



NEW YORK STATE BANKING DEPARTMENT
CONSUMER SERVICES DIVISION
One State Street
New York, NY 10004

PUBLIC SUMMARY

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Date of Evaluation: December 31, 2009

Institution: Bank Hapoalim B.M.
1177 Avenue of the Americas
New York, NY 10036

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 Banking Department concerning the safety and soundness of this financial institution.

TABLE OF CONTENTS

	Section
General Information	1
Overview of Institution's Performance	2
Performance Context.....	3
Institution's Profile	
Assessment Area	
Demographic & Economic Data	
Performance Tests and Assessment Factors	4
Community Development Test	
Innovative or Complex Qualified Community Development Investments, Loans or Services	
Responsiveness to Community Development Needs	
Additional Factors	
Glossary	5

GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (“CRA”) performance of Bank Hapoalim B.M.’s (“BH”) prepared by the New York State Banking Department. The evaluation represents the Banking Department’s current assessment and rating of the institution’s CRA performance based on an evaluation conducted as of December 31, 2009.

Section 28-b of the New York State Banking Law, as amended, requires that when evaluating certain applications, the Superintendent of Banks shall assess a banking institution’s record of helping to meet the credit needs of its entire community, including low- and moderate-income areas, consistent with safe and sound operations.

Part 76 of the General Regulations of the Banking Board implements Section 28-b and further requires that the Banking Department assess the CRA performance records of regulated financial institutions. Part 76 establishes the framework and criteria by which the Department will evaluate the performance. Section 76.5 further provides that the Banking 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 record of 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 be made available to the public (“Evaluation”). Evaluations are primarily based on a review of performance tests and standards described in Section 76.7 and detailed in Sections 76.8 – 76.13. The tests and standards incorporate the 12 assessment factors contained in Section 28-b of the New York State Banking Law.

For explanation of technical terms used in this report, please consult the **GLOSSARY** at the back of this document.

OVERVIEW OF INSTITUTION'S PERFORMANCE

Overall CRA Rating: "Satisfactory"

Bank of Hapoalim B.M.'s ("BH") performance was evaluated according to the community development test for wholesale or limited purpose banking institutions pursuant to Part 76.11 of the General Regulations of the Banking Board. This assessment period included calendar years 2007, 2008 and 2009. BH is rated "2" indicating a "**Satisfactory**" record of helping to meet community credit needs. The rating is unchanged from the prior rating of "2," ("Satisfactory") based on the NYSBD Performance Evaluation dated December 31, 2006.

The "Satisfactory" rating is based on the following factors:

Community Development Activity: "Satisfactory"

Community Development Loans: "Satisfactory"

BH increased its community development lending by 73% since the prior evaluation period. During the evaluation period, BH's community development loans totaled \$28.5 million, including \$27 million in new money.

Community Development Investments: "Outstanding"

BH significantly increased its community development investments since the prior evaluation period. Community development investments more than doubled (134% increase). As of December 31, 2009, BH had made \$50.3 million in qualified investments. This included 33 investments totaling \$50.2 million (certificates of deposit and mutual fund investments) and \$86,000 in grants.

Community Development Services: "Needs to Improve"

BH provided a less than adequate level of community development services; only one activity qualified as a community development service.

Innovative or Complex Practices: "Satisfactory"

In working with community development financial intermediaries and purchasing various types of investments, BH made adequate use of innovative or complex lending and investment practices.

Responsiveness to Credit and Community Development Needs: "Satisfactory"

BH demonstrated an adequate record of serving the community development needs of its assessment area, as evidenced by its volume of community development activity.

This Evaluation was conducted based on a review of the 12 assessment factors set forth in Section 28-b of the New York State Banking Law and Part 76 of the General Regulations of the Banking Board

PERFORMANCE CONTEXT

Institution's Profile:

Chartered in 1974, Bank Hapoalim ("BH") is a branch of Bank Hapoalim B.M., which is headquartered in Tel Aviv, Israel. It is a wholesale commercial bank with a primary focus of serving US Fortune 1000 corporations. BH does not originate or purchase residential mortgage, home improvement or small business loans for retail customers, except as an accommodation to its existing clients. As of December 31, 2009, BH reported total assets of \$6.4 billion with \$2.3 billion in loans and \$2.6 billion in deposits and credit balances. On February 3, 1997, the FDIC granted BH the designation of a wholesale institution for CRA purposes.

