



**NEW YORK STATE BANKING DEPARTMENT**  
**CONSUMER SERVICES DIVISION**  
One State Street  
New York, NY 10004

**PUBLIC SUMMARY**  
OFF-SITE EVALUATION

**COMMUNITY REINVESTMENT ACT**  
**PERFORMANCE EVALUATION**

**Date of Evaluation:** December 31, 2003

**Institution:** Apple Bank for Savings  
122 East 42<sup>nd</sup> Street  
New York, NY

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

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## **GENERAL INFORMATION**

This document is an off-site evaluation of the Community Reinvestment Act (“CRA”) performance of Apple Bank for Savings (“Apple Bank”) 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, 2003.

Section 28-b of the New York State Banking Law, as amended, requires that when evaluating certain applications, the Superintendent of Banks shall assess a banking institution’s record of helping to meet the credit needs of its entire community, including low- and moderate-income (“LMI”) areas, consistent with safe and sound operations.

Part 76 of the General Regulations of the Banking Board implements Section 28-b and further requires that the Banking Department assess the CRA performance records of regulated financial institutions. Part 76 establishes the framework and criteria by which the Department will evaluate an institution’s 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 written summary (“Evaluation”) be made available to the public. Evaluations are primarily based on a review of the performance tests and standards described in Section 76.7 and detailed in Sections 76.8 – 76.13. These tests and standards incorporate the 12 assessment factors contained in Section 28-b of the New York State Banking Law.

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

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## **OVERVIEW OF INSTITUTION'S PERFORMANCE**

### **Overall Rating**

Apple Bank is rated “2,” indicating a satisfactory record of helping to meet the credit needs of its community.

### **Lending Test: “High Satisfactory”**

- Apple Bank’s lending activity reflects adequate responsiveness to the credit needs of its assessment area. During the evaluation period, the bank originated 609 HMDA-reportable loans for a total of \$198 million. When MECAs and purchased loans are added to the bank’s HMDA-reportable originations, its lending volume approximately triples to 1,840 transactions totaling \$540.5 million.
- Based on the number of HMDA-reportable origination within its assessment area, Apple Bank ranked 112<sup>th</sup> out of 636 lenders during 2002. Based on dollar volume, the bank ranked 94<sup>th</sup>. When purchased HMDA-reportable loans are considered, the bank’s rank by number of loans improves to 80<sup>th</sup> out of 636 lenders.<sup>1</sup>
- A substantial majority of the bank’s loans fell within the assessment area. Specifically, 93.6% of its total number of loans, and 91.6% of its dollar volume, fell within the assessment area.
- The geographic distribution of the bank’s loans reflects good penetration throughout the assessment area. In 2002, Apple Bank’s lending in LMI census tracts outperformed the aggregate by 11.6 percentage points based on number of loans and 6.0 percentage points based on dollar volume. Peer data was not available for 2003 at the time this evaluation was conducted.
- Apple Bank’s loan distribution based on borrower characteristics reflects good penetration among customers of different income levels. In 2002, the bank’s LMI borrower penetration rate of 35.1% was nearly double the aggregate’s penetration rate of 18.6%. In 2003, the bank’s LMI borrower penetration rate increased to 42.7%.
- Apple Bank is a leader in making community development loans. During the evaluation period, the bank reported 50 community development loans totaling \$84.9 million. Thirty (60%) of these loans, totaling \$67.4 million (79.4%), represented new money.
- Apple Bank uses innovative and/or flexible lending practices in the credit needs of its assessment area. For example, the bank offers various “no income verification” mortgage products, as well as products geared specifically to LMI borrowers.

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<sup>1</sup> Apple Bank’s rank based on dollar volume of originations plus purchases was not readily available.

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### **Investment Test: “High Satisfactory”**

- The bank made a significant level of qualified investments during the evaluation period. Qualified investments, including grants, totaled \$30.9 million. Approximately 75% of the bank’s qualified investments represented new money.
- Apple Bank exhibits good responsiveness to the credit needs of its assessment area. The bank’s qualified investments focused on affordable housing, which is a major need within the assessment area.
- The bank’s qualified investments were primarily composed of targeted mortgage-backed securities, which were neither innovative nor complex.

### **Service Test: “High Satisfactory”**

- Apple Bank’s delivery systems are readily accessible to all portions of the bank’s assessment area. As of year-end 2003, the bank operated 47 branches. Approximately one-half (51%) of these branches were located within, or adjacent to, LMI census tracts. The bank also offers banking services by mail, telephone, ATM and the Internet.
- Apple Bank offers a basic banking account that is more favorable to consumers than the basic banking account mandated by New York State statute. In addition, the bank offers a “Youth Savings” passbook account that encourages savings and helps teach financial literacy.
- Thirty-five branches are open on Saturday and four branches are open on Sunday to meet the needs of their respective local communities. Extended business hours are available at 44 branches during the business week.
- Apple Bank opened two branches and closed two branches during the evaluation period. All affected branches were located in non-LMI areas.
- Apple Bank provides an adequate level of community development services. The bank participated in seven homebuyer seminars to increase consumers’ awareness of mortgage products and address their concerns.

This off-site 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:

Apple Bank obtained its charter in 1863 under the institution's original name, Harlem Savings Bank.<sup>2</sup> For the first 69 years of its existence, the bank operated out of a single branch. Then, in 1932, the institution expanded by acquiring Commonwealth Savings Bank of New York City. After another period of relative quiet, the bank began expanding again during the 1980s, when it acquired Central Savings Bank (1981), Eastern Savings Bank (1986), and Sag Harbor Savings Bank (1989). During that same period, the institution also changed its name to Apple Bank for Savings (1983).

Apple Bank's total assets of \$5.7 billion made it the fifth-largest savings bank in New York State as of year-end 2003.

Apple Bank operates a network of 47 full-service banking offices across the following seven counties: New York (12), Kings (13), Suffolk (9), Nassau (5), Bronx (4), Queens (2) and Westchester (2). Each branch offers at least one automated teller machine ("ATM"). Seven additional ATMs are available at five off-site locations within the bank's assessment area; however, none of these seven ATMs accepts deposits.

As shown in the table below, a significant majority of Apple Bank's assets are in securities. The next largest asset category is net loans and leases, which declined \$393.3 million (25.9%) between June 2001 and December 2003.<sup>3</sup> Total assets declined \$467.8 million (7.6%) during the same period.

