



**NEW YORK STATE BANKING DEPARTMENT
CONSUMER SERVICES DIVISION**

One State Street Plaza
New York, NY 10004

PUBLIC SUMMARY

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Date of Evaluation: December 31, 2008

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

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

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GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (“CRA”) performance of State Bank of Long Island (“SBLI”) prepared by the New York State Banking Department. The evaluation represents the Banking Department’s current assessment and rating of the institution’s CRA performance based on an evaluation conducted as of December 31, 2008.

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 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

State Bank of Long Island's ("SBLI") performance was evaluated according to the lending, service and investment performance criteria. The assessment period included calendar years 2006, 2007, and 2008. SBLI was rated "2," indicating a "Satisfactory" record of helping to meet community credit needs. This rating is unchanged from the prior rating of "2", based on the NYSBD Performance Evaluation dated December 31, 2005. This rating was based on the following factors:

Performance Levels	State Bank of Long Island		
	Lending Test	Investment Test	Service Test
Outstanding			
High Satisfactory		X	
Low Satisfactory	X		X
Needs to Improve			
Substantial Non-Compliance			

The major factors supporting this rating include:

Lending

Overall, SBLI was rated "Low Satisfactory" under the lending test, reflecting only adequate performance. During the evaluation period, SBLI discontinued its HMDA-reportable origination business. As a result, HMDA-reportable volume dropped significantly in 2008 and small business lending received greater weight in this evaluation. In addition, community development lending represented a substantial commitment on the part of SBLI, and was also given significant weight.

Overall, evaluating both small business and HMDA-reportable loans, SBLI's lending levels reflected good responsiveness to the assessment area credit needs. SBLI's small business lending levels during the evaluation period reflected good responsiveness to the assessment area credit needs. SBLI's market share was 0.20% by number and 2.67% by dollar volume, ranking it 20th among 219 small business lenders in its assessment area. In 2008, SBLI exited the HMDA-reportable lending business and therefore, 2008 HMDA-reportable lending activity was minimal and not rated. However, even prior to exiting the business, SBLI's 2007 HMDA-reportable lending level reflected poor responsiveness to assessment area credit needs. In 2007, SBLI's market share was only 0.04% by number and 0.02% by dollar volume, ranking it 165th among 503 HMDA-reportable lenders in the assessment area.

SBLI originated the substantial majority of its loans within its assessment area. For both HMDA-reportable and small business loans, whether considering number of loans or dollars lent, SBLI lent more than 86% of its loans within its assessment area.

Because small business lending was given greater weight in this evaluation, overall lending in LMI geographies was considered to be good. The geographic distribution of small

business loans reflected a good LMI penetration rate across the assessment area and among census tracts of different income levels. SBLI's 2007 small business lending penetration rate slightly exceeded the aggregate's LMI penetration rate. However, 2007 HMDA-reportable loans reflected a poor penetration rate, being significantly below the aggregate's penetration rate (particularly for moderate-income tracts) and below the percentage of owner-occupied housing units. As noted above, the business line was discontinued in 2008; very few loans were made and the 2008 HMDA-reportable lending business was not evaluated.

The distribution of loans by type of borrower reflected a poor penetration among LMI borrowers and businesses with gross annual revenues of \leq \$1MM, i.e., small businesses. In 2007, SBLI's small business lending penetration rate for businesses with gross annual revenues of \leq \$1 MM was 2/3 that of the aggregate's and less than 1/3 of the business demographics in the assessment area. As noted earlier, due to SBLI's product mix, small business lending was given significant weight in this evaluation. In contrast, in 2007 HMDA-reportable lending, SBLI showed good responsiveness to LMI borrowers. SBLI's LMI penetration rate exceeded the aggregate's both for number of loans and dollars lent.

SBLI made a relatively high level of qualified community development loans. CRA qualified community development loans and lines of credit totaled \$44.5MM as of December 31, 2008. However, SBLI made limited use of flexible and innovative lending products.

Investment

SBLI made a significant level of qualified community development investments and grants, occasionally in a leadership position. Qualified investments, including \$62 thousand in grants totaled \$4.2 million.

Service

SBLI's delivery systems are reasonably accessible to individuals of different income levels in its assessment area. SBLI operates sixteen full-service branches and one limited service branch throughout its assessment area. Half of the branches (eight) are in Nassau County, with another five in Suffolk County. Queens has three branches, and Manhattan has one limited service branch, newly opened in this evaluation period. Only one branch, located in Suffolk County, is in a moderate-income geography, with no branches in low-income geographies.

