

PUBLIC DISCLOSURE

June 7, 2022

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Banesco USA
Certificate Number: 57815

150 Alhambra Circle, Suite 100
Coral Gables, Florida 33134

Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
Atlanta Regional Office

10 10th Street NE, Suite 800
Atlanta, Georgia 30309-3849

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 RATING

INSTITUTION’S CRA RATING: This institution is rated **Satisfactory**.

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

PERFORMANCE LEVELS	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	X	X	
Low Satisfactory			X
Needs to Improve			
Substantial Noncompliance			
* The Lending Test is weighted more heavily than the Investment and Service Tests when arriving at an overall rating.			

The Lending Test is rated High Satisfactory.

- Lending levels reflect good responsiveness to the assessment areas’ credit needs.
- A high percentage of loans are made in the bank’s assessment areas.
- The geographic distribution of the loans reflects good penetration throughout the assessment areas.
- The distribution of loans reflects, given the product lines offered by the bank, adequate penetration among borrowers of different income levels and businesses of different sizes.
- The bank exhibits a good record of serving the credit needs of the most economically disadvantaged areas of its assessment areas, low-income individuals, and very small businesses, consistent with safe and sound banking practices.
- The bank uses innovative and/or flexible lending practices in order to serve the assessment areas’ credit needs.
- The bank has made a relatively high level of community development loans.

The Investment Test is rated High Satisfactory.

- The bank has an excellent level of qualified community development investments and grants.

- The bank exhibits adequate responsiveness to the credit and community development needs of the assessment areas.
- The bank rarely uses innovative or complex investments to support community development initiatives.

The Service Test is rated Low Satisfactory.

- Delivery systems are accessible to essentially all portions of the bank's assessment areas.
- To the extent changes have been made, the bank's opening and closing of branches has generally not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies or to low- and moderate-income individuals.
- Services do not vary in a way that inconveniences certain portions of the assessment areas, particularly low- and moderate-income census tracts and individuals.
- The bank provides an adequate level of community development services.

DESCRIPTION OF INSTITUTION

Banescos USA is a state-nonmember commercial bank headquartered in Coral Gables, Florida. The bank does not operate under a holding company or have any subsidiaries. However, the bank has several affiliate relationships due to stockholders' common ownership of foreign banks. Banescos USA acquired Brickell Bank, Miami, Florida on August 30, 2019. Banescos USA received a Satisfactory CRA rating at the previous FDIC Performance Evaluation, dated August 12, 2019, based on Interagency Intermediate Small Institution Examination Procedures.

Banescos USA operates five full-service offices, including four in Miami-Dade County and one in San Juan, Puerto Rico. The bank acquired one full-service office in Miami, Florida (Miami-Dade County) since the previous evaluation due to the acquisition of Brickell Bank in August of 2019. The bank also closed two full-service offices since the previous evaluation, one in Doral, Florida (Miami-Dade County) in March 2021 and one in Weston, Florida (Broward County) in February 2020.

Banescos USA offers a variety of products and services to meet its customers' banking needs. Commercial credit products include commercial real estate loans, asset guaranteed loans, term commercial loans, and Small Business Administration (SBA) 504 loans. The bank also offered loans through the SBA 7(a) Paycheck Protection Program (PPP), originating 971 loans totaling \$123.3 million in 2020 and 2021. The SBA guarantees these loans under the Coronavirus Aid, Relief, and Economic Security Act. The loans serve to retain jobs that would otherwise be lost due to business closures resulting from the COVID-19 national emergency. Consumer credit products include adjustable-rate home mortgage loans, home equity loans, automobile loans, and consumer loans. Deposit products include checking, savings, and money market accounts, as well as certificates of deposit. Alternative banking services include internet banking, mobile banking (including mobile deposit), and telephone banking.

Banescos USA's assets totaled \$2.4 billion as of March 31, 2022. Total loans and total deposits were \$1.7 billion and \$1.8 billion, respectively, which reflect an increase of 74.8 percent and 46.4 percent, respectively, since the previous evaluation. The significant increase in loans and deposits is primarily attributed to the acquisition of Brickell Bank. The bank's participation in the SBA's PPP in 2020 and 2021 and pent up loan demand also contributed to the increase in loans. The loan portfolio composition has remained stable since the previous evaluation, and the bank's business focus continues to be commercial lending. The following table illustrates the composition of the loan portfolio as of March 31, 2022.

Loan Portfolio Distribution as of 3/31/2022		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	80,415	4.7
Secured by Farmland	4,934	0.3
Secured by 1-4 Family Residential Properties	396,297	22.9
Secured by Multifamily (5 or more) Residential Properties	82,616	4.8
Secured by Nonfarm Nonresidential Properties	727,153	42.0
Total Real Estate Loans	1,291,415	74.7
Loans to Depository Institutions	0	0.0
Commercial and Industrial Loans	166,079	9.6
Agricultural Production and Other Loans to Farmers	0	0.0
Consumer Loans	447	0.0
Loans to Non-depository Financial Institutions	53,328	3.1
Other Loans	219,949	12.7
Less: Unearned Income	(1,479)	(0.1)
Total Loans	1,729,739	100.0
<i>Source: Report of Condition and Income</i>		

Examiners did not identify any financial, legal, or other impediments that affect the bank's ability to meet the assessment areas' credit needs.

DESCRIPTION OF ASSESSMENT AREAS

The CRA requires each financial institution to define one or more assessment areas within which its performance will be evaluated. Banesco USA delineated two assessment areas within two rated areas. One assessment area includes all of Miami-Dade County, which comprises the entire Miami-Miami Beach-Kendall, FL Metropolitan Division (MD) in the rated area of Florida. A second assessment area includes all 40 Municipios of the San Juan-Bayamon-Caguas, PR MSA in the rated area of the Commonwealth of Puerto Rico. Banesco USA eliminated its Fort Lauderdale-Pompano Beach-Sunrise, FL MD assessment area since the previous evaluation due to the closure of its only branch office in the area in February 2020. Refer to the rated areas and individual assessment areas for additional information.

Description of Assessment Areas			
Assessment Area	Counties in Assessment Area	# of Census Tracts	# of Branches
Miami	Miami-Dade	519	4
San Juan	All 40 Municipios*	598	1
<i>Source: Bank Data</i>			
<i>(*) Aguas Buenas, Aibonito, Barceloneta, Barranquitas, Bayamon, Caguas, Canovanas, Carolina, Catano, Cayey, Ceiba, Ciales, Cidra, Comerio, Corozal, Dorado, Fajardo, Florida, Guaynabo, Gurabo, Humacao, Juncos, Las Piedras, Loiza, Luquillo, Manati, Maunabo, Morovis, Naguabo, Naranjito, Orocovis, Rio Grande, San Juan, San Lorenzo, Toa Alta, Toa Baja, Trujillo Alto, Vega Alta, Vega Baja, Yabucoa.</i>			

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the previous evaluation dated August 12, 2019, to the current evaluation dated June 7, 2022. Examiners used Interagency Large Institution Examination Procedures to evaluate the bank’s CRA performance. As described in the Appendices, these procedures include a Lending Test, Investment Test, and Service Test. Examiners used these procedures to perform full-scope reviews of the bank’s CRA performance in both assessment areas, because a full-scope review is required for one assessment area in each rated area.

Additionally, examiners evaluated the bank’s lending data, deposit activity, and number of branches to determine assessment area weighting in the overall conclusions and overall rating assigned. The Miami assessment area comprises a majority of the branches, deposits, and loans reviewed in the assessment areas. Consequently, examiners gave considerably more weight to lending performance in the Miami assessment area given the significant level of lending, deposits, and branching in the assessment area.

Assessment Area Breakdown of Loans, Deposits, and Branches						
Assessment Area	Loans		Deposits		Branches	
	\$(000s)	%	\$(000s)	%	#	%
Miami	118,868	86.1	1,418,501	88.7	4	80.0
San Juan	19,230	13.9	179,923	11.3	1	20.0
Total	138,098	100.0	1,598,424	100.0	5	100.0

Source: Bank Records; FDIC Summary of Deposits (6/30/21), and 2021 CRA Data.

