PUBLIC DISCLOSURE

February 22, 2010

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Orange County Trust Company
RSSD No. 176101

212 Dolson Avenue
Middletown, NY 10940

FEDERAL RESERVE BANK OF NEW YORK

33 LIBERTY STREET
NEW YORK, NY 10045

NOTE: **This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.**

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INSTITUTION'S CRA RATING: Orange County Trust Company is rated "**Satisfactory**."

The following table indicates the performance level of the institution with respect to the lending and community development tests.

PERFORMANCE LEVELS	Lending Test	Community Development Test
Outstanding		X
Satisfactory	X	
Needs to Improve		
Substantial Noncompliance		

The satisfactory performance of Orange County Trust Company ("Orange County") with regard to the Community Reinvestment Act ("CRA") is based on the following performance criteria:

- A substantial majority of loans were made in the assessment area.
- The bank's loan-to-deposit ratio was reasonable.
- The overall distribution of loans to borrowers of different incomes and businesses of different sizes reflects reasonable penetration.
- The overall geographic distribution of loans reflects reasonable dispersion throughout the assessment area.
- The level of community development loans, qualified investments and community development services demonstrates excellent responsiveness to community development needs in the assessment area

DESCRIPTION OF INSTITUTION

Orange County is a New York State-chartered bank headquartered in Middletown, New York. It is a retail bank, with five branches located in Orange County, New York. Three branches are located in Middletown and the other two branches are located in the towns of Montgomery and New Windsor.

As of December 31, 2008, the bank had total assets of $496 million, Gross loans and leases of $249 million and deposits of $293 million. Commercial mortgage and commercial and industrial lending represent 65% of the bank's loan portfolio. Loans secured by residential real estate comprise 27% of the loan portfolio. While the bank offers a range of consumer and commercial financial services, Orange County has shifted its strategic focus in recent years to specialize in small business commercial banking.

The bank's market is highly competitive with branches of numerous local, regional and multinational banks, mortgage companies, and other financial institutions operating in its assessment area. Orange County's primary bank competitors include Manufacturers and Traders Trust Company, HSBC Bank, JP Morgan Chase Bank, and Bank of America.

Orange County's previous CRA examination was dated January 14, 2008, and the bank received an overall rating of "Satisfactory." There are no financial or legal factors preventing Orange County from serving credit needs in its assessment area.

DESCRIPTION OF THE BANK'S ASSESSMENT AREA

Orange County's assessment area consists of all of Orange County, New York and one tract in Sullivan County, New York. Orange County is located in Metropolitan Statistical Area ("MSA") 39100 (Poughkeepsie-Newburgh-Middletown, NY). The Sullivan County tract is adjacent to Orange County and was combined with the Orange County tracts. The inclusion of the Sullivan County tract does not cause the assessment area to extend substantially beyond the boundary of the MSA. The assessment area does not arbitrarily exclude low-or moderate-income ("LMI") geographies. A map illustrating Orange County's assessment area can be found in Appendix B.

SCOPE OF EXAMINATION

Orange County's CRA performance was reviewed using the FFIEC intermediate small bank examination procedures, consisting of the lending and community development tests. Retail loan products evaluated include home purchase, refinance, home improvement, and small business loans. Samples of HMDA-related and small business loans were verified and analyzed. Loans for analysis were selected using the Board of Governors' sampling procedures. The loan sample review period covered January 1, 2007 through December 31, 2008, and included a sample of 56 HMDA-related loans and 138 small business loans. Community development activities occurring from January 1, 2007 through December 31, 2008 were also reviewed.

Interviews with two community development groups were also conducted in order to gain an understanding of local credit needs. Community groups emphasized the assessment area's need for affordable housing and economic development for LMI individuals.

PERFORMANCE CONTEXT

The following demographic and economic information was obtained from publicly available sources that include the U.S. Department of Commerce's Bureau of Census, the New York State Department of Labor, the U.S. Department of Housing and Urban Development ("HUD") and the New York Association of Realtors.

