

PUBLIC DISCLOSURE

November 10, 2008

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**BPD Bank
RSSD No. 66015**

**90 Broad Street
New York, NY 10004**

FEDERAL RESERVE BANK OF NEW YORK

**33 LIBERTY STREET
NEW YORK, NY 10045**

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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INSTITUTION'S CRA RATING: BPD Bank ("BPD") is rated "Outstanding."

The outstanding performance of BPD with regard to the Community Reinvestment Act ("CRA") is based on the following performance criteria:

- A high level of community development loans, qualified investments and community development services, particularly loans and investments that are not routinely provided by private investors.
- Extensive use of innovative or complex community development loans, qualified investments, and community development services.
- Excellent responsiveness to community credit and economic development needs in the bank's assessment area.

SCOPE OF EXAMINATION

BPD's performance was evaluated using the *Interagency Procedures and Guidelines for Wholesale and Limited Purpose Institutions*. The evaluation covers BPD's community development activities from July 1, 2006 through June 30, 2008. Examiners also conducted interviews with two community development groups in order to gain an understanding of local credit needs.

DESCRIPTION OF INSTITUTION

BPD Bank is a New York State-chartered commercial bank headquartered in New York, New York. BPD provides trade-related services, including loans and letter of credit arrangements to banks and other companies based primarily in Latin American and Caribbean countries. BPD has total assets of \$656 million as of June 30, 2008.

The Federal Reserve Board of Governors designated BPD as a wholesale bank on February 5, 2004, and the bank's continued qualification for wholesale status was verified at this examination. The bank does not extend home mortgages, small business loans or consumer credit to retail customers except on an accommodation basis to its existing commercial customers.

At the bank's last CRA examination, dated November 10, 2006, BPD was evaluated under the wholesale bank CRA test and assigned an overall CRA rating of "Outstanding." There are no financial or legal factors that would prevent BPD from fulfilling its obligations under CRA.

DESCRIPTION OF ASSESSMENT AREA

BPD's assessment area is located within MSA 35620 (New York-Northern New Jersey-Long Island, NY-NJ-PA). It includes two Metropolitan Divisions ("MD"), a portion of MD 35644 (New York-White Plains-Wayne, NY-NJ MD) and all of MD 35004 (Nassau-Suffolk, NY). MD 35644 includes New York City's five counties of the Bronx, Kings, New York, Staten Island and Queens as well as Westchester County. MD 35004 includes both Nassau and Suffolk Counties. The assessment area does not arbitrarily exclude low- and moderate-income ("LMI") geographies and is in compliance with the requirements of Federal Reserve Regulation BB Section 228.41. A map of the assessment area appears on page BB11.

PERFORMANCE CONTEXT

The data used to describe the assessment area and evaluate the context in which the bank operates was obtained from publicly available sources including the U.S. Department of Commerce's Bureau of the Census, the New York City Department of Labor, the U.S. Department of Housing and Urban Development ("HUD"), the National Association of Realtors, and the New York City Department of Housing Preservation and Development ("HPD").

Demographic Characteristics

According to the 2000 Census, the population in the assessment area exceeds 11 million. Almost 2.9 million of the city's population, or 26%, were born outside the United States. Recent immigrants may need flexible underwriting since they typically have limited credit histories and nontraditional sources of incomes. In addition, immigrants may be unfamiliar with the credit application process and could benefit from financial literacy education.

Income Characteristics

The 2007 HUD-adjusted median family income ("MFI") for MD 35644 (New York-White Plains-Wayne, NY-NJ) was \$59,500 and the 2006 MFI was \$59,200. The 2007 HUD-adjusted MFI for MD 35004 (Nassau and Suffolk Counties) was \$93,800 and the 2006 MFI was \$91,000. In Bronx County, 29% of families are living below the poverty level. New York City also has a large proportion of non-family households, which tend to have lower incomes. Only 66% of households in the bank's assessment area are families.

