



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: The Chinese American Bank
77 Bowery
New York, NY 10002

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 The Chinese American Bank (“CAB”) 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 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 the written summary (“Evaluation”) be made available to the public. Evaluations are primarily based on a review of performance tests and standards described in Section 76.7 and detailed in Sections 76.8 to 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

The Chinese American Bank is rated "2," indicating a satisfactory record of helping to meet community credit needs.

Lending Test- "High Satisfactory"

- CAB's lending level reflects adequate responsiveness to assessment area credit needs.

In 2002, CAB originated 55 small business loans totaling \$15.7 million in the assessment area. In 2003, the bank's small business loan volume increased to 62 loans totaling \$19.2 million. Based on the 2002 Lender Market Share Report, CAB ranked 32nd by number and 27th by dollar volume of loans among 233 small business lenders within the bank's assessment area. In 2003, the bank's ranking declined to 38th by number and 29th by dollar volume among 254 small business lenders.

CAB first began offering residential mortgage products in 2002 and during that year originated one loan for \$40 thousand within the assessment area. In 2003, CAB originated 10 HMDA-reportable loans totaling \$2.0 million within its assessment area. Based on the 2003 Lender Market Share Report CAB ranked 197th among 394 HMDA-reporting lenders within its assessment area.

- CAB originated a high percentage of its loans within the assessment area. The bank originated a total of 169 small business and HMDA-reportable loans inside the assessment area, for a combined dollar volume of \$51.1 million. Based on number of loans and dollar volume, the bank granted 75.7% and 72.3%, respectively, of its loans within the assessment area.
- The geographic distribution of CAB's loans reflects good dispersion throughout the assessment area. In 2002, CAB extended 47.2% by number and 51.9% by dollar volume of its small business loans in LMI areas, which was well above the 24.0% and 24.6%, respectively, achieved by the aggregate. The bank's LMI penetration rates for 2003 were much lower than 2002; however, they were comparable with the aggregate's LMI penetration rates of 22.6% and 20.2% respectively.

In 2003, CAB extended 70.0% by number and 60.2% by dollar volume of its HMDA-reportable loans in LMI areas. This performance was well above the aggregate's penetration rates of 19.7% and 18.7%, respectively.

- The distribution of CAB's loans based on borrower characteristics reflects good penetration among businesses of different sizes and very poor penetration among consumers of different income levels. In 2002, the bank originated 29.1% of its small business loans to businesses with revenues of \$1 million or less, which was lower than the aggregate's penetration rate of 33.6%. In 2003, the bank's penetration rate for

loans to businesses with revenues of \$1 million or less increased significantly to 74.2%, which was well above the aggregate's penetration rate of 39.9%.

In 2003, 100% of the bank's HMDA-reportable loans were extended to upper-income individuals while 5.6% of the aggregate's loans were extended to LMI individuals.

- The bank made a relatively high level of community development loans. During the current evaluation period, CAB's community development lending activity totaled \$3.7 million, including \$110 thousand in new money. The vast majority of this activity supported the revitalization and stabilization of LMI geographies.
- CAB makes limited use of innovative and/or flexible lending practices in serving the credit needs of its assessment area.

The bank has introduced a low interest rate installment loan program providing financing to childcare service providers within the bank's assessment area. The bank originated three loans under this program during 2002 for a total of \$170 thousand.

Investment Test: - "High Satisfactory"

- The bank had a significant level of qualified community development investments during the evaluation period. These investments totaled \$1.5 million, including \$24 thousand in grants.

Service Test: - "Low Satisfactory"

- Delivery systems are reasonably accessible to essentially all portions of the institution's assessment area. CAB's delivery systems are less accessible to customers residing within Kings County because the bank does not have any branches in that county.
- Business hours and services do not vary in a way that inconveniences any particular portion of the assessment area, particularly LMI geographies and/or LMI individuals. CAB offers extended hours Monday through Friday at all branches and each branch has Saturday hours. Additionally, CAB's main office offers Sunday hours.
- The bank provides an adequate level of community development services in its assessment area. During the evaluation period, CAB co-hosted three technical assistance seminars that provided financial advice to individual consumers or entrepreneurs applying for small business financing. In addition, CAB participates in New York State's Electronic Benefit Transfer ("EBT") program for low-income individuals and families. CAB waives the automated teller machine ("ATM") service fee for participants in this program.