Demographic Characteristics

According to the 2000 Census, the assessment area for Orange County contains 68 census tracts, including 5 low-income tracts and 14 moderate-income tracts. The LMI tracts are concentrated in the cities of Newburgh, Middletown, and Port Jervis. The low-income tracts contain 9% of the population and 7% of the businesses. The moderate-income tracts contain 15% of the population and 16% of businesses.

Income Characteristics

The HUD-adjusted median family income for the MSA was $76,400 in 2007 and $78**,**900 in 2008. Based on the 2000 Census, of the 68 census tracts included in the analysis, 19 or 28% are LMI. Eight percent of all families reside below the poverty level.

Housing Characteristics

The assessment area contains 125,646 housing units, of which 63% are owner-occupied. Thirteen percent of owner-occupied housing units are located in low- and moderate-income census tracts, representing 35% of total housing units in the low- and moderate-income census tracts. Demographic information from the 2000 Census estimated that the median age of the housing stock in the assessment area to be 56 years in low- and 49 years in moderate-income census tracts respectively. Given the age of the housing stock, community groups have stated that there is a need for home improvement and home rehabilitation loans.

Median Home Sales Prices		
Area	2007	2008
Orange County	$322,000	$290,000

Source: New York Association of Realtors

As shown in the table at left, the median sales price of existing single-family homes in Orange County was $322,000 as of December 2007, and decreased to $290,000 as of December 2008. Price depreciation was reflective of overall stress in the economic environment during this time period. In 2008, the median sales price of homes in Orange County was 7.4 times the median family income of a low-income individual and 4.6 times the median family income of a moderate-income individual. Housing is, therefore, not affordable for low-income individuals without some form of subsidy, and affordability may also be difficult for moderate-income individuals.

Assessment Area Demographics

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	5	7.4	5,837	6.7	2,526	43.3	17,654	20.3
Moderate-income	14	20.6	12,114	13.9	1,623	13.4	15,621	18.0
Middle-income	35	51.5	49,701	57.2	1,877	3.8	20,721	23.8
Upper-income	14	20.6	19,235	22.1	538	2.8	32,891	37.9
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	**68**	**100.0**	**86,887**	**100.0**	**6,564**	**7.6**	**86,887**	**100.0**

	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	8,936	1,919	2.4	21.5	5,925	66.3	1,092	12.2
Moderate-income	20,101	8,087	10.2	40.2	10,633	52.9	1,381	6.9
Middle-income	70,703	48,751	61.8	69.0	18,178	25.7	3,774	5.3
Upper-income	25,906	20,187	25.6	77.9	3,671	14.2	2,048	7.9
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	**125,646**	**78,944**	**100.0**	**62.8**	**38,407**	**30.6**	**8,295**	**6.6**

	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = $1 Million		Over $1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	1,216	7.4	1,073	7.2	87	8.0	56	10.4
Moderate-income	2,586	15.6	2,268	15.2	192	17.7	126	23.3
Middle-income	9,391	56.8	8,473	56.8	632	58.3	286	52.9
Upper-income	3,351	20.3	3,105	20.8	173	16.0	73	13.5
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	**16,544**	**100.0**	**14,919**	**100.0**	**1,084**	**100.0**	**541**	**100.0**
	Percentage of Total Businesses:			**90.2**		**6.6**		**3.3**

Based on 2000 Census Information.

Community groups have indicated that the population in the assessment area was increasing due, in part, to the migration of individuals seeking relief from the higher cost of home ownership in New York City area. This migration has contributed to the increased housing costs over the last few years. The community groups also noted that there was a need for affordable multi-family housing.

Labor, Employment and Economic Characteristics

Unemployment rates increased during the examination period. The trend in the unemployment rate reflects the weakening economic climate. The economy deteriorated substantially during the evaluation period. Manufacturers and other firms reported widespread declines in business activity and employment levels which resulted in lower lending demands. Due to deteriorating economic conditions, aggregate HMDA lending declined by 48% from 2007 to 2008 and aggregate small business lending declined 21% from 2007 to 2008.

Average Annual Unemployment Rates		
Area	**2007**	**2008**
Orange County	4.2%	5.2%

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

Orange County's record of meeting the credit needs of its assessment area through its lending performance is rated satisfactory. Orange County originated a substantial majority of its loans within its assessment area and its loan-to-deposit ratio was reasonable. The overall distribution of loans to borrowers of different incomes and businesses of different sizes was reasonable. The geographic distribution of loans reflects reasonable penetration throughout the bank's assessment area.

