



PUBLIC SUMMARY

COMMUNITY REINVESTMENT ACT

PERFORMANCE EVALUATION

OF

SHINHAN BANK AMERICA

JUNE 30, 2021

New York State Department of Financial Services
Consumer Protection and Financial Enforcement Division
One State Street, New York NY 10004

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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I - GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (“CRA”) performance of Shinhan Bank America (“SHBA” 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 Bank’s CRA performance based on an evaluation conducted as of June 30, 2021.

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.

II - OVERVIEW OF INSTITUTION'S PERFORMANCE

The Department evaluated SHBA according to the large banking institutions performance criteria pursuant to Sections 76.7, 76.8, 76.9 and 76.10 of the GRS. The evaluation period included calendar years 2018, 2019 and 2020 for lending activities and the period from January 1, 2018 through June 30, 2021 for community development activities. The Department has assigned SHBA a rating of “2,” indicating a “Satisfactory” record of helping to meet community credit needs.

This rating is based on the following factors:

A. Lending Test: Low Satisfactory

SHBA's HMDA-reportable and small business lending activities were adequate in light of SHBA'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.

1. Lending Activity: High Satisfactory

SHBA's lending activities were highly satisfactory 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.

SHBA's average LTD ratio of 92.9% exceeded its peer group's ratio of 85.7%. The average LTD ratio is based on loans and deposits from SHBA's five New York based branch office operations.

2. Assessment Area Concentration: Outstanding

During the evaluation period, SHBA originated 99.6% by number and 99.9% by dollar value of its total HMDA-reportable and small business loans in its New York State assessment area, demonstrating an excellent concentration of lending.

3. Geographic Distribution of Loans: High Satisfactory

SHBA's origination of loans in census tracts of varying income levels demonstrated a highly satisfactory distribution of lending.

4. Distribution by Borrower Characteristics: Low Satisfactory

SHBA's one-to-four family HMDA-reportable and small business lending demonstrated a just satisfactory distribution of loans among individuals of different income levels and businesses of different revenue sizes.

The Bank's average one-to-four family lending rates to LMI borrowers were below the aggregate's

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rates, while the Bank's average lending rates to small businesses with revenues of \$1 million or less exceeded the aggregate's rates.

5. Community Development Lending: Needs to Improve

During the evaluation period, SHBA made \$3.7 million in new community development loans and had \$3.4 million outstanding from prior evaluation periods. This demonstrated a less than adequate level of community development lending over the course of the evaluation period.

B. Investment Test: High Satisfactory

SHBA's qualified investments are highly satisfactory in light of the assessment area's credit needs.

1. Qualified Investments:

During the evaluation period, SHBA made \$3.6 million in new qualified investments and had \$932,000 outstanding from prior evaluation periods. SHBA also made \$65,000 in qualified grants. This is a highly satisfactory level of qualified investments and grants over the course of the evaluation period.

2. Innovativeness of Qualified Investments:

SHBA did not make use of innovative investments to support community development.

3. Responsiveness of Qualified Investments to Credit and Community Development Needs:

SHBA's qualified investments exhibited a satisfactory responsiveness to the assessment area's credit and community development needs.

C. Service Test: Needs to Improve

1. Retail Banking Services: Needs to Improve

SHBA has a less than adequate branch network, delivery systems, branch hours and services, and alternative delivery systems, including as it relates to LMI individuals.

2. Community Development Services: Needs to Improve

SHBA provided a less than adequate level of community development services in its New York assessment area.

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.

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III - PERFORMANCE CONTEXT

A. Institution Profile

SHBA is a New York State-chartered commercial bank headquartered at 475 Park Avenue South, New York, New York. The Bank is a wholly owned subsidiary of Shinhan Bank, a large banking corporation based in Seoul, Korea. Shinhan Bank, in turn, is wholly owned by the Shinhan Financial Group.

SHBA is on the Federal Deposit Insurance Corporation’s (“FDIC”) list of Minority Depository Institutions (“MDIs”). The Bank serves primarily Korean and Korean-American customers, operating 15 branches in the following five states: New York (5), New Jersey (2), California (5), Georgia (2), and Texas (1). The five branches in New York State offer a variety of commercial and retail loan and deposit products and services for consumers and businesses.

In its Consolidated Report of Condition (the “Call Report”) as of December 31, 2020, filed with the FDIC, SHBA reported total assets of \$1.8 billion, of which \$1.5 billion were net loans and lease financing receivables. It also reported total deposits of \$1.5 billion, resulting in a LTD ratio of 97.8%. According to the latest available comparative deposit data, as of June 30, 2020, SHBA had a market share of 0.02%, or \$348.8 million in a market of \$2 trillion, ranking it 84th among 141 deposit-taking institutions in the Bank’s New York assessment area.

