



**NEW YORK STATE BANKING DEPARTMENT
CONSUMER SERVICES DIVISION
One State Street
New York, NY 10004**

PUBLIC SUMMARY

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Date of Evaluation: December 31, 2008

**Institution: Bank of Millbrook
3263 Franklin Avenue
Millbrook, NY 12545**

Note: This evaluation is not an assessment of the financial condition of this institution. The rating assigned does not represent an analysis, conclusion or opinion of the New York State Banking Department concerning the safety and soundness of this financial institution.

TABLE OF CONTENTS

	Section
General Information	1
Overview of Institution's Performance	2
Performance Context	3
Institution's Profile	
Assessment Area	
Demographic & Economic Data	
Performance Standards and Assessment Factors	4
Loan-to-Deposit Analysis and Other	
Lending-Related Activities	
Assessment Area Concentration	
Distribution by Borrowers Characteristics	
Geographic Distribution of Loans	
Action Taken in Response to Written Complaints	
With Respect to CRA	
Additional Factors	
Glossary	5

GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act ("CRA") performance of Bank of Millbrook ("BOM") prepared by the New York State Banking Department. The evaluation represents the Banking Department's current assessment and rating of the institution's CRA performance based on an evaluation conducted as of December 31, 2008.

Section 28-b of the New York State Banking Law, as amended, requires that when evaluating certain applications, the Superintendent of Banks shall assess a banking institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income ("LMI") areas, consistent with safe and sound operations.

Part 76 of the General Regulations of the Banking Board implements Section 28-b and further requires that the Banking Department assess the CRA performance records of regulated financial institutions. Part 76 establishes the framework and criteria by which the Department will evaluate the performance. Section 76.5 further provides that the Banking Department will prepare a written report summarizing the results of such assessment and will assign to each institution a numerical CRA rating based on a 1 to 4 scoring system. The numerical scores represent an assessment of CRA performance as follows:

- (1) outstanding record of meeting community credit needs;
- (2) satisfactory record of meeting community credit needs;
- (3) needs to improve record of meeting community credit needs; and
- (4) substantial noncompliance in meeting community credit needs.

Section 76.5 further requires that the CRA rating and the written summary be made available to the public ("Evaluation"). Evaluations of small banking institutions are primarily based on a review of performance tests and standards described in Section 76.7 and detailed in Section 76.12. The tests and standards incorporate the 12 assessment factors contained in Section 28-b of the New York State Banking Law.

For an explanation of technical terms used in this report, please consult the **GLOSSARY** at the back of this document.

OVERVIEW OF INSTITUTION'S PERFORMANCE

BOM is rated "2", indicating a satisfactory record of helping to meet community credit needs. This rating is based on the following factors:

- ***Loan-to-Deposit ("LTD") Ratio and Other Lending-Related Activities: "Satisfactory"***
BOM's LTD ratio was reasonable considering the bank's size, financial condition and the credit needs of the assessment area. Although below the peer group's average, BOM's average LTD ratio is reasonable.
- ***Assessment Area Concentration: "Satisfactory"***
BOM originated a majority of its loans inside its assessment area. During the evaluation period, 80.9% by number and 78.1% by dollar volume of the bank's loans were originated in the assessment area. In terms of number of loans, there was little variation between products, with all three lending products totaling close to 80% in the assessment area.
- ***Geographic Distribution of Loans: "Satisfactory"***
It is difficult to generate meaningful analyses of BOM's lending geographically. BOM only made between 13 and 35 HMDA-reportable or small business loans each year. Notwithstanding this, the geographic distribution of loans reflected a reasonable dispersion among census tracts of different income levels.

For HMDA-reportable lending, for two out of the three years in the evaluation period, BOM's lending penetration ratio for number of loans in LMI geographies was greater than the aggregate's penetration ratio, and for the third year, it was comparable to the aggregate's penetration ratio.

The geographic distribution of the bank's small business loans reflected marginally reasonable dispersion among census tracts of different income levels. In 2006 and 2008, the levels of small business lending BOM originated in moderate-income geographies were below the levels achieved by the market aggregate. However, increasing the lending by just one loan would have raised BOM's penetration ratio to a solid satisfactory.

The geographic distribution of the bank's consumer loans reflected reasonable dispersion among census tracts of different income levels. Based on a sample of 115 loans over the three years, BOM's lending penetration ratio was comparable to the household demographics of the assessment area.

- ***Distribution by Borrowers Characteristics: "Satisfactory"***

For the same reasons noted in the section on the geographic distribution of loans, it is also difficult to generate meaningful analyses of BOM's lending to LMI borrowers and businesses with gross annual revenues ("GAR") of <= \$1 MM. Notwithstanding this, BOM's record was satisfactory. The penetration ratios for HMDA-reportable lending and consumer lending were both "satisfactory."

The bank's small business lending distribution based on borrower characteristics reflected excellent penetration among businesses of different sizes. Although the numbers analyzed are still small, BOM's lending penetration ratios to businesses with GAR of <= \$1 MM are consistently significantly above both the aggregate's penetration ratio and comparable to the demographics of businesses in the assessment area.

