



**NEW YORK STATE
DEPARTMENT OF FINANCIAL SERVICES
FINANCIAL FRAUD AND CONSUMER PROTECTION DIVISION**

One State Street
New York, NY 10004

PUBLIC SUMMARY

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Date of Evaluation: December 31, 2012

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

Note: This evaluation is not an assessment of the financial condition of this institution. The rating assigned does not represent an analysis, conclusion or opinion of the New York State Department of Financial Services concerning the safety and soundness of this financial institution.

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GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (“CRA”) performance of Habib American Bank (“HAB”) prepared by the New York State Department of Financial Services (the “Department” or “DFS”). This evaluation represents the Department’s current assessment and rating of the institution’s CRA performance based on an evaluation conducted as of December 31, 2012.

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

Part 76 of the General Regulations of the Superintendent implements Section 28-b and further requires that the Department assess the CRA performance records of regulated financial institutions. Part 76 establishes the framework and criteria by which the Department will evaluate the performance. Section 76.5 further provides that the Department will prepare a written report summarizing the results of such assessment and will assign to each institution a numerical CRA rating based on a 1 to 4 scoring system. The numerical scores represent an assessment of CRA performance as follows:

- (1) Outstanding record of meeting community credit needs;
- (2) Satisfactory record of meeting community credit needs;
- (3) Needs to improve 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 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 State Banking Law.

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

OVERVIEW OF INSTITUTION'S PERFORMANCE

HAB's performance was evaluated according to the intermediate small bank performance criteria. The assessment period included calendar years 2010, 2011 and 2012. HAB is rated "2" indicating a "**Satisfactory**" record of helping to meet community credit needs. This rating is based on the following factors:

Lending Test – "Satisfactory"

- **Loan-to-Deposit ("LTD") Ratio and Other Lending-Related Activities: "Satisfactory"**

HAB's average LTD ratio of 64.8% was reasonable considering its size, business strategy, financial condition, aggregate and peer group activity. During the evaluation period, HAB's LTD ratio improved from the lowest level of 46.3% at the end of the first quarter 2010 to 66.1% on 12/31/2012. In contrast, the peer's LTD ratio gradually declined from 80.9% to 74% during the same period.

- **Assessment Area Concentration: "Outstanding"**

HAB originated 92.9% by number, and 92.1% by dollar value of its loans within the assessment area. This substantial majority of lending inside of its assessment area is an excellent record of lending.

- **Distribution by Borrower Characteristics: "Satisfactory"**

The distribution of small business loans and letters of credit based on the revenue size of the business demonstrated an adequate penetration rate of lending among businesses of different revenue sizes.

- **Geographic Distribution of Loans: "Satisfactory"**

The distribution of small business loans and letters of credit based on the income level of the geography of the business demonstrated an adequate rate of lending, taking into consideration HAB's client profile and the nature of the clients' businesses.

Community Development Test: "Outstanding"

HAB's community development performance demonstrated an excellent responsiveness to the community development needs of its assessment area through community development loans, investments and services, considering HAB's capacity and the need and availability of such opportunities for community development in its assessment area.

The annualized ratio of total community development loans and investments over total assets as of 12/31/2013 was 1.93%, representing an excellent level of community development activities.

- **Community Development Loans** : “Outstanding”

During the evaluation period, HAB originated \$38.6 million in new community development loans, and still had \$4.4 million outstanding from prior evaluation periods. The annualized ratio of total community development loans over total assets as of 12/31/2013 was 1.84%, demonstrating an excellent level of community development lending over the course of the evaluation period¹.

- **Community Development Investments**: “Satisfactory”

During the evaluation period, HAB invested \$1.98 million in new community development investments in its New York assessment area. In addition, HAB made \$142,444 in community development grants. This demonstrated an adequate level of community development investments over the course of the evaluation period.

- **Community Development Services**: “Satisfactory”

HAB demonstrated an adequate level of community development services over the course of the evaluation period by providing financial education to business owners and members of the community.

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

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

PERFORMANCE CONTEXT

Institution Profile:

Chartered in 1983, Habib American Bank (HAB) is a multi-state commercial bank headquartered at 99 Madison Avenue, New York, NY. HAB, a privately held C Corporation, is 75% owned by the Habib Family Trust and 25% owned by the holding company, Maham Beteiligungsgesellschaft AG, Zurich Switzerland.

HAB has offices in New York, New Jersey and California. It also has an International Banking Facility (IBF) that provides correspondent banking services to international banks.

HAB is primarily a small business lender to businesses owned and operated by members of the South Asian and Indo Caribbean community. Specifically, it specializes in International Trade Finance targeting importers and exporters doing business with traders in India, Pakistan, Bangladesh, and Sri Lanka. HAB's business customers comprise of wholesalers of imported garments, textiles, and novelty items. Most of these customers are family-owned businesses that, on average, employ two to 15 people. HAB also offers asset-based lending, commercial and Small Business Administration (SBA) loans to its clients. HAB's peer group includes Bank of India, Bank of Baroda, TD Bank, Broadway National Bank and Valley National Bank.

