



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

December 14, 2009

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Stissing National Bank of Pine Plains
Charter Number 981

2971 Church Street
Pine Plains, NY 12567

Office of the Comptroller of the Currency

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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 primary factors supporting the overall rating are:

- The bank's quarterly average loan-to-deposit ratio is reasonable and compares favorably with other financial institutions of similar size
- Stissing National Bank originated a majority of its loans inside the assessment area.
- Stissing National Bank's record of lending to borrowers of different incomes meets the standard for satisfactory performance. Residential real estate loans to low- and moderate-income borrowers, is adequate.
- The distribution of loans within Dutchess County and Columbia County reflect a reasonable penetration.

SCOPE OF EXAMINATION

This Performance Evaluation assesses the bank's record of meeting the credit needs of the communities in which it operates. We evaluated Stissing National Bank (SNB) under the Small Bank performance criteria. The evaluation period covers the period from January 1, 2007 through December 14, 2009. The Assessment Area (AA) includes 22 census tracts in the upper-northern portion of Dutchess County, New York, and 3 census tracts in the lower-southern portion of Columbia County, New York. Conclusions regarding SNB's lending performance are based primarily on home mortgage loans and, to a lesser extent, on business loans. We analyzed loan samples using both the HMDA LAR and SNB's Loan Trial Balance. We also analyzed 2000 US Census Data, 2009 Business Geodemographic Data, and 2009 US Bureau of Labor Statistics to form conclusions about the AA and SNB's adequacy in meeting the needs of their community.

DESCRIPTION OF INSTITUTION

Stissing National Bank, the only subsidiary of SNB Bancorp, is a full service institution with total assets of \$44,214 thousand as of September 30, 2009. The main office is located in Pine Plains, New York, with a branch in Stanfordville, New York. Both branches are located in Dutchess County, New York. SNB offers a full line of deposit, loan, mortgage and investment services and products, with special emphasis on real estate-related lending products. As of September 30, 2009, residential real estate lending comprised the majority of lending at 72% of total loans. Home Equity Loans comprised 13% of total loans. Non-farm business loans comprised 11% of total loans. Although the dollar volume of business lending accounted for a smaller portion of the bank's lending, the number of business loans surpassed the number of home mortgage loans because of the identified business needs of the local county. There are no known impediments, legal or otherwise, that could hinder management in meeting the identified needs of the assessment area.

DESCRIPTION OF ASSESSMENT AREA(S)

The AA of *The Stissing National Bank of Pine Plains (SNB)* meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas. The AA is made up of northern Dutchess County (22 census tracts) and southern Columbia County (3 census tracts). The AA within Columbia County is just north of and adjacent to the AA within Dutchess County as there are no gaps between the two counties. The Dutchess County AA falls under the Metropolitan Statistical Area (MSA) 39100 Poughkeepsie-Newburgh-Middleton New York. Columbia County does not fall under any MSA.

The SNB has two full service banking facilities, both within the assessment area. The main branch is located in a moderate-income geography with the second branch in a middle-income geography. Each facility is equipped with an ATM machine. The bank's closest competitor, Bank of Millbrook, is located 15 miles south of the Stanfordville branch. Other competitors include M&T Bank, Mid-Hudson Valley Credit Union, Ulster Savings, and Rhinebook Savings. Salisbury Bank, a CT based bank, plans to enter the NYS market via a branch in Millerton, NY. The increased competition should have little or no impact on the bank's customer base due to the distances between rural towns. SNB customers are loyal to the bank and are all locals in the community.

Dutchess County Assessment Area

The AA consists of 22 census tracts in the northern part of Dutchess County. Of the 22 census tracts, two tracts (9%) are designated as moderate-income geographies and the remaining 19 tracts (86%) are identified as middle-income geographies. There is one tract (5%) that is not classified into any specific income geography. There are no low-income or upper-income geographies within the AA.

The 2000 US Census Data reported a total population of 88,183 individuals living within the bank's Dutchess County AA. The majority of the population (93%) lives within the middle-income geography with the remaining population living in the moderate-income geography.

