



NEW YORK STATE BANKING DEPARTMENT
CONSUMER SERVICES DIVISION
One State Street
New York, NY 10004

PUBLIC SUMMARY

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Date of Evaluation: December 31, 2004

Institution: Bank Leumi USA
562 Fifth Avenue
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.

TABLE OF CONTENTS

	Section
General Information	1
Overview of Institution's Performance	2
Performance Context.....	3
Institution's Profile	
Assessment Area	
Performance Tests and Assessment Factors	4
Community Development Test	
Discrimination or Other Illegal Practices	
Other Factors	
Glossary	5

GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (“CRA”) performance of Bank Leumi USA’s New York (“Leumi”) operations prepared by the New York State Banking Department. The evaluation represents the Banking Department’s assessment and rating of the institution’s CRA performance based on an evaluation conducted on site as of December 31, 2004.

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 Leumi USA's, New York operations is rated "1," indicating an outstanding record of helping to meet community credit needs.

- Leumi provided a high level of community development loans, qualified investments and community services.
- The bank's community development loans and qualified investments within its assessment area totaled \$75.4 million. The community development portfolio increased by \$36.7 million, or 94.7%, since the prior Performance Evaluation.
- Community development loans totaled \$72.8 million.
- Qualified investments and grants totaled \$2.6 million. Grants to various community development organizations totaled \$43.5 thousand, with approximately 92% of the grants supporting community services and affordable housing.
- Leumi provided a high level of community development services in its assessment area. These services included job skills training to LMI individuals and basic financial literacy classes for young adults. In addition, bank employees volunteer their time towards revitalizing city schools and classrooms in underserved school districts.
- The bank demonstrated excellent responsiveness to the credit and community development needs of its assessment area.

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 Leumi USA ("BLUSA") is a New York State chartered, FDIC-insured commercial bank. The bank is a wholly owned subsidiary of Bank Leumi le-Israel B.M., a one-bank holding company with total combined assets at December 31, 2004 of \$5.7 billion. Bank Leumi le-Israel B.M. is part of the Leumi group, Israel's leading banking group, which has assets exceeding \$54 billion. BLUSA operates 13 offices: four in New York, four in California, three in Florida, one in Illinois and an offshore office in the Cayman Islands.

The bank provides wholesale financial services to international businesses, middle- and upper-middle-market firms and not-for-profit organizations. The bank is not in the business of originating or purchasing residential mortgage, housing rehabilitation, home improvement, small business or small farm loans except as an accommodation to its existing clients. Accordingly, on May 17, 1997, the Federal Deposit Insurance Corporation ("FDIC") granted the bank designation as a wholesale institution for the purposes of its evaluation under the CRA.

On its Consolidated Report of Condition ("Call Report") for December 31, 2004, Bank Leumi USA reported total assets of \$5.7 billion, including loans and leases of \$2.4 billion and deposits of \$4.5 billion. The New York operations reported total assets of \$1.7 billion, which included loans of 1.2 billion.

At its prior Performance Evaluation, conducted by the New York State Banking Department as of December 31, 2002, Bank Leumi USA was rated "1" reflecting an outstanding record of helping to meet community credit needs.

There are no known legal or financial impediments noted that would adversely impact the bank's ability to meet the credit needs of its assessment area.

New York State Assessment Area

Demographics

Since the previous evaluation, the bank has included Suffolk County in its New York State assessment area. The current assessment area includes Suffolk County in its entirety and New York City, comprising Brooklyn, Bronx, Manhattan, Queens and Staten Island. The area has 2,537 census tracts, of which 1,005 or 39.6% are LMI.

The assessment area appears reasonable based upon the location of branches and lending patterns. There is no evidence that LMI areas are arbitrarily excluded.

PERFORMANCE TEST AND ASSESSMENT FACTORS

The Banking Department evaluates the CRA performance of wholesale banks pursuant to the “community development test” as provided for in Part 76.11 of the General Regulations of the Banking Board. Performance criteria may include (1) the number and amount of community development loans, qualified investments or community development services; (2) the use of innovative or complex qualified investments and the extent to which the investment are not routinely provided by private investors; (3) the provision of community development services; and (4) the banking institution’s responsiveness to the credit and community development needs of its assessment area.

This performance evaluation was based on a review of Bank Leumi USA’s New York lending, investment and service activities in its assessment area. The bank’s community development lending and investment activities were reviewed for the period January 1, 2003 through December 31, 2004.

I. Community Development Test

Bank Leumi USA New York State offices participate in economic development initiatives primarily by working with intermediaries that serve its assessment area.

As of December 31, 2004 the bank’s community development loans and qualified investments and grants within its New York State assessment area totaled \$75.4 million. Of that total, \$32.4 million is outstanding, and there was a \$36.7 million increase since the prior Performance Evaluation. During the same period, the bank’s New York domestic assets increased by 44.9%, to \$1.7 billion.

The following chart shows the distribution of the bank’s New York base qualified community development loans and investments:

Community Development Portfolio					
Type	No. of Comm'ts	Comm't Amt. (000)	Percentage	Outstanding (\$000)	Percentage
Affordable Housing	10	2,271	3.0	2,250	6.9
Community Service	23	16,019	21.2	11,230	34.6
Economic Developemnt	16	53,214	70.6	17,985	55.4
Revitalization/Stabilization	1	3,900	5.2	974	3.0
Total	50	75,404	100.0	32,439	100.0

The bank’s community development activities demonstrate an excellent responsiveness to the credit and community development needs of its assessment area.

