



NEW YORK STATE BANKING DEPARTMENT
CONSUMER SERVICES DIVISION
One State Street
New York, NY 10004

PUBLIC SUMMARY

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Date of Evaluation: December 31, 2010

Institution: State Bank of Long Island
Two Jericho Plaza
Jericho, New York 11753

Note: This evaluation is not an assessment of the financial condition of this institution. The rating assigned does not represent an analysis, conclusion or opinion of the New York State Banking Department concerning the safety and soundness of this financial institution.

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GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (“CRA”) performance of State Bank of Long Island (SBLI), prepared by the New York State Banking Department. The evaluation represents the Banking Department’s current assessment and rating of the institution’s CRA performance based on an evaluation conducted as of *December 31, 2010*.

Section 28-b of the New York State Banking Law, as amended, requires that when evaluating certain applications, the Superintendent of Banks shall assess a banking institution’s record of helping to meet the credit needs of its entire community, including low- and moderate-income (“LMI”) areas, consistent with safe and sound operations.

Part 76 of the General Regulations of the Banking Board implements Section 28-b and further requires that the Banking Department assess the CRA performance records of regulated financial institutions. Part 76 establishes the framework and criteria by which the Department will evaluate the performance. Section 76.5 further provides that the Banking Department will prepare a written report summarizing the results of such assessment and will assign to each institution a numerical CRA rating based on a 1 to 4 scoring system. The numerical scores represent an assessment of CRA performance as follows:

- (1) outstanding record of meeting community credit needs;
- (2) satisfactory record of meeting community credit needs;
- (3) needs to improve record of meeting community credit needs; and
- (4) substantial noncompliance in meeting community credit needs.

Section 76.5 further requires that the CRA rating and the written summary be made available to the public (“Evaluation”). Evaluations of banking institutions are primarily based on a review of performance tests and standards described in Section 76.7 and detailed in Sections 76.8 through 76.13. The tests and standards incorporate the 12 assessment factors contained in Section 28-b of the New York State Banking Law.

For an explanation of technical terms used in this report, please consult the **GLOSSARY** at the back of this document.

OVERVIEW OF INSTITUTION'S PERFORMANCE

SBLI's performance was evaluated according to the large bank performance criteria pursuant to Part 76.12 of the General Regulations of the Banking Board. This assessment period included calendar years 2009, and 2010. SBLI is rated "2," indicating a "**Satisfactory**" record of helping to meet community credit needs.

This rating is based on the following factors:

Lending Test – "High Satisfactory"

- **Lending Activity:** "High Satisfactory"

SBLI's lending levels are reasonable considering its size, business strategy and financial condition, as well as peer group activity and demographics.

- **Assessment Area Concentration:** "High Satisfactory"

During the evaluation period, for small business lending, SBLI originated 89.9% by number, and 83.4% by dollar value of its loans within the assessment area. This majority of lending inside of its assessment area indicates a "High Satisfactory" record of lending.

- **Geographic Distribution of Loans:** "Outstanding"

The distribution of loans based on lending in census tracts of varying income levels demonstrated an excellent penetration rate of lending. SBLI's record of originating small business loans exceeded both the aggregate and business demographics within the assessment area.

- **Distribution by Borrower Characteristics:** "Low Satisfactory"

The distribution of loans based on borrower characteristics demonstrated an adequate penetration rate of lending among businesses of different revenue sizes.

- **Community Development Lending:** "Outstanding"

During the evaluation period, SBLI originated \$109 million in new community development loans, and still had \$1.6 million outstanding from prior evaluation periods. This demonstrated an excellent level of community development lending over the course of the evaluation period.¹

¹ For analysis purposes, renewals of lines of credit that occur during the evaluation period are considered new extensions of credit. However, the level of lending is reviewed across the time period of the exam.

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- ***Flexible and/or Innovative Lending Practices: “Low Satisfactory”***

SBLI made limited use of flexible and innovative lending products.

Investment Test: “High Satisfactory”

- ***Amount of Community Development Investments: “High Satisfactory”***

During the evaluation period, SBLI made \$2.2 million in new community development investments, and still had \$3.4 million outstanding from prior evaluation periods. In addition, SBLI made \$43 thousand in community development grants. This demonstrated an adequate level of community development investments and grants over the course of the evaluation period.

- ***Responsiveness of Community Development Investments to Credit and Community Development Needs: “High Satisfactory”***

SBLI’s community development investments exhibited good responsiveness to credit and community development needs.

Service Test: “Low Satisfactory”

- ***Retail Banking Services: “Low Satisfactory”***
- ***Current distribution of the banking institutions branches: “Low Satisfactory”***

SBLI’s branches continued to represent an adequate distribution of branches within its assessment area. SBLI operates sixteen full-service branches and one limited service branch in its assessment area.

