



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

**PUBLIC SUMMARY**

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

**Date of Evaluation:** December 31, 2007

**Institution:** Shinhan Bank America  
330 Fifth Avenue  
New York, NY 10001

**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 the New York operations of Shinhan Bank America (“Shinhan”) 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, 2007.

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 ratings 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**

Shinhan is rated "2," indicating a satisfactory record of helping to meet community credit needs.

#### **I. Lending Test - "Satisfactory"**

- Shinhan's loan to deposit ("LTD") ratio is reasonable given its size, financial condition and the credit needs of its assessment area.
- Shinhan originated a substantial majority of its loans within its assessment area; 86.8% of all small business loans by number and 92.6% by dollar volume were originated within the assessment area.
- Shinhan's distribution of small business loans reflected a reasonable dispersion across geographies of different income levels.
- Distribution of Shinhan's borrowers reflected a reasonable penetration among customers of different income levels and businesses of different sizes, given the product lines offered.

#### **II. Community Development Test - "Satisfactory"**

- During the evaluation period, Shinhan originated one, fairly large community development loan for \$3.5 million. No community development lending took place prior to the evaluation period.
- Shinhan's qualified investments and grants during the evaluation period totaled \$2.7 million.
- Shinhan provides an adequate level of community development services. Shinhan's management and staff provided financial services technical assistance to organizations and programs that provide community-based services, promote economic development for small businesses within this assessment area, or revitalize and stabilize low-and moderate-income geographies within the bank's assessment area.

Neither Shinhan, nor the New York State Banking Department received any written complaints with respect to the bank's 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:**

Shinhan, a wholly-owned subsidiary of Chohung Bank in South Korea ("CHBK"), was formed in 1990 as a New York State chartered banking institution under the name of Chohung Bank of New York. In 2003, Chohung Bank of New York merged with another subsidiary of CHBK – California Chohung Bank – and changed its name to CHB America Bank. In 2006, CHBK merged into Shinhan Bank, and CHB America Bank was renamed to Shinhan Bank America ("Shinhan"). In November 2007, Shinhan acquired North Atlanta National Bank and formed a division named North Atlanta Bank.

Shinhan is a multi-state bank headquartered in New York City. Shinhan's operations are divided into three regions: California Region, Georgia Region and New York Region (which includes New Jersey). Five full-service branches are located in California, two in Georgia, two in New Jersey and four in New York. Of the four New York branches, three are located in Bayside and Flushing in Queens County, and one is located in Midtown Manhattan (New York County), near the bank's head office. The Flushing branch is located in a moderate-income census tract, the Bayside branch and the Northern-150 branch are located in middle-income tracts, and the Manhattan branch is located in an upper-income tract.

Shinhan is focused on providing financial services to the ethnic Korean community in the New York metropolitan area. As the Asian-American population increased over time and expanded beyond the five boroughs of New York City, the bank kept up by opening New Jersey branches. Shinhan is one of many banks that focuses on serving the financial needs of Korean and other Asian Americans. Liberty Bank of New York, Woori America Bank, Nara Bank, N.A., Chinese American Bank, United Orient Bank, Bank of East Asia and Abacus Federal Savings Bank are examples of other banks with similar target markets.

Shinhan reported total assets of \$914 million as of December 31, 2007, a significant increase from the \$351.5 million in reported assets during the prior evaluation. The increase was due to the acquisition of North Atlanta National Bank in late 2007, as well as the growth of business through new branch openings.

Net loans and leases amounted to \$699.4 million and deposits were \$801.3 million, which resulted in a loan-to-deposit ratio of 87.3%.

Based on the FDIC's deposit market share report of June 30, 2007, Shinhan accounted for approximately 0.05% market share of the \$611.8 billion deposit pool inside its market. This deposit market share placed Shinhan 78<sup>th</sup> among 158 deposit-taking institutions in the counties of Bronx, Kings, Nassau, New York, Orange, Putnam, Queens, Richmond, Rockland, Suffolk and Westchester.

The bank is primarily a commercial real estate lender. As of December 31, 2007, Shinhan's loan portfolio included 79.6% commercial mortgage loans, 10.3% commercial

and industrial loans, and 6.3% construction loans. From 12/31/2005 to 12/31/2007, the bank's gross loan portfolio increased by \$355.4 million, more than double its size since the last evaluation. The most significant contributor to the increase was the growth of commercial mortgage loans.

