



PUBLIC DISCLOSURE

June 14, 2021

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Glens Falls National Bank & Trust Company
Charter Number: 7699

250 Glen Street
Glens Falls, New York 12801

Office of the Comptroller of the Currency

5000 Brittonfield Parkway, Suite 102B
Syracuse, New York 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, and should not 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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Overall CRA Rating

Institution’s CRA Rating: This institution is rated Satisfactory.

The following table indicates the performance level of **Glens Falls National Bank & Trust Company** with respect to the Lending, Investment, and Service Tests:

Performance Levels	Glens Falls National Bank & Trust Co. Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			X
High Satisfactory	X		
Low Satisfactory		X	
Needs to Improve			
Substantial Noncompliance			

* The Lending Test is weighted more heavily than the Investment and Service Tests when arriving at an overall rating.

The major factors that support this rating include:

- The Lending Test rating is based on the state rating area. The primary factors in the High Satisfactory Lending Test rating include that the bank demonstrated an excellent geographic distribution of loans, an adequate borrower distribution of loans, and excellent lending activity. Community Development (CD) lending had a positive impact on the overall Lending Test rating. The bank uses innovative and flexible lending products effectively.
- The Investment Test rating is based on the state rating area. The primary factor in the Low Satisfactory rating is the adequate levels of qualified investments compared to allocated tier 1 capital. Qualified investments were adequately responsive to needs in the rating area.
- The Service Test rating is based on the state rating area. The primary factors in the Outstanding rating was the bank’s excellent branch distribution; history of branch openings and closings; and leadership role in the provision of CD services in the rating area.

Lending in Assessment Area

A substantial majority of the bank’s loans are in in its assessment areas (AA).

The bank originated and purchased 85.1 percent of its total loans inside the bank’s AAs during the evaluation period. This analysis is performed at the bank, rather than the AA level. This percentage does not include extensions of credit by affiliates that may be considered under the other performance criteria.

Consideration of lending in the AA is included as part of the assessment of the geographical distribution of loans.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage	2,052	92.3	172	7.7	2,224	352,395	90.9	35,468	9.1	387,863
Small Business	1,890	78.5	518	21.5	2,408	167,183	80.1	41,527	19.9	208,710
Total	3,942	85.1	690	14.9	4,632	519,578	87.1	76,995	12.9	596,573

Description of Institution

Glens Falls National Bank and Trust Company (GFNB or bank) is an intrastate bank headquartered in Glens Falls, New York, and a wholly owned subsidiary of Arrow Financial Corporation (AFC), a multi-bank holding company. AFC is a \$3.7 billion bank holding company also headquartered in Glens Falls, New York. Other subsidiaries of AFC include Saratoga National Bank and Trust Company (SNB) and two non-deposit trust companies, Arrow Capital Statutory Trust II and Arrow Capital Statutory Trust III.

Subsidiaries of GFNB include four wholly owned subsidiaries: a real estate investment trust (REIT); Arrow Properties Inc.; North Country Investment Advisers, Inc.; Upstate Agency, LLC; and Glens Falls National Community Development Corporation. The bank's other operating subsidiaries include NC Financial Services, Inc. No affiliate activity was considered in our analysis.

As of December 31, 2020, GFNB had total assets of \$2.9 billion, \$2.5 billion in deposits, and \$251.4 million of tier 1 capital. Total loans were \$2.0 billion, consisting of 56 percent real estate loans (36.2 percent residential and 15.5 percent commercial, 2.7 percent multifamily, and 1.6 percent construction); 35.6 percent loans to individuals and 6.4 percent commercial and industrial loans. A broad variety of consumer loan products, retail securities and insurance brokerage were offered providing a wide range of products for personal and business purposes.

As of December 31, 2020, GFNB operated 28 retail branches and 27 deposit-taking automated teller machines (ATMs) serving the northeast section of New York State in the counties of Warren, Washington, and portions of Clinton, Essex, and Saratoga. During the evaluation period, the bank opened two, and closed three branch offices. There were three AAs delineated, all of which consist of whole geographies and meet the requirements of the regulation. The areas reasonably reflected the different trade areas that the bank's branches could service and did not arbitrarily exclude any low- and moderate-income areas.

There are no legal, financial, or other factors impeding the bank's ability to help meet the credit needs of its assessment areas.

GFNB's prior CRA public evaluation was dated April 23, 2018 and was rated "Satisfactory".

Scope of the Evaluation

Evaluation Period/Products Evaluated

GFNB's CRA evaluation period covered January 1, 2018 through December 31, 2020. Lending for the entire evaluation period was used to conclude on borrower distribution and geographic distribution of

loans under the Lending Test. GFNB's Lending Test included an assessment of its lending performance of home mortgage and small business loans. Home mortgage loans include all home purchase, home improvement, home mortgage refinance, and multi-family loans as reported on the Loan Application Register (LAR) required by the Home Mortgage Disclosure Act (HMDA). The evaluation period for CD loans, investments, and services also covered January 1, 2018 through December 31, 2020. An evaluation of small farm lending was not included as part of this evaluation due to the fact that small farm loans were not a primary loan product in any of the AAs. To be considered a primary loan product there must be at least 20 loans in an AA throughout an evaluation period.