Loan-to-Deposit Ratio

Orange County's loan-to-deposit ratio was reasonable given the bank's size, financial condition, and the credit needs of its assessment area. The bank's average loan-to-deposit ratio for the eight most recent quarters ending December 31, 2008, was 81%, based on information contained in its *Consolidated Report of Condition and Income*. This ratio was similar to the national peer average of 80% for similarly-sized banks, and was higher than the average of 73% for three similarly-sized banks located in the assessment area during the same time period.

Lending in Assessment Area

Orange County originated a substantial majority of its loans in its assessment area. Of the sampled 138 small business loans and 56 HMDA-related loans originated in 2007 and 2008, 131 or 95% of the small business loans, and 55 or 98% of the HMDA loans, were extended to businesses and individuals located in the bank's assessment area.

<u>Geographic Distribution of Loans</u>

Orange County's overall geographic distribution of loans reflected reasonable dispersion throughout the bank's assessment area, with consideration given to the area's demographics. There are 78,944 owner-occupied housing units in the assessment area, of which 1,919 or 2% are located in low-income geographies and 8,087 or 10% are located in moderate-income geographies. In addition, there are 16,544 small businesses operating within the assessment area, of which only 1,216 or 7% are located in low-income geographies and 2,586 or 16% are located in moderate-income geographies. An analysis of the lending distribution in each loan category follows.

Home Purchase Loans

The overall distribution of home purchase loans in low- and moderate-income geographies was poor when compared with the level of owner-occupied housing units and with the performance of the aggregate of all HMDA-reporting lenders. In 2008, the bank made no home purchase loans in low income geographies and 14% of its home purchase loans in moderate-income geographies. In comparison, the aggregate made 4% and 16%, of its home purchase loans in low- and moderate-income geographies respectively and 2% and 10% of the owner occupied-housing units are located within low- and moderate-income geographies

Orange County's performance in 2008 improved from its performance in 2007, when it made no home purchase loans in low- and moderate-income geographies.

Refinance Loans

The overall distribution of refinance loans in low- and moderate-income geographies was reasonable when compared with the level of owner-occupied housing units as well as with the performance of the aggregate of all HMDA-reporting lenders. In 2008, the bank made no refinance loans in low-income geographies and one refinance loan (10%) in a moderate-income geography. In comparison, 2% and 10% of owner occupied-housing units are located within low- and moderate-income geographies and the aggregate originated 4% and 12% of its refinance loans in low- and moderate income geographies, respectively.

Orange County's performance in 2007 was stronger with 7% and 21% of its refinance loans originated in low- and moderate-income geographies.

Home Improvement Loans

The overall distribution of home improvement loans in low- and moderate-income geographies was reasonable when compared with the level of owner-occupied housing units as well as with the performance of the aggregate of all HMDA-reporting lenders. In 2008, the bank made 25% of its home improvement loans in low-income geographies and 25% of its home improvement loans in moderate-income geographies. In comparison, 2% and 10% of owner occupied-housing units are located within low- and moderate-income geographies and the aggregate originated 3% and 12% in low- and moderate-income geographies, respectively.

Orange County's performance in 2007 was weaker as the bank made no home improvement loans in low- and moderate-income geographies.

Small Business Loans

The overall distribution of small business loans in low- and moderate-income geographies was reasonable when compared with the level of businesses as well as with the performance of the aggregate of small business reporting lenders. In 2008, the bank made 2% and 20% of its small business loans in low- and moderate-income geographies, respectively. In comparison, 7% of small businesses operating within the assessment area are located in low-income geographies and 16% are located in moderate-income geographies.

Orange County's performance in 2008 was significantly below the aggregate in low-income geographies and significantly above the aggregate in moderate-income geographies. The aggregate originated 9% and 9% of its small business loans in low- and moderate-income geographies, respectively.

Orange County's performance in 2007 was consistent with its 2008 performance.

