



**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, 2009

Institution: Apple Bank for Savings
122 East 42nd Street
New York, New York 10168-0002

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 Apple Bank for Savings (“Apple Bank”) prepared by the New York State Banking Department. The evaluation represents the Banking Department’s current assessment and rating of the institution’s CRA performance based on an evaluation conducted as of 12/31/2009.

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 of small banking institutions are primarily based on a review of performance tests and standards described in Section 76.7 and detailed in Section 76.12. 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

Apple Bank's performance was evaluated according to the large bank performance criteria pursuant to Part 76.12 of the General Regulations of the Banking Board. This assessment period included calendar years 2007, 2008 and 2009. Apple Bank is rated "1," indicating an "**Outstanding**" record of helping to meet community credit needs.

This rating is based on the following factors:

Lending Test – "Outstanding"

- Apple Bank's lending activity reflected good responsiveness considering its size, business strategy and financial condition, as well as peer group activity and demographics.
- Apple Bank originated a substantial majority of its loans within the assessment area. During the evaluation period, Apple Bank originated 96% by number, and 95.8% by dollar value of its combined HMDA-reportable and MECA lending loans within its assessment area.
- The distribution of loans based on lending in census tracts of varying income levels demonstrated a reasonable penetration rate of lending.
- Apple Bank's loan distribution based on borrower characteristics reflects a more than reasonable penetration among individuals of different income levels. Compared to the aggregate, Apple Bank's record of lending to LMI individuals was more than reasonable for the evaluation period.
- During the evaluation period, Apple Bank originated \$139 million in new community development loans, and still had \$37.8 million outstanding from prior evaluation periods. This demonstrated an excellent level of community development lending over the course of the evaluation period.
- Apple Bank uses innovative and/or flexible lending practices in serving the credit needs of its assessment area.

Investment Test: "Outstanding"

During the evaluation period, Apple Bank made \$306 million in new community development investments, and still had \$33 million outstanding from prior evaluation periods. In addition, Apple Bank made \$263 thousand in community development grants. This demonstrated an excellent level of community development investments and grants over the course of the evaluation period.

Service Test: “High Satisfactory”

Apple Bank had and continues to have excellent delivery systems, branch network, branch hours and services, and alternative delivery systems.

Apple Bank provides an adequate level of community development services. During the evaluation period, Apple Bank sponsored various seminars and events. These were conducted in conjunction with various non-profit 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 Profile:

Chartered in 1863, Apple Bank for Savings (Apple Bank) is a savings bank, located in Manhasset, New York. The bank is a wholly-owned subsidiary of Apple Financial Holdings, Inc. As of June 30, 2009, Apple Bank had seven active subsidiaries.

As per the December 31, 2009 Consolidated Report of Condition (the Call Report) filed with the Federal Deposit Insurance Corporation ("FDIC"), Apple Bank reported total assets of \$7.3 billion, of which \$2.4 billion were net loans and lease financing receivables. It also reported total deposits of \$5.9 billion, resulting in a loan-to-deposit ratio of 41.21%. According to the latest available comparative deposit data as of June 30, 2009, Apple Bank obtained a market share of .89%, or \$5.9 billion out of \$655.8 billion inside its market, ranking it 15th among 148 deposit-taking institutions in the assessment area.

The following is a summary of Apple bank's loan portfolio, based on Schedule RC-C of the bank's December 31, 2007, 2008 and 2009 Call Reports:

TOTAL GROSS LOANS OUTSTANDING						
Loan Type	2007		2008		2009	
	\$000's	%	\$000's	%	\$000's	%
1-4 Family Residential Mortgage Loans	808,110	60.0	974,675	59.5	937,661	38.3
Commercial & Industrial Loans		0.0	12,689	0.8	428,667	17.5
Commercial Mortgage Loans	289,602	21.5	376,604	23.0	577,210	23.6
Multifamily Mortgages	221,248	16.4	240,725	14.7	364,691	14.9
Consumer Loans	22,876	1.7	22,586	1.4	20,296	0.8
Agricultural Loans		0.0		0.0		0.0
Construction Loans	1,972	0.1	7,368	0.4	116,349	4.7
Obligations of States & Municipalities		0.0		0.0		0.0
Other Loans	3,305	0.2	4,812	0.3	5,459	0.2
Lease financing		0.0		0.0		0.0
Total Gross Loans	1,347,113		1,639,459		2,450,333	

As illustrated in the above chart, Apple Bank is primarily a real estate lender, with 76.8% of its loan portfolio in real estate lending and 4.7 % construction lending as of December 31, 2009.

