



PUBLIC DISCLOSURE

February 16, 2016

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Walden Savings Bank
Charter Number 718043

15 Scott's Corner Drive Montgomery, NY 12549

Office of the Comptroller of the Currency

340 Madison Avenue 4th Floor New York, NY 10017-2613

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 Lending Test is rated: Satisfactory.

The Community Development Test is rated: Satisfactory.

The major factors supporting the institution's rating include:

- Lending levels reflect good responsiveness to assessment area credit needs taking into consideration the level of competition faced by Walden Savings Bank's (WSB) in each of the Assessment Areas (AAs).
- A substantial majority of WSB's primary loans were originated within the bank's AA.
- The bank's distribution of loans to borrowers reflects reasonable distribution among borrowers of different income levels.
- The bank's geographic distribution reflects reasonable distribution of loans and meets the standards for satisfactory performance based on its home mortgage lending in low- and moderate-income census tracts.
- The bank's responsiveness to community development needs and opportunities in its AA is satisfactory, considering its capacity and AA opportunities.
- The bank had no consumer complaints regarding its community reinvestment performance.

Scope of Examination

Walden Savings Bank's Community Reinvestment Act (CRA) performance was evaluated under the intermediate small bank examination procedures, which consist of a lending test and a Community Development (CD) test. The CD test evaluates the bank's responsiveness to CD needs in its AAs through CD loans, investments, and services. The assessment period for Walden's CD activities is October 29, 2012 to February 16, 2016.

CRA activities at WSB were completed using full-scope review procedures for its AAs located in Orange and Ulster Counties in New York. We performed a limited scope review of the bank's Sullivan County AA. Our review covered the bank's performance from January 1, 2013 to December 31, 2015. Residential mortgage loans were determined to be the bank's primary loan product and were reviewed as part of this examination.

Description of Institution

Walden Savings Bank is an OCC-regulated mutual savings bank, founded in 1872. Since its origination, Walden has been headquartered in Montgomery, NY, serving the needs of its community through residential, multi-family, and commercial mortgages, along with consumer loans, commercial business loans, and various deposit products.

The Bank operates 11 full services branches in the following locations: Walden, Washingtonville, Montgomery, Cornwall-on-Hudson, Pine Bush, Gardiner, New Windsor, Scott's Corners (HQ), Circleville, Middlehope, and Florida. All branches are located in Orange County excluding the Gardiner branch, located in Ulster County. The majority of the Bank's lending activity occurs in Orange County, along with adjacent parts of Ulster and Sullivan Counties. There were no branch openings or closings during this review period.

As of December 31, 2015, Walden had \$494.0 million in assets, \$445.9 million in deposits, and total equity of \$44.0 million, or 8.9 percent of total assets. As a thrift, Walden is focused on meeting the borrowing and deposit needs of the local community. The bank's balance sheet primarily consists of 1-4 family residential mortgages funded local retail deposits. The Bank sells many of the first lien mortgages that they originate in the secondary market; during this evaluation cycle from January 1, 2013 to December 31, 2015, the Bank sold \$78.84 million in the secondary market. In addition to residential mortgages, the Bank also grants construction, multi-family, land, commercial real estate, consumer, and commercial business loans. The following table outlines Walden's office locations along with the corresponding geography income level.

Office Location	Geography Income Level
Walden, NY	Middle
Washingtonville, NY	Upper
Montgomery, NY (Clinton St.)	<i>Upper</i>
Cornwall on Hudson, NY	<i>Upper</i>
Pine Bush, NY	<i>Upper</i>
Gardiner, NY	Upper
New Windsor, NY	<i>Middle</i>
Montgomery, NY (Scott's Corners/HQ)	<i>Upper</i>
Circleville, NY	Upper
Middlehope, NY	Middle
Florida, NY	<i>Upper</i>

**Bold and italicized text signifies change to the geography income level since prior CRA evaluation.*

The Bank offers fixed-rate and adjustable-rate mortgages, along with refinance and construction loans for 1-4 family and multifamily properties. The bank's consumer lending mainly includes lines of credit and personal loans, both secured and unsecured. The Bank offers secured commercial loans and lines of credit to business customers.

The following table shows the loan portfolio by category, in volume, percent of total loans, and as a percentage of total assets as of December 31, 2015.

Loan Category	Amount (\$000s)	Percent of Total Loans	Percent of Total Assets
Secured 1-4 family residences	\$170,323	54.32%	35.44%
Non-farm, non-residential	\$96,221	30.69%	20.03%
Construction & land development	\$11,206	3.57%	2.33%
Commercial & Industrial & Agriculture	\$27,573	8.79%	5.74%
OD checking & other customers	\$1,409	0.45%	0.29%
Other & multi-family	\$6,798	2.17%	1.42%
Total	\$313,530	100%	65.25%

Based on the June 30, 2015 FDIC Summary of Deposits Market Share Report, Walden ranked 11th out of 29 bank in their primary market of Orange, Ulster, and Sullivan Counties at 3.72 percent of deposits. Walden ranked 7th out of 24 in Orange County at 6.38 percent of deposits, as this county comprised the majority of their branches. The Bank ranks 18th out of 21 in Ulster County, where they have one branch, with 0.75 percent of deposits. Overall, the Bank ranks 113th out of 219 institutions in the NY Metro Area, at 0.03 percent of deposits. JP Morgan Chase has the greatest market share in Orange County and the NY Metro Area. Ulster Savings Bank is the market share leader for Ulster County.

