



PUBLIC SUMMARY

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION OF SHINHAN BANK AMERICA

AS OF MARCH 31, 2024

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 (the “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 March 31, 2024.

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 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 end of this Evaluation.

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 2021, 2022 and 2023 for lending activities and the period from July 1, 2021, to March 31, 2024 for the community development activities. The Department assigned SHBA a rating of “2” indicating a “Satisfactory” record of meeting community credit needs.

This rating is based on the following factors:

A. Lending Test: Low Satisfactory

SHBA’s small business and HMDA-reportable lending activities were adequate considering 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:

SHBA’s lending levels were excellent 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 LTD ratio of 136.9% significantly exceeded its peer group’s ratio of 77.2%. The average LTD ratio is based on the loans and deposits from SHBA’s New York based branch office operations.

2. Assessment Area Concentration:

During the evaluation period, SHBA originated 95.7% by number and 93.5% by dollar value of its total HMDA-reportable and small business loans within the assessment area, demonstrating an excellent concentration of lending.

3. Geographic Distribution of Loans:

SHBA’s origination of loans in census tracts of varying income levels demonstrated an adequate distribution of lending.

SHBA originated 20% by number and 20.2% by dollar value of its HMDA-reportable loans in LMI census tracts, comparing favorably to the aggregate’s lending rates of 16.9% and 20.4%, respectively. However, SHBA’s small business lending rate of 20.4% by number of loans in LMI census tracts was below the aggregate’s lending rate of 26.3%, and by dollar value, the Bank’s 19.1% lending rate in LMI census tracts was slightly lower than the aggregate’s 22.9% rate of lending in LMI census tracts

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4. Distribution by Borrower Characteristics:

SHBA's HMDA-reportable, and small business lending demonstrated an adequate distribution of loans among individuals of different income levels and businesses of different revenue sizes.

While SHBA's small business lending demonstrated an excellent distribution of loans among businesses of different revenue sizes, the Bank's one-to-four family HMDA-reportable lending demonstrated a poor distribution of loans among individuals of different income levels.

The Bank's rates of lending to businesses with revenues of \$1 million or less were 66.8% by number of loans and 45.8% by dollar value of loans, surpassing the aggregate's rates of 45.7% and 25.2%, respectively. However, the Bank originated 9.6% by number and 4.4% by dollar value of its one-to-four family HMDA-reportable loans to LMI borrowers, well below the aggregate's respective rates of 17.6% and 9.4%.

5. Community Development Lending:

During the evaluation period, SHBA originated \$20.4 million in new community development loans and had \$3.4 million outstanding from prior evaluation periods. This demonstrated a good level of community development lending over the course of the evaluation period.

B. Investment Test: Low Satisfactory

1. Qualified Investments

During the evaluation period, SHBA made \$1.8 million in new qualified investments and had \$1.6 million outstanding from prior evaluation periods. In addition, SHBA made \$81,000 in qualified grants. This demonstrated an adequate level of qualified investments and grants over the course of the evaluation period.

2. Innovativeness of Qualified Investments:

SHBA made no use of innovative investments to support community development.

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

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

C. Service Test: Needs to Improve

1. Retail Banking Services:

SHBA has an adequate branch network, delivery systems, branch hours and services, and

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alternative delivery systems, including as it relates to LMI individuals.

SHBA operates four branch offices, of which two branches are in LMI census tracts and adjacent to nine additional LMI census tracts and one branch in a middle-income census that is adjacent to a moderate-income tract. Additionally, all three of these branches are in majority-minority census tracts, and easily accessible to the respective local populations.

2. Community Development Services:

SHBA provided a limited level of community development services. Some counties within the Bank's assessment area did not benefit from any of the community development services provided by the Bank.

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.

III. - PERFORMANCE CONTEXT

A. Institution Profile

Established in 1990, SHBA is a commercial bank headquartered in New York, New York. SHBA is a wholly owned subsidiary of Shinhan Bank (Korea) based in Seoul, South Korea. In turn, Shinhan Bank (Korea) is a wholly owned subsidiary of Shinhan Financial Group Co. Ltd, also headquartered in Seoul, South Korea.

SHBA has been designated as a Minority Deposit Institution (“MDI”) by the Federal Deposit Insurance Corporation (“FDIC”). This designation indicates that 51 percent or more of the institution’s voting stock is owned by minority individuals or that a majority of the Board of Directors is minority and the community that the institution serves is predominantly minority. The Bank operates four branches in New York, two in New Jersey, two in Georgia, one in Texas, and five in California, serving primarily Korean and Korean American communities. This Evaluation is based only upon the Bank’s CRA performance in its New York State assessment area.