The following chart is a summary of the bank's lending portfolio, based on Schedule RC-C of the bank's 2005, 2006 and 2007 year-end Call Reports:

<b>TOTAL GROSS LOANS OUTSTANDING</b>						
LOAN TYPE	12/31/2005		12/31/2006		12/31/2007	
	\$(000s)	%	\$(000s)	%	\$(000s)	%
Commercial Mortgage Loans	261,084	74.6	351,860	78.0	561,471	79.6
Commercial & Industrial Loans	67,408	19.3	66,856	14.8	72,728	10.3
Construction Loans	3,385	1.0	6,767	1.5	44,564	6.3
1-4 Residential Mortgage Loans	12,861	3.7	9,819	2.2	16,314	2.3
Multifamily Mortgage Loans	3,253	0.9	13,667	3.0	7,747	1.1
Consumer Loans	1,603	0.5	1,897	0.4	2,015	0.3
Other Loans	545	0.2	340	0.1	677	0.1
<b>Total Gross Loans</b>	<b>350,139</b>	<b>100.0</b>	<b>451,206</b>	<b>100.0</b>	<b>705,516</b>	<b>100.0</b>

Shinhan participates in government-guaranteed or sponsored loan programs – specifically the Small Business Administration (SBA) loans, (e.g., the SBA 504 Program), with the goal of promoting economic development throughout the assessment area.

The previous CRA evaluation of Shinhan conducted by the New York State Banking Department as of December 31, 2004, resulted in a rating of “2,” a satisfactory record of helping to meet community credit needs. Due to the bank's rapid growth, the current evaluation was conducted under the small-to-intermediate bank criteria.

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

**Assessment Area:**

Shinhan's assessment area includes 11 counties located in New York City. The following eight counties make up the Metropolitan Division<sup>1</sup> 35644: Bronx, Kings, New York, Queens, Richmond, Putnam, Rockland and Westchester. The assessment area also includes Nassau and Suffolk Counties – which comprise MD 35004 – and Orange County, which is part of Metropolitan Statistical Area 39100.

The assessment area consists of 3,179 census tracts, of which 341 were low-income, 734 moderate-income, 1,121 middle-income, 905 upper-income, and 78 zero-income tracts. Overall, LMI tracts made up 33.8% of the census tracts in the assessment area. Significant differences in the geographic distribution by income level exist however, among the 11

<sup>1</sup> Metropolitan Divisions (MDs) and Metropolitan Statistical Areas (MSAs) are defined by the U.S. Office of Management and Budget.

counties of the assessment area. Bronx County has the largest number of LMI tracts relative to other income levels (64.8%), while Putnam County has no LMI census tracts.

The following chart shows the income-level distribution of the census tracts by counties:

Distribution of Census Tracts Within the Assessment Area								
County	Zero- Income	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total Census	LMI Tracts	
							#	%
<b>Bronx</b>	14	132	98	65	46	355	230	<b>64.8</b>
<b>Kings</b>	15	119	297	235	117	783	416	<b>53.1</b>
<b>Nassau</b>	8	2	20	178	69	277	22	<b>7.9</b>
<b>New York</b>	9	60	59	24	144	296	119	<b>40.2</b>
<b>Orange</b>	0	5	14	35	13	67	19	<b>28.4</b>
<b>Putnam</b>	0	0	0	0	19	19	0	<b>0</b>
<b>Queens</b>	18	12	148	310	185	673	160	<b>23.8</b>
<b>Richmond</b>	2	3	11	29	65	110	14	<b>12.7</b>
<b>Rockland</b>	0	2	2	9	45	58	4	<b>6.9</b>
<b>Suffolk</b>	8	2	64	197	49	320	66	<b>20.6</b>
<b>Westchester</b>	4	4	21	39	153	221	25	<b>11.3</b>
<b>Total</b>	<b>78</b>	<b>341</b>	<b>734</b>	<b>1121</b>	<b>905</b>	<b>3179</b>	<b>1075</b>	<b>33.8</b>

The assessment area appears larger than necessary, based on the location of the bank's offices and its lending patterns. However, there is no evidence that LMI areas have been arbitrarily excluded.

Selected Business Demographic Data:

The largest industry in the assessment area was service providers consisting of 37.9% of the total businesses. Retail trade and finance, insurance and real estate were the second and third largest industries, which accounted for 15.8% and 9.6%, respectively.

During the evaluation period, the annual average unemployment rates for New York State between 2005 and 2007 were 5.0%, 4.6% and 4.5% respectively. The same trend with slightly higher unemployment rates has been noted for the five counties of New York City during these same years: 5.8%, 5.0% and 5.0% respectively. While similar trends also were observed in the rest of the assessment area, the average unemployment rates in the other counties were significantly lower than in the five boroughs. For the years 2005, 2006 and 2007, unemployment rates in the Nassau-Suffolk MD stood at 4.2%, 3.9% and 3.7%, respectively. For the same period, the average unemployment rates in Putnam, Rockland and Westchester Counties were 4.0%, 3.8% and 3.7%, respectively.

