



**NEW YORK STATE
DEPARTMENT OF FINANCIAL SERVICES
FINANCIAL FRAUD AND CONSUMER PROTECTION DIVISION**

One State Street
New York, NY 10004

PUBLIC SUMMARY

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Date of Evaluation: December 31, 2010

Institution: ORANGE COUNTY TRUST COMPANY
212 DOLSON AVENUE
MIDDLETOWN, NY 10940

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 Department of Financial Services concerning the safety and soundness of this financial institution.

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GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (“CRA”) performance of Orange County Trust Company (“OCTC”) prepared by the New York State Department of Financial Services (“DFS” or the “Department”).¹ The evaluation represents the Department’s current assessment and rating of the institution’s CRA performance based on an evaluation conducted as of December 31, 2010.

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 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 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 banking institutions are primarily based on a review of performance tests and standards described in Section 76.7 and detailed in Sections 76.8 through 76.13. 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.

¹ Effective October 3, 2011, New York State Banking Department has merged with Insurance Department and has become New York State Department of Financial Services. All references made in the report in the name of New York State Banking Department imply New York State Department of Financial Services.

OVERVIEW OF INSTITUTION'S PERFORMANCE

OCTC's performance was evaluated according to the intermediate small bank performance criteria. The assessment period included calendar years 2009 and 2010 for the Lending Test, and calendar years 2009, 2010 and 2011 for the Community Development Test.

OCTC is rated "2" indicating a "**Satisfactory**" record of helping to meet community credit needs. OCTC was rated "Outstanding" during the prior evaluation period.

This rating is based on the following factors:

I. Lending Test – "Satisfactory"

OCTC's overall lending performance continued to demonstrate a reasonable rate of lending despite decreases in most lending categories. The number and dollar amount of OCTC's small business loans and lending to businesses with gross annual revenues of \$1 million or less decreased compared to the past assessment period. Rates of lending to LMI borrowers and census tracts also decreased. However, OCTC was responsive to community credit needs in the light of economic conditions affecting some of its loan products.

- **Loan-to-Deposit ("LTD") Ratio and Other Lending-Related Activities: "Satisfactory"**

OCTC's average LTD ratio was reasonable considering its size, business strategy, financial condition, aggregate and peer group activity, as well as economic conditions that affected some of its loan products.

The bank's average LTD ratio for the eight quarters during the evaluation period was 73.3%, compared to the peer's average of 82.5% and showed a slight decrease from 80.3% in the prior evaluation period. The decline in lending activity was attributable to low loan demand, particularly in the commercial loan market. Small business lending and HMDA lending within the assessment area decreased 26.2% by dollar amount between evaluation periods.

- **Assessment Area Concentration: "Outstanding"**

OCTC originated 94.9% by number and 94.7% by dollar value of its HMDA-reportable and small business loans within the assessment area. This substantial majority of lending inside of its assessment area is considered excellent.

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

The distribution of loans based on borrower characteristics demonstrated a reasonable penetration rate of lending among individuals of different income levels and businesses of different revenue size. Greater weight was given to small

business lending, where the penetration rate of lending to small businesses with gross annual revenue of \$1 million or less outperformed aggregate levels for both 2009 and 2010, in number of loans and dollar value.

OCTC's HMDA reportable lending showed a less than adequate penetration rate of lending to LMI borrowers. OCTC underperformed its peers in lending to both low-income borrowers and moderate-income borrowers. While market aggregate levels improved between the evaluation periods by loan count and dollar value, OCTC's penetration ratio decreased in loan number.

- **Geographic Distribution of Loans: "Satisfactory"**

The geographic distribution of small business and HMDA reportable loans demonstrated a reasonable dispersion among census tracts of different income levels.

The distribution of small business loans demonstrated a reasonable penetration rate of lending. The distribution of HMDA-reportable loans however, demonstrated a marginally reasonable rate of lending among census tracts with different income levels. While OCTC's lending in moderate-income census tracts demonstrated an adequate rate of lending, lending in low-income census tract was inadequate.

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

Since the latest CRA evaluation as of December 31, 2008, neither OCTC nor the New York State Department of Financial Services has received any written complaints regarding OCTC's CRA performance.

II. Community Development Test: "Outstanding"

OCTC's community development performance demonstrated excellent responsiveness to the community development needs of its assessment area considering OCTC's capacity, the need and availability of such opportunities for community development in its assessment area. Community development loans, investments and services were evaluated.

- **Community Development Loans:**

During the evaluation period, OCTC originated \$18.4 million in new community development loans and commitments, and had \$1.8 million outstanding from the prior evaluation period.

- **Community Development Investments:**

During the evaluation period, OCTC made \$1.9 million in new community development investments and \$146,932 in community development grants.

