



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

**PUBLIC SUMMARY**  
(ON-SITE EVALUATION)

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

**Date of Evaluation:** December 31, 2005

**Institution:** State Bank of Long Island  
Two Jericho Plaza  
Jericho, New York 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.

## TABLE OF CONTENTS

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

## **GENERAL INFORMATION**

This document is an evaluation of the Community Reinvestment Act (“CRA”) performance of 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, 2005.

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 the performance. Section 76.5 further provides that the Banking Department will prepare a written report summarizing the results of such assessment and will assign to each institution a numerical CRA rating based on a 1 to 4 scoring system. The numerical scores represent an assessment of CRA performance as follows:

- (1) outstanding record of meeting community credit needs;
- (2) satisfactory record of meeting community credit needs;
- (3) needs to improve record of meeting community credit needs; and
- (4) substantial noncompliance in meeting community credit needs.

Section 76.5 further requires that the CRA rating and the written summary be made available to the public (“Evaluation”). Evaluations are primarily based on a review of performance tests and standards described in Section 76.7 and detailed in Section 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 an explanation of technical terms used in this report, please consult the **GLOSSARY** at the back of this document.

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

SBLI is rated “2,” indicating a “Satisfactory” record of helping to meet community credit needs. This rating is based on the following factors:

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

- ***Lending Activity*** - SBLI lending levels reflect good responsiveness to assessment area credit needs. SBLI originated 1671 Small Business loans totaling \$450.2 million during the evaluation period, ranking it 17<sup>th</sup> among 167 small business lenders in the assessment area. During the evaluation period, SBLI originated 56 HMDA-reportable loans totaling \$16.7 million, comprised of 41.1% for home purchases, 23.2% for home improvements and 35.7% used for home refinancing.
- ***Assessment Area Concentration*** - SBLI extended the majority of its small business and HMDA-reportable loans within the assessment area (88.6% and 90.3%, respectively).
- ***Geographic Distribution of Loans*** - The geographic distribution of small business loans reflects an adequate penetration throughout the assessment area, but the LMI penetration of its HMDA-reportable loans needs improvement. During the evaluation period, SBLI extended 14.1% of its small business loans within the LMI geographic area, and achieved penetration rate of only 1.8% for HMDA-reportable loans within the LMI areas.
- ***Distribution by Borrowers Characteristics*** – Given the products offered at SBLI, the distribution of borrowers reflects an adequate penetration among customers of different income levels and businesses of different sizes. SBLI extended 29.6% of the small business loans to businesses with revenue of less than \$1 million dollars and had a penetration rate of 16.1% of HMDA-reportable loans among the LMI borrowers.
- ***Community Development Lending Activity*** - SBLI achieved an excellent level of community development lending. During the evaluation period, community development commitments totaled nearly \$113.4 million

**Investment Test: “Outstanding”**

- SBLI has made an excellent level of qualified development investments and grants, including those not regularly provided by private investors. During the evaluation period, such investments totaled \$5.8 million.

**Service Test: “High Satisfactory”**

- SBLI’s delivery systems are accessible to all portions of the assessment area. SBLI maintains five branches located within LMI or within areas adjacent to LMI census tracts. Supplementing the branch network are ATM’s at 13 of the bank’s 15 branch locations and telephone banking or bank-by-mail services.
- Bank personnel are actively involved and operate on boards and or committees of community development organizations.

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 full service commercial bank chartered by the New York State Banking Department since 1966. The bank is a wholly owned subsidiary of State Bancorp, Inc. a registered Delaware one-bank holding company formed in 1986.

SBLI 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") for December 31, 2005, SBLI reported total assets of \$1.6 billion, net loans of \$892 million and total deposits were \$1.4 billion. According to the latest available comparative deposit data (June 30, 2005), SBLI obtained a market share of 1.0%, inside its assessment area, ranking it 16<sup>th</sup> among 61 deposit-taking institutions.