The following is a summary of the Bank’s loan portfolio, based on Schedule RC-C of the Bank’s December 31, 2018, 2019 and 2020 Call Reports:

TOTAL GROSS LOANS OUTSTANDING						
Loan Type	2018		2019		2020	
	\$000's	%	\$000's	%	\$000's	%
1-4 Family Residential Mortgage Loans	219,904	17.3	231,543	17.0	286,052	19.0
Commercial & Industrial Loans	261,284	20.5	250,525	18.4	290,424	19.3
Commercial Mortgage Loans	767,525	60.2	855,827	62.9	909,072	60.3
Multifamily Mortgages	16,719	1.3	15,610	1.1	13,397	0.9
Consumer Loans	3,161	0.2	2,697	0.2	3,579	0.2
Agricultural Loans	1,880	0.1	1,594	0.1	1,336	0.1
Construction Loans	3,262	0.3	3,250	0.2	3,250	0.2
Other Loans	327	0.0	254	0.0	19	0.0
Total Gross Loans	1,274,062		1,361,300		1,507,129	

As illustrated in the above table, SHBA is primarily a commercial lender, with 60.3% of its loan portfolio in commercial mortgage loans and 19.3% in commercial and industrial loans as of December 31, 2020. SHBA’s loan portfolio mix, and concentration has remained relatively unchanged since the prior evaluation period.

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

B. Assessment Area

The Bank’s assessment area is comprised of Bronx, Kings, New York, Queens, Richmond, Nassau, Suffolk, Orange, Putnam, Rockland, and Westchester counties.

There are 3,160 census tracts in the Bank’s assessment area, of which 322 are low-income, 715 are moderate-income, 1,077 are middle-income, 965 are upper-income, and 81 are tracts with no income indicated.

Assessment Area Census Tracts by Income Level							
County	N/A	Low	Mod	Middle	Upper	Total	LMI %
Bronx	7	140	99	60	33	339	70.5
Kings	14	95	260	230	162	761	46.6
New York	15	34	57	21	161	288	31.6
Queens	27	16	146	303	177	669	24.2
Richmond	3	4	8	28	67	110	10.9
Nassau	9	7	28	159	81	284	12.3
Suffolk	1	6	68	192	56	323	22.9
Orange	0	9	14	37	19	79	29.1
Putnam	0	0	0	0	19	19	0.0
Rockland	0	4	9	7	45	65	20.0
Westchester	5	7	26	40	145	223	14.8
Total	81	322	715	1,077	965	3,160	32.8

C. Demographic & Economic Data

The assessment area had a population of 13,045,603 during the evaluation period. Approximately 13.5% of the population was over the age of 65 and 19.5% was under the age of 16.

Of the 2,997,878 families in the assessment area, 27.5% were low-income, 16% were moderate-income, 17.2% were middle-income and 39.4% were upper-income. There were 4,648,056 households in the assessment area, of which 15.6% had income below the poverty level and 3.4% were on public assistance.

The weighted average median family income in the assessment area was \$86,092.

There were 5,111,541 housing units within the assessment area, of which 54% were one-to four-family units and 45.6% were multifamily units. A majority (49.3%) of the housing units were rental units, 41.7% were owner-occupied units and 9.1% of units were vacant.

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Of the total 2,518,107 occupied rental units, 49.4% were in LMI census tracts while 50.4% were in middle- and upper-income census tracts. Average monthly gross rent was \$1,359.

Of the 2,129,949 owner-occupied housing units, 16% were in LMI census tracts while 83.9% were in middle- and upper-income census tracts. The median age of the housing stock was 74 years, and the median home value in the assessment area was \$508,182.

There were 1,344,975 non-farm businesses in the assessment area. Of these, 90.7% were businesses with reported revenues of less than or equal to \$1 million, 4.3% reported revenues of more than \$1 million and 5% did not report their revenues. Of all the businesses in the assessment area, 97.8% were businesses with less than fifty employees while 94.1% operated from a single location. The largest industries in the area were services (36.4%), retail trade (11.6%) and finance, insurance, and real estate (9.6%); 26.6% of businesses in the assessment area were not classified.

According to the New York State Department of Labor, the average unemployment rate for New York State and all counties in the assessment area declined between 2018 and 2019. However, due to the COVID-19 pandemic, average unemployment rates significantly increased in 2020.

Assessment Area Unemployment Rate												
	NYS	Bronx	Kings	Nassau	New York	Orange	Putnam	Queens	Richmond	Rockland	Suffolk	Westchester
2018	4.1	5.6	4.2	3.5	3.7	3.9	3.7	3.6	4.1	3.7	3.8	3.9
2019	3.8	5.3	4.0	3.3	3.4	3.6	3.5	3.4	3.8	3.4	3.5	3.6
2020	10.0	16.0	12.5	8.4	9.5	8.4	7.6	12.5	10.6	8.1	8.5	8.4
Average	6.0	9.0	6.9	5.1	5.5	5.3	4.9	6.5	6.2	5.1	5.3	5.3

D. Community Information

Examiners conducted community contact interviews with representatives from two nonprofit organizations located in the Bank’s assessment area to ascertain credit and banking needs of the communities within the assessment area and to identify how local financial institutions are responding to those needs.