Demographic Information for Dutchess County Assessment Area						
	#	%Low Income Tract	%Moderate Income Tract	%Middle Income Tract	%Upper Income Tract	Unknown Income Tract
Geographies (Census Tracts)	22	0	9%	86%	0	5%
Population	88,183	0	7%	93%	0	0
Housing Units	34,400	0	7%	93%	0	0
Households	31,545	0	7%	93%	0	0

Non-Farm Businesses	7,188	0	7%	93%	0	0
Farms	457	0	13%	87%	0	0

Source: 2000 US Census Data

Based on 2000 US Census Data, the total number of families living in the Dutchess County AA is 22,074. The AA consists predominately of middle- and upper-income families, representing 26% and 36% of the total number of families respectively. Low-income families account for 18% of total families while moderate-income families account for 19%.

	#	%Low Income	%Moderate Income	%Middle Income	%Upper Income
Family Distribution by Income Level	22,074	18%	20%	26%	36%
Household Distribution by Income Level	31,545	22%	18%	21%	39%

Source: 2000 US Census Bureau

According to the US Bureau of Labor Statistics, the unemployment rate for Dutchess County, as of October 2009, is 8%, which is below the NY state unemployment rate of 9% and the national rate of 10%. Based on 2000 US Census Data, the 2000 Median Family Income was \$60,891 and the 2009 HUD updated Median Family Income is \$81,800. As of 2009, the weighted average median housing value is \$148,695 and Unemployed Labor as a percentage of the total population is 3%.

Census Median Family Income (MFI)	\$60,891	Weighted Avg Median Housing Value	\$148,695
2009 HUD-Adjusted MFI:	\$81,800	Unemployed Labor (Dutchess County AA)	3%
Families Below Poverty Line	7%	Unemployment Rate (Dutchess County)	8%

Source: 2000 US Census Data and 2009 US Bureau of Labor Statistics

According to the 2009 US Bureau of Labor Statistics, employment in Dutchess County is concentrated in the following sectors: government, health care and social services, wholesale and retail trade, and manufacturing. Major employers include IBM, Vassar Brothers Medical Center, Saint Frances Hospital and Health Center, and Central Hudson Gas & Electric. According to the Office of the State Comptroller, the number of jobs in Dutchess County grew to 117,555 in 2006. Employment has increased annually since 2000, with more than 7,000 jobs added between 2000 and 2006, for an overall

increase of 7%. Most of the new jobs were created in the manufacturing and the health care services sectors. However, Dutchess County has been impacted by the economic recession. Job growth significantly dropped to only 0.1% in 2006, and jobs declined by 0.4% in 2007.

Columbia County Assessment Area

The Columbia County AA includes three (3) census tracts in the southern portion of Columbia County, which does not fall under any MSA. Based on 2000 US Census Data, all three census tracts are middle-income tracts, with a total population of 6,290 individuals and total families of 1,730. The Median Family Income is \$47,278 and the 2009 HUD Updated Median Family Income is \$54,900. The AA is predominately made up of middle-income (25%) and upper-income (45%) families, which account for 70% of total families. Low-income families make up 13% and moderate-income families account for 17% of total families. According to the US Bureau of Labor Statistics, the unemployment rate for Columbia County, as of October 2009, is 7%. For the Columbia County AA, unemployed labor as a percentage of civilians in the workforce is about 3%.

Table 3 - Distribution by Income Level for Columbia County Assessment Area					
	#	%Low Income	%Moderate Income	%Middle Income	%Upper Income
Family Distribution by Income Level	1,730	13%	17%	25%	45%
Household Distribution by Income Level	2,486	15%	14%	21%	50%

Source: 2009 US Census Data

Community Contact

During this examination, we held a discussion with a local town official to help us determine the credit and development needs of the community. The contact commented on the predominant need for mortgage and small business financing. According to the contact, credit-worthy applicants were able to obtain loans to meet their needs. While the negative perception of the declining housing market has caused some tightening in credit from local community banks, it has not significantly impacted the borrowers in the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

SNB’s performance under the Lending Test is considered “Satisfactory.” More weight was placed on the bank’s performance in Dutchess AA since lending in Columbia AA is limited. SNB’s loan-to-deposit ratio is reasonable and a majority of loans originated were made inside the bank’s AA. The geographic distribution of SNB’s business loans reflects reasonable dispersion among geographies and penetration among business of different sizes and borrowers of different income.

