



Office of the
Comptroller of the Currency
Washington, DC 20219

INTERMEDIATE SMALL BANK

PUBLIC DISCLOSURE

February 16, 2016

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Esquire Bank, National Association
Charter Number 25125

320 Old Country Road - Suite 101 Garden City, NY 11530

Office of the Comptroller of the Currency

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 Lending Test is rated: Satisfactory

The Community Development Test is rated: Outstanding

- The bank's level of lending, as reflected by the loan-to-deposit ratio is reasonable given the bank's size and condition, loan demand, competition, and current economic conditions;
- The geographic distribution of loans reflects reasonable dispersion based on low-to-moderate income tracts;
- The bank's distribution of loans to borrowers reflects weak penetration among borrowers of different income levels;
- A substantial majority of Esquire's loans were made within the bank's assessment areas (AAs); and
- The bank's responsiveness to community development needs and opportunities in its AAs is excellent.

Scope of Examination

Esquire Bank ("Esquire") was evaluated under the Intermediate Small Bank examination procedures, which includes a lending test and a community development (CD) test. The lending test evaluates the bank's record of meeting the credit needs of the AA through its lending activities. The CD test evaluates the bank's responsiveness to CD needs in its AA through CD lending, services, and qualified investments.

The evaluation period for our review of HMDA and CRA loan data is January 1, 2013 through June 30, 2015. The evaluation period for Community Development Loans, Services and Investments was September 27, 2010 to February 16, 2016.

Esquire's primary loan products include multifamily commercial loans and loans to the legal community. To a lesser extent, the bank originates specialty consumer and residential mortgage loans. The bank reports data under the requirements of the Home Mortgage Disclosure Act (HMDA). The HMDA data was tested and found to be reliable and was used in our analysis.

Description of Institution

Esquire Bank ("Esquire") opened for business in October 2006 at 64 Court Street in Brooklyn, New York. Esquire is an independent, full service national bank offering a broad range of financial services and products, with a focus on the litigation market. On

August 3, 2015, the OCC conditionally approved the conversion of Esquire from a federal savings bank charter to a national bank. The bank converted on August 22, 2015. For this performance timeframe, the institution was evaluated as a federal savings bank. The bank is headquartered and has a branch in Garden City, NY, with sales and administrative offices in Manhattan, New York and West Palm Beach FL. The bank serves the litigation industry, including law professionals, law firms, non-bank trustees, third party administrators, claims administrators, consumer plaintiffs/claimants, and insurance companies. In addition, the bank offers services to other professional service firms, small to mid-sized businesses and individuals in the contiguous local communities in the state of New York. The goal of the bank is to position itself as the premier “one stop” financial services firm for the litigation market while limiting the need for traditional “brick and mortar” locations through the extensive use of technology.

As of December 31, 2015, Esquire’s asset size totaled \$351 million. Esquire’s year-end 2015 loan portfolio totaled \$224.5 million and consisted of 37.2% in commercial & industrial loans, 31.2% in multifamily loans, 12.7% in 1-4 family mortgage loans, 10.3% in commercial real estate loans, 6.1% in non-real estate consumer loans, 2.3% in commercial construction loans and .2% in home equity loans. The bank’s business model is focused on Community Development and HMDA multi-family lending as well as post-settlement and structured settlement loan programs. The settlement programs benefit low-income and moderate-income borrowers, that have little or no income due to their injuries and the programs support those borrowers in need within the bank’s AA. The commercial & industrial portfolio consists almost exclusively of loans to attorneys and law firms. The commercial real estate and multifamily loan portfolios include 74 loans that qualify, in whole or in part, for affordable housing credits, as well as loans originated by the Community Preservation Corporation and purchased or participated in by the bank. The non-real estate consumer loans are mostly post-settlement or structured settlement loans, including loans to 09/11 first responders. As of December 31, 2015, the bank’s deposit base totaled \$309.1 million and tier one capital totaled \$38.6 million.

The bank’s AA includes all of Nassau and Suffolk Counties, and all of Kings, Queens, Bronx and New York counties. In the Nassau and Suffolk County AA, there are 607 census tracts. In the Kings, Queens, Bronx, and New York County AA, there are 2,057 census tracts. There are no known legal, financial, or other factors impeding the bank’s ability to help meet the credit needs of its AA.

