



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

PUBLIC SUMMARY

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Date of Evaluation: December 31, 2003

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

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

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GENERAL INFORMATION

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

Part 76.5 further requires that the CRA rating and the written summary be made available to the public (“Evaluation”). Evaluations are primarily based on a review of performance tests and standards described in Part 76.7 and detailed in Parts 76.8 – 76.13. The tests and standards incorporate the 12 assessment factors contained in Section 28-b of the New York State Banking Law.

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

OVERVIEW OF INSTITUTION'S PERFORMANCE

Overall Rating

SBLI is rated "2," indicating a satisfactory record of helping to meet community credit needs, based on the following factors:

- **Lending Test** – "High Satisfactory"

Lending Activity - SBLI lending volumes reflect excellent responsiveness to assessment area credit needs.

- In 2002, the bank originated 749 (\$184.6 million) small business loans in the assessment area, and in 2003, the volume increased to 788 (\$205.1 million).
- In 2002, the bank originated 42 (\$7.7 million) HMDA loans in the assessment area, and in 2003, the originations increased substantially to 73 loans (\$19.9 million).

Assessment Area Concentration – The bank extended a substantial majority of its small business and HMDA loans in its assessment area, achieving excellent responsiveness to the credit needs of its community.

- In 2002, the bank originated 93.7% by number and 93.6% by dollar volume of its small business loans within the assessment area. These ratios decreased slightly in 2003 to 92.3% and 90.3%, respectively.
- In 2002, the bank originated 91.3% and 85.3% of its HMDA-reportable loans, by number and dollar amount in the assessment area, and in 2003, the ratios increased substantially to 96.1% and 96.8%, respectively.

Geographic Distribution of Loans - The bank's geographic distribution of small business loans reflects good dispersion throughout the assessment area; however, LMI penetration for its HMDA loans needs improvement.

- In 2002, the bank originated 12.7% in number and dollar volume of its small business loans in LMI geographies. This was slightly above the 12.2% in number and slightly below the 13.4% in dollar amount for the aggregate. In 2003, the bank's LMI penetration ratios increased to 16.8% in number of loans and 17.9% in dollar volume.
- In 2002, the bank extended 2.4% in number and 1.3% in dollar volume of its HMDA loans in LMI census tracts, significantly below the 11% and 8.9% in number and dollar amount, respectively, for the aggregate. In 2003, the LMI penetration ratios remained poor at 2.7% in number and 1.6% in dollar amount.

Borrower's Characteristics - The bank's distribution of borrowers reflects adequate penetration among customers of different income levels and good penetration among businesses of different sizes.

- In 2002, the bank extended 33% of its small business loans to businesses with annual revenues of \$1 million or less, slightly above the 32.2% recorded for the aggregate. In 2003, the ratio increased slightly to 34.3%.
- In 2002, the bank extended 19% of its HMDA-reportable loans to LMI individuals, well below the 23.7% for the aggregate. In 2003, while the number of loans the bank made in the assessment area increased by almost 74%, the absolute number of loans to LMI individuals remained the same, resulting in the LMI penetration ratio declining to 11%.

Community Development Lending Activity - SBLI achieved an excellent level of community development lending. During the evaluation period, community development commitments totaled nearly \$94.6 million, including approximately \$24.1 million in new money.

- **Investment Test – “Outstanding”**

SBLI made an excellent level of community development investments. The bank's qualified investments increased to \$8.7 million, including \$84.5 thousand in grants. New money represents nearly \$4.6 million.

- **Service Test – “High Satisfactory”**

The bank's delivery systems are accessible to essentially all portions of the assessment area. Five branches are adjacent to LMI census tracts. Supplementing the branch network are ATMs at 13 of the bank's 15 branch locations. To augment its branch network, the bank has a number of alternative delivery systems.

SBLI provides a relatively high level of community development services in the assessment area. Bank personnel are actively involved with various organizations in the community.

