



PUBLIC DISCLOSURE

December 31, 2014

Evaluation Period: July 1, 2010 – December 31, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Morgan Stanley Private Bank, N.A.
Charter Number: 24981

2000 Westchester Avenue
Purchase, New York

Office of the Comptroller of the Currency

Large Bank Supervision
400 7th Street Southwest
Washington, DC 20219

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, and should not 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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General Information and Overall CRA Rating

General Information

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority, when examining financial institutions subject to its supervision, to assess the institution’s record of meeting the credit needs of its entire community, including low- and moderate-income (LMI) families and geographies, consistent with the safe and sound operation of the institution. Upon conclusion of such evaluation, the agency must prepare a written evaluation of the institution’s record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of Morgan Stanley Private Bank, National Association (MSPBNA or the Bank) issued by the Office of the Comptroller of the Currency (OCC), the institution’s primary supervisory agency, for the evaluation period from July 1, 2010 ending December 31, 2014. The OCC rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

Overall CRA Rating

Institution’s CRA Rating: This institution is rated **Outstanding**.

The following table indicates the performance level of **Morgan Stanley Private Bank, N.A. (MSPBNA)** with respect to the Lending, Investment, and Service Tests:

Performance Levels	Morgan Stanley Private Bank, N.A. Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding		X	X
High Satisfactory	X		
Low Satisfactory			
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 major factors that support this rating include:

- MSPBNA’s performance during both CRA strategic plan periods was excellent. The Bank exceeded goals for an Outstanding rating for the CRA strategic plan portion of the evaluation period based on the volume of community development activities.
- MSPBNA’s Investment Test performance was excellent due to the high volume of qualified investments, excellent responsiveness to community development needs,

and occasional use of innovative or complex investments throughout the evaluation period. Moreover, the Bank exceeded goals for an Outstanding rating for the CRA strategic plan portion of the evaluation period.

- Service Test performance was excellent because of strong community development services throughout the evaluation period. MSPBNA's community development services volume is excellent for the large bank portion of the evaluation period and exceeded goals for an Outstanding rating for the CRA strategic plan portion of the evaluation period.
- MSPBNA's lending performance was good during the large bank portion of the evaluation period because of a significantly positive level of community development lending that elevated otherwise adequate lending performance to the good level. Several performance context factors affected MSPBNA's retail lending performance levels evaluated under the large bank test, as explained in the "Rating Area" section. The excellent level of community development lending throughout the entire evaluation period was consistent with the Bank's primary business model and was a significant consideration in the overall Lending Test rating.

Refer to Tables 1-15 in Appendix D for the facts and data that support test conclusions.

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

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 MA/assessment area.

Census Tract (CT) (2010 through 2011 evaluation period): 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 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.

Census Tract (CT) (2012 through 2014 evaluation period): Small, relatively permanent statistical subdivisions of a county delineated by local participants as part of the U.S. Census Bureau's Participant Statistical Areas Program. The primary purpose of CTs is to provide a stable set of geographic units for the presentation of decennial census data. CTs generally have between 1,500 and 8,000 people, with an optimum size of 4,000 people.

Community Development (CD): Affordable housing (including multifamily rental housing) for low- or moderate-income (LMI) 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 LMI 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) LMI geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved non-metropolitan 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 LMI individuals.

Community Reinvestment Act (CRA): the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

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.

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, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

Full Review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Census Bureau 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 applications, the amount of loan requested, and the disposition of the application (e.g., approved, denied, and withdrawn). Beginning in 2004, the reports also include data on loan pricing, the lien status of the collateral, any requests for preapproval and loans for manufactured housing.

Home Mortgage Loans: Such loans include home purchase, home improvement and refinancing, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100% tabulations, the count of households always equals the count of occupied housing units.

Limited Review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

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

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 MA/assessment area.

