



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

One State Street
New York, NY 10004

PUBLIC SUMMARY

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Date of Evaluation: December 31, 2002

Institution: Northfield Savings Bank
1731 Victory Boulevard
Staten Island, NY 10314

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.

TABLE OF CONTENTS

	Section
General Information	1
Overview of Institution's Performance	2
Performance Context	3
Institution's Profile	
Assessment Area	
Performance Tests and Assessment Factors	4
Lending Test	
Investment Test	
Service Test	
Discrimination or Other Illegal Practices	
Process Factors	
Other Factors	
Glossary	5

GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (“CRA”) performance of Northfield Savings Bank (“Northfield”) prepared by the New York State Banking Department. The evaluation represents the Banking Department’s current assessment and rating of the institution’s CRA performance based on an evaluation conducted as of December 31, 2002.

Section 28-b of the New York State Banking Law, as amended, requires that when evaluating certain applications, the Superintendent of Banks shall assess a banking institution’s record of helping to meet the credit needs of its entire community, including low and moderate income 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

Overall Rating

Northfield is rated "2," indicating a satisfactory record of helping to meet community credit needs.

Lending Test - "Low Satisfactory"

- Lending levels reflect good responsiveness to assessment area credit needs. In 2001, Northfield ranked 22nd by number of loans originated (177) with a market share of 1.19%, and ranked 28th by dollar volume (\$23.9 million) with a market share of 0.95%. In 2002, the bank ranked 17th by number of loans (250) with a market share of 1.34% and ranked 20th by dollar volume (\$34.5 million) with a market share of 0.97%.
- A substantial majority of the bank's HMDA-reportable loans were within the assessment area, as indicated by ratios of 99.4% in 2001 and 98.4% in 2002.
- The geographic distribution of loans reflects adequate penetration throughout the assessment area. In 2001, Northfield's 2.26% penetration rate in LMI census tracts compared favorably to the aggregate's 2.35%, while the bank's middle-income tract penetration rate of 9.6% trailed the aggregate's 16.73%. In 2002, while the bank's LMI census tract penetration rate fell from 2.26% to 1.2%, the aggregate's performance improved from 2.35% to 3.51%. The bank's middle-income tract penetration rate improved in 2002 to 13.6% compared to the aggregate's 15.9%.
- The distribution of loans reflects good penetration among borrowers of different income levels. In 2001 and 2002, with penetration rates of loans to low-income borrowers of 2.83% (five loans) and 2.8% (seven loans), respectively, the bank outperformed the aggregate by 53.8% and 16.7%. During the same periods, Northfield's penetration rates of loans to moderate-income borrowers of 11.86% (21 loans) and 17.6% (44 loans), respectively, exceeded the aggregate by 11.7% and 39.8%.
- Northfield made an adequate level of community development loans. The bank had \$2 million in community development loans and commitments in its portfolio. Included are two loans totaling \$176 thousand deemed new money.
- Northfield makes limited use of innovative and/or flexible lending practices in serving assessment area credit needs.

Investment Test - "Low Satisfactory"

- The bank had an adequate level of qualified investments, including grants, which totaled \$4.6 million. This is an increase of more than 404% over the prior evaluation. Qualified investments totaled \$4.2 million, of which \$3.5 million (83.2%) represented new money and grants totaled \$448.5 thousand.

Service Test - “High Satisfactory”

- Delivery systems are readily accessible to all portions of the bank’s assessment area. The bank operates 12 branch offices of which one (8.3%) is located in a low-income census tract, two (16.7%) are in middle-income census tracts and nine (75%) are in upper-income census tracts. Two of the branches located in non-LMI census tracts are adjacent to LMI areas.
- All branches feature extended banking hours and offer Saturday hours. In addition, four branches are open on Sundays to accommodate the needs of the particular communities.
- The bank’s record of opening and closing of branches has not adversely affected the accessibility of its delivery systems.
- The bank provides an adequate level of community services. Several of the bank’s senior officers participate on boards of various community, business and nonprofit organizations in Richmond County.

