



**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, 2002

Institution: Signature Bank
565 Fifth Ave., 12th Floor
New York, NY 10017

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 Signature Bank (“SB”) 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, 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

Signature Bank is rated "2", indicating a satisfactory record of helping to meet community credit needs. This rating is based on the following:

- **Loan-to-Deposit ("LTD") Ratio and Other Lending-Related Activities:** The bank's average net LTD ratio is considered reasonable, considering that the bank has been in business for less than two years.
 - At December 31, 2002, its average net LTD ratio was 24.8%. The ratio exhibited an upward trend during the assessment period, increasing from 9.7% in the second quarter of 2001 to 33.4% in the fourth quarter of 2002.
 - The bank enhanced the availability of credit in its assessment area with community development loans totaling \$8.4 million. Approximately 60.8% of these lending activities went to support affordable housing. Further enhancing the availability of credit are the bank's qualified investments, which totaled \$5.1 million for the evaluation period. This total included about \$47 thousand in grants.
- **Assessment Area Concentration:** The bank extended a substantial majority of its small business loans in its assessment area, but only a majority of its Home Mortgage Disclosure Act ("HMDA") loans in such area.
 - In 2001, the bank made 98.1% by number and 99.3% by dollar volume of its small business loans in the assessment area. In 2002, the bank's assessment area concentration declined to 93.9% and 85.7%, respectively.
 - In 2001, the bank originated 40.0% by number and 35.2% by dollar volume of its HMDA-reportable loans in the assessment area. In 2002, the bank significantly improved its assessment area concentration with this product, to 80.4% and 68.4%, respectively.
- **Geographic Distribution of Loans:** The bank's geographic distribution of loans reflected reasonable dispersion throughout the assessment area.
 - In 2001, the bank extended 19.7% by number and 25.2% by their corresponding dollar volume of small business loans in LMI areas. The bank's LMI penetration rate improved in 2002 to 25.3% by number, but was relatively unchanged (25.4%) by dollar volume.
 - In 2001, the bank did not originate any of its four HMDA loans in LMI areas. LMI penetration improved in 2002, to 31.1% by number and 25.2% by dollar volume.
- **Borrower's Profile:** The bank's lending distribution in the assessment area according to borrower characteristics reflected reasonable penetration among individuals of different

income levels and businesses of different sizes.

- In 2001, the bank originated 37.3% of its small business loans to businesses with gross annual revenues of \$1 million or less. In 2002, the bank improved its lending penetration with small businesses, to 44.0% of the total number of loans.
- In 2001, the bank did not originate any of its four HMDA-reportable loan to LMI borrowers. The bank's LMI penetration rate improved significantly in 2002, to 28.8%.
- Neither the bank nor the New York State Banking Department received any written complaints during the evaluation period regarding the bank's CRA performance.
- The bank's record of providing branches and/or other services enhanced credit availability in the assessment area.
 - Of the bank's nine branch offices, four offices, or 44.4%, are either located in LMI areas or in areas adjacent to LMI census tracts.
 - In addition, the bank provides a relatively high level of community development services, providing technical assistance to organizations that promote economic development, community services and affordable housing throughout its assessment area.

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:

Chartered on April 5, 2001, Signature Bank, a commercial bank headquartered in New York City, is a wholly owned subsidiary of Hapoalim U.S.A. Holding Company, Inc. ("the parent company"). The bank commenced business on May 1, 2001. Its ultimate parent company, Bank Hapoalim B.M., through its subsidiary Zohar Hashemesh Le'hashkaot Ltd., wholly owns Hapoalim U.S.A. Holding Company.

Founded in 1921, Bank Hapoalim is the largest bank in Israel and one of the top 120 banks in the world. Bank Hapoalim includes commercial banking subsidiaries, as well as financial companies involved in investment banking, mortgages, credit cards, mutual and provident funds, trust services and portfolio management.

Signature Bank became a Small Business Administration ("SBA") Pool Assembler in July 2001. The bank purchases the guaranteed portion (backed by the full faith and credit of the U.S. Government) of the SBA 7(a) loans, and warehouses the loans for generally up to 180 days until there are enough loans of similar characteristics to securitize and pool. The entire pool may then be sold to one investor or the pool may be divided into pieces as small as \$25 thousand.

The bank's affiliate broker, Signature Securities Group Corporation ("SSG"), acts as an agent for and consultant to the bank on the purchase, assembly, and sale of loans and pools. The bank reimburses SSG for such services.

As per the Federal Deposit Insurance Corporation's ("FDIC") Consolidated Report of Condition (the Call Report) at December 31, 2002, SB reported total assets of \$1.1 billion. It operates nine banking offices: four Retail Financial Centers (three in New York County and one in Kings County) and five Private Client Groups (two including the main office, in New York County, and one each in Kings, Nassau and Westchester Counties). While all products and services are offered to the public in all offices, the Private Client Groups are client-focused and manage relationships of business and professional organizations, specializing in the needs of customers in a particular industry or local geographic areas.