Activities Reviewed

The CRA regulation requires a review of a bank’s lending performance in its assessment areas with respect to home mortgage, small business, and small farm lending, if significant. Based upon the bank’s business strategy, loan portfolio mix, and the number and dollar volume of loans originated during the evaluation period, examiner determined the major product line is small business loans, followed by home mortgage loans. Commercial lending accounts for 51.6 percent of the loan portfolio as of March 31, 2022, compared to home mortgage loans at 22.9 percent. Additionally, small business loans originated in 2021 at 566 loans compared to 134 originated home mortgage lending in 2021 reflects the bank’s emphasis on commercial lending. As a result, small business lending performance was given more weight in the overall analysis, conclusions, and ratings. Examiners did not evaluate small farm loans, as farm loans represent only 0.3 percent of the bank’s loan portfolio, by dollar. While the tables throughout this evaluation present both the number and dollar volume of loans, examiners emphasized performance by number of loans, as the number of loans is a better indicator of the number of individuals served.

The bank originated PPP loans in both 2020 and 2021. Therefore, examiners reviewed small business loans originated in both years. In 2020, the bank was not required to report loans pursuant

to the CRA reporting requirements. Therefore, examiners reviewed a sample of 120 loans totaling \$20.9 million from a universe of 475 small business loans for \$72.6 million. For 2021, examiners reviewed the universe of small business loans reported pursuant to the CRA reporting requirements. In 2021, the bank originated 566 small business loans totaling \$56.2 million. Examiners compared the bank's small business lending performance to D&B data for the Geographic Distribution and Borrower Profile criterion. Aggregate small business lending data for 2021 is not yet available.

Banescio USA is not subject to the Home Mortgage Disclosure Act data collection provisions due to the number of applicable loans originated each year. Examiners reviewed the universe of home mortgage loans originated in 2021 to draw conclusions on home mortgage lending performance. The bank originated or purchased 134 home mortgage loans totaling \$131.0 million in 2021. The home mortgage lending performance for the Geographic Distribution and Borrower Profile criterion was compared to 2015 American Community Survey (ACS) Census data.

Additionally, examiners reviewed innovative or flexible lending practices, community development loans, qualified investments, and community development services made or provided between August 12, 2019, and June 7, 2022. The Investment Test considered new qualified investments, as well as qualified investments purchased prior to but still outstanding as of this evaluation date.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

The Lending Test rating is High Satisfactory. Lending levels reflect good responsiveness to the assessment areas' credit needs, and the bank originated a high percentage of loans in the assessment areas. The geographic distribution of loans reflects good penetration throughout the assessment areas, and the distribution of loans reflects adequate penetration among retail customers of different income levels and business customers of different sizes. The bank uses innovative and/or flexible lending practices in order to serve the assessment areas' credit needs, and originated a relatively high level of community development loans. Conclusions regarding the overall performance are consistent with the performance in the rated areas.

Lending Activity

Lending levels reflect good responsiveness to assessment area credit needs. Total loans and deposits increased by 74.8 percent and 46.4 percent, respectively, since the previous evaluation. The acquisition of Brickell Bank and participation in the SBA's PPP loan program in 2020 and 2021 resulted in the significant increase in loans and deposits.

As of the March 31, 2022, Report of Condition and Income, the bank had a loan-to-deposit ratio of 96.4 percent. Since the previous evaluation, the bank's ratio averaged 94.2 percent, ranging from a low of 83.9 percent in the third quarter of 2019 to a high of 100.3 percent in the fourth quarter of 2021.

Assessment Area Concentration

The bank originated a high percentage of loans by number of loans in the assessment areas. Refer to the following table for details.

Lending Inside and Outside of the Assessment Areas										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Small Business										
2020	91	75.8	29	24.2	120	17,143	82.0	3,756	18.0	20,899
2021	438	77.4	128	22.6	566	46,458	82.6	9,756	17.4	56,214
Subtotal	529	77.1	157	22.9	686	63,601	82.5	13,512	17.5	77,113
Home Mortgage										
2020	84	62.7	50	37.3	134	74,497	56.8	56,550	43.2	131,047

Source: 2021 CRA Data and Bank Records

Geographic Distribution

The geographic distribution of loans reflects good penetration throughout the assessment areas. Performance was consistent throughout the rated areas. Refer to each rated area for additional details.

Borrower Profile

The distribution of loans reflects adequate penetration among businesses of different sizes and customers of different income levels. Performance was consistent throughout the rated areas. Refer to each rated area for additional details.

Innovative or Flexible Lending Practices

The bank uses innovative and/or flexible lending practices in order to serve the assessment areas’ credit needs. In response to the COVID-19 pandemic in 2020 and 2021, the bank developed a Temporary Payment Relief Program, which provided loan payment deferrals (for up to 180 days) to 160 residential loan customers and 91 business customers who were experiencing financial difficulties due to the COVID-19 pandemic resulting in \$750,000 and \$2.4 million, respectively, in payment deferred. In addition, the bank originated 971 PPP loans to small businesses totaling \$123.3 million. The SBA designed PPP loans to help businesses retain workers and staff during the economic hardship resulting from the pandemic. The volume of PPP loans demonstrates the bank’s responsiveness in helping to serve the credit needs of its assessment areas. Further, the bank originated five loans for \$5.2 million through the SBA 504 loan program. Although not particularly innovative, the bank’s lending programs provide flexible terms for retail and business borrowers. The following table details the bank’s participation in the SBA programs.

SBA Loan Originations								
Loan Program	8/12/2019-12/31/2019		2020		2021		1/1/2022-6/7/2022	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
SBA PPP	0	0	437	79,848	534	43,435	0	0
SBA 504	0	0	1	550	3	4,342	1	288
Total	0	0	438	80,398	537	47,777	1	288

Source: Bank Records

The bank offers the same programs in both assessment areas. As a result, this performance criteria is not further discussed under the rated areas or individual assessment areas.

Community Development Loans

BanESCO USA made a relatively high level of community development loans. Performance is consistent among the rated areas. During the evaluation period, the bank extended 28 community development loans totaling \$70.9 million. This activity accounts for 5.0 percent of average total loans and 3.7 percent of average total assets as of March 31, 2022. Five loans totaling \$8.5 million were made through the PPP. The number and dollar volume of community development loans increased since the previous evaluation; however, by percent of average total assets and loans, the bank's performance is lower than the previous evaluation. The volume of community development loans is comparable to similarly-situated lenders. The following table details the community development lending by year and type.

Community Development Lending										
Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Total	
	#	\$(000)	#	\$(000)	#	\$(000)	#	\$(000)	#	\$(000)
8/12/2019-12/31/2019	1	1,631	-	-	-	-	2	24,055	3	25,686
2020	3	3,788	-	-	2	2,534	6	13,507	11	19,829
2021	5	6,602	-	-	1	1,737	6	11,372	12	19,711
2022 (YTD)	-	-	-	-	-	-	2	5,675	2	5,675
Total	9	12,021	-	-	3	4,271	16	54,609	28	70,901

Source: Bank Data

As illustrated in the following table, by number and dollar volume of loans, the bank made more loans in the Miami assessment area, which is consistent with the bank's larger presence in the assessment area compared to the San Juan assessment area. In addition, the bank originated nine community development loans totaling \$14.5 million outside of the assessment areas but within South Florida. These loans did not directly benefit the assessment areas; however, because the bank was responsive to the community development needs of the assessment areas, examiners considered these loans within the bank's performance.

Community Development Lending by Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Total	
	#	\$(000)	#	\$(000)	#	\$(000)	#	\$(000)	#	\$(000)
Miami	4	4,423	-	-	1	1,737	9	37,080	14	43,240
San Juan	-	-	-	-	2	2,534	3	10,618	5	13,152
Outside of Areas	5	7,598	-	-	-	-	4	6,911	9	14,509
Total	9	12,021	-	-	3	4,271	16	54,609	28	70,901
<i>Source: Bank Data</i>										

The following are examples of community development loans in the broader state-wide area (South Florida).