Median Family Income (MFI) (2010 through 2011 evaluation period): The median income determined by the U.S. Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Median Family Income (MFI) (2012 through 2014 evaluation period): The median income derived from the United States Census Bureau's American Community Survey data every 5 years and used to determine the income level category of geographies. Also, it is the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level of individuals within a geography. For any given geography, the median is the point at which half of the families have income above it and half below it.

Metropolitan Area (MA): Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget, and any other area designated as such by the appropriate federal financial supervisory agency.

Metropolitan Division (MD): As defined by Office of Management and Budget, a county or group of counties within a Metropolitan Statistical Area that contains a population of at least 2.5 million. A Metropolitan Division consists of one or more counties that represent an employment center or centers, plus adjacent counties associated with the main county or counties through commuting ties.

Metropolitan Statistical Area (MSA): An area, defined by the Office of Management and Budget, as having at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties, plus adjacent outlying counties having a high degree of social and economic integration with the central county as measured through commuting.

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

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

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

Other Products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA evaluation. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

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.

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

Small Loan(s) to Business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

Small Loan(s) to Farm(s): 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, or are classified as loans to finance agricultural production and other loans to farmers.

Tier One Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

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

Description of Institution

MSPBNA is a federally chartered bank, incorporated as a national association headquartered in Purchase, New York (Westchester County) and is a wholly owned subsidiary of Morgan Stanley Delta Holdings LLC (MSDH). MSDH is an indirect wholly owned subsidiary of Morgan Stanley & Company (Morgan Stanley). The OCC regulates MSPBNA and the Federal Deposit Insurance Corporation (FDIC) insures its qualifying deposits. The Bank accepts certain deposit accounts used to fund lending activities and invest in securities. MSPBNA offers products to customers of its affiliates and Morgan Stanley's employees.

The Bank has no subsidiaries. There are no branches or ATMs and the Bank does not engage in many typical retail deposit activities. A limited service trust office is located in Wilmington, Delaware and some administrative offices are located in New York, NY.

Morgan Stanley, the parent company, is a global financial services firm with over 55,000 employees providing a wide range of securities, investment banking, investment management, and wealth management services. Morgan Stanley, based in New York, NY, serves clients worldwide including corporations, governments, institutions and individuals in 43 countries. Morgan Stanley's assets were \$802 billion as of December 31, 2014 and net income for 2014 was \$3.5 billion.¹ Morgan Stanley ranked as the 16th largest bank holding company in the USA by domestic deposits in 2013, up from 17th in 2012. Morgan Stanley is also the parent of Salt Lake City-based Morgan Stanley Bank, N.A.

During the second quarter of 2010, Morgan Stanley received approval from the OCC to convert Morgan Stanley Trust, Jersey City (MST) to a national bank, MSPBNA. During the second quarter of 2013, Morgan Stanley received approval for a CRA Strategic Plan for June 1, 2013 through June 30, 2014. During the second quarter of 2014, Morgan Stanley received approval for a CRA Strategic Plan for July 1, 2014 through June 30, 2019.

Following conversion to a national bank, MSPBNA experienced rapid growth because of Morgan Stanley's joint venture with, and later acquisition of, Smith Barney. During the evaluation period, Bank assets increased from \$7.2 billion as of September 30, 2010 to \$27.4 billion as of December 31, 2014. As of December 31, 2014, MSPBNA had net loans and leases of \$18.6 billion, total deposits of \$23.3 billion, net Tier One Capital of \$2.5 billion, and total net income of \$120 million for the 12 months ending December 31, 2014. As of the same date, brokered deposits totaled nearly \$21.4 billion while core deposits totaled only \$1.9 billion.

There are no known legal, financial or other factors that affect the Bank's ability to meet the credit and community development needs of its assessment area.

