NEW YORK STATE BANKING DEPARTMENT

CONSUMER SERVICES DIVISION

One State Street
New York, NY 10004

PUBLIC SUMMARY

OFF-SITE EVALUATION

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Date of Evaluation: January 1, 2002

Institution: Cathay Bank
777 North Broadway
Los Angeles, CA 90012

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 off-site evaluation of the Community Reinvestment Act ("CRA") performance of Cathay Bank ("Cathay") 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 January 1, 2002.

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 are primarily based on a review of performance tests and standards described in Section 76.7 and detailed in Sections 76.8 – 76.13. The tests and standards incorporate the 12 assessment factors contained in Section 28-b of the New York State Banking Law.

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

OVERVIEW OF INSTITUTION'S PERFORMANCE

Cathay Bank 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"

- Cathay provided a good level of small business and HMDA-reportable loans in its New York assessment area, given its fairly new presence in this market.

- Cathay extended a high percentage of both its small business and HMDA loans in the New York assessment area. The bank made 85.7% and 74% of its of its small business loans, and 84.6% and 89.7% of its HMDA loans within its New York assessment area, in 2000 and 2001, respectively.

- Cathay's overall geographic distribution of small business and HMDA loans in the New York assessment area is considered good.

    - In 2000, both in number and dollar volume of small business loans, the bank performed well above the aggregate (a 50% LMI penetration compared with the aggregate's 21%). Cathay's LMI percentage increased in 2001, to 64.7%.

    - The bank performed well below the aggregate in extending HMDA loans in LMI areas in 2000 (with only one loan for an LMI penetration ratio of 9.1%), but improved significantly in 2001, with an LMI penetration of 46.1%.

- Cathay's distribution of small business and HMDA-reportable loans among businesses of different sizes and individuals of different income levels is also considered good.

    - In 2000, the bank provided 58.3% of its small business loans to businesses with gross annual revenues of $1 million or less compared to the 45.0% achieved by the aggregate. Based on the corresponding dollar amount, the ratios were 50.4% versus 33.4%, respectively. In 2001, the bank's ratios based on the number and dollar amount improved, to 64.7% and 69.9%, respectively. A relatively small percentage of small business loans were extended in origination amounts of less than or equal to $100 thousand, compared to the aggregate.

    - With its HMDA-reportable loans, the bank did not do as well. In 2000, Cathay's LMI penetration ratio (9.0%) was below the aggregate (12.8%) based on the number of loans. The bank's ratio (7.7%) declined in 2001.

- Cathay's level of community development loans is considered excellent, given its limited presence in the market, with total commitments aggregating $8.5 million, all of which is deemed new money. These activities are not considered innovative or complex in nature.

- Cathay reported no use of innovative or flexible lending practices in its New York assessment area.

Investment Test: "Low Satisfactory"

Cathay's level of qualified investments is considered adequate, although they are not deemed innovative or complex in nature. For the evaluation period, they totaled $1.2 million, and all is considered new money. Grants totaled $255 thousand.

Service Test: "High Satisfactory"

- Cathay's branches are accessible to its New York assessment area, especially moderate-income geographies.

- Cathay's record of opening and closing of branches has not adversely affected its New York assessment area.

- Cathay's banking facilities operate and provide services tailored to the convenience and needs of its New York assessment area.

- Based on its fairly new presence in its New York assessment area, Cathay is deemed to have provided an adequate level of community development services during the evaluation period. In order to retain a satisfactory rating on this factor going forward, the extent of these services would need to increase.

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's Profile:

Incorporated under the laws of the State of California and licensed by the Department of Financial Institutions (previously known as the California State Banking Department), Cathay Bank ("Cathay" or "the bank"), headquartered in Los Angeles, California, is primarily a commercial lender. The bank commenced operations in April 1962, and is a wholly owned subsidiary of Cathy Bancorp, Inc. ("CBI"), a publicly traded one-bank holding company.

The parent company was ranked 11th among 500 most efficient U.S. bank holding companies, based on the ratio of expenses to assets. It ranked 25th among the 300 best performing publicly traded banking companies in America, based on the ratio of net income to assets.

Cathay is an insured bank under the Federal Deposit Insurance Act and, like most state-chartered banks of similar size in California, is not a member of the Federal Reserve Bank System.

The bank is a multi-state institution with branches in California, New York and Texas. As of the evaluation date, the bank operated a branch network of 22 offices, including its main office, of which two were located in New York State. The New York branches were purchased in 1999 from the Federal Deposit Insurance Corporation, having previously belonged to the former Golden City Bank. One is located in Flushing (Queens County) and the other in Chinatown, Manhattan (New York County). Cathay also had one representative office in Hong Kong as of the same date.

In July 2002 (subsequent to the evaluation date), the bank opened another branch in Kings County (Brooklyn), New York.