Per the Call Report as of December 31, 2012, filed with the Federal Deposit Insurance Corporation ("FDIC"), HAB reported total assets of \$780.3 million, of which \$459.2 million were net loans and lease finance receivables. It also reported total deposits of \$695 million of which \$577.6 million were held in domestic offices and \$117.4 million in foreign offices, resulting in a loan-to-deposit ratio of 66.09%. According to the latest available comparative deposit data as of June 30, 2012, HAB obtained a market share of 0.03%, or \$260 million in a market of \$784.3 billion, ranking it 71st among 118 deposit-taking institutions in the assessment area.

The following is a summary of HAB's loan portfolio, based on Schedule RC-C¹ of the Call Reports ended December 31, 2010, 2011 and 2012 covered by the current evaluation period.

¹ Total Gross Loans outstanding should be the amount as indicated on Lines 1 through 10.

TOTAL GROSS LOANS OUTSTANDING						
Loan type	12/31/2010		12/31/2011		12/31/2012	
	\$000's	%	\$000's	%	\$000's	%
Real estate loans						
1-4 family residential mortgage	25,125	6.1	24,865	5.9	25,065	6.0
Commercial Mortgage	251,499	60.8	309,088	73.9	297,210	71.3
Multifamily (5 or more)	0	0.0	0	0.0	0	0.0
Construction Loans - nonresidential	2,846	0.7	2,565	0.6	1,833	0.4
Commercial & Industrial	70,044	16.9	57,623	13.8	62,308	14.9
Consumer Loans	15,205	3.7	14,239	3.4	13,687	3.3
Other loans						
Loans to banks in foreign countries	49,168	11.9	10,013	2.4	16,865	4.0
Total Gross Loans	413,887	100.0	418,393	100.0	416,968	100.0

As illustrated in the above chart, HAB primarily engages in commercial lending, with 86.6% of its loan portfolio in commercial mortgages, commercial and industrial loans and construction loans secured by non-residential real estate as of 12/31/2012. In terms of new originations, particularly for the products that were the focus of this CRA examination (small business loans and letters of credit); HAB has originated an increased dollar volume of commercial real estate mortgage loans.

HAB operates four banking offices in NY; one located in Manhattan, two in Queens and one in Nassau. The Hicksville Branch (Nassau) is situated in a moderate-income census tract. Each branch office has an ATM. All branches are open from 9:00 AM to 3:30PM from Monday to Friday; the branches in Queens and Nassau are open on Saturday.

There are no known financial or legal impediments that adversely impacted HAB's ability to meet the credit needs of its community.

Assessment Area ("AA"):

HAB's New York assessment area is comprised of a portion of three counties in the Multi-state (NY/NJ/PA) Metropolitan Divisions, consisting of New York, Queens and Nassau.

The Manhattan portion of HAB's AA covers the East River to the Hudson River from 59th St. on the east side and 58th St. on the west side. The southern boundary is 14th St. running across Manhattan from East to West. With the addition of the Richmond Hill branch, the assessment area in Queens was expanded to cover Long Island City and Astoria. The expanded Queens portion serves the majority of Eastern Queens. The northern portion of the AA extends to Flushing Meadow Park while the southern portion extends past the Van Wyck Expressway to 168th St. in Jamaica. The Nassau AA includes the neighborhoods of Oyster Bay, Jericho, Muttontown, Upper

Brookville & Old Brookville, Syosset, Plainview, Bethpage, Hicksville, Levittown, East Meadow, Westbury, New Cassel, Salisbury and East Norwich.

There are 505 census tracts in the area of which 13 are low income, 117 are moderate-income, 241 are middle-income, 116 are upper-income and 18 are tracts with no income indicated.

Assessment Area Census Tracts by Income Level							
County	N/A	Low	Mod	Middle	Upper	Total	LMI %
New York *	4	2	3	6	48	63	7.9
Nassau *	-	2	3	34	14	53	9.4
Queens *	14	9	111	201	54	389	30.8
Total	18	13	117	241	116	505	25.7

* partial county

The assessment area appears reasonable based upon the location of HAB's offices and its lending patterns. There is no evidence that LMI areas have been arbitrarily excluded.

Demographic & Economic Data

Population and Income characteristics

The assessment area had a population of 1.8 million as indicated in the US 2010 Census report. About 11.9% of the population were over the age of 65 and 16.8% were under the age of 16.

Of the 408,049 families in the assessment area, 22.9% were low-income, 17.8% were moderate-income, 19.6% were middle-income and 39.6% were upper-income families. There were 688,791 households in the assessment area, of which 11.6% had income below the poverty level and 2.2% were on public assistance.

The weighted average of the median family income within the assessment area was \$76,146. The U.S. Department of Housing and Urban Development ("HUD") estimated median family income for the area was \$72,414 in 2012. A significant difference was noted in Manhattan where the weighted average of the median family income was \$138,676.

Housing Characteristics

There were 754,992 housing units within the assessment area, of which 46.7% were one- to four-family units, and 53.3% were multifamily units. Renter-occupied housing units represented majority of the area's housing units at 53.9% while 37.3% were

owner-occupied units.

