

PUBLIC DISCLOSURE

May 10, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Stissing National Bank
Charter # 981
P.O. Box 651
2971 Church Street
Pine Plains, NY, 12567**

**Comptroller of the Currency
New York Metro Field Office
830 Morris Turnpike, 2nd floor
Short Hills, New Jersey 07078**

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.

DEFINITIONS AND COMMON ABBREVIATIONS

The following terms and abbreviations are used throughout this Performance Evaluation. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate - Any company that controls, is controlled by, or is under common control by another company. A company is under common control with another company if both companies are directly or indirectly controlled by the same company. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Block Numbering Area (BNA) - Statistical subdivisions of counties in which census tracts have not been established. BNAs have been established by the United States Census Bureau in conjunction with state agencies.

Census Tract (CT) - Small, locally defined statistical areas within metropolitan statistical areas. These areas are determined by the United States Census Bureau in an attempt to group homogenous populations. A CT has defined boundaries per ten-year census and an average population of 4,000.

Community Development (CD) - Affordable 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.

Community Reinvestment Act (CRA) - The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

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 the income of applicants, the amount of loan requested, and the disposition of the application (e.g., approved, denied, withdrawn).

Home Mortgage Loans - Such loans include home purchase and home improvement loans, as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwellings loans, loans for the purchase of manufactured homes and refinancing of home improvement and home purchase loans.

Low-Income - Income levels that are less than 50% of the median family income.

Median Family Income (MFI) - The median income determined by the United States Census

Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Metropolitan Statistical Area (MSA) - Area defined by the Director of the United States Office of Management and Budget. MSAs consist of one or more counties, including large population centers and nearby communities that have a high degree of interaction.

Middle-Income - Income levels that are at least 80% and less than 120% of the MFI.

Moderate-Income - Income levels that are at least 50% and less than 80% of the MFI.

Small Business Loans - Loans with original amounts of \$1 million or less that are: (1) secured by nonfarm nonresidential properties; or (2) commercial and industrial loans to U.S. addresses.

Small Farm Loans - Loans with original amounts of \$500 thousand or less that are: (1) secured by farmland; or (2) to finance agricultural production and other loans to farmers.

Tier 1 Capital - The total of common shareholders' equity, perpetual preferred shareholders equity with noncumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Upper-Income - Income levels that are 120% or more of the MFI.

General Information

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority, when examining financial institutions subject to its supervision, to assess the

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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of Stissing National Bank prepared by The Office of the Comptroller of the Currency, as of May 10, 2004. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.

Institution's CRA Rating: This institution is rated **"Satisfactory"**.

The primary factors supporting the overall rating are:

- SNB's average loan to deposit ratio of 48% is adequate in comparison to the customized peer.
- The majority of mortgage loans originated are within the bank's assessment area.
- The distribution of mortgage loan products among borrowers of different income levels is adequate.

DESCRIPTION OF INSTITUTION:

Stissing National Bank (SNB), the only subsidiary of SNB Bancorp, is a \$39 million intrastate commercial bank. The main office is located in Pine Plains, New York, with a branch in Stanfordville, New York. SNB opened a mortgage loan center in LaGrange in early 1998, however, this was subsequently consolidated into the bank's Stanfordville branch. Both branches are located in Dutchess County, New York. A full range of products is made available to the general public, with emphasis placed on real estate related lending products. As of December 31, 2002, residential real-estate lending comprised 70% of total outstanding loans. Commercial lending accounted for only 9% of all originations during the evaluation period, therefore no analysis was performed of these loans as it would not be meaningful. There are no known impediments, legal or otherwise, which would hinder management in helping to meet identified needs of the assessment area.

Competition within Dutchess County is provided by several community banks and thrifts headquartered in the county, and by local offices of a number of large regional banks. SNB serves its present community through its two offices. ATMs are available at both offices, as are extended hours.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Scope of Examination

This evaluation covers the period from January 1, 2000 through December 31, 2002. In May 2003, management revised their Assessment Area (AA) from all of Dutchess County to the upper-northern portion of Dutchess County (22 census tracts) and the lower-southern portion of Columbia County, New York (3 census tracts). However, prior to the revised AA, the bank's assessment area was all of Dutchess County, New York.

Community Contact

During this examination, we held a discussion with a local town official to help us determine the community credit and development needs in the Dutchess County AA. The contact commented on the generally moderate to middle income levels of the AA, and the inability of families to purchase affordable housing in the area since home prices have escalated. There is a trend to make this area more of a "bedroom community" to New York City. In addition, there has been some relocation of families from the New York City area to Dutchess County over the last several years.

The predominant credit needs of the community remain centered in mortgage lending. A need for real-estate related loans for individuals with lower income was identified.