SBLI's record of opening and closing of branches has not adversely affected the accessibility of its delivery systems. SBLI opened one full service branch in a moderate-income area on Long Island and one limited service branch (loan processing and non-cash deposit collection) in an upper-income area of New York County. As a result, SBLI expanded its assessment area to include a portion of New York County. SBLI did not close any branches during the evaluation period.

SBLI provided a relatively high level of community development services in its assessment area during the evaluation period. SBLI's senior officers provided technical and financial

assistance to community development organizations that promote economic development and affordable housing, and provide community services in LMI geographies.

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:

SBLI is a full service commercial bank chartered by the New York State Banking Department since 1966. It is a wholly-owned subsidiary of State Bancorp, Inc., a publicly-traded company. SBLI's products are designed to meet financial needs of the consumers and the businesses in the Long Island region, as well as Queens and part of Manhattan. It provides a full range of banking services to individuals, corporations, municipalities and small to medium sized businesses through its 17 branches.

As per the Federal Deposit Insurance Corporation's ("FDIC") Consolidated Report of Condition (the Call Report) as of December 31, 2008, SBLI reported total assets of \$1.7 billion, of which \$1.1 billion were loans and lease finance receivables. It also reported total deposits of \$1.5 billion, resulting in a loan-to-deposit ratio of 74%. According to the latest available comparative deposit data dated June 30, 2008, SBLI obtained a market share of 0.23%, or \$1.2 billion out of \$547 trillion inside its market, ranking it 31st among the 127 deposit-taking institutions in Nassau, New York, Suffolk and Queens Counties.

SBLI operates in a highly competitive market with the presence of large regional and national banks in its assessment area. These banks include JPMorgan Chase Bank, M&T Bank, Capital One Bank, Citibank, and Bethpage Credit Union. Of the 2,062 branches in its assessment area, the combination of the three largest banks had 697 branches, more than \$308.8 trillion in deposits and a market share of 56.4%.

The following is a summary of SBLI's lending portfolio, based on Schedule RC-C of the year-end Call Reports for 2006, 2007 and 2008:

TOTAL GROSS LOANS OUTSTANDING						
LOAN TYPE	12/31/2008		12/31/2007		12/31/2006	
	\$000	%	\$000	%	\$000	%
1-4 Residential Mortgage Loans	104,280	9.3	102,467	9.8	105,476	10.7
Commercial & Industrial Loans	399,117	35.5	323,048	31.0	297,798	30.3
Commercial Mortgage Loans	468,050	41.7	370,054	35.5	378,545	38.5
Multifamily Mortgages	15,833	1.4	13,390	1.3	13,909	1.4
Consumer Loans	5,620	0.5	11,724	1.1	11,315	1.1
Agricultural Loans	1,453	0.1	517	0.0	0	0.0
Construction Loans	122,572	10.9	145,485	14.0	105,721	10.7
Obligations of states & municipalities	5,354	0.5	6,250	0.6	6,567	0.7
Other Loans	1,124	0.1	2,047	0.2	2,308	0.2
Lease financing	0	0.0	66,476	6.4	62,649	6.4
Total Gross Loans	1,123,403	100.0	1,041,458	100.0	984,288	100.0

Note: SBLI sold 24 mortgage loans totaling \$10.3 million in 2006 and 2007.

As illustrated in the above chart, SBLI is primarily a commercial lender, with about one third of its loan portfolio in commercial and industrial loans and more than a third in commercial mortgage loans.

Due to the real estate meltdown, SBLI discontinued its HMDA-reportable loan production. HMDA-reportable loan origination decreased significantly to only six loans in 2008 from the fifty-eight HMDA-reportable loans originated in 2007. SBLI's relatively small market share, .02% of the dollars lent in 2007, indicated that the absence of SBLI in the market would not adversely affect mortgages in the market.

SBLI is now concentrating its efforts on commercial loans.

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

Assessment Area:

SBLI's assessment area consists of all of Nassau County and the portion of Suffolk County up to the east boundary line of the Town of Brookhaven, located in Metropolitan Division ("MD") # 35004. It also includes Queens County, excluding the Rockaways. Since the last evaluation, SBLI opened a limited service branch (loan processing and non-cash deposit collection center) in New York County. As a result of this addition, SBLI expanded its assessment area to include the portion of New York County from 14th Street to 86th Street, 99 additional census tracts. Queens and New York Counties are located in MD #35644.

