

FEDERAL RESERVE SYSTEM

North Fork Bancorporation, Inc.  
Melville, New York

Order Approving the Acquisition of a Savings Association

North Fork Bancorporation, Inc., Melville, New York ("North Fork"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has requested the Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.24 of the Board's Regulation Y (12 C.F.R. 225.24) to acquire all the voting shares of Reliance Bancorp, Inc. ("Reliance") and thereby acquire Reliance's wholly owned subsidiary, Reliance Federal Savings Bank ("Reliance Savings"), both of Garden City, New York.<sup>1</sup>

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (64 Federal Register 56,791 (1999)). The time for filing comments has expired, and the Board has considered the notice and all comments received in light of the factors set forth in section 4(c)(8) of the BHC Act.

North Fork, with total consolidated assets of \$11.5 billion, is the

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<sup>1</sup> North Fork's wholly owned subsidiary bank, North Fork Bank, Mattituck, New York, would merge with Reliance Savings, and North Fork Bank would be the surviving institution. The merger is subject to approval by the Federal Deposit Insurance Corporation ("FDIC") under section 18(c) of the Federal Deposit Insurance Act (12 U.S.C. § 1828(c)) ("Bank Merger Act") and by the New York State Banking Department ("NYSBD"). In addition, North Fork has filed a separate notice with the Board to merge with JSB Financial, Inc. ("JSB") and thereby acquire Jamaica Savings FSB ("Jamaica Savings"), both of Lynbrook, New York ("the JSB transaction").

15th largest depository institution in New York, controlling deposits of approximately \$6.3 billion, representing 1.5 percent of total deposits in depository institutions in the state ("state deposits").<sup>2</sup> Reliance is the 32<sup>nd</sup> largest depository institution in New York, controlling deposits of \$1.6 billion, representing less than 1 percent of state deposits. On consummation of the proposal and the JSB transaction, North Fork would become the 11<sup>th</sup> largest depository institution in New York, controlling deposits of approximately \$9.1 billion, representing approximately 2.2 percent of state deposits.

The Board previously has determined by regulation that the operation of a savings association by a bank holding company is closely related to banking for purposes of section 4(c)(8) of the BHC Act.<sup>3</sup> The Board requires that savings associations acquired by bank holding companies conform their direct and indirect activities to those permissible for bank holding companies under section 4 of the BHC Act. North Fork has committed to conform all the activities of Jamaica Savings to those permissible under section 4(c)(8) of the BHC Act and Regulation Y.

In order to approve the proposal, the Board also is required by section 4(c)(8) of the BHC Act to determine that that the acquisition of Reliance by North Fork "can reasonably be expected to produce benefits to the public . . . that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interest, or unsound

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<sup>2</sup> Asset data are as of June 30, 1999, and state deposit data are as of June 30, 1998. In this context, depository institutions include commercial banks, savings banks, and savings associations.

<sup>3</sup> 12 C.F.R. 225.28(b)(4).

banking practices.”<sup>4</sup> As part of its consideration of these factors, the Board has considered carefully the competitive effects of the proposal in light of all the facts of record.<sup>5</sup>

North Fork and Reliance compete directly in the Metropolitan New York/New Jersey banking market.<sup>6</sup> On consummation of the proposal and the JSB transaction, North Fork would be the 10<sup>th</sup> largest depository institution in the Metropolitan New York/New Jersey banking market, controlling deposits of \$9.3 billion, representing approximately 2.2 percent of market deposits.<sup>7</sup> The Herfindahl-Hirschman Index ("HHI") would increase by 2 points to 788, and

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<sup>4</sup> 12 U.S.C. § 1843(c)(8).

<sup>5</sup> See First Hawaiian, Inc., 79 Federal Reserve Bulletin 966 (1993).

<sup>6</sup> The Metropolitan New York/New Jersey banking market includes Bronx, Dutchess, Kings, Nassau, New York, Orange, Putnam, Queens, Richmond, Rockland, Suffolk, Sullivan, Ulster, and Westchester Counties in New York; Bergen, Essex, Hudson, Hunterdon, Middlesex, Monmouth, Morris, Ocean, Passaic, Somerset, Sussex, Union, Warren, and a portion of Mercer Counties in New Jersey; Pike County in Pennsylvania; and portions of Fairfield and Litchfield Counties in Connecticut.