Of the 406,827 renter-occupied housing units, 30.5% were in LMI census tracts while 69.4% were in middle- and upper-income census tracts. Average monthly gross rent was \$1,337.

Only 15.3% of owner-occupied housing units were in LMI census tracts while 84.7% were in middle- and upper-income census tracts. The median age of the housing stock was 72 years and the median home value in the assessment area was \$534,237.

Business Demographics

There were 268,350 non-farm businesses in the assessment area. Of these, 68.8% were businesses with reported revenues of less than or equal to \$1 million, 7.6% reported revenues of more than \$1 million and 23.6% did not report their revenues. Of all the non-farm businesses in the assessment area, 76.7% were businesses with less than fifty employees while 92.9% operated from a single location. The largest industries in the area were services industry (42.2%), followed by retail trade (12.6%) and finance, insurance and real estate (10%); 16.1% of businesses in the assessment area were not classified.

New York State Department of Labor unemployment rates

Statistics published by the New York State Department of Labor showed that unemployment in New York State remains very high (8.5%) after three years of tepid recovery from the Great Recession of 2008 - 2009. The statewide unemployment has been around 8% for the past four years, far higher than the pre-recession level of 5.4%.

In HAB's assessment area, Nassau and New York counties registered the lowest unemployment rates at 7.1% and 7.70% respectively; while Queens's rate at 8.3% was slightly lower than the statewide average.

Assessment Area Unemployment Rate				
	NYS	New York	Queens	Nassau
2008	5.40%	4.80%	4.90%	4.70%
2009	8.40%	8.40%	8.30%	7.00%
2010	8.60%	8.10%	8.70%	7.10%
2011	8.30%	7.40%	8.10%	6.70%
2012	8.50%	7.70%	8.30%	7.10%

Community Information

Community contacts included certified CDFIs involved in providing affordable financing and technical assistance to small businesses that have difficulty accessing loans from traditional sources and are in low-to-moderate income or underserved communities in New York City.

Community contacts pointed out that access to capital remains a need among small business owners due to insufficient collateral, low credit score or the business operating at a loss. In a *Small Business Credit Survey* conducted by the Federal Reserve Bank of New York, it was reported that small business firms were experiencing difficulty in getting financing. Additionally, the survey noted a high demand for microloans (loans of \$100,000 or less) to support inventory, cash flow and payroll.

In recent years, non-depository institutions have become increasingly important sources of financial services to small businesses². Thus, community contacts indicated that banks should coordinate with CDFI and micro-lenders so that funds can be deployed effectively to have a positive impact in the community.

HAB was not mentioned in any negative context during the community interview.

² Source: Availability of Credit to Small Businesses issued by Board of Governors of the Federal Reserve System, September 2012.

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

HAB was evaluated under the intermediate small banking institution's performance standards in accordance with Parts 76.7 and 76.12 of the General Regulations of the Superintendent. HAB's performance was evaluated according to the intermediate small bank performance criteria, which consists of the lending test and the community development test. The lending test includes (1) loan-to-deposit ratio and other lending-related activities; (2) assessment area concentration; (3) distribution by borrower characteristics; (4) geographic distribution of loans; and (5) action taken in response to written complaints regarding CRA. The community development test includes: (1) community development lending; (2) community development investments; (3) community development services; (4) innovative or complex practices; and (5) responsiveness to community development needs. The following factors were also considered 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 Banking Law that reasonably bear upon the extent to which a banking institution is helping to meet the credit needs of its entire community.

Statistics employed in this evaluation were derived from various sources. Bank-specific information was submitted by the bank both as part of the examination process and on its Call Report submitted to the Federal Deposit Insurance Corporation ("FDIC"). Aggregate lending data were obtained from the Federal Financial Institutions Examination Council ("FFIEC") and deposit data were obtained from the FDIC. Loan-to-deposit ratios were calculated from information shown in the bank's Uniform Bank Performance Report ("UBPR") as submitted to the FDIC.

The demographic data referred to in this report were derived from the 2010 U.S. Census and the U.S. Department of Housing and Urban Development ("HUD"). Business demographic data used in this report provide information on US businesses, enhanced by Dun & Bradstreet reports and updated annually. Unemployment data were obtained from the New York State Department of Labor. Some non-specific bank data are only available on a county-wide basis, and were used even where the institution's assessment area includes partial counties.

The assessment period included calendar years 2010, 2011 and 2012.

Examiners considered HAB's small business, and letters of credit in evaluating factors (2), (3) and (4) of the lending test as noted above.

Small business/small farm loan aggregate data are shown for comparative purposes. HAB is not required to report this data. As such HAB is not included in the aggregate data.

Small business loan data evaluated in this performance evaluation represented actual originations.

HAB received a rating of "2", reflecting a "Satisfactory" record of helping to meet community credit needs at its **prior** Performance Evaluation conducted by DFS as of December 31, 2009.

Current CRA Rating: "Satisfactory"

Lending Test: "Satisfactory"

HAB's small business and letters of credit lending activities were reasonable in light of aggregate and peer group activity and demographics.