SBLI faces competition from large regional and national banks within its assessment areas, 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 table illustrates the SBLI's loan portfolio based on Schedule RC-C of the bank's 2003, 2004 and 2005 year-end Call Reports:

<b>TOTAL GROSS LOANS OUTSTANDING</b>						
LOAN TYPE	12/31/2005		12/31/2004		12/31/2003	
	\$000	%	\$000	%	\$000	%
1-4 Residential Mortgage Loans	101,539	11.4	96,509	12.4	90,300	12.7
Commercial & Industrial Loans	298,114	33.4	277,400	35.6	278,444	39.1
Commercial Mortgage Loans	327,205	36.7	267,255	34.3	235,264	33.1
Multifamily Mortgages	17,260	1.9	10,543	1.3	9,382	1.3
Consumer Loans	9,401	1.0	8,724	1.1	7,843	1.1
Agricultural Loans	0	0.0	0	0.0	0	
Construction Loans	79,200	8.9	73,648	9.5	54,293	7.6
Obligations of states & municipalities	6,936	0.8	7,406	1.0	10,705	1.5
Other Loans	3,443	0.4	2,089	0.3	1,250	0.2
Lease financing	49,151	5.5	34,844	4.5	23,962	3.4
Total Gross Loans	892,249	100.0	778,418	100.0	711,443	100.0

As illustrated in the above chart, SBLI is primarily a commercial lender, with 33.4% of its loan portfolio in commercial and industrial loans and 36.7% in commercial mortgage loans.

SBLI 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 on December 31, 2003.

SBLI participates in the governmentally insured guaranteed and subsidized loan programs, such as SBA, New York Business Development Corporation and Linked Deposit loans. However, SBLI did not close any loans in any of these programs during 2004 or 2005.

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

**Assessment Area:**

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

There are 1,214 census tracts in the assessment area, of which 12 (nearly 1%) are low income, 215 (17.71%) are moderate-income, 663 (54.61%) are middle-income, 298 (24.55) are upper-income and 26 (2.14%) are zero-income tracts.

The following table summarizes the distribution of SBLI’s assessment area’s census tracts by income level.

<b>Distribution of Assessment Area Census Tracts by Income Level (2005)</b>							
<b>County</b>	<b>Zero</b>	<b>Low</b>	<b>Moderate</b>	<b>Middle</b>	<b>Upper</b>	<b>Total</b>	<b>2005 LMI %</b>
Nassau	8	2	20	178	69	277	7.9
Suffolk	1	1	55	179	49	285	19.6
Queens	17	9	140	306	180	652	22.9
<b>Total</b>	<b>26</b>	<b>12</b>	<b>215</b>	<b>663</b>	<b>298</b>	<b>1214</b>	<b>18.7</b>

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

**Unemployment Rates**

According to the Bureau of Labor Statistics, in 2005, the average unemployment rate for Nassau County was 4.1%, Suffolk County was 4.2% and Queens County’s was 5.2%. The New York State 2005 average unemployment rate was 5.0%.

### **Demographic & Economic Data**

The following charts show demographic and economic data for each county of SBLI's assessment area.

The demographic data is obtained from the 2000 U.S. Census.

*Chart #1: Shows population and income.*

*Chart #2: Shows housing demographics.*

*Chart #3: Shows business demographics.*

**CHART # 1**

**State Bank of Long Island**

**ASSESSMENT AREA POPULATION AND INCOME CHARACTERISTICS BY COUNTY**

COUNTY	Total Population	Age Over 65		Age Under 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 Living in LMI Tracts	
		#	%	#	%				#	%		#	%	#	%	#	%	#	%	#	%
Nassau	1,334,544	200,841	15.0	293,128	22.0	85,752	88,850	447,803	23,537	5.0	349,694	58,413	16.7	59,669	17.1	80,471	23.0	151,141	43.2	17,024	14.4
Suffolk	1,293,927	144,633	11.2	308,148	23.8	75,696	88,850	419,457	22,689	5.0	329,877	60,773	18.4	65,838	20.0	84,820	25.7	118,446	35.9	36,319	28.7
Queens	2,135,106	268,884	12.6	430,105	20.1	50,127	57,650	749,332	102,714	14.0	521,135	116,525	22.4	90,766	17.4	104,587	20.1	209,257	40.2	76,493	36.9
<b>TOTAL A/A*</b>	4,763,577	614,358	12.9	1,031,381	21.7	67,527	72,093	1,616,592	148,940	9.0	1,200,706	235,711	19.6	216,273	18.0	269,878	22.5	478,844	39.9	129,836	28.7