Housing Characteristics

Housing is expensive relative to income in New York City, causing significant affordability issues for the LMI population. According to the National Association of Realtors, the median price of a single-family home in MD 35644 (New York, White Plains, Wayne, NY-NJ) was \$540 thousand in 2007, increasing slightly from \$539 thousand in 2006. In addition, The National Association of Realtors noted that the median price of a single-family home in MD 35004 (Nassau, Suffolk) was \$477 thousand in 2007, increasing slightly from \$475 thousand in 2006. These prices are unaffordable to LMI families, and even many middle-income borrowers.

The assessment area also has a shortage of affordable rental housing, with an increasing gap between renters' incomes and the cost of housing. According to HPD's 2005 New York City Housing and Vacancy Survey, the median income of renter households was \$32 thousand in 2004, while the median gross rent was \$920 in 2005, up 17% from the 2002 median gross rent of \$788. In addition, the HPD survey stated that almost 29% of all renter households in New York City paid more than 50% of their income for gross rent. Community contacts also pointed out the escalating disparity between working family income and housing costs and reaffirmed that affordable housing was a critical need in the New York City area.

The assessment area also has a significant homeless population. According to a Coalition for the Homeless report, dated March 7, 2007, municipal homeless shelters were filled with over 35,000 people each night, with homeless families making up 79% of the shelter population. In addition, in 2006 the total number of homeless persons in New York City increased by 11%, with homeless families alone up by 18%.

The sharp disparity between incomes and costs of either owned or rented housing indicates that the LMI population needs affordable mortgage programs and rental property development. In addition, programs to develop housing for the lowest income New Yorkers are especially needed.

Labor, Employment and Economic Characteristics

Unemployment rates were relatively unchanged during the examination period. The New York State Department of Labor reported that the average annual unemployment rate for New York City was 5.0% in 2006 and 2007. The New York State Department of Labor also reported that the average annual unemployment rate for Nassau-Suffolk was 3.9% in 2006 and 3.7% in 2007.

Exhibit 1 on the following page provides additional assessment area demographics.

Exhibit 1

Assessment Area Demographics

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	326	14.7	310,882	16.6	128,229	41.2	574,246	30.7
Moderate-income	613	27.6	586,320	31.4	136,861	23.3	311,873	16.7
Middle-income	663	29.9	522,015	27.9	59,653	11.4	318,556	17.0
Upper-income	557	25.1	450,592	24.1	21,091	4.7	665,134	35.6
Unknown-income	58	2.6	0	0.0	0	0.0	0	0.0
Total Assessment Area	2,217	100.0	1,869,809	100.0	345,834	18.5	1,869,809	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied		Rental		Vacant		
		#	%	%	#	%	#	%
Low-income	471,421	30,113	3.3	6.4	411,139	87.2	30,169	6.4
Moderate-income	923,923	158,133	17.3	17.1	714,817	77.4	50,973	5.5
Middle-income	850,907	313,795	34.4	36.9	497,604	58.5	39,508	4.6
Upper-income	954,512	410,088	45.0	43.0	485,867	50.9	58,557	6.1
Unknown-income	149	4	0.0	2.7	28	18.8	117	78.5
Total Assessment Area	3,200,912	912,133	100.0	28.5	2,109,455	65.9	179,324	5.6
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
Low-income	25,404	8.7	22,225	8.9	2,005	5.9	1,174	12.8
Moderate-income	60,244	20.6	52,942	21.2	4,858	14.3	2,444	26.7
Middle-income	61,971	21.2	54,184	21.7	5,728	16.9	2,059	22.5
Upper-income	139,773	47.8	116,233	46.6	20,179	59.5	3,361	36.8
Unknown-income	5,169	1.8	3,939	1.6	1,129	3.3	101	1.1
Total Assessment Area	292,561	100.0	249,523	100.0	33,899	100.0	9,139	100.0
	Percentage of Total Businesses:			85.3		11.6		3.1

Based on 2000 Census Information.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

BPD provided an excellent level of community development loans, qualified investments and community development services that were targeted to maximize benefit for credit and community development needs in the assessment area. In many cases, qualifying activities were innovative and/or complex.