There are no legal or financial factors impeding the bank's ability to help meet the credit needs within its AA. At the prior CRA evaluation dated October 29, 2012, WSB was rated "Satisfactory."

Description of Assessment Areas

Walden Savings Bank is a mutual savings bank located in New York State. As of December 31, 2015, the bank reported total assets of \$494 million. The Federal Deposit Insurance Corporation (FDIC) releases an annual *Summary of Deposit* report for all insured institutions. Based on the most recent release as of June 30, 2015, total deposits were \$411 million, placing Walden at 7th among 24 banks, or 6.38% of deposit market share within Orange County, where 10 of the bank's offices are located. JP Morgan Chase is top ranked with 20 offices and commands 16.26% of deposit market share within Orange County, followed by KeyBank with ten offices and 15.38% market share, and TD Bank with ten offices and 13.86% market share within the bank's AA. Walden is 18th out of 21 in the Kingston MSA, where it has one branch and \$21 million in deposits (0.75% of market share). Ulster Savings Bank, Bank of America, and Manufacturers and Traders Trust Company have the highest market share in the Kingston MSA with 18.73%, 13.18%, and 11.74% of deposits, respectively.

Walden defines its assessment areas (AAs) as Orange and Ulster Counties in the State of New York. Orange County is in the New York-Northern New Jersey-Long Island, NY-

NJ-PA Metropolitan Statistical Area, which falls within the New York-Jersey City-White Plains, NY-NJ MD #35614 (previously Poughkeepsie-Newburgh-Middletown MSA due to the 2014 OMB changes, which no longer exists) and Ulster County falls within Kingston, NY MSA #28740. In addition, the bank has an AA in part of Sullivan County, which is a Non-MSA. The AAs include geographies where the bank has its main office, branches, and deposit-taking ATMs, as well as surrounding geographies where the bank conducts lending transactions. The AAs meet regulatory requirements and do not arbitrarily exclude low- or moderate-income geographies.

Each of the bank’s AAs is in the Hudson Valley Region of New York State. According to the Department of Labor, the 10 largest private employers in the Hudson Valley area are Home Depot, IBM Corporation, Marist College, Orange Regional Medical Center, ShopRite Supermarkets, Stop & Shop Supermarkets, Target Corporation, Vassar Brothers Medical Center, Walmart, and the White Plains Hospital Association.

Description of the Orange County Assessment Area MD #35614

Walden’s AA in Orange County falls within the New York-Jersey City-White Plains, NY-NJ MD #35614. It consists of 79 census tracts. Income levels in each of the tracts were re-assessed in 2015, during our assessment period. Within the geography as of 2015, now only 5 tracts or 6.33% are low income; 10 tracts or 12.66% are moderate income; 17 tracts or 21.52% are middle income; and 47 tracts or 59.49% are upper income. Total population within the assessment area is 372,813. The median annual family income is \$82,963. The AA consists of 90,356 families, of which 35,194 or 38.95% are low-to-moderate income families.

According to the US Bureau of Labor Statistics, the unemployment rate in Orange County is 5.1% as of July 2015, which is 50 bps below the national unemployment rate of 5.6%.

2015 Walden Savings - 35614

Demographic Information for Full Scope Area: 2015 Walden Savings - 35614					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts/BNAs)	79	6.33	12.66	21.52	59.49
Population by Geography	372,813	6.93	10.91	19.57	62.59
Owner-Occupied Housing by Geography	88,633	1.91	6.12	19.28	72.70
Business by Geography	23,751	6.34	10.72	17.33	65.61
Farms by Geography	903	0.44	2.44	11.74	85.38
Family Distribution by Income Level	90,356	16.42	13.79	18.94	50.84
Distribution of Low and Moderate Income Families throughout AA Geographies	27,303	12.58	19.61	24.72	43.09
Median Family Income		68,006	Median Housing Value		304,519
HUD Adjusted Median Family Income for 2015		71,300	Unemployment Rate (2010 US Census)		3.06%
Households Below Poverty Level		9%			

We contacted one non-profit community organization in Orange County that provides services related to community development and affordable housing opportunities in the county for low- and moderate-income households. The contact identified an outflow of businesses and young people as a primary concern for the community, along with a need for affordable housing and job growth. This community organization has been working on community development projects to incentivize businesses and people to stay in the area. The community contact stated that financial institutions benefit the community by maintaining their local branches and continuing to provide credit opportunities to the community. The contact stated that local financial institutions have been supportive in recent years by providing financing opportunities and donations.

Description of the Ulster County Kingston, NY MSA #28740

Walden’s AA in Ulster County falls within the Kingston, NY MSA #28740. It consists of 37 census tracts. As of 2015, 0 tracts are low income; 6 tracts are moderate income; 25 tracts are moderate income; and 6 tracts are upper income. Total population within the assessment area is 147,892. The median annual family income is \$70,513. The AA consists of 13,179 families, of which 7,558 or 36.65% are low-to-moderate income families.