<sup>7</sup> Market share data are as of June 30, 1998, and are based on calculations in which the deposits of thrift institutions, other than Jamaica Savings and Reliance Savings, are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, significant competitors of commercial banks. See WM Bancorp, 76 Federal Reserve Bulletin 788 (1990); National City Corporation, 70 Federal Reserve Bulletin 743 (1984). Because the Board has analyzed the competitive factors in this case as if North Fork Bank, Jamaica Savings, and Reliance Savings were a combined entity, the deposits of Jamaica Savings and Reliance Savings are included at 100 percent in the calculation of pro forma market share. See Norwest Corporation, 78 Federal Reserve Bulletin 452 (1992); First Banks, Inc. 76 Federal Reserve Bulletin 669 (1990).

numerous competitors would remain in the market.<sup>8</sup> Based on these and all other facts of record, the Board concludes that the consummation of the proposal would not result in any significantly adverse effects on competition or on the concentration of banking resources in the New York banking market or any other relevant banking market.

In acting on notices to acquire a savings association, the Board also reviews the records of performance of the relevant depository institutions under the Community Reinvestment Act (12 U.S.C. § 2901 et seq.) ("CRA").<sup>9</sup> In its order approving the notice filed by North Fork in connection with the JSB transaction ("JSB Order"), the Board reviewed the record of CRA performance of North Fork Bank in light of all the facts of record, including comments received from Inner City Press/Community on the Move ("ICP"). The comments received from ICP on this proposal are identical to the comments filed with the Board in connection with the JSB transaction. Accordingly, for reasons set forth in detail in the JSB Order, and after considering the CRA record of Reliance Savings, the Board concludes that the CRA performance

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<sup>8</sup> Under the revised Department of Justice Merger Guidelines, 49 Federal Register 26,823 (June 29, 1984), a market in which the post-merger HHI is less than 1000 is considered to be unconcentrated. The Department of Justice has informed the Board that, as a general matter, a bank merger or acquisition will not be challenged in the absence of other factors indicating anticompetitive effects, unless the post-merger HHI is at least 1800 and the merger or acquisition increases the HHI by 200 points. The Department of Justice has stated that the higher than average HHI thresholds for screening bank mergers for anticompetitive effects implicitly recognize the competitive effects of limited-purpose lenders and other nondepository financial entities.

<sup>9</sup> See, e.g., Banc One Corporation, 83 Federal Reserve Bulletin 602 (1997).

records of North Fork Bank and Reliance Savings are consistent with approval of the proposal.<sup>10</sup>

In connection with its review of the public interest factors under section 4 of the BHC Act, the Board also has carefully reviewed the financial and managerial resources of North Fork and Reliance and their respective subsidiaries and the effect the transaction would have on such resources in light of all the facts of record.<sup>11</sup> The Board has reviewed, among other things, confidential reports of examination and other supervisory information received from the primary federal supervisors of the organizations. Based on all the facts of record, the Board concludes that the financial and managerial resources of the organizations involved in the proposal are consistent with approval.

The record indicates that consummation of the proposal would result in benefits to consumers and businesses. The proposal would enable North Fork to provide Reliance Savings' customers with access to a broad array of products and services, including commercial bank products, throughout an expanded service area. Additionally, there are public benefits to be derived from permitting capital markets to operate so that bank holding companies may make potentially profitable investments in nonbanking companies and from permitting banking organizations to allocate their resources in the manner they believe is most efficient when, as in this case, those investments are consistent with the relevant considerations under the BHC Act. Based on all the facts of record, the Board has determined that consummation of this proposal can

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<sup>10</sup> The Board also notes that Reliance Savings received an overall rating of "satisfactory" from its primary federal supervisor, the Office of Thrift Supervision, at its most recent evaluation for CRA performance, as of November, 1998.

<sup>11</sup> See 12 C.F.R. 225.26.

reasonably be expected to produce public benefits that would outweigh any likely adverse effects under the proper incident to banking standard of section 4(c)(8) of the BHC Act.

Based on the foregoing and all the facts of record, the Board has determined that the notice should be, and hereby is, approved. The Board's approval of the proposal is specifically conditioned on compliance by North Fork with the commitments made in connection with this notice. The Board's determination also is subject to all the conditions in Regulation Y, including those in sections 225.7 and 225.25(c) (12 C.F.R. 225.7 and 225.25(c)), and to the Board's authority to require such modification or termination of the activities of a holding company or any of its subsidiaries as the Board finds necessary to ensure compliance with, or to prevent evasion of, the provisions and purposes of the BHC Act and the Board's regulations and orders issued thereunder. The commitments and conditions relied on by the Board in reaching this decision shall be deemed to be conditions imposed in writing by the Board in connection with its findings and decision and, as such, may be enforced in proceedings under applicable law.

This transaction shall not be consummated later than three months after the effective date of this order, unless such period is extended for good cause by the Board or the Federal Reserve Bank of New York, acting pursuant to delegated authority.

By order of the Board of Governors,<sup>12</sup> effective January 10, 2000.

(signed)

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Robert deV. Frierson  
Associate Secretary of the Board

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<sup>12</sup> Voting for this action: Chairman Greenspan and Governors Kelley, Meyer, and Gramlich. Absent and not voting: Vice Chairman Ferguson.