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:

Northfield was chartered by New York State in 1887 as a mutual savings and loan association entitled Northfield Building Loan and Savings Association. The bank was headquartered in the village of Mariners Harbor on Staten Island (Richmond County). Northfield converted its charter to a mutual savings bank in 1971, and in 1983, converted to a federal charter. In April 1993, the bank secured the New York State Banking Department's approval to revert to state charter.

During its history, Northfield's growth has been fueled by successfully merging with eight financial institutions headquartered in Richmond County. In August 1995, Northfield was reorganized from a mutual saving bank to a mutual holding company. The bank converted from a chartered mutual savings bank to a state chartered stock savings bank and became a wholly-owned bank subsidiary of NSB Holding Corporation ("NSBHC"), a newly formed mutual holding company. In December 2002, NSBHC merged with Liberty Bancorp, Incorporated and expanded into New Jersey. Northfield now operates seven full service branches in Middlesex and Union counties, New Jersey as a division entitled Liberty Bank.

Northfield operates 12 full service offices, including the main office, in Richmond County. Through its 12 branches, the bank provides a full range of banking services primarily to individuals and corporate customers on Staten Island. Supplementing the branch offices is an ATM network consisting of 20 machines at the 12 branch locations.

According to the Federal Deposit Insurance Corporation ("FDIC"), Northfield's network of branches in Richmond County held \$648.6 million in deposits as of June 30, 2002.* The bank was the fifth largest of nine FDIC-insured, deposit-taking institutions in the county, with 8.88% of the total deposits. Northfield had the third largest branch network. The bank operates in a highly competitive market and some of the competing institutions have greater resources and larger branch systems. For example, the three largest deposit-taking institutions in the bank's assessment area had a combined 45 branches with \$4.8 billion in deposits and a combined market share of 65.7%. In particular, the bank's two main competitors had deposits of \$2.4 billion and \$1.6 billion, respectively, as of June 2002.

Northfield reported total earning assets of \$1.2 billion as of December 31, 2002, an increase of \$594.6 million (94.8%) since the prior evaluation as of June 30, 2000. The merger with Liberty Bank accounted for approximately \$364.3 million of the dramatic increase in assets. The loans and leases portfolio also experienced significant growth because of the merger. The following chart illustrates the composition of the bank's earning assets as of year-ends 2000 through 2002:

* Northfield's branch network totaled 11 when this report was compiled.

Northfield Earning Assets	12/31/2002		12/31/2001		12/31/2000	
	\$ (000s)	%	\$ (000s)	%	\$ (000s)	%
Net Loans & Leases	300,878	24.63%	92,434	11.18%	80,283	11.56%
US Treasury/Agency Securities	720,802	59.00%	427,182	51.66%	384,829	55.41%
Other Securities	124,510	10.19%	263,080	31.82%	208,653	30.04%
<i>Subtotal Securities</i>	<i>845,312</i>	<i>69.19%</i>	<i>690,262</i>	<i>83.48%</i>	<i>593,482</i>	<i>85.45%</i>
Interest-Bearing Bank Balances	75,518	6.18%	44,153	5.34%	20,784	2.99%
Total	1,221,708	100.00%	826,849	100.00%	694,549	100.00%

Northfield's four-quarters average net loan-to-deposit ratio was 15.35% and 19.73% in 2001 and 2002, respectively. In contrast, the bank's peer group average net loan-to-deposit ratios were 89.08% and 84.82%, respectively.† During the evaluation period, the bank sold 190 loans aggregating \$29.4 million to the Federal Home Loan Mortgage Corporation and 45 loans aggregating \$5.9 million to the State of New York Mortgage Agency.

The following chart illustrates the composition of the bank's loan portfolio as of year-ends 2002, 2001 and 2000:

Northfield Total Gross Loans Outstanding						
LOAN TYPE	12/31/2002		12/31/2001		12/31/2000	
	\$ (000s)	%	\$ (000s)	%	\$ (000s)	%
1-4 Family Residential Mortgages	214,173	70.54%	68,422	72.37%	59,021	71.55%
Commercial Real Estate Loans	64,257	21.16%	21,751	23.01%	19,524	23.67%
Multifamily Mortgage Loans	19,105	6.29%	466	0.49%	476	0.58%
Consumer Loans	3,509	1.16%	2,744	2.90%	2,908	3.53%
Construction Loans	2,207	0.73%	845	0.89%	0	0.00%
Commercial & Industrial Loans	376	0.12%	311	0.33%	559	0.68%
Total Gross Loans	303,627	100.0	94,539	100.0	82,488	100.0

