

PUBLIC DISCLOSURE

July 26, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Sleepy Hollow Bank
RSSD No. 703310**

**49 Beekman Avenue
Sleepy Hollow, New York 10591**

FEDERAL RESERVE BANK OF NEW YORK

**33 LIBERTY STREET
NEW YORK, N.Y. 10045**

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.

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INSTITUTION'S CRA RATING

Sleepy Hollow Bank is rated “**SATISFACTORY.**”

For the examination period of January 1, 2003, through December 31, 2003, the institution’s satisfactory performance with regard to the Community Reinvestment Act (“CRA”) is based on the following performance criteria:

- The bank’s loan-to-deposit ratio was reasonable.
- A majority of the bank’s loans were made in its assessment area.
- The level of lending to borrowers of different income levels, including low- and moderate-income (“LMI”) individuals, was adequate.
- Geographic distribution of loans was adequate in the bank’s assessment area.

DESCRIPTION OF INSTITUTION

Established in 1928, Sleepy Hollow Bank (“SHB”) is a full-service, retail-oriented financial institution headquartered in the village of Sleepy Hollow, New York (formerly North Tarrytown). The bank, a wholly owned subsidiary of Sleepy Hollow Bancorp, has \$210 million in total assets and net loans and leases of \$117 million as of December 31, 2003. SHB reported \$193 million in total deposits as of December 31, 2003. The bank’s five branch offices all are located in Westchester County and include a recently opened (May 2004) branch in Yonkers, New York.

There are no financial or legal impediments preventing SHB from serving the credit needs of consumers and small businesses in the bank’s assessment area.

SHB competes for loans and deposits in an assessment area dominated by branches of large regional banks. Based on the Federal Deposit Insurance Corporation’s *Summary of Deposits* as of December 31, 2003, the top five banks including JPMorgan Chase, the Bank of New York, Wachovia, Citibank, and HSBC Bank account for 67% of the deposit market share in Westchester County. Also evidencing these institutions’ large presence in the assessment area, they operate a combined 185 branch offices throughout the county.

In comparison, SHB has a 0.71% deposit market share in Westchester County and ranks 21st out of 33 institutions reporting deposits in the assessment area.

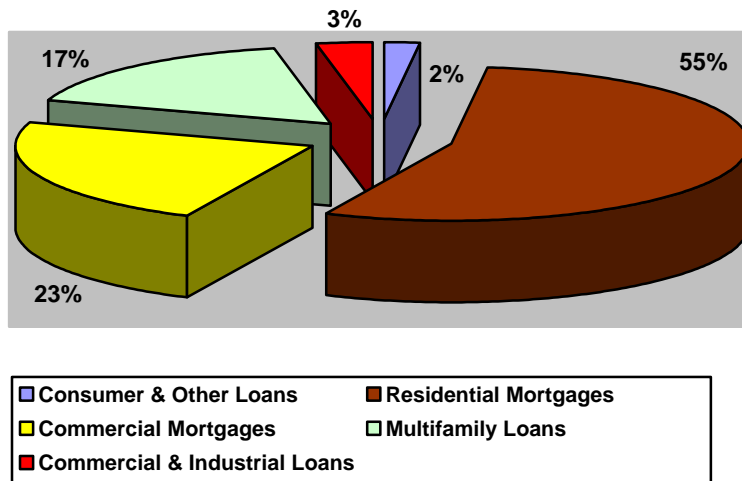
Based on the composition of its loan portfolio, the bank offers an array of financial products and services emphasizing residential mortgage and commercial lending. SHB’s loan portfolio

consists primarily of residential one- to four-family mortgage loans, totaling \$65 million or 55% of total loans outstanding, as illustrated in the pie chart below. The bank's second largest lending product is commercial real estate lending, totaling \$27 million, or 23% of total loans. Multifamily residential mortgage loans total \$20 million, or 17% of total loans. Consumer and other loans, as well as commercial and industrial loans, are not material components of the loan portfolio. Commercial and industrial loans total just \$3.5 million or 3%, and consumer and other loans account for \$2 million or 2% of total loans.

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Formerly known as Sleepy Hollow National Bank, SHB converted to a New York State bank charter and became a Federal Reserve member bank, on June 28, 2002. The Office of the Comptroller of the Currency ("OCC") conducted the bank's previous CRA examination on July 24, 2000, and assigned a "satisfactory" rating.

Sleepy Hollow Bank Lending Activity



This Reserve Bank conducted a compliance examination of SHB in 2002, at which time no credit practices were identified that violated the substantive provisions of antidiscrimination laws and regulations, including the Equal Credit Opportunity Act and Fair Housing Act.