Supplementing the banking offices is an Automated Teller Machine (ATM) network consisting of nine deposit taking and 13 non-deposit taking machines in seven out of nine offices.

The institution offers a variety of lending products including the following:

- *Residential Mortgages* - 1-4 family residential loans, refinance, home equity lines of credit
- *Commercial Loans* - multifamily loans, small business loans, business revolving lines of credit, construction loans

- *Consumer Loans* - personal lines of credit, credit cards

The following table illustrates the bank's loan portfolio during the last two years based on the Call Report:

TOTAL GROSS LOANS OUTSTANDING				
LOAN TYPE	12/31/2002		12/31/2001	
	\$000's*	%	\$000's	%
Residential Mortgage Loans	32,923	11.0	2,554	2.5
Commercial Mortgage Loans	13,796	4.6	-	-
Commercial & Industrial Loans	238,965	79.5	98,476	95.0
Consumer Loans	8,379	2.8	1,807	1.7
Construction Loans	2,723	0.9	851	0.8
Other Loans	3,625	1.2	-	-
Total Gross Loans	300,411	100.0	103,688	100.0

* In thousands

The bank is primarily a commercial lender. According to management, the bank's primary target market could be defined as privately owned businesses, their owners and their management. The bank is considered a hybrid; that is, a provider of commercial or private client services that today is more heavily weighted towards commercial clients and activities.

At December 31, 2002, SB reported 79.5% of its total loan portfolio in commercial and industrial loans, 11.0% in 1-4 family residential loans, 4.6% in commercial mortgage loans and 2.8% in consumer loans.

SB's home county (New York) provided 61.1% of the bank's deposits according to the latest available comparative deposit data dated June 30, 2002. Refer to the chart below for further details on market share and ranking in each of the counties where it operates.

Deposit Market Share as of June 30, 2002				
County	# Offices	Deposits (\$000)	Market Share	Rank
New York	5	366,493	0.15%	30th out of 95
Kings	2	206,316	0.75%	16th out of 39
Nassau	1	14,344	0.04%	30th out of 30
Westchester	1	12,556	0.06%	30th out of 33
Total	9	599,709	0.18%	33rd out of 119

This is the bank's first CRA performance evaluation.

There are no financial or legal impediments that adversely impact the bank’s ability to help meet the credit needs of its community.

Assessment Area:

The bank designated the entire counties of Nassau (within MSA 5380), Bronx, Kings, New York, Queens and Westchester (within MSA 5600) as its assessment area. This area consists of 2,605 census tracts, of which 313 or 12.0% are low-income, 455 or 17.5% are moderate-income, 969 or 37.2% are middle-income, 801 or 30.7% are upper-income and 67 or 2.6% are zero-income tracts.

For further details refer to the chart below:

Census Tracts Distribution by Assessment Area (AA) Counties											
County	Low		Moderate		Middle		Upper		N/A		Total
	#	%	#	%	#	%	#	%	#	%	
Nassau	1	0.4	20	7.4	180	66.7	66	24.4	3	1.1	270
Bronx	126	35.5	65	18.3	88	24.8	61	17.2	15	4.2	355
Kings	114	14.4	207	26.2	302	38.3	147	18.6	19	2.5	789
New York	63	21.1	65	21.8	33	11.1	126	42.3	11	3.7	298
Queens	7	1.0	80	11.9	331	49.2	238	35.4	17	2.5	673
Westchester	2	0.9	18	8.2	35	15.9	163	74.1	2	0.9	220
AA Total	313	12.0	455	17.5	969	37.2	801	30.7	67	2.6	2,605

The assessment area appears reasonable based upon the location of branches and its lending patterns. There is no evidence that LMI areas are arbitrarily excluded.

Details of the Assessment Area:

MSA 5380 (Nassau)

Nassau County: Population: According to the U.S. Census Bureau, the county had a population of approximately 1.3 million in 1990. Almost 14.2% of the area population were over the age of 65 and 19.2% were under the age of 16.

Families/Households: There were 346.8 thousand families in the county, of which 14.7% (51.1 thousand) were low-income, 17.5% (60.8 thousand) were moderate-income, 25.1% (86.9 thousand) were middle-income and 42.6% (147.9 thousand) were upper-income families. Of about 112 thousand LMI families, nearly 13.0% (14.5 thousand) lived in LMI areas, accounting for 55.1% of all families (26.3 thousand) that lived in LMI areas. There were 431.1 thousand households in the county, of which 4.2% (18 thousand) had incomes below the poverty level.

