

PUBLIC DISCLOSURE

Date of Evaluation: September 16, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Name of Depository Institution: IBJ Schroder Bank & Trust Company

Institution's Identification Number: 02-36-5246

**Address of Institution: One State Street,
New York, New York 10004**

Federal Reserve Bank of New York

33 Liberty Street

New York, NY 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.

GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **IBJ Schroder Bank & Trust** prepared by the **Federal Reserve Bank of New York** on behalf of the Board of Governors of the Federal Reserve System, the institution's supervisory agency.

The evaluation represents the agency's current assessment and rating of the institution's CRA performance based on an examination conducted as of **September 16, 1996**. It does not reflect any CRA-related activities that may have been initiated or discontinued by the institution after the completion of the examination.

The purpose of the Community Reinvestment Act of 1977 (12 U.S.C. 2901), as amended, is to encourage each financial institution to help meet the credit needs of the communities in which it operates. The Act requires that in connection with its examination of a financial institution, each federal financial supervisory agency shall (1) assess the institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution, and (2) take that record of performance into account when deciding whether to approve an application of the institution for a deposit facility.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989, Pub. L. No. 101-73, amended the CRA to require the Agencies to make public certain portions of their CRA performance assessments of financial institutions.

Basis for the Rating

The assessment of the institution's record takes into account its financial capacity and size, legal impediments and local economic conditions and demographics, including the competitive environment in which it operates.

Assessing the CRA performance is a process that does not rely on absolute standards. Institutions are not required to adopt specific activities, nor to offer specific types or amounts of credit. Each institution has considerable flexibility in determining how it can best help to meet the credit needs of its entire community.

In that light, evaluations are based on a review of 12 assessment factors, which are grouped together under 5 performance categories, as detailed in the following section of this evaluation.

ASSIGNMENT OF RATING

Identification of Ratings

In connection with the assessment of each insured depository institution's CRA performance, a rating is assigned from the following groups:

Outstanding record of meeting community credit needs.

An institution in this group has an outstanding record of, and is a leader in, ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Satisfactory record of meeting community credit needs.

An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Needs to improve record of meeting community credit needs.

An institution in this group needs to improve its overall record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Substantial noncompliance in meeting community credit needs.

An institution in this group has a substantially deficient record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Institution's Rating:

This institution is rated **Outstanding** based on the findings presented below.

I. ASCERTAINMENT OF COMMUNITY CREDIT NEEDS

Assessment Factor A - Activities conducted by the institution to ascertain the credit needs of its community, including the extent of the institution's efforts to communicate with members of its community regarding the credit services being provided by the institution.

Given its sole office location at One State Street and nature of its banking business, IBJ Schroder Bank and Trust Company's (Schroder's) ascertainment efforts are effective. Significant ascertainment activities are conducted on an ongoing basis with a variety of individuals and organizations including financial intermediaries and not-for-profit organizations involved in community, economic, small business development, education, job training, affordable housing and supportive services.

The CRA Officer thoroughly documents the results of the contacts made and conducts prompt follow-up action to evaluate lending opportunities and grant proposals when appropriate. The CRA Officer and members of senior management participate in outreach efforts through direct contact, ongoing communications, tours, on-site visitations, and attendance at CRA- related events. Schroder sponsored, participated in and attended various forums and conferences devoted to community development and CRA activities. Meetings are held throughout the year with these groups to explore ways in which Schroder may assist in meeting community credit needs. The areas of specialty of these organizations included housing development, revitalization, supportive services, government, banking and financial services and professional associations. Many of the contacts represented ongoing dialogues with various not-for-profit organizations as well as domestic and foreign commercial banks in the New York City area. The meetings provided information on the following: 1) current developments in New York City's communities particularly related to housing and revitalization efforts; 2) programs and initiatives in support of affordable low-income housing, community development and supportive services; 3) evaluation of requests for loan, grant and technical assistance; and 4) sponsorship of activities in direct support of CRA related initiatives.