Apple Bank Balance Sheet (Assets in Thousands of Dollars)	12/31/2003		12/31/2002		6/30/2001	
	\$	%	\$	%	\$	%
Securities	4,357,401	76.7	4,121,993	71.8	3,730,096	60.7
Net Loans & Leases	1,124,254	19.8	1,397,702	24.4	1,517,575	24.7
Cash/Balances from Depository Institutions	53,828	0.9	65,650	1.1	60,298	1.0
Other Assets	58,033	1.0	54,645	1.0	61,416	1.0
Federal Fund Sales/Repos	34,000	0.6	46,842	0.8	732,479	11.9
For Sale Loans/Leases	8,600	0.2	7,891	0.1	0	0.0
Intangible Assets	3,950	0.1	3,948	0.1	4,433	0.1
Premises/Fixed Assets	37,671	0.7	40,384	0.7	38,867	0.6
Other Real Estate Owned	58	0.0	113	0.0	411	0.0
<b>Total</b>	<b>5,677,795</b>	<b>100.0</b>	<b>5,739,168</b>	<b>100.0</b>	<b>6,145,575</b>	<b>100.0</b>

As of June 30, 2003, the bank's branch network in New York State held \$4.9 billion in deposits. According to an FDIC deposit market report for 2003, Apple Bank attained a market share of 0.84%, and ranked 19<sup>th</sup> out of 242 FDIC-insured institutions across New York State. Within its assessment area, Apple Bank posted a market share of 1.07% and

<sup>2</sup> This is the correct spelling for Harlem in 1863.

<sup>3</sup> June 30, 2001 approximates the prior evaluation's "as of" date of May 21, 2001.

ranked 14<sup>th</sup> out of 124 FDIC-insured institutions. By comparison, based solely on number of branches, Apple Bank was the 11th largest bank in the New York State.

The following chart details the bank's deposit volume and market share in each county of its assessment area.<sup>4</sup>

Market Share and Rank as of 6/30/2003					
County Name	Number of Apple Bank Branches	Deposits in Thousands of Dollars	Market Share (%)	Market Rank	# of FDIC-Insured Competitors <sup>3</sup>
New York	12	1,655,726	0.56	16	91
Kings	13	935,305	3.26	8	41
Suffolk	9	676,357	2.48	12	25
Bronx	4	587,826	6.22	6	23
Nassau	5	554,323	1.30	13	30
Westchester	2	346,146	1.46	15	33
Queens	2	166,875	0.50	24	46
<b>Assessment Area</b>	<b>47</b>	<b>4,922,558</b>	<b>1.07</b>	<b>14</b>	<b>124</b>

Apple Bank operates in a highly competitive environment that includes multiple institutions with greater resources and larger branch systems. For example, the five largest deposit-taking institutions within Apple Bank's assessment area have a combined total of 1,080 branches, \$315.6 billion in deposits and a cumulative market share of 68.4%.

The following chart summarizes Apple Bank's loan portfolio as of year-end 2001, 2002 and 2003. As shown below, Apple Bank is primarily a real estate lender and focuses on 1-4 family residential mortgage loans.

Apple Bank - Gross Loans Outstanding						
LOAN TYPE	12/31/2003		12/31/2002		12/31/2001	
	\$(000's)	%	\$(000's)	%	\$(000's)	%
1-4 Family Residential Mortgage Loans	683,577	59.5	874,014	61.0	1,072,091	63.4
Multifamily Mortgage Loans	180,366	15.7	231,493	16.2	219,685	13.0
Commercial Real Estate Loans	135,630	11.8	145,079	10.1	151,196	8.9
<b>Subtotal - Real Estate Loans</b>	<b>999,573</b>	<b>87.0</b>	<b>1,250,586</b>	<b>87.3</b>	<b>1,442,972</b>	<b>85.3</b>
Loans to Depository Institutions/Acceptances	100,000	8.7	125,000	8.7	200,000	11.8
Consumer Loans	31,987	2.8	32,131	2.2	35,443	2.1
Construction and Development Loans	15,957	1.4	22,792	1.6	12,214	0.7
Other Loans	1,978	0.2	151	0.0	102	0.0
Commercial and Industrial Loans	28	0.0	1,916	0.1	1,089	0.1
<b>Gross Loans</b>	<b>1,149,523</b>	<b>100.0</b>	<b>1,432,576</b>	<b>100.0</b>	<b>1,691,820</b>	<b>100.0</b>

<sup>4</sup> Many competitors have branches in more than one county. As a result, the Assessment Area total is not equal to the sum of the far-right column, "Competing FDIC-Insured Institutions".

At its prior CRA Performance Evaluation, conducted by the New York State Banking Department as of May 21, 2001, Apple Bank received a rating of “2”. This rating reflects a satisfactory record of helping to meet community credit needs.

*There are no legal or financial issues adversely affecting the institution’s ability to meet the credit needs of its assessment area.*

**Assessment Area:**

Apple Bank has delineated its assessment area to include the following seven counties in their entirety: New York (Manhattan), Bronx, Kings (Brooklyn), Queens, Westchester, Nassau and Suffolk. The counties of New York, Bronx, Kings and Queens are four of the five counties that make up New York City and are part of Metropolitan Statistical Area (“MSA”) 5600. Westchester County is also part of MSA 5600. Nassau and Suffolk counties comprise MSA 5380.

Please note that the federal government changed the boundaries of several major MSAs, including the New York MSA, during 2003. These changes make comparisons between 2002 and 2003 data impractical, if not impossible. For example, MSA boundary revisions affect the “area median income”. In turn, changes in the “area median income” affect the income designations of census tracts because the tract designations are determined by reference to the “area median income.”<sup>5</sup>

According to data from the 2000 Census, Apple Bank’s assessment area contains 2,925 census tracts, including 929 (31.8%) LMI tracts. The following chart illustrates the income characteristics of the census tracts within Apple Bank’s assessment area based on both the 1990 and 2000 Censuses:

Distribution of Census Tracts with Apple Bank’s Assessment Area - 2000 Census Numbers are Based on 1990 Census Data												(Italicized)		
County	Income NA		Low		Moderate		Middle		Upper		Total	% LMI	Total	% LMI
	'00	'90	'00	'90	'00	'90	'00	'90	'00	'90	2000		1990	
Kings	15	19	100	114	271	207	250	302	147	147	783	47.4	789	40.7
Queens	18	17	12	7	107	80	298	331	238	238	673	17.7	673	12.9
New York	9	11	47	63	68	65	26	33	146	126	296	38.9	298	43.0
Bronx	14	15	117	126	99	65	72	88	53	61	355	60.8	355	53.8
Westchester	4	2	2	2	17	18	37	35	161	163	221	8.6	220	9.1
Nassau	8	3	2	1	20	20	179	180	68	66	277	7.9	270	7.8
Suffolk	8	7	2	2	65	59	196	205	49	39	320	20.9	312	19.6
<b>Total</b>	<b>76</b>	<b>74</b>	<b>282</b>	<b>315</b>	<b>647</b>	<b>514</b>	<b>1,058</b>	<b>1,174</b>	<b>862</b>	<b>840</b>	<b>2,925</b>	<b>31.8</b>	<b>2,917</b>	<b>28.4</b>

The list of counties included within Apple Bank’s assessment area remains unchanged from the prior two evaluation periods and continues to be reasonable given the bank’s lending patterns and the location of its branches. There is no evidence to suggest that LMI areas have been arbitrarily excluded from the assessment area.

<sup>5</sup> The income designations are low-income, moderate-income, middle-income, and upper-income.

