



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

December 07, 2009

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Putnam County National Bank of Carmel
Charter Number 976

43 Gleneida Avenue
Carmel, NY 10512-0000

Office of the Comptroller of the Currency

NEW YORK METRO-SOUTH Field Office
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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.

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

The major factors supporting the rating include:

- The bank's average loan-to-deposit ratio is reasonable given the bank's size, financial condition, and Assessment Areas' (AAs) credit needs;
- A considerable majority of the bank's primary lending products originated during the evaluation period were within the AAs, which meets the standard for satisfactory performance for lending in the AAs;
- The bank's record of lending to borrowers of different incomes reflects reasonable penetration when considering the bank's performance context and meets the standard for satisfactory performance; and
- The bank has not received any CRA -related consumer complaints since the last CRA examination.

SCOPE OF EXAMINATION

The examination of the bank's compliance with the Community Reinvestment Act (CRA) was completed using full-scope review procedures for its AAs. Our review covered the bank's performance from January 1, 2003 through September 30, 2009. Real estate loans were determined to be the bank's primary loan product and were reviewed as part of this examination. The lending test was performed evaluating the bank's record of meeting the credit needs of its AAs. The lending test consisted of loans originated from January 1, 2007 through September 30, 2009. HMDA data was used for the Metropolitan Statistical Area (MSA) AAs. The total loan sample consisted of 58 loans.

DESCRIPTION OF INSTITUTION

Putnam County National Bank of Carmel (PCNB) is a \$159 million family owned community bank, headquartered in Carmel, Putnam County, New York. PCNB is an independent bank and is not part of a holding company, nor does it have any subsidiaries or affiliates. PCNB was established in 1865 and for 144 years has been providing a variety of financial services to meet the local community's financial needs. PCNB is a full-service bank offering a range of financial services, including retail and commercial banking services. PCNB operates six banking offices including a main office located at 43 Gleneida Avenue, Carmel NY 10512, two offices in Carmel and offices in Croton Falls, Patterson and Putnam Lake. Branch office hours are offered Monday through Friday and four of the branches are also open on Saturday.

The bank's six offices are servicing the areas of Putnam County, the Northeast corner of Westchester County and the Southeast corner of Dutchess County. Putnam County is located in the state of New York, in the lower Hudson River Valley. Putnam County

formed in 1812, when it detached from Dutchess County. Westchester and Dutchess Counties are also located in the state of New York.

PCNB's primary business focus is real estate lending with commercial and residential real estate lines of business. As of September 30, 2009 the bank reported total assets of \$159 million, consisting of \$94 million in loans, or 58% of its average assets, \$69 million in investments and \$130 million in deposits. As of September 30, 2009 the bank's Tier-One Capital was \$40 million.

There are no legal or financial factors impeding the bank's ability to help meet the credit needs in its AAs. The last CRA examination of the bank was performed by the OCC on August 2, 2004. At that evaluation, it received a "Satisfactory" rating.

DESCRIPTION OF ASSESSMENT AREA(S)

PCNB has identified their AAs as Putnam, Westchester and Dutchess County. This includes all of Putnam County, the Northeast corner of the Westchester County and the Southeast corner of Dutchess County.

The AAs meet regulatory requirements and do not arbitrarily exclude low- or moderate-income geographies. The Putnam and Westchester Counties fall within the New York-Northern New Jersey-Long Island, NY-NJ-PA (MSA) 35644 and the Dutchess County falls within the Poughkeepsie-Newburgh-Middletown, NY (MSA) 39100.

Putnam and Westchester Counties Assessment Area

The Putnam and Westchester County AAs have a total of nineteen census tracts (CTs), eighteen of which are in Putnam County and one from the Northeast corner of Westchester County. The AAs have no lower, moderate, or middle income CTs and 100% of the CTs are in the upper income category. The total population in the Putnam and Westchester County AAs was 100,918 according to the 2000 U.S. Census Bureau.