- In 2020, the bank originated a \$1.6 million loan to purchase a 25-unit multifamily apartment building. The units provide affordable housing for low- and moderate-income people. All rents are below HUD Fair Market Rents.
- In 2020, the bank originated a \$1.5 million loan to acquire a commercial retail shopping center comprised of eight small business tenants. The shopping center, located in an Opportunity Zone in a low-income area, will help retain existing businesses that employ and serve low- and moderate-income residents.

INVESTMENT TEST

The Investment Test rating is High Satisfactory. The bank has an excellent level of qualified investments and donations. Qualified investments exhibit adequate responsiveness to the credit and community development needs of the assessment areas. However, the bank rarely uses innovative and/or complex investments to support community development initiatives. The bank fulfills its community development objectives primarily through a combination of mortgage-backed securities (MBS) and charitable donations. Conclusions are primarily based on the bank's performance in the Florida rated area, which received greater weight. Performance in the Commonwealth of Puerto Rico rated area was below the bank's overall performance.

Investment and Grant Activity

The bank has an excellent level of qualified investments and donations. Investments and donations during the evaluation period totaled \$60.7 million, or 3.1 percent of average total assets and 16.8 percent of average total securities as of March 31, 2022. This performance exceeds the previous evaluation, when the bank's investments and donations totaled \$26.8 million, or 2.4 percent of average total assets and 13.9 percent of average total securities. The current performance exceeds similarly-situated banks in terms of investments as a percent of average total securities and average total assets.

Qualified investments made during the evaluation period primarily include MBSs, which are designed to provide funding and liquidity to the affordable housing markets. In 2021 and 2022, the bank made three investments totaling \$22.0 million in debentures issued by Small Business Investment Companies (SBICs) licensed and regulated by the SBA to promote economic

development by financing small businesses. However, the bank did not tailor the investments to regional areas that included Florida. Therefore, the amount was not included in the table below or in the percentage calculations.

The following table shows investment totals by year, type, and assessment area. Of the \$60.7 million investments, \$59.5 million were new qualified investments, \$880,000 were prior period investments, and \$383,000 were donations.

Qualified Investments by Year										
Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Total	
	#	\$(000)	#	\$(000)	#	\$(000)	#	\$(000)	#	\$(000)
Prior Period	3	880	-	-	-	-	-	-	3	880
2019 (Partial)	-	-	-	-	-	-	-	-	-	-
2020	-	-	1	249	-	-	-	-	1	249
2021	13	53,984	4	3,999	-	-	-	-	17	57,983
2022 (YTD)	1	1,000	1	249	-	-	-	-	2	1,249
Subtotal	17	55,864	6	4,497	-	-	-	-	23	60,361
Grants & Donations	1	5	12	332	5	46	-	-	18	383
Total	18	55,869	18	4,829	5	46	-	-	41	60,744

Source: Bank Data

Community Development Qualified Investments by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Miami	15	52,167	13	4,266	2	10	-	-	30	56,443
San Juan	-	-	1	3	3	36	-	-	4	39
Regional and Outside Assessment Area	3	3,702	4	560	-	-	-	-	7	4,262
Total	18	55,869	18	4,829	5	46	-	-	41	60,744

Source: Bank Data

Some investments and donations benefitted regional or state-wide areas as well as areas outside of the assessment areas. Some examples are noted below.

- A \$1.7 million MBS benefitted the Miami assessment area and Broward County, which is outside the assessment areas but adjoins Miami-Dade County. Mortgages were either secured by mortgages to low- and moderate-income persons and/or were in low- and moderate-income census tracts. The MBS was specifically tailored to meet the needs of the areas Banesco USA serves. The security was backed by loans in Miami-Dade County (42 percent) and neighboring Broward County (58 percent). This activity was counted as the bank met the needs of the Miami-Dade County assessment area.

- In 2019 and 2021, the bank contributed a total of \$300,000 in tax credits to Step Up For Students, an initiative of the Florida Tax Credit (CTC) Scholarship Program. The Florida legislature created the CTC program in 2001 to offer educational scholarships to students from low-income families.

Responsiveness to Credit and Community Development Needs

The bank exhibits adequate responsiveness to the credit and community development needs of the assessment areas. Qualified investments and donations made during the evaluation period specifically responded primarily to the assessment areas' affordable housing and community service needs. MBSs comprise the majority of the new qualified investments and benefit the Miami assessment area. In addition, donations to community organizations primarily supported low- and moderate-income individuals. Since the responsiveness of the qualified investments is consistent throughout the assessment areas, this performance factor will not be discussed in the individual assessment area conclusions.

Community Development Initiatives

The bank rarely uses innovative and/or complex investments to support community development initiatives. MBSs comprise the majority of the current period equity investments. These investments assist in sustaining affordable housing in the Miami assessment area but are not innovative. The bank structured the MBSs specifically to benefit the Miami assessment area, adding some complexity.

SERVICE TEST

The Service Test rating is Low Satisfactory. Banesco USA's delivery systems are accessible to essentially all portions of the assessment areas. The opening and closing of branches throughout the assessment areas has generally not adversely affected the accessibility of its delivery systems. Services and business hours do not vary in a way that inconveniences certain portions of the assessment areas, particularly in low- and moderate-income geographies or individuals. In addition, the bank provides an adequate level of community development services. Conclusions are primarily based on the bank's performance in the Florida rated area, which received greater weight. Performance in the Commonwealth of Puerto Rico rated area is consistent with the bank's overall performance.

Accessibility of Delivery Systems

Delivery systems are accessible to essentially all portions of the assessment areas. As of the evaluation date, Banesco USA operated four full-service offices in Miami-Dade County and one full-service office in San Juan, Puerto Rico. In addition, the bank has ATMs at each of its offices. As shown in the following table, there are no branches located in low-income census tracts, which is reasonable as only 4.7 percent of the population resides in the low-income census tracts. Two offices (40.0 percent) are located in moderate-income census tracts, two offices (40.0 percent) are located in upper-income census tracts, and one office (20.0 percent) is located in a census tract without an income designation. Performance with regard to locations of full-service offices differs among the rated areas, but is stronger in Florida, which received greater weight in determining

overall conclusions. In addition to full-service offices, the bank offers alternative delivery systems throughout both rated areas, including mobile and internet banking as well as mobile remote check deposit.

Branch and ATM Distribution by Geography Income Level								
Tract Income Level	Census Tracts		Population		Branches		ATMs	
	#	%	#	%	#	%	#	%
Low	60	5.4	232,312	4.7	0	0.0	0	0.0
Moderate	304	27.2	1,383,026	28.2	2	40.0	2	40.0
Middle	365	32.7	1,730,242	35.3	0	0.0	0	0.0
Upper	331	29.6	1,532,334	31.3	2	40.0	2	40.0
Not Available	57	5.1	24,710	0.5	1	20.0	1	20.0
Total	1,117	100.0	4,902,624	100.0	5	100.0	5	100.0
<i>Source: 2015 ACS Data and Bank Data</i>								

Further, Banesco USA provides customers with access to over 55,000 Allpoint ATMs worldwide without incurring a fee. There are 79 Allpoint ATMs within low- and moderate-income census tracts in the assessment areas. Bank management provided information demonstrating that customers actively use these ATMs.

Changes in Branch Locations

To the extent changes have been made, the opening and closing of branches has generally not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income census tracts and/or to low- and moderate-income individuals. Since the previous evaluation, the bank closed two full-service offices located in upper-income census tracts: one in Miami-Dade County (March 2021) and one in Broward County (February 2020). Additionally, via the acquisition of Brickell Bank in August 2019, Banesco USA acquired one full-service office located in a census tract without an income designation in Miami-Dade County.

