



PUBLIC DISCLOSURE

March 29, 2016

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Patriot Federal Bank
Charter Number: 717992

211 Erie Boulevard
Canajoharie, NY 13317

Office of the Comptroller of the Currency

Syracuse Field Office
5000 Brittonfield Parkway, Suite 102B
East Syracuse, NY 13057

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 Outstanding.

Summarize the major factors supporting the institution's rating.

- Patriot Federal Bank (Patriot) had a more than reasonable average loan-to-deposit ratio during the evaluation period.
- A majority of home mortgage loans originated during the evaluation period were inside the bank's assessment area (AA).
- The bank had excellent distribution of home mortgage loans to borrowers of different income levels within its AA.
- The bank had excellent distribution of home mortgage loans to census tracts within the AA.
- The bank did not receive any complaints regarding its CRA performance during the evaluation period.

SCOPE OF EXAMINATION

The evaluation period covers the time-period from October 22, 2009, through March 28, 2016. The loans included in the review were originated during the time-period of January 1, 2014, through December 31, 2015. This time-period was representative of the entire evaluation period, as no strategic changes or changes in lending standards took place. We determined that residential mortgage loans are the bank's primary product. For purposes of this evaluation, residential loans are loans originated for the purpose of home purchase, home refinance, and home improvement. As the bank is not a HMDA reporter, we selected a random sample of 40 residential loans.

DESCRIPTION OF INSTITUTION

Patriot Federal Bank is a federally chartered thrift institution headquartered in Montgomery County, Canajoharie, New York (NY). Patriot was formed by a group of business people from Montgomery and Schoharie counties, and opened its main office in 2005. Patriot opened its first branch in 2007 in Fulton County, Johnstown, NY. During this evaluation period, Patriot opened their second branch in Montgomery County, Amsterdam, NY in 2013. The three full-service offices are located in middle-income census tracts, all with drive-thru teller facilities and 24-hour Automated Teller Machines (ATMs).

Patriot offers a full range of loan and deposit products and services, with residential mortgages their primary business focus, followed by business loans, consumer, and

farm loans which comprise a smaller portion of the loan portfolio. The bank offers financing for conventional primary and secondary residences including ten to thirty year fixed-rate mortgages, home equity loans and home equity lines of credit. Various fixed rate residential mortgage products are available for the purchase, refinancing and improvement of one-to-four family dwellings. There are 44 lakes in their assessment area with many summer homes and camps on those lakes; as a result, fourteen percent of the loan mortgage originations were to non-owner occupied mortgages in the AA. Patriot offers non-conforming loans for properties not occupied year round that do not require standard mechanical systems (permanent heat, plumbing, electricity.) Consumer loan offerings include new and used auto loans, classic cars, secured or unsecured personal loans, pool loans, RV and motorcycle loans. Patriot offers commercial loans for real estate mortgages, construction loans, equipment financing and commercial lines of credit. Fulton and Montgomery Counties are home to many small family farms that also include Amish family farms.

The bank has expanded the number of deposit products they offer since the prior examination. Deposit products offered include Statement and Passbook Savings, Club Accounts, Health Savings Accounts, CDs, IRAs and money market accounts. The bank offers their customers both mobile and online banking services along with a Star Rewards Card. For their commercial accounts, they offer Main Street Checking, Commerce Checking and Business Money Market accounts.

As of December 31, 2015, Patriot reported total assets of \$129 million, with Tier 1 Capital of \$12 million and a total loan portfolio of \$99.4 million. Since the prior examination, assets have increased \$62.6 million.

Table 1 shows the distribution of loans by category.

Table 1 - Patriot's Investment in Loans (12/31/2015 Uniform Bank Performance Report)			
Loan Category	Amount (\$000's)	Percent of Total Loans	Percent of Total Assets
Residential Mortgage	\$79,953	60.95%	61.8%
Commercial Loans	10,316	27.78%	8.0%
Consumer Loans	8,120	6.97%	6.3%
Farm Loans	997	4.30%	0.8%
Total	\$99,386	100.00%	76.8%

There are no legal or financial impediments to Patriot's ability to meet the credit needs of its AA. The bank was rated Satisfactory at its last CRA examination dated October 22, 2009.

DESCRIPTION OF ASSESSMENT AREA(S)

Patriot has defined its assessment area (AA) to include two contiguous counties in Central New York State, north-west of Albany, the state capital. Fulton (15 census tracts) and Montgomery (16 census tracts) are rural non-metropolitan counties. Since the last CRA exam in 2009, Patriot removed Schoharie County (8 census tracts) from their AA (Schoharie County is part of the Albany–Schenectady-Troy, NY, MSA), since the bank had no branches in this county. The assessment area reflects 31 total census tracts (geographies) with two considered low-income, eight moderate-income, nineteen middle-income, and two upper-income census tracts. The Mohawk River is a 149-mile-long river that flows generally east, runs along the NYS Thruway, travels through Montgomery County, and empties into the Hudson River just north of Albany. The Fulton-Montgomery counties offer residents affordable housing and nearby access to cultural centers like Saratoga and the Capital Region, as well as to the outdoor recreational resources of the Adirondack Mountains. Fulton Montgomery Community College is located in Johnstown.