Management also receives additional input through the involvement of various officers and employees in not-for-profit organizations. They provide technical assistance and participate as directors, advisors or committee members. As a result of Schroder's ascertainment efforts, management identified the following as the primary credit needs: affordable housing and related supportive services, job training, placement and counseling; home ownership counseling for first time home buyers; and managerial and operational training for first time owners and managers of multifamily properties.

DISCUSSION OF THE INSTITUTION'S PERFORMANCE (Cont.)

Assessment Factor C - The extent of participation by the institution's board of directors in formulating the institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act.

The Board of Directors and senior management demonstrate a high level of involvement in Schroder's CRA program. The Board's role in CRA activities include: periodically reviewing the Program and the CRA Committee's activities, annually approving the CRA Statement and Notice, reaffirming the Corporate Grant Policy and approving the Community Affairs Award. The Board's six-member CRA Committee, which meets quarterly, exercises primary oversight of the CRA program. The committee includes the following members of senior management: the President and Chief Executive Officer of Schroder, an Executive Vice President, the Senior Vice President and Chief Credit Officer, the Senior Vice President and General Counsel, the Senior Vice President and Head of Private Banking and the CRA Officer. Both the Committee and Board receive periodic briefings from the CRA Officer and are fully appraised of current community development lending and are actively involved in the grant approval process. A review of Board and Committee minutes from September 1994 through September 1996 indicated the following matters were discussed: the community development loan and investment portfolio, CRA loan and investment proposals, meetings and contacts with community organizations, general outreach efforts, the Corporate Grant Program, the Community Affairs Award Program and developments and expected regulatory changes regarding CRA.

II. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED

Assessment Factor B - The extent of the institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the institution.

Given the nature of its banking business, Schroder does not maintain a retail branch network. Schroder does not market its services in any general circulation publication or media. The CRA Officer and the CRA Committee members communicate with various individuals and organizations about Schroder's CRA program. Management's ascertainment efforts allow Schroder to solicit and receive applications and proposals for loans and grants from community development and housing related organizations.

Assessment Factor I - The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business or small farm loans within its community, or the purchase of such loans originated in its community.

Schroder does not originate residential mortgage, housing rehabilitation, home improvement, consumer, small business or small farm loans. Schroder offers only limited retail banking services to its employees and high net worth customers with whom it maintains private banking relationships. Schroder provides financing in low- and moderate-income communities through the credit facilities it extends to or through nonprofit intermediary organizations.

Assessment Factor J - The institution's participation in governmentally-insured, guaranteed or subsidized loan programs for housing, small businesses, or small farms.

DISCUSSION OF THE INSTITUTION'S PERFORMANCE (Cont.)

Schroder does not participate in government insured, guaranteed or subsidized loan programs for housing, small businesses or small farms.

III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

Reasonableness of Delineated Community

As a banking institution providing client and lending services worldwide, the community delineation is considered reasonable. In July of 1996, Schroder changed its community delineation from the Wall Street Financial District to the five boroughs of New York City. Schroder's delineation does not arbitrarily exclude any low- and moderate-income neighborhoods and is consistent with the purpose of the Community Reinvestment Act. Schroder operates one banking office located at One State Street Plaza in the Financial District.

DISCUSSION OF THE INSTITUTION'S PERFORMANCE (Cont.)

Assessment Factor E - The geographic distribution of the institution's credit extensions, credit applications, and credit denials.

Given Schroder's lending and banking activities, no geographic analysis was conducted. All of Schroder's corporate contributions, community development loans, investments and deposits were made to community organizations located in New York City or to organizations that agreed to use the funds they received exclusively within New York City.

Assessment Factor G - The institution's record of opening and closing offices and providing services at offices.

Schroder maintains one office at One State Street in lower Manhattan from which it serves its clients. Management has no plans to open additional offices.

IV. DISCRIMINATION AND OTHER ILLEGAL CREDIT PRACTICES

Assessment Factor D - Any practices intended to discourage applications for types of credit set forth in the institution's CRA Statement(s).

No practices were identified that were intended to discourage credit applicants. Schroder solicits credit applications from and seeks to develop banking relationships exclusively with corporate clients and high net worth individuals. Schroder does not offer traditional credit products to the general consumer population.