As a primarily commercial lender, Cathay serves small- and medium-sized businesses, as well as individual consumers. The bank was the first Chinese-American financial institution to offer full banking services in the three largest U.S. markets: California, New York, and Texas.

The bank's branches in New York offer a wide variety of lending products, including: commercial real estate loans, conventional mortgage loans, small business loans/lines of credit (for less than a $1 million), working capital loans, single-family/multifamily construction loans, consumer unsecured loans, letters of credits, trade financing, community home buyers program, and Small Business Administration (SBA) loans (as an approved small business lender by the U.S. Small Business Administration). It did not extend any SBA loans during 2000 and 2001.

Cathay also offers two special lending products:

The *Smart Capital Loan* – this is for small businesses with gross annual revenues of $1 million or less, which can be secured or unsecured. Depending on the business credit score, the bank may not require financial statements and the loan amount can be up to $20 thousand; and
The *Community Home Loan Program* – this is a Fannie Mae program for first-time homebuyers and utilizes its underwriting guidelines (during the evaluation period, Cathay made only one loan through this program).

Based on the Call Reports, the following table illustrates the bank's loan portfolio as of December 31, 2001 and December 31, 2000:

TOTAL GROSS LOANS OUTSTANDING				
LOAN TYPE	12/31/2001		12/31/2000	
	$*	%	$	%
Residential Mortgage Loans	268,825	16.1	246,966	16.9
Commercial Mortgage Loans	903,875	54.2	763,599	52.2
Mutifamily Mortgages	76,035	4.6	73,031	5.0
Consumer Loans	17,947	1.1	24,970	1.7
Commercial & Industrial Loans	400,261	24.0	354,335	24.2
Other Loans	902	0.0	512	0.0
Total Gross Loans	1,667,845	100.0	1,463,413	100.0

* In thousands

As of December 31, 2001, the bank's loan portfolio increased to approximately $1.7 billion from about $1.5 billion at year-end 2000, a difference of $200 million, or 13.3%. Commercial mortgage loans constituted 54.2 % of gross loans, reflecting the bank's primary business focus. Commercial and industrial loans comprised 24% and residential mortgage loans 16.1% of gross loans.

According to its Consolidated Report of Condition and Income on December 31, 2001, Cathay Bank had $2.4 billion in total assets, of which $1.7 billion, or 70.8% were net loans and $619.3 million, or 25.8 %, were investments. As of the same date, the bank reported total domestic deposits of $2.1 billion. Equity capital totaled $238.3 million. For the fiscal year ending December 31, 2001, the bank reported a net income of $42.9 million.

As per the June 30, 2001 "Market Share Report" of deposits (FDIC/OTS Summary of Deposits), the bank ranked 80th among 111 FDIC-Insured Institutions operating within its New York assessment area, based on the bank's 0.04% market share of deposits.

Approximately $97.5million in deposits was obtained from the New York Assessment area, representing nearly 5% of the bank's overall total deposits.

There were no financial or other factors noted during this evaluation which would inhibit the bank's ability to help meet the credit needs of its New York State assessment area.

Assessment Area:

This Performance Evaluation takes into account only the bank's operations in its New York assessment area.

In 2000, the bank's assessment area included only portions of New York and Queens Counties. The area was expanded in 2001, to include Kings (Brooklyn), New York and Queens counties, in their entireties. The current assessment area, which is part of the Metropolitan Statistical Area (MSA) 5600, includes 1760 census tracts, of which 184, or 10.5%, are defined as low-income census tracts, 352, or 20%, are defined as moderate-income tracts, and 47, or 2.7%, are considered zero-income census tracts.

The demographic elements of each county follow:

Kings County (Brooklyn) has 789 census tracts, including 114 (14.4%) low-income tracts, 207 (26.2%) moderate, 302 (38.3%) middle, and 147 (18.6%) upper-income tracts. There are also 19 (2.4%) zero-income tracts.

According to the 1990 U.S. Census, Kings County had a population of about 2.3 million, and it increased by almost 200 thousand (8.7%) to 2.5 million in 2000.

In 1990, there were nearly 563.3 thousand families in the county, of which nearly 50.0% were LMI families, nearly 19% (106.8 thousand) were middle-income and 31.0% (174.9 thousand) were upper-income families. There were 827.7 thousand households in the county, of which 21.5% (178.1 thousand) had income below the poverty level.

Of the total LMI families (281.6 thousand), 62.3% (175.4 thousand) lived in LMI census tracts and these families accounted for 65.9% of all the families (266.1 thousand) that lived in LMI census tracts.

There were almost 873.7 thousand housing units in Kings County, 46.3% (404.7 thousand) of which were 1 to 4 family units and 52.2% (455.7 thousand) were multi-family units. Only 24.7% (215.8 thousand) of the housing units were owner- occupied and 70.1% (612.4 thousand) were rental occupied. Of all the housing units, 5.6% (48.9 thousand) were vacant or boarded up. The median housing value was $181.4 thousand and the median age of the housing was 44 years.