Of SHBA’s New York-branches, three are located in Queens and one in Manhattan. The Bank’s New York branches are supplemented with a network of five deposit-taking automated teller machines (“ATMs”). Each branch has one ATM except for the Flushing branch which has two. The Manhattan branch’s ATM is accessible during branch hours and one of the ATMs at the Flushing (Queens) branch is in a retail mall area and accessible during mall operating hours. All other ATMs are accessible 24 hours a day, seven days a week.

SHBA’s retail deposit and credit products include personal and business checking, savings, money market, and certificate of deposits and Interest On Lawyer Accounts (known as IOLA). Lending products include commercial and residential real estate loans, consumer loans, small business loans guaranteed by the Small Business Administration (“SBA”), business lines of credit, and personal and business credit cards. SHBA’s alternative banking services include internet, telephone, and mobile banking, online bill payment, remote deposit capture and ACH origination.

In its Consolidated Report of Condition (the “Call Report”) as of December 31, 2023, 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 an LTD ratio of 100%.¹ According to the latest available comparative deposit data as of June 30, 2023, SHBA obtained a market share of 0.01%, or \$245.5 million in a market of 1.9 trillion, ranking it 76th among 110 deposit-taking institutions in the assessment area.

The following is a summary of the Bank’s loan portfolio, based on Schedule RC-C of the Bank’s December 31, 2021, 2022, and December 31, 2023 Call Reports:

¹ This reflects the LTD ratio for the whole Bank. However, as this Evaluation only pertains to the Bank’s New York operations, examiners have determined that adjusted solely for its New York operations, the Bank’s LTD was 170.7% as of the Evaluation date.

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TOTAL GROSS LOANS OUTSTANDING						
Loan Type	2021		2022		2023	
	\$000's	%	\$000's	%	\$000's	%
1-4 Family Residential Mortgage	278,922	18.1	280,402	18.7	298,882	20.3
Commercial & Industrial Loans	265,543	17.3	251,442	16.8	225,381	15.3
Commercial Mortgage Loans	928,888	60.3	935,861	62.6	917,100	62.4
Multifamily Mortgages	12,195	0.8	26,601	1.8	25,948	1.8
Consumer Loans	2,688	0.2	1,206	0.1	1,580	0.1
Construction Loans	6,054	0.4	0	0.0	0	0.0
Other Loans	74	0.0	59	0.0	24	0.0
Loans to depository institutions and acceptances of other banks	45,000	2.9	0	0.0	0	0.0
Total Gross Loans	1,539,364		1,495,571		1,468,915	

As illustrated in the above table, SHBA is primarily a commercial lender, with 77.7% of its loan portfolio in commercial and industrial loans (15.3%) and commercial mortgages (62.4%) as of December 31, 2023.

Since 2017, SHBA has been subject to several enforcement actions pertaining to compliance with the Bank Secrecy Act by the Department and the FDIC. Nevertheless, examiners did not find evidence that any of these actions had an adverse impact on SHBA's ability to meet the credit needs of its community.

B. Assessment Area

SHBA's assessment area includes Bronx, Kings, New York, Queens and Nassau Counties. Prior to July 2022 the Bank's assessment area also included Richmond, Suffolk, Orange, Putnam, Rockland and Westchester Counties.² SHBA revised its delineated assessment area to be more consistent with the locations of its branches and its ability to meet the assessment area's credit and banking needs.

There are 2,487 census tracts in the Bank's current assessment area, of which 292 are low-income, 588 are moderate-income, 831 are middle-income, 625 are upper-income, and 151 are tracts with no income indicated.

² Bronx, Kings, New York, and Richmond Counties are commonly referred to as, respectively, the Bronx, Brooklyn, Manhattan, and Staten Island.

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Assessment Area Census Tracts by Income Level							
County	N/A	Low	Mod	Middle	Upper	Total	LMI %
Bronx	21	129	121	65	25	361	69.3
Kings	46	91	235	263	170	805	40.5
New York	23	36	44	32	175	310	25.8
Queens	52	26	157	325	165	725	25.2
Nassau	9	10	31	146	90	286	14.3
Total	151	292	588	831	625	2,487	35.4

C. Demographic & Economic Data

The assessment area had a population of 9,704,217 during the evaluation period. Approximately 14.6% of the population was over the age of 65 and 22.3% was under the age of 16.

Of the 2,125,916 families in the assessment area, 28.7% were low-income, 16.2% were moderate-income, 16.9% were middle-income and 38.2% were upper-income. There were 3,474,498 households in the assessment area, of which 16.0% had income below the poverty level and 4.2% were on public assistance.

The weighted average median family income in the assessment area was \$96,378.

There were 3,811,950 housing units within the assessment area, of which 42.3% were one- to four-family units and 57.5% were multifamily units. A majority (57.1%) of the housing units were rental-occupied units, while 34.1% were owner-occupied.

