



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

May 29, 2012

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

The National Union Bank of Kinderhook  
Charter Number 929

One Hudson Street  
Kinderhook, NY 12106

Office of the Comptroller of the Currency

343 Thornall Street  
Suite 610  
Edison, NJ 08837

**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.

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

The primary factors supporting this rating are as follows:

- The bank's average loan-to-deposit ratio is reasonable when compared to similarly situated institutions.
- By number and dollar amount, the bank originated a majority of its loans inside its assessment area.
- The distribution of loans to businesses reflects excellent penetration among businesses of different sizes.
- The bank's geographic distribution of loans reflects excellent dispersion throughout census tracts of different income levels.

## **SCOPE OF EXAMINATION**

The evaluation period covers June 18, 2007 through May 29, 2012 and represents the time period between the start of the bank's prior and current CRA Performance Evaluations. We evaluated the bank using the small bank performance criteria which consists of a lending test. The lending test evaluates the bank's record of helping to meet the credit needs of its assessment area through its lending activities. The evaluation period for the lending test covered loans originated between January 1, 2010 and December 31, 2011. Based on a review of the number and dollar amount of loans originated, we determined that commercial mortgage loans were the bank's primary loan product during this time period. A random sample of commercial mortgage loans originated between January 1, 2010 and December 31, 2011 was selected to conduct our analyses and form conclusions regarding the bank's lending performance.

## **DESCRIPTION OF INSTITUTION**

The National Union Bank of Kinderhook (NUBK), established in 1853, is a local, community bank headquartered in Kinderhook, New York. Kinderhook lies approximately eighteen miles southeast of Albany, the state capital of New York. The bank is wholly-owned by Kinderhook Bank Corp., a one-bank holding company, and has one affiliate, Kleeber Insurance Services.

NUBK operates six branch offices. The main office and three others are located in Columbia County. Since its last CRA Performance Evaluation, the bank has opened two more branch offices. In October 2007, a branch was opened in East Greenbush, in Rensselaer County; and in October 2011, a branch was opened in Delmar, in Albany County. All branch offices offer a full line of banking services for both consumer and commercial customers.

As of March 31, 2012, NUBK had total assets of \$294 million, with \$262 million in total deposits and \$201 million in total loans. The loan portfolio consists of \$74 million in commercial real estate loans, \$73 million in residential real estate loans, \$27 million in multi-family real estate loans, \$25 million in commercial and industrial loans, and \$2 million in consumer and other loans. NUBK operates as a traditional bank offering a variety of loan products for individuals and businesses. During this evaluation period, the bank has targeted its lending toward small- to medium-sized businesses. A majority of the bank's loan originations were commercial mortgage loans, and the bank also began originating Small Business Administration loans.

Due to its proximity to Albany, NUBK operates in a highly competitive financial services market with competition from multi-national, regional and local financial institutions. There are no financial or legal impediments to hinder NUBK's ability to help meet the credit needs of the communities it serves. The bank received a "Satisfactory" rating on its prior CRA Performance Evaluation dated June 18, 2007.

## **DESCRIPTION OF ASSESSMENT AREA(S)**

NUBK has one assessment area that consists of three contiguous counties within New York State. Two of the counties, Albany and Rensselaer, are located within the Albany-Schenectady-Troy Metropolitan Statistical Area (MSA). The third county, Columbia, is not in an MSA. It is part of the Hudson, NY Micropolitan Statistical Area. NUBK's assessment area meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas. As the MSA area and the non-MSA area, however, have separate and distinct median family income values that are used to identify borrowers and census tracts that are low- or moderate-income, the bank has two assessment areas for analytical purposes. The two assessment areas are described below:

### Albany and Rensselaer Counties within the Albany-Schenectady-Troy MSA

Demographic Information for Albany and Rensselaer Counties						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	114	11.40	15.79	52.63	20.18	0.00
Population by Geography	447,103	9.41	14.24	51.09	25.26	0.00
Owner-Occupied Housing by Geography	108,398	3.54	9.31	56.46	30.69	0.00
Businesses by Geography	42,030	14.39	10.67	47.66	27.29	0.00
Farms by Geography	939	1.81	4.47	64.86	28.86	0.00
Family Distribution by Income Level	110,490	19.76	18.25	22.97	39.03	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	41,989	14.95	20.27	48.53	16.25	0.00
Census Median Family Income		54,944	Median Housing Value		190,800	
HUD Adjusted Median Family Income for 2011		77,000	Unemployment Rate (BLS- December 2011)		7.0%	
Households Below Poverty Level		10.45%				

(\* ) The NA category consists of geographies that have not been assigned an income classification.

Source: 2000 US Census and 2011 HUD updated MFI, Bureau of Labor Statistics, National Association of Realtors  
4<sup>th</sup> Quarter 2011

The 2000 U.S. Census reported the total population of this assessment area at 447,103 living within 114 census tracts. Of the 114 census tracts, 11.40 percent are low-income geographies, 15.79 percent are moderate-income geographies, 52.63 percent are middle-income geographies, and 20.18 percent are upper-income geographies.