According to the US Bureau of Labor Statistics, the unemployment rate in Kingston, NY is 3.8% as of December 2015, which is below the national unemployment rate of 5.0%. Top industry sectors are services (43.36%) and retail trade (14.06%).

2015 Walden Savings - 28740 AA

Demographic Information for Full Scope Area: 2015 Walden Savings - 28740 AA					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts/BNAs)	37	0.00	16.22	67.57	16.22
Population by Geography	147,892	0.00	13.46	68.57	17.97
Owner-Occupied Housing by Geography	38,574	0.00	11.14	70.87	17.99
Business by Geography	9,747	0.00	14.66	64.47	20.87
Farms by Geography	466	0.00	6.44	64.81	28.76
Family Distribution by Income Level	35,958	19.68	16.97	23.31	40.05
Distribution of Low and Moderate Income Families throughout AA Geographies	13,176	0.00	21.02	67.27	11.71
Median Family Income		70,513	Median Housing Value		244,786
HUD Adjusted Median Family Income for 2015		75,200	Unemployment Rate (2010 US Census)		3.45%
Households Below Poverty Level		10%			

We contacted one non-profit community organization in Ulster County that administers funds for numerous nonprofits with missions to benefit low- and moderate-income households. The contact identified job and wage growth as primary needs in the community. The contact emphasized the benefit to the community when financial institutions contribute their time, along with money, to local nonprofit organizations. The contact stated that local financial institutions have been supportive in recent years by participating on nonprofit boards and providing credit opportunities and donations.

Conclusions with Respect to Performance Tests

LENDING TEST

The bank's performance under the lending test is rated Satisfactory. Based on full-scope reviews, the bank's performance in the New York-Jersey City-White Plains, NY-NJ MD #35614 (previously Poughkeepsie-Newburgh-Middletown MSA) and Kingston, NY MSA #28740 is satisfactory. Based on a limited-scope review, the bank's performance under the lending test in the Sullivan County Non-MSA is not inconsistent with the bank's overall "Satisfactory" performance under the lending test for the MD and MSA. The evaluation period covered home mortgage purchase loans reported under the Home Mortgage Disclosure Act (HMDA) from January 1, 2013 through December 31, 2015.

Loan-to-Deposit Ratio

WSB's net loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and credit needs of the assessment areas. The bank's average LTD ratio for the prior fourteen quarters is 74.94 percent. The quarterly average LTD ratio compares reasonably well with other similarly situated financial institutions during the same time period. The average LTD ratio for these institutions was 79.12 percent, ranging from a low of 53.04 percent to a high of 102.80 percent. WSB is also an originator and seller of home mortgage loans. The bank sold \$78.8 million of home mortgage loans to the secondary market during the evaluation period, which if retained would have further increased the loan-to-deposit ratio.

Lending in Assessment Area

WSB's loan originations within the assessment area is outstanding. WSB originated a substantial majority of its home mortgage loans inside the AAs, which exceeds the standard for satisfactory performance. WSB originated 84.72 percent by number and 83.29 percent by dollar amount inside the AAs during the evaluation period.

Lending in Orange, Ulster, & Sullivan Counties Assessment Areas										
Loan Type	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	\$
Home Purchase Loans	271	80.90	64	19.10	335	52,985	80.41	12,911	19.59	65,896
Home Refinance Loans	151	90.96	15	9.04	166	26,101	89.29	3,131	10.71	29,232
Home Improvement Loans	27	93.10	2	6.90	29	1,087	97.75	25	2.25	1,112
Total	449	84.72	81	15.28	530	80,082	83.29	16,067	16.71	96,149

Lending to Borrowers of Different Incomes

Walden's lending performance to borrowers of different incomes meets the standards of satisfactory performance given the credit needs within the AA, current lending opportunities, demographic changes, and a comparison of competitor performance. Borrower distribution reflects reasonable distribution among residential real estate loans. In all three primary loan products (home purchase, home improvement, and refinance), qualitative factors, notably competition in the assessment area, offset quantitative performance. We placed less emphasis on Home Improvement loans, as these are not a primary lending product for the institution.

In reviewing the 2013 and 2014-2015 HMDA data for the bank's primary lending area in Orange County, NY, the level of residential real estate loans that were originated were in line with peer. Home purchase loan originations in 2013 was in line with peer for low-income families and slightly higher than peer for moderate-income families. In 2014-2015, the level of home purchase loans was higher than peer for low-income families and in line with peer for moderate-income families. Home improvement loan originations in 2013 were higher than peer for low-income families and below peer for moderate-income families. In 2014-2015, the level of home improvement loans was higher than peer for both low-income and moderate-income families. Home refinance loan originations in 2013 were higher than peer for both low-income and moderate-income families and were above peer in 2014-2015 for low-income families, but below for moderate-income families.

In reviewing the 2013 and 2014-2015 HMDA data for the bank's Ulster County AA the level of residential real estate loans that were originated in were in line with peer. Home purchase loan originations in 2013 were higher than peer for low-income families and lower than peer for moderate-income families. In 2014-2015, the level of home purchase loans was lower than peer for both low-income and moderate-income families. Home improvement loan originations in 2013 were lower than peer for both low-income and moderate-income families. In 2014-2015, the level of home improvement loans was higher than peer for low-income and lower than peer for moderate-income families.

