

PUBLIC DISCLOSURE

October 4, 2010

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 "Satisfactory."

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

- An adequate level of community development loans, qualified investments and community development services.
- Occasional 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.

At the bank's last CRA examination, dated November 8, 2008, BPD was evaluated under the wholesale bank CRA test and assigned an overall CRA rating of "Outstanding." This rating represents a downgrade from the "Outstanding" rating assigned at the prior examination due to substantial declines in the dollar amounts and levels of new community development lending and qualified investment activities.

There are no financial or legal factors that would prevent BPD from fulfilling its obligations under CRA.

SCOPE OF EXAMINATION

BPD's performance was evaluated using the Interagency Procedures and Guidelines for Wholesale and Limited Purpose Institutions. The evaluation consists of a full-scope review of BPD's community development activities from July 1, 2008 through June 30, 2010. 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 is a wholly-owned subsidiary of BPD Holding, Inc. which, in turn, is wholly-owned by Grupo Popular, S.A., a foreign holding company based in Santo Domingo, Dominican Republic.

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's total asset size has declined to \$414 million as of June 30, 2010 compared to \$656 million, as of June 30, 2008, at the previous CRA examination.

The Federal Reserve Board of Governors designated BPD as a wholesale bank on February 5, 2004, and the bank's 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.

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 a portion of MD 35644 (New York-White Plains-Wayne, NY-NJ MD) which includes New York City's five counties of the Bronx, Kings, New York, Richmond and Queens, as well as Westchester County. 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 in Appendix B.

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 is approximately 9 million. Almost 2.9 million of the city's population, or 26%, were born outside the United States. Recent immigrants seeking affordable housing or affordable rental housing 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 HUD-adjusted median family income ("MFI") for MSA 35620 was \$58,227 in 2009 and estimated to be \$61,255 in 2010. A significant proportion of families, 17%, subsist below the poverty level in the assessment area. In Bronx County, 29% of families are living below the poverty level. Almost 40% of the census tracts in the assessment area are LMI, with those areas concentrated in upper Manhattan, northern Brooklyn and Bronx County. New York City also has a large proportion of non-family households, which tend to have lower incomes.

Housing Characteristics

Forty-four percent of the population in the assessment area resides in LMI tracts. Homeownership rates in this assessment area are lower than for the rest of the nation, and multi-family rental housing is particularly important in LMI areas. Over half of the housing units in LMI tracts are multi-family units and less than one-quarter of the housing units in LMI tracts are owner-occupied housing units. In addition, 87% of the housing units in low-income tracts and 77% of the housing units in moderate-income tracts are renter-occupied.

Housing in this assessment area is extremely costly and in most areas of this assessment area, homeownership is out of reach for most LMI families. While the median price of a single family home in the assessment area dropped to \$380,300 in 2009 from \$437,900 in 2008, housing remains unaffordable for LMI families. The median sales prices for homes in New York City, Brooklyn and the Bronx in the Spring of 2010 were \$1,030,000, \$520,000 and \$372,000, respectively.

Due to the high cost of homeownership in the area, rental units dominate the overall housing stock in New York City, which has about two-thirds rental units. While rents in New York City have fallen over the past year, rents remain high and vacancy rates remain extremely low.

In LMI census tracts, 41% of renters in low-income tracts and 35% of renters in moderate-income tracts pay more than thirty percent of their income for housing. In the overall assessment area, 26% of renters are paying more than 30% of their income for housing.

Community contacts in New York City identify affordable housing as a top priority.

Labor, Employment and Economic Characteristics

The assessment area was severely impacted by the financial crisis due to the concentration of financial and service sector jobs in the area. Services comprise forty-four percent of industry in the assessment area. Top industries by number are services and retail trade.

Small businesses are also a key driver of the assessment area's economy. Of all businesses in the assessment area, regardless of location, 87 percent reported revenues of \$1 million or less. Twenty-eight percent of all businesses are located in LMI tracts.

Unemployment in New York City rose from 4.1% in 2007 to over 10% in 2009 due to the recession resulting from the financial crisis. In 2010, the unemployment rate in the New York City was 9.5%.