The bank received an overall “Satisfactory” rating in its previous CRA PE dated September 27, 2010.

Description of Assessment Area(S)

Esquire Bank NY-NJ AA

Demographic Information for Full Scope Area: Esquire - MSA 35614 AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	2,057	16.19	30.24	29.75	20.86	2.97
Population by Geography	7,706,403	19.87	33.40	25.57	20.93	0.23
Owner-Occupied Housing by Geography	891,130	4.78	22.21	36.48	36.53	0.01
Business by Geography	494,363	11.40	23.13	22.12	40.08	3.27
Farms by Geography	2,120	7.50	20.75	26.32	44.25	1.18
Family Distribution by Income Level	1,719,612	32.80	17.53	16.45	33.22	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	865,521	30.63	40.38	21.38	7.59	0.01
Median Family Income HUD Adjusted Median Family Income for 2015 Households Below Poverty Level	68,006 71,300 19%	Median Housing Value Unemployment Rate: January 2016	530,354 5.1%			

(*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2010 US Census and 2015 HUD updated MFI

Esquire has operations within the overall New York–Newark-Jersey City NY, NJ, PA Metropolitan Statistical Area (MSA) (#35620) comprised of the New York-Jersey City - White Plains NY, NJ Metropolitan Division (MD) (#35614) in the counties of New York, Kings, Queens, and Bronx. This AA contains zero branches and zero percent of the bank's total deposits. The AA is comprised of 2,057 census tracts. There was a change in census tract geographies in 2014. Between January 1, 2012 and December 31, 2013, there were 290 low-income tracts (14.1%), 569 moderate-income tracts (27.7%), 624 middle-income tracts (30.3%) and 513 upper-income tracts (24.9%). Between January 1, 2014 and December 31, 2014, there were 333 low-income tracts (16.2%), 622 moderate-income tracts (30.2%), 612 middle-income tracts (29.8%) and 429 upper-income tracts (20.9%). The 2010 U.S. Census Data shows no change in the number of families in the AA; however, the percent of low- and moderate-income families changed between January 1, 2012 through December 31, 2013 and January 1, 2014 through December 31, 2014. There are 48.1% and 50.3% of the families in the AA considered low- or moderate-income for the two time-periods above, respectively. Approximately 19% of households are below the poverty level for the entire evaluation period.

Competition within the AA is strong with the market dominated by large regional and national financial institutions. The Federal Deposit Insurance Corporation Deposit Market Share Report, as of June 30, 2015, indicates 89 institutions operating within New York County, 53 within Queens County, 41 within Kings County, and 23 within Bronx County. Esquire does not have any deposits from the counties in this AA. Primary competitors include JP Morgan Chase Bank, Capital One, Citibank, and New

York Community Bank. Major employers in the AA include JPMorgan Chase Bank, Consolidated Edison, Columbia University, and New Partners, Inc.

The housing market in the area remains expensive, with the median housing value of \$530 thousand. The adjusted median family income is high at \$71 thousand. Affordable housing opportunities for low-and moderate-income families are limited. There are only 241 thousand housing units in low- and moderate-income tracts, which represents 27% of total housing units in the AA.

Esquire Bank Nassau and Suffolk County NY AA

Demographic Information for Full Scope Area: Esquire - MSA 35004 AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	607	2.14	15.82	58.32	22.24	1.48
Population by Geography	2,832,882	2.32	17.95	58.87	20.71	0.15
Owner-Occupied Housing by Geography	766,459	1.02	14.16	61.25	23.57	0.00
Business by Geography	245,254	1.46	14.78	58.97	24.78	0.01
Farms by Geography	5,529	1.66	18.97	61.62	17.74	0.00
Family Distribution by Income Level	715,052	19.01	18.46	23.77	38.76	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	267,894	3.16	24.95	58.84	13.05	0.00
Median Family Income HUD Adjusted Median Family Income for 2015 Households Below Poverty Level		101,543 109,000 6%		Median Housing Value Unemployment Rate: January 2016	501,660 4.5%	

(*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2010 US Census and 2015 HUD updated MFI