Home refinance loan originations in 2013 were higher than peer for low-income and lower than peer for moderate-income families. Home refinance loans were above peer in 2014-2015 for low-income families, but below for moderate-income families.

Based on the 2010 Census, by definition, low-income families in Orange County are families with annual incomes below \$42,900 and moderate-income families are families with annual incomes between \$42,900 and \$68,640. Low-income families in Ulster County are families with annual incomes below \$34,900 and moderate-income families are families with annual incomes between \$34,900 and \$55,840.

There is strong competition for mortgage loans with other lenders in the assessment area. In the Orange County market area, Walden faces competition from large banks, regional banks, credit unions, and mortgage banks. As of June 30, 2015, WSB held a 1.62 percent market share in home purchase loans, a 2.16 percent market share in home improvement loans, and a 1.71 percent market share in refinance loans. In Ulster County, WSB faces competition primarily from credit unions and other community banks and thrifts, as WSB holds a 1.85 percent market share in home purchase loans, a 1.10 percent market share in home improvement loans, and a 1.10 percent market share in refinance loans. The strong competition, in addition to the low market share, makes it difficult for the bank to meet the percentages of low- and moderate-income families in the assessment area.

When aggregating 2013 and 2014-2015 data, WSB meets peer performance in primary lending products for both low- and moderate-income families. Coupled with the aforementioned competition and market conditions, this performance is indicative of reasonable distribution.

Orange County Assessment Area MD #35614

Overall, lending levels in this AA reflect adequate responsiveness to assessment area credit needs.

Home Purchase Loans

Walden's performance in the Orange County AA represents an adequate distribution in low-income and moderate-income tracts and meets the standards of satisfactory performance for home purchase loans. The bank's performance in low-income tracts is reasonable and there was excellent distribution in moderate-income tracts. During 2013, the bank originated 5.88 percent of home purchase loans for low-income families compared to peer at 6.44 percent. Over 21 percent of low-income families made up the AA in 2013. In 2014-2015, the bank originated 3.25 percent of home purchase loans for low-income families compared to peer at 1.24 percent. Over 16 percent of low-income families made up the AA in 2015. This indicates adequate representation of the low-income tracts. In addition, the bank's performance in moderate-income tracts is excellent. During 2013, the bank originated 25 percent of home purchase loans for moderate-income families compared to peer at 24 percent. In 2014-2015, the bank

originated 14.63 percent of home purchase loans for moderate-income families compared to peer at 15.42 percent.

2013 Distribution of Home Purchase Loans By Borrower Income Level Walden- Poughkeepsie-Newburgh-Middletown MSA Income Level in the Assessment Area			
Census Tract Income Category	% of Loans	% Family Distribution	% of Aggregate (or peers)
Low	5.88	21.17	6.44
Moderate	25	17.78	24
Middle	33.82	21.86	33.55
Upper	35.29	39.19	36.01
Total	100	100	100

2014-15 Distribution of Home Purchase Loans By Borrower Income Level New York-Jersey City-White Plains, NY-NJ MD Income Level in the Assessment Area			
Census Tract Income Category	% of Loans	% Family Distribution	% of Aggregate (or peers)
Low	3.25	16.42	1.24
Moderate	14.63	13.79	15.42
Middle	26.02	18.94	27.8
Upper	56.1	50.84	55.53
Total	100	100	100

Home Refinance Loans

Walden’s performance in the Orange County AA represents an adequate distribution in low-income and moderate-income tracts and meets the standards of satisfactory performance for home refinance loans. The bank’s performance in low-income tracts is reasonable in 2013, but inadequate in 2015; however, this is mitigated by excellent distribution in moderate-income tracts for both 2013 and 2014-2015. During 2013, the bank originated 8.16 percent of home refinance loans for low-income families compared to 6.9 percent of peer. In 2014-2015, the bank originated no home refinance loans for low-income families compared to peer at 4.62 percent. This indicates inadequate representation of the low-income tracts considering low-income families made up approximately 16 percent of the total families in the AA during that year. However, the bank’s performance in moderate-income tracts is excellent. During 2013, the bank originated 26.53 percent of home refinance loans for moderate-income families compared to peer at 18.1 percent. In 2014-2015, the bank originated 15 percent of home refinance loans for moderate-income families compared to peer at 13.13 percent.