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

Exhibit 1
BPD BANK

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	330	13.5	314,449	14.9	129,597	41.2	604,425	28.7
Moderate-income	634	26.0	605,641	28.7	141,436	23.4	336,579	16.0
Middle-income	702	28.8	560,429	26.6	64,079	11.4	351,795	16.7
Upper-income	710	29.1	626,300	29.7	25,895	4.1	814,020	38.6
Unknown-income	62	2.5	0	0.0	0	0.0	0	0.0
Total Assessment Area	2,438	100.0	2,106,819	100.0	361,007	17.1	2,106,819	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied		Rental		Vacant		
		#	%	%	#	%	#	%
Low-income	477,185	30,615	2.7	6.4	416,003	87.2	30,567	6.4
Moderate-income	954,514	163,019	14.6	17.1	738,828	77.4	52,667	5.5
Middle-income	913,666	334,620	30.0	36.6	537,332	58.8	41,714	4.6
Upper-income	1,204,843	586,640	52.6	48.7	551,641	45.8	66,562	5.5
Unknown-income	149	4	0.0	2.7	28	18.8	117	78.5
Total Assessment Area	3,550,357	1,114,898	100.0	31.4	2,243,832	63.2	191,627	5.4
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
Low-income	31,728	8.2	28,029	8.3	2,028	5.6	1,671	13.3
Moderate-income	75,793	19.5	67,567	19.9	5,049	13.8	3,177	25.3
Middle-income	78,680	20.3	69,893	20.6	5,943	16.3	2,844	22.7
Upper-income	195,945	50.5	168,848	49.8	22,385	61.3	4,712	37.5
Unknown-income	6,239	1.6	4,982	1.5	1,107	3.0	150	1.2
Total Assessment Area	388,385	100.0	339,319	100.0	36,512	100.0	12,554	100.0
	Percentage of Total Businesses:			87.4		9.4		3.2

Based on 2000 Census Information.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

BPD provided an adequate level of community development loans, qualified investments and community development services that were targeted toward meeting key credit and community development needs in the assessment area. Occasionally, qualifying activities were considered complex. While opportunities for qualified community development lending and investment activities may have diminished due to deteriorating economic conditions, the bank's volume of community development activity decreased significantly in terms of overall dollars and amount of new activity since the previous CRA evaluation.

Community Development Lending

While BPD's community development lending activity compared favorably with other similarly-situated banks in the assessment area, its lending totaled \$44 million, a decline of 34% in dollar amount, from the prior examination. Of this total, \$23 million, or 52% of the bank's total community development lending activity, was new, originated since the prior CRA examination. The level of new community development lending activity reflected a declining trend in the bank's performance when comparing the proportion of new activity generated in prior examination periods. New activity measured in 2006 and 2008 represented 93% and 85%, of total activity, respectively, in those examination periods.

Exhibit 2 Summary of Community Development Lending July 1, 2008 – June 30, 2010		
Primary Community Development Definition	Commitment (\$ millions)	%
Affordable Housing	39	89%
Revitalize and Stabilize	5	11%
Community Services	-	-
Economic Development	-	-
TOTAL ACTIVITY	\$44	100%

Most of the loans, 89% in dollar amount, were targeted to organizations that construct and rehabilitate affordable housing for the lowest income New Yorkers. This purpose is highly responsive to the identified community development need of affordable housing in the assessment area.

