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, 2001

Institution: Liberty Bank of New York
11 West 32nd Street
New York, NY 10001-3819

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 Liberty Bank of New York ("LBNY") 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, 2001.

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

Liberty Bank of New York ("LBNY") is rated a "2", indicating a satisfactory record of helping to meet community credit needs. This rating is based on the following factors:

- *Loan-to-Deposit ("LTD") Ratio:* The LTD ratio was reasonable given the bank's size, financial condition and assessment area credit needs. According to the Uniform Bank Performance Report, for the 11 quarters ending December 31, 2001, the bank's LTD was 63.3%, well below 76.2% for the national peer group.

- *Assessment Area Lending:* The bank originated a majority of its loans in its assessment area.

For the nine months ending December 31,1999, LBNY extended 80.8% by number and 83.9% by dollar volume of its small business loans within its assessment area. In 2000, the bank's ratios were 80 7% and 86.5%, respectively. In 2001, the ratios improved to 90.3% and 94.1%, respectively.

For the nine months ending December 31, 1999, the bank originated 50.0% by number and 51.3 % by dollar volume of its consumer loans within its assessment area. In 2000, these ratios increased, to 66.7% and 71.1%, respectively. The bank's ratios decreased again in 2001, to 58.8 % and 46.4 %, respectively.

- *Geographic Distribution of Lending:* The bank's geographic distribution of lending reflects a reasonable dispersion throughout the assessment area. For the nine months ending December 31, 1999, LBNY made 33.3% by number and 38.0% by dollar volume of its small business loans in low- and moderate-income ("LMI") census tracts within the assessment area. The bank's ratios increased slightly in number, but decreased slightly, in dollar amount in 2000, to 36.0% and 32.0%, respectively. In 2001, the bank's ratios declined significantly, to 25.0% and15.3%, respectively.

The bank did not originate any consumer loans in LMI areas during the evaluation period.

- *Borrower Distribution of Lending:* the bank's lending reveals an excellent penetration among businesses of different sizes and borrowers of different income levels. LBNY extended all of its small business loans to businesses with gross annual revenues of less than $1 million. A substantial majority of these were to businesses with annual revenues between $250 thousand and $1 million.

It is difficult to draw a meaningful conclusion based on a borrower income analysis of consumer loans, due to the minimal number of assessment area loans originated.

- Neither the bank nor the New York State Banking Department received any CRA-related complaints.

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:

Liberty Bank of New York ("LBNY" or the "bank") was founded in 1998 as a New York State-chartered, FDIC insured, non-member commercial bank. In addition to its head office located in midtown Manhattan, the bank operates another full service branch in Flushing, Queens. The Flushing branch was opened in August 2000. Each banking office is equipped with two Automated Teller Machines ("ATMs") that are accessible 24 hours a day, seven days a week.

As of December 31, 2001, according to the Consolidated Reports of Condition and Income, the bank reported total assets of $69.4 million, comprised primarily of $35.2 million, or 50.8%, in loans and $19.7 million, or 28.4%, in investments. As of the same date, total deposits were $60.6 million, resulting in a loan-to-deposit ("LTD") ratio of 58.1%. The bank reported a net income of $149 thousand for the same period.

According to the latest available comparative deposit data, dated June 30, 2001, the bank had total deposits of $66.2 million, with New York County providing $51.3 million or 77.4% of the bank's total deposits.

The following table illustrates the bank's gross loan portfolio as of December 31, 2001 and 2000, according to the Consolidated Report of condition:

TOTAL GROSS LOANS OUTSTANDING				
LOAN TYPE	12/31/2001		12//31/2000	
	$000s	%	$000s	%
1-4 family loans	4,361	12.1	2,817	8.7
Commercial Mortgage Loans	17,409	48.4	10,552	32.4
Commercial & Industrial Loans	12,346	34.3	18,208	56.1
Consumer Loans	731	2.0	591	1.8
Agricultural Loans	800	2.2	0	0.0
Other Loans	324	1.0	317	1.0
Total Gross Loans	35,971	100.0	32,485	100.0

The above table shows that gross loans increased 10.7% as of December 31, 2001 and that the bank makes primarily commercial mortgage/commercial loans. The bank focuses on serving Korean-American businesses in the New York metropolitan area.

The bank offers a wide variety of lending products, including:

- ❖ Residential Mortgage loans
- ❖ Commercial Mortgage loans

- Commercial & Industrial loans
- Letters of Credit
- Fixed Assets loans
- Consumer loans
- Business Loans-secured/unsecured

LBNY is an approved Small Business Administration ("SBA") lender offering the SBA 7(a) guaranteed loan program.

The bank received an overall rating of "2" at its last Performance Evaluation, as of March 31, 1999, indicating a satisfactory record of helping to meet community credit needs.