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:

Chartered in 1967, The Chinese American Bank is a commercial bank and a wholly-owned subsidiary of the Chinese American Bank Holding, LLC, a one-bank holding company.

CAB operates three full-service banking offices, including a single branch in Queens County and a main office and branch in New York County. Each office has an onsite ATM.

On its year-end Call Report for 2003, the bank reported total assets of \$368.9 million and deposits of \$317.8 million.

According to the most recent deposit market data available from the FDIC, dated June 30, 2003, CAB holds a 0.09% share of its market, ranking it 41st among 104 deposit-taking institutions. As of June 30, 2003, CAB held \$229.1 million in deposits in its New York County offices and \$83.6 million in its Queens County branch.

CAB is located in a highly competitive market that includes large domestic banks and other ethnic community-oriented banks. Furthermore, the tragic events of September 11, 2001, and the SARS scare of 2003 had a severely negative impact on the bank's market area.

The following table summarizes CAB's loan portfolio as of the end of calendar years 2002 and 2003 based on Schedule RC-C of the bank's Call Report:

GROSS LOANS OUTSTANDING				
Loan Type	12/31/2002		12/31/2003	
	\$000	%	\$000	%
Construction loans	0	0.0	2,952	2.1
1-4 Family Residential Mortgage Loans	710	0.5	3,681	2.6
Commercial Mortgage Loans	94,396	71.4	102,639	71.3
Multifamily Mortgages	0	0.0	219	0.2
Commercial & Industrial Loans	34,041	25.7	32,123	22.3
Consumer Loans	3,002	2.3	2,039	1.4
Other Loans	90	0.1	220	0.2
Gross Loans: Total Outstanding	132,239	100.0	143,873	100.0

The bank's loan portfolio increased by 8.8%, or \$11.6 million, during 2003. As of December 31, 2003, commercial mortgage loans accounted for 71.3% of the bank's loan portfolio, while commercial & industrial loans accounted for an additional 22.3% of the portfolio.

CAB does not participate in governmentally insured, guaranteed or subsidized loan programs for housing, small business or small farms.

At its prior Performance Evaluation, conducted by the New York State Banking Department

as of December 31, 2001, CAB received a rating of “2,” reflecting a satisfactory record of helping to meet community credit needs.

There are no known legal or financial impediments affecting the bank’s ability to meet the credit needs of its assessment area.

Assessment Area:

CAB’s assessment area includes portions of New York, Queens and Kings Counties. These counties are part of MSA 5600 (New York). During the evaluation period, management expanded the assessment area by increasing the number of census tracts it includes in Kings and Queens Counties and by slightly modifying the portion of New York County included within the assessment area.

Based on data from the 2000 Census, CAB’s assessment area contains 734 census tracts, including 239 tracts (32.6%) categorized as LMI areas. According to data from the 1990 Census, the assessment area contained 738 census tracts, including 202 tracts (27.4%) categorized as LMI geographies. The following table illustrates the distribution of census tracts within CAB’s assessment area based on geographic income level.

Distribution of Assessment Area Census Tracts by Geographic Income Level – 2000							
County	Zero	Low	Moderate	Middle	Upper	Total	LMI %
New York	2	9	15	12	62	100	24.0
Queens	7	5	68	138	65	283	25.8
Kings	6	29	113	131	72	351	40.5
Total	15	43	196	281	199	734	32.6

Source: 2000 U.S. Census

Distribution of Assessment Area Census Tracts by Geographic Income Level – 1990							
County	Zero	Low	Moderate	Middle	Upper	Total	LMI %
New York	5	14	17	17	48	101	30.7
Queens	6	2	55	158	64	285	20.0
Kings	8	31	83	171	59	352	32.4
Total	19	47	155	346	171	738	27.4

Source: 1990 U.S. Census

The assessment area appears reasonable based upon the bank’s lending patterns and the locations of its branches. There is no evidence that LMI areas have been arbitrarily excluded from the assessment area.