2013 Distribution of Home Refinance Loans By Borrower Income Level Walden- Poughkeepsie-Newburgh-Middletown MSA Income Level in the Assessment Area			
Census Tract Income Category	% of Loans	% Family Distribution	% of Aggregate (or peers)
Low	8.16	21.17	6.9
Moderate	26.53	17.78	18.1
Middle	34.69	21.86	30.45
Upper	30.61	39.19	44.55
Total	100	100	100

2014-15 Distribution of Home Refinance Loans By Borrower Income Level New York-Jersey City-White Plains, NY-NJ MD Income Level in the Assessment Area			
Census Tract Income Category	% of Loans	% Family Distribution	% of Aggregate (or peers)
Low	0	16.42	4.62
Moderate	15	13.79	13.13
Middle	26.67	18.94	20.98
Upper	58.33	50.84	61.26
Total	100	100	100

Home Improvement Loans

Walden’s performance in the Orange County AA represents excellent distribution throughout various income tracts and exceeds the standards of satisfactory performance for home improvement loans. The bank’s performance is excellent considering the limited home improvement loan activity, with only four loans originated in the 2013 period and eight loans originated in the 2014-2015 period. In 2013, Walden originated half of all loans for low-income families compared to peer at 13.01 percent. During 2013, low-income families made up approximately 21 percent of all families in the AA. This strong performance, along with the strong competition in the local market, makes the absence of loans to moderate-income families acceptable, compared to peer at 20.33 percent. In 2014-2015, the bank originated 12.5 percent of loans for low-income families compared to peer at 10.14 percent. This is excellent distribution. Lending to moderate-income families was excellent, with the bank originating 25 percent of home improvement loans to moderate-income families compared to peer at 14.29 percent.

2013 Distribution of Home Improvement Loans By Borrower Income Level Walden- Poughkeepsie-Newburgh- Middletown MSA Income Level in the Assessment Area			
Census Tract Income Category	% of Loans	% Family Distribution	% of Aggregate (or peers)
Low	50	21.17	13.01
Moderate	0	17.78	20.33
Middle	25	21.86	32.52
Upper	25	39.19	34.15
Total	100	100	100

2014-15 Distribution of Home Improvement Loans By Borrower Income Level New York-Jersey City-White Plains, NY-NJ MD Income Level in the Assessment Area			
Census Tract Income Category	% of Loans	% Family Distribution	% of Aggregate (or peers)
Low	12.5	16.42	10.14
Moderate	25	13.79	14.29
Middle	37.5	18.94	21.2
Upper	25	50.84	54.38
Total	100	100	100

Ulster County Kingston, NY MSA #28740

Lending levels in the Ulster County AA reflect adequate responsiveness to assessment area credit needs and Walden’s performance meets the standards of satisfactory performance. In all three primary loan products (home purchase, refinance, and home improvement), qualitative factors, notably the bank’s limited activities in the assessment area, offset quantitative performance. We placed less emphasis on Home Improvement loans, as these are not a primary lending product for the institution.

Home Purchase Loans

Lending levels in the Ulster County AA reflect adequate responsiveness to assessment area credit needs and Walden’s performance meets the standards of satisfactory performance for home purchase loans. In 2013, the bank originated 12.5 percent of home purchase loans to low-income families compared to 4.5 percent of peers, which is

exceeds the standards of satisfactory performance. Similarly, they originated 12.5 percent of home purchase loans compared to 18.74 percent of peers, which is reasonable. In 2014-2015 the bank did not originate and home purchase loans for low-income families compared to 3.16 percent of peers, which does not meet the standard for satisfactory performance. Walden originated 11.43 percent of home purchase loans for moderate-income families, which did not meet the standards for satisfactory performance compared to 19.73 percent of peers.

2013 Distribution of Home Purchase Loans By Borrower Income Kingston MSA Income Level in the Assessment Area			
Census Tract Income Category	% of Loans	% Family Distribution	% of Aggregate (or peers)
Low	12.5	19.68	4.5
Moderate	12.5	16.97	18.74
Middle	12.5	23.31	28.05
Upper	62.5	40.05	48.72
Total	100	100	100

2014-15 Distribution of Home Purchase Loans By Borrower Income Kingston, NY MSA Income Level in the Assessment Area			
Census Tract Income Category	% of Loans	% Family Distribution	% of Aggregate (or peers)
Low	0	19.68	3.16
Moderate	11.43	16.97	19.73
Middle	28.57	23.31	30.1
Upper	60	40.05	47.01
Total	100	100	100

Home Refinance Loans

Walden’s performance in the Ulster County AA represents reasonable distribution in low-income and moderate-income tracts and Walden’s performance meets the standards of satisfactory performance for home refinance loans. In 2013, the bank originated 7.69 percent of home refinance loans compared to 5.97 percent of peers for the 19.68 percent of low-income families, which exceeds the standard for satisfactory performance. However, they originated 7.69 percent of home refinance loans compared to 15.46 percent of peers, which does not meet the standard for satisfactory performance. In 2014-2015, the bank had excellent distribution as they originated 21.43 percent of refinance loans for low-income families compared to 6.57 percent of peers, which exceeds the standard for satisfactory performance. This is an outstanding distribution when considering the limited loan activity. The bank originated 7.14 percent of refinance loans for moderate-income families, which was inadequate and did not meet the standards for satisfactory performance compared to 17.07 percent of peers.