There are no known financial or legal impediments that adversely impacted Apple Bank's ability to meet the credit needs of its community.

Assessment Area:

Apple Bank's assessment area is comprised of eight counties; the Bronx, Kings, New York, Queens, Richmond, Westchester, Nassau and Suffolk.

There are 3,035 census tracts in the area, of which 334 are low-income, 718 are moderate-income, 1,077 are middle-income, 828 are upper-income and 78 are tracts with no income indicated.

Assessment Area Census Tracts by Income Level								
County	N/A	Low	Mod	Middle	Upper	Total	LMI %	LMI & Dis-tressed %
Bronx	14	132	98	65	46	355	64.8	64.8%
Kings	15	119	297	235	117	783	53.1	53.1%
New York	9	60	59	24	144	296	40.2	40.2%
Queens	18	12	148	310	185	673	23.8	23.8%
Richmond	2	3	11	29	65	110	12.7	12.7%
Westchester	4	4	21	39	153	221	11.3	11.3%
Nassau	8	2	20	178	69	277	7.9	7.9%
Suffolk	8	2	64	197	49	320	20.6	20.6%
Total	78	334	718	1,077	828	3,035	34.7	34.7%

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

Demographic & Economic Data

The assessment area had a population of 11.7 million during the evaluation period. About 12.3% of the population were over the age of 65 and 21.9% were under the age of 16.

Of the 2,819,370 families in the assessment area, 26% were low-income, 16.7% were moderate-income, 18.6% were middle-income and 38.74% were upper-income families. There were 4,277,301 households in the assessment area, of which 15.8% had income below the poverty level and 5.9% were on public assistance.

The MSA median family income within the assessment area was \$54.7 thousand. The U.S. Department of Housing and Urban Development ("HUD") estimated median family income for the area was \$72.1 thousand in 2009. Nassau and Suffolk Counties, which had MSA median family income of \$76.2 thousand and HUD estimated median family income of \$101.8 thousand inflated the total assessment area figures, which would have been \$49.5 thousand and \$64.8 thousand, respectively, if only the counties of the five boroughs of Manhattan and Westchester

had been considered.

There were 4,540,276 housing units within the assessment area, of which 52.6% were one- to four-family units, and 47.2% were multifamily units. A majority (53.5%) of the area's housing units were rental units, while 40.7% were owner occupied units. Of the 1,848,526 owner-occupied housing units, 13.7% were in moderate-income geographies while 44.4% were in middle-income tracts. The median age of the housing stock was 56 years and the median home value in the assessment area was \$244 thousand.

There were 1,052,825 non-farm businesses in the assessment area. Of these, 76.6% were businesses with reported revenues of less than or equal to \$1 million, 5.5% reported revenues of more than \$1 million and 18.0% did not report their revenues. Of all the non-farm businesses in the assessment area, 83.7% were businesses with less than fifty employees while 93.7% operated from a single location. The largest industries in the area were services (45.1%), followed by retail trade (15.8%) and finance, insurance & real estate (9.4%). Businesses in the assessment area that were not classified amounted to 10.0%.

The average unemployment rate for New York State increased significantly in 2009. In each of the three years of the evaluation period, Bronx and Kings Counties had unemployment rates that were above the state averages. Westchester, Nassau and Suffolk Counties were well below the state averages, although unemployment rates increased considerably in 2009.