The first interview was held with the senior director of an economic development organization located in Queens. The goal of the organization is to attract new businesses, retain businesses and increase residential housing through construction. The representative identified that local businesses need access to working capital financing, and less restrictive underwriting from banks. The representative also noted a need for workforce development and career guidance seminars.

The second interview was with the president of an economic development organization serving Putnam County. The representative indicated a need for small business loans, and specialized loan programs for developers, first-time home buyers and businesses impacted by the COVID-19 pandemic.

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IV - PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

The Department evaluated SHBA under the large banking institutions performance criteria 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 SHBA helps to meet the credit needs of its entire community.

DFS derived statistics employed in this evaluation from various sources. SHBA submitted bank-specific information both as part of the evaluation process and in 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 evaluation period included calendar years 2018, 2019 and 2020 for lending activities and the period from July 1, 2018 through June 30, 2021 for community development activities.

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

In its prior Community Reinvestment Act Performance Evaluation as of June 30, 2018, DFS assigned SHBA a rating of "2," or "satisfactory".

Current CRA Rating: Satisfactory

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A. 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.

SHBA's small business and HMDA-reportable and small business lending activities were just satisfactory in light of SHBA'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.

1. Lending Activity: High Satisfactory

SHBA's lending activities were highly satisfactory 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.

SHBA's average LTD ratio of 92.9% exceeded its peer group's ratio of 85.7%. The Bank's quarterly LTD ratios steadily increased during the evaluation period.

The table below shows SHBA's quarterly LTD ratios for loans and deposits from its five New York branch offices and operations in comparison with the peer group's ratio for the 12 quarters of the evaluation period.

Loan-to-Deposit Ratio													
	2018 Q1	2018 Q2	2018 Q3	2018 Q4	2019 Q1	2019 Q2	2019 Q3	2019 Q4	2020 Q1	2020 Q2	2020 Q3	2020 Q4	Avg.
Bank	74.2	74.1	82.8	80.3	87.6	85.1	93.0	94.2	106.4	106.6	111.7	118.8	92.9
Peer	85.0	86.7	86.8	86.9	85.9	87.0	86.7	86.6	86.1	85.4	84.6	80.4	85.7

2. Assessment Area Concentration: Outstanding

During the evaluation period, SHBA originated 99.6% by number and 99.9% by dollar value of its total HMDA-reportable and small business loans within its New York assessment area, demonstrating an excellent concentration of lending.

a. HMDA-Reportable Loans

During the evaluation period, SHBA originated 99.5% by number and 99.9% by dollar value of its HMDA-reportable loans within the assessment area. This substantial majority of lending inside of its assessment area reflects an excellent concentration of lending.

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b. Small Business Loans

SHBA originated 99.7% by number and 100% by dollar value of its small business loans within the assessment area during the evaluation period. This substantial majority of lending inside of its assessment area reflects an excellent concentration of lending.

In 2020, the Bank’s small business loan originations increased significantly due to the Bank’s participation in the Paycheck Protection Program (“PPP”).

The following table shows the percentages of SHBA’s 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
	#	%	#	%		\$	%	\$	%	
HMDA-Reportable										
2018	23	100.0%	0	0.0%	23	9,204	100.0%	0	0.0%	9,204
2019	59	100.0%	0	0.0%	59	30,842	100.0%	0	0.0%	30,842
2020	113	99.1%	1	0.9%	114	65,764	99.8%	130	0.2%	65,894
Subtotal	195	99.5%	1	0.5%	196	105,810	99.9%	130	0.1%	105,940
Small Business										
2018	59	100.0%	0	0.0%	59	17,821	100.0%	0	0.0%	17,821
2019	55	100.0%	0	0.0%	55	18,824	100.0%	0	0.0%	18,824
2020	249	99.6%	1	0.4%	250	29,017	100.0%	14	0.0%	29,031
Subtotal	363	99.7%	1	0.3%	364	65,662	100.0%	14	0.0%	65,676
Grand Total	558	99.6%	2	0.4%	560	171,472	99.9%	144	0.1%	171,616

3. Geographic Distribution of Loans: High Satisfactory

SHBA’s origination of loans in census tracts of varying income levels demonstrated a highly satisfactory distribution of lending.

a. HMDA-Reportable Loans

The distribution of SHBA’s HMDA-reportable loans by the income level of the geography was highly satisfactory.

SHBA’s lending rate in LMI geographies of 20% by number of loans exceeded the aggregate’s rate of 16.2%, while the Bank’s lending rate of 18.7% by dollar value of loans slightly trailed the aggregate’s rate of 19.9%.

The Bank’s rates of lending in moderate-income census tracts of 18.5% by number and 16.7% by dollar value exceeded the aggregate’s rates of 13.1% and 14.4%, respectively. However, the

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Bank's lending rates in low-income tracts by number and dollar value of loans trailed the aggregate's rates.

