



**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: March 31, 2019

Institution: Habib American Bank
99 Madison Avenue
New York, NY 10016

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 Habib American Bank (“HAB Bank” 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 March 31, 2019.

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 institutions’ performance. Section 76.5 further provides that the 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 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 HAB Bank according to the large banking institution performance criteria pursuant to Sections 76.7, 76.8, 76.9, and 76.10 of the GRS. DFS evaluated HAB Bank's performance under the lending test in calendar years 2017 and 2018 and its community development activities from April 1, 2016 to March 31, 2019. HAB Bank is rated "**Satisfactory**" or "2", meaning HAB Bank had a satisfactory record of helping to meet community credit needs.

This rating is based on the following factors:

LENDING TEST: "Low Satisfactory"

HAB Bank's levels of small business lending, including letters of credit ("LCs"), were adequate in light of the Bank's size, business strategy, and financial condition, as well as aggregate and peer group activity and the demographic characteristics and credit needs of its assessment area.

Lending Activity: "Low Satisfactory"

HAB Bank's lending levels were adequate considering its size, business strategy, and financial condition, as well as the activity of its peer group and the demographic characteristics of its assessment area.

HAB Bank's average loan-to-deposit ("LTD") ratio for the evaluation period was 62.8%, well below its peer group's ratio of 85.4%. However, this LTD ratio represents the Bank's operations across all offices, including those located outside the New York assessment area.

Further analysis conducted by DFS showed the LTD ratio for the New York region for the consecutive eight quarters ending December 31, 2018 was 72.4%. While still below the peer group's ratio, the Bank's LTD ratio for the New York assessment area is considered adequate.

Assessment Area Concentration: "Needs to Improve"

HAB Bank originated 63% by number and 47.4% by dollar value of its total HMDA-reportable loans, small business loans, and LCs within its assessment area. This reflects a less than adequate concentration of lending within the assessment area, manifested by the combined lending levels of HMDA-reportable and small business lending inside its assessment area compared to the level of lending outside its assessment area.

Geographic Distribution of Loans: "Low Satisfactory"

HAB Bank's origination of loans in census tracts of varying income levels demonstrated an adequate distribution of lending.

Distribution by Borrower Characteristics: “High Satisfactory”

HAB Bank’s small business lending (including LCs) demonstrated a more than reasonable distribution of loans among individuals of different income levels and businesses of different revenue sizes.

Community Development Lending: “Low Satisfactory”

HAB Bank originated \$6.4 million in new community development loans during the evaluation period and had \$6.8 million outstanding from prior evaluation periods. This demonstrated an adequate level of community development lending.

INVESTMENT TEST: “Low Satisfactory”

HAB Bank’s qualified investments were adequate considering the assessment area’s credit needs.

Qualified Investments: “Low Satisfactory”

HAB Bank made \$2.4 million in new community development investments during the evaluation period and had no community development investments outstanding from prior evaluation periods. In addition, HAB Bank made \$314,443 in community development grants. This demonstrated an adequate level of qualified investments.

Innovativeness of Qualified Investments

HAB Bank did not make any innovative investments to support community development.

Responsiveness of Qualified Investments to Credit and Community Development Needs

HAB Bank’s qualified investments exhibited an adequate responsiveness to the assessment area’s credit and community development needs.

SERVICE TEST: “Low Satisfactory”

Retail Banking Services: “Low Satisfactory”

HAB Bank has an adequate branch network, delivery systems, branch hours and services, and alternative delivery systems.

Community Development Services: “Low Satisfactory”

HAB Bank provided an adequate level of community development services.

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

Chartered in New York State in 1983, Habib American Bank (“HAB Bank”) is a full-service commercial bank headquartered at 99 Madison Avenue, New York, NY. HAB Bank is privately-owned and operates in three states: New York, California, and New Jersey.

HAB Bank specializes in international trade finance and primarily provides trade financing to small and medium-sized businesses which are typically family-owned and employ between two and fifteen people. Most of these businesses are in the United States and import goods from or export goods to countries such as India, Pakistan, Bangladesh, and Sri Lanka. In addition, HAB Bank offers traditional banking services including online banking, remote deposit capture, online payroll services, Visa debit and credit cards, 24-hour telephone banking, and other typical consumer banking services.