Selection of Areas for Full-Scope Review

In each state where the bank has an office, one or more AAs within that state was selected for a full-scope review. For purposes of this evaluation, as applicable, bank delineated assessment areas located within the same metropolitan statistical area (MSA) are combined and evaluated as a single AA. Similarly, bank delineated non-MSA AAs within the same state are combined and evaluated as a single area. These combined AAs may be evaluated as full- or limited-scope. Refer to the "Scope" section under each State Rating section for details regarding how full-scope AAs were selected. Refer to appendix A, Scope of Examination, for a list of full- and limited-scope AAs.

Ratings

The bank's overall rating is a blend of the state ratings, and where applicable, multistate ratings.

In determining the overall conclusions, the ratings were based upon the bank's performance in its only rating area, the state of New York.

For the Lending Test more weight was given to performance in home mortgage lending, unless noted in the scope section of the respective rating area. More weight was given to performance in home mortgage lending due to the fact that during the evaluation period, home mortgage loans accounted for 52.1 percent of all home mortgage and small business loan originations and 68.1 percent of all home mortgage and small business loan dollar volume, throughout the evaluation period.

The state ratings are based on performance in all bank AAs. Refer to the "Scope" section under each State Rating section for details regarding how the areas were weighted in arriving at the respective ratings.

The following factors and analysis were used in determining the ratings for the Lending, Investment, and Services Tests throughout all of the bank's rating areas:

Lending Test

Innovative and Flexible Products: GFNB utilized several innovative and flexible loan products for home mortgage borrowers and small businesses that were available and assessed at the bank-wide level. Examples included:

State of New York Mortgage Agency (SONYMA) Program - This income-based program features include a lower down payment requirement of three percent, and the availability of a down payment assistance loan for a 0.375 percent rate increase. The bank made two loans totaling \$308.6 thousand during the evaluation period.

First Home Club - GFNB participates in this program in conjunction with the Federal Home Loan Bank. Income eligible applicants are pre-qualified for a mortgage and set up on a 10-24 month plan to save for a mortgage down payment and closing costs. Savings are matched by New York State with \$4 for every \$1 saved by the participant, up to \$7,500 in matching funds. The bank originated eight First Home Club loans totaling \$986.6 thousand during the evaluation period.

First Time Homebuyer Program - This income-based program features a three percent minimum down payment and no private mortgage insurance (PMI), in conjunction with standard fixed rate and seven- and 10-year adjustable rate mortgages. GFNB pays for the PMI and waives standard processing and origination fees for these loans. The bank originated 136 loans for \$18.2 million during the evaluation period.

Home Possible Mortgages - This Freddie Mac home purchase mortgage program has several flexible lending features. Income eligible borrowers can purchase a one- to-four family home with as little as a three percent down payment, requires no minimum contribution from personal funds, and has flexible credit score requirements. The bank made one loan for \$799 thousand during the evaluation period.

Government Grant Mortgage Programs - GFNB participates in assisting first time homebuyers through various government grant programs, including the City of Glens Falls Grant Program, Clinton County Housing Assistance Program, Housing Assistance Program of Essex County, Homefront Development Purchase Assistance, and the Section 8 Housing Assistance Voucher Program. The bank waives the processing fee and provides a lower than conventional interest rate in conjunction with these programs when market conditions allow. The bank originated 12 loans totaling \$1.26 million under these government grant programs during the evaluation period.

New York State Linked-Deposit Program – GFNB participates in the linked-deposit program with the state of New York whereby the state deposits funds into the bank at a reduced interest rate. This savings in interest rate is then available to apply to loans to small businesses in the state. During the evaluation period, GFNB originated 12 loans totaling \$3.0 million under this program.

Service Test

GFNB engaged in flexible consumer assistance programs during the evaluation period in response to the coronavirus pandemic that were available and assessed at the bank-wide level, including:

Loan Deferrals:

During 2020, GFNB granted approximately 4,186 COVID-related deferments amounting to \$432.4 million in loan balances.

Waived Fees:

During 2020, GFNB waived online and phone channel payment fees totaling \$57.9 thousand and late fees totaling \$228 thousand.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. §25.28(c) or §195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment area by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the

relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Bureau of Consumer Financial Protection, as applicable.

The OCC has not identified that this institution (or any affiliate whose loans have been considered as part of the institution's lending performance) has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

State Rating

State of New York

CRA rating for the State of New York¹: Satisfactory

The Lending Test is rated: High Satisfactory

The Investment Test is rated: Low Satisfactory

The Service Test is rated: Outstanding

The major factors that support this rating include:

- Lending activity levels reflect an excellent responsiveness to community credit needs.
- An excellent distribution of loans to geographies of different income levels and an adequate distribution of loans to borrowers of different income levels.
- A high level of CD lending which had a positive impact on the Lending Test.
- Extensive use of innovative and flexible mortgage loan products.
- An adequate level of qualified CD investment and grants, which exhibit an adequate responsiveness to identified community needs.
- Service delivery systems are readily accessible to geographies and individuals of different income levels.
- An excellent level of CD services.