- ***Action Taken In Response to Written Complaints With Respect to CRA: "Satisfactory"***

Neither the bank nor the New York State Banking Department received any complaints with respect to its CRA performance during the evaluation period.

BOM received a rating of "2" reflecting a satisfactory record of helping to meet community credit needs at its prior Performance Evaluation conducted by the New York State Banking Department on as of December 31, 2005.

This evaluation was conducted based on a review of the 12 assessment factors set forth in Section 28-b of the New York State Banking Law and Part 76 of the General Regulations of the Banking Board.

PERFORMANCE CONTEXT

Institution's Profile:

Established in 1891, BOM is a New York state-chartered commercial bank headquartered in the town of Millbrook, in Dutchess County, New York. BOM is a wholly-owned subsidiary of Millbrook Bank Systems, Inc., a one-bank holding company.

BOM has two full-service offices, including its main office in the town of Millbrook and a branch in Amenia. In addition to its regular banking hours, BOM provides extended hours of service including half-day business hours on Saturdays. Supplementing the banking offices is an automated teller machine ("ATM") network consisting of two ATM's at the main office and one at the Amenia branch. Additionally, BOM operates two offsite ATM's that only dispense cash.

BOM reported total assets of \$133.4 million as of December 31, 2008, which consisted primarily of \$91.4 million of net loans and leases and \$21.9 million in investments. Total deposits were \$112.1 million.

According to the latest Federal Deposit Insurance Corporation ("FDIC") Deposit Market Share Report dated as of June 30, 2008, BOM obtained a market share of 3.0% or \$108.5 million out of \$3.6 billion inside its market, ranking it 12th among 17 deposit-taking institutions in Dutchess County.

BOM provides a variety of loan products, including personal installment loans, automobile loans, home equity loans, 1-4 family and multifamily residential mortgages, commercial loans and mortgages, and commercial lines of credit.

The following is a summary of the bank's lending portfolio, based on Schedule RC-C of the bank's December 31, 2006, December 31, 2007, and December 31, 2008 Call Reports:

TOTAL GROSS LOANS OUTSTANDING						
LOAN TYPE	12/31/2006		12/31/2007		12/31/2008	
	\$000	%	\$000	%	\$000	%
1-4 Residential Mortgage Loans	50,819	57.6	55,170	60.3	57,648	61.6
Commercial & Industrial Loans	7,310	8.3	6,414	7.0	3,128	3.3
Commercial Mortgage Loans	19,610	22.2	21,075	23.0	21,290	22.8
Mutifamily Mortgages	337	0.4	0	0.0	0	0.0
Consumer Loans	7,572	8.6	6,856	7.5	7,637	8.2
Loans secured by farmland	865	1.0	373	0.4	1,602	1.7
Construction Loans	1,377	1.6	1,373	1.5	1,903	2.0
Other Loans	320	0.3	186	0.2	301	0.3
Lease financing		0.0		0.0		0.0
Total Gross Loans	88,210	99.9	91,447	100.0	93,509	100.0

As shown in the above chart, BOM is primarily a 1-4 family residential and commercial mortgage lender with 61.6% and 22.8%, respectively, of its loan portfolio comprised of

these loan products as of December 31, 2008. Consumer lending is also a major product, accounting for 8.2% of its loan portfolio as of the same date.

BOM does not participate in any government guaranteed or sponsored loan programs.

There are no known financial or legal impediments that adversely impacted the bank's ability to meet the credit needs of its community.

Assessment Area:

The bank's assessment area is comprised of the northern and eastern portions of Dutchess County. The area contains 18 census tracts, 2 (11.1%) of which are moderate-income, 15 (83.3%) are middle-income, and 1 (5.6%) is upper-income. There are no low-income tracts in the assessment area.

The assessment area appears reasonable based upon the location of bank's offices and its lending patterns. There is no evidence that LMI areas have been arbitrarily excluded.

Details of Assessment Area:

According to the 2000 U.S. Census data, the assessment area has a population of 75.5 thousand. About 12.5% of the population was over the age of 65 and 22.0% was under the age of 16.

According to the 2000 U.S. Census data, 7.4% of the 20 thousand owner-occupied units in the assessment area are located in moderate-income geographies. There are 19.2 thousand families in the assessment area, of which 3.2 thousand (16.7%) are low-income and 3.6 thousand (18.6%) are moderate-income. Of the 27 thousand households in the assessment area, 20.7% are low-income and 17.7% moderate-income. Approximately, 6.6% of all households in the assessment area are below the poverty level.

According to Dun & Bradstreet, there are six thousand non-farm businesses in the assessment area, of which 66.7% are small businesses with gross annual revenues ("GAR") of \$1 million or less, 3.6% with GAR over \$1 million, and 29.7% with unreported revenue. Approximately 8.7% of all non-farm businesses are located in moderate-income census tracts.

According to New York State Department of Labor data, the average unemployment rate (not seasonally adjusted) for Dutchess County was 3.9% in 2006, 4.0% in 2007 and 5.2% in 2008, compared with 4.6% in 2006, 4.5% in 2007 and 5.4% in 2008 for New York State.