2013 Distribution of Home Refinance Loans By Borrower Income Kingston MSA Income Level in the Assessment Area			
Census Tract Income Category	% of Loans	% Family Distribution	% of Aggregate (or peers)
Low	7.69	19.68	5.97
Moderate	7.69	16.97	15.46
Middle	61.54	23.31	29.41
Upper	23.08	40.05	49.16
Total	100	100.01	100

2014-15 Distribution of Home Refinance Loans By Borrower Income Kingston, NY MSA Income Level in the Assessment Area			
Census Tract Income Category	% of Loans	% Family Distribution	% of Aggregate (or peers)
Low	21.43	19.68	6.57
Moderate	7.14	16.97	17.07
Middle	21.43	23.31	28.71
Upper	50	40.05	47.65
Total	100	100	100

Home Improvement Loans

Walden’s performance in the Ulster County AA represents an inadequate distribution in low-income and moderate-income tracts, as the bank’s performance did not meet the standards of satisfactory performance for home improvement loans. In 2013, the bank originated no home improvement loans for low- or moderate-income families, compared to 12.44 percent and 20.74 percent of peers who did lend to low- and moderate-income families, respectively. Low- and moderate-income families made up 19.68% and 16.97% of the AA, respectively. This does not meet the standard for satisfactory performance. In 2014-2015, the bank had excellent distribution as they originated 30 percent of home improvement loans for low-income families compared to 11.17 percent of peers, which exceeded the standard for satisfactory performance. The bank originated 10 percent of home improvement loans for moderate-income families compared to 27.37 percent of peers, which did not meet the standards for satisfactory performance.

2013 Distribution of Home Improvement Loans By Borrower Income Kingston MSA Income Level in the Assessment Area			
Census Tract Income Category	% of Loans	% Family Distribution	% of Aggregate (or peers)
Low	0	19.68	12.44
Moderate	0	16.97	20.74
Middle	100	23.31	25.81
Upper	0	40.05	41.01
Total	100	100	100

2014-15 Distribution of Home Improvement Loans By Borrower Income Kingston, NY MSA Income Level in the Assessment Area			
Census Tract Income Category	% of Loans	% Family Distribution	% of Aggregate (or peers)
Low	30	19.68	11.17
Moderate	10	16.97	27.37
Middle	0	23.31	26.26
Upper	60	40.05	35.2
Total	100	100	100

Geographic Distribution of Loans

Walden's lending to geographies of different income levels within its AA reflects reasonable distribution, meeting the standard for satisfactory performance in this criterion. Low-income geographies represent 6.33 percent of the Orange County assessment area and 0.00 percent of the Ulster County assessment area. Moderate-income geographies account for 12.66 percent of the Orange County assessment area and 16.22 percent of the Ulster County assessment area. Middle-income geographies represent 21.52 percent of the Orange County assessment area and 67.57 percent of the Ulster County assessment area. Upper-income geographies represent 59.49 percent of the Orange County assessment area and 16.22 percent of the Ulster County assessment area. Due to the low levels of low- and moderate-income geographies within the assessment area, less credence is placed on this lending test.

Orange County Assessment Area MD #35614

Lending levels in the Orange County AA reflect adequate responsiveness to assessment area credit needs and Walden's performance meets the standards of satisfactory performance for home loans.

Home Purchase Loans

Lending levels in the Orange County AA reflect adequate responsiveness to assessment area credit needs and Walden's performance meets the standards of satisfactory performance for home purchase loans. The bank's performance in the 2013 was inadequate; however, improvements in 2014-2015 leave the bank with a reasonable distribution of loans across geographies. During 2013, the bank originated no home purchase loans in low-income geographies; however, this is reasonable because there was no owner occupied housing in low-income geographies. The bank originated 6.25 percent of home purchase loans in moderate-income geographies, compared to peer at 10.61 percent. This does not meet the standards for satisfactory performance. In 2014-2015, the bank originated 1.63 percent of home purchase loans in low-income geographies, compared to peer at 7.12 percent. However, this was reasonable considering that 1.91 percent of owner occupied housing was in these low-income geographies and this meets the standard for satisfactory performance. The bank originated 5.69 percent of home purchase loans in moderate-income geographies, compared to peer at 4.65 percent, which exceeds the standard for satisfactory performance.

2013 Distribution of Home Purchase Loans By Tract Walden- Poughkeepsie-Newburgh-Middletown MSA Income Level in the Assessment Area			
Census Tract Income Category	% of Loans	% Owner Occupied	% of Aggregate (or peers)
Low	0	0	0
Moderate	6.25	11.14	10.61
Middle	75	70.87	68.36
Upper	18.75	17.99	21.03
Total	100	100	100

2014-15 Distribution of Home Purchase Loans By Tract New York-Jersey City-White Plains, NY-NJ MD Income Level in the Assessment Area			
Census Tract Income Category	% of Loans	% Owner Occupied	% of Aggregate (or peers)
Low	1.63	1.91	7.12
Moderate	5.69	6.12	4.65
Middle	22.76	19.28	18.16
Upper	69.92	72.7	70.07
Total	100	100	100

Home Refinance Loans

Lending levels in the Orange County AA reflect adequate responsiveness to assessment area credit needs and Walden’s performance meets the standards of satisfactory performance for home loans. The bank originated no home refinance loans in low-income geographies in either period; however, this is acceptable because of the very limited portion of owner occupied housing in low-income geographies. Only 2.77 percent of owner occupied housing was in low-income geographies in 2013 and 1.91 percent of owner occupied housing was in low-income geographies in 2014-2015. Peers originated 4.28 percent and 3.3 percent of loans to low-income geographies in 2013 and 2014-2015, respectively. Therefore, competition for loan originations in low-income geographies was especially high. The bank originated 6 percent of home refinance loans in moderate-income geographies in 2013, which meets the standard for satisfactory performance. In 2014-2015, the bank originated 6.67 percent of home refinance loans in moderate-income geographies, which exceeds the standard for satisfactory performance compared to peer at 5.14 percent.