\* Assessment Area

**CHART # 2**

<b>ASSESSMENT AREA HOUSING CHARACTERISTICS BY COUNTY</b>																			
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	
		#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%
<b>QUEENS</b>	779,592	478,271	61.0	301,321	39.0	324,011	42.0	389	0.1	40,339	12.4	159,511	49.2	123,772	38.2	425,326	55.0	30,255	3.9
<b>NASSAU</b>	458,151	409,201	89.0	48,950	11.0	359,257	78.0	647	0.2	16,993	4.7	247,420	68.9	94,197	26.2	88,130	19.0	10,764	2.3
<b>SUFFOLK</b>	438,035	404,829	92.0	33,206	8.0	335,739	77.0	504	0.2	58,586	17.4	213,799	63.7	62,850	18.7	83,570	19.0	18,726	4.3
<b>TOTAL A/A*</b>	1,675,778	1,292,301	77.0	383,477	23.0	1,019,007	61.0	1540	0.2	115,918	11.4	620,730	60.9	280,819	27.6	597,026	36.0	59,745	3.6

\* Assessment Area

**CHART # 3**

<b>State Bank of Long Island</b>											
<b>BUSINESS DEMOGRAPHICS BY COUNTY (2005)</b>											
<b>COUNTY</b>	Number of Businesses	Businesses with revenues of \$1 million or less		Businesses with revenues of more than \$1 million		Businesses not reporting revenues		Businesses with fewer than 50 employees		Businesses operating from a single location	
		#	%	#	%	#	%	#	%	#	%
<b>Nassau</b>	135,362	88,611	65.5	7,455	5.5	39,296	29.0	100,713	74.4	126,132	93.2
<b>Suffolk</b>	115,788	76,375	66.0	6,984	6.0	32,429	28.0	88,077	76.1	107,194	92.6
<b>Queens</b>	106,111	68,629	64.7	5,374	5.1	32,108	30.3	77,766	73.3	99,271	93.6
	357,261	233,615	65.4	19,813	5.5	103,833	29.1	266,556	74.6	332,597	93.1

\* Assessment Area

## CHART # 4

<b>State Bank of Long Island</b>											
<b>BUSINESS DEMOGRAPHICS BY COUNTY (2004)</b>											
COUNTY	Number of Businesses	Businesses with revenues of \$1 million or less		Businesses with revenues of more than \$1 million		Businesses not reporting revenues		Businesses with fewer than 50 employees		Businesses operating from a single location	
		#	%	#	%	#	%	#	%	#	%
<b>Nassau</b>	127,869	84,137	65.8	7,272	5.7	36,460	28.5	95,607	74.8	118,453	92.6
<b>Suffolk</b>	108,431	72,301	66.7	6,831	6.3	29,299	27.0	83,199	76.7	99,665	91.9
<b>Queens</b>	100,703	65,670	65.2	5,362	5.3	29,671	29.5	74,130	73.6	93,781	93.1
	337,003	222,108	65.9	19,465	5.8	95,430	28.3	252,936	75.1	311,899	92.6

\* Assessment Area

**PERFORMANCE TESTS AND ASSESSMENT FACTORS**

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

This performance evaluation covers calendar years 2004 and 2005. Statistics used came from various sources. In addition to loan information submitted by the bank, aggregate data for HMDA-reportable and small business loans were obtained from the Federal Financial Institutions Examination Council (“FFIEC”) and from PCI Corporation’s CRA Wiz software. Demographic data from the 2000 U.S. Census, with updated median income estimates provided by HUD were utilized. The aggregate data for HMDA-reportable and small business lending for 2005 were not 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 of lending (4) Distribution of lending based on the Borrower Characteristics; (5) Community Development Lending; and (6) Innovative and/or Flexible Lending Practices.*

**Lending Activity: “High Satisfactory”**

SBLI’s lending levels reflect good responsiveness to assessment area credit needs.

**Small Business Loans**

SBLI’s small business lending performance during the evaluation period reflects good responsiveness to the assessment area credit needs.

According to the 2005 Lender Market Share report for the bank’s assessment area, SBLI’s small business lending obtained a market share of nearly 0.61% by number and 5.90% by dollar volume, ranking it 17th among 167 small business lenders in the assessment area. SBLI’s average loan size was \$284 thousand.

