



SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

July 1, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Eastbank, National Association
Charter Number 18431**

**235 Canal Street
New York, NY 10013**

**Comptroller of the Currency
New York Metro-New Jersey-West
830 Morris Turnpike Second Floor
Short Hills, NJ 07078**

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

DEFINITIONS AND COMMON ABBREVIATIONS

The following terms and abbreviations are used throughout this Performance Evaluation. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate - Any company that controls, is controlled by, or is under common control by another company. A company is under common control with another company if both companies are directly or indirectly controlled by the same company. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Assessment Area (AA) – A geographic area that consists generally of one or more MAs (using the MA boundaries that were in effect as of January 1 of the calendar year in which the delineation is made) or one or more contiguous political subdivisions, such as counties, cities, or towns, in which the bank has its main office, branches, and deposit-taking ATMs.

Block Numbering Area (BNA) - Statistical subdivisions of counties in which census tracts have not been established. BNAs have been established by the United States Census Bureau in conjunction with state agencies.

Census Tract (CT) - Small, locally defined statistical areas within metropolitan statistical areas. These areas are determined by the United States Census Bureau in an attempt to group homogenous populations. A CT has defined boundaries per ten-year census and an average population of 4,000.

Community Development (CD) - Affordable housing for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

Community Reinvestment Act (CRA) - The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Geography - A census tract or a block numbering area delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA) - The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, and the disposition of the application (e.g., approved, denied, withdrawn).

Home Mortgage Loans - Such loans include home purchase and home improvement loans, as

defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwellings loans, loans for the purchase of manufactured homes and refinancing of home improvement and home purchase loans.

Low-Income - Income levels that are less than 50% of the median family income.

Median Family Income (MFI) - The median income determined by the United States Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Metropolitan Statistical Area (MSA) - Area defined by the Director of the United States Office of Management and Budget. MSAs consist of one or more counties, including large population centers and nearby communities that have a high degree of interaction.

Middle-Income - Income levels that are at least 80% and less than 120% of the MFI.

Moderate-Income - Income levels that are at least 50% and less than 80% of the MFI.

Small Business Loans - Loans with original amounts of \$1 million or less that are: (1) secured by nonfarm nonresidential properties; or (2) commercial and industrial loans to U.S. addresses.

Small Farm Loans - Loans with original amounts of \$500 thousand or less that are: (1) secured by farmland; or (2) to finance agricultural production and other loans to farmers.

Tier 1 Capital - The total of common shareholders' equity, perpetual preferred shareholders equity with noncumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Upper-Income - Income levels that are 120% or more of the MFI.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of Eastbank, National Association, New York, New York (“Eastbank”) as prepared by The Office of the Comptroller of the Currency (“OCC”), the institution's supervisory agency, as of July 1, 2004. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

INSTITUTION'S CRA RATING:

This institution is rated “Satisfactory”.

The primary factors supporting the overall rating are:

- Eastbank’s average loan to deposit ratio of 77% equaled the national peer group’s average over the review period. However, the ratio greatly exceeded the custom peer’s average of 62%.
- A majority of loans reviewed were originated within the bank’s assessment area (“AA”).
- Lending to businesses of different sizes is reasonable.
- The geographic distribution of loans reflects a good dispersion throughout the AA.

DESCRIPTION OF INSTITUTION

Eastbank, National Association is a \$134 million intrastate bank headquartered in the Chinatown area of Manhattan in New York City. Its only other banking office is located within Flushing, Queens. No offices were opened or closed since the last CRA examination. All financial data in this public evaluation is as of March 31, 2004 unless otherwise stated. Net loans of \$97 million represent 72% of the bank’s assets and are heavily centered in real estate secured lending. Residential real estate lending on 1 – 4 family residences equaled \$7 million or 7% of lending. Multifamily lending and loans secured by non-residential property accounted for \$80 million or 82% of all lending conducted by the bank. Commercial lending accounted for \$8 million of the loan portfolio while consumer related lending is nominal. Total deposits amounted to \$112 million with 86% contained in interest bearing accounts. Tier 1 capital totaled \$17 million.