A more detailed description of the bank’s community development activities follow:

- **Community Development Lending**

As of December 31, 2004, the New York offices had community development loans of \$72.8 million, with \$30.2 million outstanding. These include loans promoting affordable housing, economic development, community services and projects that revitalize and/or stabilize the assessment area.

The following is a brief description of the bank's New York offices community development lending activities:

Community Service

- Bank Leumi provided HCS with a \$1 million line of credit to not for profit organization which provides supportive counseling for families and services to developmentally disabled individuals who live at home. The organization receives grants and contract support primarily from the State of New York Office of Mental Retardation and Development Disabilities. .
- Bank Leumi has committed itself to a \$400 thousand participation in a \$900 thousand line of credit in favor of Non Profit Finance Fund (NPFF). NPFF was founded principally to serve the financial needs of nonprofit organizations through the extension of loans and credit enhancements for the acquisition, construction, expansion, renovation and repair of facilities, leasehold improvements, equipment, working capital and new ventures.
- During the evaluation period the bank committed a \$7 million line of credit to family and children services organization which offers more than 185 residential and day treatment programs and community-based services at 120 locations. The organization provides mental health services for children and adults as well as counseling and support for homeless persons with AIDS and victims of substance abuse and family violence.

Economic Development

- The bank committed a \$7.5 million line of credit to an organization which originates, sells, and services loans to small businesses under the 7(a) Guaranteed Loan Program sponsored by the SBA and the U.S. Department of Agriculture Rural Business, Cooperative Business and Industry Guaranteed Loan Program.
- Bank Leumi committed a credit facility consisting of a \$6.5 million line of credit and a \$5 million bridge loan to an organization which operates a chain of 28 retail stores; ninety two percent (26 stores) are located in LMI areas.
- The bank extended a \$9 million line of credit to a wholesale consumer electronics business located in an Empire Zone in Brooklyn.

-
- Leumi extended a \$250 thousand line of credit to a not-for-profit organization which provides financial and technical assistance and management support for the community building efforts of non-profit organizations and small businesses in disadvantaged communities.

Revitalization/Stabilization

- A secured real estate loan in the amount of \$3.9 million was extended for the construction of a 12,788 square foot mixed-use property in a depressed section of New York City.

- **Qualified Investments**

As of December 31, 2004 the bank's New York operations had six qualified investments for \$2.55 million. They included four new investments totaling \$2.4 million.

The following is a brief description of the bank's New York operations qualified investments:

Economic Development

- Leumi deposited \$300 thousand with two qualified community development financial institutions (CDFIs). These CDFIs are federally chartered institutions that serve the financial needs of LMI communities and individuals.
- Bank Leumi made a \$100 thousand equity investment with State Wide Zone Capital Corporation of New York (SWZCCNY). SWZCCNY was formed to promote the development of new businesses, the expansion of existing businesses, and the development of human resources within the 51 participating economic development zones created under the New York State Economic Development Zones Act.

Affordable Housing

- Bank Leumi purchased \$2.3 million of mortgage backed securities through the CRA Fund. CRA Fund Advisors' mission is to promote community and economic development while providing relative value on investments. The total amount invested by the bank in the fund has been allocated to affordable housing development in New York City and Suffolk County.

Grant Activities:

The bank donated \$43.5 thousand to various community development organizations.

- **Community Development Services**

The following is a brief description of the bank's New York State community development services:

- Bank Leumi New York partners with a community development organization to provide job skills training to LMI individuals. As a result of this partnership, internship opportunities were available to individuals in the program. Six graduates from the program obtained positions with Bank Leumi New York.
- The bank, in conjunction with a community development partner, provides young adults with basic information and core skills necessary for building their financial future. In support of the program, employees volunteer to teach basic financial literacy in Manhattan, Bronx and Brooklyn.
- In partnership with a community services organization, employees at the bank donated time and effort to revitalize city schools, classrooms and libraries in underserved school districts.

II. 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 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 most recent regulatory compliance examination of Bank Leumi USA New York operations, conducted concurrently with this evaluation indicated satisfactory adherence to anti-discrimination 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.

Executives are encouraged to participate in community organizations and events for the purpose of communicating to the public the bank's products and services. Additionally, employees are required to keep management informed about community development activities in their local service areas and to pursue opportunities which benefit the bank and the community.

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 bank is committed to support small businesses and has developed relationships with entities which lend to such businesses. The bank lends to Minority Enterprise Small Business Investment Corporations (MSBICs) and Small Business Investment Corporations (SBICs) which in turn lend to individuals and businesses which might not otherwise qualify for direct bank loans.

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.

Members of the Board of Directors participate in the formulation of policies and procedures designed to implement the bank's CRA initiatives. The Board remains aware of the bank's ongoing CRA performance through the periodic review of CRA examination reports. Further, Board members participate in a variety of CRA monitoring and oversight initiatives; it appoints the CRA committee, designates the CRA Officer, establishes self-assessment oversight report procedures and reviews the lending policies. The Board of Directors has appointed a bank committee to develop, oversee and monitor CRA policies and performances on a regular basis.

Other factors that in the judgment 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.

None.

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.