There were no financial or other factors noted during this evaluation which that inhibit the institution's ability to help the credit needs of the community.

Assessment Area:

LBNY's assessment area includes the five counties of New York City: Bronx, Kings (Brooklyn), New York (Manhattan), Queens and Richmond (Staten Island) in MSA 5600 (New York). The assessment area has 2,216 census tracts, of which 314 (14.2%) are low-income tracts, 419 (18.9%) are moderate-income, 779 (35.1%) are middle-income and 638 (28.8%) are upper-income tracts. There are also 66 (3.0%) zero-income tracts.

According to the U.S. Census Bureau, in 1990, the assessment area had a population of 7.3 million, of which 952.7 thousand (13.%) were over the age of 65 and 1.5 million (20.6%) were under the age of 16.

There were 1.8 million families in the assessment area, of which 486.9 thousand (27.7%) were low-income families, 285.8 thousand (16.3%) were moderate-income, 328.2 thousand (18.7%) were middle-income and 654.8 thousand (37.3%) were upper-income families. Of the 772.8 thousand low- and moderate-income ("LMI") families, 448.5 thousand (58.0%) lived in LMI census tracts and they accounted for 67.3% of all the families (666.9 thousand) that lived in LMI tracts. There were 2.8 million households in the area, of which 501.0 thousand (17.8%) had income below the poverty level.

The assessment area had 3.0 million housing units in 1990, of which 1.1 million (35.8%) were 1-4 family units, 1.9 million (62.5%) were multifamily units and 531 thousand (0.02%) were mobile homes or trailers. Eight hundred and eight point nine thousand (27.0%) of all housing units were owner-occupied, of which 102.7 thousand (12.7%) were located in LMI areas. In addition, 2.0 million (67.2%) of all housing units were rental occupied and 872.6 thousand (43.4%) of these units were in LMI areas. Approximately 181.1 thousand (6.1%) of the housing units were vacant or boarded up units. In 1990, the median age of the housing was 41 years and the median housing value was $186.4 thousand.

In 1990, the weighted average MSA/non-MSA median family income was $37.5 thousand and the 2001 HUD estimated weighted average MSA/non-MSA median family income was $59.1 thousand.

Business and housing costs in the area are among the highest in the United States.

In 2000, the U.S. Department of Commerce's Bureau of Economic Analysis reported that the largest sources of earnings in the MSA were services (32.1%), finance, insurance and real estate (32.0%) and state and local government (9.0%). In 1990, the major sources of earning were services (33.4%), finance, insurance and real estate (19.5%) and state and local government (12.2%).

According to the 2001 Dun and Bradstreet survey, there were 286.7 thousand businesses in the bank's assessment area, of which 232.2 thousand (81.0%) had revenues of $1 million or less and 36.4 thousand (12.7%) had revenues greater than $1 million. Eighteen point one thousand (6.3%) were businesses on which no revenues were reported. Two hundred and fifty-eight point four thousand (90.1%) of all businesses in the assessment area had fewer than 50 employees and 239.3 thousand (83.5%) operated from a single location.

Furthermore, 124.1 thousand (43.3%) of all firms in the assessment area were service providers, 60.1 thousand (21.0%) were in the retail trade, 31.8 thousand (11.1%) were in finance, insurance and real estate industry, 24.5 thousand (8.5%) were in wholesale trade and 16.9 thousand (5.9%) were in manufacturing.

Details of the Assessment Area:

Bronx County - has 355 census tracts, including 126 (35.5%) low-income tracts, 65 (18.3%) moderate-income, 88 (24.8%) middle-income and 61 (17.2%) upper-income tracts. There are also 15 (4.2%) zero-income tracts.

According to the U.S. Census Bureau, Bronx County had a population of 1.2 million in 1990 and it increased by 128.9 thousand (10.7%) to 1.3 million in 2000.

In 1990, there were 292.0 thousand families in the county, of which 113.2 thousand (38.8%) were low-income families, 52.3 thousand (17.9%) were moderate-income, 52.2 thousand (17.9%) were middle-income and 74.3 thousand (25.4%) were upper-income families. Of the 165.5 thousand (56.7%) LMI families, 127.7 thousand (77.2%) lived in LMI tracts and they accounted for 72.2% of all the families (177.0 thousand) that lived in LMI tracts. In addition, 75.0 thousand (25.7%) had income below the poverty level. There were 423.2 thousand households in the county, of which 114.0 thousand (26.9%) had income below the poverty level.

There were 441.0 thousand housing units in the county, 103.1 thousand (23.4%) of which were 1-4 family units and 329.2 thousand (74.7%) were multi-family units. Seventy-five point eight thousand (17.2%) of the housing units were owner occupied, of which 15.1 thousand (19.9%) were located in LMI areas. In addition, 348.3 thousand (79.0%) were rental occupied, of which 231.3 thousand (66.4%) were located in LMI areas. Seventeen point five thousand (4.0%) of all the housing units were vacant and/or boarded up. The median housing value was $130.8 thousand and the median age of the housing was 38 years.