In its Consolidated Report of Condition (the “Call Report”) as of December 31, 2018, filed with the Federal Deposit Insurance Corporation (“FDIC”), HAB Bank reported total assets of \$1.6 billion, of which \$910 million were net loans and lease financing receivables. The Bank reported total deposits of \$1.45 billion, resulting in an LTD ratio of 62.8%. However, this LTD ratio represents the Bank’s overall ratio across all offices, including those located outside the New York assessment area. Further analysis conducted by DFS showed the LTD ratio for the New York region for the consecutive eight quarters ending December 31, 2018 was 72.4%.

According to the latest available comparative deposit data, as of June 30, 2018, HAB Bank had a market share of 0.04%, or \$565.6 million in a market of \$1.3 trillion, ranking it 55th among 111 deposit-taking institutions in its assessment area, consisting of portions of Nassau, Queens, and New York counties.

The following is a summary of HAB Bank’s loan portfolio, based on Schedule RC-C of the Bank’s December 31, 2017 and 2018 Call Reports:

TOTAL GROSS LOANS OUTSTANDING				
Loan Type	2017		2018	
	\$000's	%	\$000's	%
1-4 Family Res. Mrtg. Lns	92,635	11.2	96,340	11.1
Commercial & Industrial Loans	58,601	7.1	51,922	6.0
Commercial Mortgage Loans	606,727	73.5	649,520	74.6
Multifamily Mortgages	46,165	5.6	57,582	6.6
Consumer Loans	6,198	0.8	7,171	0.8
Loans to Banks in Foreign Countries	15,097	1.8	8,093	0.9
Total Gross Loans	825,423	100	870,628	100

As illustrated in the above table, HAB Bank primarily engaged in commercial lending. As of December 31, 2018, commercial loans consisting of commercial mortgages and commercial and industrial loans accounted for 80.6% of total gross loans. In addition, the Bank had a combined 17.7% in one-to-four family residential and multifamily mortgage loans, mostly for investment purposes. HAB Bank’s mix of loans remained relatively unchanged since the prior evaluation.

HAB Bank operates four branches in New York: one in Manhattan, two in Queens, and one in Nassau County. The branch offices are supplemented by an automated teller machine (“ATM”) network consisting of deposit-taking ATMs at each branch. Branch hours are from 9:00 am to 3:30 or 4:00 pm, Monday through Friday. In addition, all branches, except the Manhattan branch, offer limited banking hours on Saturday.

Examiners found no evidence of financial or legal impediments that had an adverse impact on HAB Bank’s ability to meet the credit needs of its community.

Assessment Area

HAB Bank’s assessment area is comprised of the following partial counties: New York, Queens, and Nassau.

There are 505 census tracts in the area of which 13 are low-income, 139 are moderate-income, 223 are middle-income, 109 are upper-income, and 21 have no income indicated.

Assessment Area Census Tracts by Income Level							
County	N/A	Low	Mod	Middle	Upper	Total	LMI %
New York*	6	0	1	4	52	63	1.6
Nassau*	0	0	7	32	14	53	13.2
Queens*	15	13	131	187	43	389	37.0
Total	21	13	139	223	109	505	30.1

* Partial county

Demographic & Economic Data

The assessment area had a population of 1.9 million during the evaluation period. Approximately 12.8% of the population was over the age of 65 and 16.6% was under the age of 16.

Of the 406,162 families in the assessment area, 25.4% were low-income, 17.2% were moderate-income, 17.9% were middle-income, and 39.5% were upper-income. There were 701,041 households in the assessment area, of which 13.1% had income below

the poverty level and 2.8% were on public assistance.

The weighted average median family income in the assessment area was \$83,309. There were 777,092 housing units within the assessment area, of which 45.2% were one-to-four family units and 54.6% were multifamily units. Of the area's total housing units, 54.6% were renter-occupied while 35.6% were owner-occupied units.

Of the 276,816 owner-occupied housing units, 19.5% were in LMI census tracts while 79.9% were in middle- and upper-income census tracts. The median age of the housing stock was 80 years, and the median home value in the assessment area was \$512,229.

There were 191,294 non-farm businesses in the assessment area. Of these, 80.9% were businesses with reported revenues of less than or equal to \$1 million, 11.1% reported revenues of more than \$1 million, and 8% did not report their revenues.