The 2011 HUD adjusted median family income for this assessment area was \$77,000. Within this assessment area, 19.76 percent of the families were low-income, earning a median income of \$38,500 or less; 18.25 percent were moderate-income, earning a median income of no more than \$61,600; and 10.45 percent of all households had incomes below the poverty level.

There are a total of 42,030 businesses in the assessment area. A majority of the businesses, 64.20 percent, reported revenues of \$1 million or less, and only 4.05 percent of the businesses generated revenues greater than \$1 million. The revenue for the remaining 31.75 percent of the businesses was unavailable. Of the 42,030 businesses, 14.39 percent are located in low-income geographies, 10.67 percent in moderate-income geographies, 47.66 percent in middle-income geographies, and 27.29 percent in upper-income geographies.

The assessment area's principal city is Albany, the state capital of New York. Albany is known for its extensive history, culture, architecture, and institutions of higher education. Its economy is heavily dependent on the government, health care and education sectors, which are typically steady economic bases. The current recession, however, has been more difficult due to the problems on Wall Street, a source of much of the state government's tax revenue. The lower tax revenue has resulted in significant government layoffs offsetting the recovery in the private sector. Moody's Analytics

forecasts that once the state gets beyond its planned layoffs, private sector hiring will be strong enough to solidify the Capital District area's recovery. This is especially true because the area's economic base is expanding to include the high-technology industry. Albany is increasingly seen as a leader in nanotechnology, with the University at Albany's College of Nanoscale Science and Engineering being recognized as a national leader in the field. The nanotech industry is already attracting high-tech firms and jobs to the area.

As of December 2011, the Bureau of Labor Statistics reported the unemployment rate in the Albany-Schenectady-Troy, NY MSA as 7.0 percent, compared to the state rate of 8.0 percent and the national rate of 8.5 percent.

During the evaluation period, OCC representatives met with a community development organization operating in the assessment area. The contact identified financial literacy education for both consumers and businesses, and small business financing as current community needs.

**Columbia County within the Hudson, NY Micropolitan Statistical Area**

Demographic Information for Columbia County						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	20	0.00	10.00	35.00	55.00	0.00
Population by Geography	63,094	0.00	11.93	29.43	58.64	0.00
Owner-Occupied Housing by Geography	17,493	0.00	5.69	31.20	63.12	0.00
Businesses by Geography	6,093	0.00	14.16	28.36	57.48	0.00
Farms by Geography	400	0.00	1.50	39.75	58.75	0.00
Family Distribution by Income Level	16,662	13.13	16.67	21.31	48.89	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	4,965	0.00	18.51	31.72	49.77	0.00
Census Median Family Income		41,761	Median Housing Value		221,900	
HUD Adjusted Median Family Income for 2011		56,100	Unemployment Rate (BLS-December 2011)		7.2%	
Households Below Poverty Level		8.86%				

(\*) The NA category consists of geographies that have not been assigned an income classification.  
 Source: 2000 US Census and 2011 HUD updated MFI, Bureau of Labor Statistics, and US Census Bureau: State and County Quick Facts

The 2000 U.S. Census reported the total population of this assessment area at 63,094 living within 20 census tracts. Of the 20 census tracts, none are low-income geographies, 10.00 percent are moderate-income geographies, 35.00 percent are middle-income geographies, and 55.00 percent are upper-income geographies.

The 2011 HUD adjusted median family income for this assessment area was \$56,100. Within this assessment area, 13.13 percent of the families were low-income, earning a median income of \$28,050 or less; 16.67 percent were moderate-income, earning a

median income of no more than \$44,880; 8.86 percent of all households had incomes below the poverty level.

There are a total of 6,093 businesses in the assessment area. A majority of the businesses, 68.80 percent, reported revenues of \$1 million or less, and only 2.90 percent of the businesses generated revenues greater than \$1 million. The revenue for the remaining 28.30 percent of the businesses was unavailable. More than half of the businesses, 57.48 percent, are located in upper-income geographies followed by 28.36 percent in middle-income geographies, and 14.16 percent in moderate-income geographies.

As of December 2011, the Bureau of Labor Statistics reported the unemployment rate in the Hudson, NY Micropolitan Statistical Area as 7.2 percent, compared to the state rate of 8.0 percent and the national rate of 8.5 percent.

During the evaluation period, OCC representatives met with a community development organization operating in the assessment area. The contact identified financial literacy education for both consumers and businesses, and small business financing as current community needs.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

The evaluation period for the lending test covered loans originated between January 1, 2010 and December 31, 2011. Based on a review of the number and dollar amount of loans originated, we determined that commercial mortgage loans were the bank's primary loan product during this time period. A random sample of commercial mortgage loans originated between January 1, 2010 and December 31, 2011 was selected to conduct our analyses and form conclusions regarding the bank's lending performance.