The following is a list of the demographic charts included in the evaluation to show demographic and economic data for each county comprising the bank's assessment area.

*Chart #1: Shows population and income.*

*Chart #2: Shows housing demographics.*

*Chart #3: Shows business demographics.*

*Chart #4: Shows industrial classification.*

CHART # 1

SHINHAN BANK AMERICA - 2007																					
ASSESSMENT AREA POPULATION AND INCOME CHARACTERISTICS BY COUNTY & MSA																					
COUNTY	Total Population	Age 65 and over		Age 16 and less		Median Family Income(MFI)	HUD MSA MFI	Total Households	Total HH below poverty level		Total Families	Low income		Moderate income		Middle income		Upper income		LMI families in LMI tracts	
	#	#	%	#	%	\$	\$	#	#	%	#	#	%	#	%	#	%	#	%	#	%
Bronx	1,332,650	133,948	10.1	356,895	26.8	33,099	59,500	463,242	134,404	29.0	317,248	133,175	42.0	58,715	18.5	51,854	16.3	73,504	23.2	163,697	85.3
Kings	2,465,326	282,658	11.5	587,575	23.8	39,349	59,500	881,006	211,538	24.0	588,870	211,549	35.9	103,997	17.7	99,118	16.8	174,206	29.6	233,373	74.0
Nassau	1,334,544	200,841	15.0	293,128	22.0	85,752	93,800	447,803	23,537	5.3	349,694	58,413	16.7	59,669	17.1	80,471	23.0	151,141	43.2	17,024	14.4
New York	1,537,195	186,776	12.2	229,772	14.9	71,629	59,200	739,167	123,037	16.6	306,220	89,281	29.2	40,700	13.3	38,804	12.7	137,435	44.9	100,358	77.2
Orange	341,367	35,185	10.3	88,699	26.0	61,313	76,400	114,809	10,461	9.1	85,028	17,610	20.7	15,465	18.2	20,475	24.1	31,478	37.0	11,861	35.9
Putnam	95,745	9,147	9.6	22,467	23.5	82,440	59,500	32,742	1,306	4.0	25,415	1,669	6.6	2,230	8.8	3,878	15.3	17,638	69.4	0	0.0
Queens	2,229,379	283,042	12.7	453,930	20.4	49,815	59,200	782,646	110,462	14.1	542,804	123,580	22.8	94,780	17.5	108,206	19.9	216,238	39.8	84,937	38.9
Richmond	443,728	51,433	11.6	100,675	22.7	64,545	59,500	156,416	15,815	10.1	114,667	17,182	15.0	13,876	12.1	20,679	18.0	62,930	54.9	5,893	19.0
Rockland	286,753	33,853	11.8	72,084	25.1	79,882	59,500	92,744	6,955	7.5	71,741	8,154	11.4	6,852	9.6	10,431	14.5	46,304	64.5	2,145	14.3
Suffolk	1,419,369	167,558	11.8	332,521	23.4	74,455	93,800	469,535	26,498	5.6	362,857	70,052	19.3	72,922	20.1	91,882	25.3	128,001	35.3	44,099	30.8
Westchester	923,459	128,964	14.0	207,207	22.4	89,228	59,500	337,486	28,554	8.5	237,010	30,205	12.7	24,729	10.4	33,274	14.0	148,802	62.8	14,189	25.8
<b>TOTAL A/A</b>	<b>12,409,515</b>	<b>1,513,405</b>	<b>12.2</b>	<b>2,744,953</b>	<b>22.1</b>	<b>60,381</b>	<b>66,298</b>	<b>4,517,596</b>	<b>692,567</b>	<b>15.3</b>	<b>3,001,554</b>	<b>760,870</b>	<b>25.3</b>	<b>493,935</b>	<b>16.5</b>	<b>559,072</b>	<b>18.6</b>	<b>1,187,677</b>	<b>39.6</b>	<b>677,576</b>	<b>54.0</b>

