial or legal factors that would prevent Millbrook from meeting the credit needs of its assessment area. At the previous CRA examination, dated July 25, 2011, Millbrook received an overall rating of Satisfactory.

DESCRIPTION OF ASSESSMENT AREA

Millbrook has one assessment area consisting of the northeastern portion of Dutchess County, which is located within Metropolitan Statistical Area (“MSA”) 39100 (Poughkeepsie-Newburg-Middletown, NY), and the southern portion of Columbia County, New York located in a non-MSA assessment area. Examiners reviewed the assessment area and determined that the non-

MSA portion of Columbia County does not extend substantially beyond the boundaries of MSA 39100. Therefore, the areas were combined into one assessment area for analysis, in accordance with the Federal Financial Institutions Examination Council (“FFIEC”) CRA Interagency Examination Procedures for Small Banks (“Interagency CRA Small Bank Procedures”).

With the release of the Office of Management and Budget (“OMB”) bulletin 13-01, on February 28, 2013, MSA 39100 was dissolved and Dutchess County was combined with Putnam County into a new Metropolitan Division, MD 20524 (Dutchess and Putnam Counties, NY), as part of the larger MSA 35620 (New York-Newark-Jersey City, NY-NJ-PA). This change triggered modifications in the distribution of census tracts by income level of the population, converting one middle-income tract to a moderate-income tract and also effected the distribution of owner-occupied housing units by income level of the census tract, and the distribution of population by income level. Except where noted, Description of Assessment Area is based on the data pertaining to MD 20524 from 2014.

Under the 2010 Census, Millbrook’s assessment area consisted of 31 census tracts, of which 3 were moderate-income, 20 were middle-income and 8 were upper-income. There were no low-income census tracts. The assessment area is largely rural. Millbrook’s assessment area is in compliance with the requirements of Section 228.41 of Regulation BB and does not arbitrarily exclude low- and moderate-income (“LMI”) geographies. Additional assessment area data can be found in the Exhibit I. See Appendix B for a map of the assessment area.

SCOPE OF EXAMINATION

Procedures

Millbrook was examined using Interagency Small Bank Examination Procedures. The examination period covered the time period from January 1, 2011 through December 31, 2014.

Products

Retail loan products evaluated include home purchase, refinance, and home improvement loans reported under the Home Mortgage Disclosure Act (“HMDA”) and a sample of 60 small business loans and 98 consumer loans. The loan samples were selected using the Board of Governors’ sampling procedures and the integrity of the loan data was verified as part of the onsite examination. The real estate-related mortgage loans considered in the evaluation were reported under the HMDA. Examiners verified the integrity of the bank’s HMDA-related loan data provided by the bank for the reporting years 2011 through 2014.

Lending Analysis

The borrower and geographic loan distribution analyses were based on loan activity in Millbrook's assessment area. Millbrook's performance in 2011 was compared to 2000 Census demographic data while its performance in 2012, 2013 and 2014 was compared to 2010 Census demographic data.

To evaluate the geographic distribution of small business loans, the analysis compared the proportion of Millbrook's loan originations to the proportion of businesses located in LMI geographies.

To evaluate the borrower characteristics of small business lending, Millbrook's proportion of loans to businesses with gross annual revenues ("GAR") of \$1 million or less, based on Dun and Bradstreet ("D&B") data, was compared to the proportion of all such businesses located in the assessment area. The size of the small business loans was also used as a proxy to identify lending to businesses with GAR of \$1 million or less.

Borrower and geographic distribution analyses were based on Millbrook's performance in 2011, 2012, 2013, and 2014 compared respectively to the 2011, 2012, 2013, and 2014 aggregate performance of all lenders subject to HMDA and CRA small business reporting.

Deriving Overall Conclusions

Before reaching a conclusion about the overall performance regarding geographic distribution and borrower characteristics in the assessment area, examiners weighted loan products by the total retail lending volume in order to determine the influence of performance on the overall conclusion.

Examiners also conducted interviews with representatives of two community development organizations in order to gain an understanding of local credit needs. Community groups emphasized the assessment area's need for affordable housing and support for community services for LMI individuals.