DESCRIPTION OF THE BANK'S ASSESSMENT AREA

SHB's assessment area is composed entirely of suburban Westchester County, north of New York City. Located in Primary Metropolitan Statistical Area ("PMSA") 5600 (New York, NY). The assessment area is in compliance with Regulation BB and does not arbitrarily exclude any LMI census tracts. A map illustrating the bank's assessment area is on page BB11.

PERFORMANCE CONTEXT

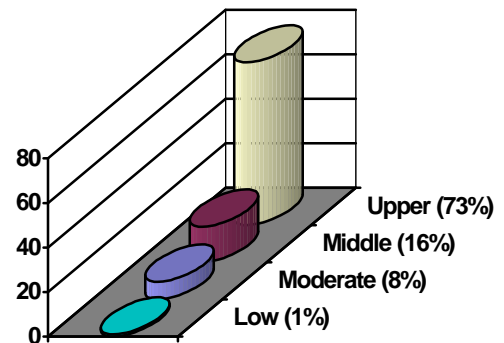
For the examination of SHB's 2003 loan activity, examiners used demographic and economic information from publicly available sources including the U.S. Department of Commerce's Bureau of Census (2000), U.S. Department of Labor, and U.S. Department of Housing and Urban Development ("HUD"). Examiners also conducted interviews with community contacts to gain an understanding of local economic issues and credit needs in the assessment area.

Demographic Characteristics

As illustrated in Figure 1, the assessment area’s 221 census tracts include 2 low-income tracts, 17 moderate-income tracts, 37 middle-income tracts, and 161 upper-income census tracts, according to the 2000 Census. No income information was available for four census tracts, or 2% of the total number of tracts.

The assessment area population is approximately 923,500. Low-income geographies have 2% of the population and moderate-income geographies have 9%.

Fig. 1: Census Tract Incomes in Westchester County

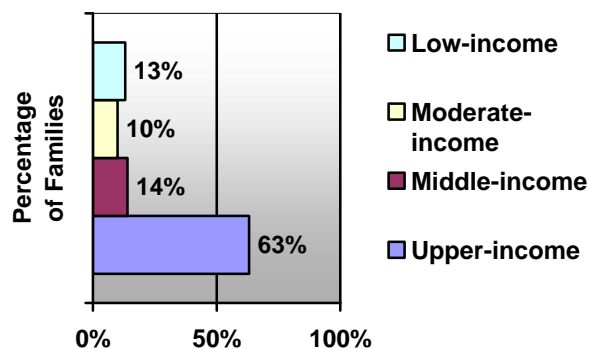


Income Characteristics

The assessment area is a high-cost area. The U.S. Department of Commerce’s Bureau of Economic Analysis reported 2002 personal income¹ at \$55,522 per capita. This figure gives Westchester the second highest per capita income in the state, behind New York County’s \$84,591. The Westchester assessment area’s family poverty rate of 8.5% is lower than the state poverty rate of 11.5%.

According to the 2000 Census, the median family income (“MFI”) in Westchester County is \$79,881, which exceeds the state median of \$51,691 and the metropolitan statistical area median of \$46,471. The borrower distribution analysis in this examination uses HUD’s annually adjusted MFI in determining the various income categories of borrowers. The adjusted figure is estimated at the PMSA level and lowers Westchester County’s median family income because of lower-cost communities located in PMSA 5600 (New York, NY), such as Bronx and Kings Counties. Thus, the 2003 HUD-adjusted MFI for Westchester County’s PMSA is set at \$51,900.

Fig. 2: Westchester County Households That Are Families



In addition, as illustrated in Figure 2 at left, the incomes of the 237 thousand households that are considered families break down as follows: 13% low-income, 10% moderate-income, 14% middle-income, and 63% upper-income.

¹ Per capita income includes all personal income received on a regular basis, plus government and business transfer payments (such as Medicare benefits) and government interest.

Housing Characteristics

A New York State Association of Realtors' housing survey reported that the median sales price for a house in Westchester County was \$560 thousand in 2003, up 7% from \$525 thousand from the year before.

Given the high housing costs, moderate-income and especially low-income families would be hard-pressed to buy a home in the assessment area unassisted. Based on the HUD-adjusted MFI of \$51,900, low- and moderate-income families have respective gross annual incomes of up to \$25,950 (\$2,163 monthly) and \$41,250 (\$3,460 monthly). Using standard underwriting guidelines in which gross monthly housing expenses total approximately 28% of gross monthly income, low-income borrowers have only \$606 for housing expenses and moderate-income borrowers have \$968.