- Community Development Services:

OCTC demonstrated a highly satisfactory level of community development services over the course of the evaluation period. Executive officers, including loan and trust officers and branch managers, provided their financial expertise and leadership through membership in board and board committees in various non profit and community based organizations. They also participated in fund raising events and performed as resource presenters in financial education seminars.

- Innovative or Complex Practices

OCTC has a high level of innovative or complex community development practices including participation in multi-million dollar loans to affordable housing projects, low cost loan and deposit products for small businesses and not-for-profit organizations.

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 Profile:

Chartered in 1892, OCTC is a full service commercial bank headquartered in Middletown, New York. It has a total of eight branches in Orange County. Three branches were opened during the evaluation period. One additional branch was opened in Fishkill, Dutchess County in April 2011. OCTC engages in full service commercial, consumer and trust banking operations.

As per the Consolidated Report of Condition ("Call Report") as of December 31, 2010, filed with the Federal Deposit Insurance Corporation ("FDIC"), OCTC reported total assets of \$566 million, of which \$277 million were net loans and lease finance receivables. It also reported total deposits of \$385 million, resulting in a loan-to-deposit ratio of 71.9%. According to the latest available comparative deposit data as of June 30, 2011, OCTC obtained a market share of 35.14%, or \$432.7 million out of \$5.5 billion deposits inside its market, ranking it 5th among 21 deposit-taking institutions in Orange County.

The following is a summary of OCTC's loan portfolio, based on Schedule RC-C of OCTC's December 31, 2009 and December 31, 2010's Call Reports:

Loan Type	2009		2010	
	\$000's	%	\$000's	%
1-4 Family Residential Mortgage Loans	76,226	28.0	75,047	26.7
Commercial & Industrial Loans	63,943	23.5	62,559	22.2
Commercial Mortgage Loans	107,057	39.3	113,655	40.4
Multifamily Mortgages	5,502	2.0	6,921	2.5
Consumer Loans	714	0.3	655	0.2
Construction Loans				
1-4 family residential	927	0.3	1,007	0.4
Other construction loans	17,225	6.3	19,730	7.0
Other Loans	814	0.3	1,965	0.7
Lease financing	0	0.0		0.0
Total Gross Loans	272,408	100.0	281,539	100.0

As illustrated in the above chart, OCTC is primarily engaged in commercial lending with 62.6% of its loan portfolio in commercial mortgages, and commercial and industrial loans. Residential mortgage lending accounted for 26.7% of its loan portfolio.

OCTC operates eight banking offices located in Orange County, with seven branches located in middle income census tracts and one in a moderate-income

census tract. All branches, with the exception of one branch in the moderate-income census tract, have automated teller machines (ATMs).

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

Assessment Area:

OCTC's assessment area is comprised of Orange County in its entirety and one contiguous census tract in Sullivan County.

There are 68 census tracts in the area, of which 5 are low-income, 14 are moderate-income, 35 are middle-income, and 14 are upper-income.

The following table summarizes the distribution of census tracts across OCTC's assessment area by county and tract income level.

Assessment Area Census Tracts by Income Level							
County	N/A	Low	Mod	Middle	Upper	Total	LMI %
Orange		5	14	35	13	67	28.4
Sullivan *		0	0	0	1	1	0.0
Total	0	5	14	35	14	68	27.9

**Partial county*

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

Demographic & Economic Data

Population and Income Characteristics

The assessment area had a population of 348,339 based on the 2000 US Census Survey. Approximately 10.3% of the population were over the age of 65 and 26.0% were under the age of 16.

Of the 86,887 families in the assessment area, 7.4% were low-income, 20.6% were moderate-income, 51.5% were middle-income and 20.6% were upper-income families. There were 117,370 households in the assessment area, of which 9.2% had income below the poverty level and 3.1% were on public assistance.

The MSA median family income was \$61,359. The U.S. Department of Housing and Urban Development ("HUD") estimated the median family income for the MSA to be \$82,987 in 2010.

Housing Characteristics

There were 125,646 housing units within the assessment area, of which 88.1% were one- to four-family units, and 11.9% were multifamily units. A majority (62.8%) of the area's housing units were owner-occupied, while 32.6% were rental units. Of the 78,944 owner-occupied housing units, 12.7% were in LMI census tracts while 87.3% were in middle- and upper-income census tracts. Approximately 7% of the total housing units are located in low-income census tracts and 16% in moderate-income census tracts, or a total of 23% of housing units in LMI census tracts. The median value of the housing stock in low-income census tracts was \$111,629 and \$95,615 in moderate-income census tracts, while the median age of the housing stock was 45 years.

Business Demographics

There were 25,128 non-farm businesses in the assessment area. Of these, 78.6% were businesses with reported revenues of less than or equal to \$1 million, 3.9% reported revenues of more than \$1 million and 17.6% did not report their revenues. Of all the businesses in the assessment area, 88.5% were businesses with less than fifty employees while 91.0% operated from a single location. The largest industries were in Services (46.7%), followed by Retail Trade (15.4%) and Construction (10.3%), while 5.2% of businesses in the assessment area were not classified.