Of the total 2,176,159 rental-occupied units, 49.4% were in LMI census tracts while 49.1% were in middle- and upper-income census tracts. Average monthly gross rent was \$1,605.

Of the 1,298,339 owner-occupied housing units, 19% were in LMI census tracts while 80.3% were in middle- and upper-income census tracts. The median age of the housing stock was 76 years, and the median home value in the assessment area was \$672,082.

There were 1,655,203 non-farm businesses in the assessment area. Of these, 93.6% were businesses with reported revenue of less than or equal to \$1 million, 2.5% reported revenue of more than \$1 million and 3.9% did not report their revenue. Of all the businesses in the assessment area, 98.1% were businesses with less than fifty employees while 96.2% operated from a single location. The largest industries in the area were services (31.7%), finance, insurance & real estate (10.7%) and retail trade (10.5%); 34% of businesses in the assessment area were not classified.

According to the New York State Department of Labor, the unemployment rates for New York State and all counties in the assessment area were highest in 2021, due to lingering effects of the COVID-19 pandemic. In both 2022 and 2023, unemployment rates generally decreased, with

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Nassau County having the lowest average unemployment rate of 3.5%, while Bronx County had the highest average unemployment rate of 9.5%.

Assessment Area Unemployment Rate						
	Statewide	Bronx	Kings	New York	Queens	Nassau
2021	7.1	13.9	10.4	7.8	9.9	4.5
2022	4.3	7.9	5.9	4.6	5.3	2.9
2023	4.2	6.8	5.5	4.6	4.6	3.1
Average of Years above	5.2	9.5	7.3	5.7	6.6	3.5

D. Community Information

DFS examiners conducted two community contact interviews to help identify community credit needs within the Bank’s assessment area.

The first interview was with a representative of a community development organization whose mission is to create and preserve affordable housing in the assessment area. As part of its efforts, this organization participated in community development projects to meet the needs of LMI individuals and families within SHBA’s assessment area.

The representative stated that local bank products and services are not readily available or tailored for immigrants and residents with limited resources, particularly individuals without identification readily acceptable by traditional banks. As a result, the representative stated, LMI individuals often use alternative financial services, which can be expensive and are often subject to little or no regulation. The representative also stated that many neighborhoods in the assessment area lacked sufficient bank branches, which the representative stated are essential in order to provide counseling and education to financially unsophisticated consumers; this problem has also reportedly been exacerbated by many recent branch closures. The representative stated that although some banks have established unstaffed ATM facilities, these are not the equivalent of actual staffed branches. Furthermore, the interviewee stated that online banking services were often not readily available to LMI individuals, as these consumers often do not have internet access. More positively, the representative noted that many banks were starting to offer low-cost accounts to consumers.

The second interview was conducted with a representative of an organization that provides community services focused on affordable housing and related concerns, primarily in Brooklyn, including, but not limited to, financial counseling and foreclosure prevention. The representative advised that there was a shortage of affordable housing units, caused by little new construction, high rents, and many residents’ lack of funds for downpayments necessary to purchase their own homes. Furthermore, these increasing costs were reportedly forcing area residents to relocate to outlying areas, and that concentrations of poverty were developing in some parts of Brooklyn.

Relatedly, the representative asserted that banks could be more helpful by providing grants to assist area residents with downpayments and by providing more support for community development organizations; such support could take the form of technology, education, and staff.

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 2015 and 2020 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 2021, 2022 and 2023 for lending activities and the period from July 1, 2021, to March 31, 2024 for community development activities.

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

HMDA-reportable and small business loan data evaluated in this Evaluation represented actual originations.

In its prior Community Reinvestment Act Performance Evaluation as of June 30, 2021, DFS assigned SHBA a rating of "2" or "Satisfactory" compliance with regulatory standards.

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 community development 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. SHBA's level of community development lending was good, focusing on affordable housing and revitalization and stabilization, demonstrating the Bank's commitment towards meeting the credit needs of its community.

1. Lending Activity:

SHBA's lending levels were excellent 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.

The table below shows SHBA's LTD ratios, adjusted for its New York State operations in comparison with the peer group's unadjusted ratios for the 12 quarters of this evaluation period. The Bank's adjusted average LTD of 136.9% was well above its peer's average LTD of 77.2%.

Loan-to-Deposit Ratios													
	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4	Avg.
Bank	110.8	128.8	116.4	115.7	118.7	125.5	134.8	146.6	149.3	158.8	166.5	170.7	136.9
Peer	77.5	75.2	72.7	72.1	71.4	74.6	76.8	79.3	79.8	81.9	82.0	83.4	77.2

2. Assessment Area Concentration:

During the evaluation period, SHBA originated 95.7% by number and 93.5% by dollar value of its total HMDA-reportable and small business loans within the assessment area, demonstrating an excellent concentration of lending.

a. HMDA-Reportable Loans:

During the evaluation period, SHBA originated 90.9% by number and 92.6% 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 98.5% by number and 96.3% 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.