Details of the Assessment Area

New York County: The bank’s assessment area includes most census tracts south of 42nd Street. The New York County geographies included within the assessment area total 100 or 101 census tracts, depending upon the Census year. At the prior evaluation, the New York County portion of the assessment area contained 102 census tracts.

According to data from the New York State Department of Labor, New York County’s

average unemployment rates for 2002 and 2003 were 8.2% and 8.3%, respectively. These rates were notably higher than the statewide average unemployment rates of 6.1% for 2002 and 6.3% for 2003.

Queens County: The Queens County portion of the assessment area encompasses the northwestern part of the county. Depending on the Census year of the data, this area accounts for 283 or 285 census tracts. At the prior evaluation, the Queens County portion of CAB's assessment area contained 214 census tracts.

According to data from the New York State Department of Labor, Queens County's average unemployment rates for 2002 and 2003 were 6.5% and 6.9%, respectively. These rates are marginally higher than the statewide average unemployment rates of 6.1% for 2002 and 6.3% for 2003.

Kings County: CAB's assessment area includes the western part of Kings County. Depending on the Census year of the data, this area accounts for 351 or 352 census tracts. At the prior evaluation, the Kings County portion of the assessment area contained 326 census tracts.

According to the New York State Department of Labor, Kings County's average unemployment rates for 2002 and 2003 were 8.6% and 9.2%, respectively. By comparison, the statewide average unemployment rates for 2002 and 2003 were 6.1% and 6.3%, respectively.

Significant Changes in Demographics Based on Census Data

During 2003, the U.S. Census Bureau began publishing updated demographic information based on the results of the 2000 Census. As a part of these updates, the Census Bureau adopted new geographic boundaries for the New York Metropolitan Statistical Area ("MSA"). These changes make it difficult, if not impossible, to compare data from 2003 to data from 2002 and before. For example, in 2002, the U.S. Department of Housing and Urban Development ("HUD") estimated the New York MSA's median family income at \$62.8 thousand. One year later, in 2003, HUD estimated the MSA's median family income at \$51.9 thousand. While it would appear at first glance that people's incomes dropped precipitously between 2002 and 2003, further analysis reveals that much of the decline is attributable to changes in the geographic composition of the MSA. Due to the impact of the changes introduced by the Census Bureau in 2003, great care is required in evaluating data from 2002 and 2003 to avoid "comparing apples and oranges."

According to data from the 1990 Census, 25.7% of all housing units in the assessment area were located in LMI tracts and the weighted average median housing value was \$209 thousand.

Based on the 2000 Census, the percentage of housing units located in LMI tracts within the assessment area changed to 32.0%, and the weighted average median housing value became \$256 thousand.

Business Demographics

The major industries in the assessment area were the service sector, with approximately one-third of all businesses, and the retail trade sector with about 17% of businesses.

The following charts provide additional details about the assessment area.

Chart #1: Population and Income.

Chart #2: Housing Demographics.

Chart #3: Business Demographics.