- ***Record of opening and closing branches: ”Low Satisfactory”***

The bank’s record of opening and closing of branches did not adversely affect the accessibility of its delivery systems.

- ***Availability and effectiveness of alternative systems for delivering retail services: “High Satisfactory”***

SBLI has satisfactory delivery systems to serve its assessment area needs.

- ***Range of services provided: “Low Satisfactory”***

SBLI’s banking services continue to meet the convenience and needs of the people residing in its assessment area.

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- **Community Development Services:** *“High Satisfactory”*

This evaluation was conducted based on a review of the 12 assessment factors set forth in Section 28-b of the New York State Banking Law and Part 76 of the General Regulations of the Banking Board.

PERFORMANCE CONTEXT

Institution Profile:

Chartered in 1966, SBLI is a commercial bank located in Jericho, New York. The bank is a wholly owned subsidiary of State Bancorp, Inc. SBLI serves its client base through seventeen branches in Nassau, Suffolk, Queens and Manhattan.

As per the Consolidated Report of Condition (the Call Report) as of December 31, 2010, filed with the Federal Deposit Insurance Corporation ("FDIC"), SBLI reported total assets of \$1.6 billion, of which \$1.1 billion were net loans and lease finance receivables. It also reported total deposits of \$1.3 billion, resulting in a loan-to-deposit ratio of 81.4%. According to the latest available comparative deposit data as of June 30, 2010, SBLI obtained a market share of 0.22%, or \$1.4 billion in a market of \$624.2 billion inside its market, ranking it 34th among 125 deposit-taking institutions in the assessment area.

The following is a summary of SBLI's loan portfolio, based on Schedule RC-C of SBLI's December 31, 2009 and December 31, 2010's Call Reports:

TOTAL GROSS LOANS OUTSTANDING				
Loan Type	2009		2010	
	\$000's	%	\$000's	%
1-4 Family Residential Mortgage Loans	95,668	8.7	83,696	7.4
Commercial & Industrial Loans	349,878	31.8	341,058	30.1
Commercial Mortgage Loans	482,778	43.9	520,213	45.9
Multifamily Mortgages	79,116	7.2	121,562	10.7
Consumer Loans	4,666	0.4	4,771	0.4
Agricultural Loans	1,412	0.1	0	0.0
Construction Loans	83,175	7.6	59,242	5.2
Obligations of States & Municipalities	2,652	0.2	2,039	0.2
Other Loans	227	0.0	401	0.0
Lease financing	0	0.0	0	0.0
Total Gross Loans	1,099,572		1,132,982	

As illustrated in the above chart, SBLI is primarily a commercial lender, with 30.1% of its loan portfolio in commercial and industrial loans, and with 45.9% of its loan portfolio in commercial mortgage loans.

There are no known financial or legal impediments that adversely impacted SBLI's ability to meet the credit needs of its community.

Assessment Area:

SBLI's assessment area is comprised of all of Nassau County and portions of New York, Queens and Suffolk counties as noted below.

There are 1,312 census tracts in the area, of which 13 are low-income, 218 are moderate-income, 672 are middle-income, 381 are upper-income and 28 are tracts with no income indicated.

Assessment Area Census Tracts by Income Level							
County	N/A	Low	Mod	Middle	Upper	Total	LMI %
Nassau	8	2	20	178	69	277	7.9
New York*	2	1	3	10	83	99	4.0
Queens*	17	9	140	305	180	651	22.9
Suffolk*	1	1	55	179	49	285	19.6
Total	28	13	218	672	381	1,312	17.6

*Partial county

The assessment area appears reasonable based upon the location of SBLI's offices and its lending patterns. There is no evidence that LMI areas have been arbitrarily excluded.

Demographic & Economic Data

The assessment area had a population of 5.3 million during the examination period. About 13.0% of the population were over the age of 65 and 20.4% were under the age of 16.

Of the 1.3 million families in the assessment area, 18.9% were low-income, 17.2% were moderate-income, 21.6% were middle-income and 42.4% were upper-income families. There were 1.9 million households in the assessment area, of which 9.0% had income below the poverty level and 2.4% were on public assistance.

The MSA median family income within the assessment area was \$61 thousand. The U.S. Department of Housing and Urban Development ("HUD") estimated median family income for the area was \$82 thousand in 2010.