The bank is primarily a real estate lender. In 2002, 2001 and 2000, respectively, 98%, 95.9% and 95.8% of total gross loans were real estate related. The percentages of 1-4 family residential mortgages and commercial real estate loans have remained consistent while multifamily loans have increased from 0.58% at December 31, 2000 to 6.29% at December 31, 2002 because of the acquisition of Liberty Bank. Northfield is not in the small business loan market.

There are no legal or financial impediments that adversely impact the institution's ability to meet community credit needs.

† Northfield's peer group consists of all FDIC insured savings banks having assets in excess of \$1 billion.

Assessment Area:

The bank delineated Richmond County, in its entirety, as its assessment area. Richmond County is one of the five counties that make up New York City, and is the southernmost county in the state. According to the U.S. Census Bureau, Richmond County had a population of 378.9 thousand in 1990 and the population increased 17.1% to 443.7 thousand in 2000. Although the county comprises 19.1% (58 square miles) of New York City, it is by far the most thinly populated with 5.5% of the city's residents.

Richmond County has 101 census tracts including 4 (4%) zero-income, 4 (4%) low-income, 2 (2%) moderate-income, 25 (25%) middle-income, and 66 (65%) upper-income tracts. The four zero-income tracts contain the Snug Harbor Cultural Center and Museum, Great Kills Park, Seaview Hospital and a salt marsh.

In 1990, there were 99.5 thousand families in the county of which 23.9% (23.7 thousand) were LMI families, including 6.3% (1.5 thousand) whose income was below the poverty level. Approximately 18.5% (18.4 thousand) were middle income and 57.6% (57.3 thousand) were upper income families. There were 130.2 thousand households in the county of which 8.4% (10.9 thousand) had income below the poverty level.

Approximately 16.1% (3.8 thousand) of the LMI families lived in LMI census tracts and these families accounted for 68% of all the families (5.6 thousand) that lived in LMI census tracts.

There were 139.7 thousand housing units in Richmond County, 82.6% (115.5 thousand) of which were 1-4 family units and 14.9% (20.9 thousand) were multifamily units.

Approximately 59.5% (83.1 thousand) of all housing units were owner-occupied and 33.9% (47.4 thousand) were renter occupied. In the six LMI tracts, there were a combined 1,715 (2.1%) owner-occupied units. Vacant or boarded up units represented 6.9% (9.6 thousand) of all units. The median housing value was \$183.4 thousand with median age of 28 years in 1990.

The 1990 median family income for the county was \$50.5 thousand and the median income for the MSA was \$37.5 thousand. The United States Department of Housing and Urban Development's ("HUD") estimated median family income for the MSA was \$56.2 thousand in 2000 and \$59.1 thousand in 2001.

According to the New York State Department of Labor, the county's average unemployment rates were 4.7% in 2001 and 2002. The county's unemployment rates were below the state's average rates of 4.9% in 2001 and 6.1% in 2002 and the MSA's average unemployment rates of 5.6% in 2001 and 7.3% in 2002.

Portions of Richmond County, namely the North Shore neighborhood of Clifton and Port Ivory and the West Shore neighborhood of Mariner's Harbor, Chelsea and Bloomfield have been designated as Empire Zones ("EZs") by the State of New York, based on community

economic distress.‡ Firms located in these areas may be eligible for assistance including various tax credits, such as wage tax credits, real property tax abatements, technical assistance and utility rate savings.

The assessment area appears reasonable based upon the location of the bank's branches and its lending pattern.

‡ Empire Zones were formerly titled Economic Development Zones.

PERFORMANCE TESTS AND ASSESSMENT FACTORS

This performance evaluation is based on a review of Northfield's lending, investment and service activities within its assessment area during 2001 and 2002, except for community development loans and qualified investments, which cover the period from July 2000 through December 2002.