CHART # 1

ASSESSMENT AREA POPULATION AND INCOME CHARACTERISTICS BY COUNTY																					
COUNTY	Total Population	Age 65 and over		Age less than 16		Median Family Income (MFI)	HUD MSA MFI**	# of Households	# of HH below poverty level		Total Families	Low income		Moderate income		Middle income		Upper income		LMI families in LMI tracts	
		#	%	#	%				#	%		#	%	#	%	#	%	#	%	#	%
Kings (1990)	987,227	147,355	14.93	204,175	20.68	33,933	62,800	381,357	72,110	19.00	240,686	71,507	29.71	41,028	17.05	45,965	19.10	82,186	34.15	53,949	47.94%
Kings (2000)	1,084,845	142,302	13.12	229,691	21.17	43,403	51,900	408,154	86,090	21.00	252,969	79,969	31.61	39,928	15.78	41,484	16.40	91,588	36.21	71,244	59.42%
Queens (1990)	900,222	132,773	14.75	153,715	17.08	37,130	62,800	355,398	43,684	12.00	229,061	49,218	21.49	42,273	18.45	50,625	22.10	86,945	37.96	28,550	31.21%
Queens (2000)	1,051,050	129,379	12.31	199,688	18.99	44,747	51,900	383,989	60,922	16.00	251,970	61,500	24.41	45,277	17.97	49,899	19.80	95,294	37.82	42,124	39.45%
New York (1990)	433,993	57,546	13.26	48,975	11.28	45,354	62,800	217,416	31,507	14.00	81,319	21,424	26.35	11,783	14.49	12,126	14.91	35,986	44.25	22,227	66.93%
New York (2000)	446,196	54,553	12.23	46,328	10.38	69,459	51,900	227,711	32,834	14.00	79,476	19,468	24.50	9,803	12.33	10,347	13.02	39,858	50.15	20,108	68.70%
TOTAL A/A* (1990)	2,321,442	337,674	14.55	406,865	17.53	36,947	62,800	954,171	147,301	15.00	551,066	142,149	25.80	95,084	17.25	108,716	19.73	205,117	37.22	104,726	44.14%
TOTAL A/A* (2000)	2,582,091	326,234	12.63	475,707	18.42	47,526	51,900	1,019,854	179,846	18.00	584,415	160,937	27.54	95,008	16.26	101,730	17.41	226,740	38.8	133,476	52.15%

* Assessment Area; ** Updated

CHART # 2

ASSESSMENT AREA HOUSING CHARACTERISTICS BY COUNTY																			
COUNTY	Total Housing Units	1-4 family Units		Multifamily Units		Owner-Occupied Units (O-O)		O-O Units in Low-income Tracts		O-O Units in Mod-income Tracts		O-O Units in Mid-income Tracts		O-O Units in Upp-income Tracts		Rental Units		Vacant/ Boarded-up Units	
		#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%
		Kings (1990)	404,070	188,800	47.00	209,621	52.00	102,630	25.00	1,889	5.85	18,578	21.33	57,980	27.78	23,772	34.48	291,528	72.00
Kings (2000)	426,641	205,380	48.00	220,856	52.00	111,550	26.00	2,760	7.21	29,435	21.59	41,484	16.40	31,941	35.00	306,361	72.00	18,342	4.00
Queens (1990)	233,626	9,794	4.00	220,081	94.00	37,638	16.00	559	2.80	2,879	7.78	6,686	15.05	27,480	20.92	188,388	81.00	16,187	7.00
Queens (2000)	241,830	10,784	4.00	230,867	95.00	46,122	19.00	999	5.82	3,530	9.20	4,572	14.85	37,025	23.81	187,652	78.00	14,274	6.00
New York (1990)	372,772	163,122	44.00	203,697	55.00	107,104	29.00	35	0.74	11,684	16.26	62,095	27.74	33,284	46.02	257,026	67.00	16,304	4.00
New York (2000)	397,039	185,260	47.00	211,337	53.00	117,098	29.00	79	1.35	17,848	17.03	60,625	29.29	38,551	48.54	273,137	69.00	12,631	3.00
TOTAL A/A* (1990)	1,010,468	361,716	36.00	633,399	63.00	247,372	24.00	2,892	0.05	33,138	16.91	126,782	26.58	84,541	31.01	736,942	70.00	54,701	5.00
TOTAL A/A* (2000)	1,065,510	401,424	38.00	663,060	62.00	274,770	26.00	3,842	6.27	50,088	18.18	112,588	28.25	107,510	32.96	767,150	72.00	45,247	4.00

