



**NEW YORK STATE
DEPARTMENT OF FINANCIAL SERVICES
CONSUMER PROTECTION AND FINANCIAL ENFORCEMENT
DIVISION**

One State Street
New York, NY 10004

PUBLIC SUMMARY

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Date of Evaluation: June 30, 2018

Institution: Country Bank
655 Third Ave, 9th Floor
New York, NY 10017

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 Department of Financial Services 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 Country Bank (“CB” or the “Bank”) prepared by the New York State Department of Financial Services (“DFS” or the “Department”). This evaluation represents the Department’s current assessment and rating of the institution’s CRA performance based on an evaluation conducted as of June 30, 2018.

Section 28-b of the New York Banking Law, as amended, requires that when evaluating certain applications, the Superintendent of Financial Services 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 Superintendent (“GRS”) implements, Section 28-b and further requires that the Department assess the CRA performance records of regulated financial institutions. Part 76 establishes the framework and criteria by which the Department will evaluate the institution’s performance. Section 76.5 further provides that the Department will prepare a written report summarizing the results of such evaluation 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 in 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 (“Evaluation”) be made available to the public. Evaluations of banking institutions are primarily based on a review of performance tests and standards described in Section 76.7 and detailed in Sections 76.8 through 76.13. The tests and standards incorporate the 12 assessment factors contained in Section 28-b of the New York 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

The Department evaluated CB under the intermediate small banking institution performance criteria pursuant to Sections 76.7 and 76.12 of the GRS. The Department evaluated CB's performance under the lending test in calendar years 2015, 2016, 2017, and its performance under the community development test from January 1, 2015 through June 30, 2018. CB is rated "**Satisfactory**" or "2." This rating indicates CB had a satisfactory record of helping to meet community credit needs.

The rating is based on the following factors:

Lending Test: "Satisfactory"

Loan-to-Deposit Ratio and Other Lending-Related Activities: "Satisfactory"

CB's average loan-to-deposit ("LTD") ratio was reasonable considering its size, business strategy, financial condition, and aggregate and peer group activity.

CB's average LTD ratio of 82.1% for the evaluation period exceeded its peer group's average LTD ratio of 80.6%.

Assessment Area Concentration: "Outstanding"

CB originated 86% by number and 90.8% by dollar value of its total Modification, Extension, and Consolidation Agreements ("MECA"), HMDA-reportable and small business loans within the assessment area. This substantial majority of lending inside of its assessment area is an excellent concentration of lending.

Distribution by Borrower Characteristics: "Needs to Improve"

CB's small business lending demonstrated a less than adequate distribution of loans among businesses of different revenue sizes.

The rating of this criteria was based solely on CB's small business lending because borrower income for CB's HMDA-reportable and MECA loans was not available. All of CB's HMDA-reportable and MECA loans for this evaluation period were made for investment purposes to commercial entities, not to natural persons. CB was not required to report income for these loans and as a result income was not available for analysis.

Geographic Distribution of Loans: "Satisfactory"

CB's origination of loans in census tracts of varying income levels demonstrated a reasonable distribution of lending.

Action Taken in Response to Written Complaints with Respect to CRA: “N/A”

Neither DFS nor CB received any written complaints during the evaluation period regarding CB’s CRA performance.

Community Development Test: “Satisfactory”

CB’s community development performance demonstrated a reasonable responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services, considering CB’s capacity and the need for and availability of opportunities for community development in its assessment area.

Community Development Lending: “Satisfactory”

During the evaluation period, CB originated \$17.5 million in new community development loans and had no outstanding loans from the prior evaluation period. This demonstrated a reasonable level of community development lending over the course of the evaluation period.

Qualified Investments: “Satisfactory”

CB had a total of \$2.5 million in qualified investments and \$115,895 in community development grants. This demonstrated a reasonable level of qualified investments.

Community Development Services: “Satisfactory”

CB demonstrated a reasonable level of community development services over the course of the evaluation period. Services included management participation in local not-for-profit organizations and financial literacy sessions for the youth and the elderly.

This evaluation was conducted based on a review of the 12 assessment factors set forth in Section 28-b of the New York Banking Law and GRS Part 76.

PERFORMANCE CONTEXT

Institution Profile

CB is a full-service New York State-chartered commercial bank headquartered in New York City. CB was established in 1988 and is wholly owned by Country Bank Holding Company Inc.

CB offers various banking services including deposit and loan products. Deposit products include checking, savings, and money market accounts and certificates of deposit. Services include debit cards, remote deposit, online banking and bill payment, mobile banking, automatic clearing house services, and online financial management tools. Loan products include commercial real estate loans and small business loans, including term loans and lines-of-credit.

Per the Consolidated Report of Condition (the "Call Report") as of December 31, 2017 filed with the Federal Deposit Insurance Corporation ("FDIC"), CB reported total assets of \$686.3 million, of which \$505.9 million were net loans and lease financing receivables. It also reported total deposits of \$572.7 million, resulting in an LTD ratio of 88.3%. According to the latest available comparative deposit data as of June 30, 2017, CB had a market share of 0.04%, or \$536.4 million in a market of \$1.4 trillion, ranking it 61st among 123 deposit-taking institutions in CB's assessment area.

The following is a summary of the Bank's loan portfolio, based on Schedule RC-C of CB's December 31, 2015, 2016, and 2017 Call Reports:

| TOTAL GROSS LOANS OUTSTANDING | | | | | | |
|---------------------------------------|----------------|--------------|----------------|--------------|----------------|--------------|
| Loan Type | 2015 | | 2016 | | 2017 | |
| | \$000's | % | \$000's | % | \$000's | % |
| 1-4 Family Residential Mortgage Loans | 82,857 | 20.5 | 92,594 | 19.9 | 111,808 | 21.8 |
| Commercial & Industrial Loans | 15,927 | 3.9 | 12,443 | 2.7 | 15,891 | 3.1 |
| Commercial Mortgage Loans | 196,214 | 48.6 | 232,599 | 49.9 | 232,825 | 45.4 |
| Multifamily Mortgages | 92,495 | 22.9 | 125,598 | 27.0 | 119,491 | 23.3 |
| Consumer Loans | 124 | 0.0 | 144 | 0.0 | 5,360 | 1.0 |
| Construction Loans | 15,803 | 3.9 | 2,519 | 0.5 | 27,025 | 5.3 |
| Other Loans | 36 | 0.0 | 2 | 0.0 | 1 | 0.0 |
| Total Gross Loans | 403,456 | 100.0 | 465,899 | 100.0 | 512,401 | 100.0 |

As illustrated in the above table, CB is primarily a commercial mortgage lender. As of December 31, 2017, commercial mortgage and multifamily mortgage loans represented a combined total of 68.7% of gross loans. CB's loan portfolio mix remained relatively unchanged from the prior evaluation.