Reasonableness of Business Hours and Services

Services, including business hours, do not vary in a way that inconveniences certain portions of the assessment areas, particularly low- and moderate-income census tracts and/or individuals. All branches offer the same products, services, and banking hours. Therefore, this criteria is not further discussed under each rated area or assessment area.

Community Development Services

Banesco USA provided an adequate level of community development services in the assessment areas, despite the restrictions on in-person events during the COVID-19 pandemic. Banesco USA representatives provided 35 community development services to 12 organizations during the evaluation period with 88.6 percent benefitting the Miami assessment area and 11.4 percent benefitting the San Juan assessment area. While these services were not innovative, they demonstrated good responsiveness to the needs of low- and moderate-income individuals and small

businesses throughout the assessment areas. The number of community development services activities increased from the number qualified at the prior evaluation. Performance is comparable to similarly-situated banks.

The following table illustrates the overall community development services by year, purpose, and assessment area. Refer to the assessment areas for additional details on community development services.

Community Development Services					
Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Total
	#	#	#	#	#
2019 (Partial)	-	9	-	-	9
2020	-	10	-	-	10
2021	1	7	1	-	9
2022 (YTD)	3	1	3	-	7
Total	4	27	4	-	35

Source: Bank Data

Community Development Services by Assessment Area					
Assessment Area	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
Miami	4	25	2	-	31
San Juan	-	2	2	-	4
Total	4	27	4	-	35

Source: Bank Data

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

The bank’s compliance with the laws relating to discrimination and other illegal credit practices was reviewed, including the Fair Housing Act and the Equal Credit Opportunity Act. Examiners did not identify any discriminatory or other illegal credit practices.

FLORIDA

CRA RATING FOR FLORIDA: SATISFACTORY

The Lending Test is rated: High Satisfactory

The Investment Test is rated: High Satisfactory

The Service Test is rated: Low Satisfactory

DESCRIPTION OF INSTITUTION'S OPERATIONS IN FLORIDA

BanESCO USA operates four of its five full-service offices in the Miami assessment area. The assessment area includes all 519 census tracts in Miami-Dade County, which comprises the entire Miami-Miami Beach-Kendall, FL MD. The assessment area remains unchanged from the previous evaluation. The Miami assessment area accounts for 86.1 percent of loans reviewed, 88.7 percent of bank-wide deposits, and 80.0 of the branching network.

Economic and Demographic Data

The following table illustrates select demographic characteristics of the assessment area based on the 2015 ACS Census data and the D&B data.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	519	5.8	27.7	28.9	34.1	3.5
Population by Geography	2,639,042	5.5	29.7	30.9	33.2	0.7
Housing Units by Geography	998,833	5.3	27.5	29.3	37.2	0.6
Owner-Occupied Units by Geography	452,826	2.0	21.4	31.9	44.4	0.2
Occupied Rental Units by Geography	389,327	9.6	37.8	28.2	23.5	0.8
Vacant Units by Geography	156,680	4.3	19.4	24.6	50.4	1.3
Businesses by Geography	791,580	3.1	20.8	26.3	47.5	2.3
Farms by Geography	7,895	3.9	23.7	27.1	44.5	0.8
Family Distribution by Income Level	572,388	24.0	16.6	16.9	42.5	0.0
Household Distribution by Income Level	842,153	26.1	15.1	15.9	42.9	0.0
Median Family Income - Miami-Miami Beach-Kendall, FL MD	\$49,264	Median Housing Value				\$244,010
		Median Gross Rent				\$1,155
		Families Below Poverty Level				16.9%
<i>Source: 2015 ACS and 2021 D&B Data</i> <i>Due to rounding, totals may not equal 100.0 percent.</i> <i>(*) The NA category consists of geographies that are not assigned an income classification.</i>						

The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units located in low-, moderate-, middle-, and upper-income census tracts. As illustrated in the previous table, only 2.0 percent of owner-occupied housing units are located in low-

income census tracts. This data indicates limited owner-occupied home mortgage lending opportunities in low-income census tracts. Further, 16.9 percent of families have incomes below the federal poverty level, which poses a challenge for home mortgage lending to low-income families, as these families likely face difficulty in qualifying for a conventional home mortgage loan.

Examiners used Federal Financial Institutions Examination Council (FFIEC)-updated median family income for the Miami-Miami Beach-Kendall, FL MD to analyze home mortgage lending under the Borrower Profile criterion. The following table reflects low-, moderate-, middle-, and upper-income categories in the assessment area.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2021 (\$61,000)	<\$30,500	\$30,500 to <\$48,800	\$48,800 to <\$73,200	≥\$73,200
<i>Source: FFIEC</i>				

The assessment area’s largest industries include education and health services at 16.6 percent, professional and business services at 15.5 percent, and leisure and retail trade at 11.7 percent. According to Moody’s, major employers include Publix Supermarkets (39,240 employees), Baptist Health South Florida (23,000 employees), and American Airlines (13,500 employees).

Data obtained from the U.S. Bureau of Labor Statistics indicates significant changes in the unemployment rate during the evaluation period. As illustrated in the following table, the unemployment rate in the United States, Florida, and Miami-Dade County increased significantly from 2019 to 2020 due to the COVID-19 pandemic but declined from 2020 to 2021 as the areas began to recover. The unemployment rate in Miami-Dade County was below the state and national rates in 2019 and 2020. In 2021, Miami-Dade County’s unemployment rate was consistent with the national rate, but above the state rate.

Unemployment Rates			
Area	2019	2020	2021
	%	%	%
Miami-Dade County	2.7	7.4	5.2
State of Florida	3.2	8.2	4.6
United States	3.7	8.1	5.4
<i>Source: U.S. Bureau of Labor Statistics</i>			

Moody's *Economy.com, Inc., Précis Metro* dated November 2021 notes that the MSA’s economy is in slow recovery. Although the large tourism industry is improving, the MSA’s economy is seeing continued effects of COVID-19-related restrictions on international travel. Additionally, although housing construction has picked up, housing prices have risen nearly twenty-five percent in the past year.

Competition

The market is highly competitive for financial services. According to FDIC Deposit Market Share data as of June 30, 2021, 55 financial institutions operated 614 branches in the assessment area. Of these institutions, Banesco USA ranked 20th with a deposit market share of 0.8 percent. The three leading financial institutions were Bank of America, NA; Wells Fargo Bank, NA; and JP Morgan Chase Bank, NA, collectively accounting for 37.0 percent of the total deposit market share.

Banesco USA began reporting small business loan data in 2021, for which aggregate data is not yet available. Therefore, the analysis of small business loans under the Lending Test does not include a comparison against aggregate data. However, to provide context, aggregate data for 2020 reflects 235 lenders reported 142,992 small business loans, indicating a significant level of competition. The three most prominent small business lenders were American Express National Bank; Bank of America, NA; and JP Morgan Chase Bank, NA, collectively accounting for 45.4 percent of total market share by number of loans.

As previously noted, Banesco USA is not required to report its home mortgage loan data and has not elected to do so. Therefore, the analysis of home mortgage loans under the Lending Test does not include a comparison against aggregate data. However, to provide context, the 2020 aggregate data shows that 726 lenders reported 78,733 home mortgage loans in the assessment area, indicating a significant level of competition. The three most prominent home mortgage lenders were Quicken Loans, LLC; United Wholesale Mortgage, LLC; and Paramount Residential Mortgage, collectively accounting for 18.0 percent of total market share by number of loans.

Community Contact

Examiners rely on contacts with community organizations to gain insight regarding the credit needs, community development opportunities, and economic conditions of the assessment area. Individuals interviewed provide information based upon their knowledge and expertise in the housing, business, or economic sectors. Examiners reviewed a recent community contact conducted with an affordable housing organization that serves as an advocate for new and existing affordable housing developments in Miami-Dade County. The contact noted a significant need for the development of additional multifamily and single-family affordable housing due to Miami's high cost of living, which continues to rise.