BH has not opened or closed any branches in New York since the prior performance evaluation.

Assessment Area:

BH's assessment area includes four boroughs of New York City including the Bronx, Brooklyn, Manhattan and Queens. These counties all fall within Metropolitan Division 35644, as defined by the U.S. Office of Management and Budget. This area consists of 2,107 census tracts, of which 925 or 43.9% are low- and moderate-income ("LMI").

Distribution of Assessment Area Census Tracts by Income Level							
County	N/A	Low	Moderate	Middle	Upper	Total	LMI %
Bronx	14	132	98	65	46	355	64.8
Kings	15	119	297	235	117	783	53.1
New York	9	60	59	24	144	296	40.2
Queens	18	12	148	310	185	673	23.8
Total	56	323	602	634	492	2,107	43.9

The assessment area appears reasonable based upon BH's location and its designation as a wholesale institution. There is no evidence that LMI areas are arbitrarily excluded.

Demographic & Economic Data

According to the 2000 U.S. Census Bureau, the assessment area had a population of 7.6 million. About 11.7% or 886 thousand of the population were over the age of 65 and 21.5% or 1.6 million were under the age of 16.

Of the 1.76 million families in the assessment area, 31.8% were low income, 17% were moderate-income, 17% were middle-income and 34.2% were upper-income families. There were 2.87 million households in the assessment area, of which 20.2% had income below the poverty level and 7.8% were on public assistance.

According to the 2000 U.S. Census, the MSA median family income within the assessment area was \$49 thousand. The U.S. Department of Housing and Urban Development

estimated median family income for the area was \$64.8 thousand in 2009.

There were 3 million housing units within the assessment area, including 1.1 million (36.6%) one- to four-family units and 1.92 million (63.3%) multifamily units. A majority of the area's housing units (67.5%) were occupied rentals, while 26.7% were owner-occupied units.

The assessment area had 631 thousand non-farm businesses. Of these, 74.3% were businesses with reported revenues of less than or equal to \$1 million, 5.8% reported revenues of more than \$1 million, and 20% did not report their revenues. Of all the businesses in the assessment area, 81.5% were businesses with less than fifty employees while 93.4% operated from a single location. The largest industries in the area were service providers (43.9%), followed by retail trade companies (17%) and finance, insurance and real estate (9.6%), while 11.7% 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 rose from 4.5% in 2007 to 8.4% in 2009. For all three years of the evaluation, the unemployment rate was higher in Kings and Bronx Counties than the rate for the entire state.

Assessment Area Unemployment Rates					
	Statewide	New York	Kings	Queens	Bronx
2007 – Annual	4.5	4.2	5.3	4.3	6.6
2008 - Annual	5.3	4.7	5.8	4.9	7.3
2009 - Annual	8.4	8.5	10.1	8.6	12.2

PERFORMANCE TEST AND ASSESSMENT FACTORS

The Banking Department evaluates the CRA performance of wholesale banks pursuant to the “community development test,” as provided in Section 76.11 of the General Regulations of the Banking Board. Performance criteria may include (1) the number and amount of community development loans, qualified investments or community development services; (2) the use of innovative or complex qualified investments, community development loans or community development services and the extent to which investments are not routinely provided by private investors; and (3) the banking institutions responsiveness to credit and community development needs. Finally, the evaluation considered other factors as delineated in Section 28-b of the Banking Law that reasonably bear upon the extent to which a banking institution is helping to meet the credit needs of its entire community.

This assessment period included calendar years 2007, 2008 and 2009.

Statistics employed in this evaluation were derived from various sources. The demographic data referred to in this report were derived from the 2000 U.S. Census data, with the updated median family income figures provided by the U.S. Department of Housing and Urban Development (“HUD”). Business demographic data used in this report derive from information on US businesses, enhanced by Dun & Bradstreet data and updated annually.