Loan-to-Deposit Ratio

The bank's quarterly average loan-to-deposit ratio is reasonable given the bank's size, financial condition, and the credit needs of the AA. The bank's quarterly average net loan-to-deposit ratio over the last twenty two quarters is 62%. During this period, SNB's performance ranged from a low 39% at January 31, 2005, to a high of 85% at December 31, 2008. The increasing trend was attributed to the change in senior management's philosophy and the needs of the communities over the evaluation period.

SNB's quarterly average net loan-to-deposit ratio compares favorably with other national financial institutions of similar size. The average net loan-to-deposit ratios for banks similar in asset size over the same twenty two quarters averaged 72%. The ratios ranged from a low of 69% to a high of 79%.

Lending in Assessment Area

SNB originated a majority of its loans inside the assessment area. The table below details home mortgage loans and business loans, both in and outside the AA, by number of loans and dollar amount. The percentage of home mortgage loans and business loans that fall inside the AA is 80% and 88%, respectively. Based on the dollar amount, 79% of home mortgage loans and 82% of business loans fall within the AA.

Table 4 - Lending in SNB's Assessment Area (Dutchess Cty AA and Columbia Cty AA)										
Loan Type	Number of Loans					Dollars of Loans (\$000)				
	Inside AA		Outside AA		Total	Inside AA		Outside AA		Total
	#	%	#	%		\$	%	\$	%	
Home Mortgages	35	80%	9	20%	44	\$8,251	79%	\$2,159	21%	\$10,410
Business Loans	58	88%	8	12%	66	\$1,811	82%	\$393	18%	\$2,204
Totals	93	85%	17	15%	110	10,062	80%	2,552	20%	\$12,614

Source: Data reported under the HMDA for 2007, 2008, 2009 and Loan Trial Balance (2007-2009)

Lending to Borrowers of Different Incomes

SNB's primary lending activity is residential real estate lending. SNB's record of lending to borrowers of different incomes meets the standard for satisfactory performance. The bank made 12% of its home mortgages to each of the low- and moderate-income borrower categories (24% in total to low-/mod-income borrowers). Residential real estate loans to middle-income borrowers, while lower than the distribution of families at 26%, is reasonable at 21%. Lending to upper-income borrowers exceeded the distribution of families of 36% at 55% and was primarily attributed to the relocation of higher income families from the New York City area to the "bedroom community" of Dutchess County.

Table 5 - Borrower Distribution of Residential Real Estate Loans in Dutchess 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
Residential	18%	12%	19%	12%	26%	21%	36%	55%

Source: Data reported under the Home Mortgage Disclosure Act 2007, 2008, and 2009

Table 6 - Borrower Distribution of Residential Real Estate Loans in Columbia 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
Residential	13%	0%	17%	0%	25%	50%	45%	50%

Source: Data reported under the Home Mortgage Disclosure Act 2007, 2008, and 2009

Lending to Businesses of Different Sizes

Dutchess County

The distribution of loans within Dutchess County reflects a reasonable penetration among businesses of different sizes. Dutchess County demographic data shows 80% of the area’s businesses are considered to be small businesses, with gross annual revenues of one million dollars or less. In terms of number of loans, the bank originated about 55% of total loans to small businesses and about 23% to large businesses. Although the bank originated a higher number of loans to small businesses versus large businesses, the total loan dollar amount for large businesses (55%) exceeded that of small businesses (33%). Many of the smaller business loans made by SNB, in amounts of \$20 thousand or less, were made to affluent New Yorkers with a secondary farm residences in the area. The purpose of these smaller loans was to purchase farm equipment and machinery.