Products considered for this evaluation include 1-4 family home purchase, refinancing and multifamily loans. Statistics utilized were derived from various sources. In addition to HMDA-reportable loan information submitted by the bank, aggregate data for HMDA-reportable loans was obtained from the FFIEC and PCI Services, Inc. CRA Wiz®, an external vendor. Demographic data was obtained from 1990 U.S. Census data, while HUD estimates of 2001 and 2002 median family incomes were utilized to determine borrower income levels for each respective year.

I. Lending Test: - "Low Satisfactory"

The bank's lending performance was evaluated pursuant to the following criteria: (1) Lending Activity; (2) Geographic Distribution; (3) Borrower Characteristics; (4) Community Development Lending; and (5) Innovative or Flexible Lending Practices.

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

Lending levels reflect good responsiveness to assessment area credit needs.

In 2001, of 277 HMDA-reporting lenders, Northfield ranked 22nd by number of loans originated (177) with a market share of 1.19%, and ranked 28th by dollar volume (\$23.9 million) with a market share of 0.95%. By number of loans, the bank's two main competitors ranked second and 11th, respectively.

In 2002, of the 287 HMDA-reporting institutions, Northfield ranked 17th by number of loans (250) with a market share of 1.34% and ranked 20th by dollar volume (\$34.5 million) with a market share of 0.97%. Based on number of loans, the bank's two main competitors ranked third and ninth, respectively.

- **Assessment Area Concentration: - "Outstanding"**

A substantial majority of loans were made in the bank's assessment area.

In 2001, Northfield originated 178 (\$24.4 million) HMDA-reportable loans in New York State. This volume increased to 254 (\$35.5 million) loans in 2002. In 2001, the concentration of loans within the assessment area was 177 loans (99.4%) or \$23.9 million (98.2%). In 2002, the concentration of loans in the assessment area remained significant at 250 loans (98.4%), or \$34.5 million (97.3%).

- **Geographic Distribution of Loans: - “Low Satisfactory”**

The geographic distribution of loans reflects adequate penetration throughout the assessment area. The following chart compares Northfield’s performance in 2001 and 2002 with the aggregate:

Distribution of HMDA Reportable Loans By Census Tract Income Level								
2001								
Census	Northfield				Aggregate			
Tract	Number	No.Pct.	\$ (000s)	\$ Pct.	Number	No.Pct.	\$ (000s)	\$ Pct.
Low	2	1.13%	177	0.74%	242	1.63%	41,235	1.63%
Moderate	2	1.13%	178	0.74%	107	0.72%	40,148	1.59%
LMI Total	4	2.26%	355	1.48%	349	2.35%	81,383	3.22%
Middle	17	9.60%	2,408	10.07%	2,479	16.73%	389,623	15.43%
Upper	156	88.14%	21,143	88.45%	11,946	80.64%	2,045,492	81.02%
N/A	-	0.00%	-	0.00%	41	0.28%	8,216	0.33%
Total	177	100.0%	23,906	100.0%	14,815	100.0%	2,524,714	100.0%
2002								
Census	Northfield				Aggregate			
Tract	Number	No.Pct.	\$ (000s)	\$ Pct.	Number	No.Pct.	\$ (000s)	\$ Pct.
Low	3	1.20%	409	1.18%	435	2.34%	68,340	1.92%
Moderate	0	0.00%	-	0.00%	219	1.17%	42,617	1.20%
LMI Total	3	1.20%	409	1.18%	654	3.51%	110,957	3.12%
Middle	34	13.60%	4,000	11.58%	2,963	15.92%	595,777	16.78%
Upper	213	85.20%	30,132	87.24%	14,965	80.42%	2,838,862	79.95%
N/A	-	0.00%	-	0.00%	27	0.15%	5,396	0.15%
Total	250	100.0%	34,541	100.0%	18,609	100.0%	3,550,992	100.0%

In 2001, Northfield’s 2.26% penetration rate in LMI census tracts compared favorably with the aggregate’s 2.35% while the bank’s 9.6% penetration rate in middle-income tracts trailed the aggregate’s 16.73%. In 2002, the bank middle-income tract penetration rate improved to 13.6%, slightly below the aggregate’s 15.92%. On the other hand, while the bank’s LMI-tract penetration rate fell from 2.26% to 1.2%, the aggregate’s performance improved from 2.35% to 3.51%.

