

# **SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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## **Public Disclosure**

August 24, 1998

## **Community Reinvestment Act Performance Evaluation**

**The Metropolitan Bank and Trust Company  
License Number: 80066  
10 East 53rd Street  
New York, New York 10022**

**Comptroller of the Currency  
Northeastern District  
1114 Avenue of the Americas, Suite 3900  
New York, New York 10036**

**Note: 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.**

## 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 CRA performance of **The Metropolitan Bank and Trust Company, New York, New York** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **August 24, 1998**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.

**INSTITUTION'S CRA RATING:** This institution is rated "**Satisfactory.**"

The major factors supporting the institution's rating include:

- The average loan-to-deposit is considered reasonable for this institution.
- A majority of the loans and commitments originated during this assessment period were within the institution's assessment area.
- A reasonable portion of originations and commitments within the branch's assessment area is to low- and moderate-income census tracts.

The following table indicates the performance level of **The Metropolitan Bank and Trust Company** with respect to each of the five performance criteria. This institution was evaluated for its performance during the assessment period of April 1, 1996 through June 30, 1998.

Small Institution Assessment Criteria	The Metropolitan Bank and Trust Company Performance Levels		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does Not Meet Standards for Satisfactory Performance
Loan-to-deposit ratio		X	
Lending in assessment area		X	
Lending to borrowers of different incomes and to businesses of different sizes			X
Geographic distribution of loans		X	
Response to complaints	No complaints have been received since the prior CRA examination.		

## **DESCRIPTION OF THE INSTITUTION**

The Metropolitan Bank and Trust Company (Metrobank), New York branch, with total assets of \$39 million, is a federal branch of The Metropolitan Bank and Trust Company, Manila, Philippines, which is the largest bank in the Philippines with total consolidated assets of US\$6.8 billion. The New York operation was established in 1979. Metrobank also has a loan production office (LPO) in Flushing, Queens. The branch's primary business focus is commercial and trade-finance lending. As of June 30, 1998, net loans represent 27 percent of total branch assets. Commercial and trade-finance loans represent 86 percent and 13 percent of the loan portfolio, respectively. In addition, the branch has an additional \$1.9 million in loan commitments and letters of credit. Consumer lending is a secondary focus, and represents approximately 1 percent of the branch's loan portfolio. All loans are domestic, while only 17 percent of branch deposits are domestic.

Metrobank offers traditional deposit products, including checking and time deposit accounts. The branch also offers remittance, funds transfer and collection services. In terms of credit products, the institution's offerings include commercial and trade-finance loans, commercial mortgages, commercial letters of credits, professional and personal loans. Personal loans may be used for home improvement purposes. The branch does not originate residential mortgages at this time; however, there are plans to offer residential mortgages later in 1998 or early 1999.

There are no impediments identified, legal or otherwise, which would hinder the institution's ability to help meet the credit needs in its assessment area. Competition in Metrobank's trade area is intense with competition offered by multinational and regional financial institutions as well as other branches of foreign banks, including the Philippine National Bank and the Bank of the Philippine Islands. Metrobank's CRA performance was last evaluated as "Satisfactory" in June 1996.

## **DESCRIPTION OF ASSESSMENT AREAS**

The institution's assessment areas (AA) meet all regulatory guidelines and do not arbitrarily exclude low- and moderate-income areas. Metrobank has designated two separate assessment areas. The branch has designated New York (Manhattan) and Queens counties as its assessment areas. These counties comprise a portion of the New York Metropolitan Statistical Area (MSA) 5600. Combined, the two assessment areas contain 971 census tracts. Of these tracts, 7 percent are low-income, 15 percent moderate-income, 37 percent middle-income, and 37 percent upper-income. Income information is not available for 3 percent of the tracts. The MSA's 1990 census median family income is \$37,515. Economic conditions within the two assessment areas are stable and employment opportunities are diverse. The rate of unemployment is approximately 8 percent. Primary credit needs, as documented by contacts with local community groups, are small business lending, especially to minorities, trade-finance lending, and residential mortgages. In addition, remittance services are integral to the Filipino community.