Housing Units: There were about 446.3 thousand housing units in the county, of which 88.3% (394.2 thousand) were 1-4 family units and 10.5% (almost 46.9 thousand) were multifamily units. Almost 77.8% (347.2 thousand) of all housing units were owner-occupied and 46.5% (nearly 18 thousand) were in LMI areas. About 18.9% (84.4 thousand) were renter-occupied and 22.6% (19.1 thousand) were in LMI areas. Approximately 3.4% (15.1 thousand) of all the housing units were vacant and/or boarded up. The median age of housing was 38 years and the median value was \$237 thousand.

Median Family Income: In 1990, the county's median family income was \$60.6 thousand and the median family income for the MSA was \$56.7 thousand. The estimated 2002 median family income for the MSA, as published by the U.S. Department of Housing and Urban Development (HUD), was \$83 thousand in 2002.

Earnings by Industry: The U.S. Department of Commerce's Bureau of Economic Analysis reported that the largest sources of earnings in Nassau County for 2000 were services (36.5%); finance, insurance, and real estate (14.0%); and state and local government (11.6%).

Unemployment Rates: According to the New York Department of Labor, Nassau County's unemployment rate averaged 3.1% in 2001 and 4.1% in 2002. The county's average rates were significantly below the State's average rates of 4.9% in 2001 and 6.1% in 2002. The MSA's average rates were 3.3% and 4.3%, respectively.

MSA 5600 (Bronx, Kings, New York, Queens and Westchester)

Bronx County: Population: According to the U.S. Census Bureau, the county had a population of 1.2 million in 1990. Almost 11.6% of the area population were over the age of 65 and 24.7% were under the age of 16.

Families/Households: There were 292 thousand families in the county, of which 38.8% (113.2 thousand) were low-income, 17.9% (52.3 thousand) were moderate-income, 17.9% (52.2 thousand) were middle-income and 25.4% (74.3 thousand) were upper-income families. Of the 165.5 thousand LMI families, 77.2% (127.7 thousand) lived in LMI areas, accounting for 72.2% of all the families (177 thousand) that lived in LMI areas. There were 423.2 thousand households in the county, of which 26.9% (114 thousand) had incomes below the poverty level.

Housing Units: There were 441 thousand housing units in the county, of which 23.4% (103.1 thousand) were 1-4 family units and 74.7% (329.2 thousand) were multifamily units. About 17.2% (75.8 thousand) of all housing units were owner-occupied and 19.9% (15.1 thousand) were in LMI areas. Nearly 79.0% (348.3 thousand) were renter-occupied and 66.4% (231.3 thousand) were in LMI areas. Nearly 4.0% (17.5 thousand) of all housing units were vacant and/or boarded up. The median age of housing was 38 years and the median value was \$130.8 thousand.

Median Family Income: In 1990, the county's median family income was \$25.5 thousand and the median family income for the MSA was \$37.5 thousand. The estimated 2002 median family income for the MSA was \$62.8 thousand.

Unemployment Rates: According to the New York Department of Labor, Bronx County's unemployment rate averaged 7.2% in 2001 and 9.3% in 2002. The county's average rates were significantly above the State's average rates of 4.9% in 2001 and 6.1% in 2002. The MSA's average rates were 5.6% and 7.3%, respectively.

Earnings by Industry: The U.S. Department of Commerce's Bureau of Economic Analysis reported that the largest sources of earnings in Bronx County for 2000 were services (47.0%); state and local government (7.9%); and retail trade (7.3%).

Kings County: *Population:* According to the U.S. Census Bureau, the county had a population of 2.3 million in 1990. Almost 12.5% of the area population were over the age of 65 and 23.5% were under the age of 16.

Families/Households: There were 563.3 thousand families in the county, of which 32.4% (182.5 thousand) were low-income, 17.6% (99.1 thousand) were moderate-income, 19.0% (106.8 thousand) were middle-income and 31.0% (174.9 thousand) were upper-income families. Of the 281.6 thousand LMI families, 62.3% (175.4 thousand) lived in LMI areas, accounting for 65.9% of all the families (266.1 thousand) that lived in LMI areas. There were 827.7 thousand households in the county, of which 21.5% (178.1 thousand) had incomes below the poverty level.

Housing Units: There were 873.7 thousand housing units in the county, of which 46.3% (404.7 thousand) were 1-4 family units and 52.2% (455.7 thousand) were multifamily units. About 24.7% (215.8 thousand) of all housing units were owner-occupied and 25.7% (55.5 thousand) were in LMI areas. Almost 70.1% (612.4 thousand) were renter-occupied and 51.3% (314.1 thousand) were in LMI areas. Approximately 5.6% (48.9 thousand) of all housing units were vacant and/or boarded up. The median age of housing was 44 years and the median value was \$181.4 thousand.

Median Family Income: In 1990, the county's median family income was \$30 thousand and the median family income for the MSA was \$37.5 thousand. The HUD- estimated 2002 median family income for the MSA was \$62.8 thousand.