CB operates six banking offices, all located in upper-income census tracts. CB also

has an automated teller machine (“ATM”) network of eight ATMs. Each branch location has at least one ATM, except for the main office that has none.

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

CB’s assessment area is comprised of Bronx, New York and Westchester counties in their entirety, and parts of Kings and Queens counties. There are 1,172 census tracts in the assessment area, of which 266 are low-income, 282 are moderate-income, 192 are middle-income, 400 are upper-income, and 32 census tracts have no income indicated.

| Assessment Area Census Tracts by Income Level | | | | | | | |
|--|-----|-----|-----|--------|-------|-------|-------|
| County | N/A | Low | Mod | Middle | Upper | Total | LMI % |
| Bronx | 7 | 160 | 90 | 56 | 26 | 339 | 73.7 |
| Kings* | 1 | 49 | 82 | 39 | 75 | 246 | 53.3 |
| New York | 15 | 44 | 51 | 20 | 158 | 288 | 33.0 |
| Queens* | 4 | 6 | 27 | 32 | 7 | 76 | 43.4 |
| Westchester | 5 | 7 | 32 | 45 | 134 | 223 | 17.5 |
| Total | 32 | 266 | 282 | 192 | 400 | 1,172 | 46.8 |

**partial county*

Demographic & Economic Data

The assessment area had a population of 5,192,582 during the evaluation period. Approximately 12.6% of the population were over the age of 65 and 18.4% were under the age of 16.

Of the 1,111,982 families in the assessment area, 32.1% were low-income, 14.5% were moderate-income, 13.2% were middle-income, and 40.2% were upper-income. There were 2,034,473 households in the assessment area, of which 19.1% had income below the poverty level and 4.1% were on public assistance.

The weighted average median family income in the assessment area was \$85,460.

There were 2,255,316 housing units within the assessment area, of which 27.9% were one-to-four family units and 71.9% were multifamily units. A majority (64.8%) of the area’s housing units were rental units, while 25.4% were owner-occupied. Of the 572,597 owner-occupied housing units, 21% were in LMI census tracts while 69.6% were in middle- and upper-income census tracts. The median age of the housing stock was 69 years, and the median home value in the assessment area was \$577,795.

There were 381,233 non-farm businesses in the assessment area. Of these, 83.1% were businesses with reported revenues of less than or equal to \$1 million, 9% reported revenues of more than \$1 million and 7.9% did not report their revenues. Of all the businesses in the assessment area, 96.3% had less than fifty employees, while 89.3% operated from a single location. The largest industries in the area were services (48.2%), retail trade (14.8%), and finance, insurance and real estate (10.9%); 9.2% of businesses in the assessment area were not classified.

According to the New York State Department of Labor, the average unemployment rates for New York State and the counties in CB’s assessment area steadily declined (except Westchester from 2016 to 2017) during the evaluation period. Bronx County’s unemployment rates were consistently well above the other counties and statewide rates, indicative of the county’s economic growth trailing the other counties.

| Assessment Area Unemployment Rate | | | | | | |
|--|------------------|--------------|--------------|-----------------|---------------|--------------------|
| Year | Statewide | Bronx | Kings | New York | Queens | Westchester |
| 2015 | 5.3 | 7.8 | 5.9 | 4.9 | 5.0 | 4.5 |
| 2016 | 4.8 | 7.1 | 5.3 | 4.5 | 4.5 | 4.3 |
| 2017 | 4.7 | 6.2 | 4.6 | 4.0 | 4.0 | 4.6 |

Community Information

Examiners conducted community contact interviews with representatives of two nonprofit organizations operating within CB’s assessment area. Both organizations provide services and programs targeted to entrepreneurs operating a small business or wanting to start a small business.

Examiners conducted the first interview with the financial program director of an organization that assists entrepreneurs that lack resources and operate in underserved areas in New York City. The organization provides these entrepreneurs with legal, financial, and marketing services. The focus is on underserved areas that often reflect more diversity than other NYC neighborhoods, but have not experienced similar economic growth. The contact noted that, while there are banks in the area, they often do not adequately provide for the banking needs of entrepreneurs of small businesses with limited resources. The contact cited business documentation requirements and personal credit guarantees as barriers to opening business accounts.

The second interview was conducted with the vice president of an equitable development that seeks to provide affordable housing, economic development, and empowerment opportunities for LMI families and individuals. Its primary focus is on central Harlem where less than 2% of businesses are owned by minorities and a large segment of the population live below the poverty level. The contact noted several banks that actively provide financial assistance to help residents obtain affordable

housing. However, the contact stated that additional collaboration between financial institutions and community development organizations is needed to further assist LMI families/individuals and small business owners.

The interviews highlight that many LMI areas in New York City have not experienced the same economic growth that the city as a whole has experienced. The interviewees also noted that offering financial education programs to educate small business entrepreneurs ensures that they are better equipped to pursue small business opportunities and funding.

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

The Department evaluated CB under the intermediate small banking institution performance standards in accordance with Sections 76.7 and 76.12 of the GRS, which consist of the lending test and the community development test.