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## **Assessment Area Demographics**

### *MSA 5600 and MSA 5380*

According to data from the 2000 Census, the median family income for MSA 5600 was \$46.5 thousand. Updated figures from the U.S. Department of Housing and Urban Development (“HUD”) estimated the median family income for MSA 5600 to be \$62.8 thousand in 2002 and \$51.9 thousand in 2003.<sup>6</sup>

In 2000, the median family income for MSA 5380 was \$76.4 thousand. For 2002 and 2003, HUD estimated the MSA’s median family income to be \$83 thousand and \$83.7 thousand, respectively.

The following paragraphs contain selected demographic data for the seven counties that comprise the bank’s assessment area:

*New York County (Manhattan)* - New York County contains 296 census tracts that can be broken down as follows: 9 (3.0%) zero-income tracts; 47 (15.9%) low-income tracts; 68 (23.0%) moderate-tracts, 26 (8.8%) middle-income tracts; and, 146 (49.3%) upper-income tracts.

According to the U.S. Census Bureau, New York County’s population was 1.5 million in 2000. Approximately 187 thousand (12.2%) of the county’s residents were over the age of 65 and 230 thousand (14.9%) were under the age of 16. Included among the 739 thousand households living in the county were approximately 123 thousand (16.6%) households living below the poverty level.

In 2000, the median family income for New York County was \$71.6 thousand. As of the 2000 Census, there were 306.2 thousand families in the county, including 84.4 thousand (27.6%) low-income, 39.7 thousand (13%) moderate-income, 38.3 thousand (12.5%) middle-income and 143.7 thousand (46.9%) upper-income families. Of the 124.2 thousand LMI families living in the county, 95.7 thousand (77%) lived in LMI tracts. These LMI families accounted for 66.6% of all families (143.7 thousand) living in LMI tracts.

Of the approximately 798 thousand housing units in New York County, 28 thousand (3.5%) were 1- to 4-family units, 769 thousand (96.4%) were multifamily units and 237 (0.03%) were mobile homes. Approximately 149 thousand (18.6%) housing units were owner-occupied, including 15.7 thousand (10.6%) owner-occupied units in LMI tracts. A further 590 thousand (73.9%) units were renter occupied, including 223 thousand (37.7%) renter-occupied units in LMI tracts. Approximately 59.5 thousand (7.5%) units were vacant. In 2000, the median housing value was \$345 thousand and the median age of the housing stock was 50 years.

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<sup>6</sup> HUD annually adjusts median family income figures. The decline noted between the estimated 2002 and 2003 incomes was caused by the use of 2000 US Census data for calculating the 2003 estimates. This change resulted in a large number of increases/decreases from 2002 figures.

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According to the New York State Department of Labor, New York County's unemployment rate was 8.3% in 2002 and 8.2% in 2003. These unemployment rates are well above the statewide averages of 6.1% in 2002 and 6.3% in 2003.

Queens County - Queens County contains 673 census tracts, including 18 (2.7%) zero-income, 12 (1.8%) low-income, 107 (15.9%) moderate-income, 298 (44.3%) middle-income and 238 (35.4%) upper-income tracts.

According to the U.S. Census Bureau, Queens County had a population of 2.2 million in 2000. Approximately 283 thousand (12.7%) of those residents were over the age of 65 and 453.9 thousand (20.4%) were under the age of 16.

In 2000, the median family income for the county was \$49.8 thousand. There were 542.8 thousand families in the county, including 114.2 thousand (21%) low-income, 88.8 thousand (16.4%) moderate-income, 104.9 thousand (19.3%) middle-income and 234.9 thousand (43.3%) upper-income families. Of the 203 thousand LMI families in Queens County, 62.2 thousand (30.7%) lived in LMI tracts. LMI families accounted for 56.2% of all families (110.7 thousand) living in LMI tracts.

There were 782.6 thousand households in the county, including 110.5 thousand (14.1%) households living below the poverty level.

As of 2000, Queens County contained 817.5 thousand housing units, including 494.1 thousand (60.5%) 1- to 4-family units, 322.2 thousand (39.4%) multifamily units and 632 (0.1%) mobile homes. Approximately 41% of the county's housing units were owner occupied, 55% were renter occupied, and 4.2% were vacant. Housing units in LMI census tracts accounted for 8.6% of all owner-occupied units and 28.6% of renter-occupied units. In 2000, the median housing value in Queens County was \$199.1 thousand and the median age of the housing stock was 50 years.

According to the New York State Department of Labor, Queens County's average unemployment rate was 6.5% in 2002 and 6.9% in 2003. The county's average unemployment rates were higher than the statewide average rates of 6.1% in 2002 and 6.3% in 2003.

Bronx County - Bronx County contains 355 census tracts, including 14 (3.9%) zero-income, 117 (33%) low-income, 99 (27.9%) moderate-income, 72 (20.3%) middle-income and 53 (14.9%) upper-income tracts.

According to the U.S. Census Bureau, Bronx County had a population of 1.3 million in 2000. Approximately 134 thousand (10.1%) of the county's residents were over the age of 65 and 357 thousand (26.8%) were under the age of 16.

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In 2000, the median family income for Bronx County was \$33.1 thousand. Of the 317.2 thousand families in the county, 126.5 thousand (39.9%) were low-income, 57.1 thousand (18%) were moderate-income, 51.6 thousand (16.3%) were middle-income and 82.1 thousand (25.9%) were upper-income.

LMI families accounted for 68.9% of the total number of families living in LMI tracts. LMI families were highly likely to live in LMI census tracts, as indicated by the fact that 82% of the county's LMI families lived in LMI census tracts.

Approximately 29% of the county's 463.2 thousand households were living below the poverty level.

Bronx County contains 490.7 thousand housing units, including 132.7 thousand (27%) 1- to 4-family units, 357.5 thousand (72.9%) multifamily units and 333 (0.1%) mobile homes. Approximately 19% of the county's total housing units were owner occupied, while 76% were renter occupied. Units in LMI areas accounted for 31% of total owner-occupied units and 76% of total renter-occupied units. In 2000, the median housing value in Bronx County was \$159.6 thousand and the median age of the housing stock was 46 years.

According to the New York State Department of Labor, Bronx County's average unemployment rate was 9.2% in 2002 and 10.4% in 2003. The county's average unemployment rate was significantly higher than the statewide average rates of 6.1% in 2002 and 6.3% in 2003.

*Kings County* - Kings County contains 783 census tracts, including 15 (1.9%) zero-income, 100 (12.8%) low-income, 271 (34.6%) moderate-income, 250 (31.9%) middle-income and 147 (18.8%) upper-income tracts.

According to the U.S. Census Bureau, Kings County had a population of 2.5 million in 2000. Approximately 283 thousand (11.5%) of the county's residents were over the age of 65 and 588 thousand (23.8%) were under the age of 16.

At the time of the 2000 Census, the median family income for the Kings County was \$39.3 thousand. Of the 589 thousand families in the county, 200 thousand (33.9%) were low-income, 100 thousand (17%) were moderate-income, 98 thousand (16.7%) were middle-income and 191 thousand (32.4%) were upper-income. Of the 300 thousand LMI families in Kings County, 207 thousand (68.9%) lived in LMI census tracts. Those same 207 thousand LMI families accounted for 63.4% of all families living in LMI tracts.