Credit and Community Development Needs and Opportunities

Based on demographic information, economic data, and community contract information, examiners identified certain credit and community development needs and opportunities within the assessment area. The high number of low- and moderate-income families at 24.0 percent and 16.6 percent, respectively, indicates a continuing need for affordable housing. The community contact further supported the need for, and opportunity to finance, additional affordable housing in Miami-Dade County. Additionally, the high median age of housing stock in low- and moderate-income census tracts at 53 years and 52 years, respectively, indicates a significant need for home improvement loans. Lastly, there is a need for small business loans as there is a significant percentage of businesses with gross annual revenues of \$1.0 million or less at 94.7 percent.

SCOPE OF EVALUATION – FLORIDA

Examiners utilized full-scope examination procedures to evaluate the bank's performance in the Miami assessment area, which is the only assessment area within Florida and is the basis for conclusions on Florida performance. The products, weighting, and evaluation period described in the overall Scope of Evaluation section are applicable to this assessment area analysis. Refer to the Scope of Evaluation section on page four for additional details.

CONCLUSIONS ON PERFORMANCE CRITERIA IN FLORIDA

LENDING TEST

The Lending Test rating is High Satisfactory. Lending levels reflect good responsiveness to the assessment area's credit needs. The geographic distribution of loans reflects good penetration throughout the assessment area, and the distribution of loans reflects adequate penetration among business customers of different sizes and retail customers of different income levels. The bank uses innovative and/or flexible lending practices in order to serve the assessment area's credit needs, and originated a relatively high level of community development loans.

Lending Activity

Lending levels reflect good responsiveness to the assessment area's credit needs. Banesco USA small business lending increased significantly in 2020 and 2021 due to participation in the SBA's PPP loan program. The following tables presented under the Geographic Distribution and Borrower Profile criterion detail the number and dollar volume of small business and home mortgage loans originated in the assessment area.

Geographic Distribution

The geographic distribution of small business and home mortgage loans reflects good penetration throughout the assessment area.

Small Business Loans

The geographic distribution of loans reflects good penetration throughout the assessment area. For 2020, lending in low-income tracts was below the demographic data; however, lending performance improved in 2021 and was comparable to demographics. For moderate-income tracts, lending was just below demographics in 2020 and comparable in 2021.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low					
2020	3.1	1	1.6	153	1.4
2021	3.1	12	3.2	1,327	3.9
Moderate					
2020	20.8	10	16.4	2,448	22.9
2021	20.8	78	20.6	10,468	30.5
Middle					
2020	25.9	12	19.7	1,858	17.4
2021	26.3	80	21.1	6,465	18.9
Upper					
2020	47.8	37	60.7	6,200	58.1
2021	47.5	204	53.8	15,307	44.6
Not Available					
2020	2.4	1	1.6	15	0.2
2021	2.3	5	1.3	730	2.1
Totals					
2020	100.0	61	100.0	10,674	100.0
2021	100.0	379	100.0	34,297	100.0

Source: 2020 and 2021 D&B Data; Bank Records; and, 2021 CRA Data

Home Mortgage Loans

The geographic distribution of loans reflects excellent penetration throughout the assessment area. Lending in low-income tracts is three times the level of owner-occupied housing units with lending in moderate-income tracts exceeding demographics.

Geographic Distribution of Home Mortgage Loans					
Tract Income Level	% of Owner-Occupied Housing Units	#	%	\$(000s)	%
Low	2.0	5	6.0	7,821	10.6
Moderate	21.4	22	26.5	14,576	19.7
Middle	31.9	9	10.9	2,881	3.9
Upper	44.4	45	54.2	46,623	63.1
Not Available	0.2	2	2.4	1,996	2.7
Total	100.0	83	100.0	73,897	100.0

*Source: 2015 ACS Data and Bank Records.
Due to rounding, totals may not equal 100.0 percent.*

Borrower Profile

The borrower profile distribution reflects adequate penetration among businesses of different sizes and customers of different income levels.

Small Business Loans

The distribution of loans reflects adequate penetration among businesses of different sizes. As illustrated in the following table, lending to businesses with revenues of \$1.0 million or less was substantially below the demographic data in 2020 and 2021. For 2021, 154 of the 379 loans did not have revenues available with 146 loans made under the PPP. Loans originated under PPP were not required to have revenue data collected. For 2021, analyzing the loans with revenues available reflects that 74.2 percent of the loans with revenues available were made to small businesses.

For 2020, 25 of the 61 loans did not have revenues available, and all were originated under the PPP. For 2020, analyzing the loans with revenues available reflects that 44.4 percent of the loans with revenues available were made to small businesses.

In 2020 and 2021, for loans with revenues not reported, a substantial majority (88.0 and 98.0 percent, respectively) of small business loans were originated in amounts under \$500,000, with a significant majority of those loans originated in amounts under \$100,000, indicating the bank's willingness to lend to smaller businesses.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000					
2020	93.3	16	26.2	1,774	16.6
2021	94.7	167	44.1	8,055	23.5
>\$1,000,000					
2020	2.7	20	32.8	5,062	47.4
2021	1.8	58	15.3	10,669	31.1
Revenue Not Available					
2020	4.0	25	41.0	3,838	36.0
2021	3.5	154	40.6	15,573	45.4
Totals					
2020	100.0	61	100.0	10,674	100.0
2021	100.0	379	100.0	34,297	100.0
<i>Source: 2020 and 2021 D&B Data; 2020 Bank Data; and 2021 CRA Data</i>					

Home Mortgage Loans

The distribution of loans reflects poor penetration among customers of different income levels. As illustrated in the following table, the bank originated no loans to low- or moderate-income

borrowers in 2021. This performance is below the percentage of low- and moderate-income families at 24.0 percent and 16.6 percent, respectively.

The bank’s poor performance is mitigated to some extent, as the bank does not originate long-term, fixed-rate residential loans. This loan type is typically more suitable for certain borrowers, particularly for low-income borrowers. The performance and analysis is impacted by the high level of loans with no income available as the loans were extended to commercial entities, resulting in loan decisions not being made based on an individual’s income. Therefore, borrower income levels were not available. Specifically, these loans were originated to purchase or refinance second homes, investment properties, and multifamily rental properties, which is consistent with the bank’s product offerings. A review of the loans determined that the property securing one loan for \$3.0 million was located in a low-income tract and four loans totaling \$5.6 million were in moderate-income tracts.

Distribution of Home Mortgage Loans by Borrower Income Level					
Borrower Income Level	% of Families	#	%	\$(000s)	%
Low	24.0	0	0.0	0	0.0
Moderate	16.6	0	0.0	0	0.0
Middle	16.9	0	0.0	0	0.0
Upper	42.5	11	13.3	5,992	8.1
Income Not Available	0.0	72	86.7	67,905	91.9
Total	100.0	83	100.0	73,897	100.0
<i>Source: 2015 ACS Data and Bank Data.</i>					

Community Development Loans

The bank made a relatively high level of community development loans in the Miami assessment area. The bank originated 14 community development loans totaling \$43.2 million during the evaluation period in this assessment area. This amount represents 50.0 percent by number and 60.9 percent by dollar volume of total community development loans. The following are examples of the community development loans made in this assessment area.

- In 2021, the bank made a \$1.6 million SBA PPP loan to a business located within an Opportunity Zone and a \$1.1 million PPP loan to a business in a low-income census tract located in an Empowerment Zone.
- In 2021, the bank originated a \$1.7 million loan as part of the SBA’s Certified Development Company 504 Loan Program. The borrower used the loan proceeds to purchase a commercial property located in a moderate-income area.

INVESTMENT TEST

The bank has an excellent level of qualified investments and grants. Qualified investments exhibit adequate responsiveness to the credit and community development needs of the assessment area. However, the bank rarely uses innovative and/or complex investments to support community development initiatives.