PERFORMANCE CONTEXT

The following demographic and economic information was used to describe the assessment area and to evaluate the context in which Millbrook operates. The information was obtained from publicly available sources, including the U.S. Department of Commerce's Bureau of the Census, the U.S. Department of Labor, the U.S. Department of Housing and Urban Development ("HUD"), and the New York State Association of Realtors.

Demographic Characteristics

Millbrook's assessment area, which is comprised of portions of Dutchess and Columbia Counties, New York, has a population of 94,899 with 83% of the population residing within Dutchess County portion according to the 2010 Census. Of the 31 census tracts located in the assessment area three or 9.7% are LMI. All of the LMI census tracts are located in Dutchess County.

Income Characteristics

According to the 2010 Census, the assessment area has 24,816 families, of which 16% are low-income families, 19% are moderate-income families, 25% are middle-income families, and 40% are upper-income families. The 2010 census also indicates that 3.5% of all persons residing in the assessment area live below the poverty level, compared to 9.8% for all of New York State. In 2014 the poverty level was 5.7% for all of Dutchess County and 5.9% for all of Columbia County. The 2014 HUD-adjusted median family income was \$83,100 for Dutchess County down slightly from its 2013 level of \$85,500.

Housing Units

According to the 2010 Census the assessment area has 41,379 housing units of which 65% are owner-occupied, 19% are rental and 16% are vacant. The New York Association of Realtors reports the annual median sales price of existing single family homes in Dutchess County was \$245,000 for 2013 and \$240,000 for 2014. Housing values have declined from the \$270,000 reported in 2010. Housing costs in the area remain high at approximately 3.6 times the income of a moderate-income borrower and 6 times the income of a low-income borrower.

Labor, Employment, and Economic Characteristics

The assessment area has 4,545 business establishments, of which 91% have gross annual revenues ("GAR") of less than or equal to \$1 million or less. Of the total businesses 10% are in moderate-income areas. Unemployment trends in Dutchess County show improvement falling to 5.6% in 2013 and 4.6% in 2014. This compares to statewide rates of 6.7% for 2013 and 5.6% for 2014.

In Dutchess County, the major employment sectors include the education, healthcare or institutional categories. Dutchess County is home to educational institutions such as Vassar, Marist and Bard Colleges as well as the Culinary Institute of America. Major employers include IBM, Vassar Brothers Medical Center and the Mid-Hudson Regional Hospital of Westchester Medical Center. Additional assessment area data can be found on Exhibit 1 on the next page.

Exhibit 1 Assessment Area Demographics Bank of Millbrook 2014								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0	4,040	16.3
Moderate-income	3	9.7	2,339	9.4	133	5.7	4,621	18.6
Middle-income	20	64.5	16,286	65.6	628	3.9	6,132	24.7
Upper-income	8	25.8	6,191	24.9	107	1.7	10,023	40.4
Unknown-income	0	0.0	0	0.0	0	0	0	0.0
Total Assessment Area	31	100.0	24,816	100.0	868	3.5	24,816	100.0
	Housing Units By Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	0	0	0.0	0	0	0.0	0	0.0
Moderate-income	3,980	2,205	8.1	55.4	1,224	30.8	551	13.8
Middle-income	27,203	17,970	66.2	66.1	5,518	20.3	3,715	13.7
Upper-income	10,196	6,985	25.7	68.5	948	9.3	2,263	22.2
Unknown-income	0	0	0.0	0	0	0.0	0	0.0
Total Assessment Area	41,379	27,160	100.0	65.6	7,690	18.6	6,529	15.8
	Total Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	469	10.3	417	10.1	26	11.0	26	13.6
Middle-income	2,980	65.6	2,708	65.8	153	64.6	119	62.3
Upper-income	1,096	24.1	992	24.1	58	24.5	46	24.1
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	4,545	100.0	4,117	100.0	237	100.0	191	100.0
Percentage of Total Businesses:			90.6		5.2		4.2	

Based on 2010 ACS Information and 2014 D&B Information.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

Millbrook's record of meeting the credit needs of its assessment area through its lending performance is rated Satisfactory. Millbrook's loan-to-deposit ratio was reasonable and the bank originated a substantial majority of its loans and other lending-related activities within its assessment areas. The overall distribution of loans to borrowers of different incomes and businesses of difference sizes was reasonable. Geographic distribution of HMDA-related, consumer, and small business loans represented reasonable penetration among geographies of different income levels.

