



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, 2006

**Institution: Victory State Bank
4142 Hylan Blvd
Staten Island, 10308**

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 Victory State Bank ("VSB") 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 ("LMI") 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 of small banking institutions are primarily based on a review of performance tests and standards described in Section 76.7 and detailed in Section 76.12. The tests and standards incorporate the 12 assessment factors contained in Section 28-b of the New York State Banking Law.

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

OVERVIEW OF INSTITUTION'S PERFORMANCE

VSB is rated "2," indicating a satisfactory record of helping to meet community credit needs. This rating is based on the following factors:

- ***Loan-to-Deposit ("LTD") Ratio and Other Lending-Related Activities:*** "Needs to improve"

VSB's LTD ratio is considered less than reasonable in light of its size, financial condition and the credit needs of its assessment area. Its average LTD ratio for twelve consecutive calendar quarters ending December 31, 2006, was 34.7%, which was significantly below the peer group's average of 82.4%.

- ***Assessment Area Concentration:*** "Outstanding"

VSB extended a substantial majority of loans in the assessment area. During the evaluation period, VSB extended 84.9% of its loans in the assessment area.

- ***Geographic Distribution of Loans:*** "Satisfactory"

VSB's geographic distribution of loans reflects a reasonable dispersion among census tracts of different income levels.

During the evaluation period, VSB extended 1.7% of its small business loans in LMI areas, which was below the total businesses LMI penetration rate of 4.8% in the assessment area.

- ***Distribution by Borrowers Characteristics:*** "Satisfactory"

VSB's lending distribution in the assessment area reflects an excellent penetration among businesses of different revenue sizes.

During the evaluation period, VSB extended 60.5% of its small business loans to businesses with revenues of \$1 million or less.

- Neither VSB nor the New York State Banking Department received any complaints with respect to its CRA performance during the evaluation period.

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:

Chartered in 1997, VSB is a commercial bank located in Staten Island, New York. In 2003, VSB Bancorp. Inc. was formed and became the holding company for VSB.

VSB offers traditional financial services to meet the needs of its communities. VSB's primary market area is Staten Island, where the largest industry is home building. As a result, VSB's highest concentration of loans was in construction lending.

As per the Federal Deposit Insurance Corporation's ("FDIC") Consolidated Report of Condition ("Call Report") as of December 31, 2006, VSB reported total assets of \$212.6 million, of which \$65.3 million were loans and lease finance receivables. It also reported total deposits of \$188.7 million, resulting in a loan-to-deposit ratio of 34.6%. According to the latest available comparative deposit data dated June 30, 2006, VSB obtained a market share of 2.4%, ranking it as ninth among 12 other deposit-taking institutions in Richmond County.

The following is a summary of VSB's lending portfolio, based on Schedule RC-C of the December 31, 2004, December 31, 2005, and December 31, 2006 Call Reports:

TOTAL GROSS LOANS OUTSTANDING						
LOAN TYPE	2004		2005		2006	
	\$000	%	\$000	%	\$000	%
Construction Loans	22,854	33.4	29,610	39.8	26,239	39.4
1-4 Residential Mortgage Loans	1,112	1.6	299	0.4	5,251	7.9
Commercial Mortgage Loans	31,741	46.4	29,795	40.1	21,269	31.9
Commercial & Industrial Loans	11,193	16.4	12,663	17.0	12,114	18.2
Consumer Loans	1,048	1.5	1,477	2.0	826	1.2
Other Loans	444	0.6	499	0.7	980	1.5
Total Gross Loans	68,392	100.0	74,343	100.0	66,679	100.0

As indicated above, VSB is a small business lender, with 89.5% of its loan portfolio composed of construction, commercial mortgage and commercial and industrial loans as of December 31, 2006.

VSB operates five full retail branches, all of which, including the corporate office are located in Richmond County. The fifth branch located in 1065 Bay Street was opened in April 2006. Four of the branches are adjacent to low-moderate income areas.

Supplementing the banking offices is an automated teller machine (ATM"), internet banking, bank-by-phone service and automated clearing house ("ACH") services. VSB has only one ATM located in the main office. In addition, VSB offers ATM cards, which are utilizing the MAC, Cirrus and NYCE networks. Other services provided by VSB are domestic and international wire transfers, traveler's checks and money orders.

Most competitors of VSB in its assessment area are larger and more established financial institutions. These institutions include local and regional banks, mortgage companies, corporate and government securities funds and credit unions.

Although VSB participates as a lender in the Small Business Administration guaranteed loan program, it did not originate any SBA loans during the evaluation period.

VSB received a rating of “2,” reflecting a “Satisfactory” record of helping to meet community credit needs at its prior Performance Evaluation conducted by the New York State Banking Department as of December 31, 2003.