Investment and Grant Activity

The bank has an excellent level of qualified investments and donations in the assessment area. Within this assessment area, the bank provided 19 investments totaling \$56.7 million, of which three totaling \$880,000 were prior period investments. Qualified community development investments made during the evaluation period primarily include MBSs, which are designed to provide funding and liquidity to the affordable housing markets. The bank also provided 11 donations totaling \$34,000 that benefitted this assessment. Refer to the overall comments on page 8 for additional details regarding the bank's performance under this test.

SERVICE TEST

The Service Test rating is Low Satisfactory. Banesco USA's delivery systems are accessible to essentially all portions of the assessment area. The opening and closing of branches throughout the assessment area has generally not adversely affected the accessibility of its delivery systems. Services and business hours do not vary in a way that inconveniences certain portions of the assessment area, particularly in low- and moderate-income geographies or individuals. In addition, the bank provides an adequate level of community development services.

Accessibility of Delivery Systems

Delivery systems are accessible to essentially all portions of the assessment area. As of the evaluation date, Banesco USA operated four full-service offices in the assessment area. Two offices (50.0 percent) are located in moderate-income census tracts, one office (25.0 percent) is located in upper-income census tract, and one office (25.0 percent) is located in a census tract without an income designation. Although the bank does not operate any branches in low-income census tracts, only 5.8 percent of census tracts are low-income and 5.5 percent of the population resides in low-income census tracts. Two branches (50.0 percent) are located in moderate-income census tracts, which is well above the 27.7 percent of census tracts that are moderate-income and the 29.7 percent of the population that resides in moderate-income census tracts.

Changes in Branch Locations

To the extent changes have been made, the bank's opening and closing of branches has generally not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals. Since the previous evaluation, the bank closed one full-service office located in an upper-income census tract (March 2021). Additionally, via the acquisition of Brickell Bank in August 2019, Banesco USA acquired one full-service office located in a census tract without an income designation.

Community Development Services

Banesco USA provided an adequate level of community development services within the assessment area. Bank representatives provided 31 community development services during the evaluation period to 10 organizations. Approximately 51.6 percent of the activities involved bank representatives serving as Board and/or committees of community service and affordable housing

focused organizations which are only included as one service, which does not fully reflect the commitment with regular meetings and activities. Below are examples of the community development services provided.

- In 2021 and 2022, a bank officer served on the committee of a county organization that provides quality affordable housing to low-income individuals and families.
- From 2019 to 2022, a bank officer served as the Chairman of the Board of a non-profit organization that provides community services to low- and moderate-income individuals, including survivors of domestic violence.

COMMONWEALTH OF PUERTO RICO

CRA RATING FOR COMMONWEALTH OF PUERTO RICO: SATISFACTORY

The Lending Test is rated: High Satisfactory

The Investment Test is rated: Low Satisfactory

The Service Test is rated: Low Satisfactory

DESCRIPTION OF INSTITUTION’S OPERATIONS IN COMMONWEALTH OF PUERTO RICO

Baneco USA has delineated one assessment area in the Commonwealth of Puerto Rico. The assessment area includes all 598 census tracts in the 40 Municipios of the San Juan-Bayamon-Caguas, PR MSA (San Juan assessment area). The bank operates one of its five full-service offices in the assessment area. The San Juan assessment area accounts for 13.9 percent of the loans reviewed, 11.3 percent of bank-wide deposits, and 20.0 percent of the branch network. The assessment area remains unchanged from the previous evaluation.

Economic and Demographic Data

The following table illustrates select demographic characteristics of the assessment area based on the 2015 ACS Census data and the 2021 D&B data.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	598	5.0	26.8	36.0	25.8	6.5
Population by Geography	2,263,582	3.8	26.5	40.4	29.0	0.2
Housing Units by Geography	983,154	3.9	26.3	39.3	30.0	0.4
Owner-Occupied Units by Geography	548,972	1.8	24.4	41.2	32.6	0.1
Occupied Rental Units by Geography	245,270	8.8	28.6	37.2	24.8	0.6
Vacant Units by Geography	188,912	3.9	28.8	36.9	29.5	1.0
Businesses by Geography	20,604	4.8	23.5	24.7	44.6	2.4
Farms by Geography	230	6.1	31.3	30.0	31.7	0.9
Family Distribution by Income Level	558,600	26.5	15.0	15.7	42.8	0.0
Household Distribution by Income Level	794,242	28.0	13.9	14.6	43.5	0.0
Median Family Income - San Juan-Bayamón-Caguas, PR MSA	\$25,617	Median Housing Value				\$140,983
		Median Gross Rent				\$499
		Families Below Poverty Level				37.8%
<i>Source: 2015 ACS and 2021 D&B Data</i> <i>Due to rounding, totals may not equal 100.0 percent.</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The Geographic Distribution criterion compares small business and home mortgage lending to the

distribution of businesses and owner-occupied housing units, respectively, located in low-, moderate-, middle-, and upper-income census tracts. As illustrated in the previous table, only 4.8 percent of businesses and 1.8 percent of owner-occupied housing units are located in low-income census tracts. This data indicates limited small business and home mortgage lending opportunities in low-income census tracts. Further, 37.8 percent of families have incomes below the federal poverty level, which poses a significant challenge for home mortgage lending to low-income families, as these families likely face difficulty in qualifying for a conventional home mortgage loan.

Examiners used FFIEC-updated median family income figures for the San Juan-Bayamón-Caguas, PR MSA were used to analyze home mortgage lending under the Borrower Profile criterion. The following table reflects low-, moderate-, middle-, and upper-income categories in the assessment area.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2021 (\$28,300)	<\$14,150	\$14,150 to <\$22,640	\$22,640 to <\$33,960	≥\$33,960
<i>Source: FFIEC</i>				

Moody’s Analytics reports that the assessment area’s major employers include Walmart Stores Inc. (13,295 employees), Banco Popular (7,215 employees), and Supermercado Econo Inc. (6,550 employees). Data obtained from the U.S. Bureau of Labor Statistics indicates changes in the unemployment rate during the evaluation period.

As illustrated in the following table, the unemployment rate in the United States, Puerto Rico, and San Juan-Bayamón-Caguas, PR MSA increased from 2019 to 2020 due to the COVID-19 pandemic, but declined from 2020 to 2021 as the areas began to recover. The unemployment rate in the San Juan-Bayamón-Caguas, PR MSA was below the average in Puerto Rico but well above the national average each year.

Unemployment Rates			
Area	2019	2020	2021
	%	%	%
San Juan-Bayamón-Caguas, PR MSA	6.9	8.2	7.7
Puerto Rico	8.3	8.9	7.9
United States	3.7	8.1	5.4
<i>Source: U.S. Bureau of Labor Statistics</i>			

Moody's *Economy.com, Inc., Précis Metro* dated January 2022 notes that the MSA’s economy is in recovery with hotel occupancy rates and air passenger arrivals surpassing 2019 levels. Additionally, credit quality has improved during the pandemic. Lastly, the American Rescue Plan provided federal grant funds for water infrastructure projects throughout the MSA that will benefit the construction industry and employment rates.

Competition

The market is competitive for financial services. According to FDIC Deposit Market Share data as of June 30, 2021, 5 financial institutions operated 205 branches in the assessment area. Of these institutions, Banesco USA ranked fifth with a deposit market share of 0.2 percent. The three leading financial institutions were Banco Popular de Puerto Rico; Citibank, NA; and Firstbank Puerto Rico, collectively accounting for 92.3 percent of the total deposit market share.

Banesco USA began reporting small business loan data in 2021, for which aggregate data is not yet available. Therefore, the analysis of small business loans under the Lending Test does not include a comparison against aggregate data. However, to provide context, aggregate data for 2020 reflects 63 lenders reported 38,002 small business loans, indicating a significant level of competition. The three most prominent small business lenders were Banco Popular de Puerto Rico, Oriental Group, and Firstbank Puerto Rico, collectively accounting for 85.0 percent of total market share by number of loans.

