



**NEW YORK STATE BANKING DEPARTMENT
CONSUMER SERVICES DIVISION**

One State Street
New York, NY 10004

**PUBLIC SUMMARY
OFF-SITE**

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Date of Evaluation: December 31, 2001

Institution: Bank Hapoalim B. M.-New York Branch
1177 Avenue of the America
New York, NY 10036

Note: This evaluation is not an assessment of the financial condition of this institution. The rating assigned does not represent an analysis, conclusion or opinion of the New York State Banking Department concerning the safety and soundness of this financial institution.

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GENERAL INFORMATION

An off-site performance evaluation of Bank Hapoalim B.M.'s New York Branch ("BHNY") was conducted by the New York State Banking Department as of December 31, 2001. The evaluation represents the department's current assessment and rating in accordance with the requirements of the Community Reinvestment Act (CRA).

Section 28-b of the New York State Banking Law, as amended, requires that when evaluating certain applications, the Superintendent of Banks shall assess a banking institution's record of helping to meet the credit needs of its entire community, including low and moderate income areas, consistent with safe and sound operations.

Part 76 of the General Regulations of the Banking Board implements Section 28-b and further requires that the Banking Department assess the CRA performance records of regulated financial institutions. Part 76 establishes the framework and criteria by which the Department will evaluate the performance. Section 76.5 further provides that the Banking Department will prepare a written report summarizing the results of such assessment and will assign to each institution a numerical CRA rating based on a 1 to 4 scoring system. The numerical scores represent an assessment of CRA performance as follows:

- (1) outstanding record of meeting community credit needs;
- (2) satisfactory record of meeting community credit needs;
- (3) needs to improve record of meeting community credit needs; and
- (4) substantial noncompliance in meeting community credit needs.

Section 76.5 further requires that the CRA rating and the written summary be made available to the public ("Evaluation"). Evaluations are primarily based on a review of performance tests and standards described in Section 76.7 and detailed in Sections 76.8 – 76.13. The tests and standards incorporate the 12 assessment factors contained in Section 28-b of the New York State Banking Law.

For explanation of technical terms used in this report, please consult the **GLOSSARY** at the back of this document.

OVERVIEW OF INSTITUTION'S PERFORMANCE

Overall Rating

Bank Hapoalim B. M. – New York Branch (“BHNY”) is rated “1”, indicating an outstanding record of helping to meet community credit needs. This rating is based on the following:

- The branch has a high level of community development loans and qualified investments, given its size, capacity and assessment area credit needs. As of December 31, 2001, community development loans and qualified investments totaled \$30 million, of which \$20.3 was outstanding.
- This rating upgrade reflects a 209.3% increase in total commitments to \$30 million, from the \$9.7 reported at the prior evaluation. Between evaluations, the branch's assets increased by 33.3%, to \$3.6 billion, from \$2.7 billion.
- The branch's new community development activity accounts for 92.7% of total commitments since the prior evaluation. The branch seeks new development opportunities either by renewing commitments and/or through new relationships.
- BHNY reported no community development services for the evaluation period. The branch is encouraged to expand its involvement in such activities going forward.

This Evaluation was conducted based on a review of the 12 assessment factors set forth in Section 28-b of the New York State Banking Law and Part 76 of the General Regulations of the Banking Board.

PERFORMANCE CONTEXT

Institution's Profile

Bank Hapoalim B.M - New York Branch ("BHNY" or the "branch") is a branch of Bank Hapoalim B.M., a multinational-banking corporation headquartered in Tel Aviv, Israel. The parent bank was founded in 1921 and as of December 31, 2001 it had total consolidated assets of \$54.4 billion. The bank, including its subsidiaries, is the largest banking and financial group in Israel. As of December 31, 2001, it was ranked 135th worldwide in terms of assets.

The bank operates three New York branches, one of which is FDIC-insured. The insured branch is the subject of this evaluation. The uninsured branches are referred to as the "Plaza" and the "American Towers" branches. In 1993, the three branches were consolidated at 1177 Avenue of the Americas but, for administrative purposes, each branch continues to operate separately.

As of December 31, 2001, the branch's total non-related assets were \$3.6 billion. The loan portfolio accounted for 55.6%, or \$2 billion, of which loans to U.S. domiciled institutions were \$1.7 billion, or 85% of total loans. At the same date, deposits were \$2.5 billion, of which \$1.6 billion, or 64%, were from U.S. addressees. Of the total deposits, \$2.2 billion, or 88%, were time deposits in denominations of \$100 thousand or more.