Eastbank Corporation (“EBC”), a one-bank holding company, wholly owns Eastbank. In turn, Eastbank has a wholly owned subsidiary, EB America Inc., which owns Roosevelt Realty Development Corporation. The latter owns Eastbank’s Flushing, Queens branch site. The

bank’s capacity for community reinvestment activities is not impacted by these affiliates or subsidiaries.

The bank’s business focus continues to be concentrated in commercial real estate lending as well as commercial lending. Our analysis of the bank’s lending activities will be centered in the commercial lending and real estate portfolios. These will be shown on an aggregate basis.

Eastbank is not subject to any financial, legal, or regulatory restrictions that could impede its ability to help meet the credit needs of its assessment area. The last CRA examination of the bank was performed by the OCC in June 1999. At that evaluation, this bank received a rating of “Satisfactory.”

DESCRIPTION OF NEW YORK AA

Eastbank, an intrastate community bank, operates in an urban area and has identified portions of the New York MSA as its AA. New York City, with its five boroughs, makes up most of the New York, NY Metropolitan Statistical Area #5600 ("MSA"). However, Eastbank has identified portions of Manhattan and Flushing, Queens as its AA. In particular, the Manhattan portion of the AA coincides with the area of the lower borough known as “Chinatown”. The Flushing, Queens portion encompasses the portion of that borough that is in close proximity to its office there. Though these two areas are not contiguous, due to the homogeneous nature of the AAs in terms of demographics, business opportunities and that they are both part of the same MSA, they are being combined for analysis purposes as one AA.

Based upon 1990 census data, Asians comprised 17% of the total population. This level increased to 23% according to the 2000 census information. This bank caters primarily to the Asian population within the AA. Refer to **Table 1** for the census tracts income characteristics. Total population of the AA is 6.9 million people. The updated median family income of the AA is \$62,800. The AA meets regulatory guidelines and does not arbitrarily exclude low- or moderate-income areas.

Table 1: Assessment Area Description

	Number	Low	Moderate	Middle	Upper
Tracts	183(*)	8%	16%	26%	46%
Families	150,167	9% **	20% **	28% **	43% **
Businesses	177,615	3% ***	19% ***	12% ***	61% ***

Source: Demographic Data - 1990 U.S. Census, Dun & Bradstreet Data.

* Includes 7 tracts (4%) not income categorized.

**Represents families by income level.

***Represents businesses by income level of census tract. Does not add to 100% due to non-categorized tracts.

Based upon June 30, 2003 FDIC Deposit Market Share Data, this bank ranked 76th in deposit market share at 0.03%. JP Morgan Chase Bank and Citibank, having a combined deposit market share of 62.7%, dominate the market. Also, they have significantly more branches than any other financial institution, with Chase’s 132 branches and Citibank’s 94 branches leading the way.

Small businesses (businesses with revenues less than \$1 million) make up 63% of the total of

businesses reporting income within the AA. Of this number only 3% of the businesses are in low-income geographies and 19% of the businesses are in moderate-income geographies.

The New York MSA is home to many large and diversified financial service companies, contributing to a fiercely competitive market for all types of products. Major competitors providing financial services include JP Morgan Chase, Citibank, American Express Centurion Bank, Capitol One, and FSB. These are in addition to other financial institutions that also target the Asian population as its primary market.

The overall economy for the MSA continues to grow. Wall Street is an important economic driver supporting solid job growth, vigorous consumer spending, and active real estate markets. Domestic tourism is reviving because of targeted advertising and special incentive packages, but foreign tourists have yet to return in significant numbers. The Manhattan apartment market has strengthened because of low mortgage interest rates, pent-up demand for housing, and a switch in household assets from the stock market to the residential real estate market.