This evaluation was conducted based on a review of the 12 assessment factors set forth in Section 28-b of the New York State Banking Law and Part 76 of the General Regulations of the Banking Board.

PERFORMANCE CONTEXT

Institution's Profile:

SBLI is a New York State chartered independent commercial bank, founded in 1966. The bank is a wholly owned subsidiary of State Bancorp, Inc., a registered Delaware one-bank holding company formed in 1986. SBLI has five subsidiaries, including SB Portfolio Management Corp., SB Financial Services Corp., SB ORE Corp., Studebaker-Worthington Leasing Corp. and New Hyde Park Leasing Corp.

The bank provides a full range of banking services to individuals, corporations, municipalities and small to medium-sized businesses through 15 branch offices and a lending center in Jericho.

As per the Federal Deposit Insurance Corporation's ("FDIC") Consolidated Report of Condition ("Call Report") at December 31, 2003, the bank reported total assets of \$1.4 billion, with net loans accounting for \$700.6 million or approximately 50% of total assets. On the same date, total deposits were \$1.2 billion. According to the latest available comparative deposit data as of June 2003, the bank obtained a market share of nearly 1.1%, or \$1.1 billion, of the \$103.2 billion in deposits inside its market, ranking it 18th among 59 deposit-taking institutions in the assessment area.

SBLI faces competition from large regional and national banks within its assessment area, including but not limited to Citibank, JP Morgan Chase Bank, North Fork Bank, Fleet National Bank, Washington Mutual Bank, HSBC Bank and The Bank of New York.

The following is a summary of the bank's loan portfolio, based on Schedule RC-C of the bank's December 31, 2002 and December 31, 2003 Call Reports.

TOTAL GROSS LOANS OUTSTANDING				
LOAN TYPE	12/31/2002		12/31/2003	
	\$000	%	\$000	%
1-4 Family Residential Mortgage Loans	72,448	11.7	90,300	12.7
Commercial Mortgage Loans	215,737	34.8	235,264	33.1
Multifamily Mortgages	10,002	1.6	9,382	1.3
Construction Loans	42,829	6.9	54,293	7.6
Commercial & Industrial Loans	243,626	39.3	278,444	39.1
Consumer Loans	7,385	1.2	7,843	1.1
Oblig. of State & Municipalities	6,774	1.1	10,705	1.5
Other Loans	1,557	0.3	1,250	0.2
Lease Financing	20,041	3.2	23,962	3.4
Total Gross Loans	620,399	100.0	711,443	100.0

As illustrated in the above chart, SBLI is primarily a commercial lender, with 39.1% in commercial and industrial loans, and 33.1% in commercial mortgage loans.

The bank received a rating of “2,” reflecting a satisfactory record of helping to meet community credit needs at its prior Performance Evaluation conducted by the New York State Banking Department as of December 31, 2001.

There are no known financial or legal impediments that would adversely impact the bank’s ability to meet the credit needs of its community.

Assessment Area:

SBLI’s assessment area has changed since the prior evaluation, and now consists of Queens (excluding Rockaway), Nassau and Suffolk Counties, up to the easterly boundary line of the Town of Brookhaven.

There are 1,209 census tracts in the assessment area, of which 12 (nearly 1%) are low-income, 174 (14.4%) are moderate-income, 651 (53.9%) are middle-income, 351 (29%) are upper-income and 21 (1.7%) are zero-income tracts.

According to the 2000 U.S. Census, the total population of the assessment area was 4.8 million of which 614.3 thousand (13%) were over the age of 65 and 1 million (21.6%) were under the age of 16.

There were 1.2 million families in the assessment area, of which 226.1 thousand (18.9%) were low-income, 210.2 thousand (17.5%) were moderate-income, 266.2 thousand (22.2%) were middle-income and 496.3 thousand (41.4%) were upper-income families.

There were 1.6 million households in the assessment area, of which 148.4 thousand (9%) had incomes below the poverty level and nearly 42.7 thousand (3%) received public assistance.