The lending test includes:

- 1. Loan-to-deposit ratio and other lending-related activities;*
- 2. Assessment area concentration;*
- 3. Distribution of loans by borrower characteristics;*
- 4. Geographic distribution of loans; and*
- 5. Action taken in response to written complaints regarding CRA.*

The community development test includes:

- 1. Community development lending;*
- 2. Community development investments;*
- 3. Community development services; and*
- 4. Responsiveness to community development needs.*

DFS also considered the following factors in assessing the Bank's record of performance:

- 1. The extent of participation by the board of directors or board of trustees in formulating CRA policies and reviewing CRA performance;*
- 2. Evidence of any practices intended to discourage credit applications;*
- 3. Evidence of prohibited discriminatory or other illegal credit practices;*
- 4. Record of opening and closing offices and providing services at offices; and*
- 5. Process factors, such as activities to ascertain credit needs and the extent of marketing and special credit related programs.*

DFS derived statistics employed in this evaluation from various sources. CB submitted bank-specific information both as part of the evaluation process and on its Call Report submitted to the FDIC. DFS obtained aggregate lending data from the Federal Financial Institutions Examination Council ("FFIEC") and deposit data from the FDIC. DFS obtained LTD ratios from information shown in the Bank's Uniform Bank Performance Report, compiled by the FFIEC from Call Report data.

DFS derived the demographic data referred to in this report from the 2010 U.S. Census and the FFIEC. DFS based business data on Dun & Bradstreet reports, which Dun & Bradstreet updates annually. DFS obtained unemployment data from the New York State Department of Labor.

The Department evaluated CB's performance under the lending test in calendar years 2015, 2016, and 2017 and its performance under the community development test from January 1, 2015 through June 30, 2018.

At the request of CB, DFS also considered MECAs for home loans, in addition to HMDA-reportable and small business loans, in evaluating factors (2), (3), and (4) of the lending

test noted above.

At its **prior** Performance Evaluation, as of December 2014, DFS assigned CB a rating of “2,” reflecting a “Satisfactory” record of helping to meet the credit needs of CB’s community credit needs.

Current CRA Rating: “Satisfactory”

Lending Test: “Satisfactory”

CB’s MECA, HMDA-reportable, and small business lending activities were reasonable in light of CB’s size, business strategy, and financial condition, as well as aggregate and peer group activity and the demographic characteristics and credit needs of the assessment area.

Loan-to-Deposit Ratio and other Lending-Related Activities: “Satisfactory”

CB’s average LTD ratio was reasonable considering its size, business strategy, financial condition, and peer group activity.

CB’s average LTD ratio of 82.1% for the evaluation period exceeded its peer group’s average ratio of 80.6%. Although CB’s average LTD ratios trailed the peer’s average ratios for five out of the first six quarters of the evaluation period, CB’s average ratios for the final six quarters exceeded the peer’s ratios.

The table below shows CB’s LTD ratios in comparison with the peer group’s ratios for the 12 quarters since the prior evaluation.

| Loan-to-Deposit Ratios | | | | | | | | | | | | | |
|-------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------|
| | 2015 Q1 | 2015 Q2 | 2015 Q3 | 2015 Q4 | 2016 Q1 | 2016 Q2 | 2016 Q3 | 2016 Q4 | 2017 Q1 | 2017 Q2 | 2017 Q3 | 2017 Q4 | Avg. |
| Bank | 72.6 | 73.6 | 76.5 | 81.3 | 77.3 | 79.3 | 86.3 | 87.3 | 87.7 | 87.7 | 87.4 | 88.3 | 82.1 |
| Peer | 77.4 | 79.3 | 79.8 | 80.1 | 80.0 | 81.3 | 81.2 | 81.1 | 80.4 | 81.7 | 82.1 | 82.2 | 80.6 |

Assessment Area Concentration: “Outstanding”

During the evaluation period, CB originated 86% by number and 90.8% by dollar value of its total MECA, HMDA-reportable, and small business loans within the assessment area. This substantial majority of lending inside of its assessment area is an excellent concentration of lending.

MECA

CB originated 97.6% by number and 98.5% by dollar value of its MECAs within the assessment area. This substantial majority of lending inside of CB's assessment area reflects an excellent concentration of lending.

HMDA-Reportable Loans

During the evaluation period, CB originated 81.5% by number and 87.3% by dollar value of its HMDA-reportable loans within the assessment area. This majority of lending inside of CB's assessment area reflects a reasonable concentration of lending.

The number of HMDA-reportable loans originated, as well as the percentage of HMDA-reportable loans originated within the assessment area, decreased each year of the evaluation period.

Small Business Loans

CB originated 84.9% by number and 76.7% by dollar value of its small business loans within the assessment area. This majority of lending inside of CB's assessment area reflects a reasonable concentration of lending.

The following table shows the percentages of CB's MECA, HMDA-reportable, and small business loans originated inside and outside of the assessment area.

| Distribution of Loans Inside and Outside of the Assessment Area | | | | | | | | | | |
|---|-----------------|--------|---------|-------|-------|---------------------------------|--------|---------|-------|---------|
| Loan Type | Number of Loans | | | | | Loans in Dollars (in thousands) | | | | |
| | Inside | | Outside | | Total | Inside | | Outside | | Total |
| | # | % | # | % | | \$ | % | \$ | % | |
| MECA | | | | | | | | | | |
| 2015 | 11 | 100.0% | 0 | 0.0% | 11 | 23,115 | 100.0% | 0 | 0.0% | 23,115 |
| 2016 | 15 | 100.0% | 0 | 0.0% | 15 | 39,743 | 100.0% | 0 | 0.0% | 39,743 |
| 2017 | 15 | 93.8% | 1 | 6.3% | 16 | 29,275 | 95.5% | 1,387 | 4.5% | 30,662 |
| Subtotal | 41 | 97.6% | 1 | 2.4% | 42 | 92,133 | 98.5% | 1,387 | 1.5% | 93,520 |
| HMDA-Reportable | | | | | | | | | | |
| 2015 | 39 | 90.7% | 4 | 9.3% | 43 | 68,102 | 94.8% | 3,733 | 5.2% | 71,835 |
| 2016 | 24 | 75.0% | 8 | 25.0% | 32 | 34,736 | 81.1% | 8,107 | 18.9% | 42,843 |
| 2017 | 12 | 70.6% | 5 | 29.4% | 17 | 21,004 | 77.3% | 6,181 | 22.7% | 27,185 |
| Subtotal | 75 | 81.5% | 17 | 18.5% | 92 | 123,842 | 87.3% | 18,021 | 12.7% | 141,863 |
| Small Business | | | | | | | | | | |
| 2015 | 14 | 87.5% | 2 | 12.5% | 16 | 2,650 | 86.9% | 400 | 13.1% | 3,050 |
| 2016 | 18 | 78.3% | 5 | 21.7% | 23 | 3,103 | 54.5% | 2,587 | 45.5% | 5,690 |
| 2017 | 30 | 88.2% | 4 | 11.8% | 34 | 6,685 | 89.3% | 800 | 10.7% | 7,485 |
| Subtotal | 62 | 84.9% | 11 | 15.1% | 73 | 12,438 | 76.7% | 3,787 | 23.3% | 16,225 |
| Grand Total | 178 | 86.0% | 29 | 14.0% | 207 | 228,413 | 90.8% | 23,195 | 9.2% | 251,608 |