Kings County contains 881 thousand households, including 211.5 thousand households (24%) living below the poverty level.

As of 2000, there were 931 thousand housing units in Kings County, including 456 thousand (49%) 1- to 4-family units, 474 thousand (51%) multifamily units and 637 (0.1%) mobile homes. Approximately 238 thousand (26%) of the housing units were owner

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occupied, 642 thousand (69%) were renter occupied, and 50 thousand (5%) were vacant. Housing units in LMI areas accounted for 33% of all owner-occupied units and 60% of all renter-occupied units. In 2000, the median housing value in Kings County was \$235.7 thousand and the median age of the housing stock was 53 years.

According to the New York State Department of Labor, Kings County's average unemployment rate was 8.6% in 2002 and 9.2% in 2003. The county's average unemployment rate was well above the statewide average rates of 6.1% in 2002 and 6.3% in 2003.

Westchester County - Westchester County contains 221 census tracts, including four (2%) zero-income, 2 (1%) low-income, 17 (8%) moderate-income, 37 (17%) middle-income and 161 (73%) upper-income tracts.<sup>7</sup>

According to the U.S. Census Bureau, Westchester County had a population of 923.5 thousand in 2000. Approximately 129 thousand (14%) of the county's residents were over the age of 65 and 207 thousand (22%) were under the age of 16.

In 2000, the median family income for the county was \$89.2 thousand. At that time, there were 237 thousand families in the county, including 28 thousand (12%) low-income, 23 thousand (10%) moderate-income, 31 thousand (13%) middle-income and 155 thousand (65%) upper-income families. Of the 51 thousand LMI families living in the county, approximately 11 thousand (22%) lived in LMI tracts. Those same 11 thousand families accounted for approximately 62% of all families living in LMI tracts.

There were 337.5 thousand households in the county, including 28.6 thousand households (8.5%) living below the poverty level.

As of the 2000 Census, Westchester County contained 349.4 thousand housing units, including 237.1 thousand (67.9%) 1- to 4-family units, 112.1 thousand (32.1%) multifamily units and 152 (0.04%) mobile homes. Approximately 203 thousand (58%) of the housing units were owner occupied, 134 thousand (38%) were renter occupied and 12 (4%) thousand were vacant. Only 3.6 thousand (1.8%) owner-occupied units were located in LMI census tracts, whereas 23.2 thousand (17.3%) renter-occupied units were located in LMI tracts. In 2000, the median housing value in Westchester County was \$286 thousand and the median age of the housing stock was 36 years.

According to the New York State Department of Labor, Westchester County's average unemployment rate was 4.2% in 2002 and 4.0% in 2003. The county's average unemployment rate was well below the statewide average rates of 6.1% in 2002 and 6.3% in 2003.

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<sup>7</sup> Percentages do not sum to 100% due to rounding.

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Nassau County - Nassau County contains 277 census tracts, including eight (2.9%) zero-income, two (0.7%) low-income, 20 (7.2%) moderate-income, 179 (64.6%) middle-income and 68 (24.6%) upper-income tracts.

According to the U.S. Census Bureau, Nassau County had a population of 1.3 million in 2000. Approximately 201 thousand (15%) of the county's residents were over the age of 65 and 293 thousand (22%) were under the age of 16.

In 2000, the median family income for the county was \$85.8 thousand. Included among the county's 350 thousand families were 58.4 thousand (16.7%) low-income, 59.7 thousand (17.1%) moderate-income, 80.5 thousand (23%) middle-income and 151.1 thousand (43.2%) upper-income families. Of the 118.1 thousand LMI families in the county, 17 thousand (14.4%) lived in LMI tracts. Those 17 thousand families accounted for 61.6 % of all the families living in LMI tracts.

There were 447.8 thousand households in the county, including 23.5 thousand (5.3%) households living below the poverty level.

As of 2000, there were 458.2 thousand housing units in Nassau County, including 408.7 thousand (89.2%) 1- to 4-family units, 49 thousand (10.7%) multifamily units and 418 (0.1%) mobile homes. Approximately 359.3 thousand (78.4%) of the housing units were owner-occupied, 88.1 thousand (19.2%) were renter occupied, and 10.8 thousand (2.4%) were vacant. Housing units in LMI areas accounted for 5% (18 thousand) of total owner-occupied units and 24% (21 thousand) of total renter-occupied units in the county. In 2000, the median housing value in Nassau County was \$279 thousand and the median age of the housing stock was 47 years.

According to the New York State Department of Labor, Nassau County's average unemployment rate was 4.1% in 2002 and 3.9% in 2003. The county's average unemployment rates were well below the statewide average rates of 6.1% in 2002 and 6.3% in 2003.

Suffolk County - Suffolk County contains 320 census tracts, including eight (2.5%) zero-income, two (0.6%) low-income, 65 (20.3%) moderate-income, 196 (61.3%) middle-income and 49 (15.3%) upper-income tracts.

According to the U.S. Census Bureau, Suffolk County had a population of 1.4 million in 2000. Approximately 168 thousand (12%) of the county's residents were over the age of 65 and 333 thousand (23%) were under the age of 16.

In 2000, the median family income for the Suffolk County was \$74.5 thousand. Included among the county's 363 thousand families were 70 thousand (19%) low-income, 73 thousand (20%) moderate-income, 92 thousand (25%) middle-income and 128 thousand (35%) upper-income families. Of the 143 thousand LMI families in the county, approximately 45 thousand (31%) lived in LMI tracts. These same 45 thousand families

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accounted for 57% of all families living in LMI tracts.

There were approximately 469 thousand households in the county, including nearly 27 thousand (5%) households living below the poverty level.

As of 2000, there were 522 thousand housing units in Suffolk County, including 479 thousand (92%) 1- to 4-family units, 38 thousand (7%) multifamily units and 5 thousand (1%) mobile homes. Approximately 72% (374 thousand) of the county's total housing units were owner-occupied, 18% (95 thousand) were renter-occupied, and 10% (53 thousand) were vacant.

Housing in LMI areas accounted for 20% of total owner-occupied units and 35% of total renter-occupied units in the county. In 2000, the median housing value in Suffolk County was \$207 thousand and the median age of the housing stock was 34 years.

According to the New York State Department of Labor, Suffolk County's average unemployment rate was 4.4% in both 2002 and 2003. The county's average unemployment rate was well below the statewide average rates of 6.1% in 2002 and 6.3% in 2003.

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## **PERFORMANCE TESTS AND ASSESSMENT FACTORS**

*The Banking Department assesses a large bank's CRA performance by evaluating its lending, investment and service activities and by applying the lending, investment and service tests provided for in Parts 76.8, 76.9 and 76.10 of the General Regulations of the Banking Board.*

This performance evaluation is based on a review of Apple Bank's lending, investment and service activities within its assessment area during calendar years 2002 and 2003.

