



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

PUBLIC SUMMARY

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Date of Evaluation: December 31, 2006

Institution: Bank Hapoalim B.M. - New York Branch
1177 Avenue of the Americas
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 “On-site” evaluation of the Community Reinvestment Act (“CRA”) performance of New York Branch of Bank Hapoalim B.M. (“BHNY”), prepared by the New York State Banking Department. The evaluation represents the Banking Department’s current assessment and rating of the institution’s CRA performance based on an evaluation conducted as of December 31, 2006.

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

BHNY's performance is rated "2," indicating a satisfactory record of helping to meet the credit needs of its community. The rating is based on the following considerations:

- BHNY has an adequate level of community development loans and qualified investments for an institution of its size and capacity. It participates in community development initiatives by funding community development financial institutions ("CDFIs") and by supporting efforts to revitalize and stabilize LMI areas through its loans to organizations that provide affordable housing to LMI individuals.
- As of December 31, 2006, BHNY's community development portfolio totaled \$38.5 million, of which \$37 million was new money.
- As of December 31, 2006, BHNY had community development loans of \$16.5 million, of which \$15.5 million or 94% was new money.
- BHNY's qualified investments including grants totaled \$22.0 million.
- BHNY's level of community development service activities is adequate and reasonably responsive to the needs of its community.

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:

In 1974, BHNY was licensed as a New York branch of Bank Hapoalim B.M., ("Bank Hapoalim"), a multinational banking corporation headquartered in Tel Aviv, Israel. Bank Hapoalim has a network of 321 full-service branches in Israel and 38 international branches worldwide. BHNY, located in 1177 Avenue of the Americas is insured by the Federal Deposit Insurance Corporation ("FDIC"). Additionally, Bank Hapoalim has two uninsured branches located in Manhattan at the same location. However, the three branches in New York operate as separate entities although they are in the same location. Bank Hapoalim has another uninsured branch in Miami, Florida.

BHNY does not engage in domestic retail deposit or lending activities. It finances Fortune 1000 companies. Corporate activities are being expanded through innovative and specialized financing. Its business is oriented towards the corporate community, providing medium-to-large sized companies with specialized services, including loan syndications and other sophisticated financing products and services. Additionally, BHNY provides wholesale and private banking services to non-US residents. Accordingly, on February 3, 1997, the FDIC designated BHNY as a wholesale institution for CRA purposes.

As of December 31, 2006, BHNY reported total assets of \$7.7 billion, of which \$2.6 billion were loans. Total deposits were \$5.4 billion.

BHNY has not opened or closed any branches since the prior Performance Evaluation.

At its prior Performance Evaluation dated December 31, 2003, conducted by the New York State Banking Department, BHNY was rated "1," reflecting an outstanding record of helping to meet community credit needs.

There are no known financial or legal impediments that adversely impact BHNY's ability to meet the credit needs of its community.

Assessment Area:

BHNY's assessment area includes the following counties of New York City: New York, Bronx, Queens and Kings. The assessment area consists of 2,107 census tracts (excluding zero-population census tracts), of which 925 or 43.9% are low- and moderate-income ("LMI") tracts.

Assessment Area – Distribution by Census Tracts												
County	Low		Moderate		Middle		Upper		N/A		Total	
	#	%	#	%	#	%	#	%	#	%	#	%
Bronx	132	37.2	98	27.6	65	18.3	46	13.0	14	3.9	355	100
Kings	119	15.2	297	38.0	235	30.0	117	14.9	15	1.9	783	100
New York	60	20.3	59	19.9	24	8.1	144	48.7	9	3.0	296	100
Queens	12	1.8	148	22.0	310	46.0	185	27.5	18	2.7	673	100
Total	323	15.3	602	28.6	634	30.1	492	23.3	56	2.7	2107	100

The assessment area appears reasonable and there is no evidence to suggest that LMI areas have been arbitrarily excluded.

PERFORMANCE TEST AND ASSESSMENT FACTORS

BHNY's performance was evaluated according to the community development performance criteria for wholesale banking institutions, which include the following: (1) the number and amount of community development loans, qualified investments, or community development services; (2) the use of innovative or complex qualified investments, community development loans, or community development services and the extent to which these investments are not routinely provided by private investors; and (3) the banking institution's responsiveness to credit and community development needs.

This Performance Evaluation covers the period from January 1, 2004 to December 31, 2006.

I. Community Development Test

BHNY participates in community development initiatives primarily by working with intermediaries that serve its assessment area. As of December 31, 2006, BHNY's community development loans and qualified investments within its assessment area totaled \$38.5 million, of which \$37.0 million or 96.1% was new money. BHNY's community development portfolio increased 45.8% while its total assets increased 67.4%, to \$7.7 billion as of the evaluation date. Despite the increase in BHNY's community development portfolio, its rating was downgraded to satisfactory based on performance standards used during this evaluation. Compared with similarly situated institutions, BHNY's community development activities demonstrate an adequate responsiveness to the credit and community development needs of its assessment.