Unemployment rates

According to the Bureau of Labor Statistics and the New York State Department of Labor, the average annual unemployment rate for New York State was lower than the national rate but showed the same trends as the national average. The state unemployment rate rose from 8.4% in 2009 to 8.6% in 2010, and improved to 8% in 2011.

The following table summarizes the 2009, 2010 and 2011 average employment rates for the two counties in OCTC's assessment area.

	National	New York State	Orange County	Sullivan County*
2009	9.3	8.40%	8.00%	8.90%
2010	9.6	8.60%	8.30%	9.20%
2011	9	8.00%	7.70%	8.90%

*Partial County

Orange County has lower unemployment rates from 2009 through 2011 compared to state averages.

Community Information

Officers of non-profit organizations headquartered and/or providing community services to Orange County residents were interviewed during this evaluation to gain more insight to the credit needs in OCTC's assessment area. Community contacts included a certified community development financial institution ("CDFI") engaged in financing affordable housing projects and a not-for-profit organization ("NPO") involved in providing multiple community services to low-income residents of Orange County. Other NPOs that provided input for the community information section included an agency that serves the homeless and those in crisis due to alcohol and drug abuse and a NPO that help minorities and low-income families start their own businesses.

Community contacts noted the following credit needs: affordable housing projects for low-income residents and the need for financial institutions to provide banking products and services catered to low-income individuals and minority groups. Community contacts noted that products like small business loans and low-fee checking accounts would promote local economic development.

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

OCTC was evaluated under the intermediate small banking institution's performance standards in accordance with Parts 76.7 and 76.12 of the General Regulations of the Banking Board. OCTC's performance was evaluated according to the intermediate small bank performance criteria, which consists of the lending test and the community development test. The lending test includes

1. Loan-to-deposit ratio and other lending-related activities;
2. Assessment area concentration;
3. Distribution by borrower characteristics;
4. Geographic distribution of loans; and
5. Action taken in response to written complaints regarding CRA

The community development test includes:

- Community development lending;
- Community development investments;
- Community development services;
- Innovative or complex practices; and
- Responsiveness to community development needs

The following factors were also considered in assessing the bank's record of performance:

1. Extent of participation by the board of directors or board of trustees in formulating CRA policies and reviewing CRA performance;
2. Any practices intended to discourage credit applications;
3. Evidence of prohibited discriminatory or other illegal credit practices;
4. Record of opening and closing offices and providing services at offices; and
5. 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.

Statistics employed in this evaluation were derived from various sources. Bank-specific information was submitted by the bank both as part of the examination process and on its Call Report submitted to the FDIC. Aggregate lending data was obtained from the Federal Financial Institutions Examination Council ("FFIEC") and deposit data was obtained from the FDIC. Loan-to-deposit ratios were calculated from information shown in the bank's Uniform Bank Performance Report ("UBPR") as submitted to the FDIC.

The demographic data referred to in this report was derived from the 2000 U.S. Census and HUD. Business demographic data used in this report provide information on US businesses, enhanced by Dun & Bradstreet reports and updated annually.

Unemployment data was obtained from the New York State Department of Labor. Some non-specific bank data is only available on a county-wide basis, and were used even where the institution's assessment area includes partial counties.

The assessment period included calendar years 2009 and 2010 for the lending test while community development test included calendar years 2009, 2010, and 2011.

Examiners considered OCTC's small business and HMDA-reportable loans in evaluating factors (2), (3) and (4) of the lending test as noted above. HMDA-reportable and small business loan data evaluated represented actual originations. Small business/small farm loan aggregate data are shown for comparative purposes. OCTC is not required to report this data and as such, OCTC is not included in the aggregate data. As OCTC did not make any farm loans, all analyses was based on small business lending only.

Since small business lending was a more significant item in the loan portfolio, greater weight was given to small business lending in this evaluation.

OCTC received a rating of "1", reflecting an "Outstanding" record of helping to meet community credit needs at its **prior** Performance Evaluation conducted by the New York State Department of Financial Services (formerly New York State Banking Department) as of December 31, 2008.

Current CRA Rating: "Satisfactory"

Lending Test: "Satisfactory"

OCTC's overall lending performance demonstrated a reasonable rate of lending. Further, OCTC was responsive to community credit needs in the light of economic conditions affecting some of its loan products.

Neither OCTC nor DFS has received any written complaints regarding CRA during the assessment period.

OCTC's lending performance based on the factors considered in the lending test is rated "Satisfactory". Details of the factors considered in the "Lending Test" are as follows:

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

OCTC's average LTD ratio was reasonable considering its size, business strategy, financial condition, aggregate and peer group activity, as well as economic conditions that affected some of its loan products.