There were 2,008,583 housing units within the assessment area, of which 65% were one- to four-family units, and 35% were multifamily units. A majority (55%) of the area's housing units were owner-occupied, while 41% were rental-occupied units. Of the owner-occupied housing units, 10.7% were in low- and moderate-income census tracts while 89.3% were in middle- and upper-income census tracts. The

median age of the housing stock was 56 years and the median home value in the assessment area was \$ 250 thousand.

There were 472,783 non-farm businesses in the assessment area. Of these, 76.5% were businesses with reported revenues of less than or equal to \$1 million, 5.9% reported revenues of more than \$1 million and 17.6% did not report their revenues. Of all the non-farm businesses in the assessment area, 86.3% were businesses with less than fifty employees while 92.3% operated from a single location. The largest industries in the area were Services (47.5%), followed by Retail Trade (14.2%) and Finance, Insurance & Real Estate (9.7%), while 6.8% of businesses in the assessment area were not classified.

New York City and Long Island have received the greatest number of pre-foreclosure notices with a combined total of more than 53 percent of all 90-day pre-foreclosure notices mailed in the State (source: New York State Banking Department 90-day Pre-Foreclosure Notice Filing Report as of October 7, 2010).

According to the New York State Department of Labor, the average unemployment rate for New York State rose 0.2% while the assessment area's unemployment rate rose from 2.2% to 3.7%, respectively.

Assessment Area Unemployment Rate					
	Statewide	New York	Nassau	Suffolk	Queens
2009	8.4	4.7	4.7	4.9	4.9
2010	8.6	8.5	6.9	7.3	8.6

Community Information

Our CRA evaluation included an interview with a community contact. The contact represented a not-for-profit organization that provides programs and services to low and moderate-income families and individuals on Long Island. Foreclosures continue to be prevalent on Long Island. This organization is involved in acquiring foreclosed, vacant properties in distressed communities on Long Island, and rehabilitates them in order to return these to productive use for LMI individuals and families. During this evaluation period SBLI provided permanent financing to this program.

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

SBLI was evaluated under the large bank's performance standards in accordance with Parts 76.8, 76.9 and 76.10 of the General Regulations of the Banking Board which consist of the lending, investment and service tests. The following factors were also considered in assessing the bank's record of performance: the extent of participation by the board of directors or board of trustees in formulating CRA policies and reviewing CRA performance; any practices intended to discourage credit applications, evidence of prohibited discriminatory or other illegal credit practices; record of opening and closing offices and providing services at offices; and process factors, such as activities to ascertain credit needs and the extent of marketing and special credit related programs. Finally, the evaluation considered other factors as delineated in Section 28-b of the Banking Law that reasonably bear upon the extent to which a banking institution is helping to meet the credit needs of its entire community.

Statistics employed in this evaluation were derived from various sources. Bank-specific information was submitted by the bank both as part of the examination process and on its Call Report submitted to the Federal Deposit Insurance Corporation ("FDIC"). Aggregate lending data were obtained from the Federal Financial Institutions Examination Council ("FFIEC") and deposit data were obtained from the FDIC. Loan-to-deposit ratios were calculated from information shown in the bank's Uniform Bank Performance Report ("UBPR") as submitted to the FDIC.

The demographic data referred to in this report were derived from the 2000 U.S. Census and the U.S. Department of Housing and Urban Development ("HUD"). Business demographic data used in this report provide information on US businesses, enhanced by Dun & Bradstreet reports and updated annually. Unemployment data were obtained from the New York State Department of Labor. Some non-specific bank data are only available on a county-wide basis, and were used even where the institution's assessment area includes partial counties.

The assessment period included calendar years 2009 and 2010.

Examiners considered SBLI's small business loans in evaluating factors (2), (3) and (4) of the lending test as noted below.

As SBLI made only 7 HMDA-reportable loans inside the assessment area, analysis was based on small business lending only.

SBLI received a rating of "2," reflecting a "Satisfactory" record of helping to meet community credit needs at its **prior** Performance Evaluation conducted by the New York State Banking Department (now Department of Financial Services) as of December 31, 2008.

Current CRA Rating: “Satisfactory”

LENDING TEST: “High Satisfactory”

The bank’s lending performance was evaluated pursuant to the following criteria: (1) Lending Activity; (2) Assessment Area Concentration; (3) Geographic Distribution of Loans; (4) Borrower Characteristics; (5) Community Development Lending and (6) Flexible and/or Innovative Lending Practices.

SBLI’s small business activities were reasonable in light of size, business strategy and financial condition, as well as peer group activity, demographics, and its assessment area’s credit needs.

Lending Activity: “High Satisfactory”

SBLI’s lending levels are reasonable considering its size, business strategy and financial condition, as well as peer group activity and demographics.