2013 Distribution of Home Refinance Loans By Tract Walden- Poughkeepsie-Newburgh-Middletown MSA Income Level in the Assessment Area			
Census Tract Income Category	% of Loans	% Owner Occupied	% of Aggregate (or peers)
Low	0	2.77	4.28
Moderate	6	11.65	7.11
Middle	76	55.28	55.05
Upper	18	30.31	33.55
Total	100	100	100

2014-15 Distribution of Home Refinance Loans By Tract New York-Jersey City-White Plains, NY-NJ MD Income Level in the Assessment Area			
Census Tract Income Category	% of Loans	% Owner Occupied	% of Aggregate (or peers)
Low	0	1.91	3.3
Moderate	6.67	6.12	5.14
Middle	10	19.28	17.81
Upper	83.33	72.7	73.75
Total	100	100	100

Home Improvement Loans

Lending levels in the Orange County AA reflect adequate responsiveness to assessment area credit needs and Walden’s performance meets the standards of satisfactory performance for home improvement loans. The bank originated no home improvement loans in low-income geographies in either period; however, this is acceptable because of the very limited portion of owner occupied housing in low-income geographies. Only 2.77 percent of owner occupied housing was in low-income geographies in 2013 and 1.91 percent of owner occupied housing was in low-income geographies in 2014-2015. Therefore, there was significant competition for loan originations in low-income geographies. In moderate-income geographies, the bank originated 20 percent of home improvement loans in moderate-income geographies, which exceeds the standard for satisfactory performance compared to peer at 9.2 percent of loans. In 2014-2015, the bank did not originate any home improvement loans in moderate-income geographies, which did not meet the standard for satisfactory performance compared to 4.76 percent of peer.

2013 Distribution of Home Improvement Loans By Tract Walden- Poughkeepsie-Newburgh-Middletown MSA Income Level in the Assessment Area			
Census Tract Income Category	% of Loans	% Owner Occupied	% of Aggregate (or peers)
Low	0	2.77	1.92
Moderate	20	11.65	9.2
Middle	60	55.28	60.92
Upper	20	30.31	27.97
Total	100	100	100

2014-15 Distribution of Home Improvement Loans By Tract New York-Jersey City-White Plains, NY-NJ MD Income Level in the Assessment Area			
Census Tract Income Category	% of Loans	% Owner Occupied	% of Aggregate (or peers)
Low	0	1.91	0.43
Moderate	0	6.12	4.76
Middle	25	19.28	20.35
Upper	75	72.7	74.46
Total	100	100	100

Ulster County Kingston, NY MSA #28740

Lending levels in the Ulster County AA reflect inadequate responsiveness to assessment area credit needs and Walden’s performance does not meet the standards of satisfactory performance for home loans. In all three primary loan products (home purchase, refinance, and home improvement), qualitative factors, notably steep competition in the assessment area, offset quantitative performance. This competition is driven by the very limited presence of owner occupied housing within low- and moderate-income geographies in Ulster County. In fact, there was no owner occupied housing in low-income geographies in 2013 or 2014-2015, so the bank was unable to lend in these areas and can only be assessed based on its performance in moderate-income geographies.

Home Purchase Loans

Walden’s performance in the Ulster County AA represents an inadequate distribution throughout various geographies and did not meet the standard for satisfactory performance for home purchase loans. The bank originated no loans in low-income geographies in either 2013 or 2014-2015; however, this is reasonable considering that, as mentioned, there was no owner occupied housing in low-income geographies. The bank originated 6.25 percent of home purchase loans in moderate-income geographies in 2013 compared to peer of 10.61 percent, which does not meet the standard for satisfactory performance. The bank did not originate any home purchase loans in moderate-income geographies in 2014-2015, compared to peer of 9.39 percent, which also did not meet the standard for satisfactory performance.

2013 Distribution of Home Purchase Loans By Tract Kingston MSA Income Level in the Assessment Area			
Census Tract Income Category	% of Loans	% Owner Occupied	% of Aggregate (or peers)
Low	0	0	0
Moderate	6.25	11.14	10.61
Middle	75	70.87	68.36
Upper	18.75	17.99	21.03
Total	100	100	100

2014-15 Distribution of Home Purchase Loans By Tract Kingston, NY MSA Income Level in the Assessment Area			
Census Tract Income Category	% of Loans	% Owner Occupied	% of Aggregate (or peers)
Low	0	0	0
Moderate	0	11.14	9.39
Middle	82.86	70.87	71.43
Upper	17.14	17.99	19.18
Total	100	100	100

Home Refinance Loans

Walden’s performance in the Ulster County AA represents an inadequate distribution throughout various geographies and did not meet the standard for satisfactory performance for home refinance loans. The bank originated no loans in low-income geographies in either 2013 or 2014-2015; however, this is reasonable considering that, as mentioned, there was no owner occupied housing in low-income geographies. The bank originated 6.67 percent of home refinance loans in moderate-income geographies in 2014-2015 compared to peer of 9.95 percent, which met the standard for satisfactory performance. However, the bank did not originate any home refinance loans in moderate-income geographies in 2013, compared to peer at 8.48 percent, which does not meet the standard for satisfactory performance.