The following describes the demographics of the AA:

2009 AA - Putnam and Westchester County

Demographic Information for Full Scope Area: 2009 AA – Putnam and Westchester County						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	19	0.00	0.00	0.00	100.00	0.00
Population by Geography	100,918	0.00	0.00	0.00	100.00	0.00
Owner-Occupied Housing by Geography	28,405	0.00	0.00	0.00	100.00	0.00
Business by Geography	9,275	0.00	0.00	0.00	100.00	0.00
Farms by Geography	322	0.00	0.00	0.00	100.00	0.00
Family Distribution by Income Level	26,808	6.42	8.64	14.95	69.99	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	4,037	0.00	0.00	0.00	100.00	0.00
Median Family Income HUD Adjusted Median Family Income for 2009 Households Below Poverty Level		49,461 64,800 4%	Median Housing Value Unemployment Rate (2000 US Census)	214,374 1.87%		

(*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2000 US Census and 2009 HUD updated MFI

The median cost of housing in the AA is \$214,374. The Updated Median Family Income is \$64,800. The percentage of households below the poverty level is 4%. The AA's population is comprised of 26,808 families with the following family income distribution: 6.42% are low income, 8.64% are moderate income, 14.95% are middle income and 69.99% are upper income.

According to the Bureau of Labor Statistics, the unemployment rate of the AA as of October 2009 was 9.8%. This rate is above the state unemployment rate of 9%. Within the AA, the majority of the individuals are employed by the service industries, which include education and health services, trade transportation and utilities, financial and professional and business services. The state and local government are also large employers.

The market in which the bank operates is very competitive. Located within the assessment area are numerous community banks, thrift institutions, and bank offices of several large regional and multinational financial institutions that compete for both commercial and retail banking services as well as loan products. Based on the June 30th, 2009 FDIC Deposit Market Share Report, PCNB has 6 branches and \$118,432M of deposits inside the market, representing 0.01% market share. Some of the bank's large bank competitors are JP Morgan Chase with 989 offices and 31.19% market share and Bank of America with 519 offices and 8.47% deposit market share.

A community contact was made with a local nonprofit public charity. The organization specializes in strategic community involvement, administering funds, awarding grants and providing leadership to enrich the quality of life and strengthening community in Putnam County. The organization holds, invests, and administers a collection of separate funds established to meet philanthropic goals of donors and the needs of Putnam County. The contact could not identify unmet credit needs in the community. The contact's perception of the financial institution was positive and did not address any additional services that the bank could provide to assist the local community. Overall, the contact was satisfied with the financial institutions' involvement in the local community.

Dutchess County Assessment Area

The Dutchess County AA consists of twenty six CTs, seventeen of which are middle income CTs (65%), two moderate income CTs (8%) and seven upper income CTs (27%). The total population in the AA was 127,861 according to the 2000 U.S. Census Bureau.

The following chart below describes the demographics of the AA:

2009 AA Putnam County NB - Dutchess County

Demographic Information for Full Scope Area: 2009 AA Putnam County NB - Dutchess County						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	26	0.00	0.00	15.38	84.62	0.00
Population by Geography	127,861	0.00	0.00	12.41	87.59	0.00
Owner-Occupied Housing by Geography	35,892	0.00	0.00	12.06	87.94	0.00
Business by Geography	11,304	0.00	0.00	11.23	88.77	0.00
Farms by Geography	446	0.00	0.00	18.39	81.61	0.00
Family Distribution by Income Level	34,049	7.28	10.61	17.30	64.81	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	6,089	0.00	0.00	23.40	76.60	0.00
Median Family Income HUD Adjusted Median Family Income for 2009 Households Below Poverty Level		50,073 65,654 4%	Median Housing Value Unemployment Rate (2000 US Census)		205,276 1.81%	

(*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2000 US Census and 2009 HUD updated MFI

The median cost of housing in the AA is \$205,276. The Updated Median Family income for 2009 is \$65,654. The percentage of households below the poverty level is 4%. The AA's population is comprised of 34,049 families with the following family income distribution: 7.28% are low-income, 10.61% are moderate income, 17.30% are middle-income, and 64.81% are upper income.

The Bureau of Labor Statistics reports that the unemployment rate for the AA as of October 2009 was 7.9%. The rate is below the state unemployment rate of 9.0%. Similar to the Putnam County AA, the Dutchess County major employers are state and local government, including service businesses, such as education and health services, trade transportation and utilities, financial and professional and business services.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

PCNB's performance under the lending test is satisfactory. PCNB's loan-to-deposit ratio is reasonable given the bank's size, financial condition, and the credit needs in the AAs. A substantial majority of PCNB's primary loan products were originated within the its AAs. When considering the bank's overall performance context, PCNB's record of lending to borrowers of different income is reasonable and meets the standard for satisfactory performance. We determined that the geographic distribution of loans for the AAs was not meaningful as there are no low- or moderate-income CTs.

Loan-to-Deposit Ratio

PCNB's loan to deposit ratio is reasonable and meets the standard for satisfactory performance given the bank's size, financial condition, and the AAs credit needs. The bank's quarterly average loan-to-deposit ratio since the last CRA examination was 85% over the last 27 quarters. The ratio was higher than the ratios of similarly situated national banks in NY, which averaged 68%.