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

BOM's performance was evaluated according to the small bank performance criteria, which include the following: (1) Loan-to-Deposit Ratio and other Lending-Related Activities; (2) Assessment Area Concentration; (3) Geographic Distribution of Loans; (4) Distribution by Borrower Characteristics; and (5) Action Taken in Response to Written Complaints Regarding CRA. The following factors were also considered in assessing BOM's record of performance: the extent of participation by the board of directors or board of trustees in formulating CRA policies and reviewing CRA performance; any practices intended to discourage credit applications, evidence of prohibited discriminatory or other illegal credit practices; record of opening and closing offices and providing services at offices; and process factors such as activities to ascertain credit needs and the extent of marketing and special credit related programs. Finally, the evaluation considered other factors as delineated in Section 28-b of the Banking Law that reasonably bear upon the extent to which a banking institution is helping to meet the credit needs of its entire community.

The assessment period included calendar years 2006, 2007 and 2008. Examiners considered the bank's HMDA-reportable, small business, and consumer loans in evaluating factors (2), (3) and (4), as noted above. HMDA-reportable and small business loan data mentioned in this performance evaluation represent actual originations. The evaluation of the bank's performance in consumer lending was based on a sample of 142 loans.

Statistics employed in this evaluation were derived from various sources. In addition to bank-specific loan information submitted by BOM, aggregate data for HMDA-reportable and small business loans were obtained from the Federal Financial Institutions Examination Council ("FFIEC"). The demographic data referred to in this report was obtained from the 2000 U.S. Census data, with updated median family income figures provided by the US Department of Housing and Urban Development ("HUD"). Business demographic data used in this report derive from information on US businesses, enhanced by Dun & Bradstreet and updated annually. As BOM does not make farm loans, the data only include non-farm loans.

BOM received a rating of "2" reflecting a "satisfactory" record of helping to meet community credit needs at its **prior** Performance Evaluation conducted by the New York State Banking Department as of December 31, 2005.

Current CRA Rating: "Satisfactory"

- **Loan-to-Deposit Ratio Analysis and other Lending-Related Activities:**
"Satisfactory"

BOM's LTD ratio was reasonable considering the bank's size, financial condition and the credit needs of the assessment area.

BOM's average LTD ratio for the prior 12 quarters since December 31, 2005 (the end of the

prior evaluation period) was 80.2%. Although below the peer group's average of 85.7%, BOM's average LTD ratio at this evaluation represents a significant improvement from the prior evaluation period's average LTD ratio of 63.0% and is reasonable. The peer group is comprised of all FDIC-insured commercial banks having assets between \$100 million and \$300 million operating in a metropolitan area with two or fewer full service branches. These ratios were calculated from information shown in the bank's Uniform Bank Performance Report ("UBPR") with data submitted to the FDIC.

The table below shows BOM's LTD ratios in comparison with the peer group's for the 12 quarters since the prior evaluation:

Loan-to-Deposit Ratios													
	2006				2007				2008				Avg. LTD
	1 st Qtr	2 nd Qtr	3 rd Qtr	4 th Qtr	1 st Qtr	2 nd Qtr	3 rd Qtr	4 th Qtr	1 st Qtr	2 nd Qtr	3 rd Qtr	4 th Qtr	
Bank	77.06	79.05	77.80	77.83	80.62	82.10	81.82	81.33	77.94	83.13	82.06	81.54	80.19
Peer	84.32	85.45	84.91	84.66	84.21	85.08	85.57	86.45	86.41	87.37	87.89	86.56	85.74

- **Assessment Area Concentration: "Satisfactory"**

BOM originated a majority of its loans inside its assessment area. During the evaluation period, 80.9% by number and 78.1% by dollar volume of the bank's loans were originated in the assessment area. In terms of number of loans, there was little variation between products; for all three products, lending in the assessment area was close to 80%.

BOM originated a majority of its HMDA-reportable and consumer loans in its assessment area. Over the three-year evaluation period, BOM's assessment area concentration ratios in HMDA-reportable lending averaged 79.3% by number and 83.4% by dollar volume. In consumer lending, BOM averaged 81% by number and 60.3% by dollar volume.

In small business loans, the bank's assessment area lending performance was also reasonable. Overall, during the evaluation period, over 82% by number and 89% by dollar value of its small business loans were originated in the assessment area.