Assessment Area Unemployment Rate									
	NYS	Bronx	Kings	New York	Queens	Richmond	Westchester	Nassau	Suffolk
2007	4.5	6.6	5.3	4.2	4.3	4.4	3.7	3.7	3.9
2008	5.3	7.3	5.8	4.7	4.9	4.9	4.7	4.7	4.9
2009	8.4	12.2	10.1	8.5	8.6	8.4	7.1	6.9	7.3

Community Information

A not-for-profit organization was contacted during the evaluation. The organization, serving the New York City metropolitan area, targets Bedford-Stuyvesant, East Flatbush, North and South Bronx, Northern Queens, and Staten Island. It is a HUD-approved housing counseling agency, a NeighborWorks® America chartered organization and a participating agent in the National Foreclosure Mitigation Counseling program (NFMC). It offers financial & homeownership education and counseling; neighborhood stabilization and homeownership preservation; and resident leadership and community building programs and services, which allow individuals and families to invest in, preserve, and improve their neighborhoods, homes, and future. A majority of its client base is low- to moderate-income households. The organization had no adverse comments regarding Apple Bank.

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

Apple Bank was evaluated under the large banking institution's performance standards in accordance with Parts 76.8, 76.9 and 76.10 of the General Regulations of the Banking Board. Apple Bank's performance was evaluated according to the large bank performance criteria, which consists of the lending, investment and service tests. The following factors were also considered in assessing the bank's record of performance: the extent of participation by the board of directors or board of trustees in formulating CRA policies and reviewing CRA performance; any practices intended to discourage credit applications, evidence of prohibited discriminatory or other illegal credit practices; record of opening and closing offices and providing services at offices; and process factors, such as activities to ascertain credit needs and the extent of marketing and special credit related programs. Finally, the evaluation considered other factors as delineated in Section 28-b of the Banking Law that reasonably bear upon the extent to which a banking institution is helping to meet the credit needs of its entire community.

Statistics employed in this evaluation were derived from various sources. Bank-specific information was submitted by the bank both as part of the examination process and on its Call Report submitted to the Federal Deposit Insurance Corporation ("FDIC"). Aggregate lending data were obtained from the Federal Financial Institutions Examination Council ("FFIEC") and deposit data were obtained from the FDIC. Loan-to-deposit ratios were calculated from information shown in the bank's Uniform Bank Performance Report ("UBPR") as submitted to the FDIC.

The demographic data referred to in this report were derived from the 2000 U.S. Census and the U.S. Department of Housing and Urban Development ("HUD"). Business demographic data used in this report provide information on US businesses, enhanced by Dun & Bradstreet reports and updated annually. Unemployment data were obtained from the New York State Department of Labor.

The assessment period included calendar years 2007, 2008 and 2009. Examiners considered Apple Bank's HMDA-reportable loans and MECAs (home mortgage loan modification, extension, and consolidation agreements).

Examiners considered Apple Bank's purchased and originated HMDA-reportable loans in evaluating lending test factors (1) – (4) below, and considered purchased and originated MECA loans in evaluating factors (1) and (2). Apple Bank did not make any farm loans and has minimal small business and consumer loans.

Apple 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, 2006.

Current CRA Rating: “OUTSTANDING”

LENDING TEST: “Outstanding”

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

Apple Bank’s HMDA-reportable and MECA activities were more than reasonable in light of its size, business strategy and financial condition, as well as peer group activity, demographics, and its assessment area’s credit needs.

Lending Activity: “High Satisfactory”

Apple Bank’s lending levels reflected good responsiveness considering its size, business strategy and financial condition, as well as peer group activity and demographics.

Apple Bank originated 1,563 loans during the evaluation period, which was an increase of 44 loans or 2.9% over the prior evaluation period’s activity of 1,519 loans. More significant was the dollar value of the loans made during this evaluation period. Apple Bank made loans totaling \$1.0 billion, an increase of \$433.9 million over the prior evaluation period. Apple Bank ranked 96th out of 537 lenders in market share in its assessment area.

Assessment Area Concentration: “Outstanding”

During the evaluation period, Apple Bank originated 96.0% by number, and 95.8% by dollar value of its combined HMDA-reportable and MECA lending loans within its assessment area.

HMDA-Reportable Loans: “Outstanding”

During the evaluation period, for HMDA-reportable lending, Apple Bank originated 95.8% by number, and 94.9% by dollar value of its loans within its assessment area. This substantial majority of lending inside its assessment area is an “Outstanding” record of lending.