Earnings by Industry: The U.S. Department of Commerce's Bureau of Economic Analysis reported that the largest sources of earnings in Kings County for 2000 were services (39.5%); finance, insurance, and real estate (12.0%); and transportation and public utilities (8.1%).

Unemployment Rates: According to the New York Department of Labor, Kings County's unemployment rates averaged 6.7% in 2001 and 8.6% in 2002. The county's average rates

were significantly above the State's average rates of 4.9% in 2001 and 6.1% in 2002. The MSA's average rates were 5.6% and 7.3%, respectively.

New York County: Population: According to the U.S. Census Bureau, the county had a population of approximately 1.5 million in 1990. About 13.3% of the area population were over the age of 65 and 14.9% were under the age of 16.

Families/Households: There were 305.4 thousand families in the county, of which 28.8% (88 thousand) were low-income, 13.8% (42.3 thousand) were moderate-income, 14.3% (43.8 thousand) were middle-income and 43.0% (131.3 thousand) were upper-income families. Of the 130.2 thousand LMI families, 76.6% (99.7 thousand) lived in LMI areas, accounting for 68.3% of all the families (145.9 thousand) that lived in LMI areas. There were 716.8 thousand households in the county, of which 16.8% (120.1 thousand) had incomes below the poverty level.

Housing Units: There were 785.1 thousand housing units in the county, of which 2.9% (22.6 thousand) were 1-4 family units and 95.7% (751.4 thousand) were multifamily units. About 16.3% (128 thousand) of all housing units were owner-occupied and 9.7% (12.4 thousand) were in LMI areas. Nearly 75.0% (588.4 thousand) were renter-occupied and 39.7% (233.9 thousand) were in LMI areas. Approximately 9.1% (71.2 thousand) of all housing units were vacant and/or boarded up. The median age of housing was 41 years and the median value was \$212.4 thousand.

Median Family Income: In 1990, the county's median family income was \$36.8 thousand and the median family income for the MSA was \$37.5 thousand. The HUD estimated median family income for the MSA was \$62.8 thousand in 2002.

Earnings by Industry: The U.S. Department of Commerce's Bureau of Economic Analysis reported that the largest sources of earnings in New York County for 2000 were finance, insurance, and real estate (40.1%); services (30.9%); and state and local government (9.0%).

Unemployment Rates: According to the New York Department of Labor, New York County's unemployment rates averaged 6.4% in 2001 and 8.2% in 2002. The county's average rates were significantly above the State's average rates of 4.9% in 2001 and 6.1% in 2002. The MSA's average rates were 5.6% and 7.3%, respectively.

Queens County: Population: According to the U.S. Census Bureau, the county had a population of 2 million in 1990. Almost 14.7% of the area population were over the age of 65 and 18.6% were under the age of 16.

Families/Households: There were 495.6 thousand families in the county, of which 18.2% (90.2 thousand) were low-income, 16.4% (81.5 thousand) were moderate-income, 21.7% (107.5 thousand) were middle-income and 43.7% (216.4 thousand) were upper-income families. Of the 171.7 thousand LMI families, 24.4% (41.9 thousand) lived in LMI areas,

accounting for 57.9% of all the families (72.3 thousand) that lived in LMI areas. There were 718.4 thousand households in the county, of which 10.8% (77.9 thousand) had incomes below the poverty level.

Housing Units: There were 752.7 thousand housing units in the county, of which 56.6% (426.3 thousand) were 1-4 family units and 41.4% (311.8 thousand) were multifamily units. Almost 40.7% (306.1 thousand) of all the housing units were owner-occupied and 5.9% (18 thousand) were in LMI areas. About 55% (414 thousand) were renter-occupied and 21.0% (87.1 thousand) were in LMI areas. Approximately 4.5% (34 thousand) of all the housing units were vacant and/or boarded up. The median age of housing was 41 years and the median value was \$198.1 thousand.

Median Family Income: In 1990, the county's median family income was \$40.4 thousand and the median family income for the MSA was \$37.5 thousand. The HUD-estimated 2002 median family income for the MSA was \$62.8 thousand.

Earnings by Industry: The U.S. Department of Commerce's Bureau of Economic Analysis reported that the largest sources of earnings in Queens County for 2000 were services (29.8%); transportation and public utilities (18.2%); and construction (12.3%).

Unemployment Rates: According to the New York Department of Labor, Queens County's unemployment rates averaged 4.9% in 2001 and 6.5% in 2002. The county's average rates equaled the State's average rate in 2001 but were slightly above the state average rate of 6.1% in 2002. The MSA's average rates were 5.6% and 7.3%, respectively.

Westchester County: *Population:* According to the U.S. Census Bureau, the county had a population of 874.9 thousand in 1990. About 14.4% of the area population were over the age of 65 and 19.3% were under the age of 16.