* Assessment Area

CHART # 3

BUSINESS DEMOGRAPHICS BY COUNTY											
COUNTY AND ASSESSMENT AREA(A/A)	Number of Non-Farm Businesses	Non-Farm Businesses with Rev. of \$1 million or less		Non-Farm Businesses with Rev. of more than \$1 million		Non-Farm Businesses with no revenues reported		Businesses with less than 50 employees		Operating from a single location	
		#	%	#	%	#	%	#	%	#	%
Kings County (1990)	56,466	36,141	64.0%	3,197	5.7%	17,128	30.3%	38,970	69.0%	52,727	93.4%
Kings County (2000)	59,766	38,780	64.9%	3,213	5.4%	17,773	29.7%	43,931	73.5%	55,994	93.7%
Queens County (1990)	50,841	31,160	61.3%	3,397	6.7%	16,284	32.0%	33,214	65.3%	47,119	92.7%
Queens County (2000)	54,905	34,481	62.8%	3,370	6.1%	17,054	31.1%	39,489	71.9%	51,145	93.2%
New York County (1990)	119,317	75,305	63.1%	14,301	12.0%	29,711	24.9%	82,935	69.5%	102,614	86.0%
New York County (2000)	122,684	70,992	57.9%	13,914	11.3%	37,778	30.8%	89,810	73.2%	106,542	86.8%
Total A/A (1990)	226,624	142,606	62.9%	20,895	9.2%	63,123	27.9%	155,119	68.4%	202,460	89.3%
Total A/A (2000)	237,355	144,253	60.8%	20,497	8.6%	72,605	30.6%	173,230	73.0%	213,681	90.0%

PERFORMANCE TESTS AND ASSESSMENT FACTORS

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

The Lending Test portion of this evaluation is based on the bank's HMDA-reportable and small business loans from calendar years 2002 and 2003. Since the prior evaluation period, CAB has entered the residential mortgage business; however, due to the newness of this product line, the bank originated very few of loans of this type during the evaluation period. As a result, the following evaluation places greater emphasis on CAB's small business lending.

Statistics employed in this evaluation were derived from various sources. In addition to bank-specific loan information submitted by the institution, aggregate data for HMDA-reportable and small business loans originated in 2002 were obtained from the Federal Financial Institutions Examination Council ("FFIEC") and PCi Corporation's CRA Wiz[®] software. In accordance with regulatory reporting requirements, loans originated during 2002 were geo-coded based on 1990 Census data, while loans from 2003 were geo-coded using updated data from the 2000 Census.

I. Lending Test: "High Satisfactory"

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

➤ Lending Activity: "Low Satisfactory"

The bank's lending reflects adequate responsiveness to assessment area credit needs.

Small Business Loans

In 2002, CAB originated 55 small business loans totaling \$15.7 million in the assessment area. This level of lending represents a 27.9% increase by number of loans and a 48.1% increase by dollar volume compared to the bank's activity in 2001. In 2003, the bank originated 62 loans totaling \$19.2 million, which represents an increase of 12.7% by number of loans and 22.3% by dollar volume over the bank's level of small business lending in 2002.

According to a Lender Market Share Report for 2002, CAB ranked 32nd by number of loans and 27th by dollar volume among 233 small business lenders within the assessment area. In 2003, the bank's rank declined to 38th by number of loans and 29th by dollar volume among 254 small business lenders.

HMDA-Reportable Loans

CAB began offering residential mortgage products in 2002. During that year, the bank originated one loan for \$40 thousand within the assessment area. In 2003, CAB originated 10 HMDA-reportable loans totaling \$2.0 million within the assessment area.

According to a Lender Market Share Report for 2003, CAB ranked 197th among 394 HMDA-reporting lenders within its assessment area.

o **Assessment Area Concentration:** “High Satisfactory”

CAB originated a high percentage of its loans within the assessment area. The bank originated 149 small business and 10 HMDA-reportable loans for a combined total of \$51.1 million. Overall, 75.7% of the number and 72.3% of the dollar volume of loans originated fell within the assessment area; however, only 55.0% of HMDA-reportable lending (by both number and dollar volume) occurred within the assessment area.

Small Business Loans

During the evaluation period, the bank originated 78.5% (117) of its number and 73.7% (\$34.9 million) of its dollar volume of small business loans within the assessment area. This activity represents a substantial improvement from the 63.1% (89 loans) by number of loans and 66.1% (\$20.8 million) by dollar volume achieved during the prior evaluation period.

In 2002, the bank made 79.7% of its number and 74.4% of its dollar volume of small business loans in the assessment area. In 2003, the bank’s assessment area concentration declined slightly to 77.5% by number and 73.1% by dollar volume of loans.