CHART # 2

SHINHAN BANK AMERICA ASSESSMENT AREA HOUSING CHARACTERISTICS BY COUNTY																				
COUNTY	Total Housing Units	1-4 family Units		Multifamily Units		Owner-Occupied Units (O-O)		O-O Units in Low-income Tracts		O-O Units in Mod-income Tracts		O-O Units in Mid-income Tracts		O-O Units in Upp-income Tracts		Rental Occupied Units		Vacant/ Boarded-up Units		Median House Value
		#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	\$
Bronx	490,659	133,164	27.1	357,495	72.9	90,522	18.4	11,370	12.6	20,802	23.0	33,285	36.8	25,066	27.7	372,690	76.0	27,447	5.6	159,625
Kings	930,866	456,744	49.1	474,122	50.9	238,290	25.6	13,368	5.6	77,659	32.6	92,885	39.0	54,378	22.8	642,437	69.0	50,139	5.4	235,737
Nassau	458,151	409,201	89.3	48,950	10.7	359,257	78.4	647	0.2	16,993	4.7	236,571	65.9	94,197	26.2	88,130	19.2	10,764	2.3	278,789
New York	798,144	28,752	3.6	769,392	96.4	148,695	18.6	3,881	2.6	12,773	8.6	7,108	4.8	124,934	84.0	589,949	73.9	59,500	7.5	345,099
Orange	122,754	107,886	87.9	14,868	12.1	76,948	62.7	1,924	2.5	8,080	10.5	48,785	63.4	18,160	23.6	37,840	30.8	7,966	6.5	146,546
Putnam	35,030	33,246	94.9	1,784	5.1	26,884	76.7	0	0.0	0	0.0	0	0.0	26,884	0.0	5,819	16.6	2,327	6.6	208,423
Queens	817,250	495,075	60.6	322,175	39.4	334,894	41.0	1,005	0.3	43,101	12.9	162,089	48.4	128,633	38.4	447,770	54.8	34,586	4.2	199,093
Richmond	163,993	141,348	86.2	22,645	13.8	99,732	60.8	499	0.5	3,790	3.8	18,351	18.4	77,093	77.3	56,609	34.5	7,652	4.7	214,761
Rockland	94,973	79,015	83.2	15,958	16.8	66,461	70.0	598	0.9	465	0.7	5,583	8.4	59,815	90.0	26,214	27.6	2,298	2.4	228,035
Suffolk	522,323	484,343	92.7	37,980	7.3	374,371	71.7	936	0.3	72,591	19.4	237,988	63.6	62,819	16.8	94,928	18.2	53,024	10.2	207,175
Westchester	349,445	237,328	67.9	112,117	32.1	202,765	58.0	507	0.3	4,887	2.4	20,621	10.2	176,547	87.1	134,377	38.5	12,303	3.5	285,775
<b>TOTAL A/A</b>	<b>4,783,588</b>	<b>2,606,102</b>	<b>54.5</b>	<b>2,177,486</b>	<b>45.5</b>	<b>2,018,819</b>	<b>42.2</b>	<b>34,735</b>	<b>1.7</b>	<b>261,141</b>	<b>12.9</b>	<b>863,266</b>	<b>42.8</b>	<b>848,526</b>	<b>42.0</b>	<b>2,496,763</b>	<b>52.2</b>	<b>268,006</b>	<b>5.6</b>	<b>241,216</b>

CHART # 3

<b>SHINHAN BANK AMERICA - 2007 BUSINESS DEMOGRAPHICS BY COUNTY</b>											
COUNTY	Number of Businesses	Businesses with Rev. of \$1 million or less		Businesses with Rev. of more than \$1 million		Businesses with no revenues reported		Businesses with less than 50 employees		Operating from a single location	
		#	%	#	%	#	%	#	%	#	%
<b>Bronx</b>	47,595	34,300	72.1	1,931	4.1	11,364	23.9	37,321	78.4	44,565	93.6
<b>Kings</b>	131,882	93,541	70.9	5,610	4.3	32,731	24.8	101,114	76.7	125,472	95.1
<b>Nassau</b>	132,977	93,765	70.5	7,483	5.6	31,729	23.9	103,851	78.1	124,329	93.5
<b>New York</b>	249,633	162,992	65.3	23,386	9.4	63,255	25.3	191,601	76.8	223,275	89.4
<b>Orange</b>	27,494	19,036	69.2	1,219	4.4	7,239	26.3	21,633	78.7	24,846	90.4
<b>Putnam</b>	7,980	5,821	72.9	318	4.0	1,841	23.1	6,336	79.4	7,510	94.1
<b>Queens</b>	112,658	80,891	71.8	5,509	4.9	26,258	23.3	88,505	78.6	106,051	94.1
<b>Richmond</b>	26,097	18,504	70.9	942	3.6	6,651	25.5	20,013	76.7	24,653	94.5
<b>Rockland</b>	26,789	18,842	70.3	1,253	4.7	6,694	25.0	20,781	77.6	24,960	93.2
<b>Suffolk</b>	136,291	96,740	71.0	7,820	5.7	31,731	23.3	107,847	79.1	126,929	93.1
<b>Westchester</b>	87,622	61,967	70.7	4,911	5.6	20,744	23.7	69,214	79.0	80,881	92.3
<b>Total A/A</b>	987,018	686,399	69.5	60,382	6.1	240,237	24.3	768,216	77.8	913,471	92.5