The following table provides a summary of the distribution of SHBA'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									
2018									
Geographic	Bank				Aggregate				OO HUs
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	253	2.7%	5,757	3.7%	6,477,475	7.1%	2.8%
Moderate	4	17.4%	2,580	28.0%	22,844	14.7%	15,532,370	17.0%	15.0%
LMI	4	17.4%	2,833	30.8%	28,601	18.4%	22,009,845	24.0%	17.7%
Middle	5	21.7%	3,150	34.2%	60,882	39.2%	25,385,600	27.7%	40.6%
Upper	13	56.5%	3,221	35.0%	65,775	42.3%	43,863,605	47.9%	41.5%
Unknown	1	4.3%	0	0.0%	189	0.1%	331,335	0.4%	0.1%
Total	23		9,204		155,447		91,590,385		
2019									
Geographic	Bank				Aggregate				OO HUs
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	2	3.4%	1,595	5.2%	5,547	3.2%	6,531,835	5.9%	2.3%
Moderate	20	33.9%	8,617	27.9%	23,338	13.4%	15,786,390	14.2%	13.6%
LMI	22	37.3%	10,212	33.1%	28,885	16.6%	22,318,225	20.1%	16.0%
Middle	17	28.8%	9,021	29.2%	68,411	39.4%	31,235,875	28.1%	40.1%
Upper	20	33.9%	11,609	37.6%	76,103	43.8%	57,245,585	51.5%	43.8%
Unknown	0	0.0%	0	0.0%	212	0.1%	462,010	0.4%	0.1%
Total	59		30,842		173,611		111,261,695		
2020									
Geographic	Bank				Aggregate				OO HUs
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	1	0.9%	290	0.4%	6,257	2.7%	5,673,955	4.2%	2.3%
Moderate	12	10.6%	6,482	9.9%	26,887	11.7%	17,233,125	12.8%	13.6%
LMI	13	11.5%	6,772	10.3%	33,144	14.4%	22,907,080	17.0%	16.0%
Middle	49	43.4%	27,926	42.5%	91,091	39.6%	40,828,415	30.3%	40.1%
Upper	51	45.1%	31,066	47.2%	105,783	45.9%	70,766,785	52.5%	43.8%
Unknown	0	0.0%	0	0.0%	242	0.1%	238,290	0.2%	0.1%
Total	113		65,764		230,260		134,740,570		
GRAND TOTAL									
Geographic	Bank				Aggregate				OO HUs
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	3	1.5%	2,138	2.0%	17,561	3.1%	18,683,265	5.5%	
Moderate	36	18.5%	17,679	16.7%	73,069	13.1%	48,551,885	14.4%	
LMI	39	20.0%	19,817	18.7%	90,630	16.2%	67,235,150	19.9%	
Middle	71	36.4%	40,097	37.9%	220,384	39.4%	97,449,890	28.9%	
Upper	84	43.1%	45,896	43.4%	247,661	44.3%	171,875,975	50.9%	
Unknown	1	0.5%	-	0.0%	643	0.1%	1,031,635	0.3%	
Total	195		105,810		559,318		337,592,650		

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b. Small Business Loans

The distribution of SHBA’s small business loans among census tracts of varying income levels was highly satisfactory.

SHBA originated 23.7% by number and 25.5% by dollar value of its small business loans in LMI geographies during the evaluation period, comparable with the aggregate’s rates of 24.1% and 21.1%, respectively. SHBA’s lending in LMI geographies included 53 PPP loans in 2020.

The following table provides a summary of the distribution of SHBA’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									
2018									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	8	13.6%	1,801	10.1%	33,232	8.3%	853,549	7.5%	7.5%
Moderate	7	11.9%	3,131	17.6%	68,720	17.2%	1,845,721	16.2%	17.3%
LMI	15	25.4%	4,932	27.7%	101,952	25.5%	2,699,270	23.7%	24.8%
Middle	11	18.6%	4,167	23.4%	115,046	28.8%	3,133,328	27.5%	30.1%
Upper	32	54.2%	8,622	48.4%	176,471	44.2%	5,263,134	46.1%	43.4%
Unknown	1	1.7%	100	0.6%	6,036	1.5%	313,556	2.7%	1.7%
Total	59		17,821		399,505		11,409,288		
2019									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	3	5.5%	590	3.1%	31,246	7.1%	775,109	6.3%	6.2%
Moderate	15	27.3%	5,121	27.2%	74,735	17.0%	1,936,829	15.9%	17.4%
LMI	18	32.7%	5,711	30.3%	105,981	24.2%	2,711,938	22.2%	23.6%
Middle	15	27.3%	6,352	33.7%	127,588	29.1%	3,399,443	27.8%	30.2%
Upper	21	38.2%	6,661	35.4%	197,693	45.1%	5,701,306	46.7%	44.5%
Unknown	1	1.8%	100	0.5%	7,122	1.6%	400,131	3.3%	1.7%
Total	55		18,824		438,384		12,212,818		
2020									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	8	3.2%	727	2.5%	29,483	6.4%	1,127,593	5.0%	6.3%
Moderate	45	18.1%	5,375	18.5%	75,610	16.5%	3,216,084	14.2%	17.4%
LMI	53	21.3%	6,102	21.0%	105,093	22.9%	4,343,677	19.2%	23.7%
Middle	73	29.3%	8,973	30.9%	135,402	29.5%	6,210,467	27.4%	29.4%
Upper	117	47.0%	13,431	46.3%	210,580	45.9%	11,389,545	50.2%	45.2%
Unknown	6	2.4%	511	1.8%	7,803	1.7%	729,919	3.2%	1.7%
Total	249		29,017		458,878		22,673,608		
GRAND TOTAL									
Geographic Income	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	19	5.2%	3,118	4.7%	93,961	7.2%	2,756,251	6.0%	
Moderate	67	18.5%	13,627	20.8%	219,065	16.9%	6,998,634	15.1%	
LMI	86	23.7%	16,745	25.5%	313,026	24.1%	9,754,885	21.1%	
Middle	99	27.3%	19,492	29.7%	378,036	29.2%	12,743,238	27.5%	
Upper	170	46.8%	28,714	43.7%	584,744	45.1%	22,353,985	48.3%	
Unknown	8	2.2%	711	1.1%	20,961	1.6%	1,443,606	3.1%	
Total	363		65,662		1,296,767		46,295,714		