The 1990 median family income for the county was $30.0 thousand and the median family income for the MSA was $37.5 thousand. HUD's estimated median family income for the MSA was $59.1 thousand in 2001.

The U.S. Department of Commerce's Bureau of Economic Analysis reported that the largest sources of earnings in 1999 in the county were services with 39.9%, finance, insurance and real estate with 11.9% and the retail trade with 8.4%. In 1989, the major sources of earnings were services with 35.8%, the retail trade with 10.0% and non-durable goods manufacturing with 8.9%.

According to a Dun and Bradstreet survey in 2001 there were 59.4 thousand businesses in Kings County, of which 49.9 thousand (84.0% of total) had revenues of $1.0 million or less, about 5.1 thousand (8.6%) had revenues of more than $1.0 million and 4.4 thousand (7.4%) were businesses that did not report revenues. About 23.7 thousand (39.9% of the total) businesses were located in LMI census tracts. Of all the businesses in the county, approximately 54.4 thousand (91.5%) had fewer than 50 employees and almost 53 thousand (89%) businesses operated from a single location.

Of all the firms in the county, about 24.4 thousand (41.0% of the total) were services providers, 15.4 thousand (26.0%) were in the retail trade, 4.7 thousand (8.0%) were in the wholesale trade, about 4.6 thousand (7.7%) were in finance, insurance and real estate, 3.8 thousand (6.4%) in construction and about 3.4 thousand (5.7%) in manufacturing.

According to the New York State Department of Labor, the county's average unemployment rates were 6.6% in 2000 and 6.7% in 2001. These unemployment rates were above both the state's average rates of 4.6% in 2000 and 4.9% in 2001 and the MSA 5600's average rates of 5.3% in 2000 and 5.6% in 2001.

Portions of Kings County are designated as Empire Zones (EZs), formerly known as Economic Development Zones, by the State of New York, based on community economic distress. The Brooklyn Navy Yard, Sunset Park and Red Hook neighborhoods are designated EZs. Firms located in these areas may be eligible for assistance including various tax credits, such as wage tax credits, investment tax credits, zone capital credits, sales tax refunds, real property tax abatements, technical assistance and utility rate savings.

New York County (Manhattan) has 298 census tracts including 63 low-income tracts (21.1% of total), 65 moderate-income (21.8%), 33 middle (11.1%) and 126 upper-income tracts (42.3%). There are also 11 zero-income tracts (3.7%).

According to the U.S. Census Bureau, New York County had a population of approximately 1.49 million in 1990 and it increased by about five thousand (3.4%) to 1.54 million in 2000.

In 1990, there were about 305.4 thousand families in the county of which 130.2 thousand, or 42.6%, were LMI families, 43.8 thousand (14.3%) were middle-income and 131.3 thousand (43.0%) were upper-income families. There were 716.8 thousand households in the county, of which 120.1 thousand, or 16.8%, had income below the poverty level.

O f all the LMI families, 99.7 thousand lived in LMI census tracts, and these families accounted for 68.3% of the 145.9 thousand families that lived in LMI census tracts.

There were 785.1 thousand housing units in New York County, 2.9% (22.6 thousand) of which were 1 to 4 family units and 95.7% (751.4 thousand) were multi-family units. Of all the housing units, 16.3% (128 thousand) were owner-occupied and nearly 75.0% (588.4 thousand) were rental occupied. Of all the housing units, 9.1% (71.2 thousand) were vacant or boarded up. The median housing value was $212.4 thousand and the median age of the housing was 41 years.

The 1990 median family income for the county was $36.8 thousand and the MSA median family income was $37.5 thousand. HUD's estimated median family income for the MSA was $59.1 thousand in 2001.

The U.S. Department of Commerce's Bureau of Economic Analysis reported that the county's largest sources of earnings in 1999 were finance, insurance and real estate with 37.3% of earnings, services with 31.5% and state and local government with 10.0%. In 1989, the major sources of earnings were services with 33.6% of e arnings, finance, insurance and real estate with 25.1% and state and local government with 13.7%.

According to a Dun and Bradstreet survey in 2001 there were 138.7 thousand businesses in New York County, of which 108.7 thousand (78.3% of the total) had revenues of $1.0 million or less. Almost 23.4 thousand (16.9%) had revenues of more then $1.0 million and 6.7 thousand (4.9%) were businesses in which no revenues were reported. About 30.8 thousand (22.2%) of the businesses were located in LMI census tracts. Of all the businesses in the county, 123.8 thousand (89.3%) had fewer than 50 employees and almost 109 thousand (78.6%) operated from a single location.

Of all the firms, 64.1 thousand (46.2% of the total) were services providers, 22.8 thousand (16.4%) were in the retail trade, 19.5 thousand (14.1%) were in finance, insurance and real estate, 13.9 thousand (10.0%) were in the wholesale trade, almost 9.9 thousand (7.1%) were in manufacturing and 4.8 thousand (3.5%) were in transportation and communications.