SHBA’s high volume of small business loans in 2021 was due to the Bank’s continued participation in the Paycheck Protection Program (“PPP”) . This program ended in May 2021.

The following table shows the percentages of the Bank’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										
2021	91	100.0%	-	0.0%	91	47,840	100.0%	-	0.0%	47,840
2022	56	82.4%	12	17.6%	68	40,316	87.0%	6,011	13.0%	46,327
2023	63	87.5%	9	12.5%	72	38,107	90.3%	4,081	9.7%	42,188
Subtotal	210	90.9%	21	9.1%	231	126,263	92.6%	10,092	7.4%	136,355
Small Business										
2021	338	99.7%	1	0.3%	339	20,856	99.9%	23	0.1%	20,879
2022	35	89.7%	4	10.3%	39	15,165	92.1%	1,304	7.9%	16,469
2023	15	93.8%	1	6.3%	16	5,227	95.4%	250	4.6%	5,477
Subtotal	388	98.5%	6	1.5%	394	41,248	96.3%	1,577	3.7%	42,825
Grand Total	598	95.7%	27	4.3%	625	167,511	93.5%	11,669	6.5%	179,180

3. Geographic Distribution of Loans:

SHBA’s origination of loans in census tracts of varying income levels demonstrated an adequate distribution of lending.

a. HMDA-Reportable Loans:

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

SHBA originated 20% by number and 20.2% by dollar value of its HMDA-reportable loans in LMI census tracts, comparing favorably to the aggregate’s lending rates of 16.9% and 20.4%, respectively. In addition, the Bank outperformed the assessment area demographics of owner-occupied housing units in LMI geographies during two of the three years considered in the evaluation period.

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

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Distribution of HMDA-Reportable Lending by Geographic Income of the Census Tract									
2021									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	8,221	2.9%	7,738,455	4.6%	2.3%
Moderate	19	20.9%	9,555	20.0%	36,232	12.9%	24,065,800	14.4%	13.6%
LMI	19	20.9%	9,555	20.0%	44,453	15.8%	31,804,255	19.0%	15.9%
Middle	40	44.0%	18,600	38.9%	108,113	38.5%	51,144,525	30.5%	40.1%
Upper	32	35.2%	19,685	41.1%	127,590	45.5%	84,395,020	50.4%	43.8%
Unknown	0	0.0%	0	0.0%	310	0.1%	175,860	0.1%	0.1%
Total	91		47,840		280,466		167,519,660		
2022									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	3	5.4%	2,900	7.2%	3,567	4.0%	4,794,145	5.8%	3.2%
Moderate	4	7.1%	3,417	8.5%	13,271	15.0%	12,939,575	15.8%	15.8%
LMI	7	12.5%	6,317	15.7%	16,838	19.0%	17,733,720	21.6%	19.0%
Middle	22	39.3%	10,943	27.1%	33,670	38.0%	20,514,310	25.0%	42.5%
Upper	26	46.4%	22,614	56.1%	37,441	42.2%	42,934,945	52.3%	37.8%
Unknown	1	1.8%	442	1.1%	748	0.8%	898,580	1.1%	0.7%
Total	56		40,316		88,697		82,081,555		
2023									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	2	3.2%	1,538	4.0%	1,956	3.9%	3,252,090	8.0%	3.2%
Moderate	14	22.2%	8,104	21.3%	7,599	15.3%	6,470,375	15.9%	15.8%
LMI	16	25.4%	9,642	25.3%	9,555	19.3%	9,722,465	23.9%	19.0%
Middle	30	47.6%	17,751	46.6%	20,406	41.1%	11,608,530	28.5%	42.5%
Upper	17	27.0%	10,714	28.1%	19,278	38.9%	18,967,940	46.6%	37.8%
Unknown	0	0.0%	0	0.0%	374	0.8%	368,380	0.9%	0.7%
Total	63		38,107		49,613		40,667,315		
GRAND TOTAL									
Geographic Income	Bank				Aggregate				OO HUs
	#	%	\$000's	%	#	%	\$000's	%	%
Low	5	2.4%	4,438	3.5%	13,744	3.3%	15,784,690	5.4%	
Moderate	37	17.6%	21,076	16.7%	57,102	13.6%	43,475,750	15.0%	
LMI	42	20.0%	25,514	20.2%	70,846	16.9%	59,260,440	20.4%	
Middle	92	43.8%	47,294	37.5%	162,189	38.7%	83,267,365	28.7%	
Upper	75	35.7%	53,013	42.0%	184,309	44.0%	146,297,905	50.4%	
Unknown	1	0.5%	442	0.4%	1,432	0.3%	1,442,820	0.5%	
Total	210		126,263		418,776		290,268,530		

b. Small Business Loans:

The distribution of SHBA's small business loans among census tracts of varying income levels was poor.