Distribution of Loans Inside and Outside of the Assessment Area										
Loan Type	Number of Loans					Loans in Dollars (in thousands)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
HMDA										
2006	29	78.4%	8	21.6%	37	6,633	82.5%	1,405	17.5%	8,038
2007	27	84.4%	5	15.6%	32	6,742	91.7%	610	8.3%	7,352
2008	13	72.2%	5	27.8%	18	2,916	70.2%	1,239	29.8%	4,155
Subtotal	69	79.3%	18	20.7%	87	16,291	83.4%	3,254	16.6%	19,545
Small Business										
2006	27	77.1%	8	22.9%	35	3,011	77.5%	872	22.5%	3,883
2007	35	89.7%	4	10.3%	39	6,202	94.2%	379	5.8%	6,581
2008	22	78.6%	6	21.4%	28	2,850	95.1%	146	4.9%	2,996
Subtotal	84	82.4%	18	17.6%	102	12,063	89.6%	1,397	10.4%	13,460
Consum										
2006	167	76.6	51	23.4	218	2606	63.3	1511	36.7	4,117
2007	208	85.6	35	14.4	243	3262	80.2	805	19.8	4,067
2008	203	79.9	51	20.1	254	2930	45.8	3468	54.2	6,398
Subtotal	578	80.8%	137	19.2%	715	8,798	60.3%	5,784	39.7%	14,582
Total	731	80.9%	173	19.1%	904	37152	78.1%	10435	21.9%	47587

*For consumer lending, analysis was performed on a sample of 43 loans in 2006, 49 loans in 2007, and 50 loans in 2008. Number and dollar volume of loans were then extrapolated from the resulting percentages and were not actual results. HMDA and small business lending analyses are based on actual lending.

- **Geographic Distribution of Loans: “Satisfactory”**

It is difficult to generate meaningful analyses of BOM’s lending. BOM only made between 13 and 35 HMDA-reportable or small business loans each year. Therefore, each loan in an LMI census tract affects BOM’s results by between three and eight percentage points, a very significant variance. Notwithstanding this, the geographic distribution of loans reflected a reasonable dispersion among census tracts of different income levels. Some uneven results in a particular year or particular product could be due to the effects of a single loan and therefore are less statistically meaningful.

HMDA-Reportable Lending: “Satisfactory”

The geographic distribution of HMDA-reportable loans reflected reasonable dispersion among census tracts of different income levels. For two out of the three years in the assessment period, BOM’s lending penetration ratio for number of loans in LMI geographies was greater than the aggregate’s penetration ratio, and for the third year, it was comparable to the aggregate’s penetration ratio.

In 2008, reflecting the real estate mortgage crisis, the volume of HMDA-reportable lending declined significantly for both the bank and the aggregate. The number of loans for both BOM and the aggregate shrank by more than 50%. Despite this decline, the percentage of loans BOM originated in moderate-income tracts increased to 15.4% in 2008, above the aggregate's 8.8% penetration ratio.

The following chart provides a summary of the bank's HMDA related lending distribution during the evaluation period:

2006									
Geography	Bank				Aggregate				OO-Hus
Income Level	#	%	\$000	%	#	%	\$000	%	%
Low	0	0.0	0	0.0	0	0.0	0	0.0	0.0
Moderate	4	13.8	480	7.2	243	8.5	43,671	7.4	7.4
Middle	23	79.3	5,560	83.8	2,452	85.7	509,354	86.3	87.5
Upper	2	6.9	593	8.9	163	5.7	36,585	6.2	5.1
N/A		0.0		0.0	3	0.1	320	0.1	0.0
Total	29	100.0	6,633	100.0	2,861	100.0	589,930	100.0	100.0
2007									
Geography	Bank				Aggregate				OO-Hus
Income Level	#	%	\$000	%	#	%	\$000	%	%
Low	0	0.0	0	0.0	0	0.0	0	0.0	0.0
Moderate	2	7.4	293	4.3	181	8.1	33,662	6.8	7.4
Middle	25	92.6	6,449	95.7	1,944	86.8	431,426	87.3	87.5
Upper	0	0.0	0	0.0	113	5.0	28,516	5.8	5.1
N/A	0	0.0	0	0.0	2	0.1	395	0.1	0.0
Total	27	100.0	6,742	100.0	2,240	100.0	493,999	100.0	100.0
2008									
Geography	Bank				Aggregate				OO-Hus
Income Level	#	%	\$000	%	#	%	\$000	%	%
Low	0	0.0	0	0.0	0	0.0	0	0.0	0.0
Moderate	2	15.4	580	19.9	116	8.8	24,478	8.0	7.4
Middle	11	84.6	2,336	80.1	1,133	86.0	263,937	86.7	87.5
Upper	0	0.0	0	0.0	68	5.2	15,944	5.2	5.1
N/A	0	0.0	0	0.0	1	0.1	175	0.1	0.0
Total	13	100.0	2,916	100.0	1,318	100.0	304,534	100.0	100.0

Small Business Loans: "Satisfactory"

The geographic distribution of the bank's small business loans reflected marginally reasonable dispersion among census tracts of different income levels.

In 2006 and 2008, the levels of small business lending BOM originated in moderate-income geographies were below the levels achieved by the market aggregate and the percentage of non-farm businesses in the assessment area that are located in moderate income tracts. However, for both years, increasing the lending from one loan to two loans within LMI geographies would have raised BOM's penetration ratio to a solid satisfactory. In 2007, the largest year in terms of number of loans, BOM's penetration ratio was above the

aggregate's penetration ratio.