HMDA-Reportable Loans

During 2002, CAB originated one of its four HMDA-reportable loans within the assessment area. Given that residential mortgages were a new product for CAB in 2002 and represented only a fraction of the bank’s total lending that year, performance for this product during 2002 was immaterial to the bank’s overall performance during the evaluation period.

In 2003, the bank originated 62.5% of its number and 68.9% of its dollar volume of HMDA-reportable loans within the assessment area. Considering that home mortgage lending was still new to the bank during 2003, this level of performance represents adequate responsiveness to community credit needs.

Refer to the table below for details of the distribution of loans originated inside and outside of the assessment area during the evaluation period.

Distribution of Loans Inside and Outside of the Assessment Area										
Loan Type	Number of Loans					Dollar Volume (In Thousands)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Small Business										
2002	55	79.7	14	20.3	69	15,721	74.4	5,400	25.6	21,121
2003	62	77.5	18	22.5	80	19,210	73.1	7,055	26.9	26,265
Subtotal: SB	117	78.5	32	21.5	149	34,931	73.7	12,455	26.3	47,386
HMDA										
2002	1	25.0	3	75.0	4	40	4.8	786	95.2	826
2003	10	62.5	6	37.5	16	1,983	68.9	897	31.1	2,880
Subtotal: HMDA	11	55.0	9	45.0	20	2,023	54.6	1,683	45.4	3,706
Total	128	75.7	41	24.3	169	36,954	72.3	14,138	27.7	51,092

➤ **Geographic Distribution:** “High Satisfactory”

The geographic distribution of CAB’s small business loans reflects good penetration into LMI census tracts within the assessment area, compared to excellent penetration for the bank’s limited volume of HMDA-reportable loans.

Small Business Loans

In 2002, the bank originated 55 small business loans within the assessment area, including 26 loans (47.2%) totaling \$8.2 million (51.9%) extended in LMI census tracts. This represents significant improvement over the 34.9% penetration ratio achieved by the bank in 2001 based on both number of loans and dollar volume. As illustrated in the table below, the bank’s LMI penetration ratios are well above those of the market aggregate.

Distribution of Small Business Loans by Geography Income Level								
2002								
Geography Income Level	Bank				Aggregate			
	#	%	\$000	%	#	%	\$000	%
Low	2	3.6	250	1.6	3,263	3.9	96,957	4.0
Moderate	24	43.6	7,906	50.3	16,939	20.1	497,395	20.6
Middle	10	18.2	2,555	16.3	25,673	30.4	543,850	22.5
Upper	19	34.5	5,010	31.9	34,940	41.4	1,123,086	46.5
NA	0	0.0	0	0.0	3,509	4.2	155,663	6.4
Total	55	100.0	15,721	100.0	84,324	100.0	2,416,951	100.0
2003								
Geography Income Level	Bank				Aggregate			
	#	%	\$000	%	#	%	\$000	%
Low	3	4.8	500	2.6	3,190	3.6	79,269	2.9
Moderate	11	17.7	4,060	21.1	17,056	19.0	477,766	17.3
Middle	9	14.5	2,748	14.3	23,734	26.5	620,436	22.5
Upper	14	22.6	3,395	17.7	45,261	50.5	1,557,101	56.4
NA	25	40.3	8,507	44.3	457	0.5	26,678	1.0
Total	62	100.0	19,210	100.0	89,698	100.0	2,761,250	100.0

* In thousands

In 2003, the bank originated 62 small business loans within its assessment area, including 14 loans (22.5%) totaling \$4.6 million (23.7%) extended in LMI tracts. This level of lending represents a sharp decline by number and dollar volume of loans. In addition, the bank's LMI penetration ratios fell significantly during 2003; however, since the bank's performance in 2002 was strong, its decreased LMI penetration ratios in 2003 were nonetheless comparable to those of the market aggregate.

HMDA-Reportable Loans

The bank originated 10 loans within the assessment area during 2003, including seven loans (70.0%) totaling \$1.2 million (60.2%) originated in LMI census tracts. These penetration ratios were significantly above the aggregate's performance of 19.7% by number and 18.7% by dollar volume of loans.

CAB granted one loan in a low-income census tract and six loans in moderate-income tracts. Additionally, the bank extended two loans in middle-income tracts and one loan in an upper-income tract.