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4. Distribution by Borrower Characteristics: Low Satisfactory

SHBA's one-to-four family HMDA-reportable and small business lending demonstrated an just satisfactory distribution of loans among individuals of different income levels and businesses of different revenue sizes.

a. One-to-Four Family HMDA-Reportable Loans

The Bank's one-to-four family HMDA-reportable lending demonstrated a poor distribution of loans among borrowers of different income levels.

The Bank's average one-to-four family lending rates to LMI borrowers of 5.6% by number and 2.5% by dollar value of loans were well below the aggregate's rates of 15.8% and 10.1%, respectively.

During the evaluation period, SHBA did not make any loans to low-income borrowers. The Bank's lending rates to moderate-income borrowers exceeded the aggregate's rates in 2018, but its rates significantly declined to less than half of the aggregate's rates in 2019 and 2020.

The following table provides a summary of the distribution of SHBA's one-to-four family loans by borrower income.

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Distribution of One-to-Four Family Loans by Borrower Income									
2018									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	5,696	3.8%	1,210,790	1.9%	27.5%
Moderate	4	17.4%	893	9.7%	18,833	12.5%	4,252,685	6.6%	16.0%
LMI	4	17.4%	893	9.7%	24,529	16.3%	5,463,475	8.5%	43.4%
Middle	5	21.7%	1,510	16.4%	33,514	22.2%	9,455,620	14.7%	17.2%
Upper	13	56.5%	6,301	68.5%	86,159	57.1%	44,112,605	68.4%	39.4%
Unknown	1	4.3%	500	5.4%	6,743	4.5%	5,442,545	8.4%	
Total	23		9,204		150,945		64,474,245		
2019									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	6,310	3.7%	1,442,490	1.8%	27.5%
Moderate	4	6.8%	1,019	3.3%	21,790	12.9%	5,525,020	6.7%	16.0%
LMI	4	6.8%	1,019	3.3%	28,100	16.6%	6,967,510	8.5%	43.4%
Middle	16	27.1%	5,066	16.4%	36,850	21.7%	11,298,030	13.8%	17.2%
Upper	37	62.7%	22,006	71.4%	94,504	55.8%	55,673,700	68.0%	39.4%
Unknown	2	3.4%	2,750	8.9%	9,984	5.9%	7,974,660	9.7%	
Total	59		30,841		169,438		81,913,900		
2020									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	6,075	2.7%	1,483,575	1.3%	27.5%
Moderate	3	2.7%	709	1.1%	27,683	12.2%	7,920,525	7.1%	16.0%
LMI	3	2.7%	709	1.1%	33,758	14.9%	9,404,100	8.5%	43.4%
Middle	18	15.9%	6,325	9.6%	51,292	22.6%	17,534,240	15.8%	17.2%
Upper	88	77.9%	54,140	82.3%	128,449	56.7%	74,005,055	66.7%	39.4%
Unknown	4	3.5%	4,590	7.0%	13,166	5.8%	10,028,020	9.0%	
Total	113		65,764		226,665		110,971,415		
GRAND TOTAL									
Borrower Income	Bank				Aggregate				Fam.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	18,081	3.3%	4,136,855	1.6%	
Moderate	11	5.6%	2,621	2.5%	68,306	12.5%	17,698,230	6.9%	
LMI	11	5.6%	2,621	2.5%	86,387	15.8%	21,835,085	8.5%	
Middle	39	20.0%	12,901	12.2%	121,656	22.2%	38,287,890	14.9%	
Upper	138	70.8%	82,447	77.9%	309,112	56.5%	173,791,360	67.5%	
Unknown	7	3.6%	7,840	7.4%	29,893	5.5%	23,445,225	9.1%	
Total	195		105,809		547,048		257,359,560		

b. Small Business Loans

SHBA's small business lending demonstrated an excellent distribution of loans among businesses of different revenue sizes.

During the evaluation period, 80.7% by number and 72.9% by dollar value of SHBA's small business loans were made to businesses with revenues of \$1 million or less. The Bank's small business lending rates by number and dollar value of loans exceeded the aggregate's rates each year of the evaluation period.