The table below summarizes the Small Business Lending Activity by County.

SBLI Small Business Lending Activity by County						
County	2004		2005		Total	
	#	\$000	#	\$000	#	\$000
Nassau	343	89,937	309	73,867	652	163,804
Suffolk	401	112,273	389	108,350	790	220,623
Queens	100	30,439	129	35,355	229	65,794
<b>Total</b>	<b>844</b>	<b>232,649</b>	<b>827</b>	<b>217,572</b>	<b>1671</b>	<b>450,221</b>

## HMDA-reportable Loans

The SBLI's HMDA-reportable lending activity during the evaluation period reflects poor responsiveness to assessment area credit needs.

In 2004, SBLI originated 18 HMDA-reportable loans totaling \$6.9 million. These loans were used for home purchases (50%), mortgage refinancing (36%) and for home improvements (12%).

During 2005, SBLI's HMDA-reportable loan significantly increased by 111.1% to 38 loans totaling \$9.6 million. The loans were comprised of home purchases (38.9%), home improvements (28.9%) and refinances (34.2%).

SBLI's HMDA-reportable lending during 2005 earned a market share of 0.01% ranking it 260th among 488 HMDA-reportable lenders in the assessment area. SBLI's average loan size was \$384 thousand.

The chart below summarizes the HMDA-reportable lending by county.

SBLI HMDA-reportable Lending Activity by County						
County	2004		2005		Total	
	#	\$000	#	\$000	#	\$000
Nassau	8	4,991	23	5,820	31	10,811
Suffolk	9	1,527	10	2,331	19	3,858
Queens	1	400	5	1,675	6	2,075
<b>Total</b>	<b>18</b>	<b>6,918</b>	<b>38</b>	<b>9,826</b>	<b>56</b>	<b>16,744</b>

## **Assessment Area Lending "Outstanding"**

SBLI originated the majority of its loans within SBLI's assessment area.

The chart below summarizes the HMDA-reportable and small business lending inside and outside the assessment area.

Distribution of Loans Inside and Outside of the Assessment Area										
Loan Type	Number of Loans					Loans in Dollars				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$000	%	\$000	%	
<b>HMDA</b>										
2004	18	85.7	3	14.3	21	6,918	84.1	1,306	15.9	8,224
2005	38	92.7	3	7.3	41	9,826	94.7	545	5.3	10,371
<b>Subtotal</b>	<b>56</b>	<b>90.3</b>	<b>6</b>	<b>9.7</b>	<b>62</b>	<b>16,744</b>	<b>90.0</b>	<b>1,851</b>	<b>10</b>	<b>18,595</b>
<b>Small Business</b>										
2004	844	88.7	107	11.3	951	232,649	86.4	36,687	13.6	269,336
2005	827	88.4	108	11.6	935	217,572	84.6	39,485	15.4	257,057
<b>Subtotal</b>	<b>1671</b>	<b>88.6</b>	<b>215</b>	<b>11.4</b>	<b>1886</b>	<b>450,221</b>	<b>85.5</b>	<b>76,172</b>	<b>14.5</b>	<b>526,393</b>
<b>Total</b>	<b>1,727</b>	<b>88.7</b>	<b>221</b>	<b>11.3</b>	<b>1,948</b>	<b>466,965</b>	<b>85.7</b>	<b>78,023</b>	<b>14.3</b>	<b>544,988</b>

### Small business loans

In 2004, SBLI originated 88.7% of its small business loans by number and 86.4% by dollar value in the assessment area. In 2005, the number of small business loans originated declined slightly to 88.4% by number and 84.6% by dollar value in its assessment area.

### HMDA-reportable loans

In 2004, SBLI originated 85.7% of its HMDA reportable loans by number and 84.1% by dollar value in its assessment area. In 2005, the number of HMDA-reportable loans originated in the assessment area increased to 92.7% by number and 94.7% by dollar value in its assessment area.

### **Geographic Distribution: “Satisfactory”**

The geographic distribution of SBLI’s small business loan reflects an adequate penetration throughout the assessment area.

### Small business loans

The following chart provides a summary of SBLI’s small business lending distribution during the evaluation period.