There are no known financial or legal impediments that adversely impacted VSB’s ability to meet the credit needs of its community.

Assessment Area:

VSB’s assessment area is comprised of all the census tracts in Richmond County.

Due to the Metropolitan Statistical Area (“MSA”) change in 2004, Richmond County is now part of Metropolitan Division (“MD”) 35644, whereas at the previous evaluation it was part of MSA 5600.

There are 110 census tracts in the assessment area.

The following chart shows the distribution of census tracts within the assessment area:

Distribution of Assessment Area Census Tracts by Income Level							
County	Zero	Low	Moderate	Middle	Upper	Total	LMI %
Richmond	2	3	11	29	65	110	12.7
%	1.8	2.7	10.0	26.3	59.1	100	

The assessment area appears reasonable based upon the location of VSB’s offices and its lending patterns. There is no evidence that LMI areas have been arbitrarily excluded.

Details of Assessment Area:

Population: According to the 2000 US Census data, the assessment area’s population had 443 thousand residents, of which 11.6% were individuals over the age of 65 and 22.7% under age 16.

Families and households: According to the 2000 US Census data, of the 114 families in the assessment area, 27.1% were low-moderate income, 18% middle- income and 54.9% are upper income families. Of the 31.1 thousand LMI families in the assessment area, 18.9% lived in low-moderate income areas. There were 156.4 thousand households in assessment area, of which 10% lived below poverty level, and 3% were on public assistance. Approximately 61.6% of total households were low income, 12.5% were

moderate-income, 11.2% were middle income and 14.7% were upper income.

Housing: According to the 2000 US Census, 86% of the housing units in the assessment area were 1-4 family units. Owner occupied units accounted for 61%, while rental and vacant housing units accounted for 37% and 5%, respectively. The average median housing value within the assessment area was \$214.8 thousand and was median age of housing stock was 40 years.

Income: According to the 2000 US Census data, the median family income was \$64.5 thousand and U.S. Department of Housing and Urban Development (“HUD”) updated MSA median family income was \$59.2 thousand within the assessment area.

Employment:

The following table shows the annual unemployment rates for the county comprising the assessment area. The NYS rates were included for comparison.

Unemployment rate			
	2004	2005	2006
Richmond County	6.4	5.2	4.4
NY State	5.8	5.0	4.5

Business Demographic: According to the 2006 Business Geodemographic Data report, there were 25.1 thousand businesses in the assessment area, of which 98.9% were non-farm. The largest industry was service. More than 68.4% of companies had annual revenue less than \$1 million and 74.6% had less than 50 employees. Approximately 93.9% of the firms operated from one location. The 2004 and 2005 demographics are almost the same as in 2006.

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

VSB's performance was evaluated according to the small bank's performance criteria, which include the following: (1) Loan-to-Deposit Ratio and other Lending-Related Activities; (2) Assessment Area Concentration; (3) Geographic Distribution of Loans; (4) Distribution by Borrower Characteristics; and (5) Action Taken in Response to Written Complaints Regarding CRA.

The assessment period included calendar years 2004, 2005 and 2006. Examiners considered small business lending in evaluating factors (2), (3) and (4), as noted above. VSB originated a minimal quantity of consumer loans and didn't originate any HMDA-related loans during the evaluation period.

The demographic data referred to in this report was obtained from the 2000 U.S. Census. Estimated median family income figures for 2004, 2005 and 2006 were obtained from the U.S. Department of Housing and Urban Development ("HUD").

- **Loan-to-Deposit Ratio Analysis and other Lending-Related Activities:**
"Needs to improve"

VSB's LTD ratio is less than satisfactory, given its size, financial condition and the credit needs of its assessment area.

VSB's average LTD ratio for the last twelve quarters ending December 31, 2006 was 34.7%, a decrease of 11.4 percentage points from the prior evaluation period. VSB's average ratio was well below the peer group's average of 81.5%.¹

¹ The peer group is comprised of all FDIC insured commercial banks having assets between \$100 million and \$300 million operating in a metropolitan area with two or fewer full service branches. These ratios were calculated from information shown in the bank's Uniform Bank Performance Report ("UBPR") prepared by the Federal Deposit Insurance Corporation ("FDIC").

As shown in the following table, VSB's LTD ratios were consistently below the peer group's LTD ratios. VSB faces significant competition in its assessment area from large money-center banks, regional commercial and saving institutions, mortgage bankers and other local banking institutions. In addition, VSB has been adversely affected by the decrease in the construction business in the assessment area.

