

PUBLIC DISCLOSURE

March 3, 2009

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Bank of Smithtown
00664**

**100 Motor Parkway
Hauppauge, New York 11788**

**Federal Deposit Insurance Corporation
20 Exchange Place
New York, New York 10005**

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.

INSTITUTION RATING

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

A CRA rating of "Satisfactory" is assigned. An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities. Bank of Smithtown (Smithtown) has demonstrated a satisfactory responsiveness to the financial needs of its assessment area. The following summarizes the bank's performance under the Lending, Investment, and Service Tests.

Lending Test

During the evaluation period, the bank's overall volume of lending was high and a high level of its originated loans were located within its assessment area. The bank's penetration into the low- and moderate-income geographies within its assessment area is good, given the marketplace and assessment area demographics. The distribution of loan originations, given the product lines offered by the institution, shows good penetration among retail customers of different income levels and business customers of different sizes. The bank makes limited use of innovative or flexible lending practices in order to serve assessment area credit needs. The bank has made an adequate level of community development loans. Community development loans originated during the evaluation period totaled \$20.4 million and represented 1.2 percent of total loans (\$1.7 billion) and 1.1 percent of total assets (\$1.9 billion) as of December 31, 2008.

Investment Test

Smithtown has extended a significant level of qualified community development investments and grants although rarely in a leadership position, particularly those that are not routinely provided by private investors. New community development investments and qualified grants extended from January 1, 2006, to February 28, 2009, total approximately \$2.7 million. The bank's total outstanding qualified community development investments of \$2.7 million represents 0.1 percent of total assets (\$1.9 billion), 1.7 percent of total equity capital (\$156.8 million), and 4.7 percent of total securities (\$57.8 million) as of December 31, 2008.

Service Test

The bank provides an adequate level of retail banking and community development services. Retail banking services are reasonably accessible to essentially all segments of its assessment area, including low- and moderate-income geographies. Through its alternative delivery systems, the telephone banking system, the automated teller machine (ATM) network, and the extended branch hours, the bank has further increased the accessibility of its products and services. The bank provides an adequate level of community development services. Several officers of the bank are actively involved in community development organizations and offer their technical expertise through board and committee memberships.

LENDING, INVESTMENT, AND SERVICE TEST TABLE:

The following table indicates the performance level of the institution with respect to the lending, investment, and service tests.

PERFORMANCE LEVELS	Bank of Smithtown		
	PERFORMANCE TESTS		
	Lending Test	Investment Test	Service Test
Outstanding			
High Satisfactory	X	X	
Low Satisfactory			X
Needs to Improve			
Substantial Noncompliance			

made to low- and moderate-income borrowers in Suffolk County, New York. As of February 28, 2009, the bank still maintains \$1.0 million of these MBSs.

- Senior Housing Crime Prevention Foundation Investment Corporation (SHCPF) – The bank invested \$1.0 million in 2005 and another \$480,000 in 2007 in SHCPF. SHCPF’s mission is to provide safe and secure living environments for senior housing residents through the provision of the Senior Crime Stoppers Program, as well as to allow banks a favorable regulatory and business structure for fulfilling their CRA obligations. The funds are used by SHCPF to support Senior Crime Stoppers Program for low- to moderate-income seniors residing in a senior housing facility within the bank’s assessment area. The bank has a five-year commitment to hold these investments. As of February 28, 2009, the bank still maintains its approximately \$1.5 million investment in the SHCPF.
- Village of Hempstead (Village) General Obligation Bonds - In 2008, the bank invested approximately \$165,000 in the Village of Hempstead General Obligations Bonds. The Village bonds are secured by the full faith and credit pledge of the Village of Hempstead. Proceeds from the sale of the bonds will fund various capital projects and equipment acquisitions. The Village maintains a mixed use downtown area comprised of retail, service, office, and government uses, as well as higher density of single family residences. However, the Village’s local economy and central business district have shown significant declines in recent years with the closure of major retailers. The Village is primarily comprised of low- to moderate-income census tracts

Grants and Donations

During the evaluation period from January 1, 2007 through February 28, 2009, the bank provided qualifying donations totaling approximately \$55,000 to numerous local community development organizations serving its assessment area. Smithtown’s support of these organizations and their programs extends to all areas of community development. The bank is a supporter of local affordable housing programs and projects, as well as entities involved in economic development, community and social services, and neighborhood revitalization and stabilization. The following provides examples of some of the recipients.

- Habitat for Humanity of Suffolk County – (HFH). HFH is a non-profit, ecumenical Christian partnership of concerned people that builds and sells affordable homes to low-income families. Habitat for Humanity of Suffolk County is an independently operated affiliate of Habitat for Humanity International. During the evaluation period, the bank donated \$1,000 to the HFH.
- Middle Country Library Foundation (CALF) – CALF is a not-for-profit foundation that through tax deductible donations provides literacy programs to low- and moderate-income families, and supports the library’s involvement in the Family Library Program. In addition, CALF promotes the library as a place to learn and interact with people from birth to retirement. The bank donated a total of \$1,700 to the foundation during the examination period.