Distribution by Borrower Characteristics: “Needs to Improve”

CB’s small business lending demonstrated a less than adequate distribution of loans among businesses of different revenue sizes.

The rating of this criteria was solely based on CB’s small business lending, because borrower income for CB’s HMDA-reportable and MECA loans was not available. All of CB’s HMDA-reportable and MECA loans for this evaluation period were made for investment purposes to commercial entities, not to natural persons. As a result, the borrower income for HMDA-reportable and MECA lending was not available for analysis because the bank was not required to report the income for these types of loans.

Small Business Loans

CB’s small business lending demonstrated a less than adequate distribution of loans among businesses of different revenue sizes.

CB’s lending to small businesses with gross annual revenue of \$1 million or less averaged 27.4% by number and 20.4% by dollar value of loans, well below the aggregate’s average rates of 47% and 27.8%, respectively.

Although CB’s rates of lending in 2015 were comparable to the aggregate’s rates, in 2016 CB’s rates were significantly below the aggregate’s rates. CB’s rates of lending improved in 2017, but remained well below the aggregate’s rates.

Furthermore, CB’s rates of lending to businesses with gross annual revenue of \$1 million or less during the current evaluation represented a sharp decline from its performance during the prior evaluation period, in which CB originated 100% of its loans to these types of businesses.

The following table provides a summary of the distribution of CB’s small business loans by the revenue size of the business.

| Distribution of Small Business Lending by Revenue Size of Business | | | | | | | | | |
|---|-------------|----------|----------------|----------|------------------|----------|-------------------|----------|-----------------|
| 2015 | | | | | | | | | |
| Rev. Size | Bank | | | | Aggregate | | | | Bus.Dem. |
| | # | % | \$000's | % | # | % | \$000's | % | % |
| Rev. <= \$1MM | 6 | 42.9% | 650 | 24.5% | 68,665 | 46.8% | 1,152,164 | 25.7% | 74.1% |
| Rev. > \$1MM | 8 | 57.1% | 2,000 | 75.5% | | | | | 7.6% |
| Rev. Unknown | 0 | 0.0% | 0 | 0.0% | | | | | 18.3% |
| Total | 14 | | 2,650 | | 146,777 | % | 4,484,059 | | |
| 2016 | | | | | | | | | |
| Rev. Size | Bank | | | | Aggregate | | | | Bus.Dem. |
| | # | % | \$000's | % | # | % | \$000's | % | % |
| Rev. <= \$1MM | 2 | 11.1% | 120 | 3.9% | 68,393 | 44.1% | 1,291,880 | 26.0% | 83.0% |
| Rev. > \$1MM | 15 | 83.3% | 2,783 | 89.7% | | | | | 9.0% |
| Rev. Unknown | 1 | 5.6% | 200 | 6.4% | | | | | 8.0% |
| Total | 18 | | 3,103 | | 155,182 | | 4,965,590 | | |
| 2017 | | | | | | | | | |
| Rev. Size | Bank | | | | Aggregate | | | | Bus.Dem. |
| | # | % | \$000's | % | # | % | \$000's | % | % |
| Rev. <= \$1MM | 9 | 30.0% | 1,769 | 26.5% | 80,795 | 49.9% | 1,649,248 | 31.2% | 83.1% |
| Rev. > \$1MM | 21 | 70.0% | 4,916 | 73.5% | | | | | 9.0% |
| Rev. Unknown | 0 | 0.0% | 0 | 0.0% | | | | | 8.0% |
| Total | 30 | | 6,685 | | 162,008 | | 5,289,646 | | |
| GRAND TOTAL | | | | | | | | | |
| Rev. Size | Bank | | | | Aggregate | | | | Bus.Dem. |
| | # | % | \$000's | % | # | % | \$000's | % | % |
| Rev. <= \$1MM | 17 | 27.4% | 2539 | 20.4% | 217,853 | 47.0% | 4,093,292 | 27.8% | |
| Rev. > \$1MM | 44 | 71.0% | 9699 | 78.0% | | | | | |
| Rev. Unknown | 1 | 1.6% | 200 | 1.6% | | | | | |
| Total | 62 | | 12,438 | | 463,967 | | 14,739,295 | | |

Geographic Distribution of Loans: "Satisfactory"

CB's origination of loans in census tracts of varying income levels demonstrated a reasonable distribution of lending.

HMDA-Reportable Loans

The distribution of CB's HMDA-reportable loans among census tracts of different income levels was reasonable.

Because all of CB's HMDA-reportable loans were made to investors, examiners compared CB's rates of lending to the percentage of non-owner occupied housing unit demographics in the assessment area. CB's rates of lending in LMI geographies for the evaluation period of 52% by number and 49.1% by dollar value of loans were comparable to the 54.5% to 55.5% of non-owner occupied housing units located in LMI geographies within CB's assessment area. Examiners also compared CB's rates of lending in LMI geographies to the aggregate's rates of lending. CB's rates noted above exceeded the aggregate's rates of 18.8% by number and 20.2% by dollar value of loans.