Indicating higher-than-average rents in the assessment area, the census puts the median gross rent at \$839 compared with the MSA's median gross rent of \$715 and the New York State's median gross rent of \$672.

Less than 3% of the overall 202,765 owner-occupied housing units in the assessment area are located in LMI geographies. The availability of owner-occupied housing units is used as a proxy in the evaluation of opportunities to provide HMDA-related loans. Given the demographics of the assessment area, SHB has had limited opportunities for residential mortgage lending in LMI geographies, particularly in the two low-income census tracts.

Describing assessment area credit needs, a representative of a local nonprofit community development financial institution said that exorbitant housing and land prices in the assessment area have prevented entire segments of the community from residing in the county. The contact pointed to the large number of Latino emigrants who work in Westchester County but are unable to find affordable housing. He also stated that although the county government has undertaken affordable housing initiatives in recent years, it has fallen short of projected goals to provide more housing.

Labor, Employment and Economic Characteristics

According to the New York State Department of Labor, the annual unemployment rate in Westchester County decreased from 4.2% in 2002 to 4.0% in 2003. Both rates are lower than the state rates of 6.1% in 2002 and 6.3% in 2003. Employment in the county grew 0.2% in 2003 while the overall state employment rate resulted in negative growth of -0.5%.

For more demographic details, see Exhibit 1 on the next page.

EXHIBIT 1
Assessment Area Demographics

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	2	0.9	2,009	0.8	862	42.9	27,809	11.7
Moderate-income	17	7.7	15,854	6.7	4,176	26.3	23,068	9.7
Middle-income	37	16.7	37,076	15.6	4,833	13.0	31,270	13.2
Upper-income	161	72.9	182,071	76.8	5,302	2.9	154,863	65.3
Tract not reported	4	1.8	0	0.0	0	0.0	0	0.0
Total Assessment Area	221	100.0	237,010	100.0	15,173	6.4	237,010	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied		Rental		Vacant		
		#	%	%	#	%	#	%
Low-income	3,257	197	0.1	6.0	2,840	87.2	220	6.8
Moderate-income	25,295	3,364	1.7	13.3	20,359	80.5	1,572	6.2
Middle-income	60,026	18,087	8.9	30.1	39,826	66.3	2,113	3.5
Upper-income	260,867	181,117	89.3	69.4	71,352	27.4	8,398	3.2
Tract not reported	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	349,445	202,765	100.0	58.0	134,377	38.5	12,303	3.5
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
Low-income	71	0.2	57	0.2	13	0.3	1	0.1
Moderate-income	1,847	6.2	1,493	6.0	290	6.7	64	8.6
Middle-income	4,831	16.2	4,007	16.2	712	16.5	112	15.0
Upper-income	23,085	77.4	19,229	77.6	3,289	76.4	567	76.1
Unknown-income	5	0.0	2	0.0	2	0.0	1	0.1
Total Assessment Area	29,839	100.0	24,788	100.0	4,306	100.0	745	100.0
	Percentage of Total Businesses:			83.1		14.4		2.5

Based on 2000 Census Information.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The satisfactory rating for Sleepy Hollow Bank is based on an assessment of the bank's core performance criteria. For performance levels related to lending, income and geographic distribution, a sample of 151 loans originated between January 1, 2003, and December 31, 2003, was analyzed. The sample included 119 residential one- to four-family loans and 32 multifamily housing loans.

Loan-to-deposit Ratio

SHB's loan-to-deposit ("LTD") ratio was reasonable given the bank's size, financial condition, and the credit needs of its assessment area. The bank's average LTD ratio for the four most recent quarters ending March 31, 2004, was 58%, based on information contained in SHB's *Consolidated Report of Condition and Income*. This ratio was below the national peer average of 78% for similarly sized commercial banks. However, the bank's LTD ratio was only slightly below the average LTD ratio of 61% for a local peer group of similarly sized banks during the same period.

Lending in the Assessment Area

SHB originated a majority of its loans in the assessment area. Of the 151 loans included in the analysis, 119 or 79% were extended to borrowers located in the bank's assessment area. Specifically, 77% of the residential one- to four-family loans and 84% of the multifamily housing loans were originated in the assessment area.

Lending to Borrowers of Different Incomes

Overall, SHB's record of lending to borrowers of different income levels, including LMI individuals, was adequate in light of the demographics of the bank's assessment area, high housing costs, and the bank's performance compared with the aggregate.

Multifamily loans were left out of the analysis because applicant income information is collected for one- to four-family dwellings, but not multifamily loan applications.