BH received a rating of “2” on its prior CRA Performance Evaluation dated December 31, 2006, reflecting a satisfactory record of helping to meet its community credit needs.

Current CRA rating: “Satisfactory”

Community Development Activity: “Satisfactory”

BH significantly increased its community development lending and investments since the prior evaluation period. Community development investments more than doubled (134% increase), while lending increased by 73%. BH participates in community development initiatives primarily by working with intermediaries that serve its assessment area. During the evaluation period, BH’s assessment area-based community development loans and qualified investments totaled \$78.8 million, of which \$66.8 million was new money. The \$78.8 million of community development activities for the three years under the current evaluation represented a 105% increase from the prior Performance Evaluation’s \$38.5 million, while, at the same time, total assets of the branch decreased from \$7.7 billion to \$6.4 billion.

The bank’s total community development portfolio of loans and investments is reflected on the following chart as follows:

Community Development Portfolio 1/1/2007 - 12/31/09 (in 000's)					
Type	Number of Commitments	Commitment Amount	%	New Commitments	%
Affordable Housing	32	34,008,537	43.2%	26,234,000	39.2%
Community Service	31	3,068,105	3.9%	3,068,105	4.6%
Economic Development	20	41,723,500	52.9%	37,543,500	56.2%
Revitalization/ Stabilization	0	0	0.0%	0	0.0%
Total	83	78,800,142	100%	66,845,605	100%

A more detailed description of the bank's community development activity follows:

Community Development Lending: "Satisfactory"

BH increased its community development lending by 73% since the prior evaluation period. During the evaluation period, total community development loans extended amounted to \$28.5 million. These loans consisted of eleven revolving lines of credit to various Community Development Financial Institutions as well as a mutual fund¹.

The following represents community development loans originated during the evaluation period:

Bowery Resident's Committee, Inc. ("BRC") received a \$2 million revolving line of credit on December 9, 2008 with a three-year maturity. The BRC's mission is to address the needs of the homeless, chemically dependent, psychiatrically disabled, aged, and persons with HIV/AIDS in metropolitan New York City. BRC offers housing, meals, detoxification, mental health and addiction services, health care, vocational rehabilitation, AIDS services, community education and advocacy.

Community Preservation Corporation ("CPC") received a \$5 million revolving construction loan on June 19, 2007, via a participation in Deutsche Bank's \$25.87 million senior syndication (maturity date - March 15, 2010). This facility consists of 18 construction loans located in Manhattan, Brooklyn and the Bronx. CPC is a nonprofit corporation created to finance affordable multifamily housing. A second CPC transaction was a December 18, 2009, \$2 million participation in Deutsche Bank's \$24 million senior syndication of a \$30 million secured facility. This facility consists of a pool of 14

¹ For analysis purposes, renewals of lines of credit that occur during the evaluation period are considered new extensions of credit. However, the level of lending is reviewed across the timeframe of the exam.

construction loans in Manhattan and Brooklyn that have a maturity date of July 1, 2011.

National Federation of Community Development Credit Unions, Inc. (“NFCDCU”) received a one million dollar revolving line of credit for three-years beginning December 31, 2007. NFCDCU provides financing for credit unions that serve low-income communities, particularly in New York City.

New York Business Development Corporation (“NYBDC”) received three \$5 million revolving lines of credit, each with a one-year term over the course of the three-year evaluation period¹. NYBDC provides financing for small to mid-size businesses, and extends business loans of up to \$1.5 million that are secured by the borrowers’ business assets and in some instances, SBA guarantees.

Nonprofit Finance Fund (“NFF”) received a \$1 million dollar revolving line of credit beginning March 27, 2008, and maturing March 21, 2011. NFF is a CDFI that serves the financial needs of nonprofit organizations nationwide. NFF provides loans and advisory services to assist nonprofits in meeting their strategic goals.

Seedco Financial Services, Inc. (“Seedco”) received a \$2 million revolving line of credit in August 2008 with a maturity date of August 2011. The borrower is a CDFI that is wholly owned by SEEDCO. Its primary activity is to provide support for economic and small business development in communities plagued by poor economic conditions. The loan proceeds were used to provide low-interest financing for community development projects.