CHART # 4

SHINHAN BANK AMERICA - 2007 ASSESSMENT AREA STANDARD INDUSTRIAL CLASSIFICATION* BY COUNTY																				
COUNTY	Establishment Total		Service Providers		Retail Trade		Finance, Insurance and Real Estate		Wholesale Trade		Construction		Manufacturing		Transportation and Communication		Non-Classifiable Establishments		Other Establishments	
	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%
	Bronx	47,595	4.8	17,381	36.5	11,058	23.2	4,126	8.7	1,913	4.0	2,802	5.9	1,098	2.3	1,905	4.0	6,932	14.6	380
Kings	131,882	13.4	45,731	34.7	26,597	20.2	10,998	8.3	7,230	5.5	7,576	5.7	4,426	3.4	5,375	4.1	23,120	17.5	829	0.6
Nassau	132,977	13.5	51,102	38.4	19,058	14.3	13,901	10.5	6,358	4.8	9,425	7.1	4,078	3.1	4,742	3.6	21,930	16.5	2,383	1.8
New York	249,633	25.3	104,886	42.0	36,039	14.4	28,786	11.5	15,572	6.2	4,467	1.8	11,664	4.7	7,431	3.0	38,707	15.5	2,081	0.8
Orange	27,494	2.8	9,586	34.9	4,475	16.3	2,190	8.0	1,067	3.9	2,848	10.4	859	3.1	1,031	3.7	4,194	15.3	1,244	4.5
Putnam	7,980	0.8	2,728	34.2	1,041	13.0	617	7.7	254	3.2	1,198	15.0	252	3.2	275	3.4	1,276	16.0	339	4.2
Queens	112,658	11.4	38,674	34.3	21,651	19.2	9,177	8.1	5,986	5.3	9,064	8.0	3,458	3.1	6,474	5.7	17,257	15.3	917	0.8
Richmond	26,097	2.6	9,313	35.7	4,194	16.1	2,216	8.5	932	3.6	2,749	10.5	511	2.0	1,054	4.0	4,729	18.1	389	1.5
Rockland	26,789	2.7	10,264	38.3	3,820	14.3	2,477	9.2	1,178	4.4	2,161	8.1	818	3.1	874	3.3	4,514	16.9	683	2.5
Suffolk	136,291	13.8	48,211	35.4	19,515	14.3	11,152	8.2	6,537	4.8	14,934	11.0	5,862	4.3	4,827	3.5	21,019	15.4	4,234	3.1
Westchester	87,622	8.9	35,263	40.2	11,994	13.7	8,796	10.0	3,271	3.7	7,158	8.2	2,614	3.0	2,950	3.4	13,477	15.4	2,099	2.4
<b>TOTAL A/A**</b>	<b>987,018</b>	<b>100.0</b>	<b>373,139</b>	<b>37.8</b>	<b>159,442</b>	<b>16.2</b>	<b>94,436</b>	<b>9.6</b>	<b>50,298</b>	<b>5.1</b>	<b>64,382</b>	<b>6.5</b>	<b>35,640</b>	<b>3.6</b>	<b>36,938</b>	<b>3.7</b>	<b>157,155</b>	<b>15.9</b>	<b>15,578</b>	<b>1.6</b>

\*The Standard Industrial Classification codes are set by the Occupational Safety & Health Administration of the U.S. Department of Labor

\*\*Assessment Area

**PERFORMANCE TESTS AND ASSESSMENT FACTORS**

*Shinhan’s performance was evaluated according to the intermediate small bank performance criteria, which include a lending test and a community development test. The lending test includes the following: (1) Loan-to-Deposit Ratio; (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 community development test includes the bank’s community development lending, investment and service activities.*

The evaluation covers years from 2005 to 2007. Statistics used in this evaluation were derived from various sources. The demographic data was obtained from the 2000 U.S. Census data. The 2007 updated median family income figures were obtained from the U.S. Department of Housing and Urban Development (“HUD”) estimates. In addition to specific loan information provided by the bank, aggregate data for small business loans was obtained from the Federal Financial Institution Examination Council (“FFIEC”) and PCI Services, Inc.’s CRA WIZ, an external contractor.

**I. Lending Test: “Satisfactory”**

Examiners considered small business loans in evaluating factors (2), (3), and (4) of the Lending Test. To ensure data accuracy, a sample of 114 small business loans originated in 2006 and 2007 was selected as the test sample size. With the sample size above the necessary threshold for 90% confidence level, the accuracy was sufficiently high.