Northfield’s LMI penetration rates exceeded that of its two main competitors in Richmond County in 2001, but trailed them in 2002. One of them had LMI penetration rates of 1.8% and 1.5%, in 2001 and 2002, respectively, while the other’s ratios were 0.6% and 1.6%, respectively.

Lending opportunities in Richmond County’s six LMI census tracts are quite limited, highlighted by the fact that only 1,715 owner-occupied housing units (2.1%) are located within such tracts.

- **Borrower’s Profile: - “High Satisfactory”**

The distribution of loans reflects good penetration among borrowers of different income levels. The following chart compares Northfield’s performance in 2001 and 2002 with the aggregate:

Distribution of HMDA Reportable Loans By Borrower Income Level								
2001								
Income Category	Northfield				Aggregate			
	Number	No.Pct.	\$ (000s)	\$ Pct.	Number	No.Pct.	\$ (000s)	\$ Pct.
Low	5	2.83%	286	1.20%	272	1.84%	22,136	0.88%
Moderate	21	11.86%	2,220	9.28%	1,574	10.62%	189,464	7.50%
LMI Total	26	14.69%	2,506	10.48%	1,846	12.46%	211,600	8.38%
Middle	50	28.25%	5,597	23.41%	4,124	27.84%	616,894	24.43%
Upper	97	54.80%	15,387	64.37%	7,207	48.64%	1,366,604	54.13%
N/A	4	2.26%	416	1.74%	1,638	11.06%	329,706	13.06%
Total	177	100.0%	23,906	100.0%	14,815	100.0%	2,524,804	100.0%
2002								
Income Category	Northfield				Aggregate			
	Number	No.Pct.	\$ (000s)	\$ Pct.	Number	No.Pct.	\$ (000s)	\$ Pct.
Low	7	2.80%	731	2.11%	446	2.40%	41,514	1.17%
Moderate	44	17.60%	3,985	11.54%	2,343	12.59%	322,764	9.09%
LMI Total	51	20.40%	4,716	13.65%	2,789	14.99%	364,278	10.26%
Middle	59	23.60%	7,839	22.70%	5,416	29.10%	908,842	25.59%
Upper	127	50.80%	20,735	60.03%	8,499	45.67%	1,867,306	52.59%
N/A	13	5.20%	1,251	3.62%	1,905	10.24%	410,566	11.56%
Total	250	100.0%	34,541	100.0%	18,609	100.0%	3,550,992	100.0%

In 2001 and 2002, with penetration rates of loans to low-income borrowers of 2.83% (five loans) and 2.8% (seven loans), respectively, the bank outperformed the aggregate by 53.8% and 16.7%. During the same periods, Northfield’s penetration rates of loans to moderate-income borrowers of 11.86% (21 loans) and 17.6% (44 loans), respectively, exceeded the aggregate by 11.7% and 39.8%.

While Northfield’s LMI borrower penetration rates were higher than the aggregate’s, they also compare favorably with its two main competitors.

- **Community Development Lending Activities: - “Low Satisfactory”**

Northfield makes an adequate level of community development loans. As of the evaluation date, the bank had \$2 million in community development loans and commitments with \$1.7 million outstanding. A relatively small portion of this, 8.8%, is considered new money.

Between July 1, 2000 and December 31, 2002, the bank extended two loans totaling \$176 thousand to the Staten Island Center for Independent Living (“SICIL”). SICIL serves persons of all ages and levels of physical and mental ability with a cost-free complete range of direct services and access to a network of resource providers.

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

Northfield makes limited use of innovative and/or flexible lending practices in serving assessment area credit needs.

Northfield is a participating lender in the State of New York Mortgage Agency’s (“SONYMA”) Affordable Housing Program. SONYMA is a public-private partnership with the New York State Housing Finance Agency (“HFA”) and its affiliates, the Affordable Housing Corporation (“AHC”) and the Mortgage Insurance Fund (“MIF”). Through its access to tax-exempt financing, SONYMA provides participating lenders with a secondary market for low down payment (3%), below market rate loans to lower income borrowers who have completed an approved homebuyer education program. SONYMA also administers a mortgage insurance program through which it guarantees mortgage payments on higher risk construction and rehabilitation properties. To qualify, borrowers must meet SONYMA's household income limit requirements.