Exhibit 2 at right shows that LMI borrowers received 6% of the one- to four-family loans sampled with reported incomes. SHB's lending was significantly below the 22% of LMI families who reside in the assessment area.

Specifically, 1% of the loans sampled were extended to low-income borrowers, and 5% of the residential one- to four-family loans sampled were to moderate - income borrowers.

In comparison, low- and moderate-income families make up 12% and 10% of families in the assessment area, respectively.

As noted in the Performance Context section and supported

by the performance of the market aggregate, LMI borrowers face affordability barriers because of high housing costs. As a result, most LMI borrowers would be unable to afford a home in this market. The aggregate performance reflected this lending challenge as only .4% of 2003 loans were originated to low-income borrowers, and only 3% of aggregate loans were originated to moderate-income families in the assessment area.

Geographic Distribution of Loans

The geographic distribution of loans was reasonable given the demographics of SHB's assessment area and the bank's performance compared with the aggregate. The two low-income census tracts in the assessment area contain only 197 owner-occupied housing units and 2,009 households that are considered families, thus severely limiting SHB's HMDA-related lending opportunities. Therefore, the analysis concentrated on lending in moderate-income tracts.

EXHIBIT 2	
Distribution of Loans in Assessment Area By Income Level of Borrowers	
JANUARY 1, 2003 – DECEMBER 31, 2003	
LOW-INCOME: Less than 50% of Median Income	ONE- TO FOUR-FAMILY LOANS
Number	1
Percentage	1%
Amount (\$)	\$130,000
Percentage	1%
MODERATE-INCOME: At least 50% & less than 80% of Median Income	
Number	4
Percentage	5%
Amount (\$)	\$366,000
Percentage	2%
MIDDLE-INCOME: At least 80% & less than 120% of Median Income	
Number	15
Percentage	18%
Amount (\$)	\$1,994,000
Percentage	12%
UPPER-INCOME: 120% or more of Median Income	
Number	65
Percentage	76%
Amount (\$)	\$14,838,000
Percentage	85%

None of the residential one- to four-family loans sampled were extended in moderate-income geographies, which comprise 2% of the assessment area's owner-occupied units. The 2003 aggregate originated 2% of its total number of originations in moderate-income geographies.

The multifamily housing loan sample included 27 loans, of which 19% or 5 loans were extended in moderate-income geographies. In comparison, 15% of the assessment area's multifamily housing units are located in moderate-income tracts. SHB's performance was less than but generally close to the 2003 market aggregate, which originated 23% of its multifamily loans in moderate-income geographies.

In 2003, however, SHB was able to originate loans in moderate-income census tracts. Out of the 159 reporters originating at least one home mortgage, refinance or multifamily loan in moderate-income geographies, SHB ranked 25th with ten HMDA-related loan originations. This performance is considered satisfactory in relation to the bank's size, large assessment area and local lending competition.

The top five residential mortgage originators in the moderate-income geographies included some of the larger financial institutions: Option One Mortgage, Argent Mortgage Company, Washington Mutual, Wells Fargo Mortgage, JPMorgan Chase, and Countrywide.

Response to Complaints

SHB bank received no complaints relating to its CRA performance, and no complaints have been filed with the Federal Reserve Bank of New York since the previous examination.

No credit practices that violated the substantive provisions of the antidiscrimination laws and regulations, including the Equal Credit Opportunity Act and Fair Housing Act, were identified that would have an impact on the bank's CRA rating.

CRA APPENDIX A

GLOSSARY

Aggregate lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Census tract: A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending on population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include nonrelatives. Families are classified by type as either a married-couple family or other family, which is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

Geography: A census tract or a block numbering area delineated by the U.S. Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (“HMDA”): This statute requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and income of applications, the amount of loan requested, and the disposition of the application (e.g., approved, denied, and withdrawn).

Home mortgage loans: Includes home purchase and home improvement loans as defined in HMDA. This definition also includes loans for multifamily dwellings (five or more families), loans for the purchase of manufactured homes, and refinancings of home improvement and home purchase loans.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100% tabulations, the count of households always equals the count of occupied housing units.

Low-income: Individual income that is less than 50% of the area median income, or a median family income that is less than 50%, in the case of a geography.

Metropolitan area (“MA”): Any primary metropolitan statistical area (“PMSA”), metropolitan statistical area (“MSA”), or consolidated metropolitan area (“CMSA”), as defined by the Office of Management and Budget, with a population of 250 thousand or more, and any other area designated as such by the appropriate federal financial supervisory agency.

Moderate-income: Individual income that is at least 50% and less than 80% of the area median income, or a median family income that is at least 50% and less than 80%, in the case of a geography.