BHNY does not originate residential mortgages, home improvement, home rehabilitation, small business or small farm loans. The branch focuses on the corporate community by providing medium-to-large size companies with specialized services including syndications and other forms of financing. The branch's commercial loan operations are mainly large dollar participations with various money center banks. On February 3, 1997, the FDIC designated the branch as a "wholesale institution" for purposes of its evaluation under the Community Reinvestment Act.

The branch received a rating of "2" at its last Performance Evaluation by the Banking Department as of December 31, 1999, reflecting a satisfactory record of helping to meet community credit needs.

Assessment Area

The branch's assessment area includes four of the five counties that make up New York City in the New York Metropolitan Statistical Area ("MSA") 5600. The counties are Bronx, Kings, New York and Queens. The assessment area consists of 2,115 census tracts, of which 310 (14.7%) are low-income, 417 (19.7%) moderate, 754 (35.7%) middle and 572 (27.0%) upper-income tracts. There are also 62 (2.9%) zero-income census tracts.

The assessment appears reasonable based on the bank's wholesale status. There is no evidence that low- and moderate-income ("LMI") areas are arbitrarily excluded.

PERFORMANCE TEST AND ASSESSMENT FACTORS

Bank Hapoalim B.M. – New York Branch was evaluated pursuant to the Community Development Test for wholesale or limited purpose banking institutions, which includes an assessment of its community development lending, qualified investments and community development services in its assessment area.

I. Community Development Test: “Outstanding”

BHNY’s level of community development activity is considered good for a branch of its size, capacity and assessment area credit needs.

The branch participates in community development initiatives primarily by working with intermediaries serving the assessment area. As of December 31, 2001, BHNY’s assessment area-based community development loans and qualified investments totaled \$30 million, of which \$20.3 million was outstanding. This represents an increase of 209.3% compared with the \$9.7 million commitment level at the prior exam, while the bank’s assets increased by 33.3% to \$3.6 billion from the \$2.7 billion reported at the prior evaluation.

The total community development portfolio of loans and investments within its assessment area was comprised as follows:

Community Development Portfolio December 31, 2001					
Type	No. of Comm’ts	Comm’t Amt (in millions)	Percentage	O/S (in millions)	Percentage
Affordable Housing	7	\$3.73	12.4	\$0.74	3.7
Community Service	12	.03	0.1	.03	0.2
Economic Development	19	26.22	87.5.	19.5	96.1
Total	38	\$29.98	100.0	\$20.3	100.0

Community Development Lending

As of December 31, 2001, BHNY’s community development loan commitments totaled \$29.2 million, of which \$19.4 million was outstanding during the assessment period. These commitments were for economic development (87.7%) and affordable housing (12.3%). Included in the branch’s total commitments were nine new loan exposures totaling approximately \$27.0 million.

The following is a brief description of the bank’s community development lending:

1. Global Resources for Affordable Neighborhood Development Inc III (“GRAND III”) - On January 3, 2000, the bank bought a \$2 million participation in a revolving line-of-credit from the Bank of Toyo Trust Co of NY. There was no outstanding balance as of the evaluation date. The funds were to be used by GRAND III to build affordable housing projects in areas of New York City, including South Jamaica and, Corona Park South, in Queens; Park Washington, in the Bronx and Hegeman Avenue, in Brooklyn.

The branch participates in the New York City Partnership program with other lenders, including the State of New York Mortgage Agency (SONYMA), to redevelop city-owned land in low-to-moderate-income communities. The program helps to revitalize and stabilize these areas.

2. Global Resources for Affordable Neighborhood Development Inc IV (“GRAND IV”)- On May 5, 1999, the branch extended a \$1 million revolving credit facility to Grand IV that will expire on April 30, 2003. As of this evaluation \$160.3 thousand was outstanding.

3. Low Income Housing Fund (“LIHF”) – On April 25, 2000, the branch extended a \$400 thousand revolving credit facility to LIHF, of which the full amount, \$400 thousand, was outstanding. LIHF is a community development financial institution, which provides financing, technical assistance and other services to non-profit organizations nationally. The branch provided the facility at below market rates to enable LIHF to lend at lower rates and requested that the funds be used in the New York City area.

4. Non Profit Finance Fund (“NFF”) – On April 20, 2000, the branch extended a \$300 thousand revolving credit facility to NFF, of which the full amount was outstanding. NFF provides loans to non-profit organizations nationwide. The facility is to be used for new construction, facilities projects, leasehold improvements and working capital in the New York City area.