There were approximately 1.7 million housing units in the assessment area, of which 1.3 million (77%) were 1 to 4 family units and almost 383 thousand (23%) were multifamily units. One million (61%) of the housing units were owner occupied, 595.4 thousand (36%) were rental units and 60.6 thousand (4%) were vacant. In 2003, the median home value in the assessment area was \$220.7 thousand.

Based on estimates by the U.S. Department of Housing and Urban Development (“HUD”), the median family income for the assessment area increased to \$66.6 thousand in 2003, from the \$60.3 thousand reported for the 2000 census.

According to 2002 business demographic data provided by PCI Services Inc., of the approximately 312 thousand businesses in the assessment area, 96 thousand (30.8%) were service providers, 48.5 thousand (15.6%) were in retail trade, 22.4 thousand (7.2%) were in construction, 23 thousand (7.4%) were in finance, insurance and real estate, 14.8 thousand (4.7%) were in wholesale trade and 10.9 thousand (3.5%) were in manufacturing. In 2003, of the 335 thousand firms in the area, 121.5 thousand (36.2%) were service providers, 54 thousand (16.1%) were in retail trade, 27.6 thousand (8.2%) were in construction, 26.9 thousand (8%) were in finance, insurance and real estate, 17.6 thousand (5.2%) were in wholesale trade and 12.4 thousand (3.7%) were in manufacturing.

According to the New York State Department of Labor, in 2003, the average unemployment rate for Queens, Nassau and Suffolk Counties was 6.9%, 3.9% and 4.4%, respectively, compared with 6.3% for New York State for the same year.

The assessment area appears reasonable based upon the location of bank's offices and its lending patterns. There is no evidence that LMI areas have been arbitrarily excluded.

PERFORMANCE TESTS AND ASSESSMENT FACTORS

This evaluation entails a review of SBLI's lending, investment and service activities within the bank's assessment area as provided for in Parts 76.8, 76.9 and 76.10 of the General Regulations of the Banking Board. The evaluation covers the years 2002 and 2003.

Statistics employed in this evaluation were derived from various sources. In addition to bank-specific loan information submitted by the institution, 2002 aggregate data for small business and HMDA-reportable loans were obtained from the Federal Financial Institutions Examination Council ("FFIEC") and PCI Services, Inc.'s CRA Wiz ®, an external vendor. Aggregate data for 2003 was not yet available for comparison.

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. The analysis of factors (1), (2) (3) and (4) above focused primarily on SBLI's small business lending, and to a lesser extent, the bank's HMDA-reportable loans.

Lending Activity: "Outstanding"

SBLI's lending volume reflects excellent responsiveness to assessment area credit needs.

Small Business Loans

In 2002, the bank originated 749 small business loans totaling \$184.6 million in the assessment area, and in 2003, the loan volume increased by 5.2% to 788 and the dollar volume increased by 11.1% to \$205.1 million.

According to the 2002 Lender Market Share Report for SBLI's assessment area, the bank obtained a market share of nearly 0.6% by number and 5.4% by dollar volume, ranking it 17th by number of loans and 5th by dollar volume among 163 small business lenders in the assessment area.

HMDA – Reportable Loans

In 2002, the bank originated 42 HMDA-reportable loans totaling \$7.7 million in the assessment area. In 2003, its HMDA-reportable lending activity increased substantially to 73 loans or nearly \$19.9 million. SBLI had a relatively small market share for this type of lending.

Assessment Area Lending: “Outstanding”

SBLI originated a substantial majority of its small business and HMDA-reportable loans within the assessment area.