The following chart provides a summary of the bank's small business lending distribution during the evaluation period:

Distribution of Small Business Loans by Geographic Income Level*									
2006									
Geography	Bank				Aggregate				Bus. Dem.
Income Level	#	%	\$000	%	#	%	\$000	%	%
Low	0	0.0	0	0.0	0	0.0	0	0.0	0.0
Moderate	1	3.7	34	1.1	313	8.2	9,334	13.3	8.0
Middle	26	96.3	2,977	98.9	3,295	86.8	57,142	81.7	87.2
Upper	0	0.0	0	0.0	187	4.9	3,485	5.0	4.8
N/A	0	0.0	0	0.0	0	0.0	0	0.0	0.0
Total	27	100.0	3,011	100.0	3,795	100.0	69,961	100.0	100.0
2007									
Geography	Bank				Aggregate				Bus. Dem.
Income Level	#	%	\$000	%	#	%	\$000	%	%
Low	0	0.0	0	0.0	0	0.0	0	0.0	0.0
Moderate	5	14.3	1,230	19.8	295	7.7	10,633	15.9	8.6
Middle	29	82.9	4,872	78.6	3,338	87.6	54,292	81.0	86.7
Upper	1	2.9	100	1.6	179	4.7	2,111	3.1	4.7
N/A	0	0.0	0	0.0	0	0.0	0	0.0	0.0
Total	35	100.0	6,202	100.0	3,812	100.0	67,036	100.0	100.0
2008									
Geography	Bank				Aggregate				Bus. Dem.
Income Level	#	%	\$000	%	#	%	\$000	%	%
Low	0	0.0	0	0.0	0	0.0	0	0.0	0.0
Moderate	1	4.5	57	2.0	199	6.9	5,689	12.2	8.7
Middle	20	90.9	2,656	93.2	2,480	86.6	37,159	80.0	86.9
Upper	1	4.5	137	4.8	185	6.5	3,613	7.8	4.5
N/A	0	0.0	0	0.0	0	0.0	0	0.0	0.0
Total	22	100.0	2,850	100.0	2,864	100.0	46,461	100.0	100.0

Consumer Loans: "Satisfactory"

The geographic distribution of the bank's consumer loans reflected reasonable dispersion among census tracts of different income levels. The chart below extrapolates results from an analysis of a loan sample of 115 loans. Based on this sample, over the three years, BOM originated 7% of its consumer loans within LMI geographies, comparable to the household demographics of the assessment area (8% LMI). Aggregate data for consumer loans are not available.

Distribution of Consumer Loans by Geographic Income Level					
2006					
Geography	Bank				Household
Income Level	#	%	\$000	%	Demographics
	#	%	\$000	%	%
Low	0	0.0	0	0.0	0.0
Moderate	10	6.1	112	4.3	8.0
Middle	157	93.9	2,494	95.7	87.7
Upper	0	0.0	0	0.0	4.3
Total	167	100.0	2,606	100.0	100.0
2007					
Geography	Bank				Household
Income Level	#	%	\$000	%	Demographics
	#	%	\$000	%	%
Low	0	0.0	0	0.0	0.0
Moderate	20	9.5	228	7.0	8.0
Middle	188	90.5	3,034	93.0	87.7
Upper	0	0.0	0	0.0	4.3
Total	208	100.0	3,262	100.0	100.0
2008					
Geography	Bank				Household
Income Level	#	%	\$000	%	Demographics
	#	%	\$000	%	%
Low	0	0.0	0	0.0	0.0
Moderate	10	5.0	123	4.2	8.0
Middle	183	90.0	2,540	86.7	87.7
Upper	10	5.0	267	9.1	4.3
Total	203	100.0	2,930	100.0	100.0

*Loan analysis was performed on a sample of 33 loans in 2006, 42 loans in 2007, and 40 loans in 2008 that were originated in the assessment area. Number and dollar value of loans were then extrapolated from the resulting percentages and are not actual results.

- **Distribution by Borrower Characteristics: “Satisfactory”**

For the same reasons noted in the section on the geographic distribution of loans, it is also difficult to generate meaningful analyses of BOM's lending to LMI borrowers and businesses with gross annual revenues (“GAR”) of \leq \$1 MM. Notwithstanding this, the distribution by borrower characteristics reflected reasonable lending to LMI borrowers and businesses with GAR of \leq \$1 MM. Again, uneven results from year-to-year in a particular product could be due to the effects of a single loan and therefore are less statistically meaningful.

HMDA Loans: “Satisfactory”

In addition to the difficulty of analyzing such a small population of loans, analyzing BOM's HMDA record is further complicated by the number of loans made with no borrower income. Over the three year period, when BOM originated 69 HMDA-reportable loans

within its assessment area, 12 loans (17%) did not rely on borrower income. Eliminating these loans from the analysis would raise BOM's HMDA-reportable lending from 16% to 19%, which is comparable to the aggregate's three-year weighted average penetration rate of 20% (calculated without loans that did not report borrower income).