The computer and business services industries also are important and help the region diversify. The media industry, comprised of computer-related companies, is a new growth industry for the area and has a tight labor market. The top three employment sectors include Services; Government; and Finance, Insurance and Real Estate, and combined employ over 66% of the workforce. The major employers are Chase Manhattan Corporation, Citigroup Inc., and Verizon Communications. The unemployment rate for New York City (not seasonally adjusted) was 8.1% in March 2004 compared to the state average of 6.7%

The MSA has shown steady population growth over the past decade, with overall growth of 2.1%. The median family income was \$62,800 in 2003, a 40% increase from 1990. Highly skilled and paid workers are attracted to the area's major national and international companies. The influx of these workers, along with stock market employment, has contributed to the area's high per capita income. However, in the AA, the population showed a slight decrease from 728 thousand in 1990 to 720 thousand in 2000. However, during this time frame, the Asian population increased by 30% to 166 thousand people compared to significant drops in all of the other major race/ethnic categories.

Overall, the New York MSA is a very high cost area. Homeownership is not generally affordable without subsidy even for individuals earning more than 80 percent of the area median income. From 1990 to 2000 census data, it was noted that the level of low-income families has remained virtually unchanged (22% vs. 21%), while moderate-income families have decreased by 15% to 13%. A high portion (13%) of households remain below the poverty level. Only 2% of owner-occupied units are located in low-income tracts, and 7.8% are located in moderate-income tracts.

Within the AA, there are 386 thousand housing units of which 91% are occupied. Owner-occupied units account for only 21% of total housing, while rental units accounts for 70%. In addition, nearly 86% (330 thousand) of all housing units are multifamily. The majority of the multifamily units are located primarily throughout the Manhattan portion of the AA. The median housing value in the AA is \$200,167 and is considered high, making homeownership difficult for most low- and moderate-income individuals. While the above describes the MSA in

general, the primary focus of the activities within the AA lies primarily within the Chinatown area of Manhattan with additional focus on the other Asian centers within New York City. Employment in the community is primarily services and light manufacturing. Businesses within the Chinatown area are concentrated in food services, garment industry, and jewelry stores. The main office in Chinatown is located in a mixed residential and commercial area, comprised primarily of multifamily rental units and small businesses. The Flushing, Queens office is located within an area similar to that of Manhattan.

The downtown Manhattan office market continues to be affected by uncertainties regarding the proposed redevelopment of the 16-acre World Trade Center site. The Lower Manhattan Development Corporation, charged with redeveloping the site, has put forth a preliminary development proposal that calls for one or more memorials to victims of the disaster, a mass transit hub, expansion of cultural institutions and open space in the area, development of a biotechnology complex at the site, and restoration of the street grid in the downtown area. Many look to Federal financial incentives to bolster the downtown economy. Fourteen major businesses, employing a total of more than 10,000 people, recently agreed to remain in downtown Manhattan until at least 2009, in exchange for \$33 million in federal grants. City officials want the grant program to be extended to businesses with one to nine employees, which account for two-thirds of all downtown businesses.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Scope of Examination

This CRA evaluation of Eastbank covers the period January 1, 1999 to December 31, 2002. Our review covered all loans originated during this period. The primary lending products extended by the bank are commercial loans and those loans secured by commercial real estate. Consumer lending is nominal as is residential real estate lending. In the latter, only 35 loans were originated in total during the review period. Of those seventeen, 49% were multifamily loans and are considered to be commercial in nature by the bank. All loan data was derived from management reports.

Community Contact

A community contact was conducted just prior to the commencement of this review with an organization whose mission is to address the economic development needs of business communities that have experienced some sort of neglect and abandonment regarding financing or funding opportunities. Particularly, these communities include those who do not have substantial credit backgrounds and/or new immigrants seeking business venture opportunities in the New York Metropolitan area. This entity's efforts are centered in developing the underserved and minority communities, more specifically, the Lower East Side, Chinatown, East, West and Central Harlem with the emphasis on small business lending. Current banking and credit needs focus flexible underwriting standards and small dollar loans to the aforementioned group. Included in this is a need for multifamily housing loans.