## **DESCRIPTION OF ASSESSMENT AREAS (continued)**

### New York (Manhattan) Assessment Area

The New York assessment area contains 298 census tracts. Of these tracts, 21 percent are low-income, 22 percent moderate-income, 11 percent middle-income, and 42 percent upper-income. Income information is not available for 4 percent of the census tracts in the assessment area. The total population of this assessment area is 1.5 million. Twenty percent of the population resides in low-income census tracts, 24 percent moderate-income, 8 percent middle-income, and 47 percent upper-income. There is no income information available for 1 percent of the population. Housing is primarily multi-family in nature (including cooperative, condominium and rental apartment buildings, and attached housing), with 16 percent of residents in owner-occupied units.

A vast number of businesses of varying sizes are scattered throughout Manhattan. They include a multitude of service and retail businesses as well as garment, accessory and jewelry manufacturers. The financial services industry is another prominent sector in New York City, with a number of major financial institutions headquartered in the area. Tourism is a major contributor to Manhattan as well as the rest of the city's economy, supporting more than 131,000 jobs and bringing in nearly \$14 billion in direct spending. New York City offers incomparable attractions, world-renowned restaurants, hotels, theaters, entertainment and shopping. The total number of people visiting New York this year is expected to exceed 34 million visitors.

### Queens Assessment Area

The Queens assessment area contains 673 census tracts. Of these tracts, 1 percent are low-income, 12 percent moderate-income, 49 percent middle-income, and 35 percent upper-income. Income information is not available for 3 percent of the census tracts in the assessment area. The total population of this assessment area is two million. Two percent of the population resides in low-income census tracts, 14 percent moderate-income, 51 percent middle-income, and 33 percent upper-income. Each neighborhood of Queens offers a variety of housing choices, from apartments to single-family homes. Multi-family and 1-4 family units comprises 56 and 41 percent of the total units in Queens, respectively. Of the total number of occupied housing units in the borough, 40 percent are owner-occupied. The remaining units are rented, usually to long-term tenants.

Queens has a diverse economy, including aviation, television and motion picture production and manufacturing. There are more than 34,500 businesses located in Queens, from small retail stores to large manufacturers. No single company or industry is dominant, although health services, air transportation, and services are major sectors.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

For the nine calendar quarters during the assessment period, the branch's average loan-to-deposit ratio was 104 percent. However, federal branches of foreign banks generally have a notable portion of its transactions with its Head Office. As of June 30, 1998, the New York branch had \$27 million in funds deposited by its Head Office and \$28 million in loans to its Head Office. When consideration is given to these transactions with Head Office, the branch's average loan-to-deposit ratio for this assessment period was 71 percent. This represents an increase from its average ratio of 56 percent from the previous assessment period. Given the level of domestic deposits and the branch's financial condition, the average loan-to-deposit ratio is considered reasonable.

### Lending in Assessment Areas

A majority of the loans and commitments originated during this assessment period were within the institution's assessment area. During the assessment period, the branch originated 59 loans and commitments totaling \$17.4 million. Of the total number of loans and commitments originated, 33 loans or 56 percent were within the branch's two assessment areas. In terms of dollars, \$12.8 million or 73 percent of total loans were within the branch's two assessment areas.

<b>Loan Originations and Commitments</b> <b>April 1, 1996 through June 30, 1998</b> (loans in \$ thousands)						
Type of Credit	Inside Assessment Areas				Outside Assessment Areas	
	New York AA		Queens AA		# Loans	\$ Loans
	# Loans	\$ Loans	# Loans	\$ Loans		
Commercial Loans	4	2,400	5	419	4	1,459
Trade-Finance Lines	10	4,035	9	5,900	15	3,080
Consumer Loans	3	14	2	16	7	91
Totals	17	6,449	16	6,335	26	4,630