From July 1, 2010 to May 31, 2013, MSPBNA sought to meet performance objectives set forth under the CRA large bank test, which assesses the Bank's record of helping to meet community credit needs through retail lending and community development lending, investment and services. During the first few months of starting up its operation in 2010, the Bank did not originate HMDA-reportable loans. From June 1, 2013 to June 30, 2014, MSPBNA operated under CRA Strategic Plan I. Beginning July 1, 2014, MSPBNA operated

¹ Morgan Stanley Form 10-K for the year ended December 31, 2014

under CRA Strategic Plan II. Both strategic plans define goals for community development lending, investment and services for Outstanding and Satisfactory performance levels.

One-to-four family non-conforming mortgages are booked on the financial statements of the Bank. Morgan Stanley and the Bank have put in place a program to meet the credit needs of the assessment area (AA), the broader statewide and regional areas, and nationally through community development lending, investments and services. Bank and affiliate employees collaborated with nonprofit organizations in the AA to provide community development services, including board memberships, financial technical assistance, financial education, etc. The program relies on community development activities delivered by Bank affiliates for the benefit of its AA.

Community development activities are booked on the financial statements of Bank affiliates. The following legal vehicles primarily provide community development activities:

- Morgan Stanley & Co. provides equity financing and philanthropic contributions to support LMI communities and neighborhood revitalization efforts;
- Morgan Stanley Bank, N.A. provides debt financing that supports affordable housing and LMI communities;
- Morgan Stanley International Holdings Inc. provides equity to support economic development;
- Morgan Stanley Mortgage Capital Holdings LLC provides community development investments;
- Morgan Stanley Municipal Funding Inc. makes investments (for example, purchase of housing bonds) that provide support for affordable housing;
- Morgan Stanley Community Investments LLC, Morgan Stanley's community development corporation, provides debt financing to meet the needs of LMI geographies and individuals; and
- Morgan Stanley Foundation provides contributions and other philanthropic assistance to nonprofit organizations as a means to help strengthen local communities.

There was no prior CRA evaluation; this is the first evaluation of the Bank's performance under the CRA.

Scope of the Evaluation

The OCC evaluates a financial institution's activities under the CRA based on information about —

- The institution: Its capacity, constraints, business strategies, competitors, and peers; and
- The community: Its demographic and economic data, and lending, investment, and service opportunities.

Evaluation Period and Products Evaluated

This Performance Evaluation is a hybrid of the large bank CRA performance criteria and the CRA strategic plan performance criteria. In evaluating the performance of the Bank under

CRA, we reviewed retail lending and community development activities from July 1, 2010 through December 31, 2014. We reviewed the level and nature of community development lending, investments and services. At the Bank's request, we considered community development lending, investment and services provided by its affiliates. Refer to Appendix A for a complete list of affiliates.

The evaluation period was July 1, 2010 through December 31, 2014. The evaluation period covers activities conducted by the Bank under the large bank CRA performance criteria and under two CRA strategic plans. MSPBNA's evaluation under the large bank CRA performance criteria is from July 1, 2010 to May 31, 2013. The evaluation period includes demographic data from both the 2000 Census (compared to bank data from 2011) and 2010 Census (compared to bank data from 2012 and 2013, which will be referenced as 2012/13). The 2010 Census resulted in changes in demographic data and census tract income resulting in separate analysis for 2011 and 2012/13. The large bank evaluation includes retail lending, community development loans, investments and services. The Lending Test evaluates a bank's record of helping meet the credit needs of its AA through its lending activities.

MSPBNA's evaluation under the first CRA strategic plan was for the period from June 1, 2013 to June 30, 2014 and under the second CRA strategic plan was for the period from July 1, 2014 to December 31, 2014. The strategic plan establishes measurable goals for a combination of community development loans, investments, and services. The Bank's performance under the strategic plans is included in the overall rating for this evaluation.

Lending conclusions for home purchase and home refinance mortgages are from data reported under the Home Mortgage Disclosure Act (HMDA). MSPBNA originates a limited volume of home improvement and multifamily mortgages, which precludes any meaningful analysis. Home improvement and multifamily mortgages data are presented in the tables in Appendix D for informational purposes. The Bank did not originate or purchase any home multifamily loans in 2011. For multifamily loans meeting the community development definition, evaluation is under the lending criteria for community development. The Bank does not offer small loans to businesses or farms under the Community Reinvestment Act (CRA) as this is not part of the strategic focus for lending.