OCTC's average LTD ratio for the eight quarters during the evaluation period was 73.3%, compared to the peer group's average of 82.5%, and slightly decreased from the prior evaluation's level of 80.3%. The decline in lending activity was attributable to low loan demand, particularly in the commercial loan market. Small business lending and HMDA lending within the assessment area decreased 26.2% by dollar amount in between evaluation periods, however, aggregate level for the same period decreased by 45.3%.

The chart below shows OCTC's LTD ratios in comparison with the peer group's ratios for the eight quarters since the prior evaluation.

Loan-to-Deposit Ratios									
	2009 Q1	2009 Q2	2009 Q3	2009 Q4	2010 Q1	2010 Q2	2010 Q3	2010 Q4	Avg.
Bank	75.8	74.3	75.4	78.1	70.5	69.8	70.6	72.0	73.3
Peer	86.8	86.0	84.8	82.6	80.9	80.4	79.7	78.9	82.5

Assessment Area Concentration: "Outstanding"

OCTC originated 94.9% by number and 94.7% by dollar value of its HMDA-reportable and small business loans within the assessment area. This substantial majority of lending inside of its assessment area is considered to be excellent.

Small Business Loans:

During the evaluation period, OCTC originated 96.8% by number, and 96.6% by dollar value of its small business loans, representing a substantial majority of lending inside its assessment area.

HMDA-Reportable Loans:

During the evaluation period, OCTC originated 89.7%% by number, and 88.3% by dollar value of its HMDA-reportable loans within the assessment area.

The table below shows the percentages of OCTC's small business and HMDA-reportable loans originated inside and outside of 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-Reportable										
2009	59	92.2%	5	7.8%	64	10,795	92.2%	910	7.8%	11,705
2010	28	84.8%	5	15.2%	33	5,531	81.6%	1,246	18.4%	6,777
Subtotal	87	89.7%	10	10.3%	97	16,326	88.3%	2,156	11.7%	18,482
Small Business										
2009	125	97.7%	3	2.3%	128	34,511	97.0%	1,075	3.0%	35,586
2010	120	96.0%	5	4.0%	125	26,125	96.0%	1,080	4.0%	27,205
Subtotal	245	96.8%	8	3.2%	253	60,636	96.6%	2,155	3.4%	62,791
Grand Total	332	94.9%	18	5.1%	350	76,962	94.7%	4,311	5.3%	81,273

Distribution by Borrower Characteristics: "Satisfactory"

The distribution of loans based on borrower characteristics demonstrated a reasonable penetration rate of lending among individuals of different income levels and businesses of different revenue size. Greater weight was given to small business lending.

OCTC's lending to small businesses with gross annual revenue of \$1 million or less outperformed aggregate levels for 2009 and 2010 both in number of loans and by dollar volume. HMDA lending showed a slight decreasing trend in terms of number of loans, and underperformed the aggregate in number of loans and in dollar volume in lending to LMI individuals.

Small Business Loans:

The distribution of small business loans based on the revenue size of the business demonstrated a reasonable rate of lending among individuals of different income levels and businesses of different revenue sizes.

For both 2009 and 2010, OCTC's rate of lending to businesses with gross annual revenues of \$1 million or less was better than the aggregate's penetration ratios. OCTC's rate of lending to businesses with gross annual revenue of \$1 million or less was 54.3% by number and 45.8% by dollar value. This lending outperformed the aggregate levels of 23.4% and 34.4% respectively.

The chart below provides a summary of OCTC's small business lending distribution based on revenue size during the evaluation period:

Distribution of Small Business Lending by Revenue Size of Business									
2009									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	70	56.0%	17,142	49.7%	1,236	22.8%	47,796	36.3%	76.7%
Rev. > \$1MM	49	39.2%	17,235	49.9%					3.9%
Rev. Unknown	6	4.8%	134	0.4%					19.4%
Total	125	100.0%	34,511	100.0%	5,412		131,563		
2010									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	63	52.5%	10,616	40.6%	1,112	24.1%	39,015	32.4%	78.6%
Rev. > \$1MM	52	43.3%	15,213	58.2%					3.9%
Rev. Unknown	5	4.2%	296	1.1%					17.6%
Total	120	100.0%	26,125	100.0%	4,617		120,583		
GRAND TOTAL									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	133	54.3%	27,758	45.8%		23.4%		34.4%	
Rev. > \$1MM	101	41.2%	32,448	53.5%					
Rev. Unknown	11	4.5%	430	0.7%					
Total	245		60,636						

HMDA-Reportable Loans:

OCTC's HMDA-reportable lending showed a less than adequate penetration rate of lending among borrowers of different income levels.

In 2009, OCTC extended a total of 5.3% by number and 2.9% by dollar value to low-income borrowers compared to 5.5% and 3.3% of the market aggregate levels. In 2010, OCTC did not make any loans to low-income borrowers. Overall, OCTC underperformed its peers in lending to low-income borrowers as compared to market level of 5.1% by number and 3% by dollar value.