During the evaluation period, the bank continued to offer the SONYMA first time homebuyers mortgage product at 0.5 discount point, which is less than the 1.25-point industry standard. In 2001, the bank originated 17 SONYMA loans totaling almost \$2 million. In 2002, the volume increased to 28 SONYMA loans totaling almost \$4 million.

II. Investment Test: - “Low Satisfactory”

The Investment Test evaluates the bank's record of helping to meet the needs of its assessment area through qualified investments. Qualified investments are evaluated based on their dollar volume, their innovation and/or complexity, their responsiveness to community development needs, and the degree to which the investments are not routinely provided by private investors.

Northfield had an adequate level of qualified community development investments for an institution of its size. The bank was rarely in a leadership position, and the bank rarely uses innovative and/or complex investments to support community development initiatives.

The bank’s level of qualified community development investments and grants totaled \$4.6 million, which is an increase of more than 404% over the prior evaluation’s level. As the following chart illustrates, Northfield had five qualified investments totaling \$4.2 million, of which \$3.5 million (83.2%) represented new money. The new item was a mortgage-backed security, which supports affordable housing in MSA 5600, partially benefiting Richmond County.

Northfield Qualified Investments in 2001 and 2002				
	Type	Commitment	New Money	Purpose
		\$(000s)	\$(000s)	
Statewide Zone Capital Corp.	Equity	400	0	Economic Development
Commercial Industrial Capital Corp.	Equity	100	0	Economic Development
Lower Eastside Peoples FCU	Cert. of Dep.	100	0	Community Services
Community Capital Bank	Cert. of Dep.	100	0	Affordable Housing
MSA 5600 Targeted	MBS	3,475	3,475	Affordable Housing
<i>Total</i>		4,175	3,475	

During the evaluation period, Northfield made qualified grants totaling \$448.5 thousand to 22 organizations. Following are brief descriptions of a sampling of these grantees:

The bank contributed \$252.3 thousand to the Federal Home Loan Bank of New York (“FHLBNY”) to fund the Affordable Housing Program. Under this program, the FHLBNY along with its members and not-for-profit community partners fund numerous affordable housing initiatives in the region. Northfield’s pro rata share of this program, which is based upon its percentage of ownership, totaled \$138.9 thousand and \$113.3 thousand in 2001 and 2002, respectively.

Northfield granted \$50 thousand to Staten Island University Hospital, which is the largest employer in Richmond County. The money is for the hospital’s Prenatal Care Assistance Program, which provides prenatal care, childbirth education, and labor and delivery care to LMI women in the county.

The bank donated \$10 thousand to the Sisters of Charity Housing Development Corporation. This public charity develops and operates a range of housing, responds to the special needs of the elderly and underserved, and provides a network of support to housing residents.

Northfield granted \$15.3 thousand through the American Red Cross to assist residents of Staten Island affected by the 9/11 terrorist attacks on our country.

The bank gave a \$5 thousand grant to the African-American Parent Council (“AAPC”). The AAPC operates the Parkhill After-School Enrichment program, which provides homework help, tutoring, recreational and arts and crafts activities to young children in this low-income census tract and surrounding communities.

III. Service Test: - “High Satisfactory”

The Service Test evaluates the bank’s record of helping to meet the needs of its assessment area by analyzing both the availability and effectiveness of the bank’s systems for delivering retail banking services and the extent and innovativeness of its community development services.

- **Retail Services: - “High Satisfactory”**

Accessibility of Delivery Systems

Delivery systems are readily accessible to all portions of the bank’s assessment area. Northfield operates 12 branch offices of which one (8.3%) is located in a low-income census tract, two (16.7%) in middle-income census tracts and nine (75%) in upper-income census tracts. Two of the branches located in non-LMI census tracts are adjacent to LMI areas. As a result, three (25%) of Northfield’s branches are located in LMI areas or adjacent to LMI areas.

Changes in Branch Locations

The bank’s record of opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly to LMI geographies and/or LMI individuals.