<u>Lending to Borrowers of Different Incomes and to Businesses of Different Sizes</u>

The overall distribution of HMDA-related and small business loans reflected reasonable penetration among individuals of different income levels and businesses of different sizes. An analysis of the lending distribution in each loan category follows.

Home Purchase Loans

The overall distribution of home purchase loans to low- and moderate-income borrowers was reasonable. In 2008, Orange County originated no home purchase loans to low-income borrowers and 14% of its home purchase loans to moderate-income borrowers. In comparison, 18% percent of the assessment area families were of moderate-income and 20% were of low-income. The aggregate originated 16% of its loans to moderate-income families and 3% to low-income families.

Orange County's performance in 2007 was consistent with its performance in 2008.

Refinance Loans

The overall distribution of refinance loans to low- and moderate-income borrowers was poor. In 2008, Orange County originated no refinance loans to low-and moderate-income borrowers. In comparison, 18% percent of the assessment area families were of moderate-income and 20%

were of low-income. The aggregate originated 5% of its loans to low-income borrowers and 16% to moderate-income borrowers.

Orange County's performance in 2007 was consistent for lending to low-income borrowers but was stronger with moderate-income lending as 21% of its refinance loans were made to moderate-income borrowers.

Home Improvement Loans

The overall distribution of home improvement loans to low- and moderate-income borrowers was reasonable. In 2008 Orange County extended 25% of its home improvement loans to low-income borrowers and 25% of its home improvement loans to moderate-income borrowers. In comparison, 18% percent of the assessment area families were of moderate-income and 20% were of low-income. The aggregate originated 8% and 19% of its home improvement loans to low and moderate-income borrowers respectively.

Orange County's performance in 2007 was weaker for lending to low-income borrowers as no home improvement loans were originated to low-income borrowers but moderate-income lending was consistent with 2008 performance.

Lending to Businesses of Different Sizes

The overall distribution of loans to businesses of different sizes was reasonable. In 2008, Orange County's proportion of loans to businesses with GAR of $1 million or less was 42% compared to 90% of such businesses located in the assessment area. Orange County's performance exceeded the performance of the aggregate, which reported 36% of its loans to such businesses.

A total of 44% of Orange County's 2008 small business loans were in amounts of $100,000 or less. The average small business loan size was $239 thousand, an amount that would typically meet the credit needs of smaller businesses. The bank's percentage of 2008 small business loans in amounts of $100,000 or less was below the aggregate, which originated 97% of its loans in amounts of $100,000 or less.

Orange County's performance in 2007 was similar to its performance in 2008.

<u>Response to Complaints</u>

Orange County received no complaints relating to the bank's CRA performance. Since the previous examination, there were no CRA-related or consumer complaints filed with the Federal Reserve Bank of New York.

COMMUNITY DEVELOPMENT TEST

Orange County demonstrated excellent responsiveness to the community development needs of its assessment area through the provision of community development loans, qualified investments, and community development services, taking into consideration the bank's capacity and the need and availability of community development opportunities in Orange County's assessment area.

During the examination period, loans and qualified investments benefiting its assessment area totaled $14 million. Community development activity increased substantially from the $3 million reported at the last examination. Community development efforts consisted entirely of new obligations approved since the prior CRA examination.

Community development lending and investments were primarily directed at community service and affordable housing initiatives as noted on the following charts.

Community Development Loans										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize and Stabilize		Totals	
	#	($000s)	#	($000s)	#	($000s)	#	($000s)	#	($000s)
MSA 39100	3	3,350	13	9,142	2	115	1	200	19	12,807
Total (%) #/$	16%	26%	68%	71%	11%	1%	5%	2%	100%	100%

Qualified Investments										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize and Stabilize		Totals	
	#	($000s)	#	($000s)	#	($000s)	#	($000s)	#	($000s)
MSA 39100	3	1,400	15	5	2	80	0	0	20	1,485
Total (%) #/$	15%	94%	75%	1%	10%	5%	0%	0%	100%	100%

Examples of community development loans and qualified investments include:

- $3 million participation with an affordable housing organization in a construction loan to be converted into permanent financing to an organization serving a medically underserved community that provides managed health care services to the low- and moderate-income individuals.