MECA Loans: “Outstanding”

During the evaluation period, Apple Bank made 98.2% by number and 99.3% by dollar value of MECA loans within its assessment area. This substantial majority of MECAs inside its assessment area is an “Outstanding” record.

The following table shows the percentages of Apple Bank’s MECA and HMDA-

reportable loans originated inside and outside of its assessment area.

Loan Type	Number of Loans					Loans in Dollars (in thousands)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
HMDA-Reportable										
2007	437	94.8%	24	5.2%	461	213,086	92.9%	16,358	7.1%	229,444
2008	418	97.9%	9	2.1%	427	267,251	97.8%	6,074	2.2%	273,325
2009	486	94.9%	26	5.1%	512	291,083	93.8%	19,242	6.2%	310,325
Subtotal	1,341	95.8%	59	4.2%	1,400	771,420	94.9%	41,674	5.1%	813,094
MECA										
2007	31	93.9%	2	6.1%	33	44,976	98.4%	720	1.6%	45,696
2008	61	100.0%	-	0.0%	61	56,936	100.0%	-	0.0%	56,936
2009	68	98.6%	1	1.4%	69	108,134	99.4%	700	0.6%	108,834
Subtotal	160	98.2%	3	1.8%	163	210,046	99.3%	1,420	0.7%	211,466
Grand Total	1,501	96.0%	62	4.0%	1,563	981,466	95.8%	43,094	4.2%	1,024,560

Geographic Distribution of Loans: “Low Satisfactory”

The distribution of loans based on lending in census tracts of varying income levels demonstrated a reasonable penetration rate of lending.

HMDA-Reportable Loans: “Low Satisfactory”

The distribution of HMDA-reportable loans based on the income level of the geography demonstrated a reasonable penetration rate of lending.

The following chart provides a summary of the Apple Bank’s HMDA-reportable lending distribution based on the income level of the geography.

Apple Bank’s HMDA lending in LMI geographies compares favorably to the aggregate in number of loans, but less than reasonable in dollar value during the evaluation period.

Distribution of HMDA-Reportable Lending by Geographic Income of the Census Tract									
2007									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	13	3.0%	3,494	1.6%	7,110	3.4%	3,597,697	4.5%	1.7%
Moderate	87	19.9%	24,985	11.7%	39,511	18.6%	14,050,235	17.5%	13.7%
LMI	100	22.9%	28,479	13.4%	46,621	22.0%	17,647,932	22.0%	15.4%
Middle	108	24.7%	23,475	11.0%	92,535	43.7%	28,617,191	35.7%	44.4%
Upper	228	52.2%	159,562	74.9%	72,672	34.3%	33,842,195	42.2%	40.2%
Unknown	1	0.2%	1,570	0.7%	95	0.0%	98,583	0.1%	0.0%
Total	437		213,086		211,923		80,205,901		
2008									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	10	2.4%	7,066	2.6%	3,667	3.1%	2,017,194	4.1%	1.7%
Moderate	80	19.1%	30,749	11.5%	19,548	16.4%	7,243,154	14.9%	13.7%
LMI	90	21.5%	37,815	14.1%	23,215	19.4%	9,260,348	19.0%	15.4%
Middle	63	15.1%	20,575	7.7%	49,877	41.7%	16,258,049	33.4%	44.4%
Upper	262	62.7%	206,975	77.4%	46,334	38.8%	23,006,267	47.3%	40.2%
Unknown	3	0.7%	1,886	0.7%	86	0.1%	117,362	0.2%	0.0%
Total	418		267,251		119,512		48,642,026		
2009									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	8	1.6%	3,113	1.1%	2,302	1.7%	1,004,209	2.1%	1.7%
Moderate	92	18.9%	36,270	12.5%	15,620	11.8%	5,279,627	11.2%	13.7%
LMI	100	20.6%	39,383	13.5%	17,922	13.5%	6,283,836	13.3%	15.4%
Middle	89	18.3%	37,476	12.9%	55,666	42.0%	16,622,375	35.1%	44.4%
Upper	297	61.1%	214,224	73.6%	58,846	44.4%	24,368,596	51.5%	40.2%
Unknown	0	0.0%	0	0.0%	103	0.1%	47,480	0.1%	0.0%
Total	486		291,083		132,537		47,322,287		
GRAND TOTAL									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	31	2.3%	13,673	1.8%		2.8%		3.8%	
Moderate	259	19.3%	92,004	11.9%		16.1%		15.1%	
LMI	290	21.6%	105,677	13.7%	87,756	18.9%	33,192,116	18.8%	
Middle	260	19.4%	81,526	10.6%		42.7%		34.9%	
Upper	787	58.7%	580,761	75.3%		38.3%		46.1%	
Unknown	4	0.3%	3,456	0.4%		0.1%		0.1%	
Total	1,341		771,420						