Montgomery and Fulton County each have one low-income census tract. The low-income tracts owner occupancy rate is 28.5%, with 52.26% renter-occupied, and 19.25% vacant. Moderate-income tracts located in the AA (eight tracts) have a higher level of owner occupants at 42.79%, with rentals at 42.23%, and vacant units at 14.98%. The availability of affordable single-family housing in low- and moderate-income geographies is somewhat limited. Between 2010 and 2015, the median value of an occupied home in Fulton-Montgomery County was \$97,106.

According to the 2015 census estimates, the County's population has increased 0.9% since the 2000 census. In 2015 the largest employers in Montgomery County included: Target, Beech-Nut Foods and Richardson Brands Foods. Fulton County is home to two industrial parks. The Johnstown Industrial Park's tenants include the Walmart Distribution Center, Euphrates Cheese and Fage Yogurt. Due to the increasing popularity of Greek yogurt, the Fage Yogurt Plant was awarded \$780,000 by the Empire State Development Corp to cover the costs of new machinery and equipment. The Crossroads Industrial Park is home to Sysco Foods, Midwest Fasteners and SWANY (ski glove manufacturer). In addition, CG Roxane, a Crystal Water bottling plant, is located in Johnstown. The unemployment rate as of February 2016 for Fulton County and Montgomery County was 6.7% and 6.8% respectively, compared to the overall NYS unemployment rate of 5.4%. Economic conditions have improved since 2009 when the unemployment rate in the area exceeded 10%; however, the area is still struggling due to a slowly growing, aging population and relatively high poverty rate. Moderate wage increases are hampering the housing market recovery, and residential building permits remain at a low level.

Table 2 shows the 2015 income ranges for persons residing in non-MSA portions of New York, where both of Patriot’s branches are located.

Table 2 - Median Family Income Ranges (*)		
Income Category (As % of non-MSA Median)	Income Ranges	
	From	To
Low (< 50%)	\$1	\$29,994
Moderate (50% - 79%)	\$29,995	\$47,994
Middle (80% - 119%)	\$47,995	\$71,994
Upper (>= 120%)	\$72,001	+

* Based on HUD 2015 Statewide New York non-MSA Median Family Income of \$60,000

Patriot AA Demographic Information

Demographic Information for Full Scope Area: Patriot AA 2015						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	31	6.45	25.81	61.29	6.45	0.00
Population by Geography	105,750	4.94	21.66	66.92	6.48	0.00
Owner-Occupied Housing by Geography	30,090	2.44	16.16	73.41	7.99	0.00
Business by Geography	5,287	4.07	20.41	70.76	4.77	0.00
Farms by Geography	362	0.55	16.85	69.89	12.71	0.00
Family Distribution by Income Level	28,728	22.34	18.89	20.60	38.17	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	11,846	7.25	28.11	59.62	5.01	0.00
Median Family Income		54,386	Median Housing Value	97,106		
HUD Adjusted Median Family Income for 2015		60,000	NYS Unemployment Rate as			
Households Below Poverty Level		15%	of February 2016	5.4%		

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 2010 US Census and 2015 HUD updated MFI

Competition in the AA is strong, with six other community, regional and national financial institutions competing for deposit share. As of June 2015, Patriot ranked fourth in deposit market share with 7.81% of the total deposits in their AA. Major competitors include NBT Bank, N.A., First Niagara Bank, N.A., and KeyBank, N.A., followed by Citizens Bank, N.A., Berkshire Bank and Trustco Bank.

We conducted an interview with a representative of a local community action organization located in the AA. According to the contact the population in Fulton and Montgomery County is aging, which means there will be increasing need for programs,

services, and housing targeted towards the elderly. The area is also experiencing increasing rates of people living in poverty, particularly in the older more “urban” communities of Amsterdam and Gloversville.

The lack of affordable transportation was identified as a significant challenge faced by low and moderate-income residents in finding and keeping a job, accessing health care, remaining involved in their children’s education, seeking job training or accessing social services. There is a need for job training for low-income individuals to provide access to better paying jobs and thereby increase financial self-sufficiency.