In 1990, the median family income for the county was $25.5 thousand and the median family income for the MSA was $37.5 thousand. HUD's estimated median family income for the MSA was $56.2 thousand in 2000 and $59.1 thousand in 2001.

In 2000, the U.S. Department of Commerce's Bureau of Economic Analysis reported that the largest sources of earnings in the county were services 47.0%, state and local government 7.9% and retail trade 7.3%. In 1990, the major sources of earning were services 41.8%, construction 8.8% and state and local government 8.6%.

According to a Dun and Bradstreet survey in 2001 there were 21.9 thousand businesses in the count, of which 18.4 thousand (84.2%) had revenues of $1.0 million or less. One point eight thousand (8.3%) had revenues of more then $1.0 million and 1.6 thousand (7.5%) were businesses on which no revenues were reported. Eight point seven thousand (51.7%) of the small businesses were located in LMI tracts. Nineteen point six thousand (89.5%) of all businesses in the county had fewer than 50 employees and 19.0 thousand (86.6%) operated from a single location.

Nine point two thousand (41.8%) of all firms were service providers, 6.2 thousand (28.2%) were in the retail trade, 2.0 thousand (8.9%) in finance, insurance and real estate, 1.4 thousand (6.2%) in construction, 1.3 thousand (5.8%) in the wholesale trade and 975 (4.5%) in transportation and communications.

According to the New York State Department of Labor, the county's average unemployment rates were 7.1% in 2000 and 7.4% in 2001. The county's average unemployment rates were above both the MSAs average rates of 5.3% in 2000 and 5.6% in 2001 and the state's average rates of 4.6% in 2000 and 4.9% in 2001.

Portions of the Bronx have been designated Empire Zones (EZ) by the State of New York, based on community economic distress. The Hunts Point and Port Morris neighborhoods are designated EZs. Firms located in these areas may be eligible for assistance including various tax credits, such as wage tax credits, investment tax credits, zone capital credits, sales tax refunds, real property tax abatements, technical assistance and utility rate savings.

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

Kings County (Brooklyn) - has 789 census tracts, of which 114 (14.5%) are low-income tracts, 207 (26.2%) are moderate-income, 302 (38.3%) are middle-income and 147 are (18.6%) upper-income tracts. There are also 19 (2.4%) zero-income tracts.

According to the U.S. Census Bureau, Kings County had a population of 2.3 million in 1990 and it increased by 164.7 thousand (7.2%) to 2.5 million in 2000. Two hundred eighty six point nine thousand (12.5%) of the 1990 population was over the age of 65 and 539.7 thousand (23.5%) were under the age of 16.

In 1990, there were 563.3 thousand families in the county, of which 182.3 thousand (32.4%) were low-income families, 99.1 thousand (17.6%) were moderate-income, 106.8 thousand (19.0%) were middle-income and 174.9 thousand (31.0%) were upper-income families. Of the total 281.6 LMI families, 175.4 thousand (62.3%) lived in LMI tracts and they accounted for 65.9% of all the families (266.1 thousand) that lived in LMI tracts. One hundred and nine point eight thousand (19.5%) of the total families had income below the poverty level. There were 827.7 thousand households in the county, of which 178.1 thousand (21.5%) had income below the poverty level.

There were 873.7 thousand housing units in Kings County, 404.7 thousand (46.3%) of which were 1-4 family units, 455.7 thousand (52.2%) were multifamily units and 104 (0.01%) were mobile homes. Two hundred fifteen point eight thousand (24.7%) of the housing units were owner occupied and 55.5 thousand (25.7%) of these were in LMI areas. Six hundred twelve point four thousand were rental occupied units and 314.1 thousand (51.3%) of these were in LMI areas. Forty-eight point nine thousand (5.6%) of all housing units were vacant and/or boarded up. In 1990, the median housing value was $181.4 thousand and the median age of houses was 44 years.

In 1990, the median family income for the county was $30.0 thousand and the census MSA median family income was $37.5 thousand. HUD's updated MSA median family income was $59.1 thousand in 2001.

In 2000, the U.S. Department of Commerce's Bureau of Economic Analysis reported that the largest sources of earnings in the county were services 39.5%, finance, insurance and real estate 12.0% and transportation and public utilities 8.1%. In 1990, the major sources of earnings were services 37.4%, the retail trade 9.4% and non-durable goods manufacturing 8.1%.