Distribution by Borrower Characteristics: "High Satisfactory"

The distribution of loans based on borrower characteristics demonstrated a more than reasonable rate of lending among individuals of different income levels.

HMDA-Reportable Loans: "High Satisfactory"

Apple Bank's HMDA-reportable loans demonstrated a more than reasonable

penetration rate of lending among individuals of different income levels. Compared to the aggregate, Apple Bank's record of lending to LMI individuals was more than reasonable for the evaluation period.

The following chart provides a summary of the HMDA-reportable lending distribution based on household income.

Distribution of HMDA-Reportable Lending by Borrower Income									
2007									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	21	4.9%	2,857	1.5%	3,151	1.5%	380,148	0.5%	26.0%
Moderate	100	23.3%	20,256	10.9%	16,692	8.0%	2,882,761	4.0%	16.7%
LMI	121	28.1%	23,113	12.5%	19,843	9.5%	3,262,909	4.5%	42.7%
Middle	36	8.4%	8,436	4.5%	40,089	19.2%	9,067,273	12.5%	18.6%
Upper	250	58.1%	140,864	75.9%	136,671	65.5%	55,309,371	76.3%	38.7%
Unknown	23	5.3%	13,113	7.1%	11,915	5.7%	4,868,942	6.7%	
Total	430		185,526		208,518		72,508,495		
2008									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	8	1.9%	926	0.4%	2,800	2.4%	344,732	0.8%	26.0%
Moderate	53	12.8%	9,955	4.1%	12,734	10.9%	2,329,525	5.4%	16.7%
LMI	61	14.8%	10,881	4.5%	15,534	13.3%	2,674,257	6.2%	42.7%
Middle	31	7.5%	6,494	2.7%	26,377	22.5%	6,450,657	15.0%	18.6%
Upper	267	64.6%	188,383	77.6%	71,370	61.0%	31,935,940	74.0%	38.7%
Unknown	54	13.1%	37,153	15.3%	3,721	3.2%	2,070,322	4.8%	
Total	413		242,911		117,002		43,131,176		
2009									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	6	1.8%	872	0.5%	3,779	2.9%	660,476	1.5%	26.0%
Moderate	72	22.0%	12,925	8.1%	16,505	12.6%	3,363,963	7.5%	16.7%
LMI	78	23.8%	13,797	8.6%	20,284	15.5%	4,024,439	9.0%	42.7%
Middle	29	8.8%	5,920	3.7%	30,925	23.6%	7,974,466	17.9%	18.6%
Upper	174	53.0%	101,732	63.6%	72,210	55.2%	29,935,020	67.1%	38.7%
Unknown	47	14.3%	38,491	24.1%	7,392	5.7%	2,675,910	6.0%	
Total	328		159,940		130,811		44,609,835		
GRAND TOTAL									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	35	3.0%	4,655	0.8%		2.1%		0.9%	
Moderate	225	19.2%	43,136	7.3%		10.1%		5.4%	
LMI	260	22.2%	47,791	8.1%	55,667	12.2%	9,961,605	6.2%	
Middle	96	8.2%	20,850	3.5%		21.3%		14.7%	
Upper	691	59.0%	430,979	73.2%		61.4%		73.1%	
Unknown	124	10.6%	88,757	15.1%		5.0%		6.0%	
Total	1,171		588,377						

Community Development Lending: "Outstanding"

During the evaluation period, Apple Bank originated \$139 million in new community development loans, and still had \$37.8 million outstanding from prior evaluation periods. This demonstrated an excellent level of community development lending over the course of the evaluation period.