Distribution of Loans Inside and Outside of the Assessment Area										
Loan Category or Type	Number of Loans					Dollar Volume (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Small Business										
2002	749	93.7%	50	6.3%	799	184,640	93.6%	12,554	6.4%	197,194
2003	788	92.3%	66	7.7%	854	205,086	90.3%	22,126	9.7%	227,212
Subtotal	1,537	93.0%	116	7.0%	1,653	389,726	91.8%	34,680	8.2%	424,406
HMDA										
2002	42	91.3%	4	8.7%	46	7,756	85.3%	1,339	14.7%	9,095
2003	73	96.1%	3	3.9%	76	19,898	96.8%	650	3.2%	20,548
Subtotal	115	94.3%	7	5.7%	122	27,654	93.3%	1,989	6.7%	29,643
Total	1,652	93.1%	123	6.9%	1,775	417,380	91.9%	36,669	8.1%	454,049

Small Business Loans

The table above shows that in 2002, the bank originated 93.7% by number and 93.6% by dollar volume of its small business loans within the assessment area. In 2003, assessment area lending ratios decreased slightly to 92.3% and 90.3%, respectively.

HMDA-Reportable Loans

The above table also shows that in 2002, the bank originated 91.3% and 85.3% of its HMDA-reportable loans, by number and dollar amount, respectively, in the assessment area. In 2003, these ratios increased substantially to 96.1% and 96.8%, respectively.

Geographic Distribution of Loans: “High Satisfactory”

The geographic distribution of SBLI’s small business loans reflects good dispersion throughout the assessment area; however, LMI penetration for its HMDA-reportable loans needs improvement.

Small Business Loans

The table below shows that in 2002 the bank originated 12.7% in both number and dollar volume of its small business loans in LMI geographies, slightly higher than the 12.2% in number and slightly lower than the 13.4% in dollar amount for the aggregate. In 2003, The LMI penetration ratios increased to 16.8% and 17.9%, respectively.

Distribution of Small Business Loans By Geography Income Level								
2002								
Geography	Bank				Aggregate			
	#	%	\$000's	%	#	%	\$000's	%
Low	2	0.3%	822	0.4%	141	0.1%	5,575	0.2%
Moderate	93	12.4%	22,789	12.3%	14,698	12.1%	421,758	13.2%
Middle	482	64.4%	116,155	62.9%	74,772	61.4%	1,906,469	59.6%
Upper	169	22.6%	43,549	23.6%	31,663	26.0%	837,856	26.2%
N/A	3	0.4%	1,325	0.7%	434	0.4%	28,862	0.9%
Total	749	100.0%	184,640	100.0%	121,708	100.0%	3,200,520	100.0%

* Geography income level is based upon 1990 census data on median family income figures for the MSA. Low-income is defined as <50% of the MSA median, moderate-income is 50% to <80% of the MSA median, middle-income is 80% to <120% of the MSA median and upper-income is at least 120% of the MSA median.

Distribution of Small Business Loans By Geography Income Level				
2003 Bank				
Geography	#	%	\$000's	%
Low	2	0.3	751	0.4
Moderate	130	16.5	35,850	17.5
Middle	452	57.4	110,549	53.9
Upper	197	25.0	56,822	27.7
N/A	7	0.9	1,114	0.5
Total	788	100.0	205,086	100.0

* Geography income level is based upon 2000 census data on median family income figures for the MSA. Low-income is defined as <50% of the MSA median, moderate-income is 50% to <80% of the MSA median, middle-income is 80% to <120% of the MSA median and upper-income is at least 120% of the MSA median.

HMDA-Reportable Loans

As shown in the table below, in 2002 the bank extended 2.4% in number and 1.3% in dollar volume of its HMDA-reportable loans in LMI census tracts, significantly below the 11% and 8.9% in number and dollar amount, respectively, for the aggregate. In 2003, the LMI penetration ratios remain poor at 2.7% in number and 1.6% in dollar amount.