Loan-to-Deposit Ratios													
	2004 (Q1)	2004 (Q2)	2004 (Q3)	2004 (Q4)	2005 (Q1)	2005 (Q2)	2005 (Q3)	2005 (Q4)	2006 (Q1)	2006 (Q2)	2006 (Q3)	2006 (Q4)	Average LTD
Bank	39.1	36.4	31.3	30.6	31.5	37.4	35.7	37.1	35.1	34.5	32.5	34.6	34.7
Peer	79.2	79.9	80.9	81.4	80.7	81.7	81.9	81.7	81.8	83.2	83.3	82.4	81.5

Community Development Lending

VSB enhanced the availability of credit in its assessment area with qualified community development loans totaling \$4.1 million that supported economic development. A brief description of these loans is provided below:

- Staten Island Mental Health Society, Inc. - VSB extended two loans totaling \$4 million to Staten Island Mental Health Society, Inc. This institution runs numerous mental health programs including developmental programs, child abuse prevention, teen alcoholism and school-based mental health programs.
- New York Business Development Corp. - VSB extended three loans totaling \$150 thousand to the NYBDC. These funds were utilized to provide a broad range of financing to small- and mid-sized businesses located in New York State, including Richmond County.
- **Assessment Area Concentration: "Outstanding"**

VSB originated a substantial majority of its small business loans within its assessment area.

As shown in the table below, 84.9% of VSB's small business loans were originated within its assessment area.

Distribution of Small Business Loans Inside and Outside of the Assessment Area										
Loan Type	Number of Loans					Loans in Dollars (in thousands)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
2004	634	87.0	95	13.0	729	36,567	84.9	6,497	15.1	43,064
2005	668	84.1	126	15.9	794	46,197	89.4	5,491	10.6	51,688
2006	699	83.9	134	16.1	833	43,453	89.7	5,014	10.3	48,467
Total	2,001	84.9	355	15.1	2,356	126,217	88.1	17,002	11.9	143,219

- **Geographic Distribution of Loans: “Satisfactory”**

VSB’s geographic distribution of small business loans reflects a reasonable dispersion among census tracts of different income levels.

Since LMI census tracts represent a small portion of VSB’s assessment area, an analysis of VSB’s lending distribution across middle-income and upper-income census tracts was also performed as part of this evaluation.

In 2004, VSB originated 0.9% of its small business loans in LMI geographies but this ratio increased to 2.3% and 1.8% in 2005 and 2006, respectively.

During the evaluation period, VSB’s performance in LMI areas compares unfavorably with the percentage of businesses located in the same geographies. However, VSB’s penetration ratios in middle-income and upper-income areas were at par with the distribution of businesses in the assessment area.

The following chart provides a summary of VSB’s small business lending distribution during the evaluation period:

Distribution of Small Business Loans by Geographic Income Level						
Geography	Bank				Businesses in AA**	
Income Level	#	%	\$000	%	#	%
Low	4	0.6%	250	0.7%	158	0.7%
Moderate	2	0.3%	250	0.7%	956	4.2%
Middle	178	28.1%	9,291	25.4%	5,601	24.3%
Upper	449	70.8%	26,751	73.2%	16,286	70.7%
n/a	1	0.2%	25	0.1%	26	0.1%
Total	634	100.0%	36,567	100.0%	23,027	100.0%

Geography	Bank				Businesses in AA	
Income Level	#	%	\$000	%	#	%
Low	3	0.4%	275	0.6%	161	0.7%
Moderate	13	1.9%	909	2.0%	1,030	4.2%
Middle	146	21.9%	8,737	18.9%	5,993	24.3%
Upper	506	75.7%	36,276	78.5%	17,423	70.7%
n/a	0				21	0.1%
Total	668	100.0%	46,197	100.0%	24,628	100.0%

Geography	Bank				Businesses in AA	
Income Level	#	%	\$000	%	#	%
Low	8	1.1%	1,700	3.9%	174	0.7%
Moderate	5	0.7%	478	1.1%	1,113	4.5%
Middle	187	26.8%	7,827	18.0%	6,179	24.9%
Upper	499	71.4%	33,448	77.0%	17,338	69.8%
n/a	0				21	0.1%
Total	699	100.0%	43,453	100.0%	24,825	100.0%

* Geography income level is based upon 2000 Census data on median family income figure for the MSA. Low-income is defined as <50% of the MSA median, moderate-income is 50% to <80% of the MSA median income, middle-income is 80% to <120% and upper-income is at least 120%.

** Assessment Area

- **Distribution by Borrower Characteristics: “Satisfactory”**

The distribution of VSB’s loans based on borrower characteristics reflects adequate penetration among individuals of different income levels and businesses of different sizes.

During the evaluation period (2004-2006), VSB extended 1,211 loans, which represented \$87.5 million, to small businesses with an annual revenue of \$1million or less.

In 2004, VSB extended 64.8% of the small business loans to businesses with gross annual revenues of \$1million or less. This rate is reasonable compared to the 67.5% of the businesses in the assessment area in this revenue category.