Description of Institution's Operations in New York

As of December 31, 2020, GFNB had three AAs within the state of New York. These AAs included the Glens Falls MSA AA, the Saratoga County MSA AA and the NY non-MSA AA. Refer to Appendix A for the geographies that make up the AAs. All state of New York AAs met the requirements of CRA regulations and did not arbitrarily exclude any low- or moderate-income tracts.

GFNB offered a full range of loan and deposit products and services through 28 full-service branches and 27 deposit taking ATMs in the state of New York. According to the June 30, 2020 FDIC Market Share Report, GFNB held \$2.4 billion in statewide deposits. During the evaluation period, 100.0 percent of deposits, HMDA and small business loan originations were in the state of New York.

¹ This rating reflects performance within the multistate metropolitan statistical area. The statewide evaluations do not reflect performance in the parts of those states contained within the multistate metropolitan statistical area.

Glens Falls MSA AA

Table A – Demographic Information of the Assessment Area						
Assessment Area: Glens Falls MSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	36	0.0	8.3	80.6	11.1	0.0
Population by Geography	127,880	0.0	7.0	82.6	10.4	0.0
Housing Units by Geography	67,922	0.0	6.4	85.2	8.4	0.0
Owner-Occupied Units by Geography	36,421	0.0	4.1	83.8	12.1	0.0
Occupied Rental Units by Geography	14,604	0.0	15.6	79.3	5.1	0.0
Vacant Units by Geography	16,897	0.0	3.4	93.6	3.0	0.0
Businesses by Geography	9,349	0.0	8.8	81.8	9.4	0.0
Farms by Geography	541	0.0	1.1	79.5	19.4	0.0
Family Distribution by Income Level	33,461	20.2	17.1	23.8	38.9	0.0
Household Distribution by Income Level	51,025	24.2	16.0	19.3	40.6	0.0
Median Family Income MSA - 24020 Glens Falls, NY MSA		\$64,495	Median Housing Value			\$177,161
			Median Gross Rent			\$842
			Families Below Poverty Level			9.2%

Source: 2015 ACS Census and 2020 D&B Data
 Due to rounding, totals may not equal 100.0
 (*) The NA category consists of geographies that have not been assigned an income classification.

The Glens Falls MSA AA consisted of Warren and Washington Counties in their entirety. This AA complies with CRA regulations and did not arbitrarily exclude low- and moderate-income geographies. Per the 2015 American Community Survey (ACS) data, the MSA AA contained 36 census tracts, three moderate-income, 29 middle-income and four upper-income. The MSA AA did not have any low-income census tracts.

GFNB offered their full range of products and services through 19 branches and 18 deposit-taking ATMs located throughout the AA. According to the June 30, 2020 FDIC Market Share Report, GFNB had \$1.8 billion in deposits in the Glens Falls MSA AA which accounts for 77.0 percent of GFNB’s bank-wide deposits. GFNB ranked first out of 10 deposit taking institutions in the MSA with a 56.1 percent market share of deposits. Other banks in the AA included TD Bank, N.A. with 21.6 percent market share and Trustco Bank with 4.9 percent market share.

Home mortgage loan originations in the MSA AA accounted for 68.7 percent of total bank home mortgage originations. Small business loan originations within the MSA AA accounted for 71.0 percent of total bank small business loan originations. The primary lending focus in the MSA AA was home mortgage loans, consistent with the bank overall.

The 2020 FFIEC estimated median family income for this MSA was approximately \$76.6 thousand, increasing from the 2015 level of approximately \$64.5 thousand. In the most recent data, as of December 2019, the ACS reported families below the poverty level in MSA AA at 10.8 percent.

There were approximately 67.9 thousand total housing units in the AA of which, 53.6 percent were owner-occupied; 21.5 percent were rental; and 24.9 percent were vacant units. The weighted average age of housing stock in the AA was 54 years.

Per Realtor.com, the median single family residence list price in the MSA increased over the evaluation period from \$237.9 thousand in 2018 to \$275 thousand in 2020. The disparity between the median income level and housing process poses a challenge for low-income borrowers to qualify for a home mortgage financing. One method used to determine housing affordability assumes a maximum monthly principal and interest payment of no more than 30 percent of the applicant's income. Assuming a 30-year mortgage with a 5 percent interest rate, and not accounting for down payment, homeowners insurance, real estate taxes, or any additional monthly expenses, a low-income borrower making less than \$38,300 per year (or less than 50 percent of the 2020 FFIEC adjusted median family income in the AA) could afford a mortgage payment of \$958 per month. This illustrates that low-income borrowers would be challenged to qualify for a mortgage loan in the MSA AA with an estimated payment of \$1,476.

The unemployment rate for the MSA AA of 4.8 percent as of December 2020, was down very slightly over the evaluation period from 4.9 percent in December 2018. The unemployment rate peaked in April 2020, due to the impact of the coronavirus pandemic, at 15.8 percent. Per Moody's, while the unemployment rate has dropped at a far quicker pace than in the rest of the region, this improvement is deceiving, as it has been accompanied by an above-average decline in the labor force.