The contact indicated that several banks in the AA are active participants with various economic development programs that it offers. The contact specifically noted Patriot has a working relationship with this entity.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The institution’s average loan-to-deposit ratio is more than reasonable during the evaluation period. Since the last evaluation through March 30, 2012, the bank’s quarterly average loan-to-deposit ratio was 82.04%, with a low of 65.62% and a high of 97.63%. In comparison, four similarly situated institutions had average quarterly loan-to-deposit ratios ranging from 37.74% to 87.38% during the same period. Patriot exceeded the majority of their competitors and exceeded the standard of performance in this area.

Lending in Assessment Area

A majority of home mortgage loans originated during the evaluation period were inside the bank’s AA. For our evaluation, we pulled a sample of 44 mortgage loans to verify their locations were in the AA, and 91% of these loans were located inside the AA.

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

Patriot had an excellent distribution of home mortgage loans to borrowers of different income levels within the AA. The percentage of loans to low-income borrowers exceeded the percentage of low-income families within the AA. The percentage of loans to moderate-income borrowers also exceeded the percentage of moderate-income families within the AA. Refer to the table below.

Table 3 - Borrower Distribution of Residential Real Estate Loans in the AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Total Mortgages	22.3%	22.5%	18.9%	30.0%	20.7%	30.0%	38.2%	17.5%

In the evaluation of borrower distribution of mortgage loans, we considered the relatively high portion of households living below the poverty level, which was 14.51% for the Fulton-Montgomery non-MSA AA. Due to reasons of affordability, it is unlikely that those with incomes below the poverty level would be involved in home mortgage financing. Accordingly, this was considered in our evaluation of the bank's HMDA lending distribution to low-income borrowers.

Patriot's significant level of lending in moderate-income census tracts may be attributed to two of the bank's branches being located in a middle-income census tract, which is close to both the low- and moderate-income census tracts.

Patriot exceeded the standard for satisfactory performance during the evaluation period for the distribution of home mortgage loans to borrowers of different income levels in the AA. Regarding moderate-income borrowers, the percentage of home mortgage loans made by the bank exceeded the aggregate industry percentage in 2014 and 2015 based on both number and dollar amount of loans. Table 4 illustrates loan originations, categorized by borrower income level, during the review period, and compares this activity to the 2014 and 2015 aggregate lenders.

Table 4 – Distribution of Home Mortgage Loans by Borrower Income Level in AA (Dollars in thousands)				
Borrower Income Level	Review Period 1/1/2014 – 12/31/2015		Aggregate** 2014 - 2015	
By Number:	#	%	#	%
Low	9	22.5%	126	8.8%
Moderate	12	30.0%	323	22.5%
Middle	12	30.0%	335	23.4%
Upper	7	17.5%	449	31.3%
N/A	0	0	200	13.9%
Total	40	100.0%	1,433	100.0%
By \$ Amt:	\$ (000)	%	\$ (000)	%
Low	\$387	13.5%	\$6,467	4.1%
Moderate	\$647	22.5%	\$24,492	15.6%
Middle	\$1,039	36.2%	\$33,802	21.6%
Upper	\$795	27.7%	\$62,343	39.8%
N/A	0	0	\$29,697	18.9%
Total	\$2,868	100.0%	\$156,801	100.0%

*Source: Sample of 40 home mortgage loans originated between January 1, 2014 and December 31, 2015.

Geographic Distribution of Loans

Patriot had excellent distribution of home mortgage loans among census tracts of different income levels in the AA during the evaluation period. Table 5 illustrates the geographic distribution of home mortgage loans in the AA.

Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Mortgages	2.4%	5.0%	16.2%	25.0%	73.4%	65.0%	8.0%	17.5%

Table 6 illustrates loan originations, categorized by borrower income level, and compares the percentage of home mortgage loans made by the bank in each census tract designation to the respective aggregate industry percentage. The bank's distribution of loans in both low- and moderate-income census tracts significantly exceeds the aggregate distribution percentage based on both number and dollar amount of loans in both 2014 and 2015.

Borrower Income Level	Review Period 1/1/2014 – 12/31/2015		Aggregate** 2014 - 2015	
	#	%	#	%
By Number:				
Low	2	5.0%	26	1.8%
Moderate	10	25.0%	229	16.0%
Middle	26	65.0%	1,064	74.3%
Upper	2	5.0%	114	7.9%
Total	40	100.0%	1,433	100.0%
By \$ Amt:	\$ (000)	%	\$ (000)	%
Low	\$73	2.6%	1,967	1.3%
Moderate	643	22.4%	14,486	9.2%
Middle	2,026	70.6%	127,170	81.1%
Upper	126	4.4%	13,178	8.4%
Total	\$2,868	100.0%	156,801	100.0%

*Source: Sample of 40 home mortgage loans originated between January 1, 2014 and December 31, 2015.

Responses to Complaints

Patriot Bank did not receive any complaints regarding its CRA performance during the evaluation period.

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.