We reviewed the level and nature of community development lending, investments, and services. At the Bank's request, we also considered community development lending, investments, and services provided by its affiliates.

If a bank has been responsive to needs and opportunities in its assessment area, the OCC considers community development activities the bank submits that may benefit broader-statewide or regional area, which includes its AA in the evaluation of its performance. The Bank has been responsive to the needs of its AA, and, therefore, community development loans and investments in the broader statewide and regional areas are considered in evaluating the Bank's performance.

This evaluation relies upon records and reports provided by MSPBNA, publicly available financial information, demographic data, and information gathered as part of the evaluation process, including recent community contacts. The OCC evaluated the Bank's and its affiliates community development performance in the context of the following:

- The current economic environment;
- Demographic characteristics of its AA;
- Institution financial resources and constraints;
- Institution product offerings and business strategy;
- Information derived from community contacts; and,
- Performance of any similarly situated institutions.

Data Integrity

We tested the accuracy of the Bank's community development lending, investment, and services and determined that each met the definition of community development. Our testing concluded no substantive inaccuracies with any errors corrected prior to our evaluation. The Consumer Financial Protection Bureau (CFPB) evaluated HMDA data accuracy for 2012 and did not identify any reporting errors.

Selection of Areas for Full-Scope Review

MSPBNA has only one assessment area (AA). The Bank's overall rating is for selected counties within the state of New York, specifically, the assessment area defined by management and described in the "Description of the Assessment Area" section.

Ratings

The Bank's overall rating is a blend of the large bank performance standards and strategic performance plans. We placed somewhat more weight on the large bank performance for the Lending Test as the Bank operated under the large bank procedures slightly longer than the strategic plan. However, the excellent strategic plan performance significantly influenced the overall lending rating elevating otherwise adequate performance during the period analyzed under the large bank standards to good performance for the combined large bank and strategic plan evaluation period. For the Investment and Service Tests, there is no weighting differential because the bank's performance for both the large bank procedures and strategic plan periods emphasizes the bank's community development activities provided by MSPBNA and its affiliates to the AA. Community development investment and services were excellent under both the large bank standards and strategic plan.

Other Information

Assessment Area

We determined that the AA consisted of whole geographies and met the requirements of the regulation. The area reasonably reflects the trade area that the Bank services and does not arbitrarily exclude any low- or moderate-income (LMI) areas based on MSPBNA's one non-retail office.

Lending Test

For mortgage products, refinance loans received greater weight than home purchase as refinance mortgages represented a larger portion of MSPBNA's portfolio. The Bank did not originate a sufficient number of home improvement or multifamily loans to analyze. Where the

Bank did originate home improvement or multifamily loans, the data is in the tables in Appendix D for informational purposes. We gave more weight to the Bank's performance for HMDA products during 2012/13 than during 2011, as 2012/13 represents both a longer time-period and larger volume of lending.

We gave equal weighting to the geographic and borrower distribution components of the Lending Test. The volume of community development loans and the degree of responsiveness to the needs of the community were significantly positive for the Lending Test as described in the community development conclusions under the large bank portion of this evaluation.

In our analysis of the distribution of loans to geographies with different income levels, equal consideration to the Bank's performance in low- and moderate-income tracts is given. For borrower distribution, the Bank's performance in lending to low- and moderate-income borrowers also receives equal weighting.

Lending Gap Analysis

We reviewed summary reports of MSPBNA's lending for home mortgages for the entire period covered by the large bank analysis. Given the Bank's typical customer base and the relatively low percentage of owner-occupied housing units in the assessment area, MSPBNA did not lend in a majority of the census tracts within the assessment area. However, we did not identify any unexplained conspicuous gaps in lending within low- and moderate-income tracts. Nonetheless, we also noted that MSPBNA did extensive community development lending throughout the AA, including in LMI areas. Some of the community development lending that the bank conducted in 2013 was intended specifically to compensate for relatively low HMDA-loan purchases.