Community Development Investments: “Outstanding”

BH significantly increased its community development investments since the prior evaluation period. Community development investments more than doubled (134% increase), As of December 31, 2009, BH had made \$50.3 million in qualified investments. This included 33 investments totaling \$50.2 million (certificates of deposit and mutual fund investments) and \$86,000 in grants.

Certificates of Deposit: CDs totaling \$48.7MM were purchased and retained in CDFIs such as Bethex Federal Credit Union, Carver Federal Savings Bank, City National Bank of New Jersey, Community Capital Bank, First American International Bank, Lower East Side People’s Federal Credit Union, Neighborhood Trust Federal Credit Union and New York National Bank.

Access Capital Strategies Community Investment Fund received a \$1.5 million long-term commitment on July 25, 2005. The entity is a mutual fund, organized in May 1997, which primarily invests in private placement debt securities designed to support underlying community development activities. Targeted activities include affordable housing, education, small business lending, and job creation. BH’s commitment was designated for the New York City area.

Grants: BH provided grants totaling \$85.6 thousand to support community development

organizations and nonprofit entities that support services to the homeless, literacy programs, affordable housing, education and child-care. Examples of these organizations are Neighborhood Housing Services of NYC, City Harvest, Harbor Child Care and SEEDCO.

Community Development Services: “Needs to Improve”

BH provides a limited level of community development service. No officers participate on any nonprofit boards of directors of community development organizations. The sole qualified activities for community development services were the CRA officer providing financial advice regarding grants to a parochial school in an LMI area of the Bronx and the provision of financial and legal advice to Crotona Belmont United.

Innovative or Complex Practices: “Satisfactory”

In working with community development financial intermediaries and purchasing various types of investments, BH made adequate use of innovative or complex lending and investment practices.

Responsiveness to Credit and Community Development Needs: “Satisfactory”

BH demonstrated an adequate record of serving the community development needs of its assessment area, as evidenced by its volume of community development activity.

Additional Factors

The extent of participation by the banking institution’s board of directors/trustees in formulating the banking institution’s policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act

BH has a CRA Committee that meets semi-annually, and the members receive quarterly CRA reports. Committee members include the Branch Manager, Deputy General Counsel, Chief Financial Officer and the CRA Officer. The Deputy Branch Manager is not an official member but attends all meetings.

Any practices intended to discourage applications for types of credit set forth in the banking institution’s CRA Public File.

BH uses no practices intended to discourage applications for any type of credit.

Evidence of prohibited discriminatory or other illegal credit practices

The most recent regulatory compliance report indicates a satisfactory performance in terms of adherence to antidiscrimination or other applicable laws and regulations. No evidence of prohibited discriminatory or other illegal credit practices was noted.

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

BH has not opened or closed any branches since the previous Performance Evaluation.

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.

BH is a wholesale branch and does not offer retail-banking services to the public. BH determines the credit needs of its community through contacts with financial intermediaries, charitable organizations and community development groups such as Deutsche Bank, SEEDCO, Low Income Housing Fund, and the National Federation of Community Development Credit Unions. The CRA Officer attends events that present community needs and concerns, such as the Regional Interagency Committee meeting on CRA in May 2009, and the Lawyers Alliance for New York program in November 2009.

- 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.

BH does not engage in marketing efforts focused on the public, but rather focuses on lending to Fortune 1000 corporations via syndications. Syndicated loans are usually obtained from the originating bank, which is typically a money center bank. BH is also a member of the Loan Syndications Trading Association.

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

None

GLOSSARY

Aggregate Penetration Rate

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

Community Development

The term “community development” is defined to mean:

1. Affordable housing (including multifamily housing) for low- or moderate-income (“LMI”) individuals;
2. Community services targeted to LMI individuals;
3. Activities that promote economic development by financing business or farms that meet the size eligibility standards of the United States Small Business Administration (“SBA”) Development Company or Small Business Investment Company programs, or have gross annual incomes of \$1 million or less;
4. Activities that revitalize or stabilize LMI geographies; and
5. Activities that seek to prevent defaults and/or foreclosures in loans included in (1) and (3) above.