According to 2020 business demographics, there were 9,349 non-farm businesses and 541 farms in the MSA AA. Approximately 88.3 percent of all non-farm businesses and farms reported having less than 10 employees. The primary industries in the AA are government, education and healthcare services, leisure and hospitality services, and retail. The largest employers in the AA are Glens Falls Hospital, BD Becton Dickinson, Finch Paper, Hudson Headwaters Health Network, and AngioDynamics/Navilyst Medical.

The OCC utilized two community contacts within the AA. The contacts consisted of a local community organization dedicated to improving the quality of life for low- and moderate-income individuals and families, and a local Economic Development Corporation. The contacts noted the need for: affordable housing; increased stock of condominiums, townhomes, and single family homes; loans for small businesses; programs to assist the elderly population; and to address intergenerational poverty in the AA.

Scope of Evaluation in New York

For the state of New York, a full-scope review of the Glens Falls MSA AA was completed. GFNB's performance in the Glens Falls MSA AA was given the most weight when arriving at rating area conclusion due to the fact that it accounted for 77.0 percent of deposits; 67.9 percent of branches were located in the AA; 68.7 percent of HMDA loan originations, and 71.0 percent of small business loan originations were within state of New York.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN NEW YORK

LENDING TEST

The bank's performance under the Lending Test in New York is rated High Satisfactory.

Conclusions for Area Receiving a Full-Scope Review

Based on a full-scope review, the bank's performance in the Glens Falls MSA AA is good.

Lending Activity

Lending levels reflect excellent responsiveness to AA credit needs.

Number of Loans						
Assessment Area	Home Mortgage	Small Business	Community Development	Total	%State Loans	%State Deposits
Glens Falls MSA AA	1,409	1,341	8	2,758	69.3	77.0
Saratoga Co MSA AA	242	183	2	427	10.7	7.3
NY non-MSA AA	401	366	23	790	19.8	15.7
Greater Statewide Regional Area			6	6	0.2	

*The tables present the data for all assessment areas. The narrative below addresses performance in full-scope areas only.

Dollar Volume of Loans						
Assessment Area	Home Mortgage	Small Business	Community Development	Total	%State* Loans	%State Deposits
Glens Falls MSA AA	254,036	122,092	9,407	385,535	70.0	77.0
Saratoga Co MSA AA	37,514	14,573	3,846	55,933	10.1	7.3
NY non-MSA AA	60,845	30,518	16,818	108,181	19.6	15.7
Greater Statewide Regional Area			1,556	1,556	0.3	

*The tables present the data for all assessment areas. The narrative below addresses performance in full-scope areas only.

According to June 30, 2020 FDIC Market Share Reports, GFNB had \$1.8 billion in deposits in the Glens Falls MSA AA representing a 56.1 percent market share of deposits. The market share of deposits ranked first out of 10 deposit taking institutions in the AA. There was competition for deposits in the AA, primarily from other large, regional and community banks. The bank's deposit market share ranking was in the top 10.0 percent of all deposit taking institutions in the MSA AA.

The mortgage market in the Glens Falls MSA AA is highly competitive with national banks of different sizes, credit unions, and several non-bank mortgage lenders operating in the market. According to 2019 peer mortgage data, GFNB ranked first out of 3,422 lenders in the AA with a 12.7 percent market share of home mortgage loan originations. Other top lenders in the AA included Homestead Funding Corp., Wells Fargo Bank, N.A., Quicken Loans, and Trustco Bank with market shares of 11.3, 5.9, 5.1 and 4.1 percent, respectively. GFNB market share ranking of home mortgage loan originations was in the top 0.03 percent of all home mortgage originators in the MSA AA.

According to 2019 peer small business data, GFNB ranked fourth out of 2,660 small business lenders in the MSA with a 6.9 percent market share. Top lenders in the AA included JP Morgan Chase Bank, N.A.; American Express National Bank; and Capital One, N.A. with market shares of 15.5, 14.7 and 8.0 percent, respectively. GFNB The market share ranking of small business loan originations was in the top 0.15 percent of all small business loan originators in the MSA AA.

Distribution of Loans by Income Level of the Geography

The bank exhibits an excellent geographic distribution of loans in its AA.

Home Mortgage Loans

Refer to Table O in the state of New York section of appendix D for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations and purchases.

The bank's level of home mortgage loans in moderate-income geographies exceeded the demographic data and was below aggregate performance. There are no low-income geographies in the AA.

Small Loans to Businesses

Refer to Table Q in the state of New York section of appendix D for the facts and data used to evaluate the geographic distribution of the bank's originations and purchases of small loans to businesses.

The bank's origination of small loans to businesses in moderate-income geographies exceeded both the demographic data and aggregate performance. There are no low-income geographies in the AA.

Lending Gap Analysis

The OCC reviewed summary reports and maps to analyze home mortgage and small business lending activity to identify any gaps in the geographic distribution of loans in the full-scope AA. The OCC did not identify any unexplained conspicuous gaps in any of the areas they reviewed.