Similarly, for moderate-income borrowers, OCTC underperformed the aggregate both by number (10.5% vs. 19.2%) and by dollar value (6.1% vs. 14.3%) in 2009. In 2010, OCTC made only one loan to a moderate-income borrower, as compared to the aggregate level of 18.8% and 13.7%, respectively.

During the two-year evaluation period, OCTC extended a total of 11.9% by number and 6.3% by dollar value to LMI borrowers, compared to prior evaluation's level of 16.7% and 6.4% respectively. Market aggregate levels for the current evaluation period were reported at 23.4% by loan count and 34.4% by dollar volume, increasing from prior period's levels of 21.6% by loan count and 14.8% by dollar volume, respectively.

The following chart provides a summary of the HMDA-reportable lending distribution based on borrower income.¹

Distribution of 1-4 Family Lending by Borrower Income									
2009									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	3	5.3%	256	2.9%	356	5.5%	45,751	3.3%	20.5%
Moderate	6	10.5%	550	6.1%	1,245	19.2%	197,180	14.3%	18.1%
LMI	9	15.8%	806	9.0%	1,601	24.7%	242,931	17.6%	38.6%
Middle	6	10.5%	858	9.6%	1,968	30.4%	405,634	29.4%	24.0%
Upper	29	50.9%	6,167	68.9%	2,555	39.5%	646,791	46.8%	37.4%
Unknown	13	22.8%	1,126	12.6%	347	5.4%	86,401	6.3%	0.0%
Total	57		8,957		6,471		1,381,757		
2010									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	249	4.7%	28,815	2.5%	20.5%
Moderate	1	3.7%	95	1.8%	1,005	18.8%	155,938	13.7%	18.1%
LMI	1	3.7%	95	1.8%	1,254	23.5%	184,753	16.3%	38.6%
Middle	4	14.8%	504	9.5%	1,653	30.9%	338,217	29.8%	24.0%
Upper	10	37.0%	3,168	59.9%	2,310	43.2%	585,851	51.6%	37.4%
Unknown	12	44.4%	1,524	28.8%	126	2.4%	27,212	2.4%	0.0%
Total	27		5,291		5,343		1,136,033		
GRAND TOTAL									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	3	3.6%	256	1.8%		5.1%		3.0%	
Moderate	7	8.3%	645	4.5%		19.0%		14.0%	
LMI	10	11.9%	901	6.3%	2,855	24.2%	427,684	17.0%	
Middle	10	11.9%	1,362	9.6%		30.7%		29.5%	
Upper	39	46.4%	9,335	65.5%		41.2%		49.0%	
Unknown	25	29.8%	2,650	18.6%		4.0%		4.5%	
Total	84		14,248						

Geographic Distribution of Loans: "Satisfactory"

The geographic distribution of small business and HMDA reportable loans demonstrated a reasonable dispersion among census tracts of different income levels.

In its small business lending, the rate of lending to LMI census tracts remained almost unchanged from the prior evaluation. In HMDA reportable loans, OCTC's lending to LMI census tracts outperformed the aggregate loan data by both loan number and dollar volume. Additionally, OCTC's penetration rates in 2009 and 2010 compared favorably to

¹ Included in HMDA reportable loans are commercial mortgages that are by reason of collateral are HMDA reportable and no borrower's income reporting requirement.

the 12.7% of owner-occupied units in the assessment area that are located in LMI census tracts.

Small Business Loans:

The distribution of small business loans based on the income level of the geography of the business demonstrated a reasonable penetration rate of lending.

In 2009, rate of lending to low-income census tracts of 0.8% by number and 0.1% by dollar value underperformed the market aggregate levels by 7.5% and 7%, respectively, while OCTC did not make any small business loan to a low-income tract in 2010. Combined totals for both calendar years showed OCTC underperforming the market aggregate levels by 8.1% by number and 6.8% by dollar value, as well as the business demographics for both years.

On the other hand, in moderate-income tracts, OCTC's rate of lending outperformed market aggregate levels in both years by number of loans and dollar value. In 2009, OCTC originated 27.2% by number and 30.5% by dollar value compared to aggregate levels of 8.9% and 13.9%, respectively. In 2010, OCTC's rate of lending outperformed aggregate levels by 10.1% and 3.7%, respectively; comparing favorably with business demographics for both years.

Overall lending to LMI census tracts in 2009 was 28.0% by number and 30.6% by dollar value, outperforming the aggregate lending level of 17.2% and 21.0%, respectively. In 2010, OCTC extended 20.0% of its small business loans by number and 14.8% in dollars, to the LMI census tracts. These two ratios compared favorably to the aggregate demographics of 18.5% by number of loans and 17.8% by dollar value, respectively. On a two-year average, OCTC outperformed the aggregate by both the loan count and dollar value.