Assessment Factor F - Evidence of prohibited discriminatory or other illegal credit practices.

No credit practices were noted that are inconsistent with the substantive provisions of the antidiscrimination laws and regulations. The compliance examination's scope included the Equal Credit Opportunity Act (Regulation B), the Fair Housing Act, the Home Mortgage Disclosure Act (Regulation C) and relevant agency regulations pertaining to nondiscriminatory treatment of credit applicants.

V. COMMUNITY DEVELOPMENT

Assessment Factor H - The institution's participation, including investments, in local community development and redevelopment projects or programs.

Schroder participates in various community development and redevelopment projects or programs in New York City and provides loans, lines of credit and targeted non-refundable grants to various not-for-profit intermediaries which support housing, economic development and rehabilitation. For the two-year period covering September 1994 to September 1996, Schroder's community development financing totaled \$12.8 million, of which \$2.9 million (22.5 percent) represents new financing commitments. In addition, Schroder issued two standby letters of credit in the aggregate

DISCUSSION OF THE INSTITUTION'S PERFORMANCE (Cont.)

amount of \$1.5 million to two community-based organizations.

The exhibit on the following page illustrates Schroder's participation in and commitments to community development projects for the period September 1994 through September 1995.

DISCUSSION OF THE INSTITUTION'S PERFORMANCE (Cont.)

Assessment Factor K - The institution's ability to meet various community credit needs based on its financial condition and size, legal impediments, local economic conditions and other factors.

There are no legal or financial impediments or factors that would preclude Schroder from meeting the credit needs of its community.

COMMUNITY PROFILE

The following is a profile of Schroder's local community:

Based on data from the State of New York's Department of Labor, New York City's April 1996 unemployment rate was 8.8 percent, while the unemployment rate for the state was 6.3 percent. Comparatively, in April 1995, the unemployment rate for New York City was 8.1 percent while the state's unemployment rate was 6.3 percent. The major occupational categories in New York City are managerial and professional, and administrative support, which includes clerical support, services and sales. Industry types range from retail sole proprietorships to large multinational companies. The products and services of these companies encompass the industries of professional services, health care, transportation, government, finance, insurance, real estate, retail trade, and manufacturing. The highest employment concentrations are found in the service sector and in financial services, insurance, and real estate. The retail sector also serves as a significant employer.

Based on the 1990 Bureau of the Census data, the five boroughs of New York contain a population of 7.3 million of which 56.2 percent or 4.1 million are minorities. The number of occupied housing units total 2.8 million of which 800 thousand or 28.6 percent are owner-occupied units. The median household income is \$29,823 and the median family income is \$34,360. However, the 1996 HUD estimated median family income is \$45,800. There are 2,216 census tracts in New York City of which 799 or 36 percent are classified as low- and moderate-income.

Assessment Factor L - Any other factors that, in the regulatory authority's judgment, reasonably bear upon the extent to which an institution is helping to meet the credit needs of its entire community.

Schroder has an investment in New York City Housing Development Corporation Municipal Bonds of \$884 thousand.

Schroder has an employee matching contribution program through which it matches employee contributions on a dollar-for-dollar basis. During 1995 and the first nine months of 1996, Schroder made 149 matching grants to organizations involved in a wide range of community and economic development, cultural, educational and civic activities generally within New York City.

Various bank officers, including the CRA officer, provide ongoing technical assistance to several organizations which promote community development initiatives in New York City. In addition, Schroder's CRA Officer serves on the advisory board of LISC. Industrial Bank of Japan, Ltd., Schroder's parent company and principal shareholder, established a United States Charitable

DISCUSSION OF THE INSTITUTION'S PERFORMANCE (Cont.)

Foundation in 1989. The CRA Officer is an officer of the IBJ Foundation, participating in board meetings and assisting in the grant decision process. The Foundation's activities and grant funds support urban social infrastructure programs and activities and education programs. Past grant recipients include various not-for-profit organizations supporting low- and moderate-income individuals and their housing needs.