Community Development Loans				
Purpose	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Loans	\$000	# of Loans	\$000
Affordable Housing	11	26,265	10	16,614
Economic Development	3	1,500	2	41
Community Services	0		3	1,788
Revitalization & Stabilization	35	111,272	4	19,389
Total	49	139,037	19	37,832

Below is a description of Apple Bank’s community development lending:

In 2008, Apple Bank originated a \$25.0 million commercial loan in the area of New York City designated as the Liberty Zone, a property consisting of 201,761 net rentable square feet on eighteen floors with six retail tenants and approximately forty three office tenants. The project was designated to provide needed support to revitalize and stabilize the area after the September 11, 2001 terrorist attacks.

In 2008, Apple Bank renewed a commitment in the amount of \$4.0 million to participate in a Community Preservation Corporation (CPC) revolving credit agreement for construction and/or rehabilitation of residential real estate consistent with CPC’s mission to create, stabilize and revitalize affordable housing.

In 2009, Apple Bank originated a loan in the amount of \$9 million to revitalize and stabilize a retail building located in a low income tract.

During the entire evaluation period, Apple has made \$71.26 million commercial and residential loans in the Liberty Zone.

Flexible and/or Innovative Lending Practices: “High Satisfactory”

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

- Apple Bank offers various loan products through State of New York Mortgage Agency (“SONYMA”) homeownership programs. These programs feature low or no points, low down payments, flexible underwriting standards, and relatively long interest rate lock-in periods. During the evaluation period, 19 loans totaling \$3.3 million were originated under these programs.
- Apple Bank has a “Sure Credit” loan program offered to its customers. Sure Credit is a secured, fixed rate installment loan featuring flexible repayment terms

designed to cater to small businesses.

INVESTMENT TEST: “Outstanding”

Apple Bank’s investment performance is evaluated pursuant to the following criteria: (1) the dollar amount of qualified investments; (2) the innovativeness or complexity of qualified investments; (3) the responsiveness of qualified investments to credit and community development needs; (4) the degree to which the qualified investments are not routinely provided by private investors.

Apple Bank’s community development investments were more than reasonable in light of the assessment area’s credit needs.

Amount of Community Development Investments: “Outstanding”

During the evaluation period, Apple Bank made \$306 million in new community development investments, and still had \$33 million outstanding from prior evaluation periods. In addition, Apple Bank made \$263 thousand in community development grants. This demonstrated an excellent level of community development investments and grants over the course of the evaluation period.

Community Development Investments and Grants				
	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Inv.	\$000	# of Inv.	\$000
CD Investments				
Affordable Housing	3	\$ 30,307	3	33,383
Economic Development	17	\$ 275,466		
Revitalization & Stabilization	4	\$ 400		
Other (Please Specify)				
Total	24	\$ 306,173	3	33,383
	# of Grants	\$000	Not Applicable	
CD Grants				
Affordable Housing				
Economic Development				
Community Services				
Various	25	\$ 263		
Total	25	\$ 263		

Below is a description of Apple Bank’s community development investments and grants:

- Apple Bank maintained a \$4 million investment in Community Preservation Corporation (“CPC”) Collateral Trust Notes. CPC is a consortium of banks and

businesses established in 1974, as a non-profit corporation to provide funding for the rehabilitation of multifamily dwellings to address the housing needs of low- and moderate-income neighborhoods throughout New York State.

- During the evaluation period, contributions to various organizations totaled \$262.5 thousand. These organizations included: the University Neighborhood Housing Program, Washington Heights & Inwood Development Corporation, Greater Harlem Chamber of Commerce, and the South Bronx Overall Economic Development Corporation.

Innovativeness of Community Development Investments: “Outstanding”

Apple Bank made significant use of innovative investments to support community development.

