NEW YORK STATE
DEPARTMENT OF FINANCIAL SERVICES
FINANCIAL FRAUDS AND CONSUMER PROTECTION DIVISION

One State Street
New York, NY 10004

PUBLIC SUMMARY

COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION

Date of Evaluation: December 31, 2015

Institution: Bank Leumi USA
579 Fifth Avenue
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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</table>
GENERAl INFORMATION

This document is an evaluation of the Community Reinvestment Act ("CRA") performance of Bank Leumi USA ("BLUSA") 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 December 31, 2015.

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 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 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

Overall CRA Rating: “Outstanding”

BLUSA’s performance was evaluated according to the community development test for wholesale or limited purpose banking institutions pursuant to Part 76.11 of the General Regulations of the Superintendent. The assessment period covered January 1, 2013 to December 31, 2015. BLUSA is rated “1,” indicating an “Outstanding” record of helping to meet community credit needs. This rating is the same as the prior rating of “1,” based on DFS’s performance evaluation dated December 31, 2012.

This rating is based on the following factors:

Community Development Test: “Outstanding”

BLUSA’s community development performance demonstrated excellent responsiveness to the community development needs of its assessment area through a high volume of community development loans, as well as an adequate level of investments and services, considering BLUSA’s capacity and the need and availability of such opportunities for community development in its assessment area.

Community Development Lending: “Outstanding”

During the evaluation period, BLUSA originated or renewed a total of $303.5 million in new community development loans and lines of credit. This demonstrated an excellent level of community development lending over the course of the evaluation period.

Community Development Qualified Investments: “Satisfactory”

During the evaluation period, BLUSA made $300,000 in new qualified community development investments and $140,000 in grants, and had $2.3 million in investments outstanding from prior evaluation periods. This demonstrated a reasonable level of community development investments over the course of the evaluation period.

Community Development Services: “Satisfactory”

BLUSA has provided a reasonable level of community development services within its assessment area.

Innovative or Complex Practices:

BLUSA continued to invest in private equity mutual funds that seek to invest in CRA qualified investments earmarked for BLUSA’s assessment area.
Responsiveness to Credit and Community Development Needs:

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

*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 Part 76 of the General Regulations of the Superintendent.*
PERFORMANCE CONTEXT

Institution Profile

BLUSA is a New York State-chartered, FDIC insured commercial bank, and is a wholly owned subsidiary of Bank Leumi Le-Israel B.M. BLUSA is headquartered in New York at 579 Fifth Avenue, New York, NY 10017 with one full service branch at this location. In addition, the BLUSA has four other full-service branches in the United States: two in California, one in Illinois and one in Florida.

BLUSA is a full service commercial bank offering a broad range of services and products to middle and upper middle market firms and international businesses through offices in New York, Florida, California and Illinois. The Bank offers services to high net worth clients through its private banking platform and securities and insurance products through its wholly owned brokerage subsidiary, Leumi Investment Services, Inc. BLUSA’s focus is directed to commercial and industrial lending, commercial real estate, accounts receivable financing, international trade financing, and equipment lease financing. BLUSA services different industries including: healthcare, high-tech, media and entertainment, textiles and apparel, jewelry, food and commodities.

Per the Consolidated Report of Condition as at December 31, 2015, filed with the Federal Deposit Insurance Corporation ("FDIC"), BLUSA reported total assets of $6.1 billion, of which $3.9 billion were net loans and lease financing receivables. It also reported total deposits of $5.1 billion, resulting in a loan-to-deposit ratio of 76.6%. Per the latest available comparative deposit data as of June 30, 2016, BLUSA obtained a market share of 0.2%, or $2.1 billion in a market of $1.0 trillion, ranking it 33rd among 111 deposit-taking institutions in the New York City assessment area including Bronx, Kings, Queens, New York and Richmond counties.