➤ **Borrower Characteristics:** "High Satisfactory"

The distribution of small business loans reflects good penetration among businesses of different sizes. However, CAB did not originate any HMDA-reportable loans to LMI consumers within the assessment area during the evaluation period.

Small Business Loans

In 2002, the bank originated 16 loans (29.1%) totaling \$4.1 million (26.2%) within the assessment area to businesses with gross annual revenues of \$1 million or less. This performance was below that of the aggregate, which originated 33.6% by number and 34.9% by dollar volume of its small business loans to companies in the aforementioned revenue category. At the same time, CAB outperformed the aggregate on a percentage basis in lending to smaller businesses in LMI areas. To be specific, CAB originated five loans (9.1%) to LMI-area businesses with gross annual revenues of \$1 million or less, whereas the market aggregate made only 7.8% of its total number of loans to businesses in this category.

In 2003, the bank's ratios increased significantly and CAB outperformed the aggregate by a wide margin. During that year, the bank originated 46 loans (74.2%) totaling \$13.6 million (71.0%) to businesses within the assessment area having revenues of \$1 million or less. By comparison, the aggregate made 39.9% by number and 39.0% by dollar volume of its small business loans to smaller businesses. Additionally, the bank originated 16.1% (10 loans) of its assessment area loans to LMI-area businesses with revenues of \$1 million or less, exceeding the aggregate's percentage of 8.9% by a wide margin.

HMDA-Reportable Loans

As noted earlier in this evaluation, CAB began offering residential mortgage loans in 2002, and originated very few of these HMDA-reportable loans during the evaluation period. Under other circumstances, the bank's distribution of HMDA-reportable loans would indicate substantial noncompliance with this component of the lending test based on the bank's failure to originate even one loan to an LMI borrower. During 2003, all 10 of CAB's HMDA-reportable loans within the assessment area were made to upper-income borrowers. By comparison, the aggregate extended 5.6% of its loans to LMI borrowers.

○ **Community Development Loans:** "High Satisfactory"

CAB originated a relatively high level of community development loans. Community development loans at this evaluation totaled \$3.7 million, including \$110 thousand in new commitments. The bank's new community development loans support community development services, while its commitments established during the prior evaluation period helped revitalize and stabilize LMI areas.

The following is a brief description of the bank's community development loans extended during the current evaluation period.

- CAB extended a \$50 thousand loan to a nonprofit organization located in the Lower East Side of Manhattan. This organization provides a broad range of social and educational services targeted to LMI individuals, such as affordable healthcare, scholarships, language assistance and job skills training.
- The bank provided a \$60 thousand loan to a government-subsidized nonprofit corporation. This organization not only provides affordable daycare services, an after-school program and a summer school program, it also serves as an English language school for new immigrants.

➤ **Innovative and Flexible Lending Practices:** "Low Satisfactory"

CAB makes limited use of innovative or flexible lending practices in serving the credit needs of its assessment area.

The bank has introduced a new installment loan program that offers reduced rate financing for childcare providers in the assessment area. The bank created this program as a direct response to the community's need for affordable childcare services. In 2002, the bank originated three of these loans totaling \$170 thousand.

During the prior evaluation period, CAB created a 9/11 Recovery Loan program in response to the terrorist events of September 11, 2001. This program provides reduced-rate loans for home repair or short-term financing to borrowers affected by the attacks. During the current evaluation period, the bank made six loans totaling \$475 thousand under this program.

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 investments are not routinely provided by private investors.

CAB’s level of qualified community development investments reflects significant responsiveness to community development needs. The bank’s qualified investments for the current evaluation period totaled \$1.5 million, most of which was originated during the prior evaluation period. New qualified investments from the current evaluation period were limited to grants totaling \$24 thousand to various organizations.

III. **Service Test: “Low 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 of a banking institution’s systems of delivering retail banking services and the extent and innovativeness of its community development services.

➤ **Retail Banking Services: “Low Satisfactory”**

Accessibility of Delivery Systems

CAB’s retail service network is reasonably accessible to a substantial portion of the bank’s assessment area.

