



WHOLESALE OR LIMITED PURPOSE

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

March 19, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Park Avenue Bank, National Association
Charter Number 20962**

**460 Park Avenue
New York, NY 10022**

**Comptroller of the Currency
ADC-NY Metro-Community/Midsize Banks
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.

Institution's CRA rating:

This institution is rated Satisfactory

The conclusions for the three rating criteria are:

- The bank demonstrates an adequate level of community development lending, community development services, and qualified investment activity.
- The bank did not demonstrate the use of innovative or complex qualified investments.
- The bank demonstrates adequate responsiveness to credit and community development needs in its assessment area.

Scope of the Examination

In evaluating the bank's performance under the CRA, we reviewed community development activities from December 15, 1998 through March 11, 2002. We reviewed the level and nature of qualified investments, community development lending, and community development services. At the prior examination dated December 14, 1998, we rated the bank Satisfactory.

Description of Institution

Park Avenue Bank, N.A. (PAB) is a one-office commercial bank located on the thirteenth floor of an office building in mid-town Manhattan, New York. The bank is not readily accessible to the general public, and does not actively solicit retail deposits. Total assets were \$224 million as of December 31, 2001. Loans made up 53% of total assets, although historically, they have made up a significantly larger portion of the balance sheet. The bank was designated as a wholesale bank on February 26, 1996 under the revised CRA regulations. PAB's principal business is international trade finance, with a focus on Turkish corporations and correspondent banking. Primary banking products include letters of credit, banker's acceptances, and trade-related short-and medium-term loans. PAB is under a Formal Agreement with the OCC addressing sovereign risk exposure, capital, liquidity, sensitivity to market risk, and strategic planning. The Agreement dated, October 26, 2001, has not significantly impeded the bank's ability to meet the credit needs of its designated Assessment Area during the CRA review period.

Table 1: Financial Information (000s)

	Year-end 1998	Year-end 1999	Year-end 2000	Year-end 2001	Average for Evaluation
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					Period
Tier 1 Capital	15,615	19,035	20,165	19,058	18,468
Total Income	28,161	47,007	44,077	29,884	37,282
Net Operating Income	1,460	5,350	2,510	-3,511	1,452
Total Assets	270,083	255,391	349,831	223,976	274,820

Source: Consolidated Report of Condition and Income and bank reported data.

Description of Assessment Area

Park Avenue Bank, N.A. has defined its assessment area as the five boroughs of New York City, and the adjacent New York State counties of Westchester, Nassau, and Suffolk. The five boroughs of New York City and Westchester County comprise a portion of the New York Metropolitan Statistical Area (MSA) 5600, and Nassau and Suffolk Counties make up all of MSA 5380. The delineation of this assessment area meets the requirements of the regulation.

The assessment area within New York City (NYC) is mainly urban, with the surrounding counties being mainly suburban. Manhattan serves as a major employment center for the rest of NYC and the other counties in the assessment area, as well as northern NJ and southern Connecticut. Employment in the community is primarily in services and light manufacturing, and includes the company headquarters for a number of national corporations. Primary industries in the community include finance, media, publishing, apparel, trade, legal, government, transportation, education, health care, tourism, food services, and retail.

After experiencing several years of good economic growth, the NYC economy has begun to show signs of weakening in line with the national economy. A major factor is the September 2001 terrorist attack that destroyed the World Trade Center. Tourism, a major contributor to the NYC economy has been negatively impacted and has had a ripple effect on other industries and services. The volatility on Wall Street has also impacted the local and national economy. The AA's unemployment level has risen to 6.8% in November 2001, above the state rate of 5.4% for the same period. The median family income in 2001 was \$59,100. 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. A high portion, 16.7%, of households remain below the poverty level.

The Nassau-Suffolk MSA #5380 consists of Nassau and Suffolk Counties in New York and is commonly known as Long Island. The economy has expanded significantly, due to the area's close proximity to New York City and the diversification of the local economy into the software, biotech and financial services industries. North Shore-Long Island Jewish Health Systems is the major employer. Median family income has increased by almost 35 percent since 1990, reaching \$76,500 in 2000. The population has been growing steadily, but there has been significant growth in the "persons over 65" segment.

There are only three low-income tracts dispersed throughout the Nassau-Suffolk MSA. The moderate-income tracts in Nassau County are also scattered throughout the county and, in Suffolk, they are concentrated in the eastern half, where the population is also less dense. The number of low-income families declined by 7.7% between 1990 and 1999, while the number of moderate-income families increased 5.7% over the same period. Only 0.04% of owner-occupied units were located in low-income tracts and 11.8% were in moderate-income tracts. A large number of low- and moderate-income individuals and families have faced affordability issues caused by the high ownership and rental costs in the area, and a relatively high cost-of-living.