The following chart provides a summary of OCTC's small business lending distribution based on the income level of the geography.

Distribution of Small Business Lending by Geographic Income of the Census Tract									
2009									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	1	0.8%	50	0.1%	449	8.3%	9,303	7.1%	7.7%
Moderate	34	27.2%	10,512	30.5%	481	8.9%	18,277	13.9%	14.9%
LMI	35	28.0%	10,562	30.6%	930	17.2%	27,580	21.0%	22.6%
Middle	73	58.4%	19,422	56.3%	2,983	55.1%	73,614	56.0%	56.9%
Upper	17	13.6%	4,527	13.1%	1,499	27.7%	30,369	23.1%	20.5%
Unknown		0.0%		0.0%		0.0%		0.0%	0.0%
Total	125	100.0%	34,511	100.0%	5,412	100.0%	131,563	100.0%	100.0%
2010									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	399	8.6%	8,129	6.7%	7.9%
Moderate	24	20.0%	3,866	14.8%	455	9.9%	13,341	11.1%	14.3%
LMI	24	20.0%	3,866	14.8%	854	18.5%	21,470	17.8%	22.2%
Middle	77	64.2%	19,074	73.0%	2,497	54.1%	66,833	55.4%	57.2%
Upper	19	15.8%	3,185	12.2%	1,266	27.4%	32,280	26.8%	20.6%
Unknown		0.0%	0	0.0%	0	0.0%		0.0%	
Total	120	100.0%	26,125	100.0%	4,617	100.0%	120,583	100.0%	100.0%
GRAND TOTAL									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	1	0.4%	50	0.1%		8.5%		6.9%	
Moderate	58	23.7%	14,378	23.7%		9.3%		12.5%	
LMI	59	24.1%	14,428	23.8%	1,784	17.8%	49,050	19.5%	
Middle	150	61.2%	38,496	63.5%		54.6%		55.7%	
Upper	36	14.7%	7,712	12.7%		27.6%		24.8%	
Unknown	-	0.0%	-	0.0%		0.0%		0.0%	
Total	245	100.0%	60,636	100.0%		100.0%		100.0%	

HMDA-Reportable Loans:

The distribution of HMDA-reportable loans based on the income level of the geography demonstrated a marginally reasonable rate of lending among census tracts with different income levels. While OCTC's lending in moderate-income census tracts demonstrated an adequate rate of lending, lending in low-income census tracts was inadequate.

In 2009 and 2010, OCTC did not originate any one-to-four family housing loans in low-income tracts. On the other hand, OCTC outperformed market aggregate levels of lending to moderate-income census tracts which represented a majority of LMI census tracts in the assessment area. In 2009, OCTC's lending in moderate-income tracts was 21.1% by number and 11.1% by dollar volume compared to aggregate levels of 9.4% and 7.8%, respectively. In 2010, OCTC outperformed the aggregate levels by 13.1% by number and 8.2% by dollar volume.

Overall, during the two-year evaluation period, OCTC originated 21.8% by number and 13.1% by dollar value of HMDA reportable loans in moderate-income census tracts.

Credit extended to LMI census tracts outperformed the aggregate loan data of 12.1% and 10.3%, respectively. Additionally, OCTC's penetration rates in 2009 and 2010 compared favorably to the 12.7% of owner-occupied units in the assessment area that are located in LMI census tracts.

The following chart provides a summary of OCTC's HMDA-reportable lending distribution based on the income level of the geography.

Distribution of HMDA-Reportable Lending by Geographic Income of the Census Tract									
2009									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	216	3.3%	47,107	3.4%	2.4%
Moderate	13	22.0%	1,330	12.3%	611	9.4%	108,824	7.8%	10.2%
LMI	13	22.0%	1,330	12.3%	827	12.7%	155,931	11.2%	12.7%
Middle	33	55.9%	6,509	60.3%	3,934	60.4%	800,304	57.3%	61.8%
Upper	13	22.0%	2,956	27.4%	1,754	26.9%	439,609	31.5%	25.6%
Unknown		0.0%		0.0%	0	0.0%		0.0%	0.0%
Total	59	100.0%	10,795	100.0%	6,515	100.0%	1,395,844	100.0%	100.0%
2010									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low		0.0%		0.0%	121	2.2%	23,841	2.1%	2.4%
Moderate	6	21.4%	808	14.6%	492	9.1%	81,446	7.1%	10.2%
LMI	6	21.4%	808	14.6%	613	11.4%	105,287	9.2%	12.7%
Middle	19	67.9%	3,959	71.6%	3,201	59.3%	654,592	57.0%	61.8%
Upper	3	10.7%	764	13.8%	1,580	29.3%	388,117	33.8%	25.6%
Unknown	0	0.0%	0	0.0%	0	0.0%		0.0%	0.0%
Total	28	100.0%	5,531	100.0%	5,394	100.0%	1,147,996	100.0%	100.0%
GRAND TOTAL									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%		2.8%		2.8%	
Moderate	19	21.8%	2,138	13.1%		9.3%		7.5%	
LMI	19	21.8%	2,138	13.1%	1,440	12.1%	261,216	10.3%	
Middle	52	59.8%	10,468	64.1%		59.9%		57.2%	
Upper	16	18.4%	3,720	22.8%		28.0%		32.5%	
Unknown	-	0.0%	-	0.0%		0.0%		0.0%	
Total	87	100.0%	16,326	100.0%		100.0%		100.0%	