Of the businesses in the assessment area, 95.7% were businesses with less than fifty employees while 88.4% operated from a single location. The largest industries in the area were services (43.9%), retail trade (13.4%), and finance, insurance and real estate (12.3%); 11% of businesses in the assessment area were not classified.

According to the New York State Department of Labor, the annual average unemployment rates for New York State and New York, Queens, and Nassau counties steadily decreased during the evaluation period. Additionally, all counties in the assessment area had unemployment rates lower than the statewide average.

Year	Statewide	New York	Nassau	Queens
2016	4.9	4.6	3.9	4.5
2017	4.7	4.1	4.1	4.0
2018	4.1	3.7	3.5	3.6

Community Information

DFS examiners conducted interviews with representatives from two nonprofit organizations providing community programs and services in the Bank's assessment area. One organization was a community development financial institution ("CDFI") with a mission to create opportunities for LMI individuals through affordable housing in diverse, thriving communities. The other one was a nonprofit agency that provides job training and career development services to members of the workforce in New York so that they can obtain continuing and sustainable employment to provide for themselves and their families.

The interviewees indicated that LMI individuals and communities need more access to affordable housing, career-oriented jobs with income growth potential and benefits, and financial literacy training, including credit building and credit repair.

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

The Department evaluated HAB Bank under the large banking institution performance standards in accordance with Sections 76.7, 76.8, 76.9, and 76.10 of the GRS, which consist of the lending, investment, and service tests. 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. 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.*

Finally, the evaluation considered other factors as delineated in Section 28-b of the New York Banking Law that reasonably bear upon the extent to which HAB Bank helps to meet the credit needs of its entire community.

DFS derived statistics employed in this evaluation from various sources. HAB Bank submitted bank-specific information both as part of the examination 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. Some non-specific bank data are only available on a county-wide basis, and DFS used this information even where the institution's assessment area includes partial counties.

The Department evaluated HAB Bank's performance under the lending test in calendar years 2017 and 2018, and its performance for community development activities from April 1, 2016 to March 31, 2019.

Examiners considered HAB Bank's HMDA-reportable lending in evaluating factor (2); and small business lending in evaluating factors (2), (3) and (4) of the lending test noted below.

At HAB Bank's request, DFS considered letters of credit ("LCs") as a part of this evaluation. The Bank is actively involved in commercial lending, which includes import and export LCs issued to small and mid-sized trade companies. Over the course of the evaluation period, HAB Bank issued 145 LCs totaling \$26.2 million within its assessment area. DFS considered LCs in evaluating factors (2), (3), and (4) of the lending test.

Examiners gave greater weight to HAB Bank's small business lending in this evaluation, as it was determined to be the Bank's major product line. Commercial mortgages and commercial and industrial loans accounted for 80.6% of total gross loans ending December 31, 2018.

The Bank originated fourteen HMDA-reportable loans inside its assessment area during the evaluation period. Given this limited activity during this evaluation, the Bank's HMDA loans will only be discussed in the assessment area concentration and were not evaluated in any other criteria under the lending test. In addition, HMDA-reportable loans were primarily for investment purpose and made to entities, not to natural persons.

At its **prior** Performance Evaluation as of March 31, 2016 under the intermediate small banking performance standards, DFS assigned HAB Bank a rating of "2," reflecting a "Satisfactory" record of helping to meet the credit needs of the Bank's community.

For the current evaluation period, HAB Bank was evaluated under the large banking institution performance standards.

Current CRA Rating: "Satisfactory"

LENDING TEST: "Low Satisfactory"

The Bank's lending performance was evaluated pursuant to the following criteria:

- (1) Lending Activity;*
- (2) Assessment Area Concentration;*
- (3) Geographic Distribution of Loans;*
- (4) Borrower Characteristics;*
- (5) Community Development Lending; and*
- (6) Flexible and/or Innovative Lending Practices.*

HAB Bank's small business lending including LCs were adequate in light of the Bank's size, business strategy, and financial condition, as well as aggregate and peer group activity and the demographic characteristics and credit needs of its assessment area.

Lending Activity: "Low Satisfactory"

HAB Bank's lending levels were adequate considering its size, business strategy, and financial condition, as well as the activity of its peer group and the demographic characteristics of its assessment area.

HAB Bank's average LTD ratio for the evaluation period was 62.8%, below the peer group's ratio of 85.4%, attributable to HAB Bank's holding of significant balances in interest bearing accounts and correspondent bank deposits. As of December 31, 2018, interest-bearing balances represented 38% of total assets.