Community Development Lending

As shown in Exhibit 2, BPD's community development lending totaled \$67 million. Of this total, \$57 million was originated since the prior CRA examination. The level of BPD's community development lending activities compared favorably with other similarly-situated banks operating in the assessment area.

Exhibit 2		
Summary of Community Development Lending		
July 1, 2006 – June 30, 2008		
Primary Community Development Definition	Commitment (\$ millions)	%
Affordable Housing	\$55	82%
Community Services	\$6	9%
Revitalize and Stabilize	\$6	9%
Economic Development	-	-
TOTAL ACTIVITY	\$67	100%

BPD provided 44 community development loans totaling \$67 million, compared with 50 community development loans totaling \$83 million at the previous examination. The CRA Officer noted that reductions in numbers of federal and New York City-sponsored programs led to reductions in both community development loans and investment opportunities.

Included in the \$67 million are 5 letters of credit, totaling approximately \$1.6 million that met the definition of qualified community development transactions.

An analysis was conducted comparing BPD's annualized community development loans to assets, total deposits and tier 1 capital to 7 similarly-situated institutions. BPD compared very favorably to similarly-situated institutions in community development lending.

Many of the loans were targeted to organizations that construct and rehabilitate affordable housing for the lowest income New Yorkers, such as the homeless. A smaller volume of loans provided much needed community services and revitalization programs.

BPD's community development lending includes the use of innovative and flexible lending involving affordable housing projects in conjunction with the New York City HPD and with HUD. These projects have included the financing for 203(k) projects. The Section 203(k) program is the Federal Housing Administration's ("FHA") primary program for the rehabilitation and repair of single-family properties and is an important tool for community and

neighborhood revitalization. Lenders typically use the Section 203(k) program in partnership with state and local housing agencies and non-profit organizations to rehabilitate properties.

The following are some examples of BPD's community development loans:

- A \$6 million commercial construction loan for the financing of an affordable housing project in Far Rockaway, NY in a New York State Empire Zone which consists of providing 130 townhouses.
- A \$2 million commercial loan for the rehabilitation of affordable town homes and mixed use properties, consisting of 11 residential units and 3 commercial units, in East Harlem in a New York State Empowerment Zone.
- A \$600 thousand construction loan to develop four sites into 25 residential apartment units for affordable housing and one commercial unit located in a moderate-income tract. The project is sponsored by the HPD through its Neighborhood Entrepreneurs Program.
- A \$6 million construction loan to create 11 three-family affordable housing units for low-to-middle-income residents. The project is under HPD's affordable housing program and it is also co-sponsored by the NYS Affordable Housing Corporation.
- A \$4 million participation in a \$19 million construction loan from the Community Preservation Corporation to improve residential buildings with a high volume of rental units, a retail building, a preschool, and a parking garage in a moderate-income tract.

Qualified Investments

As shown in Exhibit 3, BPD made \$1.7 million in qualified investments, of which approximately \$1 million were outstanding at the prior CRA examination. This level represents a decline from the \$6 million reported at the prior CRA evaluation. However, \$3 million of the decline was due to the reduction in securitized small business qualified investments, reflecting a tightening credit market.

Exhibit 3 Summary of Qualified Investments July 1, 2006 – June 30, 2008		
Primary Community Development Definition	Commitment (\$ thousands)	%
Affordable Housing	\$1,282	75%
Community Services	\$162	10%
Revitalize and Stabilize	\$59	3%
Economic Development	\$203	12%
TOTAL ACTIVITY	\$1,706	100%

Qualified investments include 69 grants totaling \$341,854. BPD has developed multi-faceted relationships with many of its community development partners. As a result, many of the qualifying grants are to organizations that also have been provided with community development services.