According to the New York State Department of Labor, the county's average unemployment rates were 5.0% in 2000 and 6.0% in 2001. These unemployment rates were above the state's average rates of 4.6% in 2000 and 4.9% in 2001. The county's

rate for 2000 was below the MSA's average rates of 5.3% in 2000 and its 2001 rate was higher than the MSA's rate of 5.6%.

Portions of New York County are designated Empire Zones (EZs), formerly known as Economic Development Zone (Adzes), by the State of New York, based on community economic distress. East New York and East Harlem neighborhoods are designated EZs.

A portion of the New York County (Harlem) shares a designated Federal Empowerment Zone (FEZ) with the South Bronx. This area receives financial and technical support from a multiple of federal agencies, including HUD, USDA, HHS, Treasury, Labor and Justice, as well as from the state and local governments. The program's purpose is to increase the employment opportunities of the residents through job training and economic development, to create new jobs and retain current jobs, as well as programs for affordable housing, education and childcare. Various federal tax benefits and other assistance are available to businesses that open or employ residents in a FEZ.

Queens County has 673 census tracts, including seven low-income tracts (1.0%), 80 moderate-income (11.9%), 331 middle (49.2%) and 238 upper-income tracts (35.4%). There are also 17 zero-income tracts (2.5%).

According to the U.S. Census Bureau, Queens County had a population of 1.9 million in 1990, increasing to 2.2 million in 2000, a difference of about 300 thousand, or almost 16%.

In 1990, there were 495.6 thousand families in the county of which 171.7 thousand, or 34.6%, were LMI families, about 107.5 thousand (21.7%) were middle-income and 216.4 thousand (43.7%) were upper-income families. There were 718.4 thousand households in the county, of which nearly 77.9 thousand (10.8%) had income below the poverty level.

Of all the 171.7 thousand LMI families, almost 41.9 thousand, or 24.4%, lived in LMI census tracts and these families accounted for nearly 58.0% of the 72.3 thousand families that lived in LMI census tracts.

There were 752.7 thousand housing units in Queens County, 56.6% (426.3 thousand) of which were 1 to 4 family units and 41.4% (311.8 thousand) were multi-family units. Of all the housing units, 40.7% (306.1 thousand) were owner-occupied, 55.0% (414.0 thousand) were rent occupied and 4.5% (almost 34 thousand) were vacant or boarded up. The median housing value was $198.1 thousand and the median age of the housing was 41 years.

The 1990 median family income for the county was $40.4 thousand and the MSA median family income was $37.5 thousand. HUD's estimated median family income for the MSA was $59.1 thousand in 2001.

The U.S. Department of Commerce's Bureau of Economic Analysis reported that the 1999 largest sources of earnings in the county were services with 31.2% of earnings, transportation and public utilities with 18.0% and construction with 10.8%. In 1989, the major sources of earnings were services with 26.5% of earnings, transportation and public utilities with 18.4% and construction with 11.1%.

According to a Dun and Bradstreet survey in 2001 there were 55.1 thousand businesses in Queens County, of which 45.5 thousand (82.6%) had revenues of $1.0 million or less. Approximately 5.3 thousand (9.6%) had revenues of more then $1.0 million and 4.3 thousand (7.8%) were businesses that did not report revenues. Of all the businesses, 8.9 thousand (16.2%) were located in LMI census tracts. Of all the businesses in the county, almost 91% (50.1 thousand) had fewer than 50 employees and 87.7% (48.4 thousand) operated from a single location.

Of all the firms, 39.1% (21.6 thousand) were services providers, 23.8% (13.1 thousand) were in the retail trade, nearly 9.0% (5.0 thousand) were in finance, insurance and real estate, 8.4% (4.6 thousand) were in construction, 7.2% (nearly 4.0 thousand) were in the wholesale trade and 6.9% (3.8 thousand) were in transportation and communications.

According to the New York State Department of Labor, the county's average unemployment rates were 5.0% in 2000 and 5.1% in 2001. These unemployment rates were above the state's average rates of 4.6% in 2000 and 4.9% in 2001. But were below the MSA's average rates of 5.3% in 2000 and 5.6% in 2001.

Portions of Queens County have been designated Empire Zones, formerly known as Economic Development Zones (EDZ), by the State of New York, based on community economic distress. The Far Rockaway and South Jamaica neighborhoods are designated EZs.

The New York State assessment area is considered reasonable based on the location of the bank's branches and the lending pattern. There is no evidence that LMI areas are arbitrarily excluded.

PERFORMANCE TESTS AND ASSESSMENT FACTORS

This Performance Evaluation is based on an assessment of Cathay's lending, investment and service activities in New York State under the performance tests and standards for large banks.

