



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 Leumi USA (New York operations)
579 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.

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GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (“CRA”) performance of Bank Leumi USA’s New York operations (“BLNY”) prepared by the New York State Banking Department. This 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 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

BLNY is rated a "1," indicating an outstanding record of helping to meet credit needs in its community.

- BLNY demonstrated an excellent responsiveness to the credit and community development needs of its assessment area. During the evaluation period, BLNY provided a high level of community development loans, qualified investments and community services.
- BLNY's community development portfolio totaled \$132.4 million, an increase of \$57 million or 75.6% since the prior evaluation period. The total portfolio was comprised of community development loans (97.9%) and qualified investments (2.1%). Community development loans totaled \$129.6 million, of which \$86.1 million or 66.4% was new money. Qualified investments and grants totaled \$2.8 million.
- BLNY 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, BLNY's employees volunteer their time towards revitalizing city schools and classrooms in underserved school districts.

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 and FDIC-insured wholesale commercial bank and a wholly owned subsidiary of Bank Leumi le-Israel B.M. BLUSA operates four branches in New York ("BLNY"), four in California, three in Florida, and two in Illinois. Three of the New York branches are located in New York County and one in Long Island. BLUSA has not opened or closed any branches since the prior evaluation.

BLUSA focuses primarily on serving international businesses, middle and upper-middle market firms and not-for-profit organizations. It does not engage in the business of originating or purchasing residential mortgages, housing rehabilitation, home improvement, small business or small farm loans to retail customers, except as an accommodation to existing clients. Accordingly, on May 17, 1997, the Federal Deposit Insurance Corporation ("FDIC") designated BLUSA as wholesale institution for purposes of its evaluation under the CRA.

As of December 31, 2006, BLUSA reported total assets of \$5.8 billion, including net loans and leases of \$3 billion, representing approximately 52% of its total assets. Total domestic deposits were \$3.5 billion. BLUSA's total assets increased by \$100 million since the prior performance evaluation conducted as of December 31, 2004. According to Deposit Market Share report dated June 30, 2006, BLNY had total deposits of \$2.1 billion (61.9%) out of BLUSA's total domestic deposits of \$3.3 billion.

In its prior Performance Evaluation, conducted by the New York State Banking Department as of December 31, 2004, BLNY 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 BLNY's ability to meet the credit needs of its New York operation's assessment area.

Assessment Area:

BLNY's assessment area includes the five boroughs of New York City comprising Bronx, Brooklyn, New York, Queens and Richmond counties. In addition, BLNY's assessment area also include Suffolk County in its entirety. This area consists of 2537 census tracts, of which 328 or 12.9% are low- income tracts, 677 or 26.7% are moderate-income tracts, 860 or 33.9% are middle-income tracts, 606 or 23.9% are upper-income tracts and 66 or 2.6% with no information available.

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	100.0
Kings	119	15.2	297	38.0	235	30.0	117	14.9	15	1.9	783	100.0
New York	60	20.3	59	19.9	24	8.1	144	48.7	9	3.0	296	100.0
Queens	12	1.8	148	22.0	310	46.1	185	27.5	18	2.7	673	100.0
Richmond	3	2.7	11	10.0	29	26.4	65	59.1	2	1.8	110	100.0
Suffolk	2	0.6	64	20.0	197	61.6	49	15.3	8	2.5	320	100.0
Total	328	12.9	677	26.7	860	33.9	606	23.9	66	2.6	2537	100.0

The assessment area appears reasonable based on BLNY's market emphasis and designation as a wholesale institution. There is no evidence that LMI areas are arbitrarily excluded.

PERFORMANCE TEST AND ASSESSMENT FACTORS

BLNY'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 incorporates a review of BLNY's community development activities for the period January 1, 2005 to December 31, 2006 in its assessment area.

I. Community Development Test

BLNY's community development activities demonstrate an excellent responsiveness to the credit and community development needs of its assessment area. BLNY participates in community development initiatives primarily by working with intermediaries that serve its assessment area. BLNY's community development activities increased 75.3% since the prior evaluation period. During the evaluation period, BLNY's community development loans and investments totaled \$132.4 million, of which 67.1% or \$88.9 million was new money.

The chart below shows the composition of BLNY's total community development portfolio of loans and investments within its assessment area:

Community Development Portfolio – 12/31/06					
Type	No. of Comm'ts	Comm't Amt (in \$000)	%	New Money (in \$000)	%
Affordable Housing	4	2,255	1.7	2,255	2.5
Community Service	25	53	0.0	53	0.0
Economic Development	25	88,501	66.8	55,001	61.9
Revitalization/Stabilization	7	41,600	31.5	31,600	35.6
Total	61	132,409	100.0	88,909	100.0

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

- **Community Development Lending**

During the evaluation period, BLNY's community development loans totaled \$129.6 million, of which \$86.1 million was new money. BLNY's community development loans supported affordable housing, economic development, community service and projects that revitalize and/or stabilize the assessment area.