Middle-income: Individual income that is at least 80% and less than 120% of the area median income, or a median family income that is at least 80% and less than 120%, in the case of a geography.

Multifamily: Refers to a residential structure containing five or more units.

Owner-occupied units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

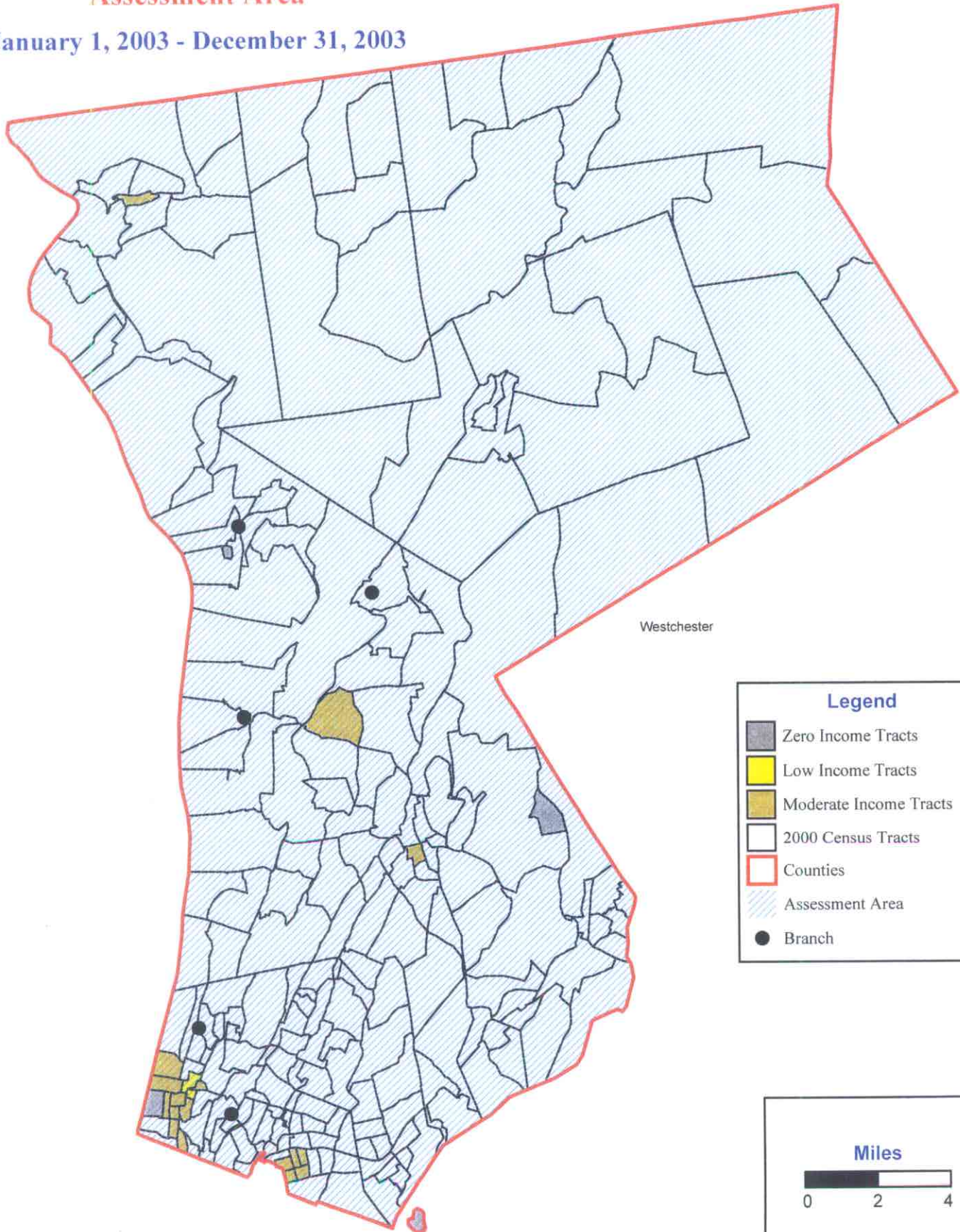
Rated area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution’s CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states in a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Upper-income: Individual income that is more than 120% of the area median income, or a median family income that is more than 120%, in the case of a geography.

Sleepy Hollow Bank

Assessment Area

January 1, 2003 - December 31, 2003



Legend

- Zero Income Tracts
- Low Income Tracts
- Moderate Income Tracts
- 2000 Census Tracts
- Counties
- Assessment Area
- Branch

Miles