**Loan-to-Deposit Ratio Analysis: “Satisfactory”**

Shinhan’s LTD ratio was considered good given its size, financial condition and the credit needs of the assessment area.

Shinhan’s average LTD ratio for the 12 quarters since the prior evaluation was 86.5%, about the same as the peer group’s 86.8%<sup>2</sup>.

The following table illustrates Shinhan’s and its peer group’s LTD ratios for the 12 quarters ending December 31, 2007:

<b>Loan-to-Deposit Ratios</b>													
	2005	2005	2005	2005	2006	2006	2006	2006	2007	2007	2007	2007	Average
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	LTD
Bank	88.58	84.77	85.42	87.44	89.96	79.15	80.77	85.16	87.83	85.10	96.33	87.28	<b>86.48</b>
Peer	84.87	86.00	85.89	85.43	85.54	87.00	87.60	86.83	86.56	87.86	88.56	89.45	<b>86.80</b>

<sup>2</sup> These ratios were calculated from information shown in the bank’s Uniform Bank Performance Report (“UBPR”) as prepared by the FDIC. The bank’s peer group includes all insured commercial banks having assets between \$300 million and \$1 billion. The UBPR peer group is a national peer group and includes banks that may be operating in very different economic environments.

### Assessment Area Concentration: “Outstanding”

During 2006 and 2007, Shinhan originated a substantial majority of its small business loans within the assessment area – 86.8% by number and 92.6% by dollar volume. In 2006 alone, the bank originated 86.2% by number and 92.2% by dollar volume of loans within the assessment area. The 2007 percentages were slightly higher, 87.8% and 93.2% respectively.

The following table illustrates the distribution of small business loans originated inside and outside of the assessment area:

Distribution of Small Business Loans originated Inside and Outside the AA										
Year	Number of Loans					Loans in Dollars (in thousands)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
2006	56	86.2	9	13.8	65	17,381	92.2	1463	7.8	18,844
2007	43	87.8	6	12.2	49	11,437	93.2	830	6.8	12,267
<b>2-year total</b>	<b>99</b>	<b>86.8</b>	<b>15</b>	<b>13.2</b>	<b>114</b>	<b>28,818</b>	<b>92.6</b>	<b>2,293</b>	<b>7.4</b>	<b>31,111</b>

### Geographic Distribution of Loans: “Satisfactory”

The bank’s distribution of small business loans reflects a reasonable dispersion across different geographic income levels within the assessment area.

In 2006, Shinhan originated 21.5% of its small business loans within LMI geographies, which was better than the aggregate of 18.5%. However, the dollar volume of small business loans originated in LMI tracts was 18.5% of the entire assessment area originations, which was slightly less than the aggregate’s 19.7%.

In 2007, Shinhan’s small business lending in LMI geographies decreased to 18.6% by number and 7.7% by dollar volume. No aggregate data was available at the time of this evaluation.

The chart on the next page summarizes the bank’s distribution of small business loans by geographic income level.

Distribution of Small Business Loans by Geographic Income Level*								
Geography Income Level	Bank				Aggregate			
	#	%	\$000's	%	#	%	\$000's	%
Low	3	5.4	1,050	6.0	26,708	3.8	538,001	4.4
Moderate	9	16.1	2,168	12.5	102,176	14.7	1,860,757	15.3
Middle	18	32.1	3,893	22.4	242,718	34.8	4,056,604	33.3
Upper	26	46.4	10,270	59.1	322,010	46.2	5,626,819	46.1
NA					3,828	0.5	117,723	1.0
<b>Total</b>	<b>56</b>	<b>100.0</b>	<b>17,381</b>	<b>100.0</b>	<b>697,440</b>	<b>100.0</b>	<b>12,199,904</b>	<b>100.0</b>
Geography Income Level	Bank				Aggregate			
	#	%	\$000's	%	#	%	\$000's	%
Low	3	7.0	425	3.7				
Moderate	5	11.6	457	4.0				
Middle	15	34.9	3,391	29.6				
Upper	20	46.5	7,164	62.6				
NA		0.0		0.0				
<b>Total</b>	<b>43</b>	<b>100.0</b>	<b>11,437</b>	<b>100.0</b>				
<b>LMI 2-year</b>	<b>20</b>	<b>20.2</b>	<b>4,100</b>	<b>14.2</b>				
<b>Total</b>	<b>99</b>	<b>100.0</b>	<b>28,818</b>	<b>100.0</b>				

\* Borrower income level is based upon the Department of Housing and Urban Development's annual estimate of median family income figure for the MSA of the mortgaged property. Low income is defined as <50% of the MSA median, moderate income is 50% to <80%,

### Distribution by Borrower Characteristics: "Satisfactory"

Shinhan's distribution of small business loans based on borrower characteristics reflects a reasonable penetration among businesses of different revenue sizes.