The following table provides a summary of the distribution of CB's HMDA-reportable loans by the income level of the geography where the property was located.

| Distribution of HMDA-Reportable Lending by Geographic Income of the Census Tract | | | | | | | | | |
|---|-------------|----------|----------------|----------|------------------|----------|--------------------|----------|-------------------------------|
| 2015 | | | | | | | | | |
| Geographic | Bank | | | | Aggregate | | | | Non-Owner Occupied HUs |
| Income | # | % | \$000's | % | # | % | \$000's | % | % |
| Low | 11 | 28.2% | 17,713 | 26.0% | 2,045 | 5.3% | 2,230,554 | 6.7% | 26.8% |
| Moderate | 11 | 28.2% | 20,527 | 30.1% | 5,178 | 13.4% | 4,497,523 | 13.5% | 28.7% |
| LMI | 22 | 56.4% | 38,240 | 56.2% | 7,223 | 18.7% | 6,728,077 | 20.3% | 55.5% |
| Middle | 4 | 10.3% | 4,260 | 6.3% | 6,585 | 17.0% | 4,002,305 | 12.1% | 15.9% |
| Upper | 13 | 33.3% | 25,602 | 37.6% | 24,822 | 64.2% | 22,440,801 | 67.6% | 28.6% |
| Unknown | 0 | 0.0% | 0 | 0.0% | 24 | 0.1% | 27,402 | 0.1% | 0.0% |
| Total | 39 | | 68,102 | | 38,654 | | 33,198,585 | | |
| 2016 | | | | | | | | | |
| Geographic | Bank | | | | Aggregate | | | | Non-Owner Occupied HUs |
| Income | # | % | \$000's | % | # | % | \$000's | % | % |
| Low | 4 | 16.7% | 5,612 | 16.2% | 2,359 | 5.9% | 2,667,932 | 7.5% | 26.8% |
| Moderate | 8 | 33.3% | 8,319 | 23.9% | 5,280 | 13.2% | 4,889,498 | 13.7% | 28.7% |
| LMI | 12 | 50.0% | 13,931 | 40.1% | 7,639 | 19.1% | 7,557,430 | 21.2% | 55.5% |
| Middle | 6 | 25.0% | 9,400 | 27.1% | 7,073 | 17.7% | 4,501,550 | 12.6% | 15.9% |
| Upper | 6 | 25.0% | 11,405 | 32.8% | 25,341 | 63.2% | 23,573,992 | 66.1% | 28.6% |
| Unknown | 0 | 0.0% | 0 | 0.0% | 20 | 0.0% | 48,228 | 0.1% | 0.0% |
| Total | 24 | | 34,736 | | 40,073 | | 35,681,200 | | |
| 2017 | | | | | | | | | |
| Geographic | Bank | | | | Aggregate | | | | Non-Owner Occupied HUs |
| Income | # | % | \$000's | % | # | % | \$000's | % | % |
| Low | 1 | 8.3% | 2,500 | 11.9% | 2,205 | 6.0% | 2,786,927 | 8.6% | 29.1% |
| Moderate | 4 | 33.3% | 6,125 | 29.2% | 4,734 | 12.8% | 3,397,425 | 10.4% | 25.4% |
| LMI | 5 | 41.7% | 8,625 | 41.1% | 6,939 | 18.8% | 6,184,352 | 19.0% | 54.5% |
| Middle | 4 | 33.3% | 5,366 | 25.5% | 5,311 | 14.4% | 3,395,445 | 10.4% | 13.2% |
| Upper | 3 | 25.0% | 7,013 | 33.4% | 24,648 | 66.6% | 22,774,128 | 70.0% | 31.8% |
| Unknown | 0 | 0.0% | 0 | 0.0% | 102 | 0.3% | 200,756 | 0.6% | 0.5% |
| Total | 12 | | 21,004 | | 37,000 | | 32,554,681 | | |
| GRAND TOTAL | | | | | | | | | |
| Geographic | Bank | | | | Aggregate | | | | Non-Owner Occupied HUs |
| Income | # | % | \$000's | % | # | % | \$000's | % | % |
| Low | 16 | 21.3% | 25,825 | 20.9% | | 5.7% | | 7.6% | |
| Moderate | 23 | 30.7% | 34,971 | 28.2% | | 13.1% | | 12.6% | |
| LMI | 39 | 52.0% | 60,796 | 49.1% | 21,801 | 18.8% | 20,469,859 | 20.2% | |
| Middle | 14 | 18.7% | 19,026 | 15.4% | | 16.4% | | 11.7% | |
| Upper | 22 | 29.3% | 44,020 | 35.5% | | 64.6% | | 67.8% | |
| Unknown | 0 | 0.0% | 0 | 0.0% | | 0.1% | | 0.3% | |
| Total | 75 | | 123,842 | | 115,727 | | 101,434,466 | | INPUT ERROR |

MECA

CB's distribution of MECA loans among census tracts of different income levels was

reasonable.

Examiners compared CB's rates of lending to the percentage of non-owner occupied housing unit demographics in the assessment area, as all of CB's MECA loans were made to investors. CB's rates of lending in LMI geographies for the evaluation period of 39% by number and 32.2% by dollar value of loans trailed the 54.5% to 55.5% of non-owner occupied housing units located in LMI geographies within CB's assessment area. While CB's lending performance in 2017 was well below the non-owner occupied housing unit demographics, CB's performance in 2015 and 2016 just trailed the demographics.