- A $2 million unsecured short-term working capital loan to an organization that provides services to various group homes for individuals with mental and developmental disabilities.

- A $1.9 million commercial mortgage in a moderate income tract on a multi-family building providing affordable rents for 51 apartments.

- A $700 thousand investment in an affordable housing organization's collateral trust note to provide funds for LMI mortgage pools.

- A $40 thousand call note with a Business Development Corporation working in partnership with banks to provide term loans to small businesses, many of which do not meet the financial requirements for traditional financing.

- Various charitable grants to community development organizations totaling $6 thousand.

Orange County also provided community development services in its assessment area. Bank officers and employees provided professional services to organizations that provide technical assistance, economic development, affordable housing, credit counseling, and youth and scholarship programs to LMI individuals in the assessment area. Additionally, some bank personnel have made financial education presentations including housing and small business lending seminars to various groups in the assessment area. Nine bank officers or employees serve on the boards and committees of community development organizations.

Examples of community development services include:

- The bank's President serves on the Board of Trustees of a Medical Center Foundation and the Board of Directors of an Educational Foundation including Chairperson of the finance committee.

- A bank officer serves as the Director and is a Finance Committee member of an organization whose mission is dedicated to enhancing the quality of life for persons with disabilities.

- The CRA officer serves as Vice-Chairman of an organization that provides a wide array of outpatient, educational, and support services for people with a variety of disabilities and challenges.

- Two bank employees presented an educational seminar on mortgages, home equity loans, and saving for the future to members of a non-profit organization dedicated to serving the needs of children and adults with significant disabilities and medical frailties.

In addition, one branch provides good accessibility to the LMI population and geographies within the assessment area. One of five branches was located in a moderate-income census tract, providing needed financial services to this area.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

The bank is in compliance with the substantive provisions of the anti-discrimination laws and regulations. No credit practices were identified as being inconsistent with helping to meet the credit needs of the assessment area.

CRA APPENDIX A

GLOSSARY

Aggregate lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Census tract: A small, relatively permanent statistical subdivision of a county or statistically equivalent entity delineated for data presentation purposes by a local group of census data users or the geographic staff of a regional census center in accordance with Census Bureau guidelines. Designed to be relatively homogeneous units with respect to population characteristics, economic status, and living conditions at the time they are established, census tracts generally contain between 1,000 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries are delineated with the intention of being stable over many decades, so they generally follow relatively permanent visible features. However, they may follow governmental unit boundaries and other invisible features in some instances. The boundary of a state or county (or statistically equivalent entity) is always a census tract boundary.

Community development: Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of $1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize-

- (i) Low-or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-
  a. Rates of poverty, unemployment, and population loss; or
  b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

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

Family: A family is a group of two or more people related by birth, marriage, or adoption and residing together; all such people (including related subfamily members) are considered as members of one family.

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act ("HMDA"): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and income of applicants, the amount of loan requested, and the disposition of the application (e.g., approved, denied, and withdrawn).

Home mortgage loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes, and refinancings of home improvement and home purchase loans.

Household: A household consists of all the people who occupy a housing unit. A household includes the related family members and all the unrelated people, if any, such as lodgers, foster children, wards, or employees who share the housing unit. A person living alone in a housing unit, or a group of unrelated people sharing a housing unit such as partners or roomers, is also counted as a household. The count of households excludes group quarters.

Low-income: Individual income that is less than 50% of the area median income, or a median family income that is less than 50%, in the case of a geography.

Metropolitan Statistical Area ("MSA"): A geographic entity defined by the federal Office of Management and Budget for use by federal statistical agencies, based on the concept of a core area with a large population nucleus, plus adjacent communities having a high degree of economic and social integration with that core.