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

Since the latest CRA evaluation as of December 31, 2008, neither OCTC nor the New York State Department of Financial Services has received any written complaints regarding OCTC's CRA performance.

Community Development Test: "Outstanding"

OCTC's community development performance demonstrated an excellent

responsiveness to the community development needs of its assessment area considering OCTC's capacity and the need and availability of such opportunities for community development in its assessment area. Community loans, investments and services were considered in the evaluation.

During the evaluation period, OCTC originated \$18.4 million in new community development loans and commitments, and still had \$1.8 million outstanding from the prior evaluation period. OCTC also made \$1.9 million in new community development investments, and \$146,932 in community development grants.

OCTC's officers and other staff members demonstrated a high level of community service by providing leadership, financial and technical assistance to community based organizations as board and committee members. Community services performed also included participation in fund raising events and financial education seminars, creation of task force to serve businesses in and around the Stewart Airport; and providing flexible and cost saving loan and deposit products for small businesses and NPOs.

A more detailed description of OCTC's community development activity follows:

Community Development Lending:

During the three-year evaluation period², OCTC originated \$18.4 million in new community development loans and commitments, compared to \$12.6 million in new loans extended at the prior evaluation period, which consisted of two years. OCTC also had \$1.8 million in community development loans outstanding from the prior evaluation period. OCTC demonstrated an excellent level of community development lending over the course of the evaluation period.³

Purpose	Current Period		Prior Period	
	# of Loans	\$000	# of Loans	\$000
Affordable Housing	3	3,050	1	1,832
Economic Development		-		
Community Services	21	12,741		
Revitalize & stabilize	5	2,620		
Total	29	18,411	1	\$ 1,832

Examples of OCTC's community development loans are as follows:

² Evaluation period for the community development test covered calendar years 2009, 2010 and 2011.

³ For analysis purposes, renewals of lines of credit that occur during the evaluation period are considered new extensions of credit.

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- OCTC extended \$9.3 million in loans and lines of credit to a not-for-profit health care provider to finance working capital requirements and construction of new facilities. The health center provides high quality, comprehensive, primary and preventive health care services responsive to the needs of the Mid-Hudson community with continued emphasis on the underserved individuals. This health service provider primarily services Medicaid recipients for their medical, dental and pharmaceutical needs
 - OCTC extended \$2.5 million in renewable lines of credit to a newly formed NPO, operating as a joint venture of 3 existing NPOs, aimed at revitalizing housing and stabilizing home values in the hardest hit neighborhoods in Orange County impacted by foreclosures
 - OCTC participated in a \$1.65 million credit facility with a New York City based CDFI to finance the construction of a 91 unit low-income senior citizen apartment project in Orange County
 - In 2010, OCTC extended a \$700,000 line of credit to a CDFI to support various affordable housing initiatives in Orange County. The credit facility was renewed in 2011
 - In 2010 and 2011, OCTC extended an annual renewable line of credit of \$210,000 to a NPO to support its working capital needs. The organization operates 6 community service programs, adult and family shelter housing, alcohol crisis center, runaway and homeless youth shelter, job mentoring program, a thrift shop and residences available to low-income individuals with AIDS

Community Development Investments:

During the evaluation period, OCTC made \$1.9 million in new community development investments and \$146,932 in community development grants. This activity demonstrated a reasonable level of community development investments over the course of the evaluation period.

Community Development Investments and Grants				
	This Evaluation Period		Outstanding from Prior Evaluation Periods	
	# of Inv.	\$000	# of Inv.	\$000
CD Investments				
Affordable Housing	3	1,800		
Economic Development				
Community Services	3	\$ 100		
Total	6	1,900	0	-
CD Grants	# of Grants	\$000	<i>Not Applicable</i>	
Affordable Housing	2	89		
Economic Development	1	3		
Community Services	18	55		
Total	21	147		

Below are highlights of OCTC's community development investments and grants:

- OCTC made a \$700,000 investment commitment in a Collateral Trust Note Purchase Agreement with a New York based CDFI. The commitment, originated in 2007, was renewed in 2009 and 2010 and was reduced to \$400,000 in 2011.
- During the evaluation period, OCTC invested a total of \$100,000 in call notes with a consortium of banks committed to support economic development in New York State by providing government-guaranteed, conventional and innovative loans to small businesses
- OCTC contributed \$88,987 in 2010 and 2011 to support an affordable housing program sponsored by a cooperative bank
- OCTC donated a foreclosed property valued at \$35,000 to the local chapter of a national self-help housing organization that uses volunteers to build affordable housing. A local family will be chosen to live in this home
- OCTC contributed \$7,000 to a NPO with a mission of helping minorities and low-income families in the Mid-Hudson Valley start their own businesses.