Although the geographies added in New York County did not include most of the LMI geographies in New York County, this was not an arbitrary exclusion, as SBLI's single Manhattan limited service branch cannot reasonably be expected to serve the entire county. The area of New York County within the assessment area includes the geographies where SBLI has originated a substantial portion of its loans.

The following table summarizes the distribution of SBLI's assessment area's census tracts by income level.

Distribution of Assessment Area Census Tracts by Income Level (2008)								
County	Zero	Low	Moderate	Middle	Upper	Total	LMI	LMI %
Nassau	8	2	20	178	69	277	22	7.9
New York*	2	1	3	10	83	99	4	4.0
Queens*	17	9	144	305	180	655	153	23.4
Suffolk*	1	1	55	179	49	285	56	19.6
Total	28	13	222	672	381	1316	235	17.9

* Partial County

The assessment area appears reasonable, based upon SBLI's lending pattern and the location of its offices. There was no evidence that SBLI has arbitrarily excluded LMI tracts from its assessment area.

Demographic & Economic Data

Demographic data regarding the families, owner-occupied housing units and small businesses located in LMI census tracts, as well as families that are LMI and businesses with revenues of less than \$ 1MM, are included in the appropriate sections.

Unemployment Rates

The following table shows details of the annual unemployment rate for New York State, as well as for each county of SBLI's assessment area.

Statewide and County Unemployment Rate					
	Statewide	Nassau County	New York County	Queens County	Suffolk County
2006	4.6	3.8	4.3	4.5	4.0
2007	4.5	3.7	4.2	4.4	3.9
2008	5.4	4.7	4.9	4.9	5.0

As shown in the chart above, statewide annual average unemployment rate was higher than all the four counties that are in SBLI's assessment area.

PERFORMANCE TESTS AND ASSESSMENT FACTORS

The Banking Department assesses a large bank's CRA performance by evaluating its lending, investment and service activities within the assessment area in accordance with Parts 76.8, 76.9 and 76.10 of the General Regulations of the Banking Board.

SBLI's performance was evaluated according to the large bank performance criteria, which include lending, investment and service tests. The following factors were also considered in assessing the bank's record of performance: the extent of participation by the board of directors or board of trustees in formulating CRA policies and reviewing CRA performance; any practices intended to discourage credit applications, evidence of prohibited discriminatory or other illegal credit practices; and process factors such as activities to ascertain credit needs and the extent of marketing and special credit related programs. Finally, the evaluation considered other factors that reasonably bear upon the extent to which a banking institution is helping to meet the credit needs of its entire community.

Statistics employed in this evaluation were derived from various sources. In addition to bank-specific loan information submitted by SBLI, aggregate data for small business and HMDA-reportable loans were obtained from the Federal Financial Institutions Examination Council ("FFIEC"). The demographic data referred to in this report were derived from the US Census Data, with the updated median family income figures provided by the US Department of Housing and Urban Development ("HUD"). Business demographic data used in this report are information on US businesses, enhanced by Dun & Bradstreet and updated annually. As SBLI does not make farm loans, the data only include non-farm loans.

SBLI received a rating of "2" reflecting a "Satisfactory" record of helping to meet community credit needs at its **prior** Performance Evaluation conducted by the New York State Banking Department as of December 31, 2005.

CRA Rating: "Satisfactory"

The assessment period included calendar years 2006, 2007 and 2008. However, the bulk of analysis was done on 2007 and 2008, the most recent activity years. SBLI reports both HMDA and CRA small business data. The bank did not include any affiliate lending in this examination.

I. Lending Test: "Low Satisfactory"

The bank's lending performance was evaluated pursuant to the following criteria: (1) Lending Activity; (2) Geographic Distribution, including Assessment Area Concentration and Lending to Different Geographic Income Levels; (3) Distribution by Borrower Characteristics; (4) Community Development Lending and (5) Innovative and/or Flexible Lending Practices.

Overall, SBLI was rated “Low Satisfactory” under the lending test, reflecting only adequate performance. During the evaluation period, SBLI discontinued its HMDA-reportable origination business. As a result, HMDA-reportable volume dropped significantly in 2008 and small business lending received greater weight in this evaluation. In addition, community development lending represented a substantial commitment on the part of SBLI, and was also given significant weight.