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

Distribution of Small Business Lending by Revenue Size of Business									
2018									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	31	52.5%	10,306	57.8%	166,046	41.6%	3,268,451	28.6%	86.5%
Rev. > \$1MM	22	37.3%	6,825	38.3%					6.7%
Rev. Unknown	6	10.2%	690	3.9%					6.9%
Total	59		17,821		399,505		11,409,288		
2019									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	25	45.5%	9,696	51.5%	199,888	45.6%	3,478,612	28.5%	88.1%
Rev. > \$1MM	24	43.6%	6,853	36.4%					5.7%
Rev. Unknown	6	10.9%	2,275	12.1%					6.2%
Total	55		18,824		438,384		12,212,818		
2020									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	237	95.2%	27,851	96.0%	163,897	35.7%	4,202,124	18.5%	90.7%
Rev. > \$1MM	1	0.4%	58	0.2%					4.3%
Rev. Unknown	11	4.4%	1,108	3.8%					5.0%
Total	249		29,017		458,878		22,673,608		
GRAND TOTAL									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	293	80.7%	47,853	72.9%	529,831	40.9%	10,949,187	23.7%	
Rev. > \$1MM	47	12.9%	13,736	20.9%	-				
Rev. Unknown	23	6.3%	4,073	6.2%	0				
Total	363		65,662		1,296,767		46,295,714		

5. Community Development Loans: Low Satisfactory

During the evaluation period, SHBA made \$3.7 million in new community development loans and had \$3.4 million outstanding from prior evaluation periods. This demonstrated a just satisfactory level of community development lending over the course of the evaluation period. Nevertheless SHBA’s \$7.1 million of community development loans for the current three-year evaluation period represents a decline from the \$9.5 million at the prior evaluation period (2.5 years).

The Bank’s new community development loans supported the revitalization and stabilization of LMI communities.

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Community Development Loans				
	This Evaluation Period		Outstandings from Prior Evaluation Periods	
Purpose	# of Loans	\$000	# of Loans	\$000
Affordable Housing				
Economic Development			1	3,364
Community Services				
Revitalize and Stabilize	2	3,704		
Total	2	3,704	1	3,364

Below is a description of SHBA’s new community development loans.

- The Bank refinanced a \$2.6 million commercial mortgage loan in a moderate-income census tract. The financing supports the rehabilitation and stabilize the area by retaining jobs for people employed by the four businesses in the building, which consist of a pharmacy, a family services organization and two retail stores.

Flexible and/or Innovative Lending Practices:

In 2020, SHBA participated in the PPP, a Small Business Administration (“SBA”) backed loan program that provided much needed funding to businesses during the COVID-19 pandemic, helping businesses remain open, retain employees and stabilize their communities. The Bank originated 205 PPP loans totaling \$12.6 million throughout New York State.

B. INVESTMENT TEST: High Satisfactory

The Department evaluated SHBA’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.*

SHBA’s qualified investments are highly satisfactory in light of the assessment area’s credit needs.

1. Qualified Investments:

During the evaluation period, SHBA made \$3.6 million in new qualified investments and had \$933,000 outstanding from prior evaluation periods. SHBA also made \$65,000 in qualified grants. This demonstrated a highly satisfactory level of qualified investments and grants over the course of the evaluation period.

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Qualified Investments and Grants				
	This Evaluation Period		Outstandings from Prior Evaluation Periods	
CD Investments	# of Inv.	\$000	# of Inv.	\$000
Affordable Housing	4	3,574	3	933
Economic Development				
Community Services				
Other (Please Specify)				
Total	4	3,574	3	933
CD Grants	# of Grants	\$000	Not Applicable	
Affordable Housing				
Economic Development				
Community Services	3	65		
Other (Please Specify)				
Total	3	65		

Below is a highlight of SHBA’s qualified investments and grants.

- SHBA purchased \$3.6 million in Government National Mortgage Association mortgage-backed securities (“MBS”). The securities were collateralized by residential mortgage loans made to LMI borrowers within the assessment area.
- In response to the COVID-19 pandemic, the Bank donated 5,000 COVID-19 diagnostic kits valued at \$63,000 to a physicians’ association. The association used the test kits to host a “COVID-19 Drive-Through Free Antibody Test.”

2. Innovativeness of Qualified Investments:

SHBA did not make use of innovative investments to support community development.

3. Responsiveness of Qualified Investments to Credit and Community Development Needs:

SHBA’s qualified investments exhibited a satisfactory responsiveness to the assessment area’s credit and community development needs.

C. SERVICE TEST: Needs to Improve

The Department evaluated SHBA’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.

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The Department evaluated SHBA’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.

1. Retail Banking Services: Needs to Improve

SHBA has a less than adequate branch network, delivery systems, branch hours and services, and alternative delivery systems, including as it relates to LMI individuals.

- a. Current distribution of the banking institution’s branches:

SHBA has a less than adequate distribution of branches within its assessment area.

The Bank’s distribution of branches serves a limited portion of the Bank’s assessment area.

