

PUBLIC DISCLOSURE

September 27, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**BPD Bank
RSSD No. 66015**

**90 BROAD STREET
NEW YORK, NEW YORK
10045**

Federal Reserve Bank of New York

**33 Liberty Street
New York, New York 10045**

NOTE: 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 is rated “**OUTSTANDING.**”

The institution’s outstanding performance with regard to the Community Reinvestment Act (“CRA”) is based on the following:

- High levels of community development loans, services, and investments.
- Excellent responsiveness to credit and community development needs in the bank’s assessment area.
- Occasional use of innovative or complex community development loans, investments, and services.

DESCRIPTION OF INSTITUTION

BPD Bank (“BPD”) is a New York State-chartered commercial bank headquartered in New York, New York. The bank reported total assets of \$322 million as of June 30, 2004. BPD is a wholly owned subsidiary of Grupo Popular, S.A., a financial service holding company based in Santo Domingo, Dominican Republic. Established in 1986 as The Dominican Bank, the bank changed its name in 1990 to BPD International Bank, which became BPD Bank in 2003.

The Federal Reserve Board of Governors designated BPD as a wholesale bank on February 5, 2004. The bank does not extend home mortgages, small business loans, or consumer credit to retail customers except on an accommodation basis to its existing customers. Since the previous CRA review period, BPD’s community development lending and investments significantly increased in both dollar amount and number. In line with the bank’s transition from a small bank CRA designation to a wholesale bank CRA designation, a majority of the new community development activity occurred during the last two years of the five-year examination period.

BPD maintains trade-related services under loan and letter of credit arrangements to banks and other companies based primarily in Latin American and Caribbean countries. The institution has also established a private bank focusing on entrepreneurs. Most of the bank’s domestic retail banking customers are Dominican nationals residing in the New York area.

BPD’s previous CRA examination was conducted as of July 1, 1999, at which time the bank was evaluated as a small CRA bank and given an overall rating of “outstanding.” There are no financial or legal factors that would prevent BPD from fulfilling its approved obligations under CRA.

DESCRIPTION OF ASSESSMENT AREA

BPD’s assessment area includes the portion of Primary Metropolitan Statistical Area (“PMSA”) 5600 (New York, NY) consisting of New York City’s five boroughs of the Bronx, Brooklyn, Manhattan, Staten Island and Queens. The assessment area does not arbitrarily exclude low- and

moderate-income (“LMI”) geographies and is in compliance with the requirements of Regulation BB Section 228.41. A map of the assessment area appears on page BB9.

PERFORMANCE CONTEXT

The data used to describe BPD’s assessment areas 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 U.S. Department of Labor, and the U.S. Department of Housing and Urban Development (“HUD”). Exhibit 1 on the following page contains detailed information on assessment area demographics.

Demographic Characteristics

According to the 2000 Census, the population in the assessment area is over 8 million, representing a 9% increase since 1990. Approximately 33% of the assessment area geographies are LMI. Upper Manhattan, northern Brooklyn and Bronx County have most of the LMI tracts.

New York City has a large foreign-born population. Almost 3.2 million of the city’s population, or 40%, was born outside the U.S. Accordingly, flexible underwriting is needed for recent immigrants who may have limited credit histories and undocumented incomes. They also may be unfamiliar with the credit application process and may benefit from financial education.

Income Characteristics

The 2003 HUD-adjusted median family income for PMSA 5600 (New York, NY) is \$51,900. A significant proportion of families, approximately 16%, subsist below the poverty level in the assessment area. In Bronx County, 28% of families live below the poverty level.

Housing Characteristics

Housing is expensive relative to income in New York City, causing significant affordability issues for the LMI population. According to the 2000 Census, the median price of a single-family home in the New York City metropolitan area is \$361 thousand. According to the National Association of Realtors, the median price of a single-family home in the New York City metropolitan area is more than \$392 thousand for the second quarter of 2004, up from \$369 thousand in the first quarter of 2004.

The 2000 Census reports that 51% of housing units in the city were built in 1950 or earlier. The aging housing stock indicates a need for home improvement financing.

In addition, the assessment area has a shortage of affordable rental housing. According to the 2000 Census, the median rent in PMSA 5600 (New York, NY) is \$715, a gross rent figure which represents 35% or more of the monthly income earned in more than a third of all households. This median figure is lower than the market rent as it includes rent-stabilized apartments.