According to a Dun and Bradstreet survey, in 2001, there were 59.4 thousand businesses in Kings County, of which 49.9 thousand (84.0%) had revenues of $1.0 million or less. Five point one thousand (8.6%) had revenues of more than $1.0 million and 4.4 thousand (7.4%) were businesses on which no revenues were reported. Seventeen point six thousand (38.4%) of the small businesses were located in LMI census tracts. Fifty-four point four thousand (91.5%) of all businesses in the county had fewer than 50 employees and 52.9 thousand (88.9%)

operated from a single location.

Twenty-four point four thousand (41.0%) of all firms were service providers, 15.4 thousand (25.9%) were in the retail trade, 4.7 thousand (8.0%) in the wholesale trade, 4.6 thousand (7.7%) in finance, insurance and real estate, 3.8 thousand (6.4%) in construction and 3.4 thousand (5.7%) in manufacturing.

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

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

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

According to the U.S. Census Bureau, New York County had a population of 1.49 million in 1990 and it increased by 49.7 thousand (3.3%) to 1.54 million in 2000. One hundred ninety eight point two thousand (13.3%) of the 1990 population was over the age of 65 and 221.1 thousand (14.9%) were under the age of 16.

In 1990, there were 305.4 thousand families in the county, of which 88.0 thousand (28.8%) were low-income families, 42.3 thousand (13.8%) moderate-income, 43.8 thousand (14.4%) middle-income and 131.3 thousand (43.0%) upper-income families. Of the total 130.2 thousand LMI families, 99.7 thousand (76.6%) lived in LMI tracts and they accounted for 68.3% of all the families (145.9 thousand) that lived in LMI tracts. Fifty-three point one thousand (17.4%) of the total families had income below the poverty level. There were 716.8 thousand households in the county of which 120.1 thousand (16.8%) had income below the poverty level.

There were 785.1 thousand housing units in New York County, 22.6 thousand (2.9%) of which were 1 to 4 family units and 751.4 thousand (95.7%) were multifamily units. One hundred twenty eight thousand (16.3%) of all housing units were owner occupied and 12.4 thousand (9.7%) of these were in LMI tracts. Five hundred eighty eight point four thousand (75.0%) of all the housing units were rental occupied and 233.8 thousand (39.7%) of these were in LMI tracts. Seventy-one point two thousand (9.1%) of all the units were vacant and/or boarded up. In 1990, the median housing value was $212.4 thousand and the median age of the housing was 41 years.

In 1990, the median family income for the county was $36.8 thousand and the census MSA median family income was $37.5 thousand. HUD's updated MSA median family income was $59.1 thousand in 2001.

The U.S. Department of Commerce's Bureau of Economic Analysis reported that the largest sources of earnings in 2000 in the county were finance, insurance and real estate 40.1%, services 30.9% and state and local government 9.0%. In 1990, the major sources of earning were services 33.8%, finance, insurance, and real estate 25.7% and state and local government 13.6%.

According to a Dun and Bradstreet survey, in 2001, there were 138.8 thousand businesses in New York County of which 108.7 thousand (78.3%) had revenues of $1.0 million or less. Twenty-three point four thousand (16.9%) had revenues of more than $1.0 million and 6.7 thousand (4.9%) were businesses on which no revenues were reported. Twenty-two point five thousand (21.8%) of the small businesses were located in LMI census tracts. One hundred twenty three point eight thousand (89.3%) of all businesses in the county had fewer than 50 employees and 109.0 thousand (78.6%) operated from a single location.

Sixty-four point one thousand (46.2%) of all firms were service providers, 22.8 thousand (16.4%) were in the retail trade, 19.5 thousand (14.1%) in finance, insurance and real estate, 13.9 thousand (10.0%) in the wholesale trade and 9.9 thousand (7.1%) in manufacturing.

According to the New York State Department of Labor, the county's average unemployment rates were 5.0% in 2000 and 6.0% in 2001. The county's average unemployment rate in 2000 was below the MSA's average unemployment rate of 5.3% and above the MSA's rate of 5.6% in 2001. The county's average unemployment rates were above the state's average rates of 4.6% in 2000 and 4.9% in 2001.

A portion of New York County has been designated as Empire Zones (EZ) by the State of New York, based on community economic distress. East Harlem neighborhood is designated EZs. Firms located in this area may be eligible for assistance including various tax credits, such as wage tax credits, investment tax credits, zone capital credits, sales tax refunds, real property tax abatements, technical assistance and utility rate savings.

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

In an effort to boost reinvestment and help rebuild Lower Manhattan following the devastating terrorist attacks, federal legislation created the Liberty Zone. The zone covers most of the area south of Canal Street, East Broadway and Grand Streets and the law gives specific federal tax benefits to businesses located in the zone.