In 2006, Shinhan originated 33.9% of its loans to businesses with annual revenues of \$1 million or less, compared to the aggregate's 29.7%.

In 2007, Shinhan's lending to businesses with revenues of \$1 million or less decreased to 30.2%. Overall, when the two years are combined, Shinhan made 32.3% of its loans to businesses with revenues less than \$1 million, which is a reasonable level.

The table on the next page illustrates the distribution of small business loans by business revenue size for 2006 and 2007.

Distribution of Small Business Loans by Business Revenue Size								
2006								
Business Revenue Level	Bank				Aggregate			
	#	%	\$(000's)	%	#	%	\$(000's)	%
\$1million or less	19	33.9	4,309	24.8	207,277	29.7	5,007,234	41.0
Over \$1 million	26	46.4	9,865	56.8	-	-	-	-
No Revenue Info	11	19.6	3,207	18.5	-	-	-	-
<b>Total</b>	<b>56</b>	<b>100.0</b>	<b>17,381</b>	<b>100.0</b>	<b>697,440</b>	<b>100.0</b>	<b>12,199,904</b>	<b>100.0</b>
2007								
Business Revenue Level	Bank				Aggregate			
	#	%	\$(000's)	%	#	%	\$(000's)	%
\$1million or less	13	30.2	1,805	15.8	<i>not available</i>			
Over \$1 million	9	20.9	3,737	32.7				
No Revenue Info	21	48.8	5,895	51.5				
<b>Total</b>	<b>43</b>	<b>100.0</b>	<b>11,437</b>	<b>100.0</b>				
<b>2 Year Total</b>	<b>99</b>	<b>100.0</b>	<b>28,818</b>	<b>100.0</b>				
<b>Total &lt;\$1 million</b>	<b>32</b>	<b>32.3</b>	<b>6,114</b>	<b>21.2</b>				

## Action Taken in Response to Written Complaints With Respect to CRA

Neither Shinhan nor the New York State Banking Department has received any written complaints regarding the bank's CRA performance since the latest CRA evaluation conducted as of December 31, 2004.

## II. Community Development Test: "Satisfactory"

Shinhan's community development performance demonstrates adequate responsiveness to community development needs in its assessment area through community development loans, qualified investments, and community development services.

### Community Development Loans

Shinhan's community development commitments totaled \$3.5 million. The bank extended a \$3.5-million commercial real estate loan to a real estate holding company with the purpose of expanding an existing building by constructing a new building attached to it. The subject property is located at the east side of Coney Island Avenue, Brooklyn (Kings County), New York, in a moderate-income tract. Currently, the basement commercial building is utilized as a restaurant/club. Additionally, the realtor has a plan to lease one or more units for retail businesses. The loan facilitated the economic development and stabilization of the area.

### Qualified Investments

For the evaluation period, qualified investments, including grants, totaled \$2.7 million, which was adequate considering the bank's rapid growth and the fact that it made its first

community development investments during the current evaluation period.

The following table details the bank’s qualified investments:

<b>Investment</b>	<b>Type of Facility</b>	<b>Dollar Commitment</b>
New York National Bank	CD	99,000
First American International Bank	CD	99,000
Carver Federal Savings bank	CD	99,000
FHLMC (3128K35Z6)	MBS*	418,802
FNMA (31377TAUO)	MBS	1,882,943
<b><i>Investment sub-total</i></b>		<b>2,598,745</b>
grants/donations		86,633
<b>TOTAL</b>		<b>2,685,378</b>

(\*) Mortgage Backed Securities

The following is a brief description of the qualified investments made by the bank:

1. New York National Bank (“NYNB”) – in February 2006, the bank invested in a \$99 thousand one-year certificate of deposit with NYNB. NYNB is a minority-owned Community Development Financial Institution that is engaged in financing community development projects in under-served areas.
2. Carver Federal Savings Bank (“Carver”) – also in February 2006, Shinhan opened a certificate of deposit for \$99 thousand with Carver. Carver is designated by the U.S. Department of Treasury (“DOT”) as a Community Development Financial Institution (CDFI). The certification indicates that the entity’s primary mission and operational purpose are to address the community development needs of those areas in which it operates and serves.
3. First American International Bank (“FAIB”) – in February 2006, Shinhan placed a \$99-thousand one-year certificate of deposit with FAIB. FAIB is also certified as a CDFI by the DOT.
4. During the evaluation period, Shinhan purchased \$2.3 million of qualified community development investments (FNMA and FHLMC mortgage-backed securities), collateralized by properties located in its assessment area’s LMI geographies and/or neighborhoods that are designated as underserved or distressed.