Loan-to-Deposit Ratio and other Lending-Related Activities: "Satisfactory"

HAB's average LTD ratio of 64.8% was reasonable considering its size, business strategy, financial condition, aggregate and peer group activity. During the evaluation period, HAB's LTD ratio improved from the lowest level of 46.3% at the end of the first quarter 2010 to 66.1% on 12/31/2012. In contrast, the peer's LTD ratio gradually declined from 80.9% to 74% during the same period.

HAB's average LTD ratio was lower relative to its peer¹ group as a large percentage of deposits were placed in interest bearing accounts rather than being actively lent to borrowers. By 12/31/2012, interest bearing balances represented 35.6% of total assets. Additionally, the LTD ratios do not reflect HAB's significant off-balance sheet credit activities. Unfunded loan commitments, unused lines of credit, and letters of credit totaled \$52.7 million as of 12/31/2012. Had these credits been funded, the net LTD ratio would have been more in-line with the peer group.

The chart below shows HAB's LTD ratios in comparison with the peer group's ratios for the twelve quarters since the prior evaluation.

¹ Insured commercial banks with assets between \$300 million and \$1 billion

Loan-to-Deposit Ratios													
	2010 Q1	2010 Q2	2010 Q3	2010 Q4	2011 Q1	2011 Q2	2011 Q3	2011 Q4	2012 Q1	2012 Q2	2012 Q3	2012 Q4	Avg.
Bank	46.3	56.3	50.9	67.6	62.4	73.6	76.6	76.1	65.3	70.3	65.6	66.1	64.8
Peer	80.9	80.4	79.7	78.9	76.5	76.6	75.9	75.1	73.3	74.3	74.5	74.0	76.7

Assessment Area Concentration: “Outstanding”

HAB originated 92.9% by number, and 92.1% by dollar value of its loans within the assessment area. This substantial majority of lending inside of its assessment area is an excellent record of lending.

Small Business Loans:

During the evaluation period, HAB originated 91.1% by number, and 89.9% by dollar value of its small business loans within the assessment area. This majority of lending inside of its assessment area is an excellent record of lending.

Letters of Credit:

During the evaluation period, HAB originated 94.8% by number, and 96% by dollar value of its letters of credit within the assessment area. This substantial majority of lending inside of its assessment area is an excellent record of lending.

The following table shows the percentages of HAB’s small business loans and letters of credit originated inside and outside of the assessment area.

Distribution of Loans and Letters of Credit Inside and Outside of the Assessment Area										
Loan Type	Number of Loans					Loans in Dollars (in thousands)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Small Business										
2010	187	97.4%	5	2.6%	192	22,921	98.5%	346	1.5%	23,267
2011	104	93.7%	7	6.3%	111	23,174	95.0%	1,231	5.0%	24,405
2012	161	83.4%	32	16.6%	193	34,967	82.3%	7,533	17.7%	42,500
Subtotal	452	91.1%	44	8.9%	496	81,062	89.9%	9,110	10.1%	90,172
Letters of Credit										
2010	234	94.0%	15	6.0%	249	27,329	94.8%	1,500	5.2%	28,829
2011	83	94.3%	5	5.7%	88	7,262	95.0%	382	5.0%	7,644
2012	103	97.2%	3	2.8%	106	14,096	98.9%	152	1.1%	14,248
Subtotal	420	94.8%	23	5.2%	443	48,687	96.0%	2,034	4.0%	50,721
Grand Total	872	92.9%	67	7.1%	939	129,749	92.1%	11,144	7.9%	140,893

Distribution by Borrower Characteristics: “Satisfactory”

The distribution of small business loans and letters of credit based on the revenue size of the business demonstrated an adequate penetration rate of lending among businesses of different revenue sizes, given the nature of the business HAB engages in.

In 2010, HAB outperformed the aggregate data both by number and by dollar value in its lending to small businesses (including letters of credit). The penetration ratios decreased in the following two years, producing three-year averages below the aggregate three year averages (15.9% by number of loans and 10.9% by dollar value compared to aggregate lending levels of 28.6% by number of loans and 22.9% by dollar value).

Although HAB’s lending to small businesses was below the aggregate level, some of the loans HAB made to business entities with revenue size greater than \$1 million could have been categorized as loans to small business entities if considering the number of employees rather than the revenue size. As noted in the section on performance context, HAB’s clients are wholesalers of imported goods with thin margins which require a large sales volume to go over the \$1 million limit in order to produce profits. These businesses, however, are small in terms of the number of employees, with an average size of two to fifteen employees.