This assessment period includes calendar years 2000 and 2001. The lending products considered for this evaluation were Home Mortgage Disclosure Act ("HMDA") -reportable and small business loans, with greater emphasis placed on the later. Statistics utilized were derived from various sources. Aggregate data for HMDA-reportable and small business loans were obtained from the Federal Financial Institution Examination Council ("FFIEC") and PCI Services, Inc. Wiz, an external vendor. Comparisons were made to the 2000 aggregate, as the 2001 data were not available for purposes of this evaluation.

I. Lending Test: "High Satisfactory"

The Lending Test performance criteria that were utilized for this evaluation include the following: 1) Lending Activity; 2) Assessment Area Lending; 3) Geographic Distribution of Lending; 4) Borrowers Distribution of Lending; 4) Community Development Lending; and 5) Innovative or Flexible Lending Practices.

Lending Activity: "High Satisfactory"

The bank's lending activity based on its small business and HMDA-reportable loans is considered good, given its relatively new presence in the New York market.

Small Business Loans - In 2000, the bank made 12 small business loans totaling almost $3.2 million in the New York assessment area. In 2001, it made 17 small business loans totaling $6.3 million, showing an upward trend.

According to the 2000 "Lender Market Share Report," the bank ranked 69th based on total number of loans (with a 0.01% market share) and total dollar amount (with a 0.06% market share) among 213 lenders in the assessment area. The average loan size was $220 thousand.

HMDA-reportable Loans - A review of the bank's HMDA data for 2000 and 2001 showed the following:

HMDA/LAR SUMMARY (Assessment Area)								
Loan Category	**12/31/2000**				**12/31/2001**			
	APPLICATIONS		**ORIGINATION**		**APPLICATIONS**		**ORIGINATION**	
	#	**$ ('0000)**	**#**	**$ ('000)**	**#**	**$ ('000)**	**#**	**$ ('000)**
Home Purchase	9	1,830	9	1,830	5	1,265	3	920
Refinance	3	519	1	82	11	3,953	9	3,593
Multifamily	1	376	1	376	14	5,684	14	5,684
Home Improvement	0	0	0	0	0	0	0	0
Total	**13**	**$2,725**	**11**	**$2,288**	**30**	**$10,902**	**26**	**$10,197**

In 2000, Cathay received and processed 13 HMDA-reportable loan applications totaling $2.7 million of which 11 (84.6% of total) were originated totaling almost $2.3 million (85.2 %). In 2001, application and lending activity increased, with 30 HMDA-reportable loan applications totaling $10.9 million of which 26 loans (86.7%) were made totaling nearly $10.2 million (93.6%).

Assessment Area Lending: "High Satisfactory"

The bank made a high percentage of small business and HMDA-reportable loans in its assessment area.

Small Business Loans: Overall, in 2000, the bank made 14 small business loans (totaling $3.7 million), of which 12 loans (totaling $3.2 million), or 85.7%, were made in the New York assessment area.

In 2001, despite an increase in the number of assessment area loans (to 17 small business loans totaling $6.3 million), Cathay's assessment area percentage decreased, to approximately 74% of the 23 loans (totaling $9.1 million) made overall.

HMDA-reportable Loans: In 2000, Cathay provided 11 HMDA-reportable loans in its assessment area, or 84.6% of the total 13 loans lent overall. By dollar volume, the bank lent almost $2.3 million in its assessment area, or 88.5% of the overall $2.6 million provided.

In 2001, the bank provided 26 HMDA-reportable loans in its assessment area, or 89.7% of the total 29 loans lent overall, showing an increase. By dollar volume, the bank lent $10.2 million in its assessment area, or 90.3% of the total $11.3 million provided.

Geographic Distribution: "High Satisfactory"

Overall, Cathay had a good geographic distribution of its small business and HMDA-reportable loans in its assessment area for the evaluation period.

Small Business Loans: In 2000, the bank made six small business loans in LMI census tracts, achieving an LMI penetration ratio of 50%, *based on the number of loans.* This was well above the aggregate, which had an LMI penetration ratio of 21%.

In 2001, the bank made 11 small business loans in LMI tracts (all in moderate-income tracts), resulting in an improved LMI penetration ratio of 64.7%. Although the aggregate data for 2001 was not available, it is noted that the bank exceeded its 2000 performance.

Based on the corresponding dollar amount, the bank also did very well against the aggregate. In 2000, the bank had an LMI penetration ratio of 55.3% compared to the aggregate's 21.9%, proportionally, a one-and-a-half-fold better performance than the aggregate.

In 2001, the bank achieved an LMI penetration ratio of 71.9 %, a somewhat better performance than in its prior year. The aggregate for 2001 was not available.

HMDA-reportable Loans: In 2000, *based on just one HMDA-reportable loan made in a moderate-income census tract*, the bank achieved an LMI penetration ratio of 9.1%, much lower than the aggregate's 16.3%. However, in 2001, the bank improved significantly, to an LMI penetration of 46.1% (based on 12 loans). The aggregate for 2001 was not available.