Loan-to-Deposit Ratio

Millbrook’s loan-to-deposit ratio was reasonable given the bank’s size, financial condition, and the opportunities and the credit needs of its assessment area. Millbrook’s average loan-to-deposit ratio for the sixteen quarters between January 1, 2011 and December 31, 2014 was 57%, based on information contained in Millbrook’s Consolidated Report of Condition and Income. This ratio was below the national peer average of 74% for similarly-sized banks and below an average of 75% for seven similarly-situated banks located in Millbrook’s assessment area during the evaluation period. Millbrook also maintains \$44 million in pledged deposits for municipal securities which impacted the ratio.

Lending in the Assessment Area

Millbrook originated a substantial majority of its loans, 84%, by number, and 76% by dollar amount, overall, in its assessment area. For each loan category, Millbrook originated 84% of its HMDA-related loans, 88% of its consumer loans, and 78% of its small business loans by number, within its assessment area, as shown in Exhibit 2 below.

Exhibit 2 Lending Inside and Outside the Assessment Area January 1, 2011 - December 31, 2014								
Loan Types	Inside				Outside			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Home Purchase	40	83	\$8,824	82	8	17	\$1,902	18
Refinancing	8	80	\$1,972	75	2	20	\$675	25
Home Improvement	8	89	\$405	89	1	11	\$50	11
Total HMDA related	56	84	\$11,201	81	11	16	\$2,627	19
Consumer	86	88	\$2,392	65	12	12	\$1,273	35
Small Business	47	78	\$5,108	72	13	22	\$1,967	28
TOTAL LOANS	189	84	\$18,701	76	36	16	\$5,867	24

Note: Affiliate loans not included

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

Millbrook demonstrated reasonable penetration among individuals of different income levels, including LMI individuals, and businesses of different sizes, given the demographics of the assessment area. As shown in Exhibits 3 and 4 an analysis of the lending distribution in each loan category follows:

Home Purchase Loans

Millbrook's distribution of home purchase loans to LMI borrowers was reasonable. As shown in Exhibit 3, during the examination period, the bank did not originate any of its home purchase loans to low-income borrowers in 2014, compared to 16% of low-income families residing in the assessment area. The bank originated 27% of its home purchase loans to moderate-income borrowers, compared to 19% of moderate-income families residing in the assessment area. Performance exceeded the aggregate to moderate-income borrowers which made 19% of its home purchase loans to moderate-income borrowers and was below for low-income borrowers as the aggregate made 6% of its home purchase loans to low-income borrowers.

Performance in 2013 was also reasonable as 8% and 25% of home purchase loans went to low- and moderate-income borrowers respectively. Performance in 2012 was poor as Millbrook did not make any home purchase loans to LMI borrowers, while 15% of families are low-income and 18% are moderate-income. Performance in 2011 was reasonable as 33% of home purchase loans went to low-income borrowers compared to 16% of families that are low-income. Millbrook did not make any home purchase loans to moderate-income borrowers.

Refinance Loans

Millbrook's distribution of refinance loans to LMI borrowers in was poor as the bank did not make any refinance loans to LMI borrowers in 2011, 2012 and 2014. The bank made one refinance loan in 2013 to moderate-income borrowers. The aggregate in 2014 made 8% and 19% of its refinance loans to low- and moderate-income borrowers respectively. This compares to the 16% and 19% of families in 2014 that are of low- and moderate income.

Home Improvement Loans

Millbrook's distribution of home improvement loans to LMI borrowers was reasonable. In 2014 the bank originated one or 20% of its home improvement loans to low-income borrowers, compared to 16% of low-income families residing in the assessment area. The bank made one or 20% of its home improvement loans to moderate-income borrowers, compared to 19% of moderate-income families residing in the assessment area. Performance in 2012 and 2013 was comparable. Performance in 2011 was poor as Millbrook did not make any home improvement loans.