SHBA's small business lending rate of 20.4% by number of loans in LMI census tracts was below the aggregate's lending rate of 26.3%. By dollar value, the Bank's 19.1% lending rate in LMI census tracts was slightly lower than the aggregate's 22.9% rate of lending in LMI census tracts. Additionally, the Bank did not make any small business loans in LMI geographies in 2023

During the evaluation period, more than a quarter (25% to 27%) of the businesses in the assessment area were in LMI census tracts.

The following table provides a summary of the distribution of the Bank's small business loans by

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the income level of the geography where the business was located.

Distribution of Small Business Lending by Geographic Income of the Census Tract									
2021									
Geographic	Bank				Aggregate				Bus.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	10	3.0%	991	4.8%	35,937	6.8%	1,028,607	5.5%	6.9%
Moderate	60	17.8%	3,231	15.5%	95,193	18.1%	2,902,954	15.4%	18.3%
LMI	70	20.7%	4,222	20.2%	131,130	25.0%	3,931,561	20.8%	25.2%
Middle	89	26.3%	3,967	19.0%	160,099	30.5%	5,249,151	27.8%	29.9%
Upper	174	51.5%	11,740	56.3%	225,117	42.9%	9,102,524	48.3%	43.4%
Unknown	5	1.5%	927	4.4%	8,335	1.6%	576,514	3.1%	1.5%
Total	338		20,856		524,681		18,859,750		
2022									
Geographic	Bank				Aggregate				Bus.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	3	8.6%	1,888	12.4%	25,956	7.9%	663,172	7.9%	8.7%
Moderate	6	17.1%	1,759	11.6%	61,564	18.6%	1,411,030	16.8%	18.6%
LMI	9	25.7%	3,647	24.0%	87,520	26.5%	2,074,202	24.7%	27.3%
Middle	7	20.0%	1,634	10.8%	97,831	29.6%	2,102,646	25.1%	28.3%
Upper	19	54.3%	9,884	65.2%	131,225	39.7%	3,652,348	43.6%	40.2%
Unknown	0	0.0%	0	0.0%	13,718	4.2%	556,405	6.6%	4.2%
Total	35		15,165		330,294		8,385,601		
2023									
Geographic	Bank				Aggregate				Bus.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	30,106	8.9%	657,868	8.4%	8.8%
Moderate	0	0.0%	0	0.0%	65,745	19.4%	1,362,358	17.3%	18.7%
LMI	0	0.0%	0	0.0%	95,851	28.3%	2,020,226	25.7%	27.5%
Middle	4	26.7%	734	14.0%	99,952	29.5%	2,002,405	25.5%	28.4%
Upper	11	73.3%	4,493	86.0%	130,038	38.4%	3,330,400	42.4%	40.0%
Unknown	0	0.0%	0	0.0%	12,744	3.8%	507,881	6.5%	4.2%
Total	15		5,227		338,585		7,860,912		
GRAND TOTAL									
Geographic	Bank				Aggregate				Bus.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	13	3.4%	2,879	7.0%	91,999	7.7%	2,349,647	6.7%	
Moderate	66	17.0%	4,990	12.1%	222,502	18.6%	5,676,342	16.2%	
LMI	79	20.4%	7,869	19.1%	314,501	26.3%	8,025,989	22.9%	
Middle	100	25.8%	6,335	15.4%	357,882	30.0%	9,354,202	26.6%	
Upper	204	52.6%	26,117	63.3%	486,380	40.8%	16,085,272	45.8%	
Unknown	5	1.3%	927	2.2%	34,797	2.9%	1,640,800	4.7%	
Total	388		41,248		1,193,560		35,106,263		

4. Distribution by Borrower Characteristics:

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

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a. One-to-four Family HMDA-Reportable Loans:

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

During the evaluation period, SHBA did not originate one-to-four family HMDA-reportable loans to low-income borrowers. The Bank originated 9.6% by number and 4.4% by dollar value of its one-to-four family HMDA-reportable loans to moderate-income borrowers, well below the aggregate's rates of 17.6% and 9.4%, respectively to LMI (including both low and moderate-income) borrowers. Both the Bank's and the aggregate's rates of lending were below the LMI family demographics in the assessment area, during each year considered in this evaluation. Examiners also noted that the Bank does not offer 30-year fixed rate mortgages. The Bank only offers variable rate mortgages.