Statistics included in this evaluation were derived from various sources. In addition to loan information submitted by the bank, aggregate data for HMDA-reportable loans were obtained from the Federal Financial Institutions Examination Council ("FFIEC") and from PCi Corporation's CRA Wiz<sup>®</sup> software. Demographic data were taken from the 1990 and 2000 U.S. Censuses. Estimated median family income figures for 2002 and 2003 were obtained from the U.S. Department of Housing and Urban Development (HUD).

The bank's HMDA-reportable lending for 2002 was compared to aggregate lending for the same year. Aggregate data for 2003 were not available for comparison at the time this evaluation was conducted.

### **I. Lending Test: "High Satisfactory"**

*The bank's lending performance is evaluated pursuant to the following criteria: (1) Lending Activity, (2) Assessment Area Lending, (3) Geographic Distribution of Loans, (4) Borrower Characteristics, (5) Community Development Lending and (6) Innovative or Flexible Lending Practices.*

#### **Lending Activity: "Low Satisfactory"**

Apple Bank's lending levels reflect adequate responsiveness to the credits needs of its assessment area.

In 2002, the bank originated 331 HMDA-reportable loans for a total of \$106.6 million. Comparative lending data for the assessment area indicates that Apple Bank ranked 112<sup>th</sup> out of 636 lenders based on number of loans and 94<sup>th</sup> based on dollar volume, with market shares of 0.11% and 0.14%, respectively. In 2003, Apple Bank experienced a 16% drop in originations based on number of loans and a 14.2% drop based on dollar volume. During 2003, the bank originated 278 loans for a total of \$91.5 million.

In 2002 and 2003, Apple Bank purchased 475 and 405 HMDA-reportable loans within its assessment area, totaling \$74.3 million and \$61.4 million, respectively. These purchases account for approximately 59% of the bank's HMDA-reportable loan activity by both number and dollar volume of loans.

Modification, Extension and Consolidation Agreements (MECAs) supplemented the bank's HMDA-reportable loan volume. In 2002 and 2003, Apple Bank extended 158 and 193 MECAs, totaling \$92.1 million and \$114.6 million, respectively. MECAs are transactions usually connected to loans on multifamily properties, whereby an existing loan is modified, extended or consolidated.<sup>8</sup> While these transactions are functionally equivalent to loan refinancings, they are not treated as such for HMDA reporting purposes because the existing loan obligations are not satisfied and replaced. Although MECAs are not HMDA-reportable, they achieve the same result as certain reportable loans and can have a material impact on a bank's CRA performance.

The following table summarizes Apple Bank's lending activity:

Apple Bank Loan Volume (Dollar Amounts in Thousands)						
Loan Type	2002		2003		Total	
	#	\$	#	\$	#	\$
Originations	331	\$106,635	278	\$91,487	609	\$198,122
Purchases	475	\$74,275	405	\$61,415	880	\$135,690
MECAs	158	\$92,137	193	\$114,563	351	\$206,700
<b>TOTAL</b>	<b>964</b>	<b>\$273,047</b>	<b>876</b>	<b>\$267,465</b>	<b>1,840</b>	<b>\$540,512</b>

During the evaluation period, a historically low interest rate environment created a steady flow of borrowers seeking to reduce their mortgage payments by refinancing their loans. During this time, lenders increasingly offered MECAs as an alternative to refinancing 1- to 4-family mortgages, whereas MECAs traditionally were associated with multifamily mortgages. As it so happens, MECAs are not HMDA-reportable, so comparative data for these loans is not available.

Apple Bank offers a secured, fixed-rate installment "SureLoan" that can be used for any purpose. This loan product offers flexible repayment terms and provides an interest rate reduction of 0.25% when borrowers opt to have their payments automatically deducted from their bank account. In addition, installment payments on SureLoans decrease the hold against the funds securing the loan. Apple Bank originated 5,425 such loans, for a total of \$22.2 million, during the evaluation period.

**Assessment Area Lending: "Outstanding"**

Apple Bank made a substantial majority of its loans within its assessment area. As shown in the following chart, the bank's assessment area concentration for HMDA-reportable lending and MECAs reflects a combined percentage of 93.6% by number and 91.6% by dollar volume.

<sup>8</sup> MECAs are often used in New York State to reduce closing costs on refinancing transactions.

Distribution of Loans Inside and Outside of the Assessment Area										
Loan Type	Number of Loans					Dollar Volume				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$ (000's)	%	\$ (000's)	%	
<b>HMDA-Reportable</b>										
2002	806	96.0	34	4.0	840	180,910	93.9	11,755	6.1	192,665
2003	683	92.0	59	8.0	742	152,902	82.9	31,504	17.1	184,406
<b>Subtotal</b>	<b>1,489</b>	<b>94.1</b>	<b>93</b>	<b>5.9</b>	<b>1,582</b>	<b>333,812</b>	<b>88.5</b>	<b>43,259</b>	<b>11.5</b>	<b>377,071</b>
<b>MECAs</b>										
2002	158	94.6	9	5.4	167	92,137	97.6	2,283	2.4	94,420
2003	193	89.4	23	10.6	216	114,563	96.7	3,871	3.3	118,434
<b>Subtotal</b>	<b>351</b>	<b>91.6</b>	<b>32</b>	<b>8.4</b>	<b>383</b>	<b>206,700</b>	<b>97.1</b>	<b>6,154</b>	<b>2.9</b>	<b>212,854</b>
<b>Total</b>	<b>1,840</b>	<b>93.6</b>	<b>125</b>	<b>6.4</b>	<b>1,965</b>	<b>540,512</b>	<b>91.6</b>	<b>49,413</b>	<b>8.4</b>	<b>589,925</b>

### Geographic Distribution: "High Satisfactory"

The geographic distribution of Apple Bank's loans reflects good penetration throughout the assessment area. The table below illustrates the excellent penetration that Apple Bank made in LMI census tracts.<sup>9</sup> In 2002, the bank's penetration rate for LMI tracts exceeded the aggregate by 11.6 percentage points based on loan volume and 6.0 percentage points based on dollar volume. The following year, Apple Bank's penetration into LMI areas increased by 8.5% based on number of loans and 15.7% based on dollar volume. However, some of this increase is attributable to the introduction of updated demographic benchmarks during 2003, which created a 12% increase in the number of LMI geographies inside the bank's assessment area.

Distribution of HMDA-Reportable Loans By Census Tract Income Level										
Census Tract Income Level	Apple Bank 2002				Aggregate 2002		Apple Bank 2003			
	#	% by #	\$ (000's)	% by \$	% by #	% by \$	#	% by #	\$ (000's)	% by \$
Low	16	2.0	3,276	1.8	2.0	2.4	13	1.9	2,613	1.7
Moderate	192	23.8	31,332	17.3	12.2	10.7	178	26.1	31,154	20.4
<i>LMI Total</i>	208	25.8	34,608	19.1	14.2	13.1	191	28.0	33,767	22.1
Middle	223	27.7	35,916	19.9	47.9	39.9	238	34.8	33,420	21.9
Upper	373	46.3	109,824	60.7	37.8	46.9	253	37.0	85,340	55.8
N/A	2	0.2	562	0.3	0.1	0.1	1	0.1	375	0.2
<b>Total</b>	<b>806</b>	<b>100.0</b>	<b>180,910</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>683</b>	<b>100.0</b>	<b>152,902</b>	<b>100.0</b>

The chart below summarizes Apple Bank's LMI area penetration rates on a county and MSA level and highlights the bank's exceptional performance in MSA 5380 (Nassau and Suffolk Counties). Apple Bank outperformed the aggregate in this MSA by approximately 26 percentage points in both loan and dollar volume during 2002. Although the bank's performance declined in 2003, it remained at an excellent level.