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

**Business Lending:**

With the exception of 12 consumer loans, all loan originations during the assessment period were business-related. Of the 47 business loans originated, 28 loans or 60 percent were made in the branch's two assessment areas. Of these 28 loans, 27 or 96 percent are considered small loans. A small loan is a loan with an original amount of \$1 million or less. However, only 4 of these 27 small loans, 15 percent or \$1 million, were made to small businesses. A small business is a business with gross annual revenues of \$1 million or less. This reflects an inadequate level of attention to small business credit needs in the two assessment areas. Based on the 1997 small business lending information maintained by the Federal Financial Institutions Examination Council (FFIEC), a significant number of small business lending opportunities exist throughout the branch's two assessment areas. Branch management indicated that competition for small business lending is intense, with a large number of financial institutions in this market and that it would be difficult to compete with the terms offered by larger institutions.

<b>Business Loan Originations and Commitments</b> <b>by Business Size</b> (loans in \$ thousands) <b>April 1, 1996 through June 30, 1998</b>						
<b>Business Size</b> (gross annual revenues in \$ thousands)	<b>New York</b> <b>Assessment Area</b>		<b>Queens</b> <b>Assessment Area</b>		<b>Totals</b>	
	<b># Loans</b>	<b>\$ Loans</b>	<b># Loans</b>	<b>\$ Loans</b>	<b># Loans</b>	<b>\$ Loans</b>
< 100	0	0	1	50	1	50
100 - 250	1	800	0	0	1	800
250 - 1,000	2	150	0	0	2	150
> 1,000	11	5,485	13	6,269	24	11,754
<b>Totals</b>	14	6,435	14	6,319	28	12,754

**Lending to Borrowers of Different Incomes and to Businesses of Different Sizes** (continued)

**Consumer Lending:**

Although the volume of consumer lending is low, it is reasonably distributed among individuals of different income levels. Of the 12 consumer loans originated, five loans totaling \$30 thousand were made in the branch's two assessment areas. Of these loans, one was made to a borrower whose income is considered low, one whose income is considered moderate, two whose income is considered middle, and one whose income is considered upper. These calculations are based on the Department of Housing and Urban Development (HUD) 1998 MSA Median Family Income of \$49,800. Within the two assessment areas, 22 percent of the families have incomes considered low, 16 percent considered moderate, 19 percent considered middle and 43 percent considered upper.

<b>Consumer Loan Originations by Borrower Income</b> (loans in \$ thousands) <b>April 1, 1996 through June 30, 1998</b>					
<b>Borrower Income Level</b> (based on HUD MSA Income)	<b>New York and Queens Assessment Areas</b>				
	<b>% of Total Families</b>	<b># Loans</b>	<b>%</b>	<b>\$ Loans</b>	<b>%</b>
Low-Income	22%	1	20	6	20
Moderate-Income	16%	1	20	3	10
Middle-Income	19%	2	40	13	43
Upper-Income	43%	1	20	8	27
<b>Totals</b>	100%	5	100	30	100

## **Geographic Distribution of Loans**

Loans are reasonably distributed among the various income geographies, with a good portion of originations made to low- and moderate-income (LMI) census tracts. During the assessment period, Metrobank originated six loans totaling \$1.8 million in LMI census tracts, which represents 18 percent of the total number of originations within the assessment areas. Metrobank's penetration is consistent with the tract composition of the branch's assessment areas. The branch's penetration in low-income census tracts is adequate with 3 percent of total originations to low-income census tracts, which represent 7 percent of total tracts in the branch's assessment area. The branch's penetration in moderate-income census tracts is good with 15 percent of total originations to moderate-income census tracts, which represent 15 percent of total tracts in the assessment area.

During the concurrent Fair Lending examination, no violations of anti-discrimination laws and regulations were identified.

