PUBLIC DISCLOSURE

August 25, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

ORANGE COUNTY TRUST COMPANY
RSSD 176101

212 Dolson Avenue
Middletown, New York 10940

FEDERAL RESERVE BANK OF NEW YORK

33 LIBERTY STREET
NEW YORK, N.Y. 10045

NOTE: **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**."

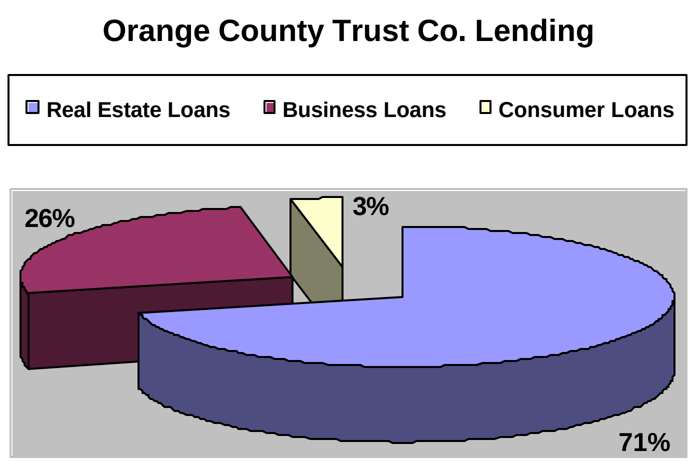
For the examination period of September 9, 1998, through December 31, 2002, the bank's satisfactory performance with regard to the Community Reinvestment Act ("CRA") is based on the following performance criteria:

- The bank's loan-to-deposit ratio was reasonable.
- The majority of loans were made in the assessment area.
- The distribution of loans to borrowers of different income levels, including low- and moderate-income ("LMI") individuals, and to businesses of different sizes was reasonable.
- The geographic distribution of loans in the assessment area was reasonable.

DESCRIPTION OF INSTITUTION

Orange County Trust Company ("OCTC") is a full-service, retail-oriented financial institution headquartered in Middletown, New York. As of December 31, 2002, the bank had total deposits of $218.7 million, total assets of $328.3 million, and total loans of $131.7 million. Although at this examination, the bank was reviewed under the *CRA Examination Procedures for Small Institutions*, OCTC's assets have exceeded $250 million for the past two years, and the bank will be examined under the *Interagency CRA Examination Procedures for Large Retail Institutions* at its next examination.

As the chart at right shows, real estate loans constituted a significant percentage of the bank's lending, followed by business loans. The bank originates a wide variety of retail and business loans, including home purchase and refinance mortgages, home improvement loans, home equity loans, consumer installment loans, automobile loans, business lines of credit and business installment loans.



OCTC operates five branch offices. Three branches, including the main office, are located in Middletown. The other two branches are in Montgomery, New York, and in Vails Gate, New York, which opened in December 2001.

OCTC received an "outstanding" rating at its previous CRA examination as of September 8,

1998. There are no financial or legal impediments preventing OCTC from servicing the credit needs of consumers and small businesses in its assessment area.

DESCRIPTION OF THE BANK'S ASSESSMENT AREA

OCTC's assessment area includes 31 census tracts located in Orange County, New York, and one block numbering area ("BNA") adjacent to Orange County in Sullivan County within the township of Mamakating.

The bank added 11 census tracts since the previous examination, all in Orange County. The Orange County portion of the assessment area, which is part of Primary Metropolitan Statistical Area ("PMSA") 5660 (Newburgh, NY-PA), includes the townships of Mount Hope, Greenville, Minisink, Wawayanda, Goshen, Hamptonburgh, Crawford, Cornwall, Newburgh, and Wallkill, including the city of Middletown.

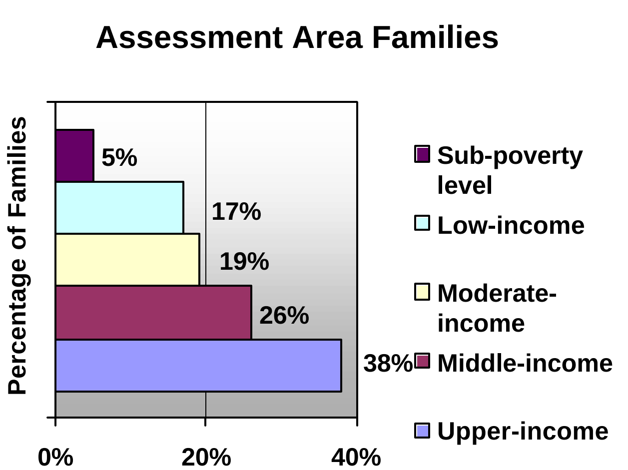
A map illustrating the bank's assessment area is on page BB10.