<sup>9</sup> The loan volume for Apple Bank includes originations and purchases while the aggregate data considers originations only.

In MSA 5600, Apple Bank's LMI penetration rate slightly outperformed the market aggregate based on loan volume but underperformed the aggregate by 3.6 percentage points based on dollar volume. The weakest area for the bank was New York County (Manhattan), where the bank underperformed the aggregate's LMI distribution by 61.3% based on loan volume and 79% based on dollar volume.

HMDA-Reportable Loans LMI Tract Penetration Comparison							
County or MSA	2002				2003		
	Apple Bank			Aggregate	Apple Bank		
	LMI Loans	Total Loans	LMI %	LMI %	LMI Loans	Total Loans	LMI %
Bronx	7	30	23.3	27.6	12	17	70.6
Kings	36	65	55.4	32.4	27	48	56.3
New York	9	240	3.8	9.7	9	144	6.3
Queens	12	55	21.8	7.4	6	35	17.1
Westchester	2	67	3.0	2.3	1	44	2.3
<i>MSA 5600 Total</i>	<i>66</i>	<i>457</i>	<i>14.4</i>	<i>13.6</i>	<i>55</i>	<i>288</i>	<i>19.1</i>
Nassau	28	110	25.5	6.5	13	122	10.7
Suffolk	114	239	47.7	20.8	123	273	45.1
<i>MSA 5380 Total</i>	<i>142</i>	<i>349</i>	<i>40.7</i>	<i>14.9</i>	<i>136</i>	<i>395</i>	<i>34.4</i>
Assessment Area	208	806	25.8	14.2	191	683	28.0

  

HMDA-Reportable Dollar Volume (000's) LMI Tract Penetration Comparison							
County or MSA	2002				2003		
	Apple Bank			Aggregate	Apple Bank		
	LMI \$	Total \$	LMI %	LMI %	LMI \$	Total \$	LMI %
Bronx	1,358	3,819	35.6	37.3	3,131	3,696	84.7
Kings	6,645	12,196	54.5	32.6	5,274	9,466	55.7
New York	1,979	85,978	2.3	11.0	1,464	63,087	2.3
Queens	2,061	10,828	19.0	8.1	979	4,970	19.7
Westchester	370	10,118	3.7	1.7	50	9,587	0.5
<i>MSA 5600 Total</i>	<i>12,413</i>	<i>122,939</i>	<i>10.1</i>	<i>13.7</i>	<i>10,898</i>	<i>90,806</i>	<i>12.0</i>
Nassau	4,655	18,692	24.9	5.1	2,484	21,458	11.6
Suffolk	17,540	39,279	44.7	18.1	20,385	40,638	50.2
<i>MSA 5380 Total</i>	<i>22,195</i>	<i>57,971</i>	<i>38.3</i>	<i>12.4</i>	<i>22,869</i>	<i>62,096</i>	<i>36.8</i>
Assessment Area	34,608	180,910	19.1	13.1	33,767	152,902	22.1

In 2002, the bank's "SureLoan" secured installment loan product was distributed throughout census tracts of all income levels. Apple Bank stated that it originated 2,832 loans totaling \$12.4 million, of which 1,553 loans (54.8%) totaling \$5.2 million (42.3%) were in LMI census tracts. The bank did not provide a distribution analysis of the 2,593 loans totaling \$9.8 million that it originated during 2003.

**Borrower Characteristics: "High Satisfactory"**

The distribution of loans by borrower characteristics reflects good penetration among consumers of different income levels. The following chart illustrates Apple Bank's and the market aggregate's performance in the assessment area. Apple Bank outperformed the

aggregate's LMI borrower penetration rate by 88.7% in 2002, and improved on its own performance by 21.7% in 2003.

<b>Distribution of HMDA-Reportable Loans By Borrower Income Level (Excluding Multifamily Loans)</b>					
<b>Borrower Income Level</b>	<b>Apple Bank 2002</b>		<b>Aggregate 2002</b>	<b>Apple Bank 2003</b>	
	<b># of Loans</b>	<b>% by #</b>	<b>% by #</b>	<b>#</b>	<b>% by #</b>
Low	52	6.5	3.4	61	9.1
Moderate	229	28.6	15.2	227	33.7
<i>LMI Total</i>	281	35.1	18.6	288	42.7
Middle	122	15.2	25.1	95	14.1
Upper	363	45.3	46.5	206	30.6
N/A	35	4.4	9.7	85	12.6
<b>Total</b>	<b>801</b>	<b>100.0</b>	<b>100.0</b>	<b>674</b>	<b>100.0</b>

The following chart provides LMI borrower penetration rates for Apple Bank and the aggregate by county and by MSA. In 2002, Apple Bank's penetration rate of 13.1% in MSA 5600 was slightly higher than the aggregate's LMI borrower penetration rate of 12.7%. In each county except for New York County, the bank's ratios exceeded the aggregate.

In 2003, Apple Bank improved its overall LMI borrower penetration rate in MSA 5600 by 50 basis points, with the greatest change occurring in Kings County. In MSA 5380, the bank's LMI borrower penetration rate of 63.6% was more than double the aggregate's penetration rate of 24.9%. During 2003, the bank maintained an excellent penetration rate of 63.3%.

<b>HMDA-Reportable Loans LMI Borrower Penetration Comparison (Excluding Multifamily Loans)</b>							
<b>County or MSA</b>	<b>2002</b>				<b>2003</b>		
	<b>Apple Bank</b>			<b>Aggregate</b>	<b>Apple Bank</b>		
	<b>LMI Loans</b>	<b>Total Loans</b>	<b>LMI %</b>	<b>LMI %</b>	<b>LMI Loans</b>	<b>Total Loans</b>	<b>LMI %</b>
Bronx	11	30	36.7	21.2	2	15	13.3
Kings	16	65	24.6	15.8	19	48	39.6
New York	5	236	2.1	4.1	2	138	1.4
Queens	17	54	31.5	17.8	8	34	23.5
Westchester	10	67	14.9	7.3	7	44	15.9
<i>MSA 5600 Total</i>	59	452	13.1	12.7	38	279	13.6
Nassau	65	110	59.1	20.2	86	122	70.5
Suffolk	157	239	65.7	28.3	164	273	60.1
<i>MSA 5380 Total</i>	222	349	63.6	24.9	250	395	63.3
<b>Assessment Area</b>	<b>281</b>	<b>801</b>	<b>35.1</b>	<b>18.6</b>	<b>288</b>	<b>674</b>	<b>42.7</b>

### **Community Development Lending: "Outstanding"**

Apple Bank is a leader in community development lending and provides commercial, multifamily, and construction loans, as well as letters and lines of credit. As of the

evaluation date, Apple Bank held a portfolio of 50 community development loans totaling \$84.9 million. Thirty (60%) of these loans, totaling \$67.4 million (79.4%), were new money.