While the average overall LTD ratio for HAB Bank was 62.8%, this represents the Bank's total ratio across all offices including those located outside of the New York assessment area. Further analysis showed the LTD ratio for the New York region for the eight consecutive quarters ending December 31, 2018 was 72.4%. While still below the peer group's ratio, the Bank's LTD ratio for the New York assessment area is considered adequate.

The table below shows HAB Bank's overall LTD ratios in comparison with the peer group's ratios for the eight quarters since the prior evaluation, including its LTD ratios adjusted for its New York assessment area.

Loan-to-Deposit Ratios									
	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Q1	2018 Q2	2018 Q3	2018 Q4	Avg.
Bank <i>NYS Only</i>	61.5	72.5	77.5	75.2	72.1	71.9	73.7	74.7	72.4
Bank	63.2	69.6	62.1	68.7	52.7	60.0	63.8	62.3	62.8
Peer	83.1	84.7	85.3	85.0	85.0	86.7	86.8	86.9	85.4

Assessment Area Concentration: “Needs to Improve”

During the evaluation period, HAB Bank originated 63% by number and 47.4% by dollar value of its total HMDA-reportable & small business loans and LCs within its New York assessment area. This reflects a less than adequate concentration of lending within the assessment area, attributed to the combined lending levels of HMDA-reportable and small business lending inside its assessment area compared to the level of lending outside its assessment area.

HMDA-Reportable Loans

During the evaluation period, HAB Bank originated 26.9% by number and 29% by dollar value of its HMDA-reportable loans within the assessment area, and 70% by number and 63.7% by dollar value outside the assessment area.

This substantial majority of lending outside of its assessment area reflects a poor concentration of lending

Small Business Loans

During the evaluation period, HAB Bank originated 40.7% by number and 36.1% by dollar value of its small business loans within the assessment area. This level of lending reflects a less than adequate concentration of lending.

Letters of Credit

During the evaluation period, HAB Bank issued 86.3% by number and 98% by dollar value of its LCs within the assessment area. This reflects an excellent concentration of lending.

The following table shows the percentages of HAB Bank's HMDA-reportable and small business loans, and LCs 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
	#	%	#	%		\$	%	\$	%	
HMDA-Reportable										
2017	5	22.7%	17	77.3%	22	3,881	20.0%	15,508	80.0%	19,389
2018	9	30.0%	21	70.0%	30	8,737	36.3%	15,349	63.7%	24,086
Subtotal	14	26.9%	38	73.1%	52	12,618	29.0%	30,857	71.0%	43,475
Small Business										
2017	23	42.6%	31	57.4%	54	11,319	36.0%	20,157	64.0%	31,476
2018	14	37.8%	23	62.2%	37	6,158	36.3%	10,785	63.7%	16,943
Subtotal	37	40.7%	54	59.3%	91	17,477	36.1%	30,942	63.9%	48,419
Letters of Credit										
2017	87	87.9%	12	12.1%	99	15,203	98.7%	195	1.3%	15,398
2018	58	84.1%	11	15.9%	69	10,962	97.0%	338	3.0%	11,300
Subtotal	145	86.3%	23	13.7%	168	26,165	98.0%	533	2.0%	26,698
Grand Total	196	63.0%	115	37.0%	311	56,260	47.4%	62,332	52.6%	118,592

Geographic Distribution of Loans: "Low Satisfactory"

HAB Bank's origination of loans in census tracts of varying income levels demonstrated an adequate distribution of lending, as largely manifested in its small business lending.

As stated earlier, due to its limited activity, HMDA-reportable lending was not considered in this criterion.

Small Business Loans

The distribution of HAB Bank's small business loans among census tracts of varying income levels was excellent.

HAB Bank originated 27% by number and 28.5% by dollar value of its small business loans in moderate-income census tracts, which compared favorably to aggregate levels of 13.9% and 11.3%, respectively. No small business loans were made in low-income census tracts; however, those tracts account for only 1% of businesses, indicative of the limited lending opportunities in these areas. In addition, HAB Bank's lending rates in moderate-income geographies during the evaluation period were consistently well above the percentage of business demographics in moderate-income areas.