The following chart provides a summary of HAB's small business lending distribution based on revenue size during the evaluation period:

Distribution of Small Business Loans and Letters of Credit by Revenue Size of Business									
2010									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	116	27.6%	10,522	20.9%	8,142	15.4%	311,696	18.2%	71.0%
Rev. > \$1MM	294	69.8%	39,040	77.7%					7.3%
Rev. Unknown	11	2.6%	688	1.4%					21.7%
Total	421		50,250		53,038		1,716,385		
2011									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	9	4.8%	1,224	4.0%	20,506	31.3%	487,950	23.1%	63.3%
Rev. > \$1MM	164	87.7%	27,672	90.9%					5.4%
Rev. Unknown	14	7.5%	1,540	5.1%					31.3%
Total	187		30,436		65,619		2,111,070		
2012									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	14	5.3%	2,386	4.9%	24,300	36.6%	589,989	26.4%	68.8%
Rev. > \$1MM	207	78.4%	38,304	78.1%					7.6%
Rev. Unknown	43	16.3%	8,373	17.1%					23.6%
Total	264		49,063		66,464		2,236,022		
GRAND TOTAL									
Rev. Size	Bank				Aggregate				Bus.Dem.
	#	%	\$000's	%	#	%	\$000's	%	
Rev. <= \$1MM	139	15.9%	14,132	10.9%		28.6%		22.9%	
Rev. > \$1MM	665	76.3%	105,016	80.9%					
Rev. Unknown	68	7.8%	10,601	8.2%					
Total	872		129,749						

Geographic Distribution of Loans: "Satisfactory"

The distribution of small business loans and letters of credit based on lending in census tracts of varying income levels demonstrated an adequate rate of lending, taking into consideration HAB's client profile and the nature of the clients' businesses.

During the evaluation period, HAB outperformed aggregate levels for number of loans and dollar value in low-income census tracts, but underperformed in moderate-income census tracts by both terms. Overall, HAB underperformed the aggregate level in LMI census tracts both by number of loans (4.7% vs. 10.9%) and by dollar value (6.4% vs. 10.9%).

As noted in the section on performance context, HAB's record was a reflection of its business model, where the majority of credits were multiple letters of credit to a few business clients. In 2010, 235 loans (56% of all 2010 loans) were made to four borrowers. In 2011, 67 loans (36% of all 2011 loans) were made to two borrowers. And in 2012, 70 loans (27% of all 2012 loans) were extended to two borrowers. This lending pattern significantly distorts HAB's lending record of geographic distribution.

Nevertheless, when comparing to wholesale business demographics, HAB's performance was in line with the geographic concentration of businesses. Overall, just 0.69% of all wholesale businesses within the assessment area were located in LMI census tracts in 2010. HAB made 0.7% of loans and 0.3% of the amount of loans into LMI census tracts. In 2011 HAB compared favorably to the wholesale business demographics by number of loans (1.1% vs. 0.68%), but unfavorably by dollar value (0.1% vs. 0.68%). In 2012 HAB's lending into LMI census tracts increased significantly to 13.6% by loan number and 16.6% by dollar value. This increase was primarily attributable to the reclassification of a census tract where two of HAB's clients were located. The census tract was changed from middle-income to low-income as the result of the 2010 census survey. The demographics of the wholesale businesses in the LMI census tracts in 2012 were 0.76%, comparing to HAB's performance of 13.6% by number of loans and 16.6% by dollar value.

The following chart provides a summary of HAB's small business lending distribution based on the income level of the geography.

Distribution of Small Business Loans and Letters of Credit by Geographic Income of the Census Tract									
2010									
Geographic	Bank				Aggregate				Bus.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	260	0.5%	14,247	0.8%	0.4%
Moderate	3	0.7%	154	0.3%	4,981	9.4%	147,737	8.6%	11.9%
LMI	3	0.7%	154	0.3%	5,241	9.9%	161,984	9.4%	12.3%
Middle	86	20.4%	13,860	27.6%	14,980	28.2%	457,272	26.6%	29.2%
Upper	332	78.9%	36,236	72.1%	31,603	59.6%	1,030,874	60.1%	56.1%
Unknown	0	0.0%	0	0.0%	1,214	2.3%	66,255	3.9%	2.4%
Total	421		50,250		53,038		1,716,385		
2011									
Geographic	Bank				Aggregate				Bus.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	0	0.0%	0	0.0%	288	0.4%	12,457	0.6%	0.4%
Moderate	2	1.1%	45	0.1%	6,674	10.2%	193,165	9.2%	12.9%
LMI	2	1.1%	45	0.1%	6,962	10.6%	205,622	9.7%	13.3%
Middle	46	24.6%	10,719	35.2%	19,679	30.0%	564,206	26.7%	31.1%
Upper	138	73.8%	19,612	64.4%	37,655	57.4%	1,282,592	60.8%	53.4%
Unknown	1	0.5%	60	0.2%	1,323	2.0%	58,650	2.8%	2.2%
Total	187		30,436		65,619		2,111,070		
2012									
Geographic	Bank				Aggregate				Bus.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	24	9.1%	6,312	12.9%	939	1.4%	34,504	1.5%	1.7%
Moderate	12	4.5%	1,838	3.7%	7,113	10.7%	257,504	11.5%	13.4%
LMI	36	13.6%	8,150	16.6%	8,052	12.1%	292,008	13.1%	15.1%
Middle	30	11.4%	5,217	10.6%	18,523	27.9%	577,877	25.8%	29.6%
Upper	107	40.5%	27,283	55.6%	34,597	52.1%	1,134,923	50.8%	48.2%
Unknown	91	34.5%	8,413	17.1%	5,292	8.0%	231,214	10.3%	7.1%
Total	264		49,063		66,464		2,236,022		
GRAND TOTAL									
Geographic	Bank				Aggregate				Bus.Dem.
Income	#	%	\$000's	%	#	%	\$000's	%	%
Low	24	2.8%	6,312	4.9%		0.8%		1.0%	
Moderate	17	1.9%	2,037	1.6%		10.1%		9.9%	
LMI	41	4.7%	8,349	6.4%		10.9%		10.9%	
Middle	162	18.6%	29,796	23.0%		28.7%		26.4%	
Upper	577	66.2%	83,131	64.1%		56.1%		56.9%	
Unknown	92	10.6%	8,473	6.5%		4.2%		5.9%	
Total	872		129,749						