Esquire also has operations within the overall New York–Newark–Jersey City NY, NJ, PA Metropolitan Statistical Area (MSA) (#35620) comprised of the Nassau-Suffolk, NY Metropolitan Division (MD) (#35004) in the counties of Nassau and Suffolk. This AA contains one branch and 100% of the bank's total deposits. The AA is comprised of 607 census tracts. There was a change in census tract geographies in 2014. Between January 1, 2013 through December 31, 2013, there were 13 low-income tracts (2.1%), 96 moderate-income tracts (15.8%), 354 middle-income tracts (58.3%) and 135 upper-income tracts (22.2%). The income distribution in this AA did not change as a result in the change in the census tract geographies. The 2010 U.S. Census Data shows no change in the number of families in the AA. The income distribution of families also did not change between January 1, 2012 through December 31, 2013 and January 1, 2014 through December 31, 2014. In the AA, 37.5% of the families are considered low- or moderate-income for both of the two time-periods above. Approximately 6% of households are below the poverty level for the entire evaluation period.

Competition within the AA is strong with the market dominated by large regional and national financial institutions. The Federal Deposit Insurance Corporation's Deposit

Market Share Report, as of June 30, 2015, indicates 37 institutions operating within Nassau County and 27 institutions operating within Suffolk County. Esquire only has deposits in Nassau County, where the bank has a market share of 0.43%. This market share ranks the bank 22 out of 37 institutions. Primary competitors include JP Morgan Chase Bank, Capital One, Citibank, and New York Community Bank. Major employers in the AA include JPMorgan Chase Bank, Consolidated Edison, Columbia University, and New Partners, Inc.

The housing market in the area remains expensive, the median housing value for the AA averaged \$502 thousand. The adjusted median family income is high at \$109 thousand. Affordable housing opportunities for low- and moderate-income families are limited. There are only 116 thousand housing units in low- and moderate-income tracts, which represents 15% of total housing units in the AA.

During this evaluation we contacted one non-profit community organization that operates inside the AA and provides services related to youth development for low- and moderate-income families. This community organization works to empower children to make ethical decisions, become engaged citizens, and succeed in school and work. The contact identified the need for more programs that focus on childhood development, such as providing social and educational guidance, in the communities that the organization serves. The community contact stated that a variety of opportunities exist for community development lending, investments, and services within the areas they serve. The contact also stated that local financial institutions, including Esquire Bank, have supported the local community by providing financing opportunities and grants to different organizations.

Conclusions with Respect to Performance Tests

LENDING TEST

Esquire's overall performance under the lending test is satisfactory. Our evaluation was based on the bank's loan-to-deposit ratio, level of lending inside versus outside the bank's AA, performance in lending to borrowers in the geographic distribution of loans (home mortgage and multi-family) and the distribution of loans to borrowers of different income levels. The bank's business model is focused on community development and HMDA multi-family lending as well as post-settlement and structured settlement loan programs. The settlement programs benefit low-income and moderate-income borrowers that have little or no income due to their injuries and the programs support those borrowers in need within the bank's AA. There was a limited volume of HMDA reportable loans during the evaluation period that could be used in determining the lending performance. The bank did originate multi-family loans in low-income and moderate-income geographies. The bank did not make any HMDA reportable loans to low- or moderate-income borrowers during the evaluation period.

Loan-to-Deposit Ratio

The bank's loan-to-deposit ratio (LTD) is reasonable given the bank's size and condition, loan demand, competition, and AA credit needs. The bank's LTD ratio averaged 62.80% over the 11 quarters since the last CRA examination, with a quarterly low of 57.82% and a quarterly high of 70.75%. The bank's LTD ratio is adequate given the bank's strategy to increase consumer, commercial real estate and commercial & industrial lending. Esquire's LTD ratio was lower when compared to four similarly situated financial institutions. The other four banks had an average LTD ratio of 78.70%, with a range of 75.00% and 82.06%. However, these four comparable banks are larger and have more expansive lending capabilities.

Lending in Assessment Area

A substantial majority of Esquire's primary loans were originated within the bank's AAs. Esquire originated 100% of loans by number and by dollar amount in their two AAs. The following tables detail the bank's lending within the AA in 2013 and 2014- 2015 by number and dollar amount of loans.