As previously noted, Banesco USA is not required to report its home mortgage loan data, and has not elected to do so. Therefore, the analysis of home mortgage loans under the Lending Test does not include a comparison against aggregate data. However, to provide context, the 2020 aggregate data shows that 52 lenders reported 22,680 home mortgage loans in the assessment area, indicating a significant level of competition. The three most prominent home mortgage lenders were Banco Popular de Puerto Rico, Firstbank Puerto Rico, and Oriental Group, collectively accounting for 66.7 percent of total market share by number of loans.

Community Contact

Examiners rely on contacts with community organizations to gain insight regarding the credit needs, economic conditions, and community development opportunities of a bank's assessment area. Individuals interviewed provide information based upon their knowledge and expertise in the housing, business, or economic sectors. During this evaluation, examiners conducted a community contact with an economic development organization that provides free consulting and training services for entrepreneurs in the assessment area. The contact noted a significant need for providing financing to the area's smallest businesses, financing the construction and rehabilitation of essential business structures and community infrastructure, as well as providing financial literacy education to consumers and businesses.

Credit and Community Development Needs and Opportunities

Based on demographic information, economic data, and community contact information, examiners identified certain credit and community development needs and opportunities within the assessment area. The high number of low- and moderate-income families at 26.5 percent and 15.0 percent, respectively, indicates a continuing need for affordable housing. Additionally, the high median age of housing stock in low- and moderate-income census tracts at 53 years and 45 years, respectively, indicates a significant need and opportunity to provide home improvement loans. Further, the community contact mentioned a need and opportunity to provide financing to the area's smallest

businesses, financing the construction and rehabilitation of essential infrastructure, and providing financial literacy education to consumers and businesses.

SCOPE OF EVALUATION – COMMONWEALTH OF PUERTO RICO

Examiners utilized full-scope examination procedures to evaluate performance in the San Juan assessment area. The products, weighting, and evaluation period described in the overall Scope of Evaluation section are applicable to this assessment area analysis. Refer to the Scope of Evaluation section on page four for additional details.

CONCLUSIONS ON PERFORMANCE CRITERIA IN COMMONWEALTH OF PUERTO RICO

LENDING TEST

The Lending Test rating is High Satisfactory. Lending levels reflect good responsiveness to the assessment area's credit needs. The geographic distribution of loans reflects good penetration throughout the assessment area, and the distribution of loans reflects adequate penetration among businesses of different sizes. The bank uses innovative and/or flexible lending practices in order to serve the assessment area's credit needs, and originated a relatively high level of community development loans.

Lending Activity

Lending levels reflect good responsiveness to the assessment area's credit needs. Banesco USA's small business lending increased significantly in 2020 and 2021 due to participation in the SBA's PPP loan program. The limited volume of home mortgage lending is attributed to the bank's commercial lending focus, the very high poverty rate, and the significant level of competition from the top three lenders, which have a market share of 66.7 percent. The following tables presented under the Geographic Distribution and Borrower Profile criterion detail the number and dollar volume of loans originated in the assessment area.

Geographic Distribution

The geographic distribution of loans reflects good penetration of small business loans throughout the assessment area.

Small Business Loans

The geographic distribution of loans reflects good penetration throughout the assessment area. As illustrated in the following table, in 2020, lending in low-income census tracts was above demographic data. Furthermore, in 2021, lending in low-income census tracts was more than double the percentage of businesses in the low-income census tracts. Lending in moderate-income census tracts was slightly above the demographic data in 2020 but below the demographic data in 2021.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low					
2020	5.4	2	6.7	752	11.6
2021	4.8	6	10.2	903	7.4
Moderate					
2020	22.6	7	23.3	1,323	20.5
2021	23.5	12	20.3	2,534	20.8
Middle					
2020	25.1	3	10.0	296	4.6
2021	24.7	12	20.3	2,907	23.9
Upper					
2020	44.5	17	56.7	3,986	61.6
2021	44.6	28	47.5	5,704	46.9
Not Available					
2020	2.3	1	3.3	112	1.7
2021	2.4	1	1.7	113	1.0
Totals					
2020	100.0	30	100.0	6,469	100.0
2021	100.0	59	100.0	12,161	100.0
<i>Source: 2020 and 2021 D&B Data; 2020 Bank Data; and, 2021 CRA Data Due to rounding, totals may not equal 100.0 percent.</i>					

Home Mortgage Loans

Given the nominal volume of home mortgage loans originated in the assessment area, examiners could not form reasonable conclusions regarding the bank's performance. In 2021, Banesco USA originated one home mortgage loan totaling \$600,000 in an upper-income census tract.

Borrower Profile

The borrower profile distribution reflects adequate penetration among businesses of different sizes.

Small Business Loans

The distribution of loans reflects adequate penetration among businesses of different sizes. As illustrated in the following table, loans to businesses with revenues of \$1.0 million or less were substantially below the demographic data in 2020 and 2021. In 2020 and 2021, due to its participation in the PPP loan program, the bank originated a majority of its small business loans to businesses where the revenues were not collected. For 2021, 36 of the 59 loans reviewed did not have revenues available with 34 loans made under the PPP. Loans originated under PPP were not required to have revenue data collected. For 2021, analyzing the loans with revenues available reflects that 26.1 percent of the loans with revenues available were made to small businesses. Although the bank's performance is below the demographic information data, the D&B can reflect

the demand for small business loans by small businesses. To gain a better understanding of credit needs and demand in the assessment area, examiners reviewed aggregate market data from institutions that collect and report data on small business loans. The 2020 aggregate data reflects that institution's that reported data on small business lending shows 30.1 percent of all loans reported were originated to small businesses.

For 2020, 23 of the 30 loans reviewed did not have revenues available, and all were originated under the PPP. For 2020, analyzing the loans with revenues available reflects that 5 of the 7 loans (71.4 percent) with revenues available were made to small businesses.

In 2020 and 2021, for loans with revenues not reported, a substantial majority (95.7 and 97.2 percent, respectively) of small business loans were originated in amounts under \$500,000. Furthermore, in 2021, a significant majority of those loans originated in amounts under \$100,000, indicating the bank's willingness to lend to smaller businesses.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000					
2020	69.7	5	16.7	1,442	22.3
2021	72.8	6	10.2	1,664	13.7
>\$1,000,000					
2020	16.1	2	6.6	1,090	16.9
2021	13.9	17	28.8	6,414	52.7
Revenue Not Available					
2020	14.2	23	76.7	3,937	60.8
2021	13.3	36	61.0	4,083	33.6
Totals					
2020	100.0	30	100.0	6,469	100.0
2021	100.0	59	100.0	12,161	100.0
<i>Source: 2020 and 2021 D&B Data; 2020 Bank Data; 2021 CRA Data; and, 2020 CRA Aggregate Data. "--" data not available.</i>					

Home Mortgage Loans

Given the nominal volume of home mortgage loans originated in the assessment area, examiners could not form reasonable conclusions regarding the bank's performance. In 2021, Banesco USA originated one home mortgage loan totaling \$600,000 to a commercial borrower.

Community Development Loans

The bank made a high level of community development loans in the San Juan assessment area. The bank originated five community development loans totaling \$13.2 million during the evaluation period in this assessment area. This amount represents 17.9 percent by number and 18.6 percent by dollar volume of total community development loans, which exceeds the bank's deposit share and

reviewed loans in this assessment area at 11.3 and 13.9 percent, respectively. The following are examples of the community development loans made in this assessment area.

- In 2020, the bank originated a \$1.8 million PPP loan to a business in a moderate-income census tract located within an Opportunity Zone. The loan helped the business maintain payroll for over 300 employees during the COVID-19 Pandemic.
- In 2020, the bank originated a \$3.1 million loan to renovate a supermarket located in a low-income census tract. In addition to providing essential needs to area residents, the supermarket provides jobs for low- and moderate-income individuals.