Action Taken in Response to Written Complaints with Respect to CRA: "Not applicable"

Since the latest CRA evaluation as of December 31, 2009, neither HAB nor DFS has received any written complaints regarding HAB's CRA performance.

Community Development Test: "Outstanding"

HAB's community development performance demonstrated an excellent responsiveness to the community development needs of its assessment area through community development loans, investments and services, considering HAB's capacity

and the need and availability of such opportunities for community development in its assessment area.

During the evaluation period, HAB originated \$38.6 million in new community development loans, and still had \$4.4 million outstanding from prior evaluation periods. Also during the evaluation period, HAB made \$1.98 million in new community development investments and \$143 thousand in community development grants. The annualized ratio of total community development loans and investments over total assets as of 12/31/2013 was 1.93%, representing an excellent level of community development activities.

A more detailed description of HAB’s community development activity follows:

Community Development Lending: “Outstanding”

During the evaluation period, HAB originated \$38.6 million in new community development loans, and still had \$4.4 million outstanding from prior evaluation periods. The annualized ratio of total community development loans over total assets as of 12/31/2013 was 1.84%, demonstrating an excellent level of community development lending over the course of the evaluation period².

HAB extended \$17 million in new community development loans inside its assessment area. In addition, HAB lent \$21.6 million to LMI communities and small businesses outside of its assessment area. The level of new community development loans increased significantly by \$34.3 million from \$4.3 million at the prior period.

Community Development Loans				
Purpose	This Evaluation Period		Outstanding from Prior Evaluation Periods	
	# of Loans	\$000	# of Loans	\$000
Affordable Housing	1	300		
Economic Development	19	24,382		
Community Services				
Revitalization & Stabilization	13	13,943	2	4,371
Total	33	38,625	2	4,371

Below are highlights of HAB community development lending.

² For analysis purposes, renewals of lines of credit that occur during the evaluation period are considered new extensions of credit. However, the level of lending is reviewed across the time period of the exam.

Affordable Housing

- In October 2011, HAB originated a \$300,000 commercial mortgage to renovate an apartment building in a moderate-income neighborhood in Yonkers, New York. The building houses 16 apartment units and they are all rent stabilized units. The loan helped to upgrade the living conditions and offer good-quality housing at affordable rents.

Economic Development

- In February 2011, HAB refinanced a \$4 million loan to provide working capital to a motel in Bronx, New York. The loan supported the working capital needs of the business, and created three additional jobs in this low-income tract.
- In January 2012, HAB originated a \$3.8 million SBA 504 commercial mortgage to clothing and furnishing merchant. The funds were used to acquire equipment and renovate a commercial property. The loan helped the business maintain its market share and retain 17 full time employees.
- In December 2011, HAB extended a term loan in the amount of \$650,000 to small plumbing company. The loan was used as working capital and to provide improvements for a building located in a low income census tract. The credit helped retain 25 jobs in this low-income area.

Neighborhood Revitalization or Stabilization

- In December 2012, HAB extended \$1.7 million term loan to an importer/wholesale distribution company of leather outwears and accessories located in Oceanside in Nassau County, New York, an area that was severely impacted by Super storm Sandy. The loan proceeds were for working capital. The loan provided a major stimulus in dealing with the after-effects of Super storm Sandy. The loan helped in stabilizing a federally designated disaster area by retaining 32 jobs and creating additional 10 jobs in the LMI areas surrounding the company's location.
- In July 2010, HAB originated a \$425,000 commercial loan for acquiring a retail store operating as a pharmacy. The loan helped a family business become owner occupants and continue to operate their business in the neighborhood. The loan helped stabilize a moderate-income area by retaining existing business serving local residents.

Community Development Investments: "Satisfactory"

During the evaluation period, HAB made \$1.98 million in new community development investments in its New York assessment area. In addition, HAB made \$142,444 in

community development grants. This demonstrated an adequate level of community development investments over the course of the evaluation period.

HAB's investments consisted of deposits in five Community Development Financial Institutions (CDFIs) in the total of \$1.98 million. The deposits were made to the following CDFI's: Carver Federal Saving Bank, Union Settlement Federal Credit Union, Bethex Federal Credit Union, Brooklyn Cooperative Federal Credit Union, and Lower East Side People's Federal Credit Union. In addition, HAB made \$142,444 grants during the evaluation period. The grants were primarily to organizations that promote economic development and affordable housing to LMI individuals.