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

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Distribution of One-to-Four Family Loans by Borrower Income									
2021									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	8,484	3.1%	2,227,740	1.6%	27.5%
Moderate	11	12.2%	2,744	5.9%	36,059	13.1%	10,723,495	7.5%	16.0%
LMI	11	12.2%	2,744	5.9%	44,543	16.1%	12,951,235	9.0%	43.5%
Middle	22	24.4%	7,110	15.2%	64,144	23.2%	23,121,980	16.2%	17.2%
Upper	52	57.8%	31,698	67.8%	152,241	55.1%	94,889,355	66.3%	39.4%
Unknown	5	5.6%	5,188	11.1%	15,282	5.5%	12,146,540	8.5%	
Total	90		46,740		276,210		143,109,110		
2022									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	2,680	3.2%	786,500	1.4%	28.7%
Moderate	3	5.5%	760	2.0%	10,061	11.9%	3,134,375	5.4%	16.2%
LMI	3	5.5%	760	2.0%	12,741	15.0%	3,920,875	6.8%	44.9%
Middle	12	21.8%	4,753	12.7%	18,108	21.4%	7,215,380	12.5%	16.9%
Upper	34	61.8%	23,852	63.8%	46,982	55.4%	38,922,030	67.7%	38.2%
Unknown	6	10.9%	8,040	21.5%	6,906	8.1%	7,471,400	13.0%	
Total	55		37,405		84,737		57,529,685		
2023									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	4,814	10.0%	1,271,900	4.3%	28.7%
Moderate	6	9.5%	1,877	4.9%	9,927	20.7%	3,594,165	12.2%	16.2%
LMI	6	9.5%	1,877	4.9%	14,741	30.7%	4,866,065	16.5%	44.9%
Middle	11	17.5%	4,307	11.3%	26,887	56.1%	19,762,605	67.1%	16.9%
Upper	44	69.8%	31,228	81.9%	5,024	10.5%	4,505,100	15.3%	38.2%
Unknown	2	3.2%	695	1.8%	1,314	2.7%	311,750	1.1%	
Total	63		38,107		47,966		29,445,520		
GRAND TOTAL									
Borrower	Bank				Aggregate				Fam.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	15,978	3.9%	4,286,140	1.9%	
Moderate	20	9.6%	5,381	4.4%	56,047	13.7%	17,452,035	7.6%	
LMI	20	9.6%	5,381	4.4%	72,025	17.6%	21,738,175	9.4%	
Middle	45	21.6%	16,170	13.2%	109,139	26.7%	50,099,965	21.8%	
Upper	130	62.5%	86,778	71.0%	204,247	49.9%	138,316,485	60.1%	
Unknown	13	6.3%	13,923	11.4%	23,502	5.7%	19,929,690	8.7%	
Total	208		122,252		408,913		230,084,315		

b. Small Business Loans:

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

The Bank's rates of lending to businesses with revenues of \$1 million or less were 66.8% by number of loans and 45.8% by dollar value, surpassing the aggregate's rates of 45.7% and 25.2%, respectively. A substantial majority, or more than 90%, of the businesses within the Bank's

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assessment area had revenues of \$1 million or less.

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

Distribution of Small Business Lending by Revenue Size of Business									
2021									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	230	68.0%	7,093	34.0%	201,781	38.5%	3,556,428	18.9%	91.3%
Rev. > \$1MM	80	23.7%	10,982	52.7%					3.4%
Rev. Unknown	28	8.3%	2,781	13.3%					5.3%
Total	338		20,856		524,681		18,859,750		
2022									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	22	62.9%	9,926	65.5%	161,829	48.8%	2,643,308	31.5%	91.8%
Rev. > \$1MM	8	22.9%	3,169	20.9%					3.2%
Rev. Unknown	5	14.3%	2,070	13.6%					5.0%
Total	35		15,165		331,294		8,385,601		
2023									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	7	46.7%	1,874	35.9%	182,026	53.8%	2,651,207	33.7%	91.8%
Rev. > \$1MM	7	46.7%	2,853	54.6%					3.2%
Rev. Unknown	1	6.7%	500	9.6%					5.0%
Total	15		5,227		338,585		7,860,912		
GRAND TOTAL									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	%
Rev. <= \$1MM	259	66.8%	18,893	45.8%	545,636	45.7%	8,850,943	25.2%	93.6%
Rev. > \$1MM	95	24.5%	17,004	41.2%	-		-		2.5%
Rev. Unknown	34	8.8%	5,351	13.0%					3.9%
Total	388		41,248						

5. Community Development Lending:

During the evaluation period, SHBA originated \$20.4 million in new community development loans and had \$3.4 million outstanding from prior evaluation periods. This demonstrated a good level of community development lending over the course of the evaluation period.

SHBA’s current community development lending focused on affordable housing and revitalization and stabilization.

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Community Development Loans				
Purpose	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Loans	\$000	# of Loans	\$000
Affordable Housing	5	9,910		
Economic Development	2	3,900		
Community Services	0	0	0	3,358
Revitalization/Stabilization	2	6,634	2	
Total	9	20,444	2	3,358

Below are highlights of SHBA’s community development lending.