- **Lending Activity: “High Satisfactory”**

Overall, evaluating both small business and HMDA-reportable loans, SBLI’s lending levels reflected good responsiveness to the assessment area credit needs.

Small Business Loans: “High Satisfactory”

SBLI’s small business lending levels during the evaluation period reflected good responsiveness to the assessment area credit needs. SBLI’s small business lending market share was 0.20% by number and 2.67% by dollar volume, ranking it 20th among 219 small business lenders in its assessment area. This lending activity compared favorably with its deposit market share noted in Section 3 – Performance Context. SBLI’s average loan size was \$257 thousand.

The table below summarizes the small business lending activity by county¹.

SBLI Small Business Lending Activity by County										
County	2007				2008				Total	
	#	%	\$000	%	#	%	\$000	%	#	\$000
Nassau	370	38.1	96,681	39.4	259	30.6	75,884	33.1	629	172,565
New York	20	2.1	6,066	2.5	35	4.1	14,121	6.2	55	20,187
Suffolk	348	35.8	109,889	44.8	272	32.1	94,628	41.2	620	204,517
Queens	233	24.0	32,854	13.4	281	33.2	44,809	19.5	514	77,663
Total	971	100.0	245,490	100.0	847	100.0	229,442	100	1,818	474,932

HMDA-Reportable Loans: “Needs to Improve”

In 2008, SBLI exited the HMDA-reportable lending business and therefore, 2008 HMDA-reportable lending activity was minimal and not rated. However, even prior to exiting the business, SBLI’s 2007 HMDA-reportable lending level reflected poor responsiveness to assessment area credit needs. In 2007, SBLI’s market share was only 0.04% by number and 0.02% by dollar volume, ranking it 165th among 503 HMDA-reportable lenders in the assessment area. SBLI’s average loan size was \$156 thousand.

¹ Small business aggregate data used in this evaluation, for both volume and market ranking, as well as aggregate lending results, reflect entire counties, not just the bank’s assessment area.

The chart below summarizes the HMDA-reportable lending by county².

SBLI HMDA-Reportable Lending Activity by County										
County	2007				2008				Total	
	#	%	\$000	%	#	%	\$000	%	#	\$000
Nassau	30	55.6	5,183	61.6	0	0.0	0	0.0	30	5,183
New York	0	0.0	0	0.0	1	16.7	1,500	52.0	1	1,500
Suffolk	22	40.7	3,028	36.0	4	66.7	314	10.9	26	3,342
Queens	2	3.7	205	2.4	1	16.7	1,068	37.1	3	1,273
Total	54	100.0	8,416	100.0	6	100.0	2,882	100.0	60	11,298

- **Geographic Distribution - Assessment Area Concentration: “Outstanding”**

SBLI originated the substantial majority of its loans within its assessment area. For both HMDA-reportable and small business loans, whether considering number of loans or dollars lent, SBLI lent more than 86% of its loans within its assessment area. As noted above, HMDA-reportable lending was only evaluated for 2007.

The chart below summarizes the HMDA-reportable and small business lending inside and outside the assessment area.

Distribution of Loans Inside and Outside of the Assessment Area											
Loan Type	Number of Loans					Loans in Dollars (in thousands)					
	Inside		Outside		Total	Inside		Outside		Total	
	#	%	#	%		\$	%	\$	%		
HMDA-Reportable											
2007	54	93.1	4	6.9	58	8,416	84.2	1,580	15.8	9,996	
2008	6	100.0	0	0.0	6	2,882	100.0	0	0.0	2,882	
Subtotal	60	93.8	4	6.3	64	11,298	87.7	1,580	12.3	12,878	
Small Business											
2007	971	92.9	74	7.1	1045	245,490	87.8	34,260	12.2	279,750	
2008	847	90.4	90	27.1	937	229,442	84.7	41,389	15.3	270,831	
Subtotal	1818	91.7	164	8.3	1982	474,932	86.3	75,649	13.7	550,581	
Total	1878	91.8	168	8.2	2046	486,230	86.3	77,229	13.7	563,459	

- **Geographic Distribution - Lending to Different Geographic Income Levels: “High Satisfactory”**

Because small business lending was given greater weight in this evaluation, overall lending in LMI geographies was considered to be good. The geographic distribution of small business loans reflected a good LMI penetration rate across the assessment area and among census tracts of different income levels. SBLI’s 2007 small business lending penetration rate slightly exceeded the aggregate’s LMI penetration rate. However, 2007 HMDA-reportable

² HMDA aggregate data used in this evaluation, for both volume and market ranking, as well as aggregate lending results, reflect entire counties, not just the bank’s assessment area.

loans reflected a poor penetration rate, being significantly below the aggregate's penetration rate (particularly for moderate-income tracts) and below the percentage of owner-occupied housing units. As noted above, the business line was discontinued in 2008; very few loans were made and the 2008 HMDA-reportable lending business was not evaluated.