Two of CAB’s three branches are located in New York County and the third branch is located in Queens County. The bank does not have a branch in the Kings County portion of its assessment area, which limits access to the bank’s branch network for residents of that area. This is significant because the included sections of Kings County represent 47.8% of the bank’s total assessment area.

CAB supplements its branch network with 12 deposit-taking ATMs, all of which are located at branches and available around the clock (“24/7”). There are two ATMs at the bank’s main branch, eight at the Chinatown office and two at its branch in Flushing, Queens. CAB does not offer any off-site ATMs.

CAB’s main office is located in a low-income census tract at 77 Bowery in Manhattan. The Chinatown branch, at 245 Canal Street, is located in an upper-income census tract that is adjacent to an LMI tract. The branch in Queens is located in a middle-income census tract that is not adjacent to an LMI tract.

Changes in Branch Locations

CAB did not establish or close any branches or ATMs during the evaluation period.

Reasonableness of Business Hours and Services

CAB's business hours and services do not vary in a way that inconveniences any particular portion of the assessment area, including LMI geographies and/or LMI individuals. All branches are open Monday through Friday from 9:00 am to 4:00 pm. Each branch offers Saturday hours and the main branch is open on Sundays.

In 2003, the bank introduced telephone banking, which allows customers to make account inquiries, receive information on bank products, review account transactions and transfer funds between accounts. This service is offered in English, Mandarin and Cantonese. In addition, the bank is in the final stages of developing Internet banking services.

➤ **Community Development Services:** "Low Satisfactory"

CAB provides an adequate level of community development services.

The bank participates in New York State's Electronic Benefit Transfer ("EBT") program for low-income residents who receive social assistance benefits. As a part of its commitment to its community, CAB waives ATM service fees for transactions under this program.

In April 2002, the bank conducted a "Banking Services Basics" seminar at Chinatown Manpower Project's ("CMP") Business Outreach Center. CMP is a nonprofit organization that provides vocational training, employment services, educational services and economic development programs to disadvantaged Asian Americans. CAB's seminar covered basic financial concepts and products, including investments.

In April 2003, the bank and CMP co-hosted two "Basic Banking Knowledge & Micro-lending Program" seminars delivered by ACCION. ACCION is a nonprofit organization that works with entrepreneurs who have not had access to bank or other traditional forms of financing. The seminars covered a variety of basic financial concepts such as establishing a credit history, reviewing credit reports, applying for a loan and acquiring real estate. CAB held its second seminar at the Sheraton East Hotel in Flushing, Queens to make sure customers in that portion of the assessment area were able to attend.

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 report indicates a satisfactory performance in terms of adherence to anti-discrimination 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.

CAB's officers and directors ascertain the community's credit needs by attending various functions, such as fundraisers, and through their membership and participation in local business organizations.

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 places advertisements in a number of newspapers and magazines to inform the public of its credit-related programs. These publications include the World Journal, Sing Tao Daily, Ming Pao, Realty Window, Home Leader and Shop Realty.

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 board of directors of CAB is responsible for reviewing and approving the bank's CRA policies and procedures. The board also developed a CRA program and assigned the bank's compliance officer to implement the program. The board also is involved in the approval process of loans qualifying for CRA credit.

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.

None noted.

GLOSSARY

Aggregate

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

Community Development

The term “community development” is defined to mean:

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

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

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

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

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- 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;

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

Demand-Adjusted Penetration Rate

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

Demand-Adjusted Penetration Ratio

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

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

Home Mortgage Disclosure Act (“HMDA”)

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

Loans to Small Businesses

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

Low or Moderate Income (“LMI”) Geographies

Those census tracts or block numbering areas (“BNAs”), where according to the 1990 US Census, the median family income is less than 80% of the area median family income. In the case of tracted areas that are part of a Metropolitan Statistical Area (“MSA”) or Primary Metropolitan Statistical Area (“PMSA”), this would relate to the median family income for the MSA or PMSA in which the tracts are located. In the case

of BNAs and tracted areas that are not part of a MSA or PMSA, the area median family income would be the statewide nonmetropolitan median family income.

LMI Borrowers

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

LMI Individuals/Persons

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

Small Business Loans

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