Loan-to-Deposit Ratio

The loan to deposit ratio exceeds the standards for satisfactory performance given the bank's size, financial condition, and assessment area credit needs. Eastbank's average loan to deposit ratio of 77% equaled the national peer group's average over the review period. Nonetheless, a custom peer group was compiled to compare Eastbank's level of lending during the review period. This custom peer was comprised of banks located within the AA that also target the Asian community as their primary customer base. This custom peer's average loan to deposit ratio was 62%. As noted above, this bank's ratio greatly exceeded the custom peer group's average. This measurement is more indicative of its activities within the AA. Data for the bank and group was compiled over the last available 21 quarters ending March 2004.

Lending in Assessment Area

Using management generated internal reports for the review period, it was determined that a total of 269 loans were originated representing \$129.4 million. The vast majority of loans originated were primarily to commercial businesses, including loans secured by non-residential real estate. As noted above, this is the primary lending type while consumer lending of any type is nominal. However, the loan analysis is conducted on a consolidated basis and includes all types of bank lending during the review period.

Of all of the loans originated by Eastbank during the review period, 172 loans (64%) totaling \$81.1 million (64%) were within the assessment area. In addition, loans made outside of the assessment area include \$13.9 million in participations with other banks. These participations are comprised of ten long standing fee paid lines of credit with several Fortune 500 companies under their minority lending programs. There have been no draws on these lines of credit since their inception. These exposures are generally atypical, large for this bank, and may slightly distort the bank's ratio of lending within its AA. Overall, the bank's performance meets the criteria for satisfactory performance.

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

Mortgage loans

As noted above, the vast majority of loans originated were commercial in nature, including loans secured by non-residential real estate. Consumer lending, including HMDA related credits, is nominal. However, the loan analysis is conducted using the commercial loans and multi-family loans that are HMDA reportable. The latter loans are considered to be commercial real estate loans by the bank.

Eastbank made only 10 mortgage loans in their AA during the review period, of which 5 were for multifamily dwellings. The remaining five were all made to individuals in the upper income category. Therefore, the level of mortgage lending to low-or moderate-income families is non-existent and overall, any analysis of home related lending is not meaningful given the bank's concentration in commercial lending.

Commercial Loans

Eastbank’s lending to businesses of different size is reasonable. Our assessment revealed that, of the 172 commercial loans originated within the bank's AA, 15% of loans were to businesses with revenues of \$1 million or less. According to Dun & Bradstreet data, small businesses with revenues of \$1 million or less comprise 62% of total businesses within the AA. Nonetheless, Eastbank’s lending is reasonable considering the competition from larger regional banks, other ethnic institutions, and its business focus.

Distribution of Commercial Loans by Business Size in AA					
Total \$ of loans in AA	Total # of Loans in AA	# Business \$1MM or less Revenues	% of #	\$ Amt (000) of Business \$1MM or less Revenues	% of \$ Amt
\$81,139	172	25	15%	\$2,436	3%

Source: Internal bank records

Geographic Distribution of Loans

Overall, Eastbank’s geographic distribution of loans reflects a good dispersion throughout the AA. The bank’s main office is located in a moderate-income tract within the Manhattan “Chinatown” area while its only branch is located within a middle-income tract in Flushing, Queens. Both are located within predominately Asian communities and provide access to its customer base.

The number of loans made in low-and moderate-income census tracts, in aggregate, exceeds the number of small businesses in those tracts. The bank made 3% and 27% of its small business loans in low-and moderate-income tracts, respectively. Three and 19% of the small businesses in the AA are located in those geographies.

Responses to Complaints

Eastbank, National Association has not received any CRA related complaints covering the review period with respect to its performance

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of illegal discrimination or other illegal credit practices.