During the evaluation period, the bank opened two branches located in upper-income census tracts that are not adjacent to LMI tracts. In 2001, Northfield closed its two off-site ATMs; one had been located in a middle-income census tract and the other in an upper-income census tract

Reasonableness of Business Hours and Services in Meeting Assessment Area Needs

Northfield’s services do not vary in a way that inconveniences certain portions of its assessment area.

All branches feature extended banking hours. Each branch offers Saturday hours, and four are open on Sundays to accommodate the particular needs of the community. All branches have a 24-hour automated teller machine (“ATM”) and seven branches have drive-up facilities. The ATMs are linked with the NYCE, CIRRUS, PLUS, NOVUS and EXCHANGE networks.

The bank offers an approved alternative transaction account that is more beneficial to the consumer than mandated by General Regulations of the Banking Board Part 9.7(a). The account features no monthly service charge, unlimited transactions and no transaction fees.

The bank continues to offer bank-by-mail and telephone-banking service (“FASTBanking by Telephone”). By utilizing FASTBanking service, customers can obtain information about account balances and other services being offered by the bank.

In August 2001, the bank introduced on-line banking whereby customers can access account information, transfer balances, apply for loans and request information.

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

The bank provides an adequate level of community services.

Several of the bank’s senior officers participate on the board of various community, business and non-profit organizations in Richmond County. The following are examples of the type of organizations to which Northfield personnel provide financial expertise:

- Sky Light Center
- Staten Island Economic Development Corporation
- Community Agency for Senior Citizens
- Northfield LDC
- Visiting Nurse Association of Staten Island

Northfield provides meeting space at two branch locations to the American Association of Retired People (“AARP”). AARP provides volunteers to help with tax returns and generally assist with tax queries from people of limited means.

The bank also utilizes its branch offices as food collection centers for Project Hospitality, a not-for-profit organization serving homeless people. Bank personnel collect donated foodstuffs left at the branch locations and store it for pickup.

The bank continued its participation in the Quest Electronic Benefits Transfer Program. This program allows recipients, with the use of a plastic card (instead of the traditional food stamps and checks), to pay for food through electronic debits and to withdraw cash. Recipients can use the cards at Northfield’s ATMs with no surcharge.

IV. Discrimination or Other Illegal Practices

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

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

Evidence of prohibited discriminatory or other illegal credit practices.

The most recent regulatory compliance examination, conducted concurrently with this CRA performance evaluation, indicates a satisfactory performance in terms of adherence to anti-discrimination and/or other applicable laws and regulations. There was no evidence of prohibited discriminatory or other illegal credit practices.

V. Process Factors

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

The bank ascertains the credit needs of the community through membership in several local community and not-for-profit organizations, and through employee contact with local community leaders and bank customers.

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

The bank uses local print media to market its credit services, including regular advertising in the "Staten Island Advance" which is the county's local daily newspaper. The bank advertises mortgage lending in the real estate section of the Advance.

The bank continues to advertise on "bus shelters" and has done a few television advertisements. The marketing theme has been to portray the bank as a "friendly" place to conduct business.

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

The bank's Board of Directors establishes all of the bank's policies and procedures, and is entrusted with directing the bank's management in carrying out those policies and procedures.

The bank maintains a CRA committee that meets bi-monthly. The committee is responsible for monitoring the bank's CRA performance and activities. On a quarterly basis, the Board is informed of the bank's CRA performance through periodic reviews of internal self-assessments and regulatory agencies' reports.

VI. Other Factors

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

During the evaluation period, Northfield donated more than \$272.2 thousand to a wide variety of social, religious, youth, cultural and educational organizations. Although these donations did not meet the definition of qualified grants, they are worthwhile and deserve

mention. Following are a few examples of the many organizations to which Northfield donated money:

- Friends of Alice Austen House
- Lynee Robbins Steinman Foundation
- Staten Island Zoological Society
- Eger Lutheran Homes
- Juvenile Diabetes Fund
- March of Dimes
- Staten Island Pee Wee Football League

Northfield runs a toy drive for needy children in December with bank staff collecting donated items.

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 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

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 non-metropolitan 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.