Community Development Investments and Grants				
	This Evaluation Period		Outstanding from Prior Evaluation Periods	
	# of Inv.	\$000	# of Inv.	\$000
CD Investments				
Affordable Housing				
Economic Development				
Community Services	28	\$ 1,983		
Other (Please Specify)				
Total	28	\$ 1,983	0	0
	# of Grants	\$000	<i>Not Applicable</i>	
CD Grants				
Affordable Housing	7	\$ 47		
Economic Development	14	\$ 61		
Community Services	6	\$ 30		
Other (Revitalize and Stabilize)	1	\$ 5		
Total	28	\$ 143		

Below are highlights of HAB's grants:

- HAB contributed \$30 thousand to a not-for-profit organization that serves low- and moderate-income households throughout New York City. This community-based organization revitalizes underserved neighborhoods by creating and preserving affordable housing and providing opportunities for homeownership education, financial assistance and community leadership. Another \$10,000 grant was given to the organization for Super storm Sandy recovery efforts.
- HAB contributed \$15 thousand to a not-for-profit CDFI that provides affordable financing and business assistance to small businesses, not-for-profit organizations, and commercial and real estate projects in LMI and underserved communities where businesses may have difficulty accessing loans from traditional sources.

Community Development Services: “Satisfactory”

HAB demonstrated an adequate level of community development services over the course of the evaluation period by providing financial education to business owners and members of the community.

Below are highlights of HAB’s community development services.

- HAB participated in the “National Teach Children to Save Day” program sponsored by the American Bankers Association. Representatives from HAB taught the importance of saving money to children at public schools located in Jackson Heights and Kew Gardens, New York. The New York State Education Department reported that the majority of the students were eligible for the Free Lunch and Reduced-Price Lunch programs.
- HAB has provided basic financial education as a member of Long Island Import Export Association (LIIEA) and The Indus Entrepreneur Enterprise (TIE). LIIEA is a non-profit organization bringing small businesses together to share business strategies and exchange ideas. TIE’s membership consists of entrepreneurs operating successful small businesses in various industries. Furthermore, HAB sponsored trade finance seminars on regulations promulgated by the U.S Department of Commerce that govern small businesses engaged in the import and export of goods.
- HAB provides guidance to entrepreneurs who are in the process of starting new businesses within HAB’s assessment area. HAB’s guidance helps assist businesses with setting up a new corporation, understanding the marketplace, and financing (if required by the business). HAB’s target population is growing as newly-arriving immigrants require assistance in setting up new businesses. Since its inception, HAB has actively helped the immigrant population in establishing new businesses in its assessment area.

Innovative or Complex Practices:

HAB had limited use of innovative or flexible community development practices. HAB participates in U.S Small Business Administration (SBA) loan programs to help small business customers. HAB acts on behalf of the SBA in approving qualified SBA-guaranteed loans, such as the 7(a) and 504 loan programs.

Responsiveness to Community Development Needs:

HAB had demonstrated an adequate level of responsiveness to credit and community development needs.

Additional Factors

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 Community Reinvestment Act

The Board of Directors ("BOD") reviews and approves changes to the CRA statements on an annual basis. The BOD has appointed a senior member of management as CRA Officer to monitor HAB's CRA compliance. The CRA Officer provides BOD with self-assessment reports. HAB has a CRA Committee that includes its Chief Executive Officer, Senior Credit Officer, and the Chief Compliance/CRA Officer.

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.*

New York State Department of Financial Services noted no practices that were intended to discourage applications for the types of credit offered by the institution.

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

New York State Department of Financial Services noted no evidence of prohibited discriminatory or other illegal practices.

Record of opening and closing offices and providing services at offices

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

During the evaluation period, HAB opened a branch in Queens County, but did not close any branches. HAB operates four banking offices in NY; one located in Manhattan, two in Queens and one in Nassau. The Hicksville Branch (Nassau) is situated in a moderate-income census tract. All branches have ATM machines and are open from 9:00 AM to 3:30PM from Monday to Friday. The branches in Queens and Nassau are also open on Saturday. HAB's alternative delivery systems include online banking services, online bill pay, telephone banking, remote deposit capture and online business payroll.

HAB offers the following low cost deposit accounts benefiting low income individuals and small business owners:

- Freedom Checking/Smart Checking: free of service charges, provided a direct deposit is made.
- Low cost business checking account: offered to small businesses with no minimum-balance requirement.
- Home remittance service for HAB customers: individuals use this service to send, on average, \$1,000 to support family in India.

Process Factors

- Activities conducted by the banking institution to ascertain the credit needs of its community, including the extent of the banking institution's efforts to communicate with members of its community regarding the credit services being provided by the banking institution.

HAB's primary method to determine the credit needs of the community is through direct contact with its customer base, either by telephone calls or visits to their places of businesses. In addition, HAB officials and employees are active members of various community organizations. By attending the regular meetings of the organizations, HAB is able to assess the community's banking needs and interests. HAB has joined various community organizations including Chamber of Commerce, Neighborhood Housing Services of New York, Inc., and Asia Society.