Distribution of Loans by Income Level of the Borrower

The bank exhibits an adequate distribution of loans among individuals of different income levels and business and farms of different sizes, given the product lines offered by the institution.

Home Mortgage Loans

Refer to Table P in the state of New York section of appendix D for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.

The bank's level of home mortgage loans to low-income borrowers was well below the demographic data but exceeded aggregate performance. The bank's level of home mortgage loans to moderate-income borrowers exceeded the demographic data and was near to aggregate performance. When assessing performance, examiners considered the affordability of housing for low-income borrowers in the AA given median housing value and the median family income for low-income borrowers.

Small Loans to Businesses

Refer to Table R in the state of New York section of appendix D for the facts and data used to evaluate the borrower distribution of the bank's origination and purchase of small loans to businesses.

The bank's level of originations of small loans to small businesses during the evaluation period was significantly below both the demographic data and aggregate performance. However, the performance over the three-year evaluation period is weighted heavily by the performance in 2020. During 2020, the volume of loans to small businesses originated in the AA increased by 183 percent over the prior two-year average due to Small Business Administration Paycheck Protection Program loans. Concurrently, due to the challenges of the pandemic and the urgency to provide businesses with needed credit, the bank only collected revenue data on 19.1 percent of its small business loan originations during that year. During the 2018-2019 period, while the bank's level of originations of small loans to small businesses was well below the demographic data, the bank was closer to and in 2019, exceeded aggregate performance

Community Development Lending

The institution has made a relatively high level of CD loans.

The Lending Activity Tables, shown above, set forth the information and data used to evaluate the institution's level of CD lending. These tables include all CD loans, including multifamily loans that also qualify as CD loans.

During the evaluation period, GFNB originated a total of eight CD loans totaling \$9.4 million in the Glens Falls MSA AA. Additionally, GFNB originated six CD loans totaling \$1.6 million in the greater statewide regional area that contains the bank's AA. The CD lending in the greater regional area had a purpose, function or mandate of serving the AA or broader statewide or regional area that includes the AA, and was therefore, given consideration in evaluating the bank's performance in the AA, and in determining the responsiveness to AA needs.

GFNB CD lending demonstrated an excellent responsiveness to the credit needs of the MSA AA. The dollar volume of CD lending in the MSA AA was equal to 4.9 percent of allocated tier 1 capital with CD lending in the greater statewide regional area equal to an additional 0.8 percent of allocated tier 1 capital. The bank's CD lending performance had a positive impact on the Lending Test rating.

The bank's CD lending focused on community service needs with approximately 78.0 percent of CD lending in the MSA AA for the benefit of community service organizations. Examples of CD loans made during the evaluation period include:

- A \$4.6 million commercial mortgage made to a community development service organization to renovate the 197-bed facility used to serve low- and moderate-income seniors in the MSA.
- A \$2.4 million commercial mortgage made under the Small Business Administration's Certified Development Company/504 Loan Program for the purchase of a commercial property in the AA, supporting economic development.

- A \$1.0 million commercial mortgage made to a community development service organization providing vocational training and other programs and services for the economically-disadvantaged, developmentally disabled, and elderly.

Product Innovation and Flexibility

The institution makes extensive use of innovative and/or flexible lending practices in order to serve AA credit needs.

Conclusions for Areas Receiving Limited-Scope Reviews

Based on a limited-scope review, the bank's performance under the Lending Test in the Saratoga County MSA AA and the NY non-MSA AA is stronger than the bank's overall performance under the Lending Test in the full-scope area. The stronger performance in the Saratoga County MSA AA is due to good distribution of loans to individuals and businesses of different income levels and a level of CD lending that had a significantly positive impact on the rating. The stronger performance in the NY non-MSA AA is due to a level of CD lending in the AA that had a significantly positive impact on the rating

Refer to Tables O through V in the state of New York section of appendix D for the facts and data that support these conclusions.

INVESTMENT TEST

The bank's performance under the Investment Test in New York is rated Low Satisfactory.

Conclusions for Area Receiving a Full-Scope Review

Based on a full-scope review, the bank's performance in the Glens Falls MSA AA is adequate.

During the evaluation period, GFNB made eight investments totaling approximately \$4.4 million and 172 grants totaling \$283 thousand, amounting to 4.7 million in total investments and grants. The combined current period dollar volume of investments represented 2.4 percent of tier 1 capital allocated to this AA. Additionally, GFNB made a current period investment of \$200 thousand, and had \$581 thousand in outstanding prior period investments that provided continuing benefit to the greater statewide regional area that contains the bank's AA. The investments in the greater statewide regional area had a purpose, function or mandate of serving the AA or broader statewide or regional area that includes the AA, and was therefore, given consideration in evaluating the bank's performance in the AA, and in determining the responsiveness to AA needs.

The institution has an adequate level of qualified CD investments and grants, although rarely in a leadership position, particularly those that are not routinely provided by private investors.