Families/Households: There were 229.5 thousand families in the county, of which 10.7% (24.5 thousand) were low-income, 9.7% (22.3 thousand) were moderate-income, 15.6% (35.8 thousand) were middle-income and 64.0% (147 thousand) were upper-income families. Of the 46.8 thousand LMI families, 23.7% (11.1 thousand) lived in LMI areas, accounting for 59.4% of all the families (18.7 thousand) that lived in LMI areas. There were 319.7 thousand households in the county, of which 6.9% (21.9 thousand) had incomes below the poverty level.

Housing Units: There were 336.7 thousand housing units in the county, of which 65.5% (220.7 thousand) were 1-4 family units and 32.9% (110.8 thousand) were multifamily units. About 56.7% (191 thousand) of all the housing units were owner-occupied and 1.9% (3.6 thousand) were in LMI areas. Almost 38.3% (129.1 thousand) were renter-occupied and 18.7% (24.2 thousand) were in LMI areas. Approximately 5.0% (17 thousand) of all the housing units were vacant and/or boarded up. The median age of housing was 39 years and the median value was \$264.2 thousand.

Median Family Income: In 1990, the county's median family income was \$58.9 thousand and the median family income for the MSA was \$37.5 thousand. The HUD-estimated median family income for the MSA was \$62.8 thousand in 2002.

Earnings by Industry: The U.S. Department of Commerce's Bureau of Economic Analysis reported that the largest sources of earnings in Westchester County for 2000 were services (32.4%); finance, insurance, and real estate (13.7%); and state and local government (11.9%).

Unemployment Rates: According to the New York Department of Labor, Westchester County's unemployment rates averaged 3.4% in 2001 and 4.2% in 2002. The county's average rates were significantly below the State's average rates of 4.9% in 2001 and 6.1% in 2002. The MSA's average rates were 5.6% and 7.3%, respectively.

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

At this evaluation, Signature Bank was considered a “small bank institution” in accordance with the definition stated in Part 76.2(t) of the General Regulations of the Banking Board. As a result, the bank’s performance was evaluated according to the small bank performance criteria, which include the following: (1) Loan-to-Deposit Ratio and Other Lending-Related Activities; (2) Proportion of Lending in the Assessment Area; (3) Geographic Distribution of Lending; (4) Distribution of Lending According to Borrower Characteristics, and (5) Action Taken in Response to Written Complaints Regarding CRA. In addition, based on information submitted by the bank, its “Services” were also considered.

The assessment period covered the last eight months of 2001 and calendar year 2002. Both HMDA-reportable and small business loans were considered, with greater emphasis accorded to the bank’s small business lending activities.

Statistics utilized in this evaluation were derived from loan information submitted by the bank. The bank’s initial HMDA reporting occurred subsequent to the evaluation date. For this evaluation, however, the bank was not required to collect and report small business loan data. Demographic data, along with the 2002 HUD-estimated median family income, are from the 1990 U.S. Census.

Of the 573 SBA loans purchased by the bank in 2002 and submitted for consideration, only 19 loans made in New York State were taken into account. These loans were warehoused, securitized and pooled and then sold to investors, as the bank operates as a pool assembler (Refer to the **Performance Context**, above).

- **Loan-to-Deposit Ratio and Other Lending-Related Activities: “Satisfactory”**

SB’s LTD ratio is considered reasonable, considering that the bank began its operations in May of 2001 and has been in business for less than two years.

Based on the Uniform Bank Performance Reports (“UBPR”), the bank’s average net LTD ratio for the seven quarters ending December 31, 2002 was 24.8%, well below the 80.4% achieved by its nationwide peer group. However, because the bank has been in operation for just 20 months, the average ratio does not yet provide a meaningful measure of performance. Most importantly, it is noted that the quarterly ratios showed an upward trend, increasing from 9.7% in the second quarter of 2001 to 33.4% in the fourth quarter of 2002.

Community Development Loans: The bank enhanced the availability of credit in its assessment area with community development loans totaling \$8.4 million. Community development lending activities went mostly to support affordable housing (60.8%), followed by community services (23.8%) and economic development (15.5%).

The chart below summarizes the bank’s community development lending activity during the evaluation period:

Community Development Loans (In Thousands)					
MSA / County	Facility	Affordable Housing	Community Services	Economic Development	Total Commitment
MSA 5600 - Brooklyn	Line of Credit	1,000			1,000
MSA 5380; MSA 5600 (AA Counties)	Line of Credit			1,000	1,000
MSA 5380; MSA 5600 (AA Counties)	Term Loan			300	300
MSA 5600 - New York	Line of Credit	750			750
MSA 5600 - New York	Letter of Credit	800			800
MSA 5600 - New York	Letter of Credit	680			680
MSA 5600 - Bronx	Letter of Credit	517			517
MSA 5600 - Bronx, Queens	Line of Credit		500		500
MSA 5600 - New York	Line of Credit		1,500		1,500
Multifamily - Brooklyn	Mortgage	700			700
Multifamily - Brooklyn	Mortgage	390			390
Multifamily - Brooklyn	Mortgage	275			275
Totals		5,112	2,000	1,300	8,412

Qualified Investments: The bank further enhanced the availability of credit in its assessment area with qualified community development investments (including grants) totaling \$5.1 million.