The following is a summary of BLUSA’s loan portfolio, based on Schedule RC-C of BLUSA’s December 31, 2013, 2014 and 2015 Call Reports:

<table>
<thead>
<tr>
<th>Loan Type</th>
<th>12/31/2013</th>
<th>12/31/2014</th>
<th>12/31/2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$000's</td>
<td>%</td>
<td>$000's</td>
</tr>
<tr>
<td>1-4 Family Residential Mortgage Loans</td>
<td>44,029</td>
<td>1.2</td>
<td>35,736</td>
</tr>
<tr>
<td>Commercial &amp; Industrial Loans</td>
<td>2,347,379</td>
<td>63.0</td>
<td>1,706,479</td>
</tr>
<tr>
<td>Commercial Mortgage Loans</td>
<td>524,581</td>
<td>14.1</td>
<td>1,020,374</td>
</tr>
<tr>
<td>Multifamily Mortgages</td>
<td>293,435</td>
<td>7.9</td>
<td>361,062</td>
</tr>
<tr>
<td>Consumer Loans</td>
<td>1,092</td>
<td>0.0</td>
<td>1,169</td>
</tr>
<tr>
<td>Construction Loans</td>
<td>220,951</td>
<td>5.9</td>
<td>330,989</td>
</tr>
<tr>
<td>Other Loans</td>
<td>74,367</td>
<td>2.0</td>
<td>80,865</td>
</tr>
<tr>
<td>Lease financing</td>
<td>218,073</td>
<td>5.9</td>
<td>167,072</td>
</tr>
<tr>
<td>Total Gross Loans</td>
<td>3,723,907</td>
<td>100</td>
<td>3,703,746</td>
</tr>
</tbody>
</table>
As illustrated in the above table, BLUSA is primarily a commercial lender, with commercial and industrial loans, and commercial mortgage loans accounting for 73.1% of its loan portfolio as of December 31, 2015.

Examiners did not find evidence of financial or legal impediments that had an adverse impact on BLUSA’s ability to meet the credit needs of its community.

Assessment Area

BLUSA’s assessment area is comprised of the five boroughs of New York City, which include Manhattan (New York County), Brooklyn (Kings County), Staten Island (Richmond County), Queens (Queens County) and the Bronx (Bronx County). The assessment area has not changed since the prior examination.

There are 2,168 census tracts in the assessment area, of which 336 are low-income, 633 moderate-income, 645 middle-income, 490 upper-income, and 64 are tracts with no income indicated.

<table>
<thead>
<tr>
<th>Assessment Area Census Tracts by Income Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>County</td>
</tr>
<tr>
<td>--------</td>
</tr>
<tr>
<td>Bronx</td>
</tr>
<tr>
<td>Kings</td>
</tr>
<tr>
<td>New York</td>
</tr>
<tr>
<td>Queens</td>
</tr>
<tr>
<td>Richmond</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

Demographic & Economic Data

Population and Income

The assessment area had a population of 8,175,133 during the evaluation period. About 11.9% of the population were over the age of 65 and 19.1% were under the age of sixteen.

Of the 1,842,289 families in the assessment area 31.8% were low-income, 17.2% moderate-income, 16.6% middle-income, and 34.4% were upper-income families. There were 3,047,249 households in the assessment area, of which 18.1% had income below the poverty level and 4.1% were on public assistance.
The weighted average median family income in the assessment area was $65,513.

Housing Characteristics

There were 3,343,424 housing units within the assessment area, of which 40.0% were one-to-four family units, and 60.0% were multifamily units. A minority (30.1%) of the area’s housing units were owner-occupied, while 61.0% were rental units. Of the 1,006,857 owner-occupied housing units, 24.5% were in low- and moderate-income census tracts while 75.5% were in middle- and upper-income census tracts. The median age of the housing stock was 70 years, and the median home value in the assessment area was $526,503.

Business Demographics

There were 520,004 non-farm businesses in the assessment area. Of these, 76.1% were businesses with reported revenues of less than or equal to $1 million, 6.3% reported revenues of more than $1 million and 17.5% did not report their revenues. Of all the businesses in the assessment area, 83.6% were businesses with less than fifty employees, while 92.1% operated from a single location. The largest industries in the area were services (50.2%), retail trade (15.6%), finance, insurance and real estate (9.1%), and 7.7% of businesses in the assessment area were not classified.