Small Business loans: "High Satisfactory"

During the evaluation period, SBLI dispersed 11.8% by number and 15.7% by dollar volume of its small business loans in LMI census tracts. In 2007, SBLI's dispersion rate in the LMI census tracts compared favorably to the market aggregate's. Its dispersion rate in 2008 decreased slightly; there were no aggregate data available for 2008.

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

Distribution of Small Business Loans by Geographic Income Level									
Year 2007									
Geography Income Level	% Small Businesses	Bank				Aggregate			
		#	%	\$000	%	#	%	\$000	%
Low	0.5	5	0.5	2,119	0.9	1,426	0.4	35,096	0.4
Moderate	12.1	115	11.8	37,640	15.3	46,185	11.5	912,848	11.4
Middle	42.8	473	48.7	117,199	47.7	179,741	44.9	3,276,231	40.8
Upper	43.5	376	38.7	87,456	35.6	170,350	42.5	3,689,086	46.0
N/A	1.1	2	0.2	1,076	0.4	2,879	0.7	112,002	1.4
Total	100.0	971	100.0	245,490	100.0	400,581	100.0	8,025,263	100.0
Year 2008									
Geography Income Level	% Small Businesses	Bank				Aggregate data not available			
		#	%	\$000	%				
Low	0.5	3	0.4	950	0.4				
Moderate	12.3	92	10.9	33,642	14.7				
Middle	42.6	390	46.0	112,878	49.2				
Upper	43.4	359	42.4	80,395	35.0				
N/A	1.2	3	0.4	1,577	0.7				
Total	100.0	847	100.0	229,442	100.0				

HMDA-Reportable Loans: "Needs to Improve"

In 2007, the HMDA-reportable LMI geography penetration rate in the LMI census tracts was 5.6%, significantly below the market aggregate's rate of 16%. While the single loan in a low-income tract yielded a penetration rate above the aggregate's, this was more than offset by the moderate-income penetration rate of 3.7%. And this moderate-income rate was much less than both the aggregate's rate of 15.6% and the percentage of owner-occupied housing units (10.7%) in the assessment area. In 2008, SBLI's lending volume was so small it was not possible to perform a meaningful analysis of LMI penetration. Nevertheless, no loans were made in LMI tracts.

The following chart provides a summary of SBLI's HMDA-reportable lending distribution during the evaluation period.

Distribution of HMDA Loans by Geographic Income Level*									
Geography Income Level	% Owner Occupied Housing Units	2007							
		Bank				Aggregate			
		#	%	\$000	%	#	%	\$000	%
Low	0.1	1	1.9	105	1.3	441	0.4	153,925	0.4
Moderate	10.7	2	3.7	205	2.4	18,939	15.6	5,272,818	12.8
Middle	56.4	32	59.3	3,727	44.3	68,679	56.7	19,334,083	47.1
Upper	32.8	19	35.2	4,379	52.0	32,990	27.2	16,223,309	39.5
N/A	0.0	0	0.0	0	0.0	51	0.0	85,526	0.2
Total	100.0	54	100.0	8,416	100.0	121,100	100.0	41,069,661	100.0
Borrower Income Level	% Owner Occupied Housing Units	2008							
		Bank				Aggregate data is not available			
		#	%	\$000	%				
Low	0.1	0	0.0	0	0.0				
Moderate	10.7	0	0.0	0	0.0				
Middle	56.4	4	66.7	1,332	46.2				
Upper	32.8	2	33.3	1,550	53.8				
Total	100.0	6	100.0	2,882	100.0				

- **Distribution by Borrower Characteristics: “Needs to Improve”**

The distribution of loans by type of borrower reflected a poor penetration among LMI borrowers and businesses with gross annual revenues of \leq \$1MM, i.e., small businesses. In 2007, SBLI's small business lending penetration rate for businesses with gross annual revenues of less than \$1 MM was 2/3 that of the aggregate and less than 1/3 of the business demographics in the assessment area. As noted earlier, due to SBLI's product mix, small business lending was given significant weight in this evaluation. In contrast, in 2007 HMDA-reportable lending, SBLI showed good responsiveness to LMI borrowers. SBLI's LMI penetration rate exceeded the aggregate's both for number of loans and dollars lent.