SHBA’s operates five New York branch offices. In Queens County, the Bank has one branch in a moderate-income tract, two in middle-income tracts and one in an upper-income tract. In New York County, there is one branch in an upper-income tract. None of the New York branches are located in low-income census tracts. While 20% of branches are located in LMI geographies, the Bank’s distribution of branches compares unfavorably to the demographic data, which indicates LMI geographies make up 32.8% of the assessment area. In addition, significant portions of the Bank’s assessment area lack a branch presence.

Typically, banking hours are Monday through Friday 8:30 A.M. or 9:30 A.M. to 5:00 P.M. Three branches in Queens, including the one located in a moderate-income tract, also offer Saturday hours. Each branch is supplemented with a deposit-taking automated teller machine (“ATM”) except for the Flushing branch which has two. ATMs are accessible 24 hours per day, 7 days per week. In addition to the branch ATMs, SHBA provides customers with nationwide ATM and Point of Sale services through partnerships with PLUS, STAR, NYCE, DASH, CIRRUS, and the AllPoint network which provides surcharge-free transactions at 55,000 ATMs worldwide.

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Distribution of Branches within the Assessment Area							
County	N/A #	Low #	Moderate #	Middle #	Upper #	Total #	LMI %
Bronx						-	0%
Kings						-	0%
Nassau						-	0%
New York					1	1	0%
Orange						-	0%
Putnam						-	0%
Queens			1	2	1	4	25%
Richmond						-	0%
Rockland						-	0%
Suffolk						-	0%
Westchester						-	0%
Total	-	-	1	2	2	5	20%

b. Record of opening and closing branches:

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

SHBA did not open or close any branches during the evaluation period.

c. Availability and effectiveness of alternative systems for delivering retail services:

SHBA’s delivery systems are not readily accessible to a significant portion of the Bank’s assessment area, including LMI geographies and individuals.

The Bank’s assessment area contains 3,160 census tracts, including 322 low-income census tracts and 715 moderate-income census tracts. The Bank’s assessment area includes nine counties that do not have branch presence and cannot easily access the branch network. Although the Bank offers alternative services, noted below, they are not sufficient to compensate for the lack of branches in a significant portion of the assessment area.

SHBA offers customers free online banking 24 hours per day with real-time access to their account inquiries, domestic and international wire transfers, bill payment and scheduling and ACH payments. For customers with smart devices, SHBA offers mobile banking which is the mobile version of SHBA’s online banking with all the same features and services. Telebanking is also available to customers 24/7 for information on account inquiries, transactions, fund transfers, card services, and branch and ATM locations.

d. Range of services provided:

SHBA offers a few products that benefit LMI individuals and small business customers as follows:

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- The Personal Free Checking account allows customers to make unlimited deposits and withdrawals with no monthly service fee and the Simple Business Checking account allows businesses to make 100 debit transactions in a statement cycle for free. Both accounts include free online bill-pay and a VISA debit card with Zero Liability and EnFACT real-time fraud monitoring and surcharge-free access to 55,000 ATMs in the Allpoint network.
- SHBA offers SBA 504 and SBA 7(a) loans to help new businesses grow by providing working capital or funds to purchase equipment. These loans are guaranteed by the SBA.
- Since 2019, SHBA offers interest on Lawyers Trust Accounts (“IOLA”) for law firms in New York. Interest earned on IOLA accounts go to the IOLA Fund for New York State and is used for grants to support civil legal aid organizations across the State.

2. Community Development Services: Needs to Improve

SHBA provided a less than adequate level of community development services in its New York assessment area, as during the evaluation period the Bank provided only the two qualified community development services listed below.

Below is a description of SHBA’s of community development services.

- SHBA provided space at their Flushing Branch (moderate-income census tract) for the Volunteer Income Tax Preparation program, a free tax preparation service offered to qualifying individuals, including individuals with incomes of less than \$58,000, individuals with disabilities and limited English-speaking taxpayers. The Bank offered the program in partnership with a local nonprofit community organization. The Bank provided space in its branch to two volunteers who offered tax preparation services for four hours a week for two weeks.
- SHBA participated in a Corporate Work Study Program for students from low-income families. The Bank provided the program in partnership with a high school in Manhattan from which two students participated. The two students worked one hour a day two days a week in the Bank’s compliance and BSA department and learned how to research finance industry related articles and analyze, summarize and present information. The students were also taught the basics of financial management, savings and financial stewardship, and career and retirement planning.

D. Additional Factors

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

1. 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.

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The board of directors annually reviews and approves the Bank's CRA policy. The board has charged senior management and the CRA committee to elect a CRA officer to supervise the Bank's CRA program to ensure compliance, provide CRA training and perform a periodic CRA self-assessment. The CRA committee ensures compliance with the CRA policy, laws and regulations and provides guidance and assistance to the CRA officer in developing the annual CRA plan. The committee meets at least twice a year and meeting minutes are reported to the board.

2. 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 evidence of practices by SHBA intended to discourage applications for the types of credit offered by SHBA.