The following table provides a summary of the distribution of HAB Bank'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									
2017									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	773	1.0%	16,927	0.6%	1.0%
Moderate	7	30.4%	3,894	34.4%	10,132	13.1%	315,040	11.0%	14.0%
LMI	7	30.4%	3,894	34.4%	10,905	14.1%	331,967	11.5%	15.1%
Middle	12	52.2%	5,891	52.0%	18,768	24.3%	522,681	18.2%	24.2%
Upper	3	13.0%	1,334	11.8%	43,221	55.9%	1,791,015	62.3%	53.6%
Unknown	1	4.3%	200	1.8%	4,433	5.7%	229,778	8.0%	7.1%
Total	23		11,319		77,327		2,875,441		
2018									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	757	0.9%	16,035	0.5%	1.0%
Moderate	3	21.4%	1,091	17.7%	10,835	12.8%	308,718	10.5%	14.0%
LMI	3	21.4%	1,091	17.7%	11,592	13.7%	324,753	11.1%	15.1%
Middle	7	50.0%	3,467	56.3%	20,411	24.2%	550,971	18.8%	24.2%
Upper	4	28.6%	1,600	26.0%	47,452	56.3%	1,814,593	61.9%	53.6%
Unknown	0	0.0%	0	0.0%	4,872	5.8%	242,096	8.3%	7.1%
Total	14		6,158		84,327		2,932,413		
GRAND TOTAL									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%		0.9%		0.6%	
Moderate	10	27.0%	4,985	28.5%		13.0%		10.7%	
LMI	10	27.0%	4,985	28.5%	22,497	13.9%	656,720	11.3%	
Middle	19	51.4%	9,358	53.5%		24.2%		18.5%	
Upper	7	18.9%	2,934	16.8%		56.1%		62.1%	
Unknown	1	2.7%	200	1.1%		5.8%		8.1%	
Total	37		17,477		161,654		5,807,854		

Letters of Credit

The distribution of HAB Bank's lending through the issuance of LCs among census tracts of varying income levels was poor. HAB Bank originated 145 letters of credit within the assessment area, none of which were to businesses located in LMI census tracts.

The Bank's business model provides for repetitive issuance of LCs to small businesses operating in trade finance and/or import/export businesses. During the evaluation period, 75.2% of LCs by number and 76.3% by dollar value were made in census tracts designated as income "not known", where most of these businesses were located.

While the concentration of LC issuance to a few repeat borrowers in census tracts with unknown income levels tends to skew the geographic distribution of lending in an unfavorable way, it does not completely mitigate the low level of this activity in LMI geographies.

Distribution by Borrower Characteristics: “High Satisfactory”

HAB Bank’s small business lending and LC activity demonstrated a more than reasonable distribution of loans among individuals of different income levels and businesses of different revenue sizes.

HMDA-reportable loans originated by the bank, including one-to four family and multifamily properties, were typically for investment purposes and were paid through rental income. As such, the income of the borrower was not recorded. Therefore, the Department only analyzed data concerning HAB’s small business lending and letter of credit activity.

Small Business Loans

HAB Bank’s small business lending demonstrated an excellent distribution of loans among businesses of different revenue sizes.

During the evaluation period, HAB Bank’s lending to businesses with gross annual revenue of \$1 million or less averaged 54.1% by number and 61.5% by dollar value, well above the aggregate’s average rates of 42.5% and 26.1%, respectively. While HAB Bank’s rate of lending during the entire period was below the percentage of businesses with revenues of \$1 million or less in the assessment area, HAB Bank’s performance is considered excellent.

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

Distribution of Small Business Lending by Revenue Size of Business									
2017									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	16	69.6%	8,525	75.3%	36,598	47.3%	840,026	29.2%	80.7%
Rev. > \$1MM	4	17.4%	1,435	12.7%					11.5%
Rev. Unknown	3	13.0%	1,359	12.0%					7.9%
Total	23		11,319		77,327		2,875,441		
2018									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	4	28.6%	2,232	36.2%	32,099	38.1%	674,808	23.0%	80.7%
Rev. > \$1MM	6	42.9%	2,460	39.9%					11.5%
Rev. Unknown	4	28.6%	1,466	23.8%					7.9%
Total	14		6,158		84,327		2,932,413		
GRAND TOTAL									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	20	54.1%	10,757	61.5%	68,697	42.5%	1,514,834	26.1%	
Rev. > \$1MM	10	27.0%	3,895	22.3%					
Rev. Unknown	7	18.9%	2,825	16.2%					
Total	37		17,477		161,654		5,807,854		

Letters of Credit

HAB Bank's level of LC activity during the evaluation period demonstrated an adequate distribution of lending among businesses of different revenue sizes.