<b>Geographic Distribution (by Census Tract) of Loans Originated Within Both Assessment Areas April 1, 1996 through June 30, 1998 (loans in \$ thousands)</b>					
<b>Census Tract</b>	<b>% in AA</b>	<b># Loans</b>	<b>%</b>	<b>\$ Loans</b>	<b>%</b>
Low-Income	7.2	1	3	5	0
Moderate-Income	14.9	5	15	1,750	14
Middle-Income	37.5	10	30	4,635	36
Upper-Income	37.5	15	46	6,259	49
N/A	2.9	2	6	135	1
Totals	100.0	33	100	12,784	100

## PERFORMANCE IN THE NEW YORK (MANHATTAN) ASSESSMENT AREA

During the assessment period, 17 loans totaling \$6.5 million were originated in the Manhattan AA. This represents 52 percent of the total number and 50 percent of the total dollar volume of assessment area loans originated in the two assessment areas.

Consistent with overall branch performance, the majority of lending is to businesses. Of the 17 loans originated, 14 were business loans. They represent all but \$14 thousand of the total loans originated in the Manhattan AA. Of these 14 business loans, only three loans were to small businesses. These loans, totaling \$950 thousand, represent 15 percent of the total dollar volume of business loans originated in the Manhattan AA.

The remaining five loans, which total \$14 thousand, that were originated in the Manhattan AA are consumer loans. These loans are reasonably disbursed among borrowers of different income levels. Of these three borrowers, one has income that is considered to be low, one has moderate income, and one has middle income. No consumer loans were made to borrowers, within the Manhattan AA, that have incomes that are considered upper.

The overall geographic distribution of loans in the Manhattan AA shows a reasonable distribution among the various income areas, indicating that the branch extended credit in low- and moderate-income (LMI) areas of Manhattan as well as middle- and upper-income areas. Of the 17 loans originated, 6 percent are in low-income census tracts, 12 percent in moderate, 17 percent in middle, and 53 percent in upper. Penetration in LMI tracts is adequate, with 18 percent of total originations made to LMI tracts. Low- and moderate-income census tracts comprise 43 percent of the total number of census tracts in Manhattan.

<b>Geographic Distribution (by Census Tract Type) of Loans Originated Within the New York Assessment Area April 1, 1996 through June 30, 1998</b> (loans in \$ thousands)					
Census Tract	% in AA	# Loans	%	\$ Loans	%
Low-Income	21	1	6	5	0
Moderate-Income	22	2	12	200	3
Middle-Income	11	3	17	2,300	36
Upper-Income	42	9	53	3,809	59
N/A	4	2	12	135	2
Totals	100	17	100	6,449	100

## PERFORMANCE IN THE QUEENS ASSESSMENT AREA

During the assessment period, 16 loans totaling \$6.3 million were originated in the Queens AA. This represents 48 percent of the total number and 50 percent of the total dollar volume of loans originated in the two assessment areas.

The majority of lending in the Queens AA is also to businesses. Of the 16 loans originated, 14 were business loans. They represent all but \$16 thousand of the total loans originated in the Queens AA. Of these 14 business loans, only one loan was to a small business. This loan, in the amount of \$50 thousand, represents less than 1 percent of the total dollar volume of business loans originated in the Queens AA.

The remaining two loans totaling \$16 thousand, which were originated in the Queens AA, are consumer loans. One loan was made to a borrower whose income is considered to be middle and the other whose income is considered upper. No consumer loans were made to borrowers, within the Queens AA, that have incomes that are considered low or moderate.

The geographic distribution of loans in the Queens AA shows a reasonable distribution among the various income areas. The branch's penetration is consistent with the tract composition of the Queens assessment area. Of the 16 loans originated, 19 percent were in moderate-income census tracts, 44 percent in middle, and 37 percent in upper. No loans were made to low-income census tracts. There are only seven tracts, representing only 1 percent of the total number of tracts, in Queens County.

<b>Geographic Distribution (by Census Tract Type) of Loans Originated Within the Queens Assessment Area April 1, 1996 through June 30, 1998</b> (loans in \$ thousands)					
Census Tract	% in AA	# Loans	%	\$ Loans	%
Low-Income	1	0	0	0	0
Moderate-Income	12	3	19	1,550	24
Middle-Income	49	7	44	2,335	37
Upper-Income	35	6	37	2,450	39
N/A	3	0	0	0	0
Totals	100	16	100	6,335	100