Based on the corresponding dollar amount, in 2000, Cathay had an LMI penetration ratio of 19.3% (*again, based on only one loan made in a moderate-income tract)*, exceeding the aggregate's 15.3%. In 2001, Cathay also considerably improved its LMI penetration ratio, to 39.1%. The aggregate for 2001 was not available.

Borrower Characteristics: "High Satisfactory"

Overall, the bank's distribution of small business and HMDA-reportable loans in its assessment area among customers of different income levels and businesses of different sizes is considered good.

Small Business Loans:

Measured by the bank's originations of small business loans to businesses with gross annual revenues of $1million or less, Cathay performed above the aggregate based on the number of small business loans, and significantly above the aggregate based on their corresponding dollar amount.

In 2000, Cathay made 58.3% in number of small business loans to small businesses (as defined above) versus 45.0% made by the aggregate. In their corresponding dollar

volume, Cathay lent 50.4% compared to 33.4% made by the aggregate.

In 2001, the bank improved its percentages in both number of small business loans and their corresponding dollar amount, to 64.7% and 69.9%, respectively. The aggregate for 2001 was not available.

*Measured by loan size, i*n 2000, Cathay performed well below the aggregate in its origination of small business loans with original amounts of $100 thousand or less (LS1). As a result, the bank had larger percentages than the aggregate of its small business loans in amounts greater than $100 thousand and up to $250 thousand (LS2), and in amounts of more than $250 thousand (LS3).

Specifically, the bank made 50% of its small business loans in the LS1 category compared to 93.9% made by the aggregate, a performance rate that is 47% lower. In the LS2 category, Cathay made 8.3% of its small business loans compared to the aggregate's 3.2%, and in the LS3 category, it made 41.7 % of its small business loans versus the 2.9% made by the aggregate.

In 2001, the bank's percentage in the LS1 category declined further, while increasing in the LS2 and LS3 categories compared to its 2000 performance. In the LS1 category, Cathay made 11.8% of its small business loans; in the LS2 category, it made 29.4%; and in the LS3, it made 58.8%. The aggregate for 2001 was not available.

HMDA-reportable Loans: In 2000, *based on one HMDA-reportable loan made to a moderate-income individual*, Cathay achieved an LMI penetration ratio of 9.0% in its assessment area compared to the aggregate's 12.8%. *Based on its corresponding dollar amount*, the bank achieved an LMI penetration ratio of 5.9% against a nearly 5.0% LMI penetration ratio attained by the aggregate.

In 2001, while the number of HMDA-reportable loans to LMI borrowers doubled, the bank's LMI penetration ratio in its assessment area decreased to 7.7%. Based on their corresponding dollar amount, the bank's LMI penetration ratio also declined, to 2.0%. The aggregate for 2001 was not available.

Community Development Lending: "Outstanding"

The bank's level of community development lending is considered excellent, given its somewhat limited presence in the New York market. For the evaluation period, Cathay had $8.5 million in qualified community development loan commitments, all of which is new money. *The loans extended are not considered innovative or complex.*

Of the total loan commitments, $7 million, or 82%, went to support affordable housing, and $1.5 million, or almost 18%, went to economic development. The following is a brief description of the bank's community development loans:

Affordable Housing - In 2001, the bank provided a $7 million construction loan to a for-profit entity created for the development of 188 condominium units in a low-income census tract in Brooklyn. This construction loan is a loan-participation with the Community Preservation Corporation as the lead lender. The objective of this development project is to provide affordable housing in the area. As of year-end 2001, the total outstanding amount was approximately $5.9 million.

Economic Development - In 2000, the bank extended a $1.5 million line of credit to a for-profit manufacturer of metal products (such as doors and windows) that employs about 100 people, and is located in a zero-income census tract (adjacent to low- and moderate-income tracts) in Brooklyn. The borrower is a leading minority subcontractor and a leading general contractor providing services to the New York City Housing Authority public projects, among others.

Innovative or Flexible Lending Practices: "Needs to Improve"

Cathay Bank did not report any use of innovative or flexible lending programs that would serve the credit needs of its New York assessment area.

II. Investment Test: "Low Satisfactory"

The investment test performance criteria that were utilized for this evaluation include the following: 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; and 4) the degree to which the qualified investments are not routinely provided by private investors.

The bank's level of qualified investment is considered adequate based on its capacity and the opportunities available in the New York State assessment area.

Qualified investments totaled $1.25 million, all deemed new money. They consisted of a $1 million investment in a mortgage-backed security with underlying mortgage loans collateralized by properties in LMI census tracts in MSA 5600 and two grants totaling $255 thousand. *These qualified investments are not considered innovative or complex.*

During the evaluation period, the largest grant ($250 thousand) went to fund the "911 Healing Hands Fund" established by the bank after the tragic events of the September 11, 2001 terrorist attack in New York City and Washington, D.C. Proceeds are to be used to help various charitable organizations assisting those who have been distressed.