- SHBA renewed two commercial real estate loans totaling \$6.6 million secured by a four-story commercial building in a low-income census tract in Queens. Most tenants in the subject property are minority-owned, family businesses. Additional tenants include home care business, as well as medical offices. These businesses help retain jobs and provide essential services to LMI individuals and families.
- The Bank originated a \$2.9 million mortgage loan to finance a multifamily property located in an upper- income census tract in Manhattan. The property contains 11 residential rental units, of which the majority had rents below the U.S. Department of Housing and Urban Development (“HUD”) fair market rents for the New York City Metropolitan area.
- SHBA renewed a \$2 million inventory/working capital line of credit to a food manufacturing and distributing business located in a moderate-income census tract in Queens. This credit facility supports economic development by providing and retaining jobs for LMI individuals in the assessment area.

a. Flexible and/or Innovative Lending Practices:

SHBA made occasional use of flexible lending practices, as follows.

SHBA participated in the SBA’s Paycheck Protection Program, originating 305 loans totaling \$45.9 million. This program was offered as a relief measure during the COVID-19 pandemic and ended in May 2021.

During the fourth quarter of 2023, SHBA began offering two mortgage loan programs targeted towards first-time LMI homebuyers. The first such program, sponsored by the Federal Home Loan Bank of New York (“FHLBNY”) and known as Homebuyer Dream, is limited to households with income of less than 80% of area median income, provides grants of up to \$20,000 to assist with downpayments and closing costs. During this timeframe, the Bank also launched its own “Home Mortgage Program” with similar eligibility as the FHLBNY’s Homebuyer Dream. Through its Home Mortgage Program, SHBA offers five-and seven-year adjustable-rate mortgage loans.

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However, as of the evaluation date, SHBA had yet to actually originate any mortgage loans through either of these programs.

B. Investment Test: Low 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.*

1. Qualified Investments

During the evaluation period, SHBA made \$1.8 million in new qualified investments and had \$1.6 million outstanding from prior evaluation periods. In addition, SHBA made \$81,000 in qualified grants. This demonstrated an adequate level of qualified investments and grants over the course of the evaluation period.

Nevertheless, DFS examiners noted that the total dollar value (\$3.5 million) of SHBA’s current and prior period investments as well as grants, annualized over the 2.75-year evaluation period at \$1.3 million annually, was lower than the equivalent level at the prior evaluation, which was \$4.6 million, annualized at \$1.5 million per year over a 3-year evaluation period.

Qualified Investments and Grants				
	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Inv.	\$000	# of Inv.	\$000
CD Investments				
Affordable Housing	3	1,811	6	1,642
Economic Development				
Community Services				
Other (Please Specify)				
Total	3	1,811	6	1,642
CD Grants	# of Grants	\$000	<i>Not Applicable</i>	
Affordable Housing	8	\$ 16		
Economic Development				
Community Services	12	\$ 65		
Revitalization & Stabilization				
Total	20	\$ 81		

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Below are highlights of SHBA’s qualified investments and grants.

SHBA invested in a \$500,000 six-month certificate of deposit with an MDI in Queens, helping to provide liquidity and funding for lending in LMI areas in the assessment area.

The Bank invested \$1 million in mortgage-backed securities issued by the Government National Mortgage Association, supporting loans originated to LMI borrowers in Nassau County.

The Bank donated \$30,000 to an organization which provides a financial literacy program at no cost to students and teachers in the assessment area. Participants in this program learn life skills such as budgeting, saving, credit and debt, and internet safety.

SHBA donated \$6,250 to a nonprofit organization that provides counseling, low-cost seminars, and workshops to small businesses in Queens.

The Bank donated \$6,500 to a non-profit organization in the Bronx. The organization provides businesses-mentoring and training services and also trains LMI individuals to meet the needs of employers. The organization also creates affordable and special needs housing in the community.

SHBA donated \$14,000 to a nonprofit that provides financial counseling and employment services to mostly LMI youths and adults in the New York City area.

2. Innovativeness of Qualified Investments:

SHBA made no use of innovative investments to support community development.

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

SHBA’s qualified investments exhibited adequate 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.

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.

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1. Retail Banking Services:

SHBA has good branch network, delivery systems, branch hours and services, and alternative delivery systems, as a designated MDI, including as it relates to LMI individuals and LMI census tracts.

(a) Current distribution of the banking institution’s branches:

SHBA has an adequate distribution of branches within its assessment area.

