



**SMALL BANK**

---

Comptroller of the Currency  
Administrator of National Banks

---

Washington, DC 20219

## **PUBLIC DISCLOSURE**

**January 18, 2010**

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

Eastbank, National Association  
Charter Number 18431

183 Centre Street  
New York, NY 10013-0000

Office of the Comptroller of the Currency

NEW YORK METRO-NORTH Field Office  
340 Madison Avenue 4th Floor  
New York, NY. 10017-2613

**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 primary factors supporting the overall rating are:

- The bank's average loan to deposit ratio is reasonable and meets the definition for satisfactory rating.
- The majority of loans reviewed, in terms of dollar volume, were originated within the bank's assessment area.
- The distribution of loans reflects excellent penetration among businesses of different sizes in the assessment area.
- The geographic distribution of loans reflects excellent dispersion throughout the assessment area.

## **SCOPE OF EXAMINATION**

This Performance Evaluation assesses the bank's record of meeting the credit needs of the communities in which it operates. We evaluated Eastbank's CRA performance using the "Small Bank" performance criteria, which includes the Lending Test. We reviewed the bank's lending activities, with a focus on its primary lending products, which are commercial real estate and commercial loans. Residential real estate as well as consumer lending is nominal. Our evaluation period covers loans originated/purchased from January 1, 2007 to September 30, 2009. To formulate our conclusions, we analyzed loan samples from the bank's loan trial balance, which was reliable.

## **DESCRIPTION OF INSTITUTION**

Eastbank, NA was established in 1984 to serve the financial needs of the Chinatown (New York, NY) community and its immediate environs. In 1987, the bank established a branch in Flushing, New York, to serve the needs the Asian-American community there. There have been no other branch openings since then. The bank is wholly owned by Eastbank Corporation ("EBC"), a single-bank holding company. The bank also has a wholly owned subsidiary, EB America Inc., which owns Roosevelt Realty Development Corporation. The latter owns Eastbank's Flushing branch site. The bank's capacity for community reinvestment activities is not impacted by these affiliates or subsidiaries.

The bank maintains a strong presence in both Chinatown and Flushing. In these service areas, the bank has targeted consumer/retail clients as well as small to middle-market commercial customers, and has achieved moderate market penetration. The bank offers non-sophisticated loan and deposit products such as commercial real state loans, C&I loans, construction loans, DDA accounts, checking accounts, and savings accounts. Residential real estate loans are offered only upon request.

As of September 31, 2009, the bank reported Average Assets of \$182 million. Assets are centered on loans (\$130 million or 71.84%) and investment securities (\$38 million or 16%).

Real estate loans total \$124 million or 95% of total loans and leases. This portfolio is composed of non-farm non-residential loans (\$82 million or 64.57%), multi-family loans (\$23 million or 18.02%), and 1-4 family residential loans (\$10 million or 8%). Commercial & Industrial loans total \$6 million or 5%. US Treasury and Agency securities total \$30 million or 79% of the investment portfolio, and all other securities \$8 million or 21%. Total deposits of \$150.5 million are composed of demand deposits (\$12 million or 7.88%), NOW accounts (\$581 thousand or 0.32%), money market deposits (\$15.3 million or 7.73%), other savings deposits (\$14 million or 7.71%), time deposits under \$100 thousand (\$73.8 million or 39.7%), and time deposits of \$100 thousand or more (\$34.7 million or 16.2%). Net operating income is \$498 thousand and Net Tier 1 Capital is \$21.9 million.

At the prior CRA examination, dated July 2004, the bank received a rating of "Satisfactory". East Bank is not subject to any financial, legal, or regulatory restrictions that could obstruct its ability to help meet the credit needs of its assessment area.

**Table 1: Financial Information (000s)**

	3Q 2005	3Q 2006	3Q 2007	3Q2008	Evaluation Period
<b>Tier 1 Capital</b>	\$18,309	\$19,328	\$20,164	\$21,291	\$21,941
<b>Net Operating Income</b>	\$775	\$667	\$545	\$374	\$498
<b>Total Assets</b>	\$134,131	\$137,586	\$176,281	\$180,091	\$189,840

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

## DESCRIPTION OF ASSESSMENT AREA(S)

The bank has identified the areas surrounding each of its two branches as its Assessment Areas (AA). The AA surrounding the head office (the New York AA) consists of New York County south of 59<sup>th</sup> street, excluding a number of small areas in the New York Harbor. The AA surrounding the Flushing branch (the Flushing AA) consists of Flushing, and the surrounding area to the east, including portions of Bayside, Whitestone, Corona, and College Point. While these two AAs are not contiguous, we have combined them for analysis purposes given that they are both part of the same Metropolitan Statistical Area (NY MSA, #5600), and are homogeneous in demographics and business opportunities.