Lending in Assessment Areas 2013										
Loan Type	Number of Loans					Dollars of Loans (in thousands)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase Loans	0	0	0	0	0	0	0	0	0	0
Home Refinance Loans	1	100	0	0	1	\$905	100	0	0	\$905
Multifamily Loans	6	100	0	0	6	\$7,460	100	0	0	\$7,460
Totals	7	100	0	0	7	\$8,365	100	0	0	\$8,365

Source: 2013 HMDA Data based on 2010 Census

Lending in Assessment Areas 2014-2015										
Loan Type	Number of Loans					Dollars of Loans (in thousands)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase Loans	5	100	0	0	5	\$3,462	100	0	0	\$3,462
Home Refinance Loans	0	0	0	0	0	0	0	0	0	0
Multifamily Loans	15	100	0	0	15	\$12,563	100	0	0	\$12,563
Totals	20	100	0	0	0	\$16,025	100	0	0	\$16,025

Source: 2014-2015 HMDA Data based on 2010 Census

Geographic Distribution of Loans

The distribution of loans reflects reasonable dispersion throughout the bank's AAs and meets the standard for satisfactory performance.

Home Mortgage Loans

In 2013, the bank originated one home refinance loan in the bank's AAs and none in low- and moderate-income geographies.

In 2014-15, the bank originated five home purchase loans in the bank's AA and none in low- and moderate-income geographies.

Multifamily Loans

The bank's geographic distribution of multifamily loans reflects reasonable dispersion throughout the bank's AAs and meets the standard for satisfactory performance.

In 2013, there were six multifamily loans originated in the bank's AAs.

The percentage of multifamily loans made in low-income geographies is near the percentage of aggregate peer lending in low-income geographies. The bank's percentage of multifamily loans made in low-income geographies is near the percentage of owner-occupied housing units in low-income areas.

The percentage of multifamily loans made in moderate-income geographies is below the percentage of aggregate peer lending in moderate-income geographies. The bank's percentage of multifamily loans made in moderate-income geographies is below the percentage of owner-occupied housing units in moderate-income areas.

In 2014-15, there were fifteen multifamily loans in the bank's AAs.

The percentage of multifamily loans made in low-income and moderate-income geographies is near the percentage of aggregate peer lending in low-income and moderate-income geographies. The bank's percentage of multifamily loans made in low-income and moderate-income geographies is near the percentage of owner-occupied housing units in low-income and moderate-income areas.

2013:

Assessment Area:	Total Multifamily Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Aggregate HMDA Lending (%) by Tract Income			
	#	% of Total**	% of MF Units***	% BANK Loans***	% MF Units* **	% BANK Loans	% MF Units* **	% BANK Loans	% MF Units** *	% BANK Loans	Low	Mod	Mid	Upp
2013 Esquire - 350004 AA	0	0.00	7.87	0.00	28.60	0.00	51.08	0.00	12.45	0.00	3.01	26.32	51.13	19.55
2013 Esquire - 35644 AA	6	100.00	19.47	16.67	28.81	16.67	19.59	50.00	32.12	16.67	13.77	32.47	22.25	31.51

2014-2015:

Assessment Area:	Total Multifamily Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Aggregate HMDA Lending (%) by Tract Income			
	#	% of Total	% of MF Units***	% BANK Loans***	% MF Units* **	% BANK Loans	% MF Units* **	% BANK Loans	% MF Units** *	% BANK Loans	Low	Mod	Mid	Upp
Esquire - MSA 35004 AA	1	6.67	7.87	0.00	28.60	0.00	51.08	100.00	12.45	0.00	6.73	26.92	58.65	7.69
Esquire - MSA 35614 AA	14	93.33	22.06	21.43	30.54	35.71	16.88	28.57	30.52	14.29	18.50	35.39	18.04	28.07

Lending to Borrowers of Different Incomes

The distribution of loans to borrowers reflects weak penetration among borrowers of different income levels, given the bank’s product offerings and local economic conditions. The bank did not make any HMDA reportable loans to low- or moderate-income borrowers given the limited number of loans during the evaluation period.

While the bank generated a limited number of home purchase and multifamily loans during the evaluation period, there are two programs the bank offers that benefit low-income and moderate-income borrowers. The bank developed a post-settlement loan program for borrowers that were first responders or law enforcement personnel who have become ill over time as the result of work performed on or shortly after the 9/11 terrorist attacks in New York City. Some of these borrowers are unable to pay medical bills and meet other financial obligations. Many applicants have little or no income due to their injuries and the program supports those borrowers in need within the bank’s AA. The bank has 62 loans totaling \$2.7 million made to low-income and moderate-income borrowers within their AA. The bank also originates structured settlement loans to individuals who are pledging a court approved structured settlement, or annuity contract with a cash flow stream as security for the loan. Many of the borrowers have no other

** Multi-family loans originated and purchased in the MA/AA as a percentage of all multi-family loans originated and purchased in the rated area.