DESCRIPTION OF ASSESSMENT AREA

Dutchess County Assessment Area

The AA consists of 22 census tracts in Dutchess County, New York. The AA includes census tracts of the Dutchess County Metropolitan Statistical Area (MSA). Of the 22 census tracts, 19, or 86%, are middle-income tracts, 1 is listed as unknown or 5%, and 2 or 9% are moderate tracts. No low-income tracts are within this AA. Within the geographies 18% of the families are low-income, 22% moderate-income, 29% middle-income, and 31% are in upper-income. The AA meets all regulatory guidelines and no areas are arbitrarily excluded. The updated median family income for the AA in 2002 was \$68,100. The total population in the AA is approximately 81,054 based on 1990 census data.

Dutchess County is highly concentrated in high-tech manufacturing, but far less so than a decade ago. Between 1990-94, manufacturing employment fell nearly 50%, though it has since edged back up. Much of the decline was specific to IBM, though that firm is still, by far, the largest private-sector employer. In 2000, fewer than one in four working residents commuted to another county. Major employers in Dutchess County include IBM, state and local governments, healthcare services, higher educational institutions, and retail services. The unemployment rate in Dutchess County was 4.6%, as of March 2004.

Columbia County Assessment Area

The assessment area consists of 3 Block Numbering Areas in Columbia County, New York. All

3 BNAs are middle-income tracts. The updated median family income for the AA in 2002 was \$47,300. However, since this AA was added after the evaluation period, activities in this area are not considered in this PE. The unemployment rate in Columbia County was 4.6%, as of March 2004.

Loan-to-Deposit Ratio:

The bank’s level of lending meets the standard for satisfactory performance and indicates a reasonable commitment to meeting the community’s credit needs. The average loan to deposit ratio over the last five years was 48%, improving from 41% from the last CRA examination. Based on a customized selection of financial institutions headquartered in Dutchess County, loan to deposit ratios ranged from 59% to 75%, as of December 31, 2003. The primary reason for SNB’s lower average is attributable mainly to SNB’s higher degree of deposits derived from municipalities. Over the prior 12 month period, SNB’s public deposits averaged 15% of total deposits. The short-term nature of these deposits generally restricts management from funding loans since term lengths of lending products generally extend beyond this point. Management usually employs funding generated from municipalities in overnight fed funds sold or short-term certificate of deposit purchases

Lending in the Assessment Area

SNB meets the standard for satisfactory performance for lending in the Assessment Area. Our sample disclosed 73% of the Home Mortgage Disclosure Act (HMDA) reportable loans were originated in the AA. By dollar volume, 75% of Home Mortgage Disclosure Act (HMDA) reportable loans lending was originated in the AA.

Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total Loans	Inside		Outside		Total Dollars *
	#	%	#	%		\$ *	%	\$*	%	
Home Mortgages	27	73%	10	27%	37	4,141	75%	1,349	25%	5,490

Source: Data reported under the Home Mortgage Disclosure Act for 2000, 2001 and 2002
 *Dollars are represented in thousands.

Lending to Borrowers of Different Incomes

SNB’s primary lending activity is home mortgage lending. SNB’s record of lending to borrowers of different incomes meets the standard for satisfactory performance. Please refer to the table on page 6.

In the evaluation of borrower distribution, we gave consideration to the poverty level in the AA. The poverty level in the Stissing MSA AA is 5%. Due to reasons of affordability, it is unlikely that those with low incomes as well as incomes below the poverty level would be involved in home mortgage financing. For example, a low-income borrower, with a maximum income of \$34,049, would be likely to experience difficulty in qualifying for a mortgage based on the median housing value of \$142,723. Accordingly, we considered this in evaluating the bank's lending distribution to low-income borrowers. Home mortgage lending to low-income borrowers, while lower than the distribution of the families, is good when considering the percentage of households living below the poverty level. Home mortgage lending to moderate-income borrowers, while also lower than the distribution of families, is adequate.

Borrower Distribution of Home Mortgage Loans in Stissing MSA AA

Income Level	Number of Loans	% of Loans	\$ of Loans (000)	% of Loans by \$	Income Level of Families in AA
Low	3	11%	112	3%	17%
Moderate	4	15%	304	7%	22%
Middle	5	18%	551	13%	29%
Upper	15	56%	3,174	77%	32%
Total	27	100%	4,141	100%	100%

Source: Data reported under the Home Mortgage Disclosure Act for 2000, 2001 and 2002

Geographic Distribution of Loans

SNB's geographic distribution of lending throughout the AA exceeds the standard for satisfactory performance. While the 1990 US Census data shows only 12% owner-occupied housing within the moderate-income geographies, the bank originated 48% of their home mortgage loans with in these moderate-income geographies. There are no low-income geographies in the Stissing MSA AA.

Geographic Distribution of Home Mortgage Loans in Stissing MSA AA

Census Tract Income Level	% of Owner Occupied Housing Units	% of the Number of Bank Loans
Low	0%	0%
Moderate	12%	48%
Middle	88%	52%
Upper	0%	0%
Total	100%	100%

Source: Data reported under the Home Mortgage Disclosure Act for 2000, 2001 and 2002. 1990 US Census Data.

Responses to Complaints

Stissing National Bank has not received any CRA related complaints covering the review period with respect to its performance.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of illegal discrimination or other illegal credit practices.