Unemployment Rates

Per the New York State Department of Labor, the average unemployment rate for New York State was 5.3% in 2015. The unemployment rate for each county in the assessment area and New York State consistently decreased during the evaluation period. Unemployment rates in the New York, Queens and Richmond counties were lower than the state average, while unemployment rates in the Bronx and Kings counties were greater than state average.

| Assessment Area Unemployment Rate |
|-----------------|---------------|---------|---------|---------|---------|---------|
|                 | Statewide     | Bronx   | Kings   | New York| Queens  | Richmond|
| 2013            | 7.70          | 11.70   | 9.30    | 7.50    | 7.70    | 8.90    |
| 2014            | 6.30          | 9.70    | 7.60    | 6.10    | 6.30    | 7.40    |
| 2015            | 5.30          | 7.70    | 5.90    | 4.80    | 5.00    | 5.80    |
| 3 YEAR AVG.     | 6.43          | 9.70    | 7.60    | 6.13    | 6.33    | 7.37    |

Community Information

Several community contact interviews were conducted to assist in developing the performance context for this evaluation. It included a local nonprofit organization dedicated to providing tuition-free education and training in business and administrative skills to economically disadvantaged women. The organization
provides comprehensive class workshops in professional development, business communications, office technology, organization and leadership skills, with high placement and retention rates for its graduates.

One contact cited a continued need for these training programs to help underprivileged and needy women in New York City. While the economy has continued to improve from the recession of 2007, there continues to be a strong need to provide educational and training seminars for low-to-moderate income individuals. The contact indicated that more organizations are actively participating in community development through grants, services, or hiring activities, with BLUSA playing an active role in contributing to the organization’s mission.

The other community contact, a large community development support organization, dedicated to helping community based development organizations improve distressed communities and neighborhoods, indicated two general observations about the New York City assessment area: the continued need for affordable housing in New York City and the growth in the number of homeless. The lack of affordable housing is in part due to the significant rebound in the New York City residential market since the recession of 2007. The contact did state that many local financial institutions are allocating resources to new development, with the largest growth in affordable housing units in many years, in part financed by loans, investments and grants by New York City financial institutions.
PERFORMANCE TEST AND ASSESSMENT FACTORS

DFS evaluates the CRA performance of wholesale banks pursuant to the “community development test,” as provided in Section 76.11 of the General Regulations of the Superintendent. Performance criteria include (1) the number and amount of community development loans, qualified investments or community development services; (2) the use of innovative or complex qualified investments, community development loans or community development services and the extent to which investments are not routinely provided by private investors; and (3) the banking institution’s responsiveness to credit and community development needs. In addition, the following factors are also considered in assessing BLUSA’s record of performance: the extent of participation by the board of directors or board of trustees in formulating CRA policies and reviewing CRA performance; any practices intended to discourage credit applications; evidence of prohibited discriminatory or other illegal credit practices; the Bank’s record of opening and closing offices and providing services at offices; and 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 a banking institution is helping to meet the credit needs of its entire community.

The assessment period included calendar years 2013, 2014 and 2015.

At its prior Performance Evaluation, as of December 31, 2012, DFS assigned a rating of “1,” reflecting an “Outstanding” record of helping to meet community credit needs.

Current CRA Rating: “Outstanding”

Community Development Test: “Outstanding”

BLUSA’s community development performance demonstrated excellent responsiveness to the community development needs of its assessment area through a high volume of community development loans, as well as a reasonable level of investments and services, considering BLUSA’s capacity and the need and availability of such opportunities for community development in its assessment area.

During the evaluation period, BLUSA extended $303.5 million\(^1\) in new community development loans, including lines of credit. BLUSA also made $300,000 in new community development investments and had $2.3 million outstanding from prior evaluation periods. In addition, BLUSA made $140,000 in grants. This represents an annualized ratio of total loans, investments and grants to total average assets of 1.66%.

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\(^1\) For analysis purposes, renewals of lines of credit that occur during the evaluation period are considered new extensions of credit. However, the level of lending is reviewed across the time of the exam.
Community Development Lending: “Outstanding”

During the evaluation period, BLUSA originated or renewed a total of $303.5 million in new community development loans and lines of credit, which represented an annualized ratio of community development loans to total average assets of 1.65%, and is an increase over the prior evaluation period’s ratio of 1.49%. This demonstrated an excellent level of community development lending over the course of the evaluation period.

Credit was extended through a diversity of community development purposes including 20 loans totaling $149.6 million (49.3%) for economic development, nine loans totaling $98.1 million (32.3%) for community services and six loans totaling $55.8 million (18.4%) for revitalization and stabilization efforts. Economic development loans were made to businesses which employ LMI individuals in the taxi industry and factoring companies that finance small businesses in the apparel, electronics and fashion accessories industries. Community service loans were primarily to health care and nursing home facilities supported mostly by funding through Medicaid reimbursements. Revitalization and stabilization loans were made to help employ LMI individuals and/or attract businesses in low- and moderate-income geographies.