Inside/Outside Ratio

We considered the volume of loans made inside MSPBNA's AA as neutral. Lending inside the AA is limited for home mortgage loans for 2011, 2012, and until May 31, 2013 for several reasons. First, MSPBNA is a de novo institution with operations commencing in 2010 in a region that is already heavily banked. Second, MSPBNA has no traditional delivery system, no branches, no web, or mobile applications. Virtually all loan customers of MSPBNA are referred to the Bank through a financial advisor of Morgan Stanley Smith Barney. This non-traditional delivery method for loans through Morgan Stanley Smith Barney results in customers from all over the United States and limited lending directly within the AA. A vast majority of community development lending and investment was, however, within the MSPBNA's AA, with the remainder in broader statewide and regional areas.

Flexible Loan Programs

The availability of flexible loan programs had a neutral impact on the lending rating. MSPBNA does not offer any special purpose loan programs.

Investment Test

We considered the volume (number and dollar amount) of investments and grants made during the evaluation period. Unfunded commitments to invest in Low-Income Housing Tax Credit partnerships or funds are included because these are unconditional, legally binding commitments to invest, and recorded on the institution's financial reporting system at the time of the evaluation. As this is the first CRA performance evaluation for the Bank, there were no

prior period investments to evaluate. We also evaluated how responsive the investments were to the identified community development needs and opportunities. In addition, we evaluated the innovativeness and complexity of qualified investments. Investments made in the Bank's broader statewide and regional areas that include the Bank's AAs also received consideration in the evaluation.

Service Test

We placed the most weight on the Bank's community development services in determining the Service Test rating rather than on retail services. MSPBNA's retail banking services (i.e., retail branch locations) are not significant to the Service Test rating. This is because the one banking office is the main office/headquarters, with no branches or ATMs. The Bank has its main office in the assessment area, which is located on a suburban business campus in Westchester County, and is not a traditional, retail banking office.

Description of Assessment Area

The CRA requires financial institutions to delineate one or more AAs. The regulatory agencies will evaluate the institution's record of helping to meet the credit needs of the AAs. Generally, an AA must consist of one or more metropolitan areas or contiguous political subdivisions, such as counties, cities, or towns, in which a bank has its main office, branches, and deposit-taking remote service facilities (e.g., ATMs).

During the course of the evaluation period, MSPBNA changed its assessment area. From July 2010 until June 2014 (the period that coincides with the Large Bank portion of the examination and CRA Strategic Plan I), the Bank's assessment area consisted of the New York counties within the New York-Wayne-White Plains, NY-NJ Metropolitan Division (35644) of the New York-Northern New Jersey-Long Island, NY-NJ-PA Metropolitan Statistical Area (35620). Specifically, the AA contained the following counties: 1) New York City Counties - Bronx County; Kings County (Brooklyn); New York County (Manhattan); Queens County; and Richmond County (Staten Island) and 2) New York Suburban Counties - Rockland County; Westchester County; and Putnam County (Assessment Area I).

Beginning July 1, 2014 (the period covered by CRA Strategic Plan II), the Bank changed its assessment area to include six New York counties within the New York-Jersey City-White Plains, NY-NJ Metropolitan Division (35614) of the New York-Newark-Jersey City, NY-NJ-PA Metropolitan Statistical Area (35620). Specifically, the AA contained the following counties: 1) New York City Counties - Bronx County; Kings County (Brooklyn); New York County (Manhattan); Queens County; and Richmond County (Staten Island) and 2) New York Suburban County: Westchester County (Assessment Area II). The Bank defined the revised assessment area in response to the revised delineations of statistical areas announced in the Office of Management and Budget Bulletin No. 13-01 (released February 13, 2013), as well as for business strategy and available market opportunities.