Table 7 - Borrower Distribution of Loans to Businesses in the Dutchess County AA (\$000)					
Business Revenues (or Sales)	Total	≤\$1,000	>\$1,000	Unavailable/ Unknown	Total
% of AA Non-Farm Businesses (by #)	7,188	80%	3%	17%	100%
% of Business Loans in AA by #	53	54%	23%	23%	100%
% of Business Loans in AA by \$	\$1,737	33%	55%	12%	100%

Source: Business Loan Sample 2007-2009 and 2009 Business Geodemographic data

Columbia County

The distribution of loans within Columbia County also reflects reasonable penetration among businesses of different sizes. Columbia County demographic data shows 78% of the area's businesses to be small businesses. A small volume of loans, 5 in total, were originated in this assessment area during our evaluation period and approximately 40% of loans were made to small businesses with revenues of less than \$1 million. Although the number of business loans made in Columbia County is small, this is mitigated by the fact that the bank does the bulk of its lending in the Dutchess County AA, which covers a much larger tract of land (22 census tracts) than that of the Columbus County AA.

Table 8 - Borrower Distribution of Loans to Businesses in the Columbia County AA (\$000)					
Business Revenues (or Sales)	Total	≤\$1,000	>\$1,000	Unavailable/ Unknown	Total
% of AA Non-Farm Businesses (by #)	516	76%	3%	21%	100%
% of Business Loans in AA by #	5	40%	60%	0	100%
% of Business Loans in AA by \$	\$74	28%	72%	0	100%

Source: Business Loan Sample 2007-2009 and 2009 Business Geodemographic data

Geographic Distribution of Loans

SNB's geographic distribution of residential real estate loans throughout the Dutchess and Columbia AAs is satisfactory. There are no low-income geographies in the bank's assessment areas and only two census tracts in Dutchess County were identified as moderate-income geographies. Within the moderate-income geography, 6% of the housing is owner-occupied compared to the 24% number of residential loans made within the geography. Although the bank originated only two loans in the Columbia AA, all the loans that were originated were made in middle-income geographies.

Table 9 – Geographic Distribution of Residential Real Estate Loans in Dutchess 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
Residential	0%	0%	6%	24%	94%	76%	0%	0%

Source: Data reported under the Home Mortgage Disclosure Act for 2007, 2008, and 2009

Table 10 – Geographic Distribution of Residential Real Estate Loans in Columbia 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
Residential	0%	0%	0%	0%	100%	100%	0%	0%

Source: Data reported under the Home Mortgage Disclosure Act for 2007, 2008, and 2009

Dutchess County

The bank’s geographic distribution of business loans reflects good dispersion throughout the moderate- and middle-income census tracts. There are no low or upper income census tracts in the assessment area. The bank has exceeded satisfactory performance in serving the needs of moderate-income level areas. Although only 7% of businesses are located in moderate-income geographies, the bank extended 51% of its total business loans to businesses in the area.

Table 11 - Geographic Distribution of Loans to Businesses in the Dutchess County AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Bus.	% # of Loans	% of AA Bus.	% # of Loans	% of AA Bus.	% # of Loans	% of AA Bus.	% # of Loans
Non-Farm Business Loans	0	0	7%	51%	93%	49%	0	0

Source: Business Loan Sample 2007-2009 and 2009 Business Geodemographic data

Columbia County

Five business loans were made to businesses located in middle-income geographies within the Columbia County AA. Although the number of business loans made in Columbia County is small and the dispersion confined to middle-income geographies, this is mitigated by the fact that the bank has focused much of its lending in the Dutchess County AA, which covers a larger tract of land (22 census tracts) than the Columbia County AA (3 census tracts). Furthermore, in the Dutchess County AA, the bank has focused much of its lending in moderate-income geographies.

Table 12 - Geographic Distribution of Loans to Businesses in the Columbia County AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Bus.	% # of Loans	% of AA Bus.	% # of Loans	% of AA Bus.	% # of Loans	% of AA Bus.	% # of Loans
Non-Farm Business Loans	0	0	0	0	100%	100%	0	0

Source: Business Loan Sample 2007-2009 and 2009 Business Geodemographic data

Responses to Complaints

SNB has not received any CRA 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..