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

According to the U.S. Census Bureau, Queens County had a population of 2.0 million in 1990, and it increased by 277.8 thousand (14.2%) to 2.2 million in 2000. Two hundred eight six point two thousand (14.7%) of the 1990 population was over the age of 65 and 363.0 thousand (18.6%) were under the age of 16.

In 1990, there were 495.6 thousand families in the county of which 90.2 thousand (18.2%) were low-income families, 81.5 thousand (16.4%) were moderate-income, 107.5 thousand (21.7%) were middle-income and 216.4 thousand (43.7%) were upper-income families. Of the 171.7 thousand LMI families, 41.9 thousand (24.4%) lived in LMI tracts and they accounted for 57.9% of all the families (72.3 thousand) that lived in LMI tracts. Forty-one point one thousand (8.3%) of the total families had income below the poverty level. There were 718.4 thousand households in the county of which 77.9 thousand (10.8%) had income below the poverty level.

There were 752.7 thousand housing units in Queens County, 426.3 thousand (56.6%) of which were 1 to 4 family units and 311.8 thousand (41.4%) were multifamily units. Three hundred six point one thousand (40.7%) of all housing units were owner-occupied and 18.0 thousand (5.9%) of these were in LMI tracts. A further 414.0 thousand (55.0%) were rental occupied units and 87.1 thousand (21.0%) of these were in LMI tracts. Thirty-four thousand (4.5%) of all the housing units were vacant and/or boarded up. In 1990, the median housing value was $198.1 thousand and the median age of housing was 41 years.

In 1990, the median family income for the county was $40.4 thousand and the census MSA median family income was $37.5 thousand. HUD's updated MSA median family income was $59.1 thousand in 2001.

The U.S. Department of Commerce's Bureau of Economic Analysis reported that the largest sources of earnings in 2000 in the county were services 29.8%, transportation and public utilities 18.2% and construction 12.3%. In 1990, the major sources of earning were services 27.4%, transportation and public utilities 18.8% and construction 10.8%.

According to a Dun and Bradstreet survey, in 2001 there were 55.1 thousand businesses in Queens County of which 45.5 thousand (82.6%) had revenues of $1.0 million or less. Five point three thousand (9.6%) had revenues of more than $1.0 million and 4.3 thousand (7.8%) were businesses on which no revenues were reported. Six point seven thousand (15.5%) of the small businesses were located in LMI tracts. Fifty point one thousand (90.9%) of all businesses in the county had fewer than 50 employees and 48.4 thousand (87.7%) operated from a single location.

Twenty-one point six thousand (39.1%) of all firms were service providers, 13.1 thousand (23.8%) were in the retail trade, 5.0 thousand (9.0%) in finance, insurance and real estate, 4.6 thousand (8.4%) in construction, 4.0 thousand (7.2%) in the wholesale trade and 3.8 thousand (6.9%) in transportation and communications.

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

Portions of Queens County have been designated as Empire Zones (EZ) by the State of New York, based on community economic distress. The Far Rockaway and South Jamaica neighborhoods are designated EZs. Firms located in these areas may be eligible for assistance including various tax credits, such as wage tax credits, investment tax credits, zone capital credits, sales tax refunds, real property tax abatements, technical assistance and utility rate savings.

Richmond County (Staten Island) has 101 census tracts, of which four (4.0%) are low-income tracts, two (2.0%) are moderate-income, 25 (24.8%) are middle-income and 66 (65.3%) are upper-income tracts. There are also four (4.0%) are zero-income tracts.

According to the U.S. Census Bureau, Richmond County had a population of 379.0 thousand in 1990 and it increased by 64.8 thousand (17.1%) to 443.7 thousand in 2000. Forty-one point nine thousand (11.1%) of the 1990 population were over the age of 65 and 83.8 thousand (22.1%) were under the age of 16.

In 1990, there were 99.5 thousand families in the county, of which 13.1 thousand (13.2%) were low-income families, 10.7 thousand (10.7%) were moderate-income, 18.4 thousand (18.5%) were middle-income and 57.3 thousand (57.6%) were upper-income families. Of the 23.8 thousand LMI families, 3.8 thousand (16.1%) lived in LMI tracts and they accounted for 68.0% of all the families (5.6 thousand) that lived in LMI tracts. Six point three thousand (6.3%) of the total families had income below the poverty level. There were 130.2 thousand households in the county, of which 10.9 thousand (8.4%) had income below the poverty level.

There were 139.7 thousand housing units in Richmond County, 115.5 thousand (82.6%) of which were 1 to 4 family units and 20.9 thousand (14.9%) were multifamily units. Eighty-three point one thousand (59.5%) of all housing units were owner-occupied and 1.7 thousand (2.1%) of these were in LMI tracts. A further 47.4 thousand (33.9%) were rental occupied units and 6.2 thousand (13.1%) of these were in LMI tracts. Nine point six thousand (6.9%) of all the housing units were vacant and/or boarded up. In 1990, the median housing value was $184.6 thousand and the median age of housing was 25 years.