The Bank's business model provides for repetitive issuance of LCs to its small business customers. LCs were issued to wholesale trade and finance companies involved in importing and exporting apparel, electronics, food products, chemical products, and novelty items. These businesses have revenues greater than \$1 million but qualify as small business as they meet the Small Business Administration's ("SBA") size eligibility standards based on number of employees. Typically, these businesses are family-owned and operated and employ between two to fifteen people.

To analyze the borrower characteristics of the companies, examiners considered the size of the letters of credit as a proxy. A review of the LCs originated during the evaluation period indicated that 50.4% by number and 18.2% by dollar value were less than \$100,000. Furthermore, 84.2% of LCs by number and 58% by dollar value were made for less than \$250,000. These levels of activity demonstrated the Bank's commitment to lending to small businesses in its assessment area.

Community Development Lending: “Low Satisfactory”

During the evaluation period, HAB Bank originated \$6.4 million in new community development loans and had \$6.8 million outstanding from prior evaluation periods. This demonstrated an adequate level of community development lending.

Community Development Loans (Within the Assessment Area)				
Purpose	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Loans	\$000	# of Loans	\$000
Affordable Housing				
Economic Development				
Community Services				
Revitalization/Stabilization	5	6,429	6	6,793
Total	5	6,429	6	6,793

HAB Bank’s community development lending activity involved revitalization and/or stabilization of LMI census tracts. These loans were mostly for refinancing of mixed-use properties and helped retain and provide local businesses with additional funding for capital improvements.

Innovative and/or Flexible Lending Practices

HAB Bank did not make any innovative or flexible community development loans.

INVESTMENT TEST: “Low Satisfactory”

- DFS evaluated HAB Bank’s investment performance pursuant to the following criteria:*
- (1) The dollar amount of qualified investments;*
 - (2) The innovativeness or complexity of qualified investments; and*
 - (3) The responsiveness of qualified investments to the credit and community development needs of the assessment area.*

HAB Bank’s qualified investments were adequate considering the assessment area’s needs.

Qualified Investments: “Low Satisfactory”

During the evaluation period, HAB Bank made \$2.4 million in new community development investments and had no qualified investments outstanding from prior evaluation periods. In addition, HAB Bank made \$314,443 in community development grants. This demonstrated an adequate level of qualified investments.

Community Development Investments and Grants				
	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Inv.	\$000	# of Inv.	\$000
CD Investments				
Affordable Housing				
Economic Development	7	2,400		
Community Services				
Other (Please Specify)				
Total	7	2,400	0	0
CD Grants	# of Grants	\$000	Not Applicable	
Affordable Housing	6	46		
Economic Development	10	95		
Community Services	23	173		
Other (Please Specify)				
Total	39	314		

Highlights of HAB Bank’s community development investments and grants are as follows:

- HAB Bank invested \$800,000 in renewed certificates of deposit at various community development financial institutions (“CDFI’s”), which provide community-focused banking services, support the economy, and revitalize underserved neighborhoods. The funds helped meet the banking and credit needs of LMI geographies, as well as to assist in the economic growth and revitalization of underserved neighborhoods.
- HAB Bank contributed a total of \$314,443 in grants toward community services (55%) economic development (30%), and affordable housing (15%). Some of these grants were as follows:
 - HAB Bank contributed \$25,000 to an organization that provides food to the homebound elderly. The organization’s mission is to provide nutritious meals to frail, aged persons who can no longer shop or cook for themselves.
 - HAB Bank contributed \$40,000 to a community college to provide scholarships to low income students who cannot afford to pay tuition.
 - HAB Bank contributed \$55,000 to a nonprofit organization working to help residents in underserved LMI neighborhoods to buy and stay in their homes.

Innovativeness of Qualified Investments

HAB Bank did not make any innovative investments to support community development.

Responsiveness of Qualified Investments to Credit and Community Development Needs

HAB Bank's community development investments exhibited an adequate responsiveness to the assessment area's credit and community development needs.