INVESTMENT TEST

The bank has an adequate level of qualified investments and grants, although rarely in a leadership position, particularly those that are not routinely provided by private investors. Qualified investments exhibit adequate responsiveness to the credit and community development needs of the assessment area. However, the bank rarely uses innovative and/or complex investments to support community development initiatives.

Investment and Grant Activity

The bank has an adequate level of qualified investments and donations in the assessment area. Investment opportunities' in the San Juan assessment area are extremely limited for smaller institutions due to the presence of three dominant financial institutions in the market. The bank provided four donations totaling \$39,000 that have a community development purpose, which benefitted this assessment area.

Below are examples of donations made in the assessment area.

- A \$15,000 donation was provided to a Community Development Financial Institution to support its small business academy.
- A \$3,000 donation was made to a school where 91 percent of the students receive free or reduced school lunch for program enhancement.

SERVICE TEST

The Service Test rating is Low Satisfactory. Banesco USA's delivery systems are accessible to limited portions of the assessment area. The opening and closing of branches throughout the assessment area has not adversely affected the accessibility of its delivery systems. Services and business hours do not vary in a way that inconveniences certain portions of the assessment area, particularly in low- and moderate-income geographies or individuals. In addition, the bank provided a limited level of community development services.

Accessibility of Delivery Systems

Delivery systems are accessible to limited portions of the assessment area. As of the evaluation date, Banesco USA operated one full-service office in an upper-income census tract of the

assessment area. Although the bank does not operate any branches in low-income census tracts, only 5.0 percent of census tracts are low-income and 3.8 percent of the population resides in low-income census tracts. However, the bank's performance in moderate-income census tracts is well below the 26.8 percent of census tracts that are moderate-income and the 26.5 percent of the population that resides in moderate-income census tracts. The assessment area's sole branch is located in a census tract that borders five moderate-income census tracts, but remains distant from a majority of the assessment area's census tracts.

Changes in Branch Locations

Banescos USA did not open or close any branches in the assessment area since the previous evaluation.

Community Development Services

Banescos USA provided a limited level of community development services within the assessment area. Bank representatives provided four community development services during the evaluation period to two different organizations that benefit the assessment area. The following are examples of activities during the evaluation period.

- In 2019, a bank officer and a bank employee provided financial education and literacy to low- and moderate-income seniors.
- In 2022, two bank officers provided technical assistance on financial matters to small business owners.

APPENDICES

LARGE BANK PERFORMANCE CRITERIA

Lending Test

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) through its lending activities by considering a bank's home mortgage, small business, small farm, and community development lending. If consumer lending constitutes a substantial majority of a bank's business, the FDIC will evaluate the bank's consumer lending in one or more of the following categories: motor vehicle, credit card, other secured, and other unsecured. The bank's lending performance is evaluated pursuant to the following criteria:

- 1) The number and amount of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, in the bank's assessment area;
- 2) The geographic distribution of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, based on the loan location, including:
 - i. The proportion of the bank's lending in the bank's assessment area(s);
 - ii. The dispersion of lending in the bank's assessment areas(s); and
 - iii. The number and amount of loans in low-, moderate-, middle- and upper-income geographies in the bank's assessment area(s);
- 3) The distribution, particularly in the bank's assessment area(s), of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, based on borrower characteristics, including the number and amount of:
 - i. Home mortgage loans low-, moderate-, middle- and upper-income individuals
 - ii. Small business and small farm loans to businesses and farms with gross annual revenues of \$1 million or less;
 - iii. Small business and small farm loans by loan amount at origination; and
 - iv. Consumer loans, if applicable, to low-, moderate-, middle- and upper-income individuals;
- 4) The bank's community development lending, including the number and amount of community development loans, and their complexity and innovativeness; and
- 5) The bank's use of innovative or flexible lending practices in a safe and sound manner to address the credit needs of low- and moderate-income individuals or geographies.

Investment Test

The Investment Test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) through qualified investments that benefit its assessment area(s) or a broader statewide or regional area that includes the bank's assessment area(s). Activities considered under the Lending or Service Test may not be considered under the investment test. The bank's investment performance is evaluated pursuant to the following criteria:

- 1) The dollar amount of qualified investments;
- 2) The innovativeness or complexity of qualified investments;
- 3) The responsiveness of qualified investments to available opportunities; and
- 4) The degree to which qualified investments are not routinely provided by private investors.

Service Test

The Service Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by analyzing both the availability and effectiveness of the bank's systems for delivering retail banking services and the extent and innovativeness of its community development services.

The bank's retail banking services are evaluated pursuant to the following criteria:

- 1) The current distribution of the bank's branches among low-, moderate-, middle-, and upper-income geographies;
- 2) In the context of its current distribution of the bank's branches, the bank's record of opening and closing branches, particularly branches located in low- or moderate-income geographies or primarily serving low- or moderate-income individuals;
- 3) The availability and effectiveness of alternative systems for delivering retail banking services (*e.g.*, RSFs, RSFs not owned or operated by or exclusively for the bank, banking by telephone or computer, loan production offices, and bank-at-work or bank-by-mail programs) in low- and moderate-income geographies and to low- and moderate-income individuals; and
- 4) The range of services provided in low-, moderate-, middle-, and upper-income geographies and the degree to which the services are tailored to meet the needs of those geographies.

The bank's community development services are evaluated pursuant to the following criteria:

- 1) The extent to which the bank provides community development services; and
- 2) The innovativeness and responsiveness of community development services.

SCOPE OF EVALUATION

Banesco USA	
Scope of Examination: Full scope reviews were performed on the following assessment areas within the noted rated areas: State of Florida: Miami-Miami Beach-Kendall, FL MD Assessment Area Commonwealth of Puerto Rico: San Juan-Bayamon-Caguas, PR MSA Assessment Area	
Time Period Reviewed:	08/12/19 to 06/07/22
Products Reviewed: Home Mortgage Loans: Time period reviewed (01/01/21 – 12/31/21) Small Business Loans: Time period reviewed (01/01/20 – 12/31/21)	

List of Assessment Areas and Type of Evaluation			
Rated Area/ Assessment Area	Type of Evaluation	Branches Visited	Other Information
State of Florida: Miami-Miami Beach-Kendall, FL MD Assessment Area	Full-scope	None	None
Commonwealth of Puerto Rico: San Juan-Bayamon-Caguas, PR MSA Assessment Area	Full-scope	None	None

SUMMARY OF RATINGS FOR RATED AREAS

Rated Area	Lending Test	Investment Test	Service Test	Rating
Florida	High Satisfactory	High Satisfactory	Low Satisfactory	Satisfactory
Puerto Rico	High Satisfactory	Low Satisfactory	Low Satisfactory	Satisfactory

GLOSSARY

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

American Community Survey (ACS): A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment Area: A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

Community Development: For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies.

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Bank CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Community Development Loan: A loan that:

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose bank:
 - (i) Has not been reported or collected by the bank or an affiliate for consideration in the bank's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
 - (ii) Benefits the bank's assessment area(s) or a broader statewide or regional area including the bank's assessment area(s).

Community Development Service: A service that:

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the bank's retail banking services under § 345.24(d).

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Core Based Statistical Area (CBSA): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

Distressed Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

- (1) An unemployment rate of at least 1.5 times the national average;
- (2) A poverty rate of 20 percent or more; or
- (3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

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 non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family 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).

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Full-Scope Review: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity, and responsiveness).

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 statute that 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 such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

Home Mortgage Loans: Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Limited-Scope Review: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area.

Performance under applicable tests is often analyzed using only quantitative factors (for example, geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

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

Low Income Housing Tax Credit: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Micropolitan Statistical Area: CBSA associated with at least one urbanized area having a population of at least 10,000, but less than 50,000.

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

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

Multi-family: Refers to a residential structure that contains five or more units.

Nonmetropolitan Area (also known as non-MSA): All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

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 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.

Rural Area: Territories, populations, and housing units that are not classified as urban.

Small Business Investment Company (SBIC): SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

Small Business Loan: A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

Underserved Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area’s population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

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

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

“Urban” excludes the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.