Qualified Investments										
Assessment Area	Prior Period*		Current Period		Total				Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	% of Total#	\$(000's)	% of Total\$	#	\$(000's)
Glens Falls MSA AA			182	4,697	182	75.8	4,697	80.4		
Saratoga Co MSA AA			12	130	12	5.0	130	2.2		
NY non-MSA AA			43	233	43	17.9	233	4.0		
Greater Statewide Regional Area	2	581	1	200	3	1.3	781	13.4		

* Prior Period Investments' means investments made in a previous evaluation period that are outstanding as of the examination date.

** Unfunded Commitments' means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.

The investments were responsive to the community need for revitalizing and stabilizing moderate-income census tracts in downtown Glens Falls. Investments included two municipal bonds totaling \$3.2 million that helped revitalize and stabilize the census tracts.

Conclusions for Areas Receiving Limited-Scope Reviews

Based on limited-scope reviews, the bank's performance under the Investment Test in both the Saratoga County MSA AA and the NY non-MSA AA is weaker than the bank's overall performance under the Investment Test in the full-scope area. The weaker performance is attributable to a smaller proportionate level of investment activity in the AAs compared to the Glens Falls MSA AA. The weaker performance in these AAs was considered in, but did not change, the Investment Test rating.

SERVICE TEST

The bank's performance under the Service Test in New York is rated Outstanding.

Conclusions for Area Receiving a Full-Scope Review

Based on a full-scope review, the bank's performance in the Glens Falls MSA AA is excellent.

Retail Banking Services

Service delivery systems are readily accessible to geographies and individuals of different income levels in the institution's AA.

Distribution of Branch Delivery System											
Assessment Area	Deposits	Branches						Population			
		# of BANK Branches	% of Rated Area Branches in AA	Location of Branches by Income of Geographies (%)				% of Population within Each Geography			
	Low			Mod	Mid	Upp	Low	Mod	Mid	Upp	
Glens Falls MSA AA	77.0	19	67.9	0.0	10.5	84.2	5.3	0.0	7.0	82.6	10.4
Saratoga Co. MSA AA	7.3	2	7.1	0.0	100.0	0.0	0.0	0.0	19.0	66.3	14.7
NY non-MSA AA	15.7	7	25.0	14.3	0.0	85.7	0.0	3.2	3.8	75.1	14.8

Branch distribution is excellent in the Glens Falls MSA AA. The percentage of GFNB branches located in moderate-income geographies exceeds the percentage of population in those geographies.

Distribution of Branch Openings/Closings						
Assessment Area	Branch Openings/Closings					
	# of Branch Openings	# of Branch Closings	Net change in Location of Branches (+ or -)			
			Low	Mod	Mid	Upp
Glens Falls MSA AA		1			-1	
Saratoga Co. MSA AA						
NY non-MSA AA	2	2			1	-1

To the extent changes have been made, the institution’s opening and closing of branches has generally not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals. GFNB closed one branch in a middle-income geography during the evaluation period.

Services, including where appropriate, business hours, do not vary in a way that inconveniences its AA, particularly low- and moderate-income geographies and/or individuals. GFNB offers traditional banking products, mortgages, consumer and small business lending and services at all branch locations in the AA.

Community Development Services

The institution is a leader in providing CD services.

During the evaluation period, employees provided services to approximately 50 different organizations including serving in board or board committee leadership roles at several of these organizations. In total, employees donated approximately 2,921 hours of CD services in the Glens Falls MSA AA. During the evaluation period, employees served nonprofit organizations involved in providing essential services for low- and moderate-income people; assisting low- and moderate-income individuals with affordable housing; providing financial literacy training; and, economic development for small businesses. Examples of qualified CD services in this MSA AA include:

- An employee served on the Executive Committee of a community service organization that is dedicated to addressing homelessness in the MSA AA, especially youth homelessness. In addition to an emergency shelter program, the organization provides a Transitional Living Program for homeless pregnant and parenting youth. This program is the only one of its kind in Warren and Washington Counties providing this population with shelter, intensive services, and case management for up to 12 months. Employees performed 121 hours of service for the organization during the evaluation period.
- Employees contributed 108 hours during the evaluation period to an area community service organization targeted to low- and moderate-income persons. The organization’s focus is on meeting the needs of the most vulnerable in the community through their food services that provide an average of 1,600 meals per month; an eight-bed men’s shelter, six-bed women’s shelter and winter CodeBlue Shelter; and an emergency food pantry that provides over 25,000 meals per year and distributes thousands of pounds of food items to other local social service organizations. The organization also partners with local schools to provide weekend lunches for “at-risk” students. In addition to meals and shelter, the organization provides case management,

counseling, medical screenings, substance abuse recovery programs, and training classes on budgeting, life, and job skills.

Conclusions for Areas Receiving Limited-Scope Reviews

Based on limited-scope reviews, the bank's performance under the Service Test in the Saratoga County MSA AA and the NY non-MSA AA is consistent with the bank's overall performance under the Service Test in the full-scope area.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the MSAs and non-MSAs that received comprehensive examination review, designated by the term “full-scope,” and those that received a less comprehensive review, designated by the term “limited-scope”.