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

HAB's contact with its customers is on a one-on-one basis through an active calling program required to be conducted by all branch managers and members of senior management. Furthermore, HAB officers actively promote its products and services in community events and social gatherings such as the Annual Business Trade Show & Conference organized by an industrial association. HAB primarily advertises in Asian-American community-based newspapers and magazines such as The South Asian Times, The India Journal, The Desitalk Magazine, the Gujarat Times and more.

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

None noted.

GLOSSARY

Aggregate Penetration Rate

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

Community Development

“Community development”:

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

Community Development Loan

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

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

Community Development Service

Service that has community development as its *primary purpose*, is related to the provision of financial services, and has not been considered in the evaluation of the banking institution's retail banking services. This includes but is not limited to:

- Providing technical assistance on financial matters to nonprofit, tribal or government organizations serving LMI housing or economic revitalization and development needs;
- Providing technical assistance on financial matters to small businesses or community development organizations;
- Lending employees to provide financial services for organizations facilitating affordable housing construction and rehabilitation or development of affordable housing;
- Providing credit counseling, home buyers and home maintenance counseling, financial planning or other financial services education to promote community development and affordable housing;
- Establishing school savings programs for LMI individuals;
- Providing seminars for LMI persons on banking and bank account record-keeping;
- Making ATM “Training Machines” available for extended periods at LMI community sites or at community facilities that serve LMI individuals; and
- Technical assistance activities to community development organizations such as:
 - ❖ Serving on a loan review committee;
 - ❖ Developing loan application and underwriting standards;
 - ❖ Developing loan processing systems;
 - ❖ Developing secondary market vehicles or programs;
 - ❖ Assisting in marketing financial services, including the development of advertising and promotions, publications, workshops and conferences;
 - ❖ Furnishing financial services training for staff and management;
 - ❖ Contributing accounting/bookkeeping services; and
 - ❖ Assisting in fund raising, including soliciting or arranging investments.

Geography

A census tract delineated by the United States Bureau of the Census in the most recent decennial census

Home Mortgage Disclosure Act (“HMDA”)

The Home Mortgage Disclosure Act, enacted by Congress in 1975, and subsequently amended, requires institutions to annually report data about applications for residential (including multifamily) financing.

Income Level

The income level for borrowers is based on household or family income. A geography's income is categorized by median family income for the geography. In both cases, the income is compared to the MSA or statewide nonmetropolitan median income.

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 of \$1 million or less.

Low or Moderate Income ("LMI") Geographies

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

LMI Borrowers

Borrowers whose income, as reported on the loan application which the lender relied upon in making the credit decision, is less than 80% of the area median family income. In cases where the residential property is located in a MSA or PMSA, this would relate to the median family income for that MSA or PMSA. Otherwise, the area median family income would be the statewide non-metropolitan median family income. In all instances, the area median family incomes used to measure borrower income levels are updated annually by the U.S. Department of Housing and Urban Development ("HUD").

LMI Individuals/Persons

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

LMI Penetration Rate

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

Low-Income Housing Tax Credit (LIHTC)

A dollar for dollar tax credit for affordable housing, created under the Tax Reform Act of 1986, that provides incentives to invest in projects for the utilization of private equity in the development of affordable housing aimed at low income Americans. It is also more commonly called Section 42 credits in reference to the applicable section of the IRC. The tax credits are more attractive than tax deductions as they provide a dollar for dollar reduction in a taxpayer's federal income tax. It is more commonly attractive to corporations since the passive loss rules and similar tax changes greatly reduced the value of tax credits and deductions to individual taxpayers.

New Markets Tax Credit (NMTC)

The New Markets Tax Credits (NMTC) Program was established by Congress in December 2000 to stimulate economic and community development and job creation in low-income communities. It permits individual and corporate taxpayers to receive a credit against federal income taxes for making qualified equity investments in Community Development Entities (CDEs). The credit provided to the investor totals 39% of the cost of the investment and is claimed over a 7-year period. CDEs must use substantially all of the taxpayer's investments to make qualified investments in low-income communities. The Fund is administered by the US Treasury Department's Community Development Financial Institutions Fund (CDFI).

Qualified Investment

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

- Financial intermediaries (including community development financial institutions, community development corporations, minority- and women-owned financial institutions, community loan funds, micro-finance institutions and low-income or community development credit unions) that primarily lend or facilitate lending in LMI areas or to LMI individuals in order to promote community development;
- Organizations engaged in affordable housing rehabilitation and construction;
- Organizations, including, for example, small business investment corporations that promote economic development by financing small businesses;

- Facilities that promote community development in LMI areas or LMI individuals, such as youth programs, homeless centers, soup kitchens, health care facilities, battered women's centers, and alcohol and drug recovery centers;
- Projects eligible for low-income housing tax credits;
- State and municipal obligations, such as revenue bonds that specifically support affordable housing or other community development needs;
- Organizations serving LMI housing or other community development needs, such as counseling for credit, home ownership, home maintenance, and other financial services education; and
- Organizations supporting activities essential to the capacity of LMI individuals or geographies to utilize credit to sustain economic development, such as day care operations and job training programs that facilitate access to permanent jobs.