Lending in Assessment Area

A substantial majority of the bank's real estate loans (including commercial real estate loans, home purchase, home improvement and home mortgage refinance loans) originated during the evaluation period were within the AAs. PCNB meets the standard for satisfactory performance for lending in the AAs. An analysis of 58 loans disclosed that 88% of these loans were originated in the AAs.

Lending to Borrowers of Different Incomes

Overall, the bank's record of lending to borrowers of different incomes reflects reasonable penetration when considering the bank's performance context and meets the standard for satisfactory performance.

Putnam and Westchester County AAs

The level of mortgage lending to low- and moderate-income families reflects reasonable penetration. The bank has no home purchase or home refinance loans originated to low income families in the AAs. The level of home improvement loans originated to low-income borrowers is near to the percentage of low-income families in the AAs. When considering the affordability of housing in the MSA, the bank's performance is satisfactory. The median cost of housing in the AAs is \$214,374 based on 2000 U.S.

Census data. The HUD Updated Median Family Income for 2009 is \$64,800. This means that a low-income person earns less than \$32,400 in the AA. Based on these demographics, it would be difficult for a low-income individual to afford housing in the AA.

The level of home purchase loans made to moderate-income borrowers in the AAs is lower than the percentage of moderate-income families in the AAs. The level of home improvement loans significantly exceeds the percentage of moderate-income families in the AAs. The level of home refinance loans to moderate-income borrowers exceeds the ratio of moderate-income families. The level of home improvement loans to low income borrowers is slightly below the percentage of low income families in the AA. The bank has not originated any home purchase or home refinance loans to low-income borrowers.

Please refer to table 1 below:

Table 1 - Borrower Distribution of Residential Real Estate Loans in [Putnam and Westchester AA]								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	6.42	0.00	8.64	4.17	14.95	33.33	69.99	62.50
Home Improvement	6.42	5.56	8.64	27.78	14.95	11.11	69.99	55.56
Home Refinance	6.42	0.00	8.64	11.11	14.95	11.11	69.99	77.78

Dutchess County AA

The level of mortgage lending to low- and moderate-income families reflects reasonable penetration. The level of home-purchase loans originated to low-income borrowers in the MSA is lower than the percentage of low income families in the AA. The level of home improvement loans originated to low-income borrowers exceeds the percentage of low-income families in the AA. The bank has not originated any home refinance loans to low-income borrowers. However, when considering the affordability of housing in the MSA, the bank's performance is satisfactory. The median cost of housing in the AA is \$205,276 based on 2000 U.S. Census data. The HUD Updated Median Family Income for 2009 is \$65,654. This means that a low income individual earns less than \$32,827 in the AA. Based on these demographics it would be difficult for a low-income individual to afford housing in the AA.

The level of home purchase loans made to moderate income borrowers in the AA is lower than the percentage of moderate-income families in the AA. The level of home improvement loans exceeds the percentage of moderate-income families in the AA. The level of home refinance loans to moderate-income borrowers is slightly below the level of moderate-income families.

Please refer to table 2 below:

Table 2 - Borrower Distribution of Residential Real Estate Loans in [Dutchess County AA]								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	7.28	2.78	10.61	5.56	17.30	38.89	64.81	52.78
Home Improvement	7.28	12.00	10.61	20.00	17.30	8.00	64.81	60.00
Home Refinance	7.28	0.00	10.61	9.09	17.30	18.18	64.81	72.73

Geographic Distribution of Loans
[Putnam and Westchester County AA]

The geographic distributions in the Putnam and Westchester AAs were not evaluated because all of the CTs are upper-income, therefore the analysis would not be meaningful.

Please refer to table 3 below:

Table 3 - Geographic Distribution of Residential Real Estate Loans in [Putnam and Westchester County AA]								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	0	0	0	0	0	0	100	100
Home Improvement	0	0	0	0	0	0	100	100
Home Refinance	0	0	0	0	0	0	100	100

Dutchess County AA

The geographic distribution of loans in the Dutchess County AA was not evaluated because all of the CTs are middle- and upper- income, therefore the analysis would not be meaningful.

Please refer to table 4 below:

Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	0	0	0	0	0	0	100	100
Home Improvement	0	0	0	0	12.06	23.08	87.94	76.92
Home Refinance	0	0	0	0	12.06	14.29	87.94	85.71

Responses to Complaints

The bank has not received any CRA related consumer complaints during this evaluation period.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.