Total population in the AA is 786,967, according to the 2000 Census data. The AA is made up of 185 Census Tracts: 13 (7.03%) are Low Income; 30 (16.22%) are Moderate Income; 39 (21.8%) are Middle Income; 99 (53.51%) are Upper Income; and 4 (2.16%) have not been designated an income tract. The majority of households in the AA are located in the middle and upper census tracts, representing 20.55% and 57.72%, respectively, of total households. Households located in low and moderate tracts are only 6.83% and 14.88% respectively. The Weighted Average of Median family income is \$67,115, and the number of households below poverty level are 51,105 (13.45% of total households).

The majority of businesses in the AA are also located in the middle and upper census tracts. Of

the 229,926 businesses reported in the 2000 Census data, that are located in the AA, only 3% and 7% are located in the low and moderate income tracts, respectively. Eleven percent and 76% of businesses are located in the middle and upper income tracts, respectively. The AA meets regulatory guidelines and does not arbitrarily exclude low- or moderate-income areas.

**Table 2: Description of the Assessment Area**

<b>Demographics</b>	<b>Number</b>	<b>Low</b>	<b>Moderate</b>	<b>Middle</b>	<b>Upper</b>	<b>N/A</b>
<b>Census Tracts</b>	185	7.03%	16.22%	21.08%	53.51%	2.16%
<b>Population</b>	786,967	9.42%	18.36%	22.70%	49.52%	0.01%
<b>Family Distribution by Income Level</b>	157,530	10.55%	20.45%	24.61%	44.40%	0.00%
<b>Businesses</b>	229,916	3%	7%	11%	76%	3%

Source: Demographic Data - 1990 U.S. Census

The AA local economy is trying to recoup from setbacks suffered during the recent decline in the national economy. Despite the downturns, the AA continues to be the home of many large and diversified financial services companies, contributing to a fiercely competitive market. According to FDIC Deposit Market Share Data, as of June 2009, Eastbank ranked number 190<sup>th</sup> in deposit market share with a 0.01% share in the New York MSA. The biggest competitor in the area is JP Morgan Chase, with 32.48% market share, followed by Bank of America, Citibank, and Bank of New York Mellon, with 8.82%, 7.68%, and 5.26% market share respectively. The bank also competes against smaller financial institutions in its AA that target the Asian community as its primary market, such as Bank of East Asia, Asia Bank and Woori Bank. According to the source cited above, there are 244 different financial institutions, with 5,778 offices in the MSA.

The leading industries in the MSA are: state and local government; general medical and surgical hospitals; and securities, commodities, and brokerage firms. Major employers are: New York-Presbyterian Healthcare System, Citigroup, Inc., JPMorgan Chase & Company, and Verizon Communications. According to the Bureau of Labor Statistics, unemployment rate in the New York MSA was 9.2% in December 2009. This rate is higher than the New York State unemployment rate of 9%, but lower than the national rate of 10%. The employment rate in the New York and Queens counties fell by 4.7% and 2.8%, respectively, from June 2008 to June 2009.

According to Moody's economic report for the New York City MSA, though job losses look to be near the bottom in the financial services and some transportation/distribution industries, other big employers (professional/business services and retail) are still losing jobs at a fast pace. New York City's near-term outlook is brighter considering the quick turnaround in Wall Street profits and pay. Employment is likely to begin rising during the second quarter 2010, and the unemployment rate will peak around the same time just above 10%. Over the long run, New York City's mature economy and weak population growth will cause it to be a below-average performer as measured by job growth in comparison to the nation. It will retain its status as a global financial hub, keeping income growth above average.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Community Contact

In determining the performance context, we reviewed our contact database for the AA. According to the organizations interviewed, commercial lending to fund various revitalization projects, financing the development of commercial, industrial and residential units, lines of credit for non-profits, and loans or grants to small business were amongst the primary needs of the community. The contacts further stated that, although more bank branches have opened in the area, access to financial services is a prevalent need. Small business training, financial literacy, subsidies for affordable housing, and foreclosure prevention assistance are also needed. Per the organizations contacted, there is a good level of opportunity to make community development contributions, as there are 46 active Community Development Financial Institutions (CDFIs) operating in NYC; and the NYC government has several new initiatives to assist LMI with affordable housing and small business lending.

### **Loan-to-Deposit Ratio**

The bank’s loan-to-deposit (LTD) ratio is reasonable given its size, financial condition, and the credit needs of the AA. Eastbank’s quarterly average net LTD ratio of 87.01% over the last twenty two quarters is comparable to the national peer’s 86.38%. We also calculated the quarterly net LTD ratio for the same time period for some of the bank’s competitors in the AAs it serves. Our custom peer was composed of banks serving the Asian communities both in Chinatown and Flushing. East bank’s net LTD was also reasonable when compared to the custom peer’s 86.35%.