According to the latest available comparative deposit data as of June 30, 2010, SBLI obtained a market share of 0.22%, or \$1.4 billion in a market of \$624.2 billion inside its market, ranking it 34th among 125 deposit-taking institutions in the assessment area.

Assessment Area Concentration: “High Satisfactory”

During the evaluation period, for small business lending, SBLI originated 89.9% by number, and 83.4% by dollar value of its loans within the assessment area. This majority of lending inside of its assessment area indicates a “High Satisfactory” record of lending.

The following table shows the percentages of SBLI’s small business loans originated inside and outside of its assessment area. HMDA-reportable lending inside and outside the assessment area was not rated since SBLI has decreased this lending activity considerably to seven loans during the evaluation period.

Distribution of Loans Inside and Outside of the Assessment Area										
Loan Type	Number of Loans					Loans in Dollars (in thousands)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
HMDA-Reportable										
2009	3	16.7%	15	83.3%	18	7,850	19.9%	31,680	80.1%	39,530
2010	4	40.0%	6	60.0%	10	9,588	34.2%	18,435	65.8%	28,023
Subtotal	7	25.0%	21	75.0%	28	17,438	25.8%	50,115	74.2%	67,553
Small Business										
2009	472	91.3%	45	8.7%	517	144,047	85.7%	23,959	14.3%	168,006
2010	154	86.0%	25	14.0%	179	49,913	77.2%	14,706	22.8%	64,619
Subtotal	626	89.9%	70	10.1%	696	193,960	83.4%	38,665	16.6%	232,625
Grand Total	633	87.4%	91	12.6%	724	211,398	70.4%	88,780	29.6%	300,178

Geographic Distribution of Loans: “Outstanding”

The distribution of loans based on lending in census tracts of varying income levels demonstrated an excellent penetration rate of lending.

SBLI's record of originating small business loans exceeded both the aggregate and business demographics within the assessment area.

The following chart provides a summary of SBLI's HMDA-reportable lending distribution based on the income level of the geography. This lending activity was not rated due to small number of loans (7 in total during the entire evaluation period).

HMDA-Reportable Loans: “Not Rated”

This component was not assigned a rating because SBLI originated only seven HMDA loans during the evaluation period and an analysis of its HMDA loans would not result in a meaningful evaluation.

Small Business Loans: “Outstanding”

The distribution of small business loans based on the income level of the geography of the business demonstrated an excellent penetration rate of lending.

The following chart provides a summary of SBLI's small business lending distribution based on the income level of the geography.

Distribution of Small Business Lending by Geographic Income of the Census Tract									
2009									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	4	0.8%	1,400	1.0%	500	0.4%	20,676	0.5%	0.5%
Moderate	60	12.7%	24,248	16.8%	13,961	10.2%	496,111	12.4%	12.2%
LMI	64	13.6%	25,648	17.8%	14,461	10.6%	516,787	13.0%	12.7%
Middle	222	47.0%	70,386	48.9%	57,045	41.7%	1,561,051	39.1%	42.6%
Upper	185	39.2%	47,913	33.3%	63,914	46.7%	1,856,783	46.5%	43.5%
Unknown	1	0.2%	100	0.1%	1,340	1.0%	55,716	1.4%	1.2%
Total	472		144,047		136,760		3,990,337		
2010									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	Data not available.				
Moderate	19	12.3%	6,298	12.6%					
LMI	19	12.3%	6,298	12.6%					
Middle	58	37.7%	15,933	31.9%					
Upper	75	48.7%	25,692	51.5%					
Unknown	2	1.3%	1,990	4.0%					
Total	154		49,913						
GRAND TOTAL									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	4	0.6%	1,400	0.7%		0.4%		0.5%	
Moderate	79	12.6%	30,546	15.7%		10.2%		12.4%	
LMI	83	13.3%	31,946	16.5%	14,461	10.6%	516,787	13.0%	
Middle	280	44.7%	86,319	44.5%		41.7%		39.1%	
Upper	260	41.5%	73,605	37.9%		46.7%		46.5%	
Unknown	3	0.5%	2,090	1.1%		1.0%		1.4%	
Total	626		193,960						

Distribution by Borrower Characteristics: “Low Satisfactory”

The distribution of loans based on borrower characteristics demonstrated an adequate penetration rate of lending among businesses of different revenue sizes.

HMDA-Reportable Loans: “Not Rated”

HMDA-reportable loans were not analyzed for borrower characteristics because there were only seven HMDA loans originated in the assessment area during the evaluation period.

Small Business Loans: “Low Satisfactory”

The distribution of small business loans based on the revenue size of the business demonstrated an adequate penetration rate of lending among individuals of different

income levels and businesses of different revenue sizes.