Competition among financial institutions in Manhattan and the surrounding area is high, with a large number of multinational, regional and community banks vying for community development opportunities.

Table 2a: Assessment Area Description - Nassau-Suffolk, NY - MSA (#5380)

	Number	Low	Moderate	Middle	Upper
Tracts	582	0.52%	13.57%	66.15%	18.04%
Families	690,401	16.36%*	19.26%*	26.30%*	38.08%*
Businesses	139,446	0.15%**	14.26%**	65.49%**	20.07%**

Source: Demographic Data - 1990 U.S. Census, Dun & Bradstreet Data. *Represents families by income level. **Represents businesses by income level of census tract. *Percentages do not add up to 100% due to some geographies not having been assigned an income classification.*

Table 2b: Assessment Area Description - New York City-Westchester County (part of MSA 5600)

	Number	Low	Moderate	Middle	Upper
Tracts	2,436	12.97%	17.94%	33.42%	32.88%
Families	1,985,252	25.76%*	15.52%*	18.33%*	40.39%*
Businesses	333,035	7.35%**	16.59%**	23.68%**	49.77%**

Source: Demographic Data - 1990 U.S. Census, Dun & Bradstreet Data. *Represents families by income level. **Represents businesses by income level of census tract. *Percentages do not add up to 100% due to some geographies not having been assigned an income classification.*

We reviewed community contact information gathered by representatives of other bank regulatory agencies. These included interviews with the Manhattan Borough Development Corp., Local Initiatives Support Corporation (LISC), and Neighborhood Housing Services of New York City, Inc. (NHS NYC). These contacts indicated that there is a significant need for affordable housing in the area, as well as loans to small businesses.

Conclusions About Performance

Summary

Park Avenue Bank, N.A.'s overall CRA performance is Satisfactory. The overall level of community development activities is adequate. The bank did not demonstrate the use of innovative or complex community development activities. The bank's responsiveness to credit and community development needs is adequate. All of the community development activities benefit the bank's assessment area.

Level of Activity

The bank made \$586,358 in community development investments and made \$17,860 in grants during this time period. The bank also made four community development loans, totaling \$659,854, with an additional \$90,146 in unfunded loan commitments. For community development services, the bank maintained a work-study program for high school students.

Responsiveness to Community Credit Needs

PAB's responsiveness to the credit and community development needs in its assessment area is adequate. The needs identified as being most important included affordable housing for low- and moderate-income individuals, and lending for small businesses. Most of the investments and loans were directed to these needs

Qualified Investments

The bank provided an adequate level of qualified investments. During the CRA rating period, the bank made \$586,358 in community development investments. There were also \$17,860 in grants made during this time period. These grants and investments are considered routine, but were responsive to the needs of the assessment area. There were no qualifying investments made during the last CRA evaluation period that were still outstanding during this review. Some of the investments made during the previous CRA evaluation period were not renewed due to the low return on these investments.

Table 3: Qualified Investment Activity (000s)

	Benefits AA
Originated Investments	586,358
Originated Grants	17,860
Prior-Period Investments that Remain Outstanding	0
Total Qualified Investments	604,218
Unfunded Commitments*	0

* "Unfunded Commitments" means legally binding investment commitments that are tracked and recorded by the bank's financial reporting system.

Table 4: Qualified Investment Percentages

	Benefit AA (%)
Total Investments/Average Tier 1 Capital	3.27
Total Investments/Average Total Income	1.62

Specific investments and grants included the following:

The bank purchased a portion of a mortgage-backed security for \$561,358. The security consists of mortgages of 57 low- or moderate-income borrowers within the bank's assessment area. This security was especially designated by the underwriter to meet CRA criteria.

The bank opened a time deposit for \$25,000 with the Lower East Side People's Federal Credit Union, which is a nonprofit community development credit union serving primarily low- and moderate-income people on New York City's Lower East Side.

The bank contributed \$7,360 to the Federal Home Loan Bank of New York's (FHLB NY) Affordable Housing Program. The FHLB NY was authorized by Congress in 1989 to launch the Affordable Housing Program as a way to fund numerous affordable housing initiatives in the region.