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, 1990, the U.S. Department of Labor, and the U.S. Department of Housing and Urban Development ("HUD").

Demographic Characteristics

Of the 31 census tracts and 1 BNA in the assessment area, 7 or 22% are moderate-income, 21 or 66% are middle-income, and 4 or 13% are upper-income. OCTC's assessment area has no low-income geographies. Of the seven moderate-income census tracts, five are located in the city of Middletown, one is in the city of Newburgh, and one is in New Windsor.

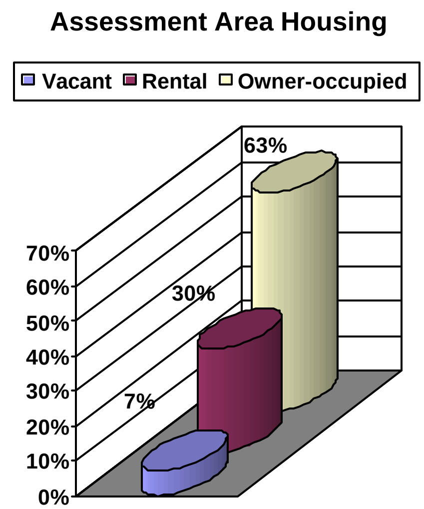


According to the 1990 Census, the assessment area population is 145 thousand. As noted in the chart at left, of the 37,712 families residing in the assessment area, 6,275 or 17% are low-income, 7,118 or 19% are moderate-income, 9,879 or 26% are middle-income and 14,440 or 38% are upper-income. Five percent or 1,829 live below the poverty level.

The HUD-adjusted median family income for Orange County in 2001 is $55,893 compared with $60,624 for New York State, and $58,700 for PMSA 5660 (Newburgh, NY-PA).

Housing Characteristics

As depicted in the chart at right, of the 53,262 housing units in the assessment area, 63% are owner-occupied, 30% are occupied rental units, and 7% are either vacant or boarded up. Orange County's owner-occupancy rate exceeds that of both the PMSA (62%) and the state (48%).



Of the 8,561 housing units located in the moderate-income tracts of the assessment area, only 35% are owner-occupied. Middle-income tracts contain 38,250 housing units, of which 25,969 or 68% are owner-occupied. Of the 6,451 housing units in upper-income tracts, 4,527 or 70% are owner-occupied. One- to four-family housing units represent 80% of the housing market while 13% have five or more units.

According to the New York State Association of Realtors Monthly Housing Survey (September 2002), the average sales price for a single-family home in Orange County is $364,000, making it difficult for LMI borrowers to afford a home.

Community contacts continue to identify affordable housing as an important credit issue. Improvement in the transportation infrastructure has also been cited as an important community need.

Labor, Employment and Economic Characteristics

According to 2001 Dun and Bradstreet data, this portion of the assessment area includes 7,733 non-farm business establishments, of which 6,728 are classified as small businesses. Moderate-income census tracts include 1,587 non-farm businesses, of which 1,365 are small businesses.

This portion of the assessment area is economically diverse. Although the city of Middletown is urban, surrounding communities are predominantly suburban and rural. Middletown continues to need economic revitalization partially as a result of the migration of businesses to suburban portions of the assessment area. The suburban population of the assessment area as well as Orange County continues to grow, creating the need for improved transportation systems throughout the county.

Services, retail and construction are the primary employment sectors in this portion of the assessment area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The "satisfactory" rating is based on an assessment of the bank's core performance criteria. For performance levels related to lending, income and geographic distribution, a sample of 299 loans originated between January 1, 2001, and December 31, 2002, was analyzed. The sample included 76 consumer loans, 101 loans reported under the Home Mortgage Disclosure Act ("HMDA"), and 122 small business loans.

Loan-to-deposit Ratio

OCTC'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 four most recent quarters ending December 31, 2002, was 61%, based on information contained in its *Consolidated Report of Condition and Income.* This ratio is equal to the average loan-to-deposit ratio for similarly sized banks in the region, but was below the national peer average of 80% in the same period.

Lending in Assessment Area

During the examination period, OCTC originated a majority of its loans in its assessment area. Of the total number of loans sampled, 84% of the loans and 75% of the dollar volume of loan activity were within the bank's assessment area, reflecting reasonable assessment area concentration.

Specifically, 91% of OCTC's consumer loans, 84% of its small business loans, and 78% of its HMDA-related loans were made within the assessment area.