The bank also provided a $5 thousand grant to a childcare organization sponsored by the City of New York. This organization is a childcare resource and referral agency committed to the expansion and enhancement of all types of early childhood services in New York City. Proceeds are to be used in the support of the creation of the *New York City Assistance Center for Early Education and Child Care Programs* "to increase the capacity of child care providers to access and manage the resources needed to ensure child care opportunities for low- and moderate-income families."

III. **Service Test:** "High Satisfactory"

The service test performance criteria that were utilized for this evaluation include the following: 1) the availability and effectiveness of the bank's systems for delivering *retail banking services*; and 2) the extent and innovativeness and responsiveness of the bank's *community development services.*

Retail Banking Services: "High Satisfactory"

Cathay operates two branches in the New York assessment area. One branch is located in New York City (Chinatown) and the other in Queens County, both located in moderate-income census tracts. One branch offers extended hours on Mondays and Fridays, and both branches offer Saturday and Sunday hours. In general, the banking hours appear tailored to the convenience and needs of the community. Moreover, Cathay has a multilingual staff to cater to the needs of the people of the local communities.

The bank did not open or close any branch during the evaluation period. Subsequent to the evaluation date, however, it opened another branch in a moderate-income census tract in Brooklyn.

The bank offers traditional banking accounts including: *basic banking,* passbook savings, money market personal, and IOLA & IOLTA attorney client trust accounts. The bank also offers bank-by-mail and wire transfers.

The bank also provides the following alternative delivery systems:

- Banking-by-telephone - This service provides customers balance inquiries; transaction verifications, transfer of funds between accounts, process requests for stop payment, and branch office hours and location information.

- Internet Banking - The bank's web site (www.cathaybank.com) enables customers to check interest rates, status of checks, transfer account balances, access loan

calculators, and pay loans.

The branches offer night office boxes for after office hour transactions.

Community Development Services: "Low Satisfactory"

Bank management, as well as other bank staff members, works with local not-for-profit organizations that provide community based services, promote affordable housing, or to promote economic development opportunities for small businesses within the assessment area. For example, a loan officer is a committee member of a childcare nonprofit organization in New York.

Although the bank has supported and hosted an SBA economic development seminar in its home state, a similar activity has not occurred in its New York assessment area.

Based on its fairly new presence in its New York assessment area, Cathay is deemed to have provided an adequate level of community development services during the evaluation period. In order to retain a satisfactory rating on this factor going forward, the extent of these services would need to increase.

IV. Discrimination or Other Illegal Practices

Any practices intended to discourage applications for types of credit set forth in the banking institution's CRA Public File.

There were no practices noted that were intended to discourage applications for the types of credit offered by the institution.

Evidence of prohibited discriminatory or other illegal credit practices.

No evidence of prohibited discrimination or other illegal credit practices was noted.

V. 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.

Cathay ascertains the credit needs of its community through direct contacts by directors, officers and staff with local business and social organizations involved in affordable housing, community service and economic development. The following are names of these types of organizations: New York City's Child Care Inc., and Chinatown Chamber, New York.

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.

Cathay relies on referrals, personal contacts and selective marketing to promote its products and services. The bank uses print media to make members aware of the credit services offered. Print media used by the bank includes two Chinese newspapers: World Journal, Sing Tao and Ming Poo. The bank advertises its products in English and the Chinese language.

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

The CRA Committee is comprised of five members of the board of directors, which meets quarterly. The primary purpose of the committee, with respect to the bank's CRA and compliance programs, is to ensure adherence to consumer protection laws and regulations. Cathay's board members are involved in ascertaining the credit needs of the community, in promoting the community welfare and in searching better ways to serve the community. The CRA Public File is updated in April of each year.

VI. Other Factors

Other factors that in the judgement 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.

None noted.

CHARTS FOR REPORTING OF HMDA STATISTICS

Residential Real Estate Loans - Year 2000 - by Borrower Income Level*										
Borrower	**Total Lending**				**Assessment Area Lending**				**Aggregate****	
Income	**Applics.**		**Originations**		**Applics.**		**Originations**		**Originations**	
Level	#	%	#	%	#	%	#	%	#	%
Low	-	0.0	-	0.0	-	0.0	-	0.0	1,382	2.7
Moderate	3	17.6	2	15.4	2	15.4	1	9.1	5,204	10.1
Middle	4	23.5	3	23.1	3	23.1	3	27.3	11,070	21.5
Upper	9	52.9	7	53.8	7	53.8	6	54.5	27,324	53.0
N/A	1	5.9	1	7.7	1	7.7	1	9.1	6,574	12.8
Total	**17**	**100.0**	**13**	**100.0**	**13**	**100.0**	**11**	**100.0**	**51,554**	**100.0**

* Borrower income level is based upon the Department of Housing and Urban Development's annual estimate of median family income figure for the MSA of the mortgaged property. Low income is defined as <50% of the MSA median, moderate income is 50% to <80%, middle income is 80% to <120%, and upper income is at least 120%.