The following investments were made during the evaluation period:

Community Investment Fund – the bank made a \$3 million investment in the fund in December 2002. The majority of the fund’s investments are in mortgage-backed securities collateralized by 1-4 family home mortgages and multifamily buildings in LMI areas.

CRA Fund Advisors – the bank made three investments totaling \$2 million in this CRA qualified investment fund. The three investments allocated to the bank under the fund include:

- A \$400 thousand Fannie Mae mortgage-backed security used to finance an affordable housing complex in Manhattan. Almost 90.0% (249 out of 278) of the units receive Section 8 housing subsidies.
- A \$675 thousand Freddie Mac mortgage-backed security comprised of four loans to LMI individuals in Kings, Nassau and Queens counties.
- A \$1 million Ginnie Mae mortgage-backed security to finance a multifamily complex in Brooklyn, New York. The complex provides affordable housing with almost all (247 out of 248) units receiving Section 8 housing subsidies.

Grants: In 2001 and 2002, the bank made qualified grants to various community and nonprofit organizations totaling \$8.5 thousand and \$38.5 thousand, respectively.

Total grants include the bank’s contribution of \$0.5 thousand to the Affordable Housing

Program (“AHP”) sponsored by the Federal Home Loan Bank of New York (“FHLBNY”). This represents the bank’s 2002 pro-rata share of the 10% of earnings set aside by the FHLBNY to fund its AHP program.

This program advances funds at subsidized rates to member institutions, which in turn pass them along to qualified community development groups for the purchase, construction, and/or rehabilitation of (i) owner-occupied housing for LMI households; or (ii) rental housing, where at least 20% of the rental units will be occupied by and affordable for very low-income households for the remaining useful life of such housing or the mortgage terms.

- **Proportion of Lending Within Assessment Area: “Outstanding”**

A substantial majority of the bank’s small business loans and a majority of its HMDA-reportable loans were made in its assessment area.¹

Small Business Loans: A substantial majority of the bank’s small business loans were originated in the assessment area. As illustrated below, in 2001 the bank made 98.1% of the total number and 99.3% by the corresponding dollar volume of small business loans in its assessment area. During 2002, the bank’s percentage of lending inside the assessment area declined to 93.9% and 85.7%, respectively.

Assessment Area (AA) Lending - Small Business Loans								
Geography	2002				2001			
	#	%	\$ 000	%	#	%	\$ 000	%
Inside AA	384	93.9	50,792	85.7	158	98.1	25,449	99.3
Outside AA	25	6.1	8,470	14.3	3	1.9	187	0.7
Total Lending	409	100.0	59,262	100.0	161	100.0	25,636	100.0

HMDA Loans: The bank originated the majority of its HMDA-reportable loans in its assessment area. As illustrated below, in 2002 the bank’s percentage of lending inside the assessment area was 80.4% by number and 68.4% by the corresponding dollar volume. Refer to the chart below for details.

Assessment Area (AA) Lending - HMDA-reportable Loans								
Geography	2002				2001			
	#	%	\$ 000	%	#	%	\$ 000	%
Inside AA	45	80.4	12,267	68.4	4	40.0	865	35.2
Outside AA	11	19.6	5,673	31.6	6	60.0	1,595	64.8
Total Lending	56	100.0	17,940	100.0	10	100.0	2,460	100.0

¹ Assessment area percentages were calculated based on New York loans, only.

- **Geographic Distribution of Lending:** “Satisfactory”

SB’s geographic distribution of loans based on census tract income reflected a reasonable dispersion throughout the assessment area.

Small Business Loans: In 2001, the bank extended 19.7% (31 loans) by number and 25.2% (\$6.4 million) by dollar volume of its loans in LMI areas. During 2002, the bank’s LMI area penetration rates were 25.3% (97 loans) and 25.4% (\$12.9 million), respectively. A comparison to the aggregate was not made, since the bank was only in operation for eight months during 2001.

The chart below illustrates the geographic distribution of small business loans in the assessment area for 2001 and 2002:

Distribution of Small Business Loans by Census Tracts Income Level								
Census Tracts	2002				2001			
	#	%	\$ 000	%	#	%	\$ 000	%
Low	48	12.5	6,527	12.9	10	6.4	2,475	9.7
Moderate	49	12.8	6,341	12.5	21	13.3	3,955	15.5
Total LMI	97	25.3	12,868	25.4	31	19.7	6,430	25.2

As noted above, 39.5% of census tracts in the bank’s assessment area are LMI.