In 2005, VSB’s lending to comparable businesses declined to 59.3% in number but remained at approximately 71% by dollar amount. Given the number of businesses with

revenue of \$1million or less in the assessment area, this rate is reasonable.

In 2006, VSB's small business lending dropped to 57.8%. However, this rate is still adequate in light of the demographics of the assessment area. In addition, approximately 88% of VSB's small business loans were less or equal to \$100 thousand in amount.

For comparison, the following table provides a summary of VSB's small business lending distribution based on borrower revenues during the evaluation period:

Distribution of Small Business Loans by Business Revenue Size						
Revenue	Bank				Businesses in AA*	
Size	#	%	\$000	%	#	%
\$1million or less	411	64.8%	26,030	71.2%	15,535	67.5%
Over \$1 million	223	35.2%	10,537	28.8%	894	3.9%
No Revenue Info		0.0%		0.0%	6,598	28.7%
Total	634	100.0%	36,567	100.0%	23,027	100.0%
Revenue	Bank				Businesses in AA*	
Size	#	%	\$000	%	#	%
\$1million or less	396	59.3%	33,195	71.9%	16,234	65.9%
Over \$1 million	272	40.7%	13,002	28.1%	893	3.6%
No Revenue Info		0.0%		0.0%	7,501	30.5%
Total	668	100.0%	46,197	100.0%	24,628	100.0%
Revenue	Bank				Businesses in AA*	
Size	#	%	\$000	%	#	%
\$1million or less	404	57.8%	28,313	65.2%	16,968	68.4%
Over \$1 million	295	42.2%	15,140	34.8%	923	3.7%
No Revenue Info		0.0%		0.0%	6,934	27.9%
Total	699	100.0%	43,453	100.0%	24,825	100.0%

* Assessment Area

- **Action Taken In Response to Written Complaints With Respect to CRA**

Since the latest CRA evaluation conducted as of December 31, 2003, neither VSB nor the New York State Banking Department has received any written complaints related to CRA.

- **Discrimination and other Illegal Practices**

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

Examiners noted no practices that were intended to discourage applications for the types of credit offered by VSB.

Evidence of prohibited discriminatory or other illegal credit practices.

The most recent regulatory compliance and fair lending examinations conducted concurrently with this evaluation indicate satisfactory adherence to anti-discrimination and other applicable laws and regulations. No evidence of prohibited discriminatory or other illegal credit practices was noted.

- **Process 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 board of directors and senior management of VSB are board members with various community organizations in its assessment area. VSB management is also volunteer to assist these organizations during the community events the organizations sponsor. These organizations include West Brighton Local Development Corporation, Seaman's Society for Children, Staten Island Business Council and the Staten Island Chamber of Commerce. This involvement allows VSB the opportunity to ascertain the credit needs of the community by working with community leaders and groups. In addition, VSB's president calls on local businesses to assess what their credit needs include.

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.

VSB communicates its credit services to the community through its officers and directors, who actively participate in local community activities and organizations, such as those listed above. VSB promotes its credit facilities and products during community meetings.

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 monitors and reviews VSB's CRA policy and performance at its monthly board meetings.

- **Other Factors**

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.

During the evaluation period, Victory State Bank donated \$71 thousand to various charitable and civic organizations within its assessment area. These charities include Seamen's Society for Children and Families and The West Brighton Community Local Development Corporation.

GLOSSARY

Aggregate

The cumulative lending by all HMDA-reporting lenders in the same geographic area under evaluation.

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:

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- 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;

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- ❖ 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.

Home Mortgage Disclosure Act (“HMDA”)

The Home Mortgage Disclosure Act, enacted by Congress in 1975, and subsequently amended, requires institutions to annually report data about applications for residential (including multifamily) financing.

Loans to Small Businesses

Small business loans to businesses with gross annual revenues of \$1 million or less.

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 non-metropolitan median family income.

LMI Borrowers

Borrowers whose income, as reported on the loan application which the lender relied upon in making the credit decision, is less than 80% of the area median family income. In the case where the residential property is located 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 non-metropolitan median family income. In all instances, the area median family incomes used to measure borrower income levels are updated annually by the U.S. Department of Housing and Urban Development (“HUD”).

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 non-metropolitan median family income. In all

instances, the area median family incomes used to measure individual income levels are updated annually by HUD.

LMI Penetration Rate

A number that depicts the percentage of a bank's total loans (for a particular product) that was extended to LMI geographies or borrowers. For example, an LMI penetration rate of 20% would indicate that the bank made 20 out of a total of 100 loans to LMI geographies or borrowers.

Small Business Loans

Loans to businesses with original amounts of \$1 million or less.