An analysis was conducted comparing BPD's annualized community development investments to assets, total deposits and tier 1 capital to 7 similarly-situated institutions. BPD compared very favorably with the similarly-situated institutions.

The following are some examples BPD's qualified investments:

- A \$1.2 million investment in collateral trust notes issued by the Community Preservation Corporation. CPC is sponsored by a consortium of banks and insurance companies and offers a wide range of loan products including construction, permanent and preservation financing, as well as small building loans and credit enhancements. The investments provided funds for the construction of affordable housing in the bank's assessment area.
- A deposit account, totaling \$100 thousand, in a nonmember community development financial institution that serves LMI areas and residents in NYC.
- A \$95 thousand deposit in a community development financial institution serving LMI communities.

Community Development Services

BPD provided an excellent level of community development services in relation to the size of its staff as summarized in Exhibit 4.

Exhibit 4 Summary of Community Development Services July 1, 2006 – June 30, 2008	
Activity Type	Number of Activities
On-Going Board and Committee Memberships	10
Financial Advisory	4
TOTAL	14

As previously described, the bank takes a multi-faceted approach to its CRA program. As a result, services are part of overall lending and investment relationships with community development organizations.

Most of the services provided are ongoing activities requiring regular participation on boards and advisory committees of community development organizations. Participation includes bank staff at the highest levels, including the bank's president, who serves on two board advisory committees of community development organizations.

Some examples of community development services include:

- One senior officer is a board member of three community organizations that target underserved neighborhoods in New York City, providing programs for the homeless in New York City and economic development in the Bronx.
- One senior officer is a board member of three community organizations that provide affordable housing in the Bronx, flexible capital and financial services to a Westchester-based financial intermediary for low-income neighborhood support and affordable housing to low-income individuals.
- One senior officer provides financial advisory services as a board member of a community organization dedicated to helping residents transform distressed neighborhoods into healthy and sustainable communities.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

The bank is in compliance with the substantive provisions of the anti-discrimination laws and regulations. No credit practices were identified as being inconsistent with helping to meet credit needs of the assessment area.

CRA APPENDIX A GLOSSARY

Census tract: A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community development: All agencies have adopted the following language. Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize-

- (i) Low-or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-
 - a. Rates of poverty, unemployment, and population loss; or
 - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

Community Development Financial Institution ("CDFI"): A CDFI is an organization that has been certified by the U.S. Treasury as a provider of loans and services that assist specially funded institutions that revitalize LMI areas and assist LMI persons.

Family: A family is a group of two people or more related by birth, marriage, or adoption and residing together; all such people (including related subfamily members) are considered as members of one family.

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

Home mortgage loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling

loans, loans for the purchase of manufactured homes, and refinancings of home improvement and home purchase loans.

Household: A household consists of all persons who occupy a housing unit. Persons not living in households are classified as living in group quarters.

Low-income: Individual income that is less than 50% of the area median income, or a median family income that is less than 50%, in the case of a geography.

Metropolitan Area (“MA”): A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a population of at least 2.5 million may be divided into MDs.

Middle-income: Individual income that is at least 80% and less than 120% of the area median income, or a median family income that is at least 80% and less than 120%, in the case of a geography.

Moderate-income: Individual income that is at least 50% and less than 80% of the area median income, or a median family income that is at least 50% and less than 80%, in the case of a geography.

Owner-occupied units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Small loan(s) to business (es): A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income (“Call Report”) and the Thrift Financial Reporting (“TFR”) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

Upper-income: Individual income that is more than 120% of the area median income, or a median family income that is more than 120%, in the case of a geography.

Wholesale bank: A bank that is not in the business of extending home mortgage, small business, small farm or consumer loans to retail customers, and for which a designation as a wholesale bank is in effect, in accordance with the CRA regulation.

BPD Bank

Assessment Area

July 1, 2006 - June 30, 2008

Legend

- County
- Assessment Area
- Branch