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

Community Development Portfolio – 12/31/06					
Type	No. of Comm'ts	Comm't Amt (\$000)	Percentage	New Money (\$000)	Percentage
Affordable Housing	6	3,545	9.2	3,095	8.4
Community Service	31	39	0.1	39	0.1
Economic Develop.	19	24,871	64.7	23,871	64.5
Revitalization/ Stabilization	3	10,010	26.0	10,010	27.1
Total	59	38,465	100.0	37,015	100.0

A more detailed description of BHNY's community development activity follows:

Community Development Lending

As of December 31, 2006, BHNY had community development loans of \$16.5 million, of which \$15.5 million was new money. Some of BHNY's community development loans are as follows:

- National Federation of Community Development Credit Unions, Inc. ("NFCDCU") – BHNY continues to maintain its relationship with NFCDCU by renewing a \$1MM facility to provide financing for credit unions that serve low-income communities, particularly in New York City. NFCDCU provides financing for credit unions that serve low income communities throughout the country, including 29 credit unions in New York City. Proceeds from the relationship are utilized to bolster lending in NYC.
- Bowery Residents Committee ("BRC") – BHNY approved a \$2MM revolving line of credit to BRC on July 12, 2005, for working capital and general operating needs. BRC is a non-profit organization helping the homeless in New York City.
- Nonprofit Finance Fund ("NFF") – BHNY renewed and increased NFF's line of credit from \$600M to \$1MM. The facility is to be used for general corporate purposes. NFF is a local CDFI that provides financial services to non-profit organizations nationwide. NFF made grants for recovery of non-profit organizations affected by the September 11 attacks on the World Trade Center.
- New York Business Development Corporation ("NYBDC") – BHNY renewed and increased its commitment to NYBDC from \$1MM to \$5MM in August 2006. NYBDC was created through the New York State Legislature in 1955 and has been supported by BHNY since 1999. NYBDC facilitates the growth and expansion of small and midsized businesses located in New York State by providing long-term working capital, equipment and real estate loans either in participation with the banking industry and the Small Business Administration or as a supplement to their financing.
- Structured Employment Economic Development Corporation ("SEEDCO") – BHNY renewed and increased its commitment to SEEDCO from \$600M to \$2.6MM. The fund will be used to provide low-interest financing for community development projects within New York City. Currently, SEEDCO is utilizing 100% of its existing relationship with the bank. SEEDCO is a national non-profit organization and a certified CDFI that lends to for-profit and not-for-profit entities in New York City.
- Community Preservation Corp. ("CPC") – BHNY has entered into a sub-participation agreement with Deutsche Bank to purchase a stake in CPC construction loans made to low, moderate and middle-income individuals in New York City. BHNY has a total commitment of \$3MM to this sub-participation with \$1.8MM outstanding. CPC is a New York State not-for profit corporation created for the purpose of financing low-, moderate-, and middle-income multi-family housing.

Qualified Investments

BHNY's qualified investments including grants totaling \$22.0 million. These investments include certificates of deposit ("CDs") and qualified CRA funds made within the assessment area and federally designated disaster areas.

The following paragraphs provide brief description of BHNY's qualified investments:

- Access Capital Strategies ("ACS") – BHNY increased its investment in Access Capital Strategies' Community Investment Fund in June 2005 from \$500M to \$1.5MM. ACS is a business development corporation that purchases private placement debt securities in the secondary market. ACS supports economic development by providing affordable financing for LMI individuals, small businesses and job creation initiatives.
- Tulane Education Fund ("TEC") – BHNY purchased a Tulane University Educational Fund bond totaling \$10 million to assist in the rebuilding of this major university located in New Orleans, Louisiana. Although this university is located outside the BHNY's assessment area, the greater New Orleans metropolitan area was designated as a federal disaster area in response to the impact of Hurricane Katrina and was in great financial need and assistance with rebuilding efforts. Tulane University was devastated by the Hurricane Katrina disaster incurring over \$130 million in damages primarily from flooding.
- Certificates of Deposits ("CDs") – During the evaluation period, BHNY renewed five one- year CDs totaling \$450 thousand issued by the following institutions to support community development: Community Capital Bank, New York National Bank, Neighborhood Trust Federal Credit Union, Bethex Federal Credit Union and Lower East Side People's Federal Credit Union. Additionally, BHNY purchased CDs totaling \$10 million from First American International Bank and Carver Federal Savings Bank through the Certificate of Deposit Account Registry Service ("CDARS") program as reciprocal orders.

In addition, BHNY provided grants and donations totaling \$63.6 thousand and continues to support community development organizations and various non-profit entities that promote homeless advocacy, literacy programs, affordable housing, educational and child-care programs, as well as many others. These organizations include but are not limited to: Harbor Child Care, American Red Cross and Credit Where Credit is Due.

Community Development Services

As a wholesale bank, BHNY has a limited business exposure to community development service opportunities within its assessment area. Nevertheless, BHNY has provided an adequate level of community development services through its officers.

BHNY's general counsel is a member of the Benefit Committee for an organization Live4Life that was developed as a non-profit organization to provide support services for people suffering from melanoma, one of the deadliest forms of skin cancer.

BHNY's CRA officer is active in conducting outreach meetings with local community development organizations to ascertain how BHNY may offer its assistance. Additionally, the CRA officer has attended community development seminars sponsored by local banks, the New York State Banking Department and local community development organizations. These outreach efforts have resulted in some of the community development loans and investments funded by BHNY.

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 report 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.

BHNY does not offer banking services to the general public. BHNY ascertains the credit needs of its community through contacts with financial intermediaries, charitable organizations and community development groups such as New York National Bank, Deutsche Bank, SEEDCO, Low Income Housing Fund, Non Profit Finance Fund, Harlem Business Alliance and National Federation of Community Development Credit Unions. Additionally, BHNY's officers meet with and attend seminars sponsored by NYS Banking Department or Federal Reserve Bank of New York.

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.

BHNY does not engage in marketing efforts focused on the general public. As a wholesale bank, BHNY focuses on the corporate community. Financing is provided to large-medium sized companies through loan participations/syndications with various money center banks.

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.

BHNY does not have a board of directors or trustees. BHNY has a CRA Committee, which is comprised of the chairperson, branch manager, deputy manager and the CRA officer. The CRA Committee is responsible for approving and monitoring CRA initiatives and maintaining BHNY's performance. The committee meets semi-annually and additional meetings are held when necessary.

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.