SBLI's small business loans to businesses with \$1MM or less in revenue (in number) exceeded the aggregate. However, it compared less favorably to the number of businesses in the assessment area. In addition, the number of loans decreased since the prior evaluation by approximately 66%. The factors contributing to this decline are negative economic conditions, and high concentration of competitive financial institutions in the assessment area.

The following chart provides a summary of SBLI's small business lending distribution based on revenue size during the evaluation period:

Distribution of Small Business Lending by Revenue Size of Business									
2009									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	75	15.9%	24,144	16.8%	22,177	16.2%	818,653	20.5%	76.2%
Rev. > \$1MM	351	74.4%	109,189	75.8%					6.4%
Rev. Unknown	46	9.7%	10,714	7.4%					17.4%
Total	472		144,047		136,750		3,990,337		
2010									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	Data Not Available				%
Rev. <= \$1MM	37	24.0%	10,429	20.9%					76.5%
Rev. > \$1MM	114	74.0%	39,186	78.5%					5.9%
Rev. Unknown	3	1.9%	298	0.6%					17.6%
Total	154		49,913						
GRAND TOTAL									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	112	17.9%	34,573	17.8%		16.2%		20.5%	76.5%
Rev. > \$1MM	465	74.3%	148,375	76.5%					
Rev. Unknown	49	7.8%	11,012	5.7%					
Total	626		193,960						

Community Development Lending: "Outstanding"

During the evaluation period, SBLI originated \$109 million in new community development loans, and still had \$1.6 million outstanding from prior evaluation periods. This demonstrated an excellent level of community development lending over the course of the evaluation period.¹

¹ For analysis purposes, renewals of lines of credit that occur during the evaluation period are considered new extensions of credit. However, the level of lending is reviewed across the time period of the exam.

SBLI was active in lending to not-for-profit organizations that provided services to the developmentally disabled. SBLI had credit programs available to provide lines of credit, term loans and bridge loans for various community development needs.

Community Development Loans				
Purpose	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Loans	\$000	# of Loans	\$000
Affordable Housing	3	6,265		
Economic Development	2	8,823		
Community Services	36	93,933	4	1,642
Other (Please Specify)				
Total	41	109,021	4	1,642

Below are highlights of SBLI's community development lending.

In 2009, SBLI provided a permanent financing in the amount of \$3.9 million to CDCLI Housing Development Fund Corporation (CDCLI). CDCLI is a not-for profit affiliate of Community Development Corporation of Long Island, whose mission is to serve the needs of Nassau and Suffolk Counties' low- and moderate-income families and individuals.

- In 2009, a \$4.5 line of credit was made available to a New York Business Development Corporation. This facility provided short-term funding to assist small and developing businesses in New York State.

A line of credit in the amount of \$4.1 million was made to a not-for-profit corporation providing educational and support services for families. This organization is a multi-service agency that receives funding from the County, State and Federal government. Its billing sources come from Medicaid, Nassau and Suffolk counties.

Flexible and/or Innovative Lending Practices: "Low Satisfactory"

SBLI made limited use of flexible and innovative lending products. As a means to enhance the credit needs of its assessment area, SBLI maintained the following special loan programs:

Group Home Financing Program ("GHFP"): Under the GHFP program, SBLI provided financing for not-for-profit agencies to acquire and renovate group homes that provided permanent housing for people with disabilities in LMI neighborhoods. As of December 31, 2010, SBLI extended eight loans totaling \$6,552,000.

Bridge Loans Financing Program ("BLFP"): The program enables SBLI to provide

bridge financing for not-for-profit agencies. The borrowers use the funds to acquire and renovate group homes. SBLI extended bridge loans totaling \$3,426,000. During the evaluation period SBLI converted bridge loans totaling, \$1,393,000 into term loans.

INVESTMENT TEST: “High Satisfactory”

SBLI’s investment performance is evaluated pursuant to the following criteria: (1) the dollar amount of qualified investments; (2) the innovativeness or complexity of qualified investments; (3) the responsiveness of qualified investments to credit and community development needs; (4) the degree to which the qualified investments are not routinely provided by private investors.

SBLI’s community development investments were reasonable in light of the assessment area’s credit needs.

Amount of Community Development Investments: “High Satisfactory”

During the evaluation period, SBLI made \$2.2 million in new community development investments, and still had \$3.4 million outstanding from prior evaluation periods. In addition, SBLI made \$43 thousand in community development grants. This demonstrated an adequate level of community development investments and grants over the course of the evaluation period.