2013 Distribution of Home Refinance Loans By Tract Kingston MSA Income Level in the Assessment Area			
Census Tract Income Category	% of Loans	% Owner Occupied	% of Aggregate (or peers)
Low	0	0	0
Moderate	0	11.14	8.48
Middle	61.54	70.87	71.08
Upper	38.46	17.99	20.45
Total	100	100	100

2014-15 Distribution of Home Refinance Loans By Tract Kingston, NY MSA Income Level in the Assessment Area			
Census Tract Income Category	% of Loans	% Owner Occupied	% of Aggregate (or peers)
Low	0	0	0
Moderate	6.67	11.14	8.95
Middle	66.67	70.87	71.41
Upper	26.67	17.99	19.65
Total	100	100	100

Home Improvement Loans

Walden’s performance in the Ulster County AA represents an inadequate distribution throughout various geographies and did not meet the standard for satisfactory performance for home improvement loans. The bank originated no loans in low-income geographies in either 2013 or 2014-2015; however, this is reasonable considering that, as mentioned, there was no owner occupied housing in low-income geographies. The bank also originated no loans in moderate-income geographies in either period; compared to peer at 13.78 and 15.93 in 2013 and 2014-2015, respectively. This level of performance did not meet the standard for satisfactory performance.

2013 Distribution of Home Improvement Loans By Tract Kingston MSA Income Level in the Assessment Area			
Census Tract Income Category	% of Loans	% Owner Occupied	% of Aggregate (or peers)
Low	0	0	0
Moderate	0	11.14	13.78
Middle	100	70.87	70.67
Upper	0	17.99	15.56
Total	100	100	100

2014-15 Distribution of Home Improvement Loans By Tract Kingston, NY MSA Income Level in the Assessment Area			
Census Tract Income Category	% of Loans	% Owner Occupied	% of Aggregate (or peers)
Low	0	0	0
Moderate	0	11.14	15.93
Middle	100	70.87	72.53
Upper	0	17.99	11.54
Total	100	100	100

Responses to Complaints

WSB did not receive any complaints regarding the bank’s performance in helping to meet credit needs in the AA during this evaluation period.

COMMUNITY DEVELOPMENT TEST

The bank's performance under the community development test is rated Satisfactory. WSB's community development activities demonstrate adequate responsiveness to the community development needs of each of its AAs when considering the bank's capacity, performance context, and the availability of community development opportunities in each AA.

Number and Amount of Community Development Loans

The amount of CD loans originated is adequately responsive to the community needs. The total number and amount of qualified CD loans originated is eight loans totaling \$8.51 million. Six of the CD loans totaling \$4.06 million benefited low- and moderate-income individuals within the Orange County AA (MD #35614). The remaining two loans benefited low- and moderate-income individuals outside of the bank's AAs. Proceeds of loans were primarily used to support affordable housing and revitalization projects.

Number and Amount of Qualified Investments

The level of qualified investments is adequately responsive to the community needs of the Orange and Ulster County AAs. Walden did not make any qualified investments during the evaluation period; however, they did hold four qualified investments totaling \$1.23 million. It should be noted that competition for new local municipal bonds and CRA bonds is high in the bank's AAs. Two of the bonds or about 45% (by dollar volume) of qualified investments, were to fund improvements to various public spaces and amenities in the City of Middletown, NY, which falls inside the Orange County AA. The remaining two qualified investments were bonds for the City School District of the City of Kingston, NY, which falls within the Ulster County AA. These bonds supported the construction, reconstruction, and improvements to public school facilities in a mainly low- to moderate-income area.

Walden made 45 qualifying donations during the evaluation period totaling \$98.35 thousand. Of the 45 qualified donations, 41 donations totaling \$91.12 thousand benefited causes within the bank's AAs. The donations supported local organizations focusing on various CD initiatives, which included serving the needs of low- and moderate-income individuals in the Orange, Ulster, and Sullivan Counties AAs through education/youth programs, healthcare services, and revitalization projects.

Extent to which the Bank Provides Community Development Services

Walden provides an outstanding level of CD services. During the evaluation period, the bank offered 25 qualifying services that meet the definitions outlined in the interagency guidance. Bank management and employees serve on the boards of several local

nonprofits that provide housing, medical, and educational opportunities to low- and moderate-income families in the bank's AAs.

Responsiveness to Community Development Needs

The bank's offering of qualified CD loans, investments, and services are adequately responsive to the CD needs of the AAs. Many of the CD loans, investments, and services made during the evaluation period addressed community service needs for low- and moderate-income individuals in the Orange County AA. There were fewer CD loans, investments, and services made in the Ulster County AA, but based on the bank's limited branch presence, the bank met the standard for overall adequate responsiveness in its AAs. In total, Walden's qualified CD loans, donations, and investments within the AAs make up \$5.39 million, or 11.34% of tier one capital plus the allowance.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's (bank) or Federal Savings Association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

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