### **Loan-to-Deposit Ratio**

NUBK's quarterly average loan-to-deposit ratio is reasonable given the bank's size, financial condition, and the credit needs of the assessment area. The bank's average loan-to-deposit ratio over the twenty quarters since the last CRA examination was 70.05 percent. During this period, NUBK's performance ranged from a low of 62.67 percent on September 30, 2009 to a high of 83.16 percent on December 31, 2011.

NUBK's quarterly average loan-to-deposit ratio compares adequately to the average for six similarly situated banks over the same time period. The loan-to-deposit ratios for the six other banks averaged 79.87 percent.

### **Lending in Assessment Area**

NUBK, by number and dollar amount, originated a majority of its loans inside its assessment area. The following table details the bank's lending in the assessment area by number and dollar amount of loans. Based on our sample, 75.00 percent of the

loans by number and 52.77 percent by dollar volume were within the bank’s assessment area. Based on the number and dollar amount of loans originated in the assessment area, the bank met the standard for satisfactory performance under this criterion.

<b>Lending in NUBK’s Assessment Area</b>										
Loan Type	Number of Loans					Dollars of Loans (in thousands)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Commercial Mortgage Loans	30	75.00	10	25.00	40	\$13,045	52.77	\$11,675	47.23	\$24,720

Source: Commercial Mortgage Loan Sample Jan. 1, 2010 – Dec. 31, 2011

**Lending to Businesses of Different Sizes**

**Conclusion for Albany and Rensselaer Counties**

The distribution of loans to businesses reflects excellent penetration among businesses of different sizes. The bank made 90.48 percent of its commercial mortgage loans to small businesses. Small businesses are businesses with gross annual revenues of one million dollars or less. This is considered more than reasonable compared to demographic data that shows 64.20 percent of the area’s businesses are considered to be small businesses. By dollar amount, 89.65 percent of the commercial mortgage loans were made to small businesses.

<b>Borrower Distribution of Loans to Businesses in Albany and Rensselaer Counties</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	64.20	4.05	31.75	100%
% of Bank Loans in AA by #	90.48	9.52	0.00	100%
% of Bank Loans in AA by \$	89.65	10.35	0.00	100%

Source: Commercial Mortgage Loan Sample Jan. 1, 2010 – Dec. 31, 2011; 2011 Business Geodemographic Data

**Conclusion for Columbia County**

The distribution of loans to businesses reflects excellent penetration among businesses of different sizes. The bank made 85.00 percent of its commercial mortgage loans to small businesses. This is considered more than reasonable compared to demographic data that shows 68.80 percent of the area’s businesses are considered to be small businesses. By dollar amount, 81.15 percent of the commercial mortgage loans were made to small businesses.

<b>Borrower Distribution of Loans to Businesses in Columbia County</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	68.80	2.90	28.30	100%
% of Bank Loans in AA by #	85.00	15.00	0.00	100%
% of Bank Loans in AA by \$	81.15	18.85	0.00	100%

Source: Commercial Mortgage Loan Sample Jan. 1, 2010 – Dec. 31, 2011; 2011 Business Geodemographic Data

### Geographic Distribution of Loans

#### Conclusion for Albany and Rensselaer Counties

The bank’s geographic distribution of loans reflects excellent dispersion throughout census tracts of different income levels. The bank made 14.29 percent of its commercial mortgage loans to businesses located in low-income census tracts and 23.81 percent of its commercial mortgage loans to businesses located in moderate-income tracts. This is considered more than reasonable because the percentage of commercial mortgage loans made in low- and moderate-income census tracts exceeds the percentage of businesses that are located in these geographies.

<b>Geographic Distribution of Loans to Businesses in Albany and Rensselaer Counties</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Commercial Mortgage Loans	14.39	14.29	10.67	23.81	47.66	52.38	27.29	9.52

Source: Commercial Mortgage Loan Sample Jan. 1, 2010 – Dec. 31, 2011; 2011 Business Geodemographic Data

#### Conclusion for Columbia County

The bank’s geographic distribution of loans reflects excellent dispersion throughout census tracts of different income levels. While there are no low-income census tracts in Columbia County, the bank made 25.00 percent of its commercial mortgage loans to businesses located in moderate-income census tracts. This is considered more than reasonable because the percentage of commercial mortgage loans made in moderate-income census tracts exceeds the percentage of businesses that are located in these geographies.

Geographic Distribution of Loans to Businesses in Columbia County								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Commercial Mortgage Loans	.00	.00	14.16	25.00	28.36	5.00	57.48	70.00

Source: Commercial Mortgage Loan Sample Jan. 1, 2010 – Dec. 31, 2011; 2011 Business Geodemographic Data

**Responses to Complaints**

NUBK did not receive any CRA complaints during this evaluation period.

**Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.