Community Development Investments and Grants				
	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Inv.	\$000	# of Inv.	\$000
CD Investments				
Affordable Housing	1	\$ 2,188		
Economic Development			1	400
Community Services				
Revitalization & Stabilization			2	3,000
Total	1	\$ 2,188	3	3,400
	# of Grants	\$000	Not Applicable	
CD Grants				
Affordable Housing	2	\$ 3		
Economic Development				
Community Services	14	\$ 31		
Revitalization & Stabilization	3	\$ 10		
Total	19	\$ 43		

Below is a brief description of SBLI’s community development investments and grants.

During the evaluation period SBLI invested in *Mortgage-Backed Securities (“FNMA”)*

totaling \$ 2.2 million. The securities were backed by a pool of mortgages, in Suffolk County, to LMI borrowers.

The following qualified investments were made during the previous evaluation:

Statewide Zone Capital Corporation (“SZCC”): SBLI maintained a \$400 thousand investment in SZCC. SZCC’s program is under the management of the New York Business Development Corporation. The program provides financing and investment opportunities for the small businesses located in the designated Economic Development Zones in New York.

Senior Housing Crime Prevention Foundation (“SHCPF”): SBLI maintained a \$3 million investment in SHCPF during the evaluation period. SHCPF is an organization that supports crime prevention in nursing homes. The funds were used to provide safe and secure crime free residences for 570 senior LMI individuals.

Responsiveness of Community Development Investments to Credit and Community Development Needs: “High Satisfactory”

SBLI’s community development investments exhibited good responsiveness to credit and community development needs.

SERVICE TEST: “Low Satisfactory”

SBLI’s retail service performance is evaluated pursuant to the following criteria: (1) the current distribution of the banking institution’s branches; (2) the institutions record of opening and closing branches; (3) the availability and effectiveness of alternative systems for delivering retail services; and (4) the range of services provided. SBLI’s community development service performance is evaluated pursuant to the following criteria: (1) the extent to which the banking institution provides community development services; and (2) the innovativeness and responsiveness of community development services.

Retail Banking Services: “Low Satisfactory”

SBLI had and continues to have reasonable delivery systems, branch network, branch hours and services, and alternative delivery systems.

Current distribution of the banking institutions branches: “Low Satisfactory”

SBLI’s branches continued to represent an adequate distribution of branches within its assessment area. SBLI operates sixteen full-service branches and one limited service branch in its assessment area. Half of the branches (eight) are in Nassau County, with another five in Suffolk County. Queens has three branches, and Manhattan has one limited service branch (loan production office). Only one branch, located in Suffolk County, is in a moderate-income geography, with no branches in low-income

geographies.

Supplementing the branch network are ATM's at fourteen of its locations.

Distribution of Branches within the Assessment Area							
County	N/A	Low	Moderate	Middle	Upper	Total	LMI
	#	#	#	#	#	#	%
Nassau				7	1	8	0%
New York*					1	1	0%
Queens*				2	1	3	0%
Suffolk*			1	3	1	5	20%
Total	-	-	1	12	4	17	6%

*partial county

Record of opening and closing branches: "Low Satisfactory"

The bank's record of opening and closing of branches did not adversely affect the accessibility of its delivery systems. No branch was opened or closed during the evaluation period.

Availability and effectiveness of alternative systems for delivering retail services: "High Satisfactory"

SBLI has satisfactory delivery systems to serve its assessment area needs. The following are examples of SBLI's delivery systems:

- *Debit MasterCard* – can be used at numerous locations to make purchases, and also to withdraw cash 24/7 at various ATMs.
- *Touch 24* – Access interest rates, account balances, transfer funds and other automated account services 24 hours a day, seven days a week through their phone service.
- *Direct Deposit* – Social Security, payroll or other payments deposited directly into respective accounts.
- SBLI's business hours varies to adequately service its assessment area. Hours range from 8:00am to 7:00pm.

Range of services provided: "Low Satisfactory"

SBLI's banking services continue to meet the convenience and needs of the people residing in its assessment area. The following are examples of services offered at SBLI's branches:

- Personal Checking Accounts
- Personal Savings Accounts
- Certificates of Deposit

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- IRA's
 - Personal Loans – Secured only
 - Checkline (overdraft protection)
 - Small Business Lines of Credit
 - Notary Service
 - Business Checking and Savings
 - Commercial Lines of Credit
 - Term Loans
 - Commercial Mortgages

Most of the branches offer extended hours of services and drive-up facilities. Eight of the sixteen branches are open on Saturdays. Seven branches are open until 6 pm or 7 pm on Friday evenings and seven branches open early at 8:00 am or 8:30 am during the week.

Community Development Services: “High Satisfactory”

Below is a description of SBLI's community development services.