In 2004, SBLI originated 14.1% of its small business loans in LMI geographic areas, slightly below the market aggregate’s 15.7%.

In 2005, SBLI’s LMI penetration of small business lending at 14.0% reflected a slight decrease since 2004. Aggregate data was not available for 2005

<b>Distribution of Small business loans by Geographic Income Level</b>								
<b>Year 2004</b>								
<b>Geography</b>	<b>Bank</b>				<b>Aggregate</b>			
<b>Income Level</b>	<b>#</b>	<b>%</b>	<b>\$000</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$000</b>	<b>%</b>
Low	6	0.7	670	0.3	704	0.5	24,609	0.6
Moderate	113	13.4	34,550	14.9	20,366	15.2	653,317	16.5
Middle	487	57.7	126,545	54.4	78,719	58.8	2,205,666	55.6
Upper	231	27.4	69,816	30.0	33,745	25.2	1,054,996	26.6
N/A	7	0.8	1,068	0.5	394	0.3	26,636	0.7
<b>Total</b>	<b>844</b>	<b>100.0</b>	<b>232,649</b>	<b>100.0</b>	<b>133,928</b>	<b>100.0</b>	<b>3,965,224</b>	<b>100.0</b>
<b>Year 2005</b>								
<b>Geography</b>	<b>Bank</b>							
<b>Income Level</b>	<b>#</b>	<b>%</b>	<b>\$000</b>	<b>%</b>				
Low	10	1.2	2,278	1.0				
Moderate	106	12.8	34,055	15.7				
Middle	493	59.6	119,999	55.2				
Upper	214	25.9	60,036	27.6				
N/A	4	0.5	1,204	0.6				
<b>Total</b>	<b>827</b>	<b>100.0</b>	<b>217,572</b>	<b>100.0</b>				

## HMDA Lending

During the evaluation period, SBLI originated only 1.8% of its HMDA-reported loans in low-moderate income census tracts.

In 2004, SBLI did not originate any loans in LMI income-census tracts. SBLI is shifting from HMDA-reportable loan products to loans that are more commercial. By comparison, the aggregate lenders originated 18.2% by number and 16.4% by dollar volume. In 2005, SBLI originated 2.6% by number and 0.3% by dollar volume.

According to the 2004 Lender Market share report for SBLI's assessment area, SBLI obtained a market share of nearly 0.01% by number and 0.02% by dollar volume, ranking it 260 among 488 HMDA reportable loans in the assessment area. The average loan size was \$384 thousand.

The following chart provides a summary of SBLI's HMDA related lending distribution during the evaluation period.

Distribution of HMDA-reportable Loans by Geographic Income Level								
Year 2004								
Geography	Bank				Aggregate			
Income Level	#	%	\$000	%	#	%	\$000	%
Low	0	0.0	0	0.0	655	0.4	151,730	0.4
Moderate	0	0.0	0	0.0	30,645	17.8	6,786,989	16.0
Middle	13	72.2	5,678	82.1	105,132	61.2	24,573,372	57.8
Upper	5	27.8	1,240	17.9	35,196	20.5	11,009,376	25.9
N/A	0	0.0	0	0.0	88	0.1	24,218	0.1
<b>Total</b>	<b>18</b>	<b>100.0</b>	<b>6,918</b>	<b>100.0</b>	<b>171,716</b>	<b>100.0</b>	<b>42,545,685</b>	<b>100.0</b>
Year 2005								
Geography	Bank							
Income Level	#	%	\$000	%				
Low	0	0.0	0	0.0				
Moderate	1	2.6	25	0.3				
Middle	23	60.5	5,204	53.0				
Upper	14	36.8	4,597	46.8				
N/A	0	0.0	0	0.0				
<b>Total</b>	<b>38</b>	<b>100.0</b>	<b>9,826</b>	<b>100.0</b>				

### **Distribution by Borrower Characteristics: "Low Satisfactory"**

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

### Small Business Loans

In 2004, SBLI extended 25.8% of its small business loans among borrowers with revenue less than \$1 million, whereas the aggregate lenders extended 38.1% loans to borrowers within the same revenue category.

In 2005, SBLI's percentage improved to 33.5% of its small business loans among small businesses with less than \$1 million dollars.

The table below shows the distribution of small business loans by business revenue during the evaluation period.