In 1990, the median family income for the county was $50.7 thousand and the census MSA median family income was $37.5 thousand. HUD's updated MSA median family income was $59.1 thousand in 2001.

In 2000, the U.S. Department of Commerce's Bureau of Economic Analysis reported that the largest sources of earnings in the county were services 43.9%, transportation and public utilities 13.1% and retail trade 10.5%. In 1990, the major sources of earning were services 42.9%, retail trade 11.4% and construction 9.8%.

In 2001, according to a Dun and Bradstreet survey, there were 11.5 thousand businesses in Richmond County, of which 9.6 thousand (84.0%) had revenues of $1.0 million or less. Eight hundred thirteen (7.0%) had revenues of more than $1.0 million and 1.0 thousand (9.0%) were businesses on which no revenues were reported. Two hundred ninety-six (3.3%) of the small businesses were located in LMI tracts. Ten point five thousand (91.9%) of all businesses in the county had fewer than 50 employees and 10.1 thousand (88.2%) operated from a single location.

Five thousand (43.3%) of all firms were service providers, 2.6 thousand (22.3%) were in the retail trade, 1.4 thousand (12.1%) in construction, 871 (7.6%) in finance, insurance and real estate and 587 (5.1%) in the wholesale trade.

According to the New York State Department of Labor, the county's average unemployment rates were 4.7% in 2000 and 4.8% in 2001. The county's average unemployment rates were below the MSA's average unemployment rates of 5.3% in 2000 and 5.6% in 2000. The county's rate in 2000 was above the state's average unemployment rate of 4.6% but below the state's rate of 4.9% in 2001.

A portion of Richmond County is designated an Economic Development Zone (EDZ) by the State of New York, based on community economic distress. The North Shore neighborhood is designated an EDZ. Firms located in this area may be eligible for assistance including various tax credits, such as wage tax credits, investment tax credits, zone capital credits, sales tax refunds, real property tax abatements, technical assistance and utility rate savings.

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

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

LBNY's performance was evaluated under 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 by Borrower Characteristics; and (5) Action Taken in Response to Written Complaints Regarding CRA. Based on optional information provided by the bank, the bank's services were also considered.

This evaluation includes an assessment of the bank's performance for the nine months ending December 31, 1999 and full years 2000 and 2001. Both small business and consumer loans were considered, with significantly greater weight accorded the bank's small business lending activity.

The demographic data referred to in this report was obtained from the 1990 U.S. Census along with the updated HUD-estimated median family income.

Loan-to-Deposit Analysis: "Satisfactory"

The bank's loan-to-deposit ("LTD") ratio was reasonable given the bank's size, financial condition and assessment area credit needs.

According to the Uniform Bank Performance Report, for the 11 quarters ending December 31, 2001, the bank's LTD ratio was 63.3 %, well below 76.2% for the national peer group.

Proportion of Lending Within Assessment Area: "Satisfactory"

The bank originated a majority of its loans within the assessment area.

Small business loans: For the nine months ending December 31,1999, LBNY extended 26 small business loans totaling $1.1 million, of which 21 loans (80.8 %) totaling $935 thousand (83.9%) were within its assessment area. In 2000, the bank extended 31 small business loans totaling $1.3 million, of which 25 loans (80 7%) totaling $1.2 million (86.5%) were within its assessment area, representing a relatively unchanged concentration. In 2001, LBNY extended 31 small business loans totaling $1.6 million, of which 28 loans (90.3%) loans totaling $1.5 million (94.1%) were within its assessment area, showing an improved assessment area concentration.

Consumer loans: For the nine months ending December 31, 1999, the bank originated four consumer loans totaling $72.0 thousand, of which two loans (50%) totaling $37 thousand (51.3 %) were within its assessment area. In 2000, consumer loan originations increased, to nine loans totaling $225.0 thousand, of which six loans (66.7%) totaling $160.0 thousand (71.1%) were within its assessment area, showing an improved assessment area concentration. Originations increased further in 2001, to 17 loans totaling $345 thousand, but the assessment area concentration decreased, to 10 loans (58.8 %) totaling $160.0 thousand (46.4 %) with the assessment area.

Geographic Distribution of Lending: "Satisfactory"

The bank's geographic distribution of lending based on census tract income within the assessment area is considered reasonable.

Small business loans: For the nine months ending December 31, 1999, the bank made seven small business loans (33.3%) totaling $355 thousand (38.0%) in LMI census tracts within its assessment area. In 2000, LMI lending increased slightly, to nine loans (36.0%) totaling $370 thousand (32.0%). The bank's LMI penetration decreased in 2001, to seven loans (25.0%) totaling $230 thousand (15.3%) in LMI areas within its assessment area.