EXHIBIT 1
Assessment Area Demographics
New York City

| Income Categories | Tract Distribution | | Families by Tract Income | | Families < Poverty Level as % of Families by Tract | | Families by Family Income | |
|------------------------------|--|---|--------------------------|-----------------------------------|--|-------------------------|---------------------------|-----------------------------|
| | # | % | # | % | # | % | # | % |
| Low-income | 314 | 14 | 281,144 | 16 | 122,145 | 43 | 486,622 | 28 |
| Moderate-income | 419 | 19 | 385,785 | 22 | 87,768 | 23 | 285,580 | 16 |
| Middle-income | 779 | 35 | 592,898 | 34 | 57,298 | 10 | 328,721 | 19 |
| Upper-income | 638 | 29 | 495,891 | 28 | 18,265 | 4 | 654,795 | 37 |
| NA | 66 | 3 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Assessment Area | 2,216 | 100 | 1,755,718 | 100 | 285,476 | 16 | 1,755,718 | 100 |
| | Housing Units by Tract | Housing Types by Tract | | | | | | |
| | | Owner-Occupied | | | Rental | | Vacancy | |
| | | # | % | % | # | % | # | % |
| Low-income | 410,991 | 21,587 | 3 | 5 | 368,720 | 90 | 20,684 | 5 |
| Moderate-income | 619,331 | 81,153 | 10 | 13 | 503,830 | 81 | 34,348 | 6 |
| Middle-income | 968,776 | 294,978 | 37 | 30 | 628,448 | 65 | 45,350 | 5 |
| Upper-income | 992,114 | 411,135 | 51 | 41 | 508,715 | 51 | 72,264 | 7 |
| NA | 957 | 48 | 0 | 5 | 787 | 82 | 122 | 13 |
| Total Assessment Area | 2,992,169 | 808,901 | 100 | 27 | 2,010,500 | 67 | 172,768 | 6 |
| | Total Businesses by Tract | Businesses by Tract & Revenue Size | | | | | | |
| | | | | Less Than or = \$1 Million | | Over \$1 Million | | Revenue Not Reported |
| | # | % | # | % | # | % | # | % |
| Low-income | 12,284 | 7 | 9,818 | 7 | 2,065 | 6 | 401 | 8 |
| Moderate-income | 31,014 | 18 | 23,974 | 18 | 6,140 | 19 | 900 | 20 |
| Middle-income | 43,748 | 25 | 36,539 | 27 | 6,037 | 19 | 1,172 | 25 |
| Upper-income | 81,313 | 47 | 63,257 | 46 | 16,043 | 50 | 2,013 | 44 |
| Tract not reported | 5,382 | 3 | 3,121 | 2 | 2,135 | 7 | 126 | 3 |
| Total Assessment Area | 173,741 | 100 | 136,709 | 100 | 32,420 | 100 | 4,612 | 100 |
| | Percentage of Total Businesses: | | | 79 | | | 19 | 3 |

The sharp disparity between incomes and costs of either owned or rented housing indicates that the need for affordable mortgage programs and rental property development. The representatives of community organizations interviewed by examiners throughout the assessment area agreed that affordable housing is a most pressing need.

Labor, Employment and Economic Characteristics

According to the U.S. Department of Labor, the New York PMSA's unemployment rate was 6.9% in June 2004, and the 2003 jobless rates ranged from 7.3% to 8.3%. Unemployment remains high although trends are reflecting improved local economic conditions. Organizations

involved in economic development activities need community development loans and grants as a result of these generally weak economic conditions.

SCOPE OF EXAMINATION

The bank's performance was evaluated using the *Interagency Procedures and Guidelines for Wholesale and Limited Purpose Institutions*. The evaluation covers BPD's activity from September 30, 1999, through June 30, 2004.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

BPD provided an excellent level of community development loans, qualified investments and community development services that were responsive to credit and community development needs in the bank's assessment area. Some qualifying activities were innovative and/or complex.

Community Development Lending

As shown in Exhibit 2 below, the bank's community development lending totaled \$26 million.

| EXHIBIT 2 | | | |
|---|-------------------|------------------|------------------------|
| Summary of Community Development Lending | | | |
| September 30, 1999 – June 30, 2004 | | | |
| Purpose | # of Loans | \$('000s) | % Dollar Amount |
| Affordable Housing | 5 | 11,954 | 46% |
| Economic Development | 5 | 13,650 | 53% |
| Revitalize and Stabilize | 1 | 200 | 1% |
| TOTAL ACTIVITY | 11 | \$25,804 | 100% |

In addition, a \$420 thousand letter of credit was provided to a local developer for community development purposes.