BPD's community development lending includes the occasional use of complex lending, totaling \$18 million, or 41% of the total community development loan activity, for affordable housing projects in conjunction with the New York City HPD and with HUD's Section 203(k) program. The HUD Section 203(k) program, administered by the Federal Housing Administration ("FHA"), is the 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 qualified community development loans:

- BPD provided a \$3.9 million loan to finance the rehabilitation of five 4-story buildings containing a total of 16 affordable residential rental units in Harlem. All buildings are located in moderate income tracts.
- BPD provided a new \$2.3 million commercial loan for the renovation of three buildings into nine affordable apartments in Harlem, funded as part of the HUD 203K program. The buildings are located in low income tracts.
- BPD provided a \$2 million construction loan, in Brooklyn, that will convert to a permanent mortgage financed under HPD's Participation Loan Program. This program combines a private loan with a City loan to create below market rate financing.
- BPD provided a \$2 million construction loan, in Brooklyn, converting to a permanent mortgage, to rehabilitate five sites, located in moderate income tracts, into 28 residential affordable apartment units and four commercial units.
- BPD provided a \$1 million construction loan, in Harlem, converting to a permanent mortgage, to rehabilitate 24 residential apartment units for affordable housing.

Qualified Investments

Qualified investments totaled \$424 thousand, compared to \$1.7 million at the prior examination, a decline of 75%. Of the total, \$97 thousand, or 23% of qualified investment activity was originated during the current examination period.

BPD's qualified investment activity reflected a declining trend in the bank's performance compared to prior examination periods in terms of both dollar amount and the amount of new qualified investment activity. New qualified investment activity in 2006 and 2008 represented 100%, and 41%, respectively, of total investment activity during those examination periods.

Exhibit 3 Summary of Qualified Investments July 1, 2008 – June 30, 2010		
Primary Community Development Definition	Commitment (\$ thousands)	%
Affordable Housing	\$327	77%
Community Services	\$94	22%
Revitalize and Stabilize	\$3	1%
Economic Development	-	-
TOTAL ACTIVITY	\$424	100%

Affordable housing investments were 77% of the total qualified investments. This amount is highly responsive to the affordable housing need in the assessment area.

Investments included nineteen qualified donations, totaling \$97 thousand. BPD has developed multi-faceted relationships with many of its community development partners. As a result, many of the qualifying grants are made to organizations that also have been provided with community development services.

BPD's level of qualified community development investment activity compared unfavorably with similarly-situated institutions.

The following are examples of BPD's qualified investments:

- A \$326 thousand prior-period investment in a collateral trust note issued by a private, non-profit mortgage lender specializing in financing low, moderate and middle-income housing throughout New York and New Jersey. The organization 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.
- A \$2 thousand grant to an organization that creates opportunities for people living in poverty by providing a diverse mix of affordable and market rate housing options, access to jobs and social supports.
- A \$2 thousand grant to a community development corporation in a low income tract in Williamsburg, Brooklyn that improves abandoned buildings and organizes tenants to collect their own rent and to run their own buildings.

Community Development Services

BPD provided some community development services, as summarized in Exhibit 4.

Exhibit 4 Summary of Community Development Services July 1, 2008 – June 30, 2010	
Activity Type	Number of Activities
On-Going Board and Committee Memberships	7
Financial Advisory	5
TOTAL	12

The bank takes a multi-faceted approach to its CRA program. As a result, services are part of BPD's overall lending and investment relationships with community development organizations. Most of the services provided are ongoing activities, requiring regular participation by BPD executives and staff on boards and advisory committees of community development organizations. The bank's president serves on board advisory committees of two community development organizations.

The qualified community development services provided by BPD include the following:

- A BPD director serves on the board of a public benefit corporation organized for the purpose of providing safe and affordable rental housing accommodations to low-income families.
- A BPD Senior Vice President served on the board of an organization whose mission is to revitalize underserved neighborhoods by creating and preserving affordable housing and providing opportunities for homeownership education, financial assistance and community leadership.
- A BPD director served on the board of a trade association for New York's affordable housing industry. Its members include for-profit and nonprofit developers, lenders, investors, syndicators, attorneys, architects and others active in the financing, construction, and operation of affordable housing.
- A BPD Officer served as an advisory board member of an organization dedicated to help community residents transform distressed neighborhoods into healthy and sustainable communities.
- A BPD officer is a member of the small loan committee for an affordable housing organization that revitalizes underserved neighborhoods by creating and preserving affordable housing and providing opportunities for homeownership education and financial assistance.

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 evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

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 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 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 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 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, 2008 - June 30, 2010