### **Lending in Assessment Area**

Lending in the assessment area is satisfactory. This is based on all loans originated or purchased between January 1, 2007 and September 30, 2009. Calculations were derived using bank-generated reports, which detailed total loans originated or purchased between the above stated timeframe. The two factors considered in this evaluation are the number and dollar volume of loans located within the assessment area. Table 3 below provides details on all loan types within the evaluation period. Of the 239 loans that were booked, 117, or 49%, were inside the assessment area. While this represents less than a majority in terms of the number volume, the disparity between those within the assessment area and those outside of it is only 5 loans and therefore considered nominal. Additionally, \$112.3 million, or 52% of total loans, were within the assessment area. According to the dollar volume, the majority of the bank’s loans were inside the assessment area. Greater weight is given to the dollar volume, which drives the satisfactory rating, as it better quantitative representation of the bank’s level of lending within the assessment area.

<b>Table 3 - Lending in Assessment Area</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	

Business Loans	107	67.7%	51	32.3%	158	108,872,906	58.7%	76,486,669	41.3%	185,359,575
Consumer Loans	10	12.7%	69	87.3%	79	3,457,882	12.3%	24,706,421	87.7%	28,164,303
Loans to Trusts	0	0.0%	2	100.0%	2	-	0.0%	1,500,000	100.0%	1,500,000
Totals	117	49.0%	122	51.0%	239	112,330,788	52.2%	102,693,090	47.8%	215,023,878

Source: Bank generated reports for loans originated or purchased between January 1, 2007 and September 30, 2009

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

The borrower distribution related to business loans (primary loan type) is excellent. Based on 2008 Business Geodemographic Data, 63%, or 144,951, of all businesses located in the assessment area were considered small businesses, which are defined as entities that generate revenues of \$1 million or less. Nine and a half percent, or 21,810, of businesses reported revenues exceeding \$1 million. The remaining 27%, or 62,626, did not report its revenues. In comparison, the bank’s ratios well exceed these percentages with respect to number and dollar volume of loans originated for small businesses. Table 4 illustrates the percentage of loans to businesses with revenues with \$1 million or less versus those with revenues of greater than \$1 million within the assessment area.

Table 4 - Borrower Distribution of Loans to Businesses in the Assessment Area				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	63.3%	9.5%	27.2%	100%
% of Bank Loans in AA by #	86.9%	13.1%	0.0%	100%
% of Bank Loans in AA by \$	84.7%	15.3%	0.0%	100%

Source: 2008 Business Geodemographic Data; Bank generated reports for loans originated or purchased between January 1, 2007 and September 30, 2009

Figures in the above table demonstrate excellent penetration. One hundred and seven of the 158 total business loans originated or purchased during the evaluation period were inside the assessment area. Of these, 93 were made to small businesses and represents nearly 87% of all business loans in the assessment area. In total, the bank originated or purchased nearly \$108.9 million worth of business loans inside the assessment area. Loans for small businesses within the assessment area comprised 84.7% of the total dollar amount, or about \$92.3 million. The bank demonstrates excellent performance with regard to borrower distribution in the assessment area as the ratios exceed the standard.

### Geographic Distribution of Loans

The geographic distribution of business loans is excellent. According to 2008 Business Geodemographic Data, 43 census tracts, or about 10% of all census tracts in the assessment area, are designated as Low or Moderate Income Tracts. There are 138 Middle and Upper Income Tracts, or 88%, in the assessment area. The remaining 2% contains four census tracts with no income designation. Of the 229,916 businesses located within the bank’s assessment area, 22,889, or 10%, were in Low or Moderate Income Tracts. The majority of businesses are in Middle and Upper Income Tracts, which accounted for 201,429 businesses, or 88% of the total. The remaining two percent of businesses were in census tracts with no income designation.

Table 4 is a comparison of the percentage of businesses located in the various income tracts and the number of loans (shown as a percentage of total business loans in the assessment area).

<b>Table 5 - Geographic Distribution of Loans to Businesses in the Assessment Area</b>				
Census Tract Income Level	Low and Moderate		Middle and Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Construction/Land	9.96%	2.8%	87.61%	0.9%
1-4 Family		0.0%		0.9%
Multi-Family		17.8%		7.5%
Non-Farm, Non-Residential		36.4%		13.1%
Commercial		5.6%		15.0%
<b>Total</b>				<b>62.6%</b>

*Source: 2008 Business Geodemographic Data; Bank generated reports for loans originated or purchased between January 1, 2007 and September 30, 2009*

The ratios in Table 5 illustrate that the bank’s originated and purchased loans are excellently dispersed. Of the 107 business loans within the assessment area, 67 were to businesses located in Low and Moderate Income Tracts. This comprises 63% of all business loans inside the assessment area. The remaining 40 loans were to businesses located in Middle and Upper Income Tracts, which makes up the remaining 37% of loans within the assessment area. The bank exceeds the geographic distribution standard as the level of loan originations and purchases to businesses in Low and Moderate Income Tracts outweighs loans to businesses located in Middle and Upper Income Tracts.

**Responses to Complaints**

Eastbank has not received any CRA related complaints since our previous CRA examination.

**Fair Lending or Other Illegal Credit Practices Review**

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