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

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

3. 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.*

SHBA has developed a community development strategy and CRA plan to help guide and enhance its CRA performance within the Bank's various assessment areas. This includes, but is not limited to, meeting with community organizations in the assessment area to discuss investment opportunities, and innovative products and services that meet the needs of the community, establishing partnerships with organizations and expanding opportunities to provide financial literacy education seminars and increase senior management and board involvement in community development services. These are all among the Bank's CRA strategies or action plans to enhance its lending and community development activities and to better meet the credit needs of its community.

- *The extent of the banking institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the banking institution*

SHBA made limited use of advertising during the evaluation period. As an MDI, the Bank's focus is typically on serving the ethnic Korean community. The Bank relies more on brand recognition and word of mouth within this community to attract business. During the

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evaluation period, the Bank did advertise some of its home mortgage lending products. In addition, the Bank continues to market its products and services through its website and flyers at its branch offices.

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

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

During the evaluation period, SHBA made a \$30,000 grant to a free online financial education program that is paid for through sponsorship of local banks and credit unions. In 2020, participants spent a total of 1,198 hours engaged in the online curriculum.

V - GLOSSARY

Aggregate Lending

“Aggregate lending” means 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.

Banking Development District (“BDD”) Program

The BDD Program is a program designed to encourage the establishment of bank branches in areas across New York State where there is a demonstrated need for banking services, in recognition of the fact that banks can play an important role in promoting individual wealth, community development, and revitalization. Among others, the BDD Program seeks to reduce the number of unbanked and underbanked New Yorkers and enhance access to credit for consumers and small businesses. More information about the program, may be found at <https://www.dfs.ny.gov> and search for the BDD Program.

Community Development

“Community development” means:

- Affordable housing (including multifamily housing) for LMI individuals;
- Community services targeted to LMI individuals;
- 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;
- Activities that revitalize or stabilize LMI geographies, designated disaster areas, or distressed or underserved metropolitan middle-income geographies designated by the Board of Governors of the federal Reserve System, FDIC and the Office of Comptroller of the Currency; and
- Activities that seek to prevent defaults and/or foreclosures in loans included in the first and third bullet points above.

Community Development Loan

“Community development loan” means 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 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;

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- 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

“Community development service” means a 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.

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Community Development Financial Institution (“CDFI”)

A CDFI is a financial institution that provides credit and financial services to underserved markets and populations and has a primary mission of community development, serves a target market, is a financing entity, provides development services, remains accountable to its community, and is a non-governmental entity. CDFIs are certified as such by United States Treasury Department’s CDFI Fund.

Fair Market Rents (“FMRs”)

Fair Market Rents are published and developed annually by the US Department of Housing and Urban Development (“HUD”) and used to determine rent payments for affordable housing projects such as Section 8 contracts in defined metropolitan statistical areas (“MSAs”) nationwide. For easy reference of annual FMRs in New York MSAs or counties, go to www.huduser.gov/portal/datasets/fmr.html

Geography

“Geography” means 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

LMI Geographies

“LMI geographies” means those census tracts or block numbering areas where, according to the most current 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 Block Numbering Areas (“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

“LMI borrowers” means 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 Federal Financial Institutions Examination Council (“FFIEC”).

LMI Individuals/Persons

“LMI individuals” or “LMI persons” means 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 the FFIEC.

LMI Penetration Rate

“LMI penetration rate” means the percentage of a bank’s total loans (for a particular product) that was extended to LMI geographies or borrowers. For example, if a bank made 20 out of a total of 100 loans in LMI geographies or to LMI borrowers, the penetration rate would be 20%.

Low-Income Housing Tax Credit (“LIHTC”)

LIHTC were 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. The tax credits 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.

Minority Depository Institutions (“MDIs”)

An MDI is defined as a federal insured depository institution for which (1) 51 percent or more of the voting stock is owned by minority individuals; or (2) a majority of the board of directors is minority and the community that the institution serves is predominantly minority. For more of MDIs, go to FDIC.gov (Minority Depository Institutions Program) including list of MDIs.

New Markets Tax Credit (“NMTC”)

The NMTC Program was established by Congress in December 2000 to stimulate economic and community development and job creation in low-income communities. It permits 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 CDFI Fund, an agency of the United States Department of the Treasury.

Paycheck Protection Program (“PPP”) Loans

The Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) temporarily permits the U.S. Small Business Administration (“SBA”) to guarantee 100% of 7(a) loans under a new program titled the “Paycheck Protection Program”. The intent of the PPP is to help small business cover payroll costs providing for forgiveness of up to the full principal of qualifying loans guaranteed under the PPP subject to certain rules including how much or percentage of the loan proceeds a borrower spends on payroll costs. A small business owner can apply through any existing SBA 7(a) lender or through any federally insured depository institution, federally insured credit union, and Farm Credit System institution that is participating. Any amount of the PPP loan that is not forgiven shall be repaid over a 5-year term at a fixed interest rate of 1%. The program officially ended May 31, 2021.

Qualified Investment

“Qualified investment” means 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;

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- 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.

Small Business Loan

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