5. Structured Employment Economic Development Corporation (“SEEDCO”) – On March 15, 2000, the branch extended a \$250 thousand revolving line of credit, at below rates, to SEEDCO, of which the full amount was outstanding. SEEDCO focuses primarily on economic development, revitalization and stabilization through investments in various non-profit organizations in New York City.

6. New York Business Development Corporation (“NYBDC”)- On August 1, 2001, the branch extended a \$1million revolving line of credit to NYBDC, of which \$500 thousand is outstanding.

On June 30, 1999, the branch extended a \$1 million revolving line of credit to NYBDC, which will expire on August 1, 2002, of which \$500 thousand was outstanding. The NYBDC is a privately-owned entity created by New York State statute and funded by commercial and savings banks under lines-of-credit, which are utilized to provide a broad range of financing and encourage the growth and expansion of small and mid-sized businesses located in

New York State.

7. New York National Bank (“NYNB”) – AJC Foods – On April 6, 2001, the branch bought a \$400 thousand participation in a term loan facility, of which \$181 thousand was outstanding as of the evaluation date. NYNB is a community development financial institution that provides financing to small businesses in underserved areas of New York City and those that are minority-owned. The funds will be used to fund AJC Foods, a company that is located in a low to moderate-income area.

8. The National Federation of Community Development Credit Unions (the “FEDERATION”)– On April 12, 2001, the branch extended a \$1 million revolving line of credit to the Federation, of which \$200 was outstanding. The Federation, headquartered in New York City, is a community development financial institution that represents credit unions serving low-income communities. The line is to encourage retail and small business lending through this network of community development credit unions. Eighty percent of this facility will be dedicated to financing in the New York City area.

9. Clay Park Labs (“CPL”) – On March 20, 2001, the branch extended two separate revolving credit lines in the amounts of \$1.6 million and \$20 million, for a total of \$21.6 million, of which \$1 million and \$15.9 million respectively, were outstanding. Clay Park is a producer and packager of generic over the counter (private label) drugs located in a certified Economic Development Zone. CPL provides stability to the low to moderate-income area by providing jobs and the associated payroll related benefits. Additionally, CPL purchases materials and services from the surrounding area.

10. Neighborhood Housing Services of New York City (“NHS”)- On June 11, 1998, the bank extended a \$200 thousand revolving line of credit to NHS, which will mature on February 11, 2009. As of this evaluation \$50 thousand was outstanding. The NHS is a not-for-profit entity that creates and preserves affordable housing, and promotes increased investment in under-served and declining New York City neighborhoods through a broad range of lending, development/rehabilitation, and home buyer education and counseling initiatives.

Qualified Investments

As of December 31, 2001, the branch had \$838.7 thousand in qualified investments with the entire amount outstanding. The bank’s qualified investments included 11 nonmember share deposits/certificates of deposit totaling \$800 thousand with various community development credit unions and/or banks. In addition, the branch had \$38.7 thousand in non-recoverable grants.

The following is a brief description of the bank’s qualified investments:

- 1. Carver Federal Savings Bank (“Carver”)**– On February 23, 2000, the branch opened a \$90 thousand one-year certificate of deposit with Carver. Carver, the nation’s

largest minority-owned bank, which is based in Harlem, was chartered to lend, primarily to developers of low-income housing. The bank participates in projects with the New York Business Development Corporation. The funds are used exclusively for community development loans in New York City.