Exhibit 3 Distribution of Loans Inside Assessment Area by Borrower Income January 1, 2014 through December 31, 2014												
	Borrower Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Purchase	0	0.0%	3	27.3%	4	36.4%	3	27.3%	1	9.1%	11	100%
	\$0	0.0%	\$423	20.7%	\$609	29.8%	\$795	38.8%	\$220	10.7%	\$2,047	100%
Refinance	0	0.0%	0	0.0%	0	0.0%	1	100.0%	0	0.0%	1	100%
	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$420	100.0%	\$0	0.0%	\$420	100%
Home Improvement	1	20.0%	1	20.0%	2	40.0%	0	0.0%	1	20.0%	5	100%
	\$5	2.0%	\$20	7.9%	\$193	76.3%	\$0	0.0%	\$35	13.8%	\$253	100%
TOTAL HMDA	1	5.9%	4	23.5%	6	35.3%	4	23.5%	2	11.8%	17	100%
	\$5	0.2%	\$443	16.3%	\$802	29.5%	\$1,215	44.7%	\$255	9.4%	\$2,720	100%
Families 2014	4,040	16.3%	4,621	18.6%	6,132	24.7%	10,023	40.4%	0	0.0%	24,816	100%

Consumer Loans

Millbrook’s distribution of consumer loans to LMI borrowers was excellent. The bank originated 44% of its consumer loans to low-income borrowers in 2014, compared to 21% of households in the assessment area that are low-income. The bank also made 13% of its consumer loans to moderate-income borrowers, compared to 16% of households in the area that are moderate-income. Performance in 2012 and 2013 was also excellent while performance in 2011 was reasonable.

Exhibit 4 Distribution of Bank Loans Inside Assessment Area by Income Level of Borrower January 1, 2014 through December 31, 2014												
	Borrower Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Consumer Loans	17	43.6%	5	12.8%	5	12.8%	8	20.5%	4	10.3%	39	100%
	\$167	\$0	\$72	\$0	\$50	\$0	\$365	\$1	\$37	\$0	\$691	100%
Household Population	7,130	20.5%	5,451	15.6%	7,338	21.1%	14,931	42.8%	0	0.0%	34,850	100%

Lending to Businesses of Different Sizes

The distribution of loans to businesses of different sizes was reasonable. In 2014 the bank made 58% of its small business loans to businesses with GAR of \$1 million or less, compared to 91% of such businesses located in the assessment area. Of the bank’s small business loans, 83% were in amounts of \$100,000 or less, which are particularly responsive to the credit needs of small businesses. Performance in 2014 in lending to businesses with gross annual revenues of \$1 million or less exceeded the performance of the aggregate which made 45% of its small business loans to such businesses. Exhibit 5 below shows the details of Millbrook’s distribution of loans by business revenues.

Exhibit 5									
Distribution of Loans Inside Assessment Area by Business Revenue									
January 1, 2014 through December 31, 2014									
		Loan Amounts in \$000s						TOTAL	
		<\$100		>100 and ≤250		>250 and ≤1,000			
All Small Business Loans	\$1 Million or Less	6	50.0%	1	8.3%	0	0.0%	7	58.3%
	>\$1 Mil/ Unknown	4	33.3%	0	0.0%	1	8.3%	5	41.7%
	TOTAL	10	83.3%	1	8.3%	1	8.3%	12	100.0%

Millbrook’s small business lending performance in 2011, 2012 and 2013 was also reasonable. In 2013, small business performance was below the aggregate which reported 52% of its small business loans to businesses with GAR of less than \$1 million while Millbrook reported 38% of its small business loans to such businesses. In 2011 and 2012 small business performance exceeded the aggregate as Millbrook reported 50% and 57% of its small business loans to businesses with GAR revenues of \$1 million or less respectively while the aggregate reported 38% and 41% respectively.

Geographic Distribution of Loans

Millbrook’s geographic distribution of loans reflects reasonable dispersion throughout the assessment area. There are no low-income census tracts in the assessment area, so the geographic distribution analysis was based on the bank’s performance in moderate-income geographies. The distribution of lending for each loan category in 2014 is shown in Exhibit 6 and Exhibit 7.