*** Percentage of Multifamily Units is the number of multifamily units in a particular geography divided by the number of multifamily housing units in the area based on 2010 Census information.

**** Multifamily loan distribution includes Home Purchases, Home Improvement and Refinances.

* Based on 2013 and 2014 Peer Mortgage Data -- US and PR

source of income, so these loans enable them to pay bills as well as address medical and other financial issues.

Responses to Complaints

Esquire did not receive any CRA related complaints since the last CRA examination.

COMMUNITY DEVELOPMENT TEST

Esquire's overall performance under the community development (CD) test is outstanding.

Number and Amount of Community Development Loans

The bank's responsiveness through CD lending is excellent. The bank originated seventy-six CD loans during the evaluation period, totaling \$102.2 million. All CD loans made in the AA were used to finance affordable housing or help provide community services to low- and moderate- income individuals. Such loans include, but are not limited to:

- The bank originated a \$975 thousand loan for a 9-unit residential apartment building in Brooklyn. The subject property is Master-leased to a non-affiliated, single-tenant, a for-profit commercial operator that utilizes the property as transitional housing for displaced families and individuals under a contract with the City of New York's Department of Homeless Services.
- The bank originated a \$2.75 million loan for a 16-unit residential apartment building located in Bronx, NY. The apartment building is master-leased to a not-for-profit organization serving community development needs by providing housing to low- and moderate-income individuals. The building operates as a women's shelter.
- The bank originated a \$750 thousand loan for a 12-unit residential apartment building in Brooklyn, NY, a low-income census tract. The apartment building contains 11 apartment units where rent is below the fair market rent.

Number and Amount of Qualified Investments

The bank's responsiveness through CD qualified investments is adequate. During the evaluation period, qualified investments consisted of 24 qualifying grants, totaling \$149 thousand, which provide affordable housing and community services to low- and moderate-income individuals in the AA. This represents 0.4% of tier one capital, as of December 31, 2015.

Highlights of grants and donations within AA include:

- \$103 thousand in grants to a national non-profit organization with a local presence in New York City, which focuses on providing safe and secure living environments for the low- and moderate-income elderly population.
- \$8 thousand in grants to a non-profit organization located in the Northwest section of the Bronx, which works to create and preserve affordable housing and bring resources to the local community.
- \$2.5 thousand in grants to a New York City non-profit organization that focuses on providing youth development services to low- and moderate-income families.

Extent to Which the Bank Provides Community Development Services

The bank's responsiveness through CD services is adequate. The bank offers retail-banking services that are readily accessible to individuals in various income levels and geographies throughout the AA. The bank joined the Allpoint Network in April 2011 in an effort to provide banking services to an expanded geographic area. Allpoint is a network of over 55,000 surcharge-free ATMs located in many popular retail stores. There are over 1,500 locations within the AA and these locations include census tracts in low- and moderate-income areas.

The bank offers an array of electronic banking services to deliver retail-banking services to consumers, including online banking with bill pay, mobile banking, and direct deposit. Online banking with bill pay provides the ability to see balances and account details, transfer funds between accounts, and make bill payments. Mobile banking also provides the ability to see balances and account details, transfer funds between accounts, make bill payments and deposit checks. Direct deposit allows recurring deposits to be sent directly to a consumer's checking or saving account via ACH without having to travel to the bank. There are no additional costs to the consumer for these three services.

The bank has one branch location in Garden City, NY. This branch serves the Nassau, Suffolk and Queens Counties. Banking hours and services are provided Monday through Friday at the branch, which is open from 8:30am to 5:00pm.

The bank offers a full range of traditional deposit and loan products. The bank's deposit products include personal, professional and business checking accounts. The bank also offers a variety of loan products including residential mortgages, home equity lines of credit, post settlement loans, and commercial mortgages. The bank offers free online banking and online bill pay through their Internet website and online banking services.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's (bank) or Federal saving association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any AA, by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.