A majority (53.6%) of Apple Bank’s community development loans, totaling \$45.5 million, financed affordable housing. This activity includes multifamily loans originated in LMI census tracts and deemed to offer affordable housing to LMI individuals.<sup>10</sup> Based on dollar amount, these multifamily loans accounted for approximately 25% of Apple Bank’s portfolio.

Loans supporting revitalization and stabilization efforts accounted for another substantial portion (\$31.3 million, or 36.8%) of the bank’s community development loan portfolio.

A portion of the bank’s community development lending occurred in the Bronx (33.8% or \$28.7 million) and Manhattan (37.9% or \$23.7 million).

The following chart summarizes the bank’s community development lending activity by loan purpose and location:

<b>Apple Bank Community Development Lending by Category (\$000's)</b>				
Category	Commitment Amount	%	New Money	New Money %
Affordable Housing	45,473	53.6	41,283	90.8
Community Development Services	6,595	7.8	4,550	69.0
Small Business	1,578	1.9	1,550	98.2
Revitalize and Stabilize LMI Areas	31,265	36.8	20,064	64.2
<b>Total</b>	<b>84,911</b>	<b>100.0</b>	<b>67,447</b>	<b>79.4</b>
<b>Apple Bank Community Development Lending by County (\$000's)</b>				
County	Commitment Amount	%	New Money	New Money %
Multi-county	6,984	8.2	6,200	88.8
Bronx	28,717	33.8	20,945	72.9
New York	23,692	27.9	17,900	75.6
Queens	10,503	12.4	8,102	77.1
Kings	14,000	16.5	14,000	100.0
Westchester	0	0.0	0	N/A
Nassau	715	0.8	0	0.0
Suffolk	300	0.4	300	100.0
<b>Total</b>	<b>84,911</b>	<b>100.0</b>	<b>67,447</b>	<b>79.4</b>

<sup>10</sup> As permitted by regulation, Apple Bank also received credit for these loans as part of the LMI penetration analysis in the “geographic distribution” component of this performance evaluation.

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## **Innovative and Flexible Lending Practices: “High Satisfactory”**

The bank uses innovative and/or flexible lending practices in serving the credit needs of its assessment area.

- The bank offered seven “no income verification” loan products for residential mortgage loans. These loans are geared to borrowers with non-traditional income sources, good credit and the financial means to make a large down payment. During the evaluation period, Apple Bank originated 93 “no income verification” loans totaling approximately \$34 million. Four of these loans, totaling \$401 thousand, were in LMI census tracts.
- As mentioned earlier in this evaluation, Apple Bank offers a secured, fixed-rate installment loan featuring flexible repayment terms. The bank reported originating 5,425 such loans during the evaluation period for a total of \$22.2 million.
- The bank offered Freddie Mac’s “ALT 97” mortgage product for borrowers with good credit but limited savings. The down payment for these loans can come from various sources and can be as low as 3%. Apple Bank originated one such loan, totaling \$58 thousand, during the evaluation period.
- Apple Bank is one of a small group of experienced multifamily lenders chosen by Freddie Mac to participate in the agency’s “Program Plus” financing mechanism. Program Plus provides financing for rental properties that will be affordable to families with low and very low incomes. The program also finances rental properties located in underserved areas. During the evaluation period, the bank originated four Program Plus loans in the assessment area for a total of \$40.2 million.
- Apple Bank offers various State of New York Mortgage Agency (“SONYMA”) loan products. All SONYMA homeownership programs feature low or no points, low down payments, flexible underwriting standards, and relatively long interest rate lock-in periods. The bank originated seven such loans, totaling \$834.5 thousand, during the evaluation period. Two of these loans were originated through SONYMA’s “Achieving the Dream” mortgage program, which is targeted to low-income households and offers up to 97% financing at steeply discounted, fixed interest rates.

## **II. Investment Test: “High Satisfactory”**

*The investment test evaluates a banking institution’s record of helping to meet the credit needs of its assessment area through qualified investments. Qualified investments are evaluated based on dollar volume, innovativeness or complexity, responsiveness to community development needs, and the degree to which they are not routinely provided by private investors.*

Apple Bank had a significant level of qualified community development investments and grants. Qualified investments totaled \$30.9 million, including \$23.3 million (75.3%) in new

money. While Apple Bank’s dollar volume of qualified investments dollars was significant, the investments were not particularly innovative or complex. As detailed in the following table, 78.8% of the bank’s qualified investments were targeted mortgage-backed securities. Grants totaling \$343 thousand represented a minimal portion (1.1%) of the bank’s qualified investments. During the evaluation period, Apple Bank provided 119 grants to 68 community development organizations.

Apple Bank Community Development Investments (\$000's)					
Investment Type	Commitment Amount	% of Total	New Money	New Money %	Category
Targeted Mortgage Backed Securities	24,362	78.8	20,725	85.1	Affordable Housing
Collateral Trust Notes	4,000	12.9	0	0.0	Affordable Housing
Investment Fund	2,000	6.5	2,000	100.0	Affordable Housing
Certificates of Deposit	200	0.6	200	100.0	Revitalize and Stabilize
Grants	343	1.1	343	100.0	Various
<b>Total</b>	<b>30,905</b>	<b>100.0</b>	<b>23,268</b>	<b>75.3</b>	

The bank exhibits good responsiveness to the community development and credit needs of its assessment area. Apple Bank’s qualified investments focus on affordable housing, which is a well-recognized problem for many New Yorkers.

### III. Service Test: “High Satisfactory”

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

#### **Retail Banking Services:** “Outstanding”

##### Accessibility of Delivery Systems

Apple Bank’s delivery systems are readily accessible to all portions of the assessment area.

As of December 31, 2003, Apple Bank operated a network of 47 branches. The table below summarizes the geographic distribution of those branches. As noted earlier in this evaluation, certain demographic data from the 2000 Census was introduced in 2003. Since the evaluation period covers 2002 as well as 2003, the table below shows Apple Bank’s branch distribution using tract income levels from both the 1990 and the 2000 Censuses.

In addition to its branch network, Apple Bank operated 77 ATMs as of the evaluation date. These ATMs give customers around-the-clock access to their accounts. An overwhelming majority (91%) of the ATMs are located at the bank's branch offices. The remaining ATMs are located at other sites in New York and Kings Counties.