****** The term "Aggregate" refers to loans originated in the bank's assessment area by all HMDA reporting lenders.

Residential Real Estate Loans - Year 2000 - by Geography Income Level*										
Geo	**Total Lending**				**Assessment Area Lending**				**Aggregate**	
Income	**Applics.**		**Originations**		**Applics.**		**Originations**		**Originations**	
Level	#	%	#	%	#	%	#	%	#	%
Low	-	0.0	-	0.0	-	0.0	-	0.0	2,002	3.9
Moderate	2	11.8	1	7.7	2	15.4	1	9.1	6,397	12.4
Middle	10	58.8	7	53.8	6	46.2	5	45.5	18,067	35.0
Upper	5	29.4	5	38.5	5	38.5	5	45.5	24,974	48.4
N/A	-	0.0	-	0.0	-	0.0	-	0.0	114	0.2
Total	**17**	**100.0**	**13**	**100.0**	**13**	**100.0**	**11**	**100.0**	**51,554**	**100.0**

***** Geography income level is based upon 1990 Census data on median family income figure for the MSA of the mortgaged property. Low income is defined as <50% of the MSA median, moderate income is 50% to <80%, middle income is 80% to <120%, and upper income is at least 120%.

Residential Real Estate Loans - Year 2001 - by Borrower Income Level*								
Borrower	**Total Lending**				**Assessment Area Lending**			
Income	**Applics.**		**Originations**		**Applics.**		**Originations**	
Level	**#**	**%**	**#**	**%**	**#**	**%**	**#**	**%**
Low	-	0.0	-	0.0	-	0.0	-	0.0
Moderate	3	8.6	2	6.9	2	6.7	2	7.7
Middle	3	8.6	2	6.9	1	3.3	1	3.8
Upper	11	31.4	7	24.1	10	33.3	6	23.1
N/A	18	51.4	18	62.1	17	56.7	17	65.4
Total	**35**	**100.0**	**29**	**100.0**	**30**	**100.0**	**26**	**100.0**

* Borrower income level is based upon the Department of Housing and Urban Development's annual estimate of median family income figure for the MSA of the mortgaged property. Low income is defined as <50% of the MSA median, moderate income is 50% to <80%, middle income is 80% to <120%, and upper income is at least 120%.

Residential Real Estate Loans - Year 2001 - by Geography Income Level*								
Geo	**Total Lending**				**Assessment Area Lending**			
Income	**Applics.**		**Originations**		**Applics.**		**Originations**	
Level	**#**	**%**	**#**	**%**	**#**	**%**	**#**	**%**
Low	3	8.6	3	10.3	3	10.0	3	11.5
Moderate	10	28.6	9	31.0	10	33.3	9	34.6
Middle	12	34.3	10	34.5	9	30.0	9	34.6
Upper	10	28.6	7	24.1	8	26.7	5	19.2
N/A	-	0.0	-	0.0	-	0.0	-	0.0
Total	**35**	**100.0**	**29**	**100.0**	**30**	**100.0**	**26**	**100.0**

* Geography income level is based upon 1990 Census data on median family income figure for the MSA of the mortgaged property. Low income is defined as <50% of the MSA median, moderate income is 50% to <80%, middle income is 80% to <120%, and upper income is at least 120%.

GLOSSARY

Aggregate

The cumulative lending by all HMDA-reporting lenders in the same geographic area under evaluation.

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.

Demand-Adjusted Penetration Rate

The number of owner-occupied loans made by the institution (or aggregate as appropriate) in a geographic area per thousand owner-occupied housing units in that area. Mathematically, it is arrived at by dividing the number of owner-occupied housing units into the number of loans made and then multiplying by 1,000.

Demand-Adjusted Penetration Ratio

A ratio that depicts geographic penetration of loans by comparing demand-adjusted lending in LMI areas with non-LMI areas. Mathematically, it is arrived at by dividing the demand-adjusted penetration rate in non-LMI areas into the demand-adjusted penetration rate in LMI areas and then expressed as a percentage.

A ratio of 100% means that the institution (or aggregate as appropriate) made an equal number of loans proportionally in LMI and non-LMI areas. Less than 100 percent would indicate less lending in LMI areas on the same basis compared to non-LMI areas, whereas over 100 percent would indicate a greater level of lending in LMI areas versus non-LMI areas.

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.

Loans to Small Businesses

Small business loans to businesses with gross annual revenues of $1 million or less.

Low or Moderate Income ("LMI") Geographies

Those census tracts or block numbering areas ("BNAs"), where according to the 1990 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 nonmetropolitan 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 nonmetropolitan 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

Those individuals, 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 nonmetropolitan median family income. In all instances, the area median family incomes used to measure individual income levels are updated annually by HUD.

Small Business Loans

Loans to businesses with original amounts of $1 million or less.