Home Purchase Loans

Millbrook’s distribution of home purchase loans in moderate-income geographies was reasonable. The bank originated one loan or 9% of its home purchase loans in moderate-income geographies, compared to 8% of owner-occupied housing units located in moderate-income geographies. The aggregate made 7% of its home purchase loans in moderate-income geographies. Performance in 2012 was comparable as the bank made one home purchase loan in moderate-income geographies but did not make any in 2011 or 2013.

Refinance Loans

Millbrook’s distribution of refinance loans in moderate-income geographies was poor. The bank did not originate any refinance loans in moderate-income tracts in 2014, compared to 8% of owner-occupied housing units located in moderate-income geographies. The aggregate originated 8% or 36 refinance loans in moderate-income geographies. Millbrook did not

originate any refinance loans in moderate-income geographies in 2011 or 2012 and originated one in 2013.

Home Improvement Loans

Millbrook’s distribution of home improvement loans in moderate-income geographies was reasonable. The bank originated two or 40% of its home improvement loans in moderate-income tracts, compared to 8% of owner-occupied housing units located in moderate-income geographies. The aggregate originated 17 or 13% of its home improvement loans in moderate-income geographies. Performance in 2011, 2012 and 2013 was weaker as the bank did not originate any home improvement loans in moderate-income geographies.

Exhibit 6										
Distribution of Loans Inside Assessment Area by Income Level of Geography										
January 1, 2014 through December 31, 2014										
	Geography Income Level								TOTAL	
	Low-		Moderate-		Middle-		Upper-			
Home Purchase	0	0.0%	1	9.1%	9	81.8%	1	9.1%	11	100%
Refinance	0	0.0%	0	0.0%	1	100.0%	0	0.0%	1	100%
Home Improvement	0	0.0%	2	40.0%	3	60.0%	0	0.0%	5	100%
TOTAL HMDA	0	0.0%	3	17.6%	13	76.5%	1	5.9%	17	100%
Owner Occupied Housing	0	0.0%	2,205	8.1%	17,970	66.2%	6,985	25.7%	27,160	100%
2014 HMDA Aggregate	0	0.0%	107	7.8%	859	62.8%	401	29.3%	1,367	100%

Consumer Loans

Millbrook’s distribution of consumer loans in moderate-income geographies was excellent. The bank made 28% of its consumer loans in moderate-income areas in 2014, compared to 10% of households located in moderate-income geographies. Performance in 2012 and 2013 was also excellent while performance in 2011 was poor without any consumer loans made in moderate-income geographies.

Exhibit 7										
Distribution of Bank Loans Inside Assessment Area by Income Level of Geography										
January 1, 2014 through December 31, 2014										
	Geography Income Level								TOTAL	
	Low-		Moderate-		Middle-		Upper-			
Consumer Loans	0	0.0%	11	28.2%	26	66.7%	2	5.1%	39	100%
Household Population	0	0.0%	3,429	9.8%	23,488	67.4%	7,933	22.8%	34,850	100%

Small Business Loans

Millbrook’s distribution of small business loans in moderate-income geographies was reasonable in 2014. Millbrook originated one loan or 8% of its small business loans in moderate-income census tracts, compared to 10% of businesses in the assessment area that are located in moderate-

income geographies. Performance was below the aggregate which had 11% of its small business loans in moderate-income geographies. Performance in 2012 was comparable as Millbrook made one loan in a moderate-income geography while it did not make any loans in 2013. Performance in 2011 was excellent as three or 21% of small business loans were in moderate-income geographies compared to 7% of business establishments. Details concerning Millbrook’s distribution of small business loans are shown in Exhibit 8 below:

Exhibit 8										
Distribution of Loans Inside Assessment Area by Income Level of Geography										
January 1, 2014 through December 31, 2014										
	Geography Income Level								TOTAL	
	Low-		Moderate-		Middle-		Upper-			
Small Business Loans	0	0.0%	1	8.3%	11	91.7%	0	0.0%	12	100%
Business Institutions	0	0.0%	469	10.3%	2,980	65.6%	1,096	24.1%	4,545	100%
2014 Small Business Aggregate	0	0.0%	182	11.1%	1,138	69.3%	321	19.6%	1,641	100%

Community Development Loans

During the examination period, Millbrook also originated community development loans totaling \$758 thousand to two non-profit organizations that provides residential care and treatment for developmentally disabled children.