<table>
<thead>
<tr>
<th>Purpose</th>
<th># of Loans</th>
<th>$000</th>
<th>Purpose</th>
<th># of Loans</th>
<th>$000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Affordable Housing</td>
<td></td>
<td></td>
<td>Outstandings from Prior Evaluation Periods</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Economic Development</td>
<td>20</td>
<td>149,627</td>
<td>Community Services</td>
<td>9</td>
<td>98,109</td>
</tr>
<tr>
<td>Community Services</td>
<td>9</td>
<td>98,109</td>
<td>Revitalize and Stabilize</td>
<td>6</td>
<td>55,792</td>
</tr>
<tr>
<td>Total</td>
<td>35</td>
<td>303,528</td>
<td></td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

The following are examples of some of the community development loans:

**Economic Development**

- BLUSA extended $20.3 million of community development loans to finance New York City taxi medallions. These loans facilitate transportation in the five boroughs of New York City and immediate neighboring suburbs and provide jobs to LMI individuals such as drivers and mechanics.

- In 2013 BLUSA renewed a $20 million credit facility for a small business operating a wholesale consumer electronics warehouse in a low-income census tract in Brooklyn. The warehouse created permanent jobs for forty-nine LMI individuals.
Community Service

- In 2015 BLUSA extended a $31 million commercial mortgage to purchase a nursing home located in moderate-income neighborhood of Flushing, NY. The skilled nursing home offers long-term nursing services, certified skilled Medicare services, rehabilitation services and hospice care.

- In 2014 BLUSA extended a $20 million loan to refinance a commercial mortgage for a nursing home located in a moderate-income neighborhood. The nursing home provides long and short-term rehabilitation, physical, occupational, speech and respiratory therapy, with Medicaid receipts representing more than 80% of revenues.

Revitalize and Stabilize

- In two years of the evaluation period, BLUSA renewed an $11.5 million credit facility to a retail establishment that operates 26 stores located in low- and moderate-income neighborhoods in Brooklyn, Queens, Manhattan, the Bronx and Mount Vernon, New York, providing economic revitalization in these communities.

Community Development Investments: “Satisfactory”

During the evaluation period, BLUSA made $300,000 in new qualified community development investments and $140,000 in grants, and had $2.3 million in investments outstanding from prior evaluation periods. This demonstrated a reasonable level of community development investments over the course of the evaluation period.

<table>
<thead>
<tr>
<th>Community Development Investments and Grants</th>
<th>This Evaluation Period</th>
<th>Outstandings from Prior Evaluation Periods</th>
</tr>
</thead>
<tbody>
<tr>
<td>CD Investments</td>
<td># of Inv. $000</td>
<td># of Inv. $000</td>
</tr>
<tr>
<td>Affordable Housing</td>
<td>1</td>
<td>2,250</td>
</tr>
<tr>
<td>Economic Development</td>
<td>3</td>
<td>300</td>
</tr>
<tr>
<td>Community Services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other (Please Specify)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>3</td>
<td>300</td>
</tr>
<tr>
<td>CD Grants</td>
<td># of Grants $000</td>
<td></td>
</tr>
<tr>
<td>Affordable Housing</td>
<td>15</td>
<td>19</td>
</tr>
<tr>
<td>Economic Development</td>
<td>9</td>
<td>15</td>
</tr>
<tr>
<td>Community Services</td>
<td>63</td>
<td>103</td>
</tr>
<tr>
<td>R/S</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Total</td>
<td>90</td>
<td>140</td>
</tr>
</tbody>
</table>
Below are highlights of BLUSA’s community development investments and grants.

BLUSA maintains an investment of $5.3 million in a CRA qualified investment fund. Of the $5.3 million, $2.3 million is allocated to an affordable housing rental property in a moderate-income census tract in Queens County. The fund is a private equity mutual fund that is actively managed by CRA Fund Advisors. The fund seeks to invest in high-credit quality fixed-income securities that support community development activities.

During the evaluation period BLUSA renewed a $100,000 deposit with a credit union. The institution is a federally chartered credit union that is a qualified community development financial institution that serves the financial needs of LMI communities and individuals in BLUSA’s assessment area.