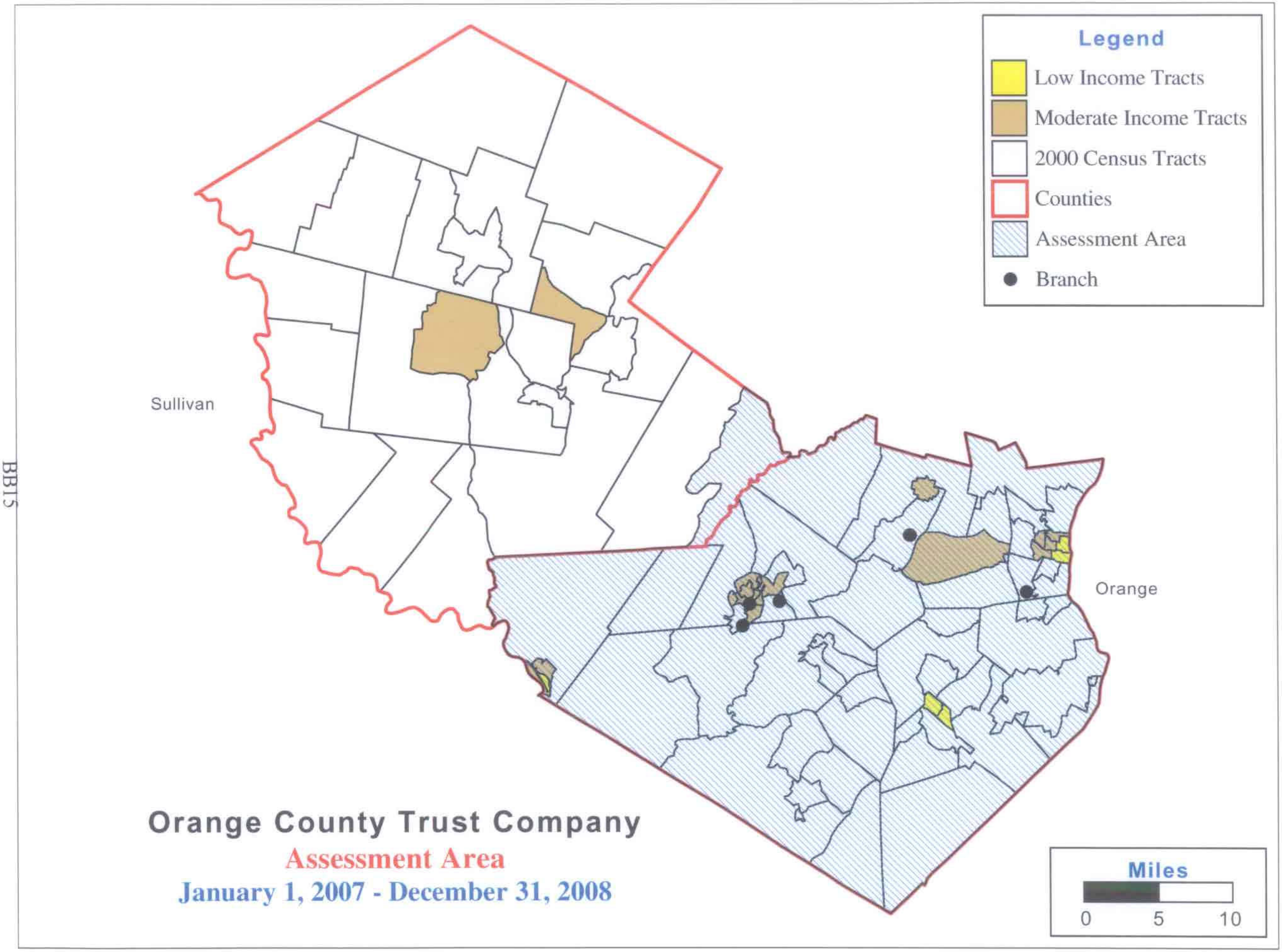
Middle-income: Individual income that is at least 80% and less than 120% of the area median income, or a median family income that is at least 80% and less than 120%, in the case of a geography.

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

Owner-occupied units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.
Qualified investment: A qualified investment is defined as any lawful investment, deposit, membership share or grant that has as its primary purpose community development.

Small loan(s) to business(es): A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income (“Call Report”) and the Thrift Financial Reporting (“TFR”) instructions. These loans have original amounts of $1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

Upper-income: Individual income that is more than 120% of the area median income, or a median family income that is more than 120%, in the case of a geography.



Orange County Trust Company
Assessment Area
January 1, 2007 - December 31, 2008