2. **Community Capital Bank (“CCB”)** – On December 26, 2001, the branch opened a \$90 thousand one-year certificate of deposit with CCB. CCB is a Brooklyn-based bank that was chartered to lend, primarily to developers of low-income housing. These funds are used exclusively for community development loans in New York City.
3. **New York National Bank (National)** - On October 30, 2001, the branch opened a \$90 thousand one-year certificate of deposit with National. National is a minority-owned Community Development Financial Institution, which is engaged in financing in underserved areas. The branch's funds are to be used to finance small businesses in New York City.
4. **Henry Street Settlement Federal Credit Union** – June 29, 2001, the branch opened a \$40 thousand one-year nonmember share certificate of deposit with Henry Street to provide loan funds for development on the lower-east side of Manhattan.
5. **Neighborhood Trust Federal Credit Union** - On December 7, 2001, the branch opened a \$90 thousand nonmember share certificate of deposit with NTFCU to provide loan funds for community development in Washington Heights in upper Manhattan.
6. **Bethex Federal Credit Union (Bethex)** – On December 6, 2001, the branch opened a \$90 thousand one-year nonmember share certificate of deposit with Bethex to provide loan funds for the South Bronx.
7. **Lower East Side People’s Federal Credit Union (LESPFCU)** - On October 2, 2001, the branch opened a \$90 thousand one-year nonmember share certificate of deposit with LESPFCU to provide funds for community development on the lower-east side of Manhattan.
8. **Homesteaders Federal Credit Union (HFCU)**– On December 7, 2001 the branch opened a \$40 thousand one-year nonmember share certificate of deposit with HFCU to provide funds for lending. The Homesteaders Federal Credit Union is a low-income-designated community development credit union serving tenants of Housing Development Fund Corporation (“HDFC”) limited equity coops or not-for-profit owned rental buildings. Homesteaders makes consumer loans, share-collateralized loans for home improvement, and loans that may be used to pay HDFC insurance premiums.
9. **Union Settlement Federal Credit Union (UNION)** - On December 7, 2001, the branch opened a \$90 thousand one-year nonmember share certificate of deposit with Union, a low-income designated community development credit union serving the East

Harlem community.

10. **Central Brooklyn Federal Credit Union (CENTRAL)** - On December 7, 2001, the branch opened a \$40 thousand one-year nonmember share certificate of deposit with CENTRAL to provide funds for community development in central Brooklyn.
11. **Brooklyn Ecumenical Credit Union (“BECU”)** - On October 26, 2001, the branch opened a \$50 thousand one-year nonmember share certificate of deposit with BECU to provide funds for community development in Brooklyn.

In addition, the branch made 15 non-recoverable grants totaling contributed \$38.7 thousand to various non-profit and charitable organizations. These organizations provide community development programs and services targeted at LMI individuals and geographies.

Following is a partial listing of the recipient community development organizations:

- Literacy Inc.
- Harlem Business Alliance
- Junior Achievement of New York, Inc.
- Child Care Inc
- Lawyers Alliance for New York

Community Development Services

The branch did not report any community development services for the evaluation period. BHNY is encouraged to expand its participation in such activities going forward.

Discrimination or Other Illegal Practices

Any practices intended to discourage applications for types of credit set forth in the banking institution’s CRA Public File.

There were no known practices noted that were intended to discourage applications for the types of credit offered by the institution.

Evidence of prohibited discriminatory or other illegal credit practices.

The regulatory compliance report dated December 31, 1999 indicates a satisfactory performance in terms of adherence to antidiscrimination or other applicable laws and regulations. No evidence of prohibited discriminatory or other illegal credit practices was noted.

III. Other Factors

Activities conducted by the banking institution to ascertain the credit needs of its community, including the extent of the banking institution’s efforts to communicate with members of its community regarding the credit services being provided by the

banking institution.

The branch does not offer banking services to the general public. The branch ascertains the credit needs of its community through meetings with community development organizations, other banks, and participation in seminars organized by the organizations.

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

The branch does not engage in marketing programs or any special credit-related promotions for its credit products. The branch markets its credit products and services through nonprofit and community development intermediaries.

The extent of participation by the banking institution's board of directors /trustees in formulating the banking institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act.

As a U.S. branch of a foreign bank, the branch does not have a board of directors or trustees. The branch's CRA committee, which includes senior management, monitors its CRA activities. In addition, the branch's CRA officer is in charge of the day-to-day CRA activities.

Other factors that in the judgement of the Superintendent and Banking Board, bear upon the extent to which a banking institution is helping to meet the credit needs of its entire community.

According to management, the bank has sought to increase lending to small businesses, resulting in an additional commitment of \$2 million to this sector.

GLOSSARY

Community Development

The term “community development” is defined to mean:

1. Affordable housing (including multifamily housing) for low- or moderate-income (“LMI”) individuals;
2. Community services targeted to LMI individuals;
3. Activities that promote economic development by financing business or farms that meet the size eligibility standards of the United States Small Business Administration (“SBA”) Development Company or Small Business Investment Company programs, or have gross annual incomes of \$1 million or less;
4. Activities that revitalize or stabilize LMI geographies; and
5. Activities that seek to prevent defaults and/or foreclosures in loans included in (1) and (3), above.