Time Period Reviewed:	01/01/2018 to 12/31/2020	
Bank Products Reviewed:	Home mortgage and small business loans Community development loans, qualified investments, community development services	
Affiliate(s)	Affiliate Relationship	Products Reviewed
Not Applicable	Not Applicable	Not Applicable
List of Assessment Areas and Type of Examination		
Rating and Assessment Areas	Type of Exam	Other Information
New York		
Glens Falls MSA	Full-scope	
Saratoga Co. MSA AA	Limited-scope	Saratoga County, New York (portion of the Albany-Schenectady-Troy MSA #10580)
NY non-MSA AA	Limited-scope	Clinton and Essex County, New York (portion)

Appendix B: Summary of MMSA and State Ratings

RATINGS GFNB				
Overall Bank:	Lending Test Rating*	Investment Test Rating	Service Test Rating	Overall Bank/State/Multistate Rating
GFNB	High Satisfactory	Low Satisfactory	Outstanding	Satisfactory
MMSA or State:				
New York	High Satisfactory	Low Satisfactory	Outstanding	Satisfactory

(*) The Lending Test is weighted more heavily than the Investment and Service Tests in the overall rating.

Appendix C: Definitions and Common Abbreviations

The following terms and abbreviations are used in this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. For example, a bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Aggregate Lending (Aggt.): The number of loans originated and purchased by all reporting lenders (HMDA or CRA) in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/assessment area.

Census Tract (CT): A small, relatively permanent statistical subdivision of a county delineated by a local committee of census data users for the purpose of presenting data. Census tracts nest within counties, and their boundaries normally follow visible features, but may follow legal geography boundaries and other non-visible features in some instances, Census tracts ideally contain about 4,000 people and 1,600 housing units.

Combined Statistical Area (CSA): A geographic entity consisting of two or more adjacent Core Based Statistical Areas with employment interchange measures of at least 15. An employment interchange measure is a measure of ties between two adjacent entities. The employment interchange measure is the sum of the percentage of workers living in the smaller entity who work in the larger entity and the percentage of employment in the smaller entity that is accounted for by workers who reside in the larger entity.

Community Development (CD): 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 Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas.

Community Reinvestment Act (CRA): the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its entire community, including low- and moderate-income areas, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always

equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

Full-Scope Review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

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 conduct 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 the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn), the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

Home Mortgage Loans: A closed-end mortgage loan or an open-end line of credit as these terms are defined under §1003.2 of this title, and that is not an excluded transaction under §1003.3(c)(1) through (10) and (13) of this title.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited-Scope Review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-Income Individual: Individual income that is less than 50 percent of the area median income.

Low Income Geography: A census tract with a median family income that is less than 50 percent.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/assessment area.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. The median is the point at which half of the families have income above, and half below, a range of incomes. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above, and half below, a range of incomes.

Metropolitan Division: As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an

employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area: An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

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

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

Multifamily: Refers to a residential structure that contains five or more units.

MMSA (state): Any multistate metropolitan statistical area or multistate combined statistical area, as defined by the Office of Management and Budget.

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.

Rating Area: A rated area is a state or multi-state metropolitan statistical area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan statistical area, the institution will receive a rating for the multi-state metropolitan statistical area.

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) 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.

Small Loan(s) to Farm(s): A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Tier 1 Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Upper-Income: Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

Appendix D: Tables of Performance Data

Content of Standardized Tables

A separate set of tables is provided for each state. All multistate metropolitan statistical areas, if applicable, are presented in one set of tables. References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the Lending Test tables, the following are applicable: (1) purchased loans are treated the same as originations; and (2) “aggregate” is the percentage of the aggregate number of reportable loans originated and purchased by all HMDA or CRA reporting lenders in the MMSA/assessment area. Deposit data are compiled by the FDIC and are available as of June 30th of each year. Tables without data are not included in this PE.

The following is a listing and brief description of the tables included in each set:

- Table O. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents aggregate peer data for the years the data is available.
- Table P. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MMSA/assessment area. The table also presents aggregate peer data for the years the data is available.
- Table Q. Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses that were originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) in those geographies. Because aggregate small business data are not available for geographic areas smaller than counties, it may be necessary to compare bank loan data to aggregate data from geographic areas larger than the bank’s assessment area.
- Table R. Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenue** - Compares the percentage distribution of the number of small loans (loans less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to: 1) the percentage distribution of businesses with revenues of greater than \$1 million; and, 2) the percentage distribution of businesses for which revenues are not available. The table also presents aggregate peer small business data for the years the data is available.