Apple Bank invested \$275 million in the Small Business Investment Company (SBIC) program. This program was instituted to improve and stimulate the national economy and small businesses by stimulating and supplementing the flow of private equity capital and long term loan funds for the sound financing, growth, expansion and modernization of small business operations.

Responsiveness of Community Development Investments to Credit and Community Development Needs: “Outstanding”

Apple Bank’s community development investments exhibited excellent responsiveness to credit and community development needs.

SERVICE TEST: “High Satisfactory”

Apple Bank’s retail service performance is evaluated pursuant to the following criteria: (1) the current distribution of the banking institutions branches; (2) the institutions record of opening and closing branches; (3) the availability and effectiveness of alternative systems for delivering retail services; and (4) the range of services provided. Apple Bank’s community development service performance is evaluated pursuant to the following criteria: (1) the extent to which the banking institution provides community development services; and (2) the innovativeness and responsiveness of community development services.

Retail Banking Services: “Outstanding”

Apple Bank had and continues to have excellent delivery systems, branch network, branch hours and services, and alternative delivery systems.

Current distribution of the banking institutions branches: “Outstanding”

Apple Bank’s 50 full-service branches continue to represent a good distribution of branches within its assessment area, which includes the five boroughs of Manhattan, Westchester, Nassau, and Suffolk. Kings (15), New York (11), and Suffolk (9) counties account for 70% of the bank’s branches. The majority of the Bronx (3) and Kings (12) branches and approximately one-third of the New York (4) branches are in LMI areas, representing 38% of the bank’s branches. Apple Bank has 79 ATMs; 72 in branches and seven offsite, a net increase of one from the prior evaluation. In addition, its Northern Boulevard branch in Nassau County is home to Apple Bank’s cyber office.

Distribution of Branches within the Assessment Area								
County	N/A #	Low #	Moderate #	Middle #	Upper #	Total #	LMI %	LMI and Distressed or Underserved
Bronx			3		1	4	75%	75%
Kings		4	8	2	1	15	80%	80%
New York		2	2		7	11	36%	36%
Queens				2	1	3	0%	0%
Richmond				1		1	0%	0%
Westchester					2	2	0%	0%
Nassau				5		5	0%	0%
Suffolk				8	1	9	0%	0%
Total	-	6	13	18	13	50	38%	38%

Record of opening and closing branches: “Satisfactory”

Apple Bank’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. Apple opened its 50th branch in 2007 in Forest Hills, Queens. It has not had any branch openings or closings since then. In February 2010 it relocated its lower Manhattan, Pine Street branch to Water Street, also in lower Manhattan.

At the beginning of 2007, a holding company, Apple Financial Services, Inc., was established.

Availability and effectiveness of alternative systems for delivering retail services: “Outstanding”

Apple Bank’s delivery systems were and continue to be readily accessible to significant portions of the bank’s assessment area. Apple Bank offers bank-by-mail; Customerline; 24-hour telephone banking services; TDD phone services for customers with impaired speech or hearing; drive-up facilities; online banking; bill payment services; deposit, loan, and insurance product information; branch and ATM locations; and mortgage product information that includes payment calculators and amortization schedules. Its other website, www.GrandYieldDirect.com offers rate information for its products.

Range of services provided: “Outstanding”

Apple Bank’s services continue to meet the convenience and needs of its assessment area, particularly LMI geographies and individuals.

All, but two of Apple Bank’s branches offer weekend hours, on either a Saturday or Sunday. The bank offers several products that support LMI needs which include the following:

The bank accepts the **New York State Electronic Benefits Transfer (EBT) card** at all its ATMs through the Quest network, at no fee. New York State has converted all its check-based benefit payments to an EBT card-based electronic system, and Apple’s LMI branch locations make this an important offering.

The **Youth Savings passbook account** offers extremely favorable terms to minors in an effort to stimulate savings and knowledge of financial products.

The **Extra Value checking account**: This account provides the features such as: low balance to open account (\$100), no minimum balance to maintain; no monthly maintenance fees; and unlimited check-writing; free ATM transactions at Apple’s ATMs.