HMDA Loans: The bank’s geographic distribution of HMDA reportable loans reflected a reasonable penetration throughout the assessment area. This assessment is based on the bank’s 2002 HMDA lending only, as the bank made only four HMDA loans in its assessment area in 2001, an insignificant number for a meaningful analysis. Thus, in 2002 the bank’s LMI penetration rates were 31.1% (14 loans) by number and 25.2% (\$3.1 million) by the corresponding dollar volume.

Assessment Area Distribution of HMDA-reportable Loans by Geography Income Level*								
Geography Income Level	2002				2001			
	Bank				Bank			
	#	%	\$	%	#	%	\$	%
Low	3	6.7	975	7.9	-	0.0	N/A	N/A
Moderate	11	24.4	2,119	17.3	-	0.0	N/A	N/A
Middle	2	4.4	446	3.6	2	50.0	500	57.8
Upper	29	64.4	8,727	71.1	2	50.0	365	42.2
N/A	-	0.0	-	-	-	0.0	N/A	N/A
Total	45	100.0	12,267	100.0	4	100.0	865	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%.

- **Borrower's Profile:** "Satisfactory"

SB's distribution of lending based on borrower profile reflected reasonable penetration among individuals of different income (including low- and moderate-income) levels and businesses of different sizes.

Small Business Loans: The bank's borrower distribution of small business loans reflected reasonable penetration among businesses of different sizes. In 2001, of the 158 small business loans that were extended, SB originated 59 loans, or 37.3%, to businesses with gross annual revenues of \$1 million or less. In 2002, the bank's small business penetration improved to 169 loans, or 44.0% of the total number (384) of loans.

The chart below shows the bank's small business loans distributed by loan size:

Distribution of Small Business Loans by Loan Size & Revenue								
Loan Value	2002				2001			
	#	%	\$ 000	%	#	%	\$ 000	%
<=\$100K	272	70.8	12,706	25.0	101	63.9	5,719	22.5
>\$100K & <=\$250K	59	15.4	11,255	22.2	34	21.5	6,784	26.6
>\$250K & <=\$1mil	53	13.8	26,831	52.8	23	14.6	12,946	50.9
Total	384	100.0	50,792	100.0	158	100.0	25,449	100.0
Revenue Size								
<=\$1 million	169	44.0	10,024	19.7	59	37.3	3,801	14.9
> \$1 million	212	55.2	39,359	77.5	44	27.9	5,445	21.4
Unknown	3	0.8	1,409	2.8	55	34.8	16,203	63.7
Total	384	100.0	50,792	100.0	158	100.0	25,449	100.0

HMDA Loans: The bank's borrower distribution of HMDA lending reflected reasonable penetration among borrowers of different income levels. Again, this assessment is based only on the bank's 2002 lending due to the insignificant volume of lending. In 2002, the bank made 13 loans (out of 45) to LMI individuals, yielding a 28.8% LMI penetration rate.

Refer to the chart below for other details.

Assessment Area Distribution of HMDA-Reportable Loans by Borrower Income Level*								
Borrower Income Level	2002				2001			
	Bank		Aggregate		Bank		Aggregate	
	#	%	#	%	#	%	#	%
Low	2	4.4	N/A	N/A	-	0.0	N/A	N/A
Moderate	11	24.4	N/A	N/A	-	0.0	N/A	N/A
Middle	4	8.9	N/A	N/A	1	25.0	N/A	N/A
Upper	24	53.3	N/A	N/A	3	75.0	N/A	N/A
N/A	4	8.9	N/A	N/A	-	0.0	N/A	N/A
Total	45	100.0	N/A	N/A	4	100.0	N/A	N/A

* 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%.

- **Action Taken In Response to Written Complaints With Respect to CRA**

Neither the bank nor the New York State Banking Department has received any written complaints regarding the bank's CRA performance.

- **Services**

The bank's record of providing branches and/or other services enhances credit availability in its assessment area.

Retail Banking Services: The bank's delivery systems are reasonably accessible to essentially all portions of the bank's assessment area. Of the nine banking offices, two, or 22.2%, are located in LMI areas and two others, or 22.2%, are located in areas adjacent to LMI census tracts. Supplementing the banking offices is an ATM network consisting of 22 machines, of which five, or 27.2%, are located in LMI areas.

During the assessment period, the bank opened three new offices: one in 2001 and two in 2002, one of which is located in a low-income area.

As alternate delivery systems, the bank offers the following:

- *Online Banking Services* – provides an aggregated view of the account relationship and features functions such as balance transfers and online bill payment.
- *Online Brokerage Services* – provides an aggregated view of the investment portfolio and features functions including performance charts, research and online trading.
- *Online Mortgage Application* – provides clients and non-clients the opportunity to research and apply for residential mortgages and home equity lines of credit.