Table O: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography																				2018-2020		
Assessment Area:	Total Home Mortgage Loans				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts					
	#	\$	% of Total	Overall Market	% of Owner-Occupied Housing Units	% Bank Loans	Aggt	% of Owner-Occupied Housing Units	% Bank Loans	Aggt	% of Owner-Occupied Housing Units	% Bank Loans	Aggt	% of Owner-Occupied Housing Units	% Bank Loans	Aggt	% of Owner-Occupied Housing Units	% Bank Loans	Aggt			
Full Scope:																						
Glens Falls MSA AA	1,409	254,036	68.7	3,422	0.0	0.0	0.0	4.1	4.3	5.6	83.8	81.5	81.4	12.2	14.1	13.0	0.0	0.0	0.0			
Limited Scope:																						
Saratoga Co. MSA AA	242	37,514	11.8	1,988	0.0	0.0	0.0	17.7	30.2	19.6	67.6	67.4	65.4	14.7	2.5	15.0	0.0	0.0	0.0			
NY non-MSA AA	401	60,845	19.5	1,441	0.7	2.0	1.5	2.2	2.0	1.9	80.7	82.8	79.5	16.4	13.2	17.0	0.0	0.0	0.1			
Total	2,052	352,395	100.0	6,851	0.2	0.4	0.3	6.8	6.9	8.9	79.0	80.1	76.3	14.0	12.6	14.4	0.0	0.0	0.0			
<i>Source: 2015 ACS Census; 01/01/2018 - 12/31/2020 Bank Data, 2019 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>																						

Table P: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower																				2018-2020		
Assessment Area:	Total Home Mortgage Loans				Low-Income Borrowers			Moderate-Income Borrowers			Middle-Income Borrowers			Upper-Income Borrowers			Not Available-Income Borrowers					
	#	\$	% of Total	Overall Market	% Families	% Bank Loans	Aggt	% Families	% Bank Loans	Aggt	% Families	% Bank Loans	Aggt	% Families	% Bank Loans	Aggt	% Families	% Bank Loans	Aggt			
Full Scope:																						
Glens Falls MSA AA	1,409	254,036	68.7	3,422	20.2	6.5	5.7	17.1	17.4	19.6	23.8	21.9	24.5	38.9	51.3	38.9	0.0	2.9	11.3			
Limited Scope:																						
Saratoga Co. MSA AA	242	37,514	11.8	1,988	19.5	14.1	8.1	20.6	22.7	20.6	22.5	28.1	26.9	37.4	31.8	32.8	0.0	3.3	11.6			
NY non-MSA AA	401	60,845	19.5	1,441	19.9	3.5	4.7	16.0	11.7	13.6	21.4	19.0	24.4	42.8	63.6	42.6	0.0	2.2	14.7			
Total	2,052	352,395	100.0	6,851	19.9	6.8	6.2	17.6	16.9	18.7	22.7	22.1	25.1	39.8	51.4	37.9	0.0	2.8	12.1			
<i>Source: 2015 ACS Census; 01/01/2018 - 12/31/2020 Bank Data, 2019 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>																						

Table Q: Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography																			2018-2020	
Assessment Area:	Total Loans to Small Businesses				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts			
	#	\$	% of Total	Overall Market	% Businesses	% Bank Loans	Aggt	% Businesses	% Bank Loans	Aggt	% Businesses	% Bank Loans	Aggt	% Businesses	% Bank Loans	Aggt	% Businesses	% Bank Loans	Aggt	
Full Scope:																				
Glens Falls MSA AA	1,341	122,092	71.0	2,552	0.0	0.0	0.0	8.8	10.1	7.0	81.8	85.1	83.9	9.4	4.8	9.1	0.0	0.0	0.0	
Limited Scope:																				
Saratoga Co. MSA AA	183	14,573	9.7	1,240	0.0	0.0	0.0	19.0	37.2	13.7	65.4	62.8	71.0	15.5	0.0	15.2	0.0	0.0	0.0	
NY non-MSA AA	366	30,518	19.4	1,534	6.2	6.6	4.9	2.7	2.7	2.9	76.5	75.7	79.6	13.9	14.8	12.6	0.6	0.3	0.1	
Total	1,890	167,183	100.0	5,326	1.8	1.3	1.4	9.3	11.3	7.4	76.7	81.1	79.7	12.1	6.3	11.5	0.2	0.1	0.0	
Source: 2020 D&B Data; 01/01/2018 - 12/31/2020 Bank Data; 2019 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%																				

Table R: Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenues													2018-2020	
Assessment Area:	Total Loans to Small Businesses				Businesses with Revenues <= 1MM			Businesses with Revenues > 1MM		Businesses with Revenues Not Available				
	#	\$	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	% Businesses	% Bank Loans			
Full Scope:														
Glens Falls MSA AA	1,341	122,092	71.0	2,552	83.9	11.1	40.5	4.6	16.7	11.6	72.2			
Limited Scope:														
Saratoga Co. MSA AA	183	14,573	9.7	1,240	88.5	20.8	43.1	3.0	12.6	8.5	66.7			
NY non-MSA AA	366	30,518	19.4	1,534	79.9	19.1	32.9	5.9	18.3	14.2	62.6			
Total	1,890	167,183	100.0	5,326	83.7	13.6	38.9	4.6	16.6	11.6	69.8			
Source: 2020 D&B Data; 01/01/2018 - 12/31/2020 Bank Data; 2019 CRA Aggregate Data "--" data not available. Due to rounding, totals may not equal 100.0%														