Community Development Services:

OCTC demonstrated a highly satisfactory level of community development services over the course of the evaluation period. Executive officers, including loan and trust officers and branch managers provided their financial expertise and leadership through membership in board and board committees in various non profit and community based organizations. They also participated in fund raising events and served as resource presenters in financial education seminars.

OCTC has also created a task force to energize economic development and provide banking and credit services to businesses in and around the Stewart Airport located in Orange County. Flexible and cost saving loan and deposit products are offered to small businesses and non-profit organizations.

Below are highlights of OCTC's community development services:

- Two senior loan officers and a senior trust officer serve on the board and working committees (Fund Raising, Marketing and Community Impact) of a local community organization that provides funding to a range of social service organizations that primarily serve LMI families
- The President of the bank is a member of the advisory board of a social service organization
- A senior vice president is a board member of the local industrial development agency
- A number of OCTC officers participated in fund raising events for community based organizations and conducted financial education classes for an affordable housing organization. These officers also participated in the national "Teach Children to Save Day" by teaching financial education to third grade, fourth grade and high school students. Topics included business management, savings and how to use credit wisely

Innovative or Complex Practices:

OCTC has a high level of innovative or complex community development practices. For example:

- OCTC participated with a CDFI in making several multi-million dollar loans to finance affordable housing projects in its assessment area, as well as in neighboring counties
- OCTC provide small business entrepreneurs with an affordable source of operating funds through its "Power Line of Credit" product with loan amounts ranging from \$10,000 to \$150,000. This product is a revolving line of credit with low monthly payments, low annual fees and principal payment schedules appropriate to the borrower's cash flow
- OCTC has made available deposit transaction delivery systems ("Remote Deposit Service" or "RDS") that enable customers to deposit items electronically from remote locations and allows OCTC to receive digital information from deposit documents captured at customer locations. RDS is especially convenient

to small businesses, since they do not have to leave their business to come to the bank to make deposits

Responsiveness to Community Development Needs:

OCTC demonstrated a reasonable level of responsiveness to credit and community development needs. OCTC provided a high level of community development loans and commitments to finance affordable housing projects and to support NPOs that provide community services. OCTC also has a line of credit and low maintenance fee-checking accounts designed for small businesses and NPO's.

Additional Factors

The extent of participation by the banking institution's board of directors or board of trustees in formulating the banking institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act

The board of directors reviews annually the CRA policy and self assessment reports of OCTC's overall performance with respect to compliance with the Community Reinvestment Act.

Additionally, a Compliance Committee, consisting of the President, who is also a board member, and several other senior officers of OCTC, meets quarterly to review data that are compiled and analyzed for the annual self assessment reports. The compliance committee also performs a quarterly review of CRA update including statistical information on HMDA and self assessment of CRA activities.

Discrimination and other illegal practices

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

The New York State Department of Financial Services 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 New York State Department of Financial Services noted no evidence of prohibited discriminatory or other illegal practices.

Record of opening and closing offices and providing services at offices

Since the prior evaluation period, OCTC has opened three branches, one each in Newburgh, Goshen, and Chester, with no branches being closed. All branches, except

the branch located in a moderate-income census tract, have ATMs and Saturday banking hours. All ATMs accept deposits and dispense cash.

Alternative systems for delivering retail services that benefit LMI individuals and small businesses include telephone banking available 24 hours and 7 days a week, free internet banking and remote deposit service. Available services include balance inquiry, transfer funds between accounts, verify checks paid, verify deposits credited and make deposits from a remote location.

Distribution of Branches within the Assessment Area							
County	N/A #	Low #	Moderate #	Middle #	Upper #	Total #	LMI %
Orange			1	7	-	8	13%
Total	-	-	1	7	-	8	13%

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.

OCTC remains informed of the credit needs of the community through active participation by its loan and trust officers in various local community based organizations through membership in the boards and board committees of NPOs and community based organizations, fund raising events, and as speakers in financial education seminars.

- 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

OCTC utilizes print media, flyers and sponsorship of events conducted by the regional Chamber of Commerce, Bar Associations and other civic and business groups to advertise its credit products and services.

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

OCTC participated in a \$20.3 million credit facility with a CDFI on six affordable housing projects for low-income individuals, particularly senior citizens, in locations outside the assessment area. The projects are located in neighboring Ulster, Dutchess, Sullivan and Rockland Counties.

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:

- 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;

- ❖ 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.