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

Distribution of Branches within the Assessment Area							
County	N/A #	Low #	Moderate #	Middle #	Upper #	Total #	LMI %
New York					1	1	-
Queens		1	1	1		3	1
Total	-	1	1	1	1	4	1

SHBA operates an administrative office and a branch office in Manhattan and three branch offices in Queens (known as the “Flushing,” “Northern” and “Bayside” branches). The Flushing branch is in low-income tract and adjacent to six other LMI census tracts (three low-income and three moderate-income tracts); the Northern branch is in moderate-income tract and adjacent to three other LMI census tracts (two low-income and one moderate-income tracts), and the Bayside branch is in middle-income tract but adjacent to a moderate-income census tract. Additionally, all three of these branches are in majority-minority census tracts, and easily accessible to the local population.

(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.

On September 29, 2023, SHBA closed its Little Neck branch, in Queens. The Little Neck branch was in an upper-income census tract and served mostly upper- and middle-income communities.

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

SHBA’s delivery systems are reasonably accessible to a significant portion of the Bank’s assessment area, including LMI geographies and individuals.

SHBA alternative services include online, mobile, and telephone banking. Through these services, SHBA customers can perform balance inquiries, transfer funds between accounts, and schedule bill payments.

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Each of the Bank's branches offers ATM services. The Flushing branch has two ATMs, while the others each have one. The Manhattan branch's ATM is accessible during branch hours; and one of the ATMs at the Flushing branch is in a retail mall area and accessible during mall operating hours. All other ATMs are accessible 24 hours a day, seven days a week. Additionally, SHBA participates in the Allpoint network, which provides surcharge-free transactions to the Bank's customers at approximately 55,000 ATMs worldwide

(d) Range of services provided:

SHBA's services do not vary in a way that inconveniences its assessment area, including LMI geographies and individuals. The Bank offers a full range of retail and business banking services, including checking and savings accounts, safe deposit boxes, wire transfers, as well as consumer and business lending services.

SHBA's branches are open Monday through Friday, from 9:00AM to 5:00PM. As described above, the branch network is supplemented by ATM services.

SHBA also offers the following products that benefit LMI individuals and small business customers:

- The Personal Free Checking account, which allows customers to make unlimited transactions with no monthly service fee. The account includes free VISA debit card access, online bill payment and telephone banking services. This account requires a \$100 minimum opening deposit.
- The Simple Business Checking account allows businesses to make 100 debit transactions in a statement cycle for free and has no monthly maintenance fee. This account also includes free online bill payment and free telephone banking services.
- Interest on Lawyers' Accounts ("IOLA accounts") for law firms in New York State. Interest earned on IOLA accounts can be used to fund public legal services offered to needy individuals.

2. Community Development Services:

SHBA provided a limited level of community development services in its New York assessment area, performing only eight such activities. As outlined in the table below, these services only included technical assistance and facilitating seminars held on its premises. SHBA did not provide DFS with evidence that any of its officers and/or employees provided managerial services or served on the boards of directors of any community development groups in the assessment area. Relatedly, as all activities took place at SHBA's branches and the Bank only has branches in Queens and Manhattan, the Bank apparently did not provide any community development services in the other parts of the assessment area.

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Community Development Services	
Activity Type	Number of Activities
On-Going Board & Committee Memberships	
Technical Assistance	4
Seminars	4
Credit Counseling	
Other Services	
Total Community Development Services	8

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

- SHBA provided space at the Bank’s Flushing and Manhattan branches for free Volunteer Income Tax Assistance services in partnership with a local community nonprofit organization providing training self-sufficiency for underserved youth and adults.
- The Bank organized several educational seminars in partnership with a Queens-based community organization that assists newly arrived Korean immigrants with language, professional and social services.
- SHBA, in partnership with a local organization whose mission is to foster the growth of small business communities through mentoring and education, facilitated workshops at its Manhattan and Flushing branches.

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.

The board of directors reviews and approves the Bank’s CRA policy annually. The Bank also has a CRA committee composed of senior bank employees which meets several times a year to discuss the Bank’s CRA performance. The board has tasked senior management and the CRA committee with designating a CRA officer to supervise the Bank’s CRA program on an ongoing basis.

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 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 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's primary focus as an MDI is on the Korean-American community. The Bank's senior managers, business division heads, and branch managers have regular conversations with local Korean-American communities to ascertain the credit needs of the Bank's customers, particularly small business customers. In addition, the Bank meets with local and nonprofit organizations to further determine the credit and banking needs of its assessment area.

- *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 does not make extensive use of advertising but does advertise its affordable mortgage loan products via newspaper, branch posters and handouts, and the Bank's internet website.

- *Action Taken in Response to Written Complaints with Respect to CRA*

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.

DFS examiners noted no other factors.

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 (DFS multifamily industry letter www.dfs.ny.gov/industry_guidance/industry_letters/il20141204_guidelines_bank_lending_multifamily_properties_cra_updated) ;
- Nonprofit organizations serving primarily LMI or other community development needs;

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- 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

“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.

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.