In addition, BLUSA provided $140,000 in grants to organizations engaged in community development activities, including affordable housing, economic development, community services and revitalization and stabilization efforts within its assessment area. Following are a few examples:

- BLUSA contributed $7,500 to a legal services corporation that provides legal assistance and advocacy to low-income individuals to help prevent displacement and ensure decent living conditions, as well as counter predatory lending and other consumer fraud practices. The corporation also supports community and economic development efforts undertaken by nonprofit neighborhood-based organizations.

- BLUSA donated $12,000 to a nonprofit organization that provides tuition-free education and training in business and administrative skills to economically disadvantaged women, along with the personal skills necessary for self-sufficiency and employability. In coordination with this organization, BLUSA implemented an internship program that provides “on-the-job” work experiences.

- BLUSA donated $6,000 to a homeless shelter that provides shelter, food, immediate crisis care, and an array of other services to homeless and runaway youth. It also provides healthcare services, educational support, job readiness and skills training programs, drug abuse treatment and prevention programs, and street outreach and aftercare.

**Community Development Services: “Satisfactory”**

BLUSA provided a reasonable level of community development services within the assessment area. The services provided focused on using bank management’s financial expertise to promote economic development through job creation for low- and moderate-income individuals and provide leadership through active board membership in a workforce development organization.
• BLUSA continues to maintain its close partnership with a nonprofit organization that provides adult job skills and placement programs in New York City. These services promote economic development by supporting employment opportunities for LMI individuals. This organization provides classroom training, office skills, internships and permanent job opportunities for low-income women. In coordination with this organization, the BLUSA has implemented a successful internship program that provides “on-the-job” work experience and employed interns, some of whom are permanent employees. Other initiatives include ongoing office visits by current participants and alumnae, BLUSA employee participation in communication workshops, and mock interview events.

• One of BLUSA’s officers serves on the Employer Advisory Board of the above organization. The board is one of the most active employer boards within the workforce development community and its members represent some large corporations and financial institutions. Using financial expertise and banking industry background, the officer provides industry specific input about hiring trends in the financial sector and skills needed to succeed in today’s job market.

Innovative Practices:

BLUSA continued to invest in private equity mutual funds that seek to invest in CRA qualified investments earmarked to BLUSA’s assessment area.

Responsiveness to Credit and Community Development Needs:

BLUSA demonstrated a reasonable level of responsiveness to credit and community development needs based on the volume of community development lending, investments and services.

Additional Factors

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

The board reviews CRA performance through progress reports provided by the CRA officer and the CRA committee, as well as self-assessment reports and review of BLUSA’s lending policies.

The CRA committee is scheduled to meet quarterly with the CRA officer reporting to the board of directors. The committee develops, oversees and monitors CRA policies and performance on a regular basis. The CRA officer is responsible for communication of the CRA policy, dissemination of the CRA related information to the staff and public, maintain CRA files, manage CRA activities, and coordinate community outreach and ascertainment of CRA initiatives.
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 BLUSA that were intended to discourage applications for the types of credit offered by BLUSA.

- Evidence of prohibited discriminatory or other illegal credit practices.

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

The banking institution’s record of opening and closing offices and providing services at offices

BLUSA is designated a wholesale bank for CRA purposes. As a full service commercial bank, it has a branch located at 579 Fifth Avenue, New York, NY. One branch was closed during the evaluation period which had no impact on the assessment area.

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.

  BLUSA’s senior lending officers are members of the CRA committee and review the bank’s CRA performance. Senior lending officers, through ongoing relationships with their customers, assist the CRA officer in determining community credit needs.

  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

  As a wholesale bank, BLUSA does not utilize direct marketing other than client outreach within its current customer base. It makes the community aware of its willingness to lend or invest through meeting with intermediaries as well as direct client contacts.

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

DFS noted no other factors.
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.

<table>
<thead>
<tr>
<th>Income level of individual or geography</th>
<th>% of the area median income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low-income</td>
<td>Less than 50</td>
</tr>
<tr>
<td>Moderate-income</td>
<td>At least 50 and less than 80</td>
</tr>
<tr>
<td>Middle-income</td>
<td>At least 80 and less than 120</td>
</tr>
<tr>
<td>Upper-income</td>
<td>120 or more</td>
</tr>
</tbody>
</table>

**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.