A “community development loan” is defined as a loan that has as its *primary purpose* community development. This includes but is not limited to loans to:

- Borrowers for affordable housing rehabilitation and construction, including construction and permanent financing for multifamily rental property serving low or moderate income (“LMI”) persons;
- Nonprofit organizations serving primarily LMI or other community development needs;
- Borrowers to construct or rehabilitate community facilities that are located in LMI areas or that primarily serve LMI individuals;
- Financial intermediaries including community development financial institutions, community development corporations, minority- and women-owned financial institutions, community loan funds or pools, micro-finance institutions, and low-income or community development credit unions that primarily lend or facilitate lending to promote community development;
- Local, state and tribal governments for community development activities; and
- Borrowers to finance environmental clean up or redevelopment of an industrial site as part of an effort to revitalize the LMI community in which the property is located.

A “qualified investment” is defined as a lawful investment, deposit, membership share or grant that has as its *primary purpose* community development. This includes but is not limited to investments, deposits, membership shares or grants in or to:

- Financial intermediaries (including community development financial institutions, community development corporations, minority- and women-owned financial institutions, community loan funds, micro-finance institutions and low-income or community development credit unions) that primarily lend or facilitate lending in LMI areas or to LMI individuals in order to promote community development;
- Organizations engaged in affordable housing rehabilitation and construction;
- Organizations, including, for example, small business investment corporations that promote economic development by financing small businesses;
- Facilities that promote community development in LMI areas or LMI individuals, such as youth programs, homeless centers, soup kitchens, health care facilities, battered women’s centers, and alcohol and drug recovery centers;
- Projects eligible for low-income housing tax credits;
- State and municipal obligations, such as revenue bonds that specifically support affordable housing or other community development needs;
- Organizations serving LMI housing or other community development needs, such as counseling for credit, home ownership, home maintenance, and other financial services education; and
- Organizations supporting activities essential to the capacity of LMI individuals or geographies to utilize credit to sustain economic development, such as day care operations and job training programs that facilitate access to permanent jobs.

A “community development service” is defined as a service that has as its *primary purpose* community development, 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.

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 of the person, family or household is based on the income of person, family or household. A geography’s income is categorized by median family income for the geography. In both cases, the income is compared to the MSA or statewide nonmetropolitan median income.

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

Loans to Small Businesses

Small business loans to businesses with gross annual revenues (“GAR”) of \$1 million or less (“< = \$ 1MM”).

Low or Moderate Income (“LMI”) Geographies

Those census tracts or block numbering areas (“BNAs”), where according to the 2000 US Census, the median family income is less than 80% of the area median family income. In the case of tracted areas that are part of a Metropolitan Statistical Area (“MSA”) or Primary Metropolitan Statistical Area (“PMSA”), this would relate to the median family income for the MSA or PMSA in which the tracts are located. In the case of BNAs and tracted areas that are not part of a MSA or PMSA, the area median family income would be the statewide non-metropolitan median family income.

LMI Borrowers

Borrowers whose income, as reported on the loan application which the lender relied upon in making the credit decision, is less than 80% of the area median family income. In the case where the residential property is located in a MSA or PMSA, this would relate to the median family income for that MSA or PMSA. Otherwise, the area median family income

would be the statewide non-metropolitan median family income. In all instances, the area median family incomes used to measure borrower income levels are updated annually by the U.S. Department of Housing and Urban Development (“HUD”).

LMI Individuals/Persons

Individuals or persons whose income is less than 80% of the area median family income. In the case where the individual resides in a MSA or PMSA, this would relate to the median family income for that MSA or PMSA. Otherwise, the area median family income would be the statewide non-metropolitan median family income. In all instances, the area median family incomes used to measure individual income levels are updated annually by HUD.

LMI Penetration Rate

A number that depicts the percentage of a bank’s total loans (for a particular product) that was extended to LMI geographies or borrowers. For example, an LMI penetration rate of 20% would indicate that the bank made 20 out of a total of 100 loans in LMI geographies or to LMI borrowers.

Small Business Loans

Loans to businesses with original amounts of \leq \$1MM.