Distribution of Small Business Loans By Business Revenue								
2004								
Revenue	Bank				Aggregate			
Size	#	%	\$000	%	#	%	\$000	%
\$1million or less	218	25.8	49,623	21.3	50,979	38.1	1,498,495	37.8
Over \$1 million	497	58.9	171,063	73.5				
No Revenue Info	129	15.3	11,963	5.1				
<b>Total</b>	<b>844</b>	<b>100.0</b>	<b>232,649</b>	<b>100.0</b>	<b>133,928</b>	<b>100.0</b>	<b>3,965,224</b>	<b>100.0</b>
2005								
Revenue	Bank				Aggregate			
Size	#	%	\$000	%	#	%	\$000	%
\$1million or less	277	33.5	61,813	28.4				
Over \$1 million	444	53.7	149,016	68.5				
No Revenue Info	106	12.8	6,743	3.1				
<b>Total</b>	<b>827</b>	<b>100.0</b>	<b>217,572</b>	<b>100.0</b>				

#### HMDA-reportable Loans

SBLI's HMDA-related lending distribution based on borrower characteristics reflects poor penetration among individuals of different income levels.

As shown in the table below, in 2004 SBLI extended 11.2% by number and 1.4% by dollar volume of its HMDA-reportable loans in LMI census tracts; significantly below the 20.3% and 13.5% in number and dollar amount, respectively for the aggregate. The LMI penetration improved in 2005. SBLI extended 18.4% by number and 7.9% of the HMDA-reportable loans among the LMI borrowers.

The following chart provides a summary of SBLI's HMDA-related lending distribution during the evaluation period.

Distribution of HMDA-related Loans by Borrower Income Level								
Year 2004								
Borrower	Bank				Aggregate			
Income Level	#	%	\$000	%	#	%	\$000	%
Low	1	5.6	25	0.4	6,321	3.7	759,796	1.8
Moderate	1	5.6	68	1.0	28,489	16.6	4,982,162	11.7
Middle	7	38.9	1,419	20.5	52,907	30.8	11,435,312	26.9
Upper	7	38.9	2,086	30.2	70,971	41.3	21,444,732	50.4
N/A	2	11.1	3,320	48.0	13,028	7.6	3,923,683	9.2
<b>Total</b>	<b>18</b>	<b>100.0</b>	<b>6,918</b>	<b>100.0</b>	<b>171,716</b>	<b>100.0</b>	<b>42,545,685</b>	<b>100.0</b>
Year 2005								
Borrower	Bank							
Income Level	#	%	\$000	%				
Low	0	0.0	0	0.0				
Moderate	7	18.4	779	7.9				
Middle	7	18.4	1,824	18.6				
Upper	19	50.0	6,003	61.1				
N/A	5	13.2	1,220	12.4				
<b>Total</b>	<b>38</b>	<b>100.0</b>	<b>9,826</b>	<b>100.0</b>				

### Community Development Lending “Outstanding”

SBLI is a leader in making community development loans. During the evaluation period, community development commitments increased to \$113.4 million, from the \$94.6 million at the prior evaluation. Nearly 74.3% of these commitments supported community services, while 13.4% supported affordable housing, 7.1% were used for revitalization and stabilization and 5.2% supported the economic development programs for the benefit of LMI projects in SBLI’s assessment area.

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

**United Cerebral Palsy Association (“UCPA”)** – In 2004 and 2005, SBLI renewed lines of credit totaling \$1.0 million it had extended to the organization. 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 2004 and 2005, SBLI renewed lines of credit totaling \$5.0 million, it had extended to the corporation. HASC provides educational and therapeutic services to developmentally disabled, orthopedic impaired, physically handicapped, autistic and language-impaired underserved children within the five boroughs of New York City and Nassau and Suffolk Counties. HASC has offices in Nassau County and Kings County, New York.

**The New Interdisciplinary School (“NIS”)** - In 2004 and 2005 SBLI extended \$1.3 million and \$2.0 million loans to NIS which is located in Yaphank (Suffolk County) New York. The school is a NYS 501(c)(3) not-for-profit organization that

was formed in order to serve handicapped children and their families on Long Island.