A “community development loan” is defined as a loan that has as its *primary purpose* community development. This includes but is not limited to loans to:

- Borrowers for affordable housing rehabilitation and construction, including construction and permanent financing for multifamily rental property serving low or moderate income (“LMI”) persons;
- Nonprofit organizations serving primarily LMI or other community development needs;
- Borrowers to construct or rehabilitate community facilities that are located in LMI areas or that primarily serve LMI individuals;
- Financial intermediaries including community development financial institutions, community development corporations, minority- and women-owned financial institutions, community loan funds or pools, micro-finance institutions, and low-income or community development credit unions that primarily lend or facilitate lending to promote community development;
- Local, state and tribal governments for community development activities; and
- Borrowers to finance environmental clean up or redevelopment of an industrial site as part of an effort to revitalize the LMI community in which the property is located.

A “qualified investment” is defined as a lawful investment, deposit, membership share or grant that has as its *primary purpose* community development. This includes but is not limited to investments, deposits, membership shares or grants in or to:

- Financial intermediaries (including community development financial institutions, community development corporations, minority- and women-owned financial institutions, community loan funds, micro-finance institutions and low-income or community development credit unions) that primarily lend or facilitate lending in LMI areas or to LMI individuals in order to promote community development;
- Organizations engaged in affordable housing rehabilitation and construction;
- Organizations, including, for example, small business investment corporations that promote economic development by financing small businesses;

- Facilities that promote community development in LMI areas or LMI individuals, such as youth programs, homeless centers, soup kitchens, health care facilities, battered women’s centers, and alcohol and drug recovery centers;
- Projects eligible for low-income housing tax credits;
- State and municipal obligations, such as revenue bonds that specifically support affordable housing or other community development needs;
- Organizations serving LMI housing or other community development needs, such as counseling for credit, home ownership, home maintenance, and other financial services education; and
- Organizations supporting activities essential to the capacity of LMI individuals or geographies to utilize credit to sustain economic development, such as day care operations and job training programs that facilitate access to permanent jobs.

A “community development service” is defined as a service that has as its *primary purpose* community development, is related to the provision of financial services, and has not been considered in the evaluation of the banking institution's retail banking services. This includes but is not limited to:

- Providing technical assistance on financial matters to nonprofit, tribal or government organizations serving LMI housing or economic revitalization and development needs;
- Providing technical assistance on financial matters to small businesses or community development organizations;
- Lending employees to provide financial services for organizations facilitating affordable housing construction and rehabilitation or development of affordable housing;
- Providing credit counseling, home buyers and home maintenance counseling, financial planning or other financial services education to promote community development and affordable housing;
- Establishing school savings programs for LMI individuals;
- Providing seminars for LMI persons on banking and bank account record-keeping;
- Making ATM “Training Machines” available for extended periods at LMI community sites or at community facilities that serve LMI individuals; and
- Technical assistance activities to community development organizations such as:
 - ❖ Serving on a loan review committee;
 - ❖ Developing loan application and underwriting standards;
 - ❖ Developing loan processing systems;
 - ❖ Developing secondary market vehicles or programs;
 - ❖ Assisting in marketing financial services, including the development of advertising and promotions, publications, workshops and conferences;
 - ❖ Furnishing financial services training for staff and management;
 - ❖ Contributing accounting/bookkeeping services; and
 - ❖ Assisting in fund raising, including soliciting or arranging investments.

Low or Moderate Income (“LMI”) Geographies

Those census tracts or block numbering areas (“BNAs”), where according to the 1990 US Census, the median family income is less than 80% of the area median family income. In the

case of tracted areas that are part of a Metropolitan Statistical Area (“MSA”) or Primary Metropolitan Statistical Area (“PMSA”), this would relate to the median family income for the MSA or PMSA in which the tracts are located. In the case of BNAs and tracted areas that are not part of a MSA or PMSA, the area median family income would be the statewide nonmetropolitan median family income.

LMI Individuals/Persons

Those individuals, whose income is less than 80% of the area median family income. In the case where the individual resides in a MSA or PMSA, this would relate to the median family income for that MSA or PMSA. Otherwise, the area median family income would be the statewide nonmetropolitan median family income. In all instances, the area median family incomes used to measure individual income levels are updated annually by the U.S. Department of Housing and Urban Development (“HUD”).

Wholesale Institution

The term “wholesale institution” means a banking institution that is not in the business of extending home mortgage, small business, small farm or consumer loans to retail customers, and for which a designation as a wholesale banking institution by the appropriate Federal regulatory authority is in effect. When evaluating a wholesale institution’s CRA performance, the Banking Department looks primarily at its record of helping to meet the credit needs of its assessment are through community development lending, qualified investments and community development services.