<b>Apple Bank Branch Locations by County and Census Tract as of 12/31/2003 (1990 Census)</b>									
<b>County</b>	<b>Low</b>	<b>Moderate</b>	<b>Middle</b>	<b>Upper</b>	<b>N/A</b>	<b>Total per County</b>	<b>Branch % per County</b>	<b>LMI Adjacent Branches</b>	<b>In/Adj. LMI % per County</b>
Kings	1	3	7	2	0	13	27.7	5	69.2
Queens	0	0	1	1	0	2	4.3	1	50.0
New York	2	2	1	6	1	12	25.5	3	58.3
Bronx	1	1	1	1	0	4	8.5	1	75.0
Westchester	0	0	0	2	0	2	4.3	0	0.0
Nassau	0	0	4	1	0	5	10.6	2	40.0
Suffolk	0	1	7	1	0	9	19.1	1	22.2
<b>Total</b>	<b>4</b>	<b>7</b>	<b>21</b>	<b>14</b>	<b>1</b>	<b>47</b>	<b>100.0</b>	<b>13</b>	<b>51.1</b>
<b>% per Tract</b>	<b>8.5</b>	<b>14.9</b>	<b>44.7</b>	<b>29.8</b>	<b>2.1</b>	<b>100.0</b>			
<b>Apple Bank Branch Location by County and Census Tract as of 12/31/2003 (2000 Census)</b>									
<b>County</b>	<b>Low</b>	<b>Moderate</b>	<b>Middle</b>	<b>Upper</b>	<b>N/A</b>	<b>Total per County</b>	<b>Branch % per County</b>	<b>LMI Adjacent Branches</b>	<b>In/Adj. LMI % per County</b>
Kings	2	4	5	2	0	13	27.7	4	76.9
Queens	0	0	1	1	0	2	4.3	1	50.0
New York	2	3	0	7	0	12	25.5	3	66.7
Bronx	0	2	0	1	1	4	8.5	0	50.0
Westchester	0	0	0	2	0	2	4.3	0	0.0
Nassau	0	0	5	0	0	5	10.6	2	40.0
Suffolk	0	0	8	1	0	9	19.1	1	11.1
<b>Total</b>	<b>4</b>	<b>9</b>	<b>19</b>	<b>14</b>	<b>1</b>	<b>47</b>	<b>100.0</b>	<b>11</b>	<b>51.1</b>
<b>% per Tract</b>	<b>8.5</b>	<b>19.1</b>	<b>40.4</b>	<b>29.8</b>	<b>2.1</b>	<b>100.0</b>			

In addition to its branches and ATMs, Apple Bank offers bank-by-mail and 24-hour telephone banking services. The telephone banking service includes a toll-free text transmitter (TTY device) for customers with speech or hearing difficulties.

Internet banking is available to all customers via the bank's website. Features available online include: bill payment services; deposit and loan information; branch locations and hours; and, a schedule of bank-sponsored events. The bank also offers a second website through which customers can obtain mortgage rate information, loan program descriptions, payment calculators and amortization schedules.

#### Reasonableness of Business Hours and Services in Meeting Assessment Area Needs

Thirty-nine of the bank's branches offer weekend hours, including 35 branches that are open on Saturdays and four that are open on Sundays to serve the needs of their respective communities. In addition, Apple Bank offers extended business hours at 44

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(95.7%) branches during the workweek. Eleven branches offer drive-through banking.

In March 2002, Apple Bank offered an account entitled “BasicValue.” This alternative to the New York State-mandated basic banking account is more favorable to the consumer in four ways: no minimum balance is required, the minimum deposit to open an account is only \$10, an ATM/debit card is available with no fee, and cancelled checks are returned free of charge. According to bank management, more than 6,300 accounts have been opened since the BasicValue product was introduced, and 60% of those accounts were opened at branches located in LMI areas. This attests to the successful marketing of the alternative account, which is geared to LMI customers.

Apple Bank offers a “Youth Savings” passbook account that is geared to stimulating savings and teaching financial literacy. Management stated that more than 17 thousand accounts have been opened. Approximately 57% of the youth accounts are domiciled at branches located in LMI census tracts.

The bank maintains its no fee involvement with the New York State Electronic Benefits Transfer (“EBT”) card at all its ATMs through the Quest network. New York State converted this check-based benefits program to an electronic system, and Apple Bank’s branches located in or adjacent to LMI tracts participate in this valuable service.

Apple Bank also offers its “Apple Edge” work-place banking program to attract new accounts through customers’ workplaces. This program, which offers advantageous pricing or discounts, primarily attracts lower-paid support and clerical staff. As of year-end 2003, this program had 365 actively participating employers and generated a total of \$51.3 million in deposits across 11 thousand accounts. Bank management noted that 35% of these accounts, and 24% of the balances, were in branches located in LMI census tracts.

### Changes in Branch Locations

During the evaluation period, Apple Bank opened two branches, one in a middle-income tract in Kings County and one in an upper-income tract in Queens County. The bank closed two branches located in upper-income tracts, one in New York County and one in Nassau County. These changes did not have a material effect on the accessibility of Apple Bank’s branch network.

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

Apple Bank provides an adequate level of community development services.

Various managers and staff volunteer in a financial capacity with local nonprofit and community development organizations. Organizations served include: Ohel Children’s Home and Family Services; Landmarks Conservancy; Community Preservation Corporation; Harlem Business Alliance’s Loan Fund; Neighborhood Housing Services; Audubon Partnership for Economic Development; and, the Northern Manhattan

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Improvement Corporation.

During the evaluation period, Apple Bank, in association with various nonprofit organizations, presented seven homebuyer seminars to increase financial literacy among LMI customers. One seminar was conducted in Spanish to accommodate Spanish-speaking members of the community. As part of this effort, Apple Bank worked with the Community Home Purchase Process Initiative, the Midwood Development Corporation, Neighborhood Housing Services and the Greater Harlem Real Estate Board, among other community groups.

During the evaluation period, Apple Bank provided meeting space to Neighborhood Housing Services and to Ohel Children's Home and Family Services.

#### **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 evaluation, 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.

#### **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.**

Apple Bank's efforts to ascertain community credit needs focus on meeting with community groups and the CRA community and amassing information from media and industry press. The bank meets regularly with United Neighborhood Housing and occasionally with other groups including Abyssinian Development Corporation, Habitat for Humanity, South Bronx Overall Economic Development Corporation, Project Enterprise, Harlem Business Alliance, Economic Development Opportunity Association, 14<sup>th</sup> Street-Union Square Local Development Corporation, and the Long Island Housing Partnership. Additionally, the Bank met with Nassau County executives to discuss affordable housing.

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**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 markets its credit products using flyers, mailings to nonprofit organizations, and posters in its branches. These efforts focus on the bank's LMI mortgage programs, homebuyer seminars and event sponsorships. In addition, the bank occasionally advertises in *El Diario* and *Caribbean Life*.

**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.**

Apple Bank's CRA Committee meets monthly and includes senior management representation from the Consumer Banking, Commercial Mortgage and Residential Lending divisions. The bank's chairman and chief executive officer is also involved, as are representatives from non-lending divisions of the bank such as Compliance, Marketing and Legal. The board of directors receives monthly CRA updates from the CRA Officer that include copies of the CRA Committee's minutes. In addition, a comprehensive CRA performance report is presented to the board annually.

## **VI. Other Factors**

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

Apple Bank donated clothing, toys, household items and furniture to the Church Avenue Merchant's Block Association. The bank also donated desks to Mercy Academy in Syosset, New York.

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## 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,

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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;

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- ❖ 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

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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.