SBLI conducted small business seminars with a focus on following topics:

- Bankruptcy Concepts for the Sole Practitioner
- Marketing in a Down Economy
- Creating an Investment Strategy in Today's Economy
- How to Sell Effectively in Today's Business Climate

A lending officer was a guest speaker at Adelphi University's “Starting Your Own Business Seminar”. The concerns of risk management and the perils of financing a start-up business with borrowed money were discussed.

SBLI personnel were actively involved in various organizations and provided accounting/consultation services to support these organizations which included the following:

- Academy of Finance in New Hyde Park – Director of Human Resources is an Advisory Board Member.
- Greater Jamaica Development Corporation – A lending officer serves on the Loan Committee.
- Neighborhood Housing Services of New York – Director of Audit is a member of the Audit Committee.

In addition, SBLI provided financial education to various groups that provide services to low to moderate income individuals. These included the following:

- MPowering Kids is a non-profit charitable organization that provides community

service programs for students in under-served communities. SBLI conducted two financial education seminars that focused on banking basics, the importance of saving money and credit.

- Brentwood Union Free School District is located in a low to moderate income area. SBLI participated for the past two years in Brentwood High School's Mock Interview day, providing students with effective job interview training.
- Dominican Sisters Opening Word Program is an education program for poor undereducated women. SBLI conducted three financial education seminars focusing on the basics of banking.

Additional Factors

The following factors were also considered in assessing SBLI's record of performance.

The extent of participation by the banking institution's board of directors or board of trustees in formulating the banking institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act

The board of directors has formulated the CRA statement indicating SBLI's policy to help meet the credit needs of the communities it serves, including low- and moderate-income neighborhoods. CRA updates were provided to the board during the evaluation period.

Discrimination and other illegal practices

NYSBD noted no evidence of prohibited discriminatory or other illegal practices.

Process Factors

- Activities conducted by the banking institution to ascertain the credit needs of its community, including the extent of the banking institution's efforts to communicate with members of its community regarding the credit services being provided by the banking institution.

In 2009 and 2010, SBLI's business development officers and branch managers targeted specific business areas in which to outreach and speak to local business owners. On each visit, information was left behind that detailed the products and services.

- The extent of the banking institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the banking institution

During the course of 2010, SBLI conducted a branding initiative which included print and radio advertisements. These advertisements promoted SBLI's quality service, delivery and commitment to "relationship" banking" with businesses to

obtain financial solutions needed to be successful. These advertisements were featured in many media outlets.

Other factors that in the judgment of the Superintendent and Banking Board bear upon the extent to which a banking institution is helping to meet the credit needs of its entire community

Since the previous CRA performance evaluation as of December 31, 2008, neither SBLI nor the New York State Banking Department has received any written complaints regarding SBLI's CRA performance.

GLOSSARY

Aggregate Penetration Rate

The number of loans originated and purchased by all reporting lenders in specified categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the assessment area.

Community Development

The term “community development” is defined to mean:

1. Affordable housing (including multifamily housing) for low- or moderate-income (“LMI”) individuals;
2. Community services targeted to LMI individuals;
3. Activities that promote economic development by financing business or farms that meet the size eligibility standards of the United States Small Business Administration (“SBA”) Development Company or Small Business Investment Company programs, or have gross annual incomes of \$1 million or less;
4. Activities that revitalize or stabilize LMI geographies; and
5. Activities that seek to prevent defaults and/or foreclosures in loans included in (1) and (3) above.

A “community development loan” is defined as a loan that has as its *primary purpose* community development. This includes but is not limited to loans to:

- Borrowers for affordable housing rehabilitation and construction, including construction and permanent financing for multifamily rental property serving low or moderate income (“LMI”) persons;
- Nonprofit organizations serving primarily LMI or other community development needs;
- Borrowers to construct or rehabilitate community facilities that are located in LMI areas or that primarily serve LMI individuals;
- Financial intermediaries including community development financial institutions, community development corporations, minority- and women-owned financial institutions, community loan funds or pools, micro-finance institutions, and low-income or community development credit unions that primarily lend or facilitate lending to promote community development;
- Local, state and tribal governments for community development activities; and
- Borrowers to finance environmental clean up or redevelopment of an industrial site as part of an effort to revitalize the LMI community in which the property is located.