The following table shows a distribution of the bank's small business loans by geography income level during the evaluation period:

DISTRIBUTION OF SMALL BUSINESS LOANS BY GEOGRAPHY INCOME LEVEL												
Geography	9 months 1999				2000				2001			
Income Level	#	#%	$000's	$%	#	#%	$000's	$%	#	#%	$000's	$%
Low	2	9.5%	60	6.4%	2	8.0%	170	14.7%	2	7.1%	75	5.0%
Moderate	5	23.8%	295	31.6%	7	28.0%	200	17.3%	5	17.9%	155	10.3%
Middle	6	28.6%	150	16.0%	6	24.0%	165	14.3%	7	25.0%	320	21.3%
Upper	8	38.1%	430	46.0%	10	40.0%	620	53.7%	14	50.0%	952	63.4%
Total	21	100.0%	935	100.0%	25	100.0%	1,155	100.0%	28	100.0%	1,502	100.0%

As noted above, 33.1% of census tracts in the bank's assessment area are considered LMI.

Consumer loans: The bank did not originate any consumer loans in LMI geographies during the evaluation period. The two consumer loans originated during the last the nine months of 1999 were extended in middle-income geographies within its assessment area. In 2000, the bank extended four loans (66.7%) totaling $83.5 thousand (52.2%) and two loans (33.3%) totaling $76.5 thousand (47.8%) in middle-income and upper-income geographies, respectively. In 2001, LBNY extended two loans (20.0%) totaling $20 thousand (12.5%) and ten loans (80.0%) totaling $140 thousand (87.5%) in middle-income and upper-income geographies, respectively.

Borrower Distribution of Lending: "Outstanding"

The bank's lending to businesses of different sizes and borrowers of different income levels is considered reasonable.

Small business loans: The following table reflects a distribution of the bank's small business loans by revenue size during the evaluation period:

DISTRIBUTION OF SMALL BUSINESS LOANS BY REVENUE SIZE												
Revenue size $000's	Last 9 months 1999				2000				2001			
	#	#%	$000's	$%	#	#%	$000's	$%	#	#%	$000's	$%
=<$100	1	4.8%	20	2.1%	2	8.0%	330	28.6%	1	3.6%	30	2.0%
>$100=<$250	2	9.5%	40	4.3%	6	24.0%	160	13.9%	9	32.1%	225	15.0%
>$250=<$1,000	18	85.7%	875	93.6%	17	68.0%	665	57.6%	18	64.3%	1,247	83.0%
Total	21	100.0%	935	100.0%	25	100.0%	1,155	100.0%	28	100.0%	1,502	100.0%

The data reveal that 100% of LBNY's small business loans for the evaluation period were extended to businesses with gross annual revenues of less than $1 million. A substantial majority of these were to businesses with annual revenues between $250 thousand and $1 million.

As noted above, 81% of businesses in the bank's assessment area were reported to have gross annual revenues of less than $1 million in 2001.

Moreover, LBNY had an excellent percentage of loans in origination amounts of $100 thousand or less. For each of the three years considered, the bank extended more than 90% of its number of loans in this smallest loan size category, while its dollar volume percentage of such loans varied, from 65.8% in 1999, to 87% in 2000, to 56.7% in 2001.

The following table reflects a distribution of the bank's small business loans by loan size during the evaluation period:

DISTRIBUTION OF SMALL BUSINESS LOANS BY LOAN SIZE												
Loan size $000's	Last 9 months 1999				2000				2001			
	#	#%	$000's	$%	#	#%	$000's	$%	#	#%	$000's	$%
=<$100	19	90.5%	615	65.8%	24	96.0%	1,005	87.0%	26	92.9%	852	56.7%
>$100=<$250	2	9.5%	320	34.2%	1	4.0%	150	13.0%	1	3.6%	150	10.0%
>$250=<$1,000	0	0.0%	0	0.0%	0	0.0%	0	0.0%	1	3.6%	500	33.3%
Total	21	100.0%	935	100.0%	25	100.0%	1,155	100.0%	28	100.0%	1,502	100.0%

Consumer loans: It is difficult to draw any meaningful conclusions based on the borrower income distribution of the bank's consumer lending, due to the minimal number of assessment area loans extended. The following table shows a distribution of the bank's consumer loans by income level during the evaluation period:

DISTRIBUTION OF CONSUMER LOANS BY INCOME LEVEL												
Borrower Income Level	Last 9 months 1999				2000				2001			
	#	#%	$000's	$%	#	#%	$000's	$%	#	#%	$000's	$%
Low	0	0.0%	0	0.0%	1	16.7%	20	12.5%	1	10.0%	20	12.5%
Moderate	1	50.0%	7	18.9%	2	33.3%	50	31.3%	2	20.0%	20	12.5%
Middle	0	0.0%	0	0.0%	2	33.3%	34	20.9%	5	50.0%	85	53.1%
Upper	1	50.0%	30	81.1%	1	16.7%	57	35.3%	2	20.0%	35	21.9%
Total	2	100.0%	37	100.0%	6	100.0%	160	100.0%	10	100.0%	160	100.0%

Action Taken In Response to Written Complaints With Respect to CRA

Neither the bank nor the New York State Banking Department has received any CRA-related complaints since the prior evaluation.