Some examples of BLNY's community development lending are briefly described below:

Economic Development

- BLNY committed a \$15.0 million line of credit to a national non-bank small business lending headquartered in New York county. The company promotes economic development by providing assistance to small businesses nationwide, which includes the assessment area. The company is primarily engaged in originating, selling, and servicing loans to small businesses under the 7(a) Guaranteed Loan Program sponsored by the SBA and the US Department of Agriculture Rural Business, Cooperative Business and Industry Guaranteed Loan Program.
- BLNY committed a line of credit of \$4.5 million and a \$7.0 million bridge loan to a private company, which operates a chain of 28 retail stores located in LMI neighborhoods of the assessment area.
- In 2005, BLNY renewed a \$14.0 million line of credit to a private company located in a moderate-income geography of Brooklyn. The line of credit was increased to \$18.0 million in 2006. The company's executive offices, warehouse and distribution center are all located in moderate-income geographies, which are surrounded by low and moderate-income areas in the assessment area. The company's ongoing operation provides employment opportunities for residents of the area that supports economic stabilization of the community.

Revitalization/Stabilization

- In 2005, BLNY extended a \$10.0 million line of credit to a private company that provides temporary workers for rebuilding of the telecommunication system. The credit line was renewed in 2006. The company sent approximately 200 workers in Louisiana, Mississippi and Florida, designated as disaster areas because of hurricanes Katrina and Rita. Rebuilding the telecommunication system will revitalize and stabilize these disaster areas.

Affordable Housing

- A secured real estate loan in the amount of \$1.6 was extended to a privately-owned company to be used for an affordable housing project in the Bronx.

- **Qualified Investments**

During the evaluation period, BLNY's qualified investments and grants totaled \$2.8 million. These investments supported economic development, affordable housing and community service.

The following is a brief description of BLNY's qualified investments:

Economic Development

- BLNY deposited \$100 thousand each (which is renewable every year) with Bethex Federal Credit Union and Union Settlement Federal Credit Union. These institutions are federally chartered institutions and are qualified community development financial institutions ("CDFIs") that serve the financial needs of LMI communities and individuals of the assessment area.
- BLNY made a \$100 thousand equity investment with State Wide Zone Capital Corporation of New York ("Statewide"). Statewide 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. These zones include the assessment area.

Affordable Housing

- BLNY invested \$2.3 million in The CRA Qualified Investment Fund, a private equity mutual fund actively managed by the CRA Fund Advisors. The fund was created to promote community and economic development while providing relative value on investments. The total amount invested by BLNY in the fund has been allocated to affordable housing development in New York City and Suffolk County.

In addition, BLNY provided grants totaling \$76.6 thousand to organizations engaged in community development activities including affordable housing, economic development and community services within the assessment area. Some of these organizations are: Neighborhood Housing Services, Habitat for Humanity, Accion, Food Bank New York City, South Bronx Overall Economic Development.

• **Community Development Services**

BLNY ascertains existing community credit needs and communicates the availability of services responsive to those needs. BLNY interacts directly with community members, including local government officials, neighborhood merchants, and representatives of community organizations, such as Partnership for Youth-Banking on the Future, Hope Community, Inc., Operation Hope, New York Cares, New York City Financial Partnership for Youth, etc.

The following are some examples of BLNY's community development services:

- A member of the CRA Committee and an employee of BLNY taught financial literacy classes with Covenant House for the benefit of low-income youths in the assessment area.

- BLNY collaborates with New York City Financial Services Partnership for Youth Program, The program provides job skills training and internship opportunities to LMI individuals. During the evaluation period, twelve of the interns from the assessment area were hired as full time employees.
- In collaboration with “New York Cares” program, BLNY’s employees donated their time and effort to revitalize city schools, classrooms and libraries in underserved school districts in New York City.
- BLNY’s employees have participated in mock interviews with the Times Square Inc. This organization, part of the Manhattan Criminal Court, developed to assist low and moderate-income individuals with prior non-violent criminal convictions, reintegrate into the New York City work force.
- BLNY’s CRA officer sits on the Board of Brooklyn Legal Services as an advisor. Brooklyn Legal Services provides legal services to low and moderate income individuals primarily in Brooklyn communities.

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 BLNY conducted concurrently with this evaluation indicated a satisfactory performance in terms of 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.

BLNY ascertains the credit needs of its community through the involvement of its CRA officer and CRA with community-based groups such as Minority Enterprise Small Business Investment Corporations and Small Business Investment Corporations. BLNY’s CRA

committee and CRA officer attend breakfast meetings, seminars, lectures and roundtable discussion with these groups to gain a more comprehensive understanding of the needs of its local community, particularly in low- and moderate-income neighborhoods of the assessment area. In addition, the CRA committee explore alternative avenues for community redevelopment participation through the request for grants from non-profit organizations, which include Neighborhood Housing Services and New York Statewide Zone Capital Corporation.

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.

BLNY's marketing effort is concentrated on its business lending services. It has a limited range of traditional consumer loan services, which are promoted in the form of posters and brochures in branch lobbies and through personal contact with potential borrowers.

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.

The board of directors participates in various CRA monitoring and oversight initiatives including the CRA Committee, the appointment of the CRA officer, self-assessment oversight report procedures and an overall review of BLNY's lending policies quarterly. The board appointed the CRA Committee to develop, oversee and monitor CRA policies and performance on a regular basis.

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.

None noted.

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 2000 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.