A “qualified investment” is defined as a lawful investment, deposit, membership share or grant that has as its *primary purpose* community development. This includes but is not limited to investments, deposits, membership shares or grants in or to:

- Financial intermediaries (including community development financial institutions, community development corporations, minority- and women-owned financial institutions, community loan funds, micro-finance institutions and low-income or community development credit unions) that primarily lend or facilitate lending in LMI areas or to LMI individuals in order to promote community development;
- Organizations engaged in affordable housing rehabilitation and construction;
- Organizations, including, for example, small business investment corporations that promote economic development by financing small businesses;
- Facilities that promote community development in LMI areas or LMI individuals, such as youth programs, homeless centers, soup kitchens, health care facilities, battered women’s centers, and alcohol and drug recovery centers;
- Projects eligible for low-income housing tax credits;
- State and municipal obligations, such as revenue bonds that specifically support affordable housing or other community development needs;
- Organizations serving LMI housing or other community development needs, such as counseling for credit, home ownership, home maintenance, and other financial services education; and
- Organizations supporting activities essential to the capacity of LMI individuals or geographies to utilize credit to sustain economic development, such as day care operations and job training programs that facilitate access to permanent jobs.

A “community development service” is defined as a service that has as its *primary purpose* community development, is related to the provision of financial services, and has not been considered in the evaluation of the banking institution's retail banking services. This includes but is not limited to:

- Providing technical assistance on financial matters to nonprofit, tribal or government organizations serving LMI housing or economic revitalization and development needs;
- Providing technical assistance on financial matters to small businesses or community development organizations;
- Lending employees to provide financial services for organizations facilitating affordable housing construction and rehabilitation or development of affordable housing;
- Providing credit counseling, home buyers and home maintenance counseling, financial planning or other financial services education to promote community development and affordable housing;
- Establishing school savings programs for LMI individuals;
- Providing seminars for LMI persons on banking and bank account record-keeping;
- Making ATM “Training Machines” available for extended periods at LMI community sites or at community facilities that serve LMI individuals; and
- Technical assistance activities to community development organizations such as:
 - ❖ Serving on a loan review committee;
 - ❖ Developing loan application and underwriting standards;
 - ❖ Developing loan processing systems;

- ❖ Developing secondary market vehicles or programs;
- ❖ Assisting in marketing financial services, including the development of advertising and promotions, publications, workshops and conferences;
- ❖ Furnishing financial services training for staff and management;
- ❖ Contributing accounting/bookkeeping services; and
- ❖ Assisting in fund raising, including soliciting or arranging investments.

Home Mortgage Disclosure Act (“HMDA”)

The Home Mortgage Disclosure Act, enacted by Congress in 1975, and subsequently amended, requires institutions to annually report data about applications for residential (including multifamily) financing.

Income Level

The income level of the person, family or household is based on the income of person, family or household. A geography’s income is categorized by median family income for the geography. In both cases, the income is compared to the MSA or statewide nonmetropolitan median income.

Income level of individual or geography	% of the area median income
Low-income	Less than 50
Moderate-income	At least 50 and less than 80
Middle-income	At least 80 and less than 120
Upper-income	120 or more

Loans to Small Businesses

Small business loans to businesses with gross annual revenues (“GAR”) of \$1 million or less (“< = \$ 1MM”).

Low or Moderate Income (“LMI”) Geographies

Those census tracts or block numbering areas (“BNAs”), where according to the 2000 US Census, the median family income is less than 80% of the area median family income. In the case of tracted areas that are part of a Metropolitan Statistical Area (“MSA”) or Primary Metropolitan Statistical Area (“PMSA”), this would relate to the median family income for the MSA or PMSA in which the tracts are located. In the case of BNAs and tracted areas that are not part of a MSA or PMSA, the area median family income would be the statewide non-metropolitan median family income.

LMI Borrowers

Borrowers whose income, as reported on the loan application which the lender relied upon in making the credit decision, is less than 80% of the area median family income. In the case where the residential property is located in a MSA or PMSA, this would

relate to the median family income for that MSA or PMSA. Otherwise, the area median family income would be the statewide non-metropolitan median family income. In all instances, the area median family incomes used to measure borrower income levels are updated annually by the U.S. Department of Housing and Urban Development (“HUD”).

LMI Individuals/Persons

Individuals or persons whose income is less than 80% of the area median family income. In the case where the individual resides in a MSA or PMSA, this would relate to the median family income for that MSA or PMSA. Otherwise, the area median family income would be the statewide non-metropolitan median family income. In all instances, the area median family incomes used to measure individual income levels are updated annually by HUD.

LMI Penetration Rate

A number that depicts the percentage of a bank’s total loans (for a particular product) that was extended to LMI geographies or borrowers. For example, an LMI penetration rate of 20% would indicate that the bank made 20 out of a total of 100 loans in LMI geographies or to LMI borrowers.

Small Business Loans

Loans to businesses with original amounts of \leq \$1MM.