SERVICE TEST: "Low Satisfactory"

DFS evaluated HAB Bank's retail service performance pursuant to the following criteria:

- (1) The current distribution of the banking institution's branches;*
- (2) The institution's record of opening and closing branches;*
- (3) The availability and effectiveness of alternative systems for delivering retail services;*
and
- (4) The range of services provided.*

DFS evaluated HAB Bank's *community development service performance pursuant to the following criteria:*

- (1) The extent to which the banking institution provides community development services;*
and
- (2) The innovativeness and responsiveness of community development services.*

Retail Banking Services: "Low Satisfactory"

HAB Bank's branch network, delivery systems, branch hours and services, and alternative delivery systems were adequate to meet the needs of LMI individuals.

Current distribution of the banking institution's branches

HAB Bank has an adequate distribution of branches within its assessment area.

As of the evaluation date, HAB Bank operated four branches in New York State, of which one branch is located in a moderate-income census tract and three are located in middle- and upper-income census tracts.

Distribution of Branches within the Assessment Area							
County	N/A	Low	Moderate	Middle	Upper	Total	LMI
	#	#	#	#	#	#	%
Nassau*			1			1	100%
New York*					1	1	0%
Queens*				2		2	0%
Total	0	0	1	2	1	4	25%
*Partial County							

Record of opening and closing branches

HAB Bank’s record of opening and closing branches has not adversely affected the accessibility of its delivery systems, particularly to LMI geographies and/or LMI individuals.

HAB Bank did not open or close any branches during the evaluation period. Branch hours are from 9:00 am to 3:30 pm or 4:00 pm, Monday through Friday. All branches except the Manhattan branch offer limited banking hours on Saturday.

Availability and effectiveness of alternative systems for delivering retail services

HAB Bank’s delivery systems are accessible to portions of the Bank’s assessment area, including LMI geographies and individuals. HAB Bank offers a number of alternative systems for delivering retail services for both consumer and small business customers such as online banking services, remote deposit capture, debit cards, Visa credit cards, 24-hour telephone banking, and business online payroll services.

Range of services provided:

HAB Bank’s services meet the convenience and accessibility needs of its assessment area, including LMI geographies and individuals.

HAB Bank offers several products that support LMI and small business needs, including SBA lending programs designed to help small businesses obtain financing to expand or acquire businesses or provide for short-term working capital needs, and loans designed for healthcare professionals and small practices to finance equipment acquisition and working capital needs.

Community Development Services: “Low Satisfactory”

HAB Bank demonstrated an adequate level of community development services over the course of the evaluation period.

- In four instances, a senior officer provided financial expertise and leadership through

board and committee memberships in nonprofit organizations and associations promoting services to victims of domestic abuse and their children, youth and community development purposes, minority and women-owned businesses, and a revitalization initiative in Nassau County.

- HAB Bank collaborated with a financial services entity and organized two continuing professional education (“CPE”) seminars for small certified public accounting firms. The CEO and senior executive vice president represented the Bank and presented information on qualified retirement plans for small businesses. Both seminars were geared towards businesses employing between two to ten people and with revenues of less than one million.
- HAB Bank provided financial literacy training sessions to school children through its “Teach Children to Save (“TCTS”)” program, aimed to teach youths of the value of starting to save early.

Additional Factors

The following factors were also considered in assessing HAB Bank’s record of performance.

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

HAB Bank has a CRA committee tasked with the oversight of the Bank’s CRA performance. The committee consists of members of senior management, including the president and chief executive officer, the senior credit officer, and the CRA officer. The committee meets on a quarterly basis. A third-party vendor annually conducts a CRA performance evaluation, the results of which are reported to the Board and the CRA committee 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 noted no practices by HAB Bank intended to discourage applications for the types of credit offered by HAB Bank.

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

DFS noted no evidence of prohibited discriminatory or other illegal practices.

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*

HAB Bank's efforts to ascertain the credit needs of its community were primarily through direct contact with its customer base. Members of senior management call on customers to gauge and discuss specific credit requirements. A senior officer coordinates business development. The Bank also joined various community organizations and sponsors or participates in a number of community events each year as part of its outreach efforts.

- *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*

HAB Bank provides information to its community regarding the Bank's services and products by means of direct customer contact and advertising in newspapers serving South Asian communities within the Bank's assessment area.

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

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

DFS noted no other factors.

GLOSSARY

Aggregate Lending

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 Metropolitan Statistical Area ("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 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.