Distribution of HMDA-Reportable Loans By Geography Income Level								
2002								
Geography	Bank				Aggregate			
	#	%	\$000's	%	#	%	\$000's	%
Low	0	-	0	-	201	0.1	34,946	0.1
Moderate	1	2.4	100	1.3	20,109	10.9	3,167,224	8.8
Middle	33	78.6	5,815	75.0	118,773	64.2	21,455,021	59.3
Upper	8	19.0	1,841	23.7	45,899	24.8	11,495,247	31.8
N/A	0	-	0	-	143	0.1	26,855	0.1
Total	42	100.0	7,756	100.0	185,125	100.0	36,179,293	100.0

* Geography income level is based upon 1990 census data on median family income figures for the MSA of the mortgaged property. Low-income is defined as <50% of the MSA median, moderate-income is 50% to <80% of the MSA median, middle-income is 80% to <120% of the MSA median and upper-income is at least 120% of the MSA median.

Distribution of HMDA-Reportable Loans By Geography Income Level				
2003 Bank				
Geography	#	%	\$000's	%
Low	0	-	-	-
Moderate	2	2.7	320	1.6
Middle	50	68.5	10,026	50.4
Upper	21	28.8	9,552	48.0
N/A		-	-	-
Total	73	100.0	19,898	100.0

* Geography income level is based upon 2000 census data on median family income figures for the MSA of the mortgaged property. Low-income is defined as <50% of the MSA median, moderate-income is 50% to <80% of the MSA median, middle-income is 80% to <120% of the MSA median and upper-income is at least 120% of the MSA median.

Borrower Characteristics: “High Satisfactory”

The distribution of borrowers reflects good penetration among customers of different income levels and businesses of different sizes.

Small Business Loans

The table below shows that in 2002 the bank extended 33% of its small business loans to businesses with annual revenues of \$1 million or less, slightly higher than the 32.2% recorded for the aggregate. In 2003, the bank’s ratio increased slightly to 34.3%.

Distribution of Small Business Loans By Borrowers' Revenue						
Revenue Size (\$000's)	2002				2003	
	Bank		Aggregate		Bank	
	#	%	#	%	#	%
<=\$1,000	247	33.0	39,164	32.2	270	34.3
> \$1000	414	55.3			416	52.8
N/A	88	11.7			102	12.9
Total	749	100.0	121,708	32.2	788	100.0

HMDA-Reportable Loans

The table below shows that in 2002 the bank extended eight (19%) of its HMDA-reportable loans to LMI individuals, which was below the 23.7% for the aggregate. In 2003, while the number of loans the bank made to LMI individuals remained the same, the LMI penetration ratio declined to 11%.

Distribution of HMDA-Reportable Loans By Borrower Income Level						
Borrower Income	2002				2003	
	Bank		Aggregate		Bank	
	#	%	#	%	#	%
Low	3	7.1	8314	4.5	1	1.4
Moderate	5	11.9	35,503	19.2	7	9.6
Middle	13	31.0	54,567	29.5	20	27.4
Upper	21	50.0	67,697	36.6	41	56.2
N/A	0	0.0	19,044	10.3	4	5.5
Total	42	100.0	185,125	100.0	73	100.0

* Borrower income level is based upon the Department of Housing and Urban Development's annual estimate of median family income ("MFI") figure for the MSA of the mortgaged property. Low-income is defined as <50% of the MSA MFI, moderate-income is 50% to <80%, middle-income is 80% to <120% and upper-income is at least 120%.

Community Development Loans: "Outstanding"

SBLI achieved an excellent level of community development lending. During the evaluation period, community development commitments increased 36.7% to nearly \$94.6 million, from the \$69.2 million shown at the prior evaluation. New money totals nearly \$24.1 million. A substantial majority of the community development lending, nearly \$86.4 million (91.3%), went to support community services.

Some of the notable community development loans the bank made during the review period include the following:

New York Business Development Corporation ("NYBDC") – In 2002 and 2003, the bank renewed lines of credits totaling \$3.5 million and \$2.5 million, respectively, it had extended to the Corporation. NYBDC is a privately-owned entity created by New York State statute and funded by commercial and savings banks under lines of credit that are utilized to provide a broad range of financing to small and mid-sized businesses located in New York State.