The bank contributed \$10,500 in eligible grants to not-for-profit organizations during the rating period. This included \$4,000 to the Neighborhood Housing Services of New York City (NHS). NHS is a not-for-profit organization whose mission is to maintain and preserve LMI housing in the five boroughs of New York City through homebuyers' assistance, training, and redevelopment. The also contributed \$5,000 to Habitat for Humanity. Habitat for Humanity International is a nonprofit organization that has built more than 100,000 houses around the world, providing more than 500,000 people in more than 2,000 communities with affordable shelter. The bank's grant was specifically used for reconstruction of housing in the Central Harlem area of Manhattan.

Qualified investments had a positive impact, both directly and indirectly, on the bank's assessment area. These investments helped provide affordable housing for low- and-moderate income people, which is one of the primary needs in the assessment area.

Community Development Lending

The bank originated an adequate level of qualified community development loans, given its resources and strategic focus. During the CRA evaluation period, the bank made four community development loans, totaling \$659,854. In addition, the bank also has \$90,146 in unfunded loan commitments. These loans were not considered innovative or complex, but were responsive to the community's credit needs.

The bank made four loans to small businesses in the assessment area, totaling \$650,000, during the

evaluation period. These included three loans to finance the purchase of taxicab medallions, and one loan to finance a newspaper delivery service.

The bank extended a \$100,000 commitment, with \$9,854 outstanding, to the New York Business Development Corporation (NYBDC). The NYBDC's mission is to promote economic activity within New York state by providing innovative loans to small and medium-size businesses, and to assist minority and women-owned businesses by offering credit opportunities not otherwise available to them.

Table 5: Community Development Lending Percentages

	Benefits AA (%)
Total CD Lending/Average Tier 1 Capital	3.57
Total CD Lending/Average Total Income	1.77

Community Development Services

The bank provided an adequate level of community development services, given its resources. Services provided were responsive to the assessment area needs. The services were not complex or innovative, but were responsive to the needs of the community.

The bank maintains a work-study program for low- and moderate-income or minority high school students. These students work in the bank on a part-time basis, enabling them to learn about banking, while earning some money. During the evaluation period, six students were enrolled in this program. The bank also contributed funds toward their further education to several of these students.

Fair Lending Review

An analysis of 1999 to 2001 years public comments and consumer complaint information was performed according to the OCC's risk-based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted with the CRA evaluation this year. The latest comprehensive fair lending exam was performed in 1998.

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 with 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.

Benefit to Assessment Area – A qualified Community Development activity benefits the assessment area if (i) the activity benefits areas within the assessment area, or (ii) the activity benefits a broader statewide or regional area that includes the bank’s assessment area. If a bank has adequately addressed the needs of its assessment area, then the OCC also considers activities submitted by the bank that benefit areas outside of its assessment area.

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

Census Tract (CT) – Small, locally defined statistical areas within Metropolitan Areas. These areas are determined by the United States Census Bureau in an attempt to group homogenous populations. A CT has defined boundaries per 10-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.

Median Family Income (MFI) – The median income determined by the United States Census Bureau every 10 years and used to determine the income level category of geographies. Also, it is the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of families. For any given geography, the median is the point at which half of the families have income above it and half below it. (See the four categories of median income below.)

- **Low-Income** – An income level that is less than 50% of the MFI.
- **Moderate-Income** – An income level that is at least 50% and less than 80% of the MFI.
- **Middle-Income** – An income level that is at least 80% and less than 120% of the MFI.
- **Upper-Income** – An income level that is 120% or more of the MFI.

Metropolitan Area (MA) – Area defined by the director of the United States Office of Management and Budget. MAs consist of one or more counties, including large population centers and nearby communities that have a high degree of interaction.

Net Operating Income – As listed in the Consolidated Report of Condition and Income: Income before income taxes and extraordinary items and other adjustments. [*Schedule RI - Income Statement, line 8 or UBPR, page 2, “PreTax Operating Income (TE)”*]

Qualified Investment - A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

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. [*Schedule RC-R - Regulatory Capital, line 3a(1) or UBPR, page 11A, “Net Tier One”*]

Total Assets – Total bank assets as listed in the Consolidated Report of Condition and Income. [*Schedule RC - Balance Sheet, line 12 or UBPR, page 4, “Total Assets”*]

Total Income – From the Consolidated Report of Condition and Income – Total Interest income plus Total Noninterest income. [*Schedule RI - Income Statement, Total Interest Income, line 1g and Total Noninterest Income, line 5g, except for banks with domestic offices only and total assets less than \$100 million, line 5c or UBPR, page 2, “Total Interest Income” and “Noninterest Income”*]

Wholesale Institution – An institution that is not in the business of extending home mortgage, small business, small farm, or consumer loans to retail customers and for which a designation as a wholesale bank is in effect.