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

Overall, OCTC's record of lending to borrowers of different income levels, including LMI individuals, and businesses of different sizes was reasonable given the demographics of the bank's assessment area. This determination excluded consumer lending to LMI borrowers. An analysis of consumer lending to LMI borrowers could not be performed because of OCTC's insufficient collection of borrower income data.

The distribution of assessment area lending for HMDA-related and small business lending is analyzed below.

HMDA-related Loans

The level of HMDA-related lending to LMI borrowers was reasonable. Exhibit 1 at right shows that 17% of the sampled loans with income data went to LMI families, which represent 36% of the families in the assessment area.

HMDA-related loans to moderate-income borrowers totaled 12% of the sample while moderate-income families were 19% of families in the assessment area. Loans to low-income borrowers were 5% of HMDA-related lending, while low-income families represent 17% of families in the assessment area.

This lending penetration is consistent with activity by all lenders in the market and considered reasonable after weighing the high housing costs in the assessment area.

EXHIBIT 1
Distribution of HMDA-Related Loans In Assessment Area By Income Level of Borrower
January 1, 2001 – December 31, 2002

LOW-INCOME: Less than 50% of Median Income	
Number	4
Percentage	5%
Amount ($)	56,000
Percentage	1%
MODERATE-INCOME: At least 50% & less than 80% of Median Income	
Number	9
Percentage	12%
Amount ($)	654,000
Percentage	9%
MIDDLE-INCOME: At least 80% & less than 120% of Median Income	
Number	16
Percentage	22%
Amount ($)	1,571,000
Percentage	21%
UPPER-INCOME: 120% or more of Median Income	
Number	45
Percentage	61%
Amount ($)	5,064,000
Percentage	69%

Small Business Loans

Lending to small businesses with gross annual revenues ("GAR") of $1 million or less was reasonable. Exhibit 2 below shows that 58% of the sampled loans with income data were made to businesses with GAR of $1 million or less.

Eighty-seven percent of all small businesses in the assessment area had GAR of $1 million or less. In addition, 92% of the bank's small business loans were less than or equal to $100 thousand. The average size of these loans was $39 thousand.

EXHIBIT 2
Distribution of Small Business Loans In Assessment Area By Size of Business
January 1, 2001 – December 31, 2002

Number of loans to businesses	Number of loans to small businesses*	% of loans to small businesses	$ amount of loans to businesses	$ amount of loans to small businesses*	% of $ amount of loans to small businesses*
89	52	58%	$8,122,389	$2,388,147	29%

Geographic Distribution of Loans

The overall geographic distribution of loans reflected a reasonable dispersion in the assessment area. The distribution of assessment area lending for each loan category is analyzed as follows:

HMDA-related Loans

The level of HMDA-related lending in LMI census tracts was reasonable. Eight percent of the bank's HMDA-related lending took place in LMI census tracts while 9% of the owner-occupied units in the bank's assessment area are located in LMI census tracts. In comparison, 8% of HMDA-related lending by all lenders in the assessment area was in LMI tracts.

Consumer Loans

The level of consumer lending to households in LMI tracts was reasonable. Thirteen percent of the OCTC's consumer loans were originated to households in LMI tracts while 16% of households are located in LMI census tracts.

* Businesses with gross annual revenues of $1 million or less.

Small Business Loans

The level of small business lending in LMI tracts was reasonable. Seventeen percent of the bank's small business loans were made to businesses in LMI tracts while 21% of such businesses are located in LMI census tracts. In comparison, 14% of small business loans originated or purchased by all lenders in the assessment area were in LMI census tracts.

Response to Complaints

OCTC received no complaints relating to its CRA performance, and no complaints have been filed with the Federal Reserve Bank of New York since the previous examination.

No credit practices that violated the substantive provisions of the antidiscrimination laws and regulations, including the Equal Credit Opportunity Act and the Fair Housing Act, were identified that would have an impact on bank's CRA rating.

CRA APPENDIX A

GLOSSARY

Census tract: A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

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: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into "male householder" (a family with a male householder and no wife present) or "female householder" (a family with a female householder and no husband present).

Geography: A census tract or a block numbering area 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 applications, 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: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100% tabulations, the count of households always equals the count of occupied housing units.

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 geography.

Metropolitan area: Any primary metropolitan statistical area ("PMSA"), metropolitan statistical area ("MSA"), or consolidated metropolitan statistical area ("CMSA"), as defined by the Office of Management and Budget, with a population of 250,000 or more, and any other area designated as such by the appropriate federal financial supervisory agency.

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.

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.

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.

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

Small loan(s) to business(es): A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income ("Call Report") 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.

CRA APPENDIX B

INSERT MAP OF ASSESSMENT AREA HERE