United Cerebral Palsy Association ("UCPA") – In 2002, the bank extended \$2 million in line of credit to UCPA, and in 2003, it renewed nearly \$1.6 million in lines of credit to the borrower. UCPA is a voluntary, not-for-profit comprehensive rehabilitation facility providing a wide range of programs and services to individuals with disabilities throughout Suffolk County. The Children's Center provides full and half-day educational programming for children from birth through age 21. It also offers an on-site full and half-day nursery school program for children with and without disabilities.

Hebrew Academy for Special Children, Inc. ("HASC") – In 2002 and 2003, the bank renewed lines of credit totaling \$7.6 million and \$5.5 million, respectively, it had extended to the above customer. HASC provides educational and therapeutic services to developmentally disabled, orthopedic impaired, multiply handicapped, autistic and language-impaired children who were not served within the New York City Public School System.

Innovative or Flexible Lending Practices: “Low Satisfactory”

SBLI makes limited use of innovative or flexible lending products.

The bank is a participating lender in the Small Business Administration (“SBA”) guaranteed loan program. During the evaluation period, the bank originated four SBA loans totaling almost \$3 million.

II. Investment Test: “Outstanding”

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

SBLI has made an excellent level of community development investments. The bank’s total qualified investments increased to \$8.7 million, including \$84.5 thousand in grants. New money represents nearly \$4.6 million. Approximately \$7 million (80.5%) of total qualified investments are comprised of targeted mortgage-backed securities.

Some of the bank’s notable qualified investments include:

- FHLMC-Pool – In September 2002, the bank invested \$1.3 million in this pool that targets LMI borrowers in Suffolk County.
- FNMA – In October 2002, the bank invested in a FNMA mortgage pool backed by loans targeting LMI borrowers in Queens, Nassau and Suffolk Counties, totaling \$2.3 million.
- FNMA – In 1999 and 2001, the bank invested \$1.4 million and nearly \$2 million, respectively, in this mortgage pool backed by loans targeting LMI in Nassau and Suffolk Counties
- Statewide Zone Capital Corporation - In 1999, the bank invested \$400 thousand in Statewide Zone Capital Corporation of New York, an economic development zone corporation.

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(s) by analyzing both the availability and effectiveness of a banking institution’s systems for delivering both retail banking and community development services.

Retail Banking Services: “High Satisfactory”

Accessibility to Delivery Systems

The bank’s delivery systems are accessible to essentially all portions of the assessment area. The bank operates 15 full-service branches throughout the assessment area, of which seven are in Nassau County, five are in Suffolk County and three are in Queens County. Of the branch locations, none are located in LMI geographies; however, five branches are adjacent to LMI census tracts. Supplementing the branch network are ATMs at 13 of the bank’s 15 branch locations.

Alternative Delivery Systems

To augment its branch network, the bank has a number of alternative delivery systems, including:

- A toll-free bank-by-phone service that allows customers to conduct transactions in their accounts 24 hours a day, 365 days a year.
- Direct deposit of payroll, social security benefits, government and military pensions.
- An online personal banking service that gives customers safe access to all their bank accounts 24 hours a day.
- A “Basic Banking Account” that customers may open with a minimum deposit of \$25. This account requires no minimum balance, has a \$3 monthly maintenance fee and provides eight withdrawals per statement cycle.

Change in Branch Locations

The bank’s record of opening and closing branches has not adversely affected accessibility of its delivery systems. SBLI opened two branches, the Port Washington and Long Island City offices, during the evaluation period. The Long Island City office is adjacent to an LMI geography.

Reasonableness of Business Hours and Services in Meeting Assessment Area Needs

The bank’s business hours and services do not vary in a way that inconveniences certain portions of its assessment area. Extended hours and drive-up facilities are available at most of the branches and half of the branches have Saturday hours.