**Jamaica First Parking LLC (“JFP”)** - In 2004 and 2005 SBLI extended \$3.2 million and \$4.8 million standby letter of credit to the borrower. JFP is affiliated with Greater Jamaica Development Corp (“GJDC”), a 501(C)(3) not-for-profit local development corporation formed in 1967 to transform downtown Jamaica into a regional center for private and government offices, education, transportation and the arts.

**Shield of David Inc. D/B/A Shield Institute.**-In 2004, SBLI extended \$2.8 million mortgage lines of credit and in 2005 renewed \$2.0 million lines of credit to the borrower. Shield is a not-for-profit organization that was originally founded as an orphanage in 1921 by community members. Since 1952, Shield has offered educational and other services for individuals who are developmentally disabled. Shield has offices in New York, Bronx and Queens Counties.

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

SBLI makes limited use of flexible and innovative lending products. SBLI is an approved lender for the State of New York Mortgage Agency (“SONYMA”), yet it did not originate any loans through this program during the evaluation period. However, SBLI extended various loan products to local agencies that assist individuals with developmental disabilities.

## **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 and grants, often in a leadership position, particularly those not routinely provided by private investors. Qualified investments, including \$109.6 thousand in grants, totaled \$5.8 million.

Some of SBLI’s notable qualified investments include:

**Statewide Zone Capital Corporation (“SZCC”)** – SBLI continues to maintain its \$400 thousand investment in SZCC. The program, under the management of the New York Business Development Corporation, provides financing and investment opportunities to small businesses located in the designated Economic Development Zones of New York.

**Mortgage Backed Securities (“FNMA”)** – SBLI invested in FNMA mortgage backed securities totaling \$2.8 million targeting LMI borrowers in Queens, Nassau and Suffolk counties. Such investments support affordable housing since they are backed by mortgages to borrowers with incomes of no more than

80% of the median family income for that area.

**Senior Housing Crime Prevention Foundation** – SBLI invested \$2 million in the Senior Housing Crime Prevention Foundation, an organization that supports crime prevention in nursing homes.

**Roosevelt Union Free School District** – SBLI invested \$515 thousand in Roosevelt QZAB Bond. This bond is a Qualified Zone Academic Bond. At least 95% of the proceeds are used to rehabilitate or repair public schools. The school must be located in an empowerment zone or enterprise community or there must be an expectation that at least 35% of the students attending the school will be eligible for free or reduced-cost lunches.

**Federal Home Loan Bank of New York (FHLBNY)** – SBLI contributed \$23.8 thousand and \$26.3 thousand in 2004 and 2005, respectively, towards the FHLBNY's Affordable Housing Program (AHP). This amount reflects a pro-rata share (based on the SBLI's percentage of ownership of the FHLBNY) of the FHLBNY's annual net income that is set aside (10%) to fund its AHP.

### **III. Service Test: "High Satisfactory"**

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

#### **Retail Banking Services: "High Satisfactory"**

##### Accessibility to Delivery Systems

SBLI's delivery systems are accessible to its geographies and individuals of different income levels in its assessment area. SBLI operates 15 full-service branches throughout its assessment area, of which seven are in Nassau County, five are in Suffolk County and three are in Queens County. SBLI does not have a branch location in LMI geographies but four branches are adjacent to LMI census tracts. Supplementing the branch network are ATMs at 13 of its 15 branch locations.

##### Alternative Delivery Systems

SBLI offers a wide variety of retail products and services beneficial to LMI individuals and small businesses, 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

- Basic Banking Account with \$25 minimum deposit and no minimum balance required. The account costs \$3 monthly maintenance fee and provides eight withdrawals per statement cycle.
- Direct deposit of payroll, social security benefits, government and military pensions.
- Junior Saver accounts for an individual below 18 years of age without monthly service charges incurred.
- An online personal banking service that gives customers safe access to all their bank accounts 24 hours a day.

#### Change in Branch Locations

SBLI's record of opening and closing branches has not adversely affected the accessibility of its delivery systems, particularly to LMI geographies and/or LMI individuals. During the evaluation period, SBLI did not open or close any of its branches.

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

SBLI's business hours and services do not vary in a way that inconveniences any portion of its assessment area, particularly LMI geographies and/or LMI individuals. The extended hours of services and drive-up facilities are available at most of the branches.