Small Business Loans: “Needs to Improve”

During the evaluation period, SBLI extended 19.8% by number and 23.8% by dollar volume of its small business loans to borrowers with revenue of \$1 million or less. In 2008, the LMI lending penetration rate, based on the number of loans, improved minimally, while, based on dollars lent, it improved significantly. The 2008 data were not available and this record was still below the business demographics.

The table below shows the distribution of small business loans based on business revenue during the evaluation period.

Distribution of Small Business Loans by Business Revenue Size									
2007									
Revenue	% of Total	Bank				Aggregate			
Size	Business	#	%	\$000	%	#	%	\$000	%
\$1million or less	68.8	187	19.3	46,651	19.0	122,088	30.5	2,973,457	37.1
Over \$1 million	7.3	644	66.3	188,890	76.9		0.0		0.0
No Revenue Info	23.9	140	14.4	9,949	4.1		0.0		0.0
Total	100.0	971	100.0	245,490	100.0	400,581	100.0	8,025,263	100.0
2008									
Revenue	% of Total	Bank				Aggregate data is not available			
Size	Business	#	%	\$000	%				
\$1million or less	67.8	173	20.4	66,348	28.9				
Over \$1 million	6.6	575	67.9	150,660	65.7				
No Revenue Info	25.6	99	11.7	12,434	5.4				
Total	100.0	847	100.0	229,442	100.0				

HMDA-Reportable Loans: "High Satisfactory"

In 2007, SBLI extended loans totaling 20.4% by number and 9.0% by dollar volume to LMI borrowers. As depicted in the chart below, in 2007, SBLI's HMDA-reportable loan penetration rate compared favorably to the market aggregate by number and by dollar volume. By making 3 loans out of a total of 54, SBLI's LMI penetration rate exceeded the aggregate's both by number of loans and dollars lent. In particular, the low-income penetration rate significantly exceeded the aggregate's low-income penetration rate.

In 2008, as noted above, SBLI exited the business and the HMDA-reportable lending was not evaluated.

The following chart provides a summary of SBLI's HMDA-reportable lending distribution during the evaluation period.

Distribution of HMDA Loans by Borrowers Income Level*									
Borrower Income Level	% of Total Families #	2007							
		Bank				Aggregate			
		#	%	\$000	%	#	%	\$000	%
Low	19.0	5	9.3	387	4.6	2,398	2.0	280,745	0.7
Moderate	17.2	6	11.1	372	4.4	12,809	10.6	2,327,851	5.7
Middle	21.5	18	33.3	2,063	24.5	29,041	24.0	6,777,658	16.5
Upper	42.3	25	46.3	5,594	66.5	69,479	57.4	26,792,729	65.2
N/A	0.0	0	0.0	0	0.0	7,373	6.1	4,890,678	11.9
Total	100.0	54	100.0	8,416	100.0	121,100	100.0	41,069,661	100.0
Borrower Income Level	% of Total Families #	2008							
		Bank				Aggregate data is not available			
		#	%	\$000	%				
Low	19.0	0	0.0	0	0.0	Aggregate data is not available			
Moderate	17.2	1	16.7	50	1.7				
Middle	21.5	1	16.7	58	2.0				
Upper	42.3	2	33.3	206	7.1				
N/A	0.0	2	33.3	2,568	89.1				
Total	100.0	6	100.0	2,882	100.0				

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

SBLI made a relatively high level of qualified community development loans. CRA qualified community development loans and lines of credit totaled \$44.5 million as of December 31, 2008. Approximately 64% of these commitments supported community services, 22% supported economic developments and 14% supported revitalization and stabilization within the LMI geographies of the assessment area.