The following chart provides a summary of the bank's HMDA lending distribution during the evaluation period:

Distribution of 1-4 Family HMDA-reportable Loans by Borrower Income Level									
2006									
Borrower	Bank				Aggregate				Family Demographics
Income Level	#	%	\$000	%	#	%	\$000	%	%
Low	2	6.9	393	5.9	91	3.2	8,087	1.4	16.7
Moderate	5	17.2	745	11.2	403	14.1	52,771	9.0	18.7
Middle	9	31.0	1,996	30.1	844	29.6	144,372	24.5	26.3
Upper	10	34.5	2,611	39.4	1,394	48.8	352,444	59.9	38.4
N/A	3	10.3	888	13.4	124	4.3	30,712	5.2	0.0
Total	29	100.0	6,633	100.0	2,856	100.0	588,386	100.0	100.0
2007									
Borrower	Bank				Aggregate				Family Demographics
Income Level	#	%	\$000	%	#	%	\$000	%	%
Low	2	7.4	230	3.4	77	3.4	5,501	1.1	16.7
Moderate	1	3.7	120	1.8	370	16.5	51,540	10.4	18.7
Middle	5	18.5	705	10.5	649	29.0	119,456	24.2	26.3
Upper	14	51.9	4,044	60.0	1,045	46.7	290,216	58.8	38.4
N/A	5	18.5	1,643	24.4	96	4.3	26,584	5.4	0.0
Total	27	100.0	6,742	100.0	2,237	100.0	493,297	100.0	100.0
2008									
Borrower	Bank				Aggregate				Family Demographics
Income Level	#	%	\$000	%	#	%	\$000	%	%
Low	0	0.0	0	0.0	78	5.9	7,491	2.5	16.7
Moderate	1	7.7	140	4.8	235	17.9	34,497	11.6	18.7
Middle	1	7.7	325	11.1	372	28.3	72,999	24.6	26.3
Upper	7	53.8	1,576	54.0	594	45.2	174,113	58.6	38.4
N/A	4	30.8	875	30.0	35	2.7	7,769	2.6	0.0
Total	13	100.0	2,916	100.0	1,314	100.0	296,869	100.0	100.0

Small Business Loans: "Outstanding"

The bank's small business lending distribution based on borrower characteristics reflected excellent penetration among businesses of different sizes. Although the numbers analyzed are still small, BOM's lending penetration ratios to businesses with GAR of \leq \$ 1MM are consistently significantly above both the aggregate's penetration ratio and comparable to the demographics of businesses in the assessment area.

During the evaluation period, BOM outperformed the aggregate at rates that were 114% to 160% higher than the aggregate's. In 2006, BOM extended 70.4%, by number, of its small business loans to businesses with gross annual revenue of \$1 million or less. This level of performance continued in 2007 and 2008 during which 71.4% and 68.2%, respectively, of the bank's small business loans were extended to similar-sized businesses. In comparison, during the evaluation period, only 26.2% to 33.3% of the aggregate's small business loans were extended to businesses with this revenue size. Additionally, BOM's performance during the evaluation period was consistent with the demographics of the assessment area where roughly 67-68% of all non-farm businesses have GAR of < = \$ 1MM.

The following chart provides a summary of the bank's small business lending distribution based on borrower revenues during the evaluation period:

Distribution of Small Business Loans by Business Revenue Size									
2006									
Revenue	Bank				Aggregate				Business Demographics
Size	#	%	\$000	%	#	%	\$000	%	%
\$1million or less	19	70.4	2,399	79.7	1,205	31.8	29,289	41.9	68.0
Over \$1 million	6	22.2	264	8.8	-	-	-	-	3.8
No Revenue Info	2	7.4	348	11.6	-	-	-	-	28.2
Total	27	100.0	3,011	100.0	3,795	100.0	69,961	100.0	100.0
2007									
Revenue	Bank				Aggregate				Business Demographics
Size	#	%	\$000	%	#	%	\$000	%	%
\$1million or less	25	71.4	3,878	62.5	1,269	33.3	30,007	44.8	68.2
Over \$1 million	7	20.0	1,161	18.7	-	-	-	-	3.9
No Revenue Info	3	8.6	1,163	18.8	-	-	-	-	27.9
Total	35	100.0	6,202	100.0	3,812	100.0	67,036	100.0	100.0
2008									
Revenue	Bank				Aggregate				Business Demographics
Size	#	%	\$000	%	#	%	\$000	%	%
\$1million or less	15	68.2	2,400	84.2	750	26.2	12,352	26.6	66.7
Over \$1 million	2	9.1	69	2.4	-	-	-	-	3.6
No Revenue Info	5	22.7	381	13.4	-	-	-	-	29.7
Total	22	100.0	2,850	100.0	2,864	100.0	46,461	100.0	100.0

Consumer Loans: "Satisfactory"

The distribution of the bank's consumer loans based on borrower characteristics reflected reasonable penetration among borrowers of different income levels. Again, the chart below extrapolates results from an analysis of a loan sample of 115 loans. Based on this sample, over the three years, BOM originated 42% of its consumer loans to LMI borrowers, comparable to the household demographics of the assessment area (38.4% LMI). Aggregate data for consumer loans are not available.