Community Development Services: “High Satisfactory”

SBLI provides a relatively high level of community development services in the assessment area. These services include but are not limited to:

- Harbor Child Care Center (“HCCC”) – The bank participates in the Bankers Child Care Coalition, created in response to the New York State Banking Department’s “Adopt a Center” initiative. The bank’s management, particularly the chairman of the bank has initiated and conducted fund raising events for the center. In addition, the bank’s employees have provided technical expertise in structuring financial deals for HCCC.
- Teach Children Program – As part of its Financial Literacy Program, the bank initiated an educational program for the Mineola School District, which services LMI students. In addition, bank employees provided lessons to students in grades 4-6 on managing money, budgeting, and saving and checking bank accounts. The bank also provided the same lessons to grammar school children from St. Mary’s Children and Family Services, a nonprofit agency caring for abused, neglected and troubled children in crisis and their LMI families.
- Jump Start – SBLI is a member of this financial literacy program based in New York City.
- Port Washington Education Foundation (“PWEF”)– The bank provided PWEF a no fee banking account and, in addition, provides a conference room for the non-profit organization’s monthly meetings. PWEF provides many services to LMI students and their parents, including clothing, food, and other donated items.

In addition, bank personnel are actively involved with various organizations in the community, including but not limited to:

- Community Development Corporation of Long Island – Member Advisory Committee
- New York Business Development Corporation – Member Board of directors
- Independent Group Home Living Program, Inc. – Secretary and Trustee
- New Hyde Park Chamber of Commerce – Board Member
- Town of Brookhaven Industrial Development Agency – Chairman of the Board
- Jamaica development Corp. – Member Various Committees
- Queens Chamber of Commerce - Board Member
- Madonna Heights Services – Fund Raising Committee

In April 2003, employees of the bank taught two fifth grade classes about money and savings, and in November 2003 through December 2003, they taught two financial education classes to Port Washington Brownie troops (second graders).

In November 2003, the bank received an award from Long Island Works Coalition, a nonprofit organization that builds collaborative working relationships between employers and the educational community, for its efforts in financial education.

In 2003, the bank was a winner in awards that honored members of the Long Island

business community for their efforts in promoting a strong economy and workforce through business and education initiatives.

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.

The bank does not engage in any practices intended to discourage applications for the types of credit it offers.

Evidence of prohibited discriminatory or other illegal credit practices.

The most recent regulatory compliance and fair lending examinations conducted in August of 2002 indicate satisfactory adherence to anti-discrimination and other applicable laws and regulations. No evidence of prohibited discriminatory 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.

The bank ascertains the credit needs of its community through the involvement of its officers and employees in community organizations, chambers of commerce and business development 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.

Each spring, the bank makes members of the community aware of the credit services it offers by including statement stuffers in all business and consumer checking accounts for a three-month period. The bank also sends flyers and cover letters from the president of the bank. In addition, all branch locations have banners and poster displays highlighting the sale to all lobby and drive-up traffic. The bank also advertises in various newspapers, including publications reaching LMI households.

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

The bank maintains a CRA statement formulated by the board of directors. The board is involved in ascertaining the needs of the community and making the community aware of the credit and non-credit services available at the bank. Members of the board are actively engaged in operating businesses and professional practices in the local community.

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.

GLOSSARY

Aggregate

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

Community Development

The term “community development” is defined to mean:

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

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

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

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

- Financial intermediaries (including community development financial institutions,

community development corporations, minority- and women-owned financial institutions, community loan funds, micro-finance institutions and low-income or community development credit unions) that primarily lend or facilitate lending in LMI areas or to LMI individuals in order to promote community development;

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

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

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

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

Demand-Adjusted Penetration Rate

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

Demand-Adjusted Penetration Ratio

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

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

Home Mortgage Disclosure Act (“HMDA”)

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

Loans to Small Businesses

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

Low or Moderate Income (“LMI”) Geographies

Those census tracts or block numbering areas (“BNAs”), where according to the 1990 US Census, the median family income is less than 80% of the area median family income. In the case of tract 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 tract areas that are not part of a MSA or PMSA, the area median family income would be the statewide non-metropolitan median family income.

LMI Borrowers

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

LMI Individuals/Persons

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

Small Business Loans

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