The **Apple Edge** workplace banking program is designed to attract new accounts directly through the workplace with advantaged pricing or discounts. All branches have been instructed to pursue Apple Edge relationships with the employers in their areas. As of June 30, 2010, approximately 39% (3,117) of these accounts and 26% (\$14.1 million) of the balances are in branches located in LMI tracts. In general, the Bank’s experience with this program is that it is more attractive to the lower-paid support and clerical staff in the participating companies, than to the middle and upper management employees of these firms, who have the deposit balances to receive advantaged pricing independently.

Community Development Services: “Low Satisfactory”

Apple Bank provided an adequate level of community development services.

Below is a description of Apple Bank’s community development services.

During the evaluation period, Apple Bank sponsored various seminars and events. These were conducted in conjunction with various non-profit organizations such as the Bronx Overall Economic Development Corporation, Neighborhood Housing Services, Greater Harlem Chamber of Commerce, Harlem Congregations for Community Improvement and Midwood Development Corporation.

Apple Bank’s managers and officers participated in the following community service

organizations:

- The chairman/CEO serves as a member of the Business Advisory Board of Ohel Children & Family Services, a non-profit community service organization based in Brooklyn which serves disadvantaged children.
- A senior vice president sits on the Loan Committee of the Community Preservation Corporation.
- An assistant manager is on the board of Neighborhood Housing Services of the South Bronx. Apple Bank provides space at the branch for the organization to use to meet with loan applicants.
- A vice president and branch manager is on the board of the Audubon Partnership for Economic Development.
- A vice president and branch manager is on the Board of the Washington Heights/Inwood Chamber of Commerce and the Northern Manhattan Improvement Corporation.
- The CRA officer serves as the chairperson of the board of the Kingsbridge Heights Community Center a multi-service agency in the Bronx providing services to low and moderate-income clients. He also serves on the board of the loan committee of Leviticus 25:23 Alternative Fund, Inc., a federally certified CDFI.
- Apple Bank is a member of a number of local chambers of commerce and similar organizations concerned with specific local development issues.

Additional Factors

The following factors were also considered in assessing Apple Bank's record of performance.

The extent of participation by the banking institution's board of directors or board of trustees 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 reviews and approves the CRA policy on an annual basis. The board also receives the minutes of the monthly CRA Committee meetings and a comprehensive CRA performance report annually. Additionally, the status of CRA-qualifying loans is often a topic of the loan committee of the board of directors.

Discrimination and other illegal practices

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

NYSBD noted no evidence of prohibited discriminatory or other illegal practices.

Process Factors

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

Apple Bank's ascertainment includes information obtained through formal meetings with community groups as well as information from the general and industry press.

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

In general, marketing includes branch posters and signage, flyers, mailings to nonprofits with information and flyers discussing Apple Bank's LMI-targeted 1-4 family mortgage programs, homebuyer seminars, and event sponsorship (e.g., home buyer seminars). Promotions include discounts and fee waivers on targeted mortgage products. Unpublicized CRA pricing concessions on multifamily and commercial mortgage loans in LMI tracts are also incorporated into the bank's multifamily/commercial pricing model.

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.

Since the latest CRA evaluation as of December 31, 2009, neither Apple Bank nor the New York State Banking Department has received any written complaints regarding Apple Bank's CRA performance.

GLOSSARY

Aggregate Penetration Rate

The number of loans originated and purchased by all reporting lenders in specified categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the assessment area.

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.

Income Level

The income level of the person, family or household is based on the income of person, family or household. A geography’s income is categorized by median family income for the geography. In both cases, the income is compared to the MSA or statewide nonmetropolitan median income.

Income level of individual or geography	% of the area median income
Low-income	Less than 50
Moderate-income	At least 50 and less than 80
Middle-income	At least 80 and less than 120
Upper-income	120 or more

Loans to Small Businesses

Small business loans to businesses with gross annual revenues (“GAR”) of \$1 million or less (“< = \$ 1MM”).

Low or Moderate Income (“LMI”) Geographies

Those census tracts or block numbering areas (“BNAs”), where according to the 2000 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

Individuals or persons 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 in LMI geographies or to LMI borrowers.

Small Business Loans

Loans to businesses with original amounts of \leq \$1MM.