Response to Complaints

Millbrook did not receive any complaints relating to its CRA performance during the examination period.

FAIR LENDNG OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Millbrook is in compliance with the substantive provisions of the anti-discrimination laws and regulations. No evidence of discriminatory or other illegal credit practices was identified as being inconsistent with helping to meet credit needs of the assessment area.

CRA APPENDIX A

GLOSSARY

Census tract: A small, relatively permanent statistical subdivision of a county or statistically equivalent entity delineated for data presentation purposes by a local group of census data users or the geographic staff of a regional census center in accordance with the Census Bureau guidelines. Designed to be relatively homogeneous units with respect to population characteristics, economic status, and living conditions at the time they are established, census tracts generally contain between 1,000 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries are delineated with the intention of being stable over many decades, so they generally follow relatively permanent visible features. However, they may follow governmental unit boundaries and other invisible features in some instances; the boundary of a state or county) or statistically equivalent entity) is always a census tract boundary.

Community development: Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; activities that revitalize or stabilize low- or moderate-income geographies; or loans, investments or services that (i) Support, enable or facilitate projects or activities that meet the "eligible uses" criteria described in Section 2301c of the Housing and Economic Recovery Act of 2008 ("HERA"), Public Law 110-289, 122 Stat. 2654, as amended, and are conducted in designated target areas identified in plans approved by the United States Department of Housing and Urban Development in accordance with the Neighborhood Stabilization Program ("NSP"); (ii) Are provided no later than two years after the last date funds appropriated for the NSP are required to be spent by grantees; (iii) Benefit low-, moderate- and middle-income individuals and geographies in the bank's assessment area(s) or geographies outside the bank's assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize-

- (i) Low-or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-
 - a. Rates of poverty, unemployment, and population loss; or
 - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

Family: A family is a group of two or more people related by birth, marriage, or adoption and residing together; all such people (including related subfamily members) are considered as members of one family.

Full review: Performance is analyzed considering performance context, quantitative factors and qualitative factors.

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 statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and income of applicants, the amount of loan requested, and the disposition of the application (e.g., approved, denied, withdrawn).

Home mortgage loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes, and refinancings of home improvement and home purchase loans.

Household: A household consists of all the people who occupy a housing unit. A household includes the related family members and all the unrelated people, if any, such as lodgers, foster children, wards, or employees who share the housing unit. A person living alone in a housing unit, or a group of unrelated people sharing a housing unit such as partners or roomers, is also counted as a household. The count of households excludes group quarters.

Limited-scope review: Performance is analyzed using only quantitative factors.

Low-income: Individual income that is less than 50% of the area median income, or a median family income that is less than 50%, in the case of geography.

Metropolitan Statistical Area (“MSA”): A geographic entity defined by the federal Office of Management and Budget for use by federal statistical agencies, based on the concept of a core area with a large population nucleus, plus adjacent communities having a high degree of economic and social integration with that core.

Metropolitan Division: A county or group of counties within a **Metropolitan Statistical Area** that contains a population of at least 2.5 million and represents an employment center(s) associated through commuting ties.

Middle-income: Individual income that is at least 80% and less than 120% of the area median income, or a median family income that is at least 80% and less than 120%, in the case of geography.

Moderate-income: Individual income that is at least 50% and less than 80% of the area median income, or a median family income that is at least 50% and less than 80%, in the case of geography.

Owner-occupied units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified investment: A qualified investment is defined as any lawful investment, deposit, membership share or grant that has as its primary purpose community development.

Small loan(s) to business(es): A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income (“Call Report”) and the Thrift Financial Reporting (“TFR”) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as “small business loans” if the loans are reported on the TFR as nonmortgage, commercial loans.

Upper-income: Individual income that is more than 120% of the area median income, or a median family income that is more than 120%, in the case of geography.

CRA APPENDIX B ASSESSMENT AREA MAP