Discrimination or Other Illegal Practices

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

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

Evidence of prohibited discriminatory or other illegal credit practices.

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

Services

LBNY operates two banking offices; the head office located in midtown Manhattan and a full service branch located in Flushing, Queens. The head office is located in an upper-income geography that is adjacent to an LMI area while the branch is located in a moderate-income geography. Each banking office is equipped with two Automated Teller Machines ("ATMs") that are accessible 24 hours a day, seven days a week. The ATMs are linked to NYCE, Cirrus and Plus networks.

The Flushing branch was opened in August 2000 after the prior evaluation.

LBNY's services and banking hours are tailored to the needs and convenience of the community. The head office has business hours of 9:00 a.m. to 3:30 p.m., Monday through Friday while the Flushing branch has the business hours of 8:30 a.m. to 3:30 p.m., Monday through Friday and 8:30 a.m. to 1:00 p.m., Saturdays.

LBNY also provides the following alternative delivery systems:

- Banking-by-telephone – customers use this service to make balance inquiries, verify transactions and transfer funds between accounts.
- Internet Banking – in April 2000, the bank introduced its website, www.LBONY.com, to enable customers to make inquiries, pay bills, transfer funds between accounts and make stop payment orders.

Discrimination or Other Illegal Practices

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

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

Evidence of prohibited discriminatory or other illegal credit practices.

The most recent regulatory compliance report or concurrent with this assessment indicates a satisfactory performance in terms of 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.

LBNY ascertains the credit needs of its community needs of its community in a variety of ways, including Involvement of its directors in Chambers of Commerce and business counseling for small business entrepreneurs. The bank also participates in seminars and loan workshops.

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.

LBNY utilizes print and broadcast media to make members of the community aware of the credit services offered by the institution. The bank places advertisements in major Korean newspapers such as *The Korea Times*, *The Korea Central Daily News* and *Weekly Korean New York*. In addition, the bank advertises on the c*hannel 25* TV station.

The bank also distributes brochures, fliers and promotional items to members of its community.

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 board of directors takes an active role in formulating the bank's CRA policies. In addition to the annual review and approval of the CRA Statement, the board of directors approves an annual CRA plan. Furthermore, directors participate in promoting the bank's CRA activities through the business activities of directors.

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.

A Director of the bank raises educational funds for needy college students in the New York Metropolitan area.

The President of the bank was a speaker on a radio talk show to take questions from callers on banking.

Two officers of LBNY were columnists who wrote about banking and finance in The Korean Central Daily News and the Chosun Daily News.

In 2001, the bank participated in the 13th Annual New York Cares Coat Drive Holiday Program for the homeless.

GLOSSARY

Aggregate

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

Community Development

The term “community development” is defined to mean:

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

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

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

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

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

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

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

advertising and promotions, publications, workshops and conferences;

- ❖ Furnishing financial services training for staff and management;
- ❖ Contributing accounting/bookkeeping services; and
- ❖ Assisting in fund raising, including soliciting or arranging investments.

Demand-Adjusted Penetration Rate

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

Demand-Adjusted Penetration Ratio

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

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

Home Mortgage Disclosure Act ("HMDA")

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

Loans to Small Businesses

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

Low or Moderate Income ("LMI") Geographies

Those census tracts or block numbering areas ("BNAs"), where according to the 1990 US Census, the median family income is less than 80% of the area median family income. In the case of tracted areas that are part of a Metropolitan Statistical Area ("MSA") or Primary Metropolitan Statistical Area ("PMSA"), this would relate to the median family income for the MSA or PMSA in which the tracts are located. In the case of BNAs and tracted areas that are not part of a MSA or PMSA, the area median family income would be the statewide nonmetropolitan median family income.

LMI Borrowers

Borrowers whose income, as reported on the loan application which the lender relied upon in making the credit decision, is less than 80% of the area median family income. In the case where the residential property is located in a MSA or PMSA, this would relate to the median family income for that MSA or PMSA. Otherwise, the area median family income would be the statewide nonmetropolitan median family income. In all instances, the area median family incomes used to measure borrower income levels are updated annually by the U.S. Department of Housing and Urban Development ("HUD").

LMI Individuals/Persons

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

Small Business Loans

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