A substantial amount of BPD's lending activity was directed to private, nonprofit corporations that provide mortgage, construction, and other types of loans. These loans helped to revitalize and stabilize LMI communities and provide affordable housing to LMI individuals in the New York City area. The bank's loans to small business lending companies provided financial assistance to eligible small businesses in the form of Small Business Administration guaranteed loans.

Loans to financial intermediaries provided loans and other services to community development

organizations. Some of the intermediaries used a multifaceted approach to community development, addressing employment, service and housing needs of LMI communities in New York City.

Examples of BPD’s community development lending included:

- A line of credit to a private, nonprofit community development organization financing the construction of a 309-unit affordable housing project in a moderate-income geography. Section 8 housing subsidies will be available for 90% of the tenants.
- A revolving line of credit to a community development organization developing and constructing new affordable housing, as well as rehabilitating existing housing and mixed-use properties. The organization also provides pre- and post-purchase education to homeowners, and operates a loan fund to meet the affordable housing needs of LMI residents and LMI areas in New York City.
- A revolving line of credit to a nonprofit corporation providing Bronx small business owners with loans and technical assistance.
- In addition, the bank extended a letter of credit to a developer seeking a security guarantee in order to participate in the New York City Department of Housing Preservation and Development’s Neighborhood Redevelopment Program. This letter of credit was considered innovative as it provided the developer an opportunity to participate in an affordable housing project.

Qualified Investments

As shown in Exhibit 3 on the following page, BPD made \$6 million in qualified investments. Most of the investment dollars were in the form of equity investments to nonprofit organizations and mortgage-backed securities representing loans serving LMI areas and LMI residents in New York City.

| EXHIBIT 3 | | | |
|---|-----------|-----------------|------------------------|
| Summary of Qualified Investment Activity | | | |
| September 30, 1999 – June 30, 2004 | | | |
| Purpose | # | \$(000s) | % Dollar Amount |
| Affordable Housing | 2 | 2,200 | 38% |
| Community Services | 7 | 52 | 1% |
| Economic Development | 3 | 30 | 1% |
| Revitalize and Stabilize | 2 | 3,500 | 60% |
| TOTAL ACTIVITY | 14 | \$5,782 | 100% |

These grants were provided to community development organizations that support affordable housing, community services, and programs for LMI persons and areas. BPD's grants also funded programs that target small businesses and economic development.

Community Development Services

BPD provided a good level of community development services in relation to the size of its staff. Six community development services are ongoing commitments requiring BPD officers to participate on boards and provide technical assistance, such as fund-raising and marketing efforts for local community development organizations. These services are considered complex and highly responsive as they involved significant amounts of time to help develop new programs and review nonconforming and unique lending transactions.

The bank also provided one financial education training session targeted to LMI individuals.

COMPLIANCE WITH ANTIDISCRIMINATION LAWS

No credit practices violating the substantive provisions of the antidiscrimination laws and regulations, including the Equal Credit Opportunity Act (Regulation B) and the Fair Housing Act, were identified.

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 on 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: 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.

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: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include nonrelatives. Families are classified by type as either a married-couple family or other family, which is further classified into "male householder" (a family with a male householder and no wife present) or "female householder" (a family with a female householder and no husband present).

Geography: A census tract or a block numbering area delineated by the U.S. Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act ("HMDA"): This statute requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include data such as race, gender and income of applications, amount of loan requested, and disposition of the application (for example, approved, denied, and withdrawn).

Home mortgage loans: Includes home purchase and home improvement loans as defined in HMDA. This definition also includes loans for multifamily dwellings (five or more families), loans for the purchase of manufactured homes, and refinancings of home improvement and home purchase loans.

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”): Any primary metropolitan statistical area (“PMSA”), metropolitan statistical area (“MSA”), or consolidated metropolitan statistical area (“CMSA”), as defined by the Office of Management and Budget, with a population of 250 thousand or more, and any other area designated as such by the appropriate federal financial supervisory agency.

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.

Multifamily: Refers to a residential structure that contains five or more units.

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.

Rated area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution’s CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

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 non-mortgage, 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

January 1, 2002 - December 31, 2003