The following chart provides a summary of the bank's consumer lending distribution based on borrower income during the evaluation period:

Distribution of Consumer Loans by Borrower Income Level					
2006					
Borrower Income Level	Bank				Household
	#	%	\$000	%	Demographics
Low	46	27.3	305	11.7	20.7
Moderate	30	18.2	373	14.3	17.7
Middle	15	9.1	112	4.3	20.5
Upper	25	15.2	896	34.4	41.1
N/A	51	30.3	920	35.3	0.0
Total	167	100.0	2,606	100.0	100.0
2007					
Borrower Income Level	Bank				Household
	#	%	\$000	%	Demographics
Low	40	19.0	395	12.1	20.7
Moderate	54	26.2	926	28.4	17.7
Middle	15	7.1	293	9.0	20.5
Upper	54	26.2	1,080	33.1	41.1
N/A	45	21.4	568	17.4	0.0
Total	208	100.0	3,262	100.0	100.0
2008					
Borrower Income Level	Bank				Household
	#	%	\$000	%	Demographics
Low	61	30.0	393	13.4	20.7
Moderate	10	5.0	91	3.1	17.7
Middle	51	25.0	826	28.2	20.5
Upper	15	7.5	554	18.9	41.1
N/A	66	32.5	1,066	36.4	0.0
Total	203	100.0	2,930	99.9	100.0

*Loan analysis was performed on a sample of 33 loans in 2006, 42 loans in 2007, and 40 loans in 2008 that were originated in the assessment area. Number and dollar volume of loans were then extrapolated from the resulting percentages and are not actual results.

- **Action Taken In Response to Written Complaints With Respect to CRA: "Satisfactory"**

Since the latest CRA evaluation as of December 31, 2005, neither BOM nor the New York State Banking Department has received any written complaints regarding the bank's CRA performance.

- **Additional Factors:**

The extent of participation by the banking institution's board of directors/trustees in

formulating the banking institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act

The bank's board of directors reviewed and approved changes to the bank's CRA Statement.

Any practices intended to discourage applications for types of credit set forth in the banking institution's CRA Public File.

Examiners noted no practices that were intended to discourage applications for the types of credit offered by the institution.

Evidence of prohibited discriminatory or other illegal credit practices

The most recent regulatory compliance and fair lending examinations conducted concurrently with this evaluation indicate satisfactory adherence to anti-discrimination and other applicable laws and regulations. No evidence of prohibited discriminatory or other illegal credit practices was noted.

The Banking institution's record of opening and closing offices and providing services at offices

BOM has two full service offices, including its main office in the town of Millbrook and a branch in Amenia. In addition to its regular banking hours, BOM provides extended hours of service including half-day business hours on Saturdays. Supplementing the banking offices is an automated teller machine ("ATM") network consisting of two ATM's at the main office and one at the Amenia branch. Additionally, BOM operates two offsite ATM's that only dispense cash.

BOM has not opened or closed any offices during the evaluation period.

Process Factors

- Activities conducted by the banking institution to ascertain the credit needs of its community, including the extent of the banking institution's efforts to communicate with members of its community regarding the credit services being provided by the banking institution

BOM ascertains the credit needs of its community through the participation of its officers and directors in local business and civic organizations such as the Town of Washington Business Association, the Millbrook Rotary Club and Lions Club, and the Dutchess County Agricultural Society.

- The extent of the banking institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the banking institution

BOM makes members of the community aware of the credit services it offers by advertising in the local newspaper.

Other factors that in the judgment of the Superintendent and Banking Board bear upon the extent to which a banking institution is helping to meet the credit needs of its entire community.

None.

GLOSSARY

Aggregate Penetration Rate

The number of loans originated and purchased by all reporting lenders in specified categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the assessment area.

Community Development

The term “community development” is defined to mean:

1. Affordable housing (including multifamily housing) for low- or moderate-income (“LMI”) individuals;
2. Community services targeted to LMI individuals;
3. Activities that promote economic development by financing business or farms that meet the size eligibility standards of the United States Small Business Administration (“SBA”) Development Company or Small Business Investment Company programs, or have gross annual incomes of \$1 million or less;
4. Activities that revitalize or stabilize LMI geographies; and
5. Activities that seek to prevent defaults and/or foreclosures in loans included in (1) and (3) above.

A “community development loan” is defined as a loan that has as its *primary purpose* community development. This includes but is not limited to loans to:

- Borrowers for affordable housing rehabilitation and construction, including construction and permanent financing for multifamily rental property serving low or moderate income (“LMI”) persons;
- Nonprofit organizations serving primarily LMI or other community development needs;
- Borrowers to construct or rehabilitate community facilities that are located in LMI areas or that primarily serve LMI individuals;
- Financial intermediaries including community development financial institutions, community development corporations, minority- and women-owned financial institutions, community loan funds or pools, micro-finance institutions, and low-income or community development credit unions that primarily lend or facilitate lending to promote community development;
- Local, state and tribal governments for community development activities; and
- Borrowers to finance environmental clean up or redevelopment of an industrial site as part of an effort to revitalize the LMI community in which the property is located.