The following table provides a summary of CB's distribution of MECAs lending based on the income level of the geography.

| Distribution of MECA by Geographic Income of the Census Tract | | | | | |
|--|-------------|----------|----------------|----------|-------------------------------|
| 2015 | | | | | |
| Geographic | Bank | | | | Non-Owner Occupied HUs |
| Income | # | % | \$000's | % | % |
| Low | 3 | 27.3% | 8,550 | 37.0% | 26.8% |
| Moderate | 2 | 18.2% | 2,000 | 8.7% | 28.7% |
| LMI | 5 | 45.5% | 10,550 | 45.6% | 55.5% |
| Middle | 2 | 18.2% | 3,700 | 16.0% | 15.9% |
| Upper | 4 | 36.4% | 8,865 | 38.4% | 28.6% |
| Unknown | 0 | 0.0% | 0 | 0.0% | 0.0% |
| Total | 11 | | 23,115 | | 100.0% |
| 2016 | | | | | |
| Geographic | Bank | | | | Non-Owner Occupied HUs |
| Income | # | % | \$000's | % | % |
| Low | 2 | 13.3% | 3,038 | 7.6% | 26.8% |
| Moderate | 5 | 33.3% | 11,600 | 29.2% | 28.7% |
| LMI | 7 | 46.7% | 14,638 | 36.8% | 55.5% |
| Middle | 0 | 0.0% | 0 | 0.0% | 15.9% |
| Upper | 8 | 53.3% | 25,105 | 63.2% | 28.6% |
| Unknown | 0 | 0.0% | 0 | 0.0% | 0.0% |
| Total | 15 | | 39,743 | | 100.0% |
| 2017 | | | | | |
| Geographic | Bank | | | | Non-Owner Occupied HUs |
| Income | # | % | \$000's | % | % |
| Low | 1 | 6.7% | 1,500 | 5.1% | 29.1% |
| Moderate | 3 | 20.0% | 2,975 | 10.2% | 25.4% |
| LMI | 4 | 26.7% | 4,475 | 15.3% | 54.5% |
| Middle | 1 | 6.7% | 1,500 | 5.1% | 13.2% |
| Upper | 10 | 66.7% | 23,300 | 79.6% | 31.8% |
| Unknown | 0 | 0.0% | 0 | 0.0% | 0.5% |
| Total | 15 | | 29,275 | | 100.0% |
| GRAND TOTAL | | | | | |
| Geographic | Bank | | | | Non-Owner Occupied HUs |
| Income | # | % | \$000's | % | % |
| Low | 6 | 14.6% | 13,088 | 14.2% | |
| Moderate | 10 | 24.4% | 16,575 | 18.0% | |
| LMI | 16 | 39.0% | 29,663 | 32.2% | |
| Middle | 3 | 7.3% | 5,200 | 5.6% | |
| Upper | 22 | 53.7% | 57,270 | 62.2% | |
| Unknown | 0 | 0.0% | 0 | 0.0% | |
| Total | 41 | | 92,133 | | |

Small Business Loans

The distribution of CB's small business loans among census tracts of varying income levels was less than adequate.

CB's average rates of lending in LMI geographies were 12.9% by number and 13.7% by dollar value of loans, well below the aggregate's average rates of 24.3% and 20.3%, respectively.

CB's rates of lending in LMI geographies were well below the aggregate's rates for each year of the evaluation period, except for its rate by dollar value of loans of 20.8% in 2015. CB's highest rate of lending in LMI geographies by number of loans was 16.7% in 2016, well below the aggregate's rate of 24.9% by number of loans.

CB's rates of lending in LMI geographies compared unfavorably to the percentages of businesses (business demographics) located in LMI census tracts within the assessment area.

CB's small business lending performance in LMI geographies has not improved from the prior evaluation period and is deemed less than adequate.

The following table provides a summary of the distribution of CB's small business loans by the income level of the geography where the business was located.

| Distribution of Small Business Lending by Geographic Income of the Census Tract | | | | | | | | | |
|---|-----------|-------|---------------|-------|----------------|-------|-------------------|-------|----------|
| 2015 | | | | | | | | | |
| Geographic Income | Bank | | | | Aggregate | | | | Bus.Dem. |
| | # | % | \$000's | % | # | % | \$000's | % | % |
| Low | 1 | 7.1% | 300 | 11.3% | 15,124 | 10.3% | 346,169 | 7.7% | 10.4% |
| Moderate | 1 | 7.1% | 250 | 9.4% | 22,140 | 15.1% | 560,446 | 12.5% | 16.1% |
| LMI | 2 | 14.3% | 550 | 20.8% | 37,264 | 25.4% | 906,615 | 20.2% | 26.5% |
| Middle | 5 | 35.7% | 810 | 30.6% | 22,216 | 15.1% | 605,762 | 13.5% | 14.2% |
| Upper | 7 | 50.0% | 1,290 | 48.7% | 81,866 | 55.8% | 2,709,528 | 60.4% | 55.7% |
| Unknown | 0 | 0.0% | 0 | 0.0% | 5,431 | 3.7% | 262,154 | 5.8% | 3.7% |
| Total | 14 | | 2,650 | | 146,777 | | 4,484,059 | | |
| 2016 | | | | | | | | | |
| Geographic Income | Bank | | | | Aggregate | | | | Bus.Dem. |
| | # | % | \$000's | % | # | % | \$000's | % | % |
| Low | 2 | 11.1% | 283 | 9.1% | 15,364 | 9.9% | 422,100 | 8.5% | 10.4% |
| Moderate | 1 | 5.6% | 25 | 0.8% | 23,350 | 15.0% | 657,206 | 13.2% | 16.0% |
| LMI | 3 | 16.7% | 308 | 9.9% | 38,714 | 24.9% | 1,079,306 | 21.7% | 26.4% |
| Middle | 5 | 27.8% | 600 | 19.3% | 23,171 | 14.9% | 656,050 | 13.2% | 14.1% |
| Upper | 9 | 50.0% | 2,095 | 67.5% | 87,530 | 56.4% | 2,953,152 | 59.5% | 55.8% |
| Unknown | 1 | 5.6% | 100 | 3.2% | 5,767 | 3.7% | 277,082 | 5.6% | 3.7% |
| Total | 18 | | 3,103 | | 155,182 | | 4,965,590 | | |
| 2017 | | | | | | | | | |
| Geographic Income | Bank | | | | Aggregate | | | | Bus.Dem. |
| | # | % | \$000's | % | # | % | \$000's | % | % |
| Low | 0 | 0.0% | 0 | 0.0% | 16,615 | 10.3% | 440,710 | 8.3% | 10.6% |
| Moderate | 3 | 10.0% | 850 | 12.7% | 20,155 | 12.4% | 571,453 | 10.8% | 13.3% |
| LMI | 3 | 10.0% | 850 | 12.7% | 36,770 | 22.7% | 1,012,163 | 19.1% | 23.8% |
| Middle | 6 | 20.0% | 1,226 | 18.3% | 17,488 | 10.8% | 508,140 | 9.6% | 10.7% |
| Upper | 21 | 70.0% | 4,609 | 68.9% | 103,385 | 63.8% | 3,543,352 | 67.0% | 62.0% |
| Unknown | 0 | 0.0% | 0 | 0.0% | 4,365 | 2.7% | 225,991 | 4.3% | 3.5% |
| Total | 30 | | 6,685 | | 162,008 | | 5,289,646 | | |
| GRAND TOTAL | | | | | | | | | |
| Geographic Income | Bank | | | | Aggregate | | | | Bus.Dem. |
| | # | % | \$000's | % | # | % | \$000's | % | % |
| Low | 3 | 4.8% | 583 | 4.7% | | 10.2% | | 8.2% | |
| Moderate | 5 | 8.1% | 1,125 | 9.0% | | 14.1% | | 12.1% | |
| LMI | 8 | 12.9% | 1,708 | 13.7% | 112,748 | 24.3% | 2,998,084 | 20.3% | |
| Middle | 16 | 25.8% | 2,636 | 21.2% | | 13.6% | | 12.0% | |
| Upper | 37 | 59.7% | 7,994 | 64.3% | | 58.8% | | 62.5% | |
| Unknown | 1 | 1.6% | 100 | 0.8% | | 3.4% | | 5.2% | |
| Total | 62 | | 12,438 | | 463,967 | | 14,739,295 | | |