All branches offer the same products and services, with the exception of safe deposit boxes that are offered at six (40%) locations including, two in Nassau County, three in Suffolk County and one in Queens County. Additionally, some branches have employees who fluently speak Spanish, Italian, Greek, Persian, Cantonese, Mandarin, Burmese, Creole and Taiwanese.

#### **Community Development Services: "High Satisfactory"**

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

Big Brothers Big Sisters of Long Island – SBLI conducted a clothing drive to benefit the needy LMI children of Long Island. SBLI ran a program in which each week three LMI students from Hauppauge High School spend time with their individual Big Brother/Big Sister to learn about banking and the work place.

Harbor Child Care Center – The bank continues its fund raising efforts and technical assistance in the Bankers Child Care Coalition, created in response to the New York State Banking Department's "Adopt a Center" initiative in 2000. This program strives to assist child-care providers that primarily serve LMI communities.

Port Washington Education Foundation (“PWEF”) - PWEF is a community non-profit based organization, designed to support education initiatives. SBLI provided PWEF a no fee banking account and, in addition, provides a conference room for the organization’s monthly meetings. PWEF provides many services to LMI students and their parents, including clothing, food and other donated items.

Teach Children Program - As part of the Financial Literacy Program, SBLI founded an educational program for Mineola School District, which caters to LMI students. SBLI employees provided lessons to students in grades 4-6 on managing money, budgeting and saving/checking accounts. SBLI also provided the same training to grammar school children from Mercy First (formerly St. Mary’s Children and Family Services, Inc.), a non-profit agency caring for abused, neglected and troubled children in crisis and their families.

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

- Queens Chamber of Commerce - Board Members
- Central Nassau Guidance and Counseling Services - Board Member & Treasurer
- Community Development Corporation of LI - Lending Committee
- Brookhaven Industrial Development Agency - Chairman of the Board
- New Hyde Park Chamber of Commerce – Second Vice President & Board Member
- New York Business Development Corporation – Board Member
- Queens Centers for Progress – Vice President of the Board of Directors

#### **IV. Discrimination and other Illegal Practices**

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

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

**Evidence of prohibited discriminatory or other illegal credit practices.**

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

SBLI ascertains the credit needs of its community through the involvement of its directors, officers, and employees in a number of local community organizations, which serve the needs of its community.

A partial list of organizations includes:

Big Brothers and Sisters of Nassau County  
Boy Scouts of America  
Long Island Housing Partnership  
Nassau/Suffolk Association of School Administrators  
Long Island Mid-Suffolk Business Action  
Interagency Council of Mental Retardation and Developmental Disabilities Agencies (IAC).

Additionally, SBLI has developed an expertise in lending to not-for-profit organizations that provide services to the developmentally disabled. SBLI currently has credit programs available to provide lines of credit, term loans, leasing and bridge loans for acquisition of group homes under the New York State Cares Program.

**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.**

SBLI's products and services are typically advertised within the community they serve. SBLI's marketing involves placing advertisements with local TV/radio, newspapers and sponsorships of community events. The advertisements are general in nature and do not specify particular loan or deposit products. Specific advertisements are used only to introduce a new branch opening or new products such as small business line of credit and home equity line of credit. Additionally, SBLI distributes flyers and postcards in its assessment area.

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

SBLI 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 SBLI. Members of the board are actively engaged in operating businesses and professional practices in the local community.

**Other Factors**

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

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.

### **Home Mortgage Disclosure Act (“HMDA”)**

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

### **Loans to Small Businesses**

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

### **Low or Moderate Income (“LMI”) Geographies**

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

### **LMI Borrowers**

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

### **LMI Individuals/Persons**

Those individuals, whose income is less than 80% of the area median family income. In the case where the individual resides in a MSA or PMSA, this would relate to the median family income for that MSA or PMSA. Otherwise, the area median family income would be the statewide non-metropolitan median family income. In all

instances, the area median family incomes used to measure individual income levels are updated annually by HUD.

### **LMI Penetration Rate**

A number that depicts the percentage of a bank's total loans (for a particular product) that was extended to LMI geographies or borrowers. For example, an LMI penetration rate of 20% would indicate that the bank made 20 out of a total of 100 loans to LMI geographies or borrowers.

### **Small Business Loans**

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