A “qualified investment” is defined as a lawful investment, deposit, membership share or grant that has as its *primary purpose* community development. This includes but is not limited to investments, deposits, membership shares or grants in or to:

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- Financial intermediaries (including community development financial institutions, community development corporations, minority- and women-owned financial institutions, community loan funds, micro-finance institutions and low-income or community development credit unions) that primarily lend or facilitate lending in LMI areas or to LMI individuals in order to promote community development;
 - Organizations engaged in affordable housing rehabilitation and construction;
 - Organizations, including, for example, small business investment corporations that promote economic development by financing small businesses;
 - Facilities that promote community development in LMI areas or LMI individuals, such as youth programs, homeless centers, soup kitchens, health care facilities, battered women's centers, and alcohol and drug recovery centers;
 - Projects eligible for low-income housing tax credits;
 - State and municipal obligations, such as revenue bonds that specifically support affordable housing or other community development needs;
 - Organizations serving LMI housing or other community development needs, such as counseling for credit, home ownership, home maintenance, and other financial services education; and
 - Organizations supporting activities essential to the capacity of LMI individuals or geographies to utilize credit to sustain economic development, such as day care operations and job training programs that facilitate access to permanent jobs.

A "community development service" is defined as a service that has as its *primary purpose* community development, is related to the provision of financial services, and has not been considered in the evaluation of the banking institution's retail banking services. This includes but is not limited to:

- Providing technical assistance on financial matters to nonprofit, tribal or government organizations serving LMI housing or economic revitalization and development needs;
- Providing technical assistance on financial matters to small businesses or community development organizations;
- Lending employees to provide financial services for organizations facilitating affordable housing construction and rehabilitation or development of affordable housing;
- Providing credit counseling, home buyers and home maintenance counseling, financial planning or other financial services education to promote community development and affordable housing;
- Establishing school savings programs for LMI individuals;
- Providing seminars for LMI persons on banking and bank account record-keeping;
- Making ATM "Training Machines" available for extended periods at LMI community sites or at community facilities that serve LMI individuals; and
- Technical assistance activities to community development organizations such as:
 - ❖ Serving on a loan review committee;
 - ❖ Developing loan application and underwriting standards;
 - ❖ Developing loan processing systems;

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- ❖ Developing secondary market vehicles or programs;
 - ❖ Assisting in marketing financial services, including the development of advertising and promotions, publications, workshops and conferences;
 - ❖ Furnishing financial services training for staff and management;
 - ❖ Contributing accounting/bookkeeping services; and
 - ❖ Assisting in fund raising, including soliciting or arranging investments.

Home Mortgage Disclosure Act (“HMDA”)

The Home Mortgage Disclosure Act, enacted by Congress in 1975, and subsequently amended, requires institutions to annually report data about applications for residential (including multifamily) financing.

Income Level

The income level of the person, family or household is based on the income of person, family or household. A geography’s income is categorized by median family income for the geography. In both cases, the income is compared to the MSA or statewide nonmetropolitan median income.

Income level of individual or geography	% of the area median income
Low-income	Less than 50
Moderate-income	At least 50 and less than 80
Middle-income	At least 80 and less than 120
Upper-income	120 or more

Loans to Small Businesses

Small business loans to businesses with gross annual revenues (“GAR”) of \$1 million or less (“< = \$ 1MM”).

Low or Moderate Income (“LMI”) Geographies

Those census tracts or block numbering areas (“BNAs”), where according to the 2000 US Census, the median family income is less than 80% of the area median family income. In the case of tracted areas that are part of a Metropolitan Statistical Area (“MSA”) or Primary Metropolitan Statistical Area (“PMSA”), this would relate to the median family income for the MSA or PMSA in which the tracts are located. In the case of BNAs and tracted areas that are not part of a MSA or PMSA, the area median family income would be the statewide non-metropolitan median family income.

LMI Borrowers

Borrowers whose income, as reported on the loan application which the lender relied upon in making the credit decision, is less than 80% of the area median family income. In the case where the residential property is located in a MSA or PMSA, this would

relate to the median family income for that MSA or PMSA. Otherwise, the area median family income would be the statewide non-metropolitan median family income. In all instances, the area median family incomes used to measure borrower income levels are updated annually by the U.S. Department of Housing and Urban Development (“HUD”).

LMI Individuals/Persons

Individuals or persons whose income is less than 80% of the area median family income. In the case where the individual resides in a MSA or PMSA, this would relate to the median family income for that MSA or PMSA. Otherwise, the area median family income would be the statewide non-metropolitan median family income. In all instances, the area median family incomes used to measure individual income levels are updated annually by HUD.

LMI Penetration Rate

A number that depicts the percentage of a bank’s total loans (for a particular product) that was extended to LMI geographies or borrowers. For example, an LMI penetration rate of 20% would indicate that the bank made 20 out of a total of 100 loans in LMI geographies or to LMI borrowers.

Small Business Loans

Loans to businesses with original amounts of \leq \$1MM.