Action Taken in Response to Written Complaints with Respect to CRA: "N/A"

Neither DFS nor CB received any written complaints during the evaluation period regarding CB's CRA performance.

Community Development Test: “Satisfactory”

CB’s community development performance demonstrated reasonable responsiveness to the community development needs of its assessment area through community development activities, considering CB’s capacity and the need for and availability of opportunities for community development in its assessment area.

During the evaluation period, CB originated \$17.1 million in new community development loans; CB had no loans outstanding from prior evaluation periods. Also, during the evaluation period, CB made \$1.5 million in new community development investments and had \$1 million outstanding from prior evaluation periods. CB made \$115,895 in community development grants during the period.

Community Development Lending: “Satisfactory”

CB originated \$17.5 million in new community development loans during the evaluation period, and had no outstanding loans from the prior evaluation period. Total community development lending represented 0.8% of annualized average total assets. This demonstrated a reasonable level of community development lending over the course of the evaluation period.¹

| Community Development Loans | | | | |
|------------------------------------|-------------------------------|---------------|---|--------------|
| | This Evaluation Period | | Outstandings from Prior Evaluation Periods | |
| Purpose | # of Loans | \$000 | # of Loans | \$000 |
| Affordable Housing | | | | |
| Economic Development | 2 | 2,065 | | |
| Community Services | 3 | 15,400 | | |
| Revitalize and Stabilize | | | | |
| Total | 5 | 17,465 | 0 | 0 |

Below are highlights of CB’s community development lending.

Economic Development

- CB extended a \$1.8 million commercial mortgage loan to purchase a warehouse building. As the purchase price of the property was \$3.5 million, the Small Business Administration (“SBA”) provided a second mortgage loan in the amount of \$1.4 million under the SBA 504 loan program. The property contains a retail discount

¹ For analysis purposes, renewals of lines of credit that occur during the evaluation period are considered new extensions of credit.

store and is located in a moderate-income census tract in Brooklyn.

- CB renewed a \$105,000 line-of-credit (“LOC”) annually (2015, 2016, and 2017) during the current evaluation period for a total of \$315,000. The LOC is to a business development corporation that promotes the business prosperity and economic welfare of New York State by providing loans to a variety of small businesses.

Community Service

- CB extended a \$5 million working capital LOC to an educational institution. The loan provided capital for operations as the institution was in financial difficulty due to mismanagement. The loan has ensured that the institution can continue to provide higher education to students, of which 96% receive financial aid.

Qualified Investments: “Satisfactory”

CB made \$1.5 million in qualified investments during the evaluation period and had \$1 million outstanding from prior evaluation periods. In addition, CB made \$115,895 in community development grants. This demonstrated a reasonable level of qualified investments over the course of the evaluation period.

| Qualified Investments and Grants | | | | |
|----------------------------------|------------------------|--------------|--|--------------|
| | This Evaluation Period | | Outstandings from Prior Evaluation Periods | |
| Qualified Investments | # of Inv. | \$000 | # of Inv. | \$000 |
| Affordable Housing | | | | |
| Economic Development | 5 | 1,500 | | |
| Community Services | | | 1 | 1,000 |
| Revitalize and Stabilize | | | | |
| Total | 5 | 1,500 | 1 | 1,000 |
| Qualified Grants | # of Grants | \$000 | Not Applicable | |
| Affordable Housing | 4 | 56 | | |
| Economic Development | | | | |
| Community Services | 13 | 60 | | |
| Revitalize and Stabilize | | | | |
| Total | 17 | 116 | | |

Below are highlights of CB’s qualified investments.

Investments

- CB invested \$250,000 in a certificate-of-deposit (“CD”) at a U.S. Treasury

Department certified Community Development Financial Institution (“CDFI”). CB renewed the CD each year of the evaluation period for a total investment of \$750,000. The CDFI used the funds to provide credit, investments, economic growth, and revitalization in underserved and distressed neighborhoods.

- CB invested in a \$250,000 CD at a minority-owned financial institution. CB renewed the CD each year of the evaluation period for a total investment of \$750,000. The institution used the funds to promote economic growth in underserved neighborhoods.

Grants

- CB donated \$56,395 to the Federal Home Loan Bank of New York for its Affordable Housing Program. The program supports the creation and preservation of affordable housing for lower income individuals and families.

Community Development Services: “Satisfactory”

CB demonstrated a reasonable level of community development services over the course of the evaluation period. Services included management participation in local not-for-profit organizations and financial literacy sessions for the youth and the elderly.

