



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

May 19, 2008

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Metropolitan Bank and Trust Company
Charter Number 80066

10 East 53rd Street
New York, NY 10022-0000

Office of the Comptroller of the Currency

NEW YORK METRO-NORTH
340 Madison Avenue, Fourth Floor
New York, NY 10173-0002

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.

INSTITUTION'S CRA RATING: This institution is rated SATISFACTORY.

- The loan to deposit ratio is satisfactory considering that this is a federally licensed branch of a foreign institution, and a large portion of the deposits are from the foreign head office and from other countries;
- A majority of the loans are in the assessment area (AA):
- The geographic distribution results are reasonable among the loan types; and
- The branch was subject to a Consent Order (CO) related to Bank Secrecy Act/Anti-Money Laundering.

SCOPE OF EXAMINATION

For this small bank Community Reinvestment Act (CRA) examination, Metropolitan Bank and Trust was assessed under the Lending Test for the period of January 1, 2006 to May 19, 2008. Loans to businesses and consumer loans represent the bank's primary loan types, accounting for all loans originated during the evaluation period. The bank is not required to report its loan originations under the Home Mortgage Disclosure Act, therefore we sampled their loan originations. Our sample consisted of all of the loans originated during this period.

Our conclusions were derived from data obtained from the internal branch loan origination reports. We performed a data integrity examination on 30 percent of the loans originated during the evaluation period, to verify the branch provided data. Data was accurate and reliable for use in this examination.

DESCRIPTION OF INSTITUTION

Metropolitan Bank and Trust (MBT) is a federally licensed branch with \$33.5 million in assets. It is a branch of the Metropolitan Bank and Trust Company, the largest bank in the Philippines which has \$12.9 billion in assets. It has only one branch, located at 10 East 53rd Street in New York City, NY.

The branch has \$7.5 million in deposits represented in the head office and affiliates deposits of \$1.8 million, \$1.9 million from mostly business customers outside the U.S, and \$3.8 million in domestic deposits. Since this is a federally licensed branch of a foreign institution and not a national bank, a large portion of the deposits are not retail deposits.

The primary loan products are small, unsecured consumer installment loans and loans to businesses, primarily working capital lines of credit and loans collateralized by certificates of deposit. Letters of credit for trade finance are also offered. Management relies almost exclusively on existing relationships and referrals from existing customers

to expand both of these loan products. Growth in consumer installment loans is due entirely to word- of-mouth advertising from current customers. The commercial loan portfolio only consists of seven relationships. Of the 18 commercial loan originations during the evaluation period, seven were refinancing or renewals of existing loans.

The balance of the loan portfolio declined significantly since the last CRA exam due to competition from local banks. Loans secured by real estate fell by nearly 50% from year end 2003 levels. This is due to the loss of two major commercial loan relationships. Management stated that the branch can not compete with local, national, and state-chartered banks on pricing or services. They only have one branch, they do not offer internet banking, and they do not have ATMs.

During this evaluation period, MBT is under a Consent Order related to compliance with Bank Secrecy Act/Anti-Money Laundering. The Office of the Comptroller of the Currency performed the last CRA examination of MBT in January 2003. At that evaluation, the bank received a rating of "Satisfactory."

DESCRIPTION OF ASSESSMENT AREA(s)

The AA includes all of King's (Brooklyn), Queens, New York (Manhattan), and Bronx counties (county numbers 047, 081, 061, 005). These counties are part of the larger New York-White Plains-Wayne-NY, NJ metropolitan statistical area (MSA #35644). This MSA includes the five New York City boroughs, parts of northern New Jersey, and the lower Hudson Valley. While the AA does not include the entire MSA, it corresponds to county level delineations and does not arbitrarily exclude low- or moderate-income census tracts. The population of the four counties in the AA (9.8 million people) approximates to about half of the population of the entire MSA (18.8 million people). The following is a description of the economic and business environment in the AA during the evaluation period and the results of our discussion with a community contact.