Examples of the notable qualified community development loans made during the evaluation period included the following:

- In 2008, SBLI approved a mortgage loan of \$938.0 thousand to a not-for-profit organization which used the proceeds to finance the purchase of a 4,284 SF commercial building in a moderate-income census tract in Suffolk County. The program provides supported-housing, counseling, and vocational and computer training for people with disabilities.
- During the evaluation period, SBLI renewed its \$1 MM line of credit to a not-for-profit organization serving the blind, deaf-blind, and visually impaired persons located in a moderate-income area.
- In 2006 and 2007 SBLI renewed its commitment and approved standby letters of credit for \$1.6 million and \$3.2 million respectively for a limited liability company affiliated with a downtown Jamaica local development corporation. The first facility served as participation of credit enhancement for a bond issued by the New York

City Industrial Development Authority. The bond proceeds were used to purchase and improve two parking lots and a multi-level garage. The second facility was also a participation of credit enhancement for a bond issued by the New York City Industrial Development Authority to finance construction of a 406 space-parking garage and 5,000 SF-retail space in Queens in a moderate-income neighborhood.

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

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

Group Home Financing Program (“GHFP”): Under the GHFP program, SBLI provided financing for not-for-profit agencies to acquire and renovate group homes that provided permanent housing for people with disabilities in LMI neighborhoods. As of December 31 2008, SBLI extended one loan in the amount of \$768 thousand to finance the purchase of a 6-bed group home.

Taxable Bond Financing Program ((TBFP”): The program enables SBLI to provide financing to borrowers to cover certain costs of bond issuance which are not funded from tax exempt bonds. During the evaluation period, SBLI extended 23 loans which totaled \$1.8 million.

Bridge Loans Financing Program: (“BLFP”): The program enables SBLI to provide bridge financing to not-for-profit agencies. The borrowers use the funds to acquire and renovate group homes. SBLI extended 42 loans which totaled \$25.5 million during the evaluation period.

In addition, SBLI participated in the SBA program. During the evaluation period, SBLI originated 12 SBA loans which totaled \$7.4 million.

II. Investment Test: “High Satisfactory”

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

SBLI made a significant level of qualified community development investments and grants, and occasionally in a leadership position. Qualified investments, including \$62 thousand in grants totaled \$4.2 million.

Examples of SBLI's notable qualified investments include:

Federal Home Loan Bank of New York (FHLBNY): SBLI contributed \$14 thousand in 2006, \$57 thousand in 2007, and \$37 thousand in 2008 towards the FHLBNY's Affordable Housing Program ("AHP").

Senior Housing Crime Prevention Foundation ("SHCPF"): SBLI increased its investment from \$2 million to \$3 million in the SHCPF during the evaluation period. SHCPT is an organization that supports crime prevention in nursing homes. The funds were used to provide safe and secure crime free residences for 570 senior LMI individuals.

The following were outstanding qualified investments made during the previous evaluation:

Mortgage-Backed Securities ("FNMA"): SBLI invested in FNMA mortgage-backed securities totaling \$545 thousand targeting LMI borrowers in Suffolk County. The securities are backed by a pool of mortgages to LMI borrowers.

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

Roosevelt Union Free School District: SBLI invested \$125 thousand in Roosevelt QZAB Bond. This bond is a "Qualified Zone Academic Bond" and the proceeds are used to fund the conversion of the existing middle/senior high schools located in an empowerment zone or enterprise community.

III. Service Test: "Low Satisfactory"

The service test evaluates a banking institution's record of helping to meet the credit needs of its assessment areas by analyzing both the availability and effectiveness of a banking institution's systems for delivering retail banking services and the extent and innovativeness of its community development services.

• Retail Banking Services: "Low Satisfactory"

Accessibility of Delivery Systems

SBLI's delivery systems are reasonably accessible to the individuals of different income levels in its assessment area. SBLI operates sixteen full-service branches and one limited service branch throughout its assessment area. Half of the branches (eight) are in Nassau County, with another five in Suffolk County. Queens has three branches, and Manhattan has one limited service branch, newly opened in this evaluation period. Only one branch, located in Suffolk County, is in a moderate-income geography, with no branches in low-income geographies.

Supplementing the branch network are ATMs at fourteen of its locations.

Changes in Branch Locations

SBLI's record of opening and closing of branches has not adversely affected the accessibility of its delivery systems. In 2006, SBLI opened a full service branch in a moderate-income area of Westbury, Long Island. In 2008, it opened a limited service branch (loan processing and non-cash deposit collection) in an upper-income area of New York County. As a result, SBLI expanded its assessment area to include the portion of New York County from 14th Street to 86th Street, an additional 99 census tracts. SBLI did not close any of its branches during the evaluation period.