Below are highlights of CB’s community development services.

- CB’s marketing officer serves on the board of directors of a local organization that was established to improve the economic viability and quality of life for residents of Bronx County. The organization promotes economic development by forming initiatives and partnerships that have helped to improve access to health services, education and employment opportunities.
- CB provided financial literacy training sessions several times a year to school children through CB’s Teach Children to Save (“TCTS”) program. TCTS is a free national program, sponsored by the American Business Association, to teach the value of starting to save early.
- In partnership with a local police precinct, CB employees participated in presentations on preventing elder financial abuse and identity theft.
- CB offers a “No Fee Checking” account that requires a minimum deposit of \$100 at account opening. CB offers a range of products that are designed to accommodate and support small businesses. These products include small business no-nonsense checking, and business lending programs. To help meet the credit needs of its community, CB offers a not-for-profit checking account tailored to assist not-for-profit community development organizations.

Responsiveness to Credit and Community Development Needs

CB demonstrated a reasonable level of responsiveness to credit and community development needs.

CB's community development activities provided funds to organizations that promote economic development by supporting small business in underserved areas and community services through financial education to children and education on preventing financial abuse to the elderly. Additionally, CB extended two community loans for a total of \$10.4 million secured by buildings located in LMI census tracts. Each property is occupied by a nonprofit organization providing services such as housing and assistance programs to LMI individuals, as well as free legal services, education, and advocacy for low-income individuals and families.

Additional Factors

The extent of participation by the banking institution's Board of Directors or Board of Trustees in formulating the banking institution's policies and reviewing its performance with respect to the purposes of the CRA.

CB's CRA policy statement is reviewed and approved annually by the board of directors (the "Board") for review and approval. The management compliance committee meets monthly and includes a review of the bank's CRA activities. Compliance committee meeting minutes are provided to the Board for review.

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.*

DFS examiners did not note practices by CB intended to discourage applications for the types of credit offered by CB.

- *Evidence of prohibited discriminatory or other illegal credit practices.*

DFS examiners did not note evidence by CB of prohibited discriminatory or other illegal practices.

Record of opening and closing offices and providing services at offices

CB did not close any branch office during the evaluation period, but did open a new branch in 2015 in an upper-income census tract in New York County.

Branch hours are typically from 9:00 am to 5:00 pm, Monday through Friday. CB offers extended hours until 6:00 pm on at least one day per week at each branch except its main

office. Saturday banking hours are only offered at its Bronx branch.

CB operates eight ATMs; there is at least one ATM at each branch location except for the main office. All eight ATMs dispense cash and accept deposits. In addition, CB's participation in the Allpoint ATM network provides its customers access to over 55,000 non-proprietary ATMs worldwide at no charge. CB's alternative delivery systems, which include online banking and bill pay, mobile banking, cash management and remote deposit capture, allow personal and business customers, including those in the surrounding LMI geographies to have convenient access to CB's services and products.

| Distribution of Branches within the Assessment Area | | | | | | | |
|---|-------|-------|------------|----------|----------|----------|-----------|
| County | N/A # | Low # | Moderate # | Middle # | Upper # | Total # | LMI % |
| Bronx | | | | 1 | 1 | 2 | 0% |
| *Kings | | | | | | 0 | 0% |
| New York | | | | | 3 | 3 | 0% |
| *Queens | | | | | | 0 | 0% |
| Westchester | | | | | 1 | 1 | 0% |
| Total | | | | 1 | 5 | 6 | 0% |

* Partial County

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.*

CB ascertains the community credit needs of its community through involvement with local community organizations and business development corporations.

- *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*

CB markets its products and services in local newspapers and at its branch locations.

Other factors that in the judgment of the Superintendent bear upon the extent to which CB is helping to meet the credit needs of its entire community

None.

GLOSSARY

Aggregate Penetration Rate

The number of loans originated and purchased by all reporting lenders in specified categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the assessment area.

Community Development

“Community development”:

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.

Community Development Loan

A loan that has 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.

Community Development Service

Service that has community development as its *primary purpose*, 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.

Geography

A census tract delineated by the United States Bureau of the Census in the most recent decennial census

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.

Income Level

The income level for borrowers is based on household or family income. A geography's income is categorized by median family income for the geography. In both cases, the income is compared to the MSA or statewide nonmetropolitan median income.

| Income level of individual or geography | % of the area median income |
|--|------------------------------------|
| Low-income | Less than 50 |
| Moderate-income | At least 50 and less than 80 |
| Middle-income | At least 80 and less than 120 |
| Upper-income | 120 or more |

Small Business Loan

A small business loan is a loan less than or equal to \$1 million.

Low or Moderate Income ("LMI") Geographies

Those census tracts or block numbering areas where, according to the 2000 U.S. 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 cases 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

Individuals or persons 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 represents 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 in LMI geographies or to LMI borrowers.

Low-Income Housing Tax Credit (LIHTC)

A dollar for dollar tax credit for affordable housing, created under the Tax Reform Act of 1986, that provides incentives to invest in projects for the utilization of private equity in the development of affordable housing aimed at low income Americans. It is also more commonly called Section 42 credits in reference to the applicable section of the IRC. The tax credits are more attractive than tax deductions as they provide a dollar for dollar reduction in a taxpayer's federal income tax. It is more commonly attractive to corporations since the passive loss rules and similar tax changes greatly reduced the value of tax credits and deductions to individual taxpayers.

New Markets Tax Credit (NMTC)

The New Markets Tax Credits (NMTC) Program was established by Congress in December 2000 to stimulate economic and community development and job creation in low-income communities. It permits individual and corporate taxpayers to receive a credit against federal income taxes for making qualified equity investments in Community Development Entities (CDEs). The credit provided to the investor totals 39% of the cost of the investment and is claimed over a 7-year period. CDEs must use substantially all of the taxpayer's investments to make qualified investments in low-income communities. The Fund is administered by the US Treasury Department's Community Development Financial Institutions Fund (CDFI).

Qualified Investment

A lawful investment, deposit, membership share or grant that has community development as its *primary purpose*. 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.