The economic condition of the entire MSA steadily improved year over year, but economic growth peaked and unemployment bottomed in the second half of 2007. Unemployment rates from the Bureau of Labor Statistics steadily decreased from 4.6% at year end 2006 to 4.4% at year end 2007. Economic growth data from Moody's economy.com showed increasing growth rates from 2003 to a peak of 4.6% in 2006, but a decline to 3.5% in 2007.

All types of real estate experienced large price increases. Information from Moody's Commercial Properties Price Index indicates that since 2003, all commercial property types (offices, apartments, retail, industrial) experienced between 25% and 50% price appreciation nationwide. For the New York area, other key indicators steadily improved as well. Vacancy rates declined and rental rates increased. Construction rates have been robust and even in light of widespread construction, net absorption rates were positive and increasing for the evaluation period.

The leading employers in the area are government, financial and professional services,

and healthcare, that all experienced positive employment growth.

For our community contact, we held a discussion with a membership organization of New York City non-profit neighborhood housing groups. The organization operates in all five boroughs of NYC and their mission is to ensure flourishing neighborhoods and decent, affordable housing for all New Yorkers. Our contact articulated their disappointment that banks are tightening credit standards, making it extremely difficult for individuals to obtain mortgages. Our contact added that more flexible underwriting standards are needed to meet the borrowing needs of the community. The lagging economy is adversely affecting donation support for non-profits and the ability of the local government to collect sufficient tax revenue to provide for affordable housing. In addition, resources should be available for foreclosure prevention. However, with 80% of New York City residents being renters, affordable housing should be the priority. There has been consolidation and closing of retail branches in the city. In the contact's opinion, small banks are more effective than large banks in aiding New York City communities especially as large banks have cut a number of programs designed to help low and moderate income individuals obtain mortgages. Small banks are more inclined to help people obtain affordable loans.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The loan-to-deposit (LTD) ratio is satisfactory considering that a large portion of the deposits are from the branch's Head Office, affiliates, and foreign depositors. Considering all deposits, the average LTD was 38% for the evaluation period. This figure was derived by taking the average of quarterly LTD ratios from financial reports filed with the regulatory agencies since the previous CRA examination.

However, the total deposit figure includes \$1.8 million of deposits from the branch's Head Office and affiliates and \$1.9 million in foreign deposits, mainly from foreign businesses. These deposits are for funding dollar denominated transactions and balances are typically volatile as a result of daily transaction activity. Consequently, the branch would be unable to use a significant portion of these deposits for lending purposes. The average LTD excluding Head Office and affiliate deposits is 54%. The average LTD considering only domestic deposits is 78%.

Lending in Assessment Area

Lending in the AA is satisfactory. A majority of both the number and dollar amount of loans are originated within the AA. The ratio would be higher for both consumer and commercial loans if it were not for extenuating circumstances. The majority of consumer loans made outside the AA are from Maryland, and were originated in one year. This is due to unexpected word-of-mouth advertising. A majority of the loans in Maryland actually come from borrowers who live in only three apartment buildings. In addition,

one of the borrowers with a commercial loan relationship, which accounts for four loans worth \$412 thousand, used to be located in the AA, but moved outside of it a number of years ago.

Lending in the AA										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Consumer	164	66.40	83	33.60	247	1,005,500	67.01	495,000	32.99	1,500,500
Commercial	12	66.67	6	33.33	18	5,511,092	61.76	3,412,228	38.24	8,923,320
Totals	176	66.42	89	33.58	265	6,516,592	62.52	3,907,228	37.48	10,423,820

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

The borrower distribution of consumer loans originated in the AA reflects poor penetration among low and moderate income households. Of 164 consumer loans originated in the AA only one loan, totaling \$10 thousand was granted to a low-income household and 2 loans, totaling \$15 thousand, were granted to moderate income households. In terms of the number of loans originated, the bank lends proportionately less to low and moderate income borrowers. Low and moderate income households represent 28.75% and 14.55% of the AA households respectively, while the percentage of loans made to those borrowers was 0.61% and 1.22% in the same order.