For the evaluation period, the bank provided qualified grants/donations totaling \$86.6 thousand to a variety of organizations engaged in developing affordable housing, enhancing economic development, stabilization and revitalization, as well as delivering community development services.

#### Community Development Services

Shinhan provides an adequate level of community development services.

Shinhan's management and staff provided technical financial assistance to organizations and programs that provide community-based services, promote economic development for small businesses, and revitalize and stabilize low-and moderate-income geographies within the bank's assessment area. Examples of the bank's involvement are provided below:

- Shinhan's employees and managers participated in four Small Business Administration ("SBA") seminars that provided guidance to small businesses on SBA loan criteria and other financial services offered by the bank in order to promote economic development in the New York Area.
- The bank's president served as an advisor on the board of Beautiful Foundation, USA, which provides community development services primarily to low- and moderate-income individuals in the Korean community in the greater New York area.
- One of Shinhan's directors provided free tax preparation and college financial aid consulting services through a local church that serves the greater New York metropolitan area. The individuals who utilized this service were primarily low- and moderate-income, as well as small business owners. In addition, Shinhan's officers have assisted or conducted ESL classes for new immigrants in one of the Korean community churches.
- A senior vice president attended the 2nd-quarter meeting of the New Alliance Task Force for New York sponsored by FDIC. The purpose of the meeting was to report the activities of the working group, to share information and resources on innovative strategies to enhance immigrants' access to financial services and products, and to identify and promote best practices.
- One of the bank's directors served as a general counsel to Korean Association of New York and provided advice to the association and its president. Additionally, he served as a member and the treasurer to the Korean American Lawyer Association of Greater New York. He held legal seminars for Korean immigrants.
- Shinhan's president periodically participated on a talk show named "Radio Korea New York". The topics discussed were banking, finance, credit management, lending, investment and management. New York Radio Korea reaches much of the immigrant Korean population, the majority of whom are not fluent English speakers. He explains and promotes the bank's products and services.

### **III. 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**

No evidence of prohibited discrimination or other illegal credit practices was noted.

### **IV. 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.**

Shinhan ascertained the credit needs of its community mainly through working closely with community-based organizations, local businesses, religious organizations and other civic and economic organizations that focus on serving the Korean-American community. Korean Association of New York was one example of such an organization. The bank's board members, management and officers periodically met with the representatives of the community organizations and small business leaders to discuss the market's credit needs. The bank also used promotional activities and community events as opportunities for two-way communication with community members. The following are some examples of such activities:

- Shinhan's president appeared on a radio show every week where took questions related to financial matters from the audience.
- The bank sets up a table/booth at local community events and parades where it answers questions from the community.
- The bank was also actively involved in the local community's small-business associations from which its officers gathered valuable information on trends, events and credit needs of the business 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**

Shinhan promoted its products and services through different media outlets primarily focusing on the Korean-American community based media, such as: *The Korea Times*

(NY), *The Korea Daily* (NY), The Korean Channel TV, Daily Sports Seoul, Radio Korea, as well as the non-Korean media; *The Epoch Times* and *World Journal*.

**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**

Shinhan's board of directors was informed on a monthly basis whether there were any changes, updates or amendments to the CRA policy. The board reviewed and approved any new policy before it was implemented. The board also reviewed and approved the CRA Annual Plan and the Annual Self Assessment report.

**V. 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**

None noted.

## 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:

- 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.

### **Demand-Adjusted Penetration Rate**

The number of owner-occupied loans made by the institution (or aggregate as appropriate) in a geographic area per thousand owner-occupied housing units in that area. Mathematically, it is arrived at by dividing the number of owner-occupied housing units into the number of loans made and then multiplying by 1,000.

### **Demand-Adjusted Penetration Ratio**

A ratio that depicts geographic penetration of loans by comparing demand-adjusted lending in LMI areas with non-LMI areas; mathematically, it is arrived at by dividing the demand-adjusted penetration rate in non-LMI areas into the demand-adjusted penetration rate in LMI areas and then expressed as a percentage.

A ratio of 100% means that the institution (or aggregate as appropriate) made an equal number of loans proportionally in LMI and non-LMI areas. Less than 100 percent would indicate less lending in LMI areas on the same basis compared to non-LMI areas, whereas over 100 percent would indicate a greater level of lending in LMI areas versus non-LMI areas.

### **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 nonmetropolitan 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 nonmetropolitan 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 nonmetropolitan median family income. In all instances, the area median family incomes used to measure individual income levels are updated annually by HUD.

### **Small Business Loans**

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