- *Monogram Business Online* - an online product designed specifically for businesses, provides delivery of many cash management functions. Clients can initiate wire transfers, effect ACH transactions, view intra-day activity, print reports and more.
- *Phone Services* – clients may transfer funds, make balance inquiries, request duplicate statements, and may also inquire about rates and available products.
- *Mail Services* (Bank-by-Mail)

Community Development Services: The bank provides a relatively high level of community development services. SB management helps provide technical assistance to organizations and programs that promote economic development, community services and affordable housing throughout the assessment area. The following summarizes the bank officers' involvement in various community organizations:

- Vice Chairman - advisory board member of *Neighborhood Housing Services of New York City, Inc.*
- Group Director/Senior Vice-President – Treasurer and member of the board of directors of *Housing and Services, Inc.*, whose mission is to develop affordable housing for individuals and families, and to manage such buildings.
- Group Director/Senior Vice-President – Member of the board of directors of *Concepts of Independence, Inc.*, an entity that assists self-directing severely disabled people manage their own home care services.
- Group Director/Vice-President – President of fundraising committee of *The Shield Institute*. This organization provides services to the developmentally disabled. Childhood programs include early intervention, daycare, preschool and school age special education.
- Associate Group Director/Vice-President – Member of the board of directors of *Women Economic Developers of Long Island*, whose mission is to promote economic development in Nassau and Suffolk counties, with many of the projects in LMI areas.
- Group Director/Vice-President – Member of fundraising committee of the *Developmental Disabilities Institute*.

The bank's Chief Financial Officer/Senior Vice-President is a volunteer speaker at *Junior Achievement*, whose mission is to educate young people in LMI areas to be successful. The officer spoke on topics such as basic banking, the markets and business skills.

In 2002, the bank in partnership with *Bridge Street Development Corporation* (“BSDC”) of Bedford-Stuyvesant, Brooklyn launched the *First Time Investor Program* (“FTIP”). The goal of the program is to give LMI individuals the tools to invest in the markets and eventually use this investment for a major life purpose. The participants (LMI individuals to be selected by BSDC) are required to attend all 11 classes and to invest \$750 from their savings. The bank matches the contribution at the end of the course. Ten participants have finished the course as of December 2002. In addition, each participant was assigned an investment representative who will be working closely with him or her for two years.

The bank referred two entities for a loan. The referral resulted in a \$2.5 million loan, enabling the company to refinance its private mortgage, retain over one hundred employees and create at least another twenty jobs over the next two years.

- **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.

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

Evidence of prohibited discriminatory or other illegal credit practices.

The most recent regulatory compliance report concurrent with this assessment indicates satisfactory adherence to antidiscrimination or other applicable laws and regulations. No evidence of prohibited discriminatory or other illegal credit practices was noted.

- **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.

The bank ascertains the credit needs of its assessment area through its community outreach program. Senior management maintain regular contact with community development corporations, community development financial institutions, economic development corporations, developers of affordable housing and government officials to make them aware of the credit services being offered by the bank.

The bank through its outreach program contacted the following organizations:

- The Enterprise Foundation
- Nonprofit Finance Fund
- Local Initiatives Support Corporation
- Accion New York
- Corporation for Supportive Housing
- Neighborhood Housing Services of New York
- National Development Council / Grow America Fund
- Abyssinian Community Development Corporation
- Bridge Street Development Corporation
- Fannie Mae New York City Partnership Office
- Low Income Investment Fund
- Community Capital Bank
- Asian Americans for Equality

Such contacts resulted in the granting of lines of credit to some of these organizations (*Refer to Community Development Loans under “**Loan-to-Deposit Ratio and Other Lending-Related Activities**”*).

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.

The bank does not have a full-scale marketing effort. For the most part, marketing is done by Relationship Managers and through the bank’s community outreach program. The CRA officer also has the responsibility to meet with community organizations and to determine if there is a product or program that could be created to meet their credit needs. In addition, financial center and private client group officers actively solicit not-for-profits and affordable housing developers to become their clients.

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 Officer makes an annual presentation to the Board of Directors. The presentation entails an update of the CRA program and includes a description of community development loans, qualified investments and services provided by the bank.

In addition, the bank has a CRA committee comprised of most of the senior management. The CEO and President, Vice Chairman, Chief Financial Officer, and Chief Lending Officer sit on the committee along with the CRA officer. The committee meets as needed to discuss CRA strategy and programs as well as to review proposed loans, investments and services.

- **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.

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.

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.

LMI Penetration Rate

A number that depicts the percentage of a bank's total loans 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 to LMI geographies or borrowers.

Small Business Loans

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