Although the branch has poor penetration among low and moderate-income borrowers, we consider performance to be satisfactory after considering the bank’s performance context. The bank has only one branch located in Manhattan which is primarily surrounded by middle- and upper-income tracts. The lending function is small with the loan officer and General Manager one and the same. Management does not actively market the consumer loans, and growth is almost entirely due to word-of-mouth advertising and referrals from existing customers. Due to the way this particular loan type has grown (referrals and word-of-mouth advertising) the pool of borrowers is very homogenous. Almost all are teachers or nurses who have immigrated from the Philippines. And since the teaching and nursing professions have higher average salaries, nearly 85% of the borrowers are classified as upper income.

Even though the majority of the loans are made to borrowers classified as upper-income, the branch’s consumer lending practices help fulfill a need in the community. Most of the borrowers are recent immigrants. Through the branch granting these unsecured loans, they are able to build their credit histories and establish themselves and their families in the United States.

Borrower Distribution of Consumer Loans in AA

Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans
Consumer Loans	28.75	0.61	14.55	1.22	16.56	12.80	40.14	85.37

The borrower distribution of loans to businesses in the AA reflects poor dispersion. Small businesses account for 89.86% of the branch’s AA. Only one loan was originated to a small business during the evaluation period. As a result, the bank only lent 8.33% of their loans to small businesses by number, and 2.72% by dollars.

Although the branch has poor penetration among small businesses, we consider performance to be satisfactory considering the bank’s performance context. The branch does not actively market its business loan products. Existing business relationships have been established for a while, and any new business would have to be acquired through referrals from existing customers. Within the AA, there are currently only five business relationships. Of the 12 loans originated during the evaluation period, five were refinancing or renewals of existing loans. In addition, since this is a federally licensed branch the services offered are limited. This makes the branch less appealing to potential business borrowers.

Borrower Distribution of Loans to Businesses in AA				
Business Revenues (or Sales)	<\$500,000	>\$500,000 and <\$1,000,000	>\$1,000,000	Total
% of AA Businesses	82.83	7.03	10.15	100%
% of Bank Loans in AA by #	0.00	8.33	91.67	100%
% of Bank Loans in AA by \$	0.00	2.72	97.28	100%

Geographic Distribution of Loans

The geographic distribution of consumer loans reflects excellent dispersion throughout the AA. Six loans were originated to households in low income tracts totaling \$39 thousand. This represents 3.66% of consumer loans originated, and while proportionately lower, compares reasonably to the 12.36% demographics of this tract category. Ninety-two consumer loans were originated to households in moderate income tracts totaling \$530 thousand. This represents 56% of consumer loans originated, and compares favorably to the 29% demographics of this tract category. Overall, the bank loaned 59.76% of their consumer loans in low-and moderate-income census tracts, against the demographics of 41.43%. This is more than reasonable considering that nearly 57% of the census tracts in the AA are middle or upper income.

Geographic Distribution Consumers Loans in AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
	12.36	3.66	29.07	56.10	31.76	30.49	26.81	9.76

The geographic distribution of loans to businesses reflects reasonable dispersion throughout the AA. The branch has excellent penetration in low income census tracts considering it originated 50% of loans to businesses in the area, against the demographics of 9.68%. However, all of the loans originated in low income census tracts are from one business relationship. There were six originations in total, but three were renewals. There were no loans originated in moderate income census tracts.

Geographic Distribution of Loans to Businesses in AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	9.68	50.00	22.54	0.00	22.14	25.00	45.65	25.00

Responses to Complaints

MBT did not receive any complaints related to the institution’s CRA performance for the evaluation period.

Fair Lending or Other Illegal Credit Practices Review

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