Alternative Delivery Systems

All branches accept bank by mail. Touch 24 (bank by phone) is available 24/7. ATM cards and debit cards can be used 24/7 at NYCE ATMs and various retail establishments. Direct deposit is available for payroll, social security, etc. Business Direct Access is a PC banking product offered to business accounts. Night deposit service for business customers is available at all locations except Rockville Centre and Bulova. Safe Deposit boxes are available at New Hyde Park, Farmingdale, Huntington, Long Island City, Port Washington, Westbury and Oyster Bay branches.

Reasonableness of Business Hours and Services in Meeting Assessment Area Needs

SBLI's business hours and services do not vary in a way that inconveniences any portions of its assessment area, including LMI geographies and LMI individuals. The extended hours of services and drive-up facilities are available at most of the branches. Eight of the sixteen branches are open on Saturday. Seven branches are open until 6pm or 7pm Friday evenings, and seven branches open early at 8 or 8:30am during the week.

SBLI offers the same products and services in all of its branches, with the exception of safe deposit boxes that are offered at eight locations: four in Nassau County, three in Suffolk County and one in Queens County. SBLI also offers retail products and services beneficial to LMI individuals and small businesses, including:

- Junior Saver accounts for an individual below 18 years of age without monthly service charges incurred.
- Value Business Checking for the small business owner or Chapter S Corporation with limited transaction needs. This is a simple, low-cost checking account.

• **Community Development Services: "High Satisfactory"**

SBLI provided a relatively high level of community development services in its assessment area during the evaluation period.

SBLI's senior officers provided technical and financial assistance to community

development organizations that promote economic development and affordable housing and provide community services in LMI geographies.

The following organizations have benefited from SBLI's activities:

- SBLI senior staff provided technical and financial assistance to the Community Development Corporation of Long Island, a not-for-profit organization that created a residential work force housing community in the Town of Southold.
- SBLI provided a workshop to the National Association of Women Business Owners ("NAWBO") entitled "Helping Business Prosper". The workshop focused on how to obtain short and long term financing and protect a company's assets.
- SBLI provided two workshops to the Long Island Women's Business Council ("LIWBC"), one on how to obtain financing, the other on fraud prevention and protecting a business' assets.
- SBLI branch manager provided a workshop to the members of "Church Men's Club", an LMI population, on how to obtain mortgage financing.

SBLI conducted various small business seminars at its corporate headquarters and at its Westbury branch, which is located adjacent to LMI geographies. The subject areas of the seminars included: Fraud Prevention, Bankruptcy Concepts for the Sole Practitioner, Marketing in a Down Economy, and Small Business Secrets to Marketing Success.

In addition, SBLI personnel were actively involved with various civic and charitable organizations and provided accounting/consultation services to support these organizations which included the following:

- Port Washington Chamber of Commerce –AVP is a Board Member
- Garden City Chamber of Commerce – Branch Manager is a treasurer.
- Adults and Children with Learning Disabilities –Director of Communications is the treasurer.
- New Hyde Park Chamber of Commerce – Second Vice President is a Board Member
- New York Business Development Corporation –VP is a Member of the Board.

The following factors were also considered in assessing the bank's record of performance:

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.

SBLI maintains a CRA statement approved by the board of directors.

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 type of credit offered by the institution.

Evidence of prohibited discriminatory or other illegal credit practices.

The concurrent regulatory compliance and fair lending examinations indicated satisfactory adherence to anti-discrimination and other applicable laws and regulations. There was no evidence of prohibited discrimination or other illegal credit practices 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.

SBLI ascertains the credit needs of its community through the involvement of its directors, officers, and employees in a number of local community organizations, which serve the needs of its community. Details of such are listed under Community Development Services.

Additionally, SBLI has developed an expertise in lending to not-for-profit organizations that provide services to the developmentally disabled.

- 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.

SBLI used specific advertisements to introduce new branch openings, or new products such as a small business line of credit and a home equity line of credit. Additionally, SBLI distributes flyers and postcards within its assessment area.

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

GLOSSARY

Aggregate Penetration Rate

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

Community Development

The term “community development” is defined to mean:

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

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

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

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

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

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

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

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

Home Mortgage Disclosure Act (“HMDA”)

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

Income Level

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

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

Loans to Small Businesses

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

Low or Moderate Income (“LMI”) Geographies

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

LMI Borrowers

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

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

LMI Individuals/Persons

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

LMI Penetration Rate

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

Small Business Loans

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