Both delineations of the assessment area include New York City (NYC), which is the most populous as well as the most densely populated city in the United States with over 8.4 million people in a land area of just over 300 square miles. NYC is the center of the New York metropolitan area and is located in the Northeast United States at the mouth of the Hudson River. NYC exerts a significant impact upon art, commerce, education, entertainment, fashion

and finance. Home to the headquarters of the United Nations, NYC is an important center for international diplomacy. Many consider NYC to be the cultural and financial capital of the world. Major employers include government, public utilities, financial services, shipping and transportation, light manufacturing, service-producing businesses, and wholesale and retail businesses, including major corporations.

The New York City marketplace, including MSPBNA's AA, is heavily banked. As of June 30, 2013, there were over 120 depository institutions operating in the MSPBNA AA, including branches from the top five bank holding companies in the country. Deposits are heavily concentrated, with the top five institutions holding over 70 percent. MSPBNA's deposit market share in the AA as of June 30, 2013 was approximately 1.5 percent.

Housing affordability in the assessment area remains a challenge, particularly for low- and moderate-income families. MSPBNA's assessment area is a high-cost housing area.² The median sales price of existing single-family homes in the New York metropolitan division was over \$440 thousand for 2011 and over \$465 thousand for 2013.³ When compared to the national average of \$197 thousand for 2013, this highlights the high cost of home ownership in the assessment area. This makes homeownership a challenge for low- and moderate-income families who have annual incomes less than \$33,000 and \$52,800, respectively, based on 2010 census data.

MSPBNA's assessment area is primarily a rental housing market. Approximately 62 percent of the assessment area's occupied housing units are rental units. However, there are significant differences between the NYC counties and Westchester County with only 38 percent of the occupied housing units in Westchester County being rental units. Nearly 60 percent of housing in the assessment area is multifamily, with the majority in New York City. While in Westchester County, only 30 percent of housing is multifamily.⁴

Affordable rental housing is also a challenge in the assessment area. Between 2010 and 2012, median apartment rents in New York City rose by 75 percent, while the real median income of New York City households decreased by almost 5 percent.⁵

Additional evidence supporting the lack of affordable housing in New York City is the record number of homeless individuals and families. According to the U.S. Department of Housing and Urban Development and as reported by the Wall Street Journal: "An average of more than 50,000 people slept each night in New York City's homeless shelters for the first time in January [2013], a record that underscores an unsettling national trend: a rising number of families without permanent housing...New York City has seen one of the steepest increases in homeless families in the past decade, advocates said, growing 73% since 2002."⁶ Similarly, in excess of 60 thousand people were homeless in New York City in 2014, according to the U.S. Department of Housing and Urban Development.⁷

2 Federal Housing Finance Agency, HERA Loan Limits for 2014: Summary of High-Cost Areas, November 2013.

3 National Association of Realtors, 2011-2013 updated housing costs.

4 U.S. Census Bureau, 2013 Assessment Area Demographics, September 2013.

5 Stringer, Scott M., Office of the New York City Comptroller, *The Growing Gap: New York City's Housing Affordability Challenge*, April 2014. Real income is an inflation-adjusted figure.

6 Saul, Michael Howard, *New York City Leads Jump in Homelessness*, The Wall Street Journal, March 4, 2013 and The U.S. Department of Housing and Urban Development, Office of Community Planning and Development, *The 2013 Annual Homeless Assessment Report (AHAR) to Congress*, November 2013

7 The U.S. Department of Housing and Urban Development, Office of Community Planning and Development, *The 2014 Annual Homeless Assessment Report (AHAR) to Congress*, October 2014

Community Contacts

The OCC's Community Affairs officers completed or updated community contact information regarding community needs in the AA during the evaluation period. We also reviewed and discussed with Bank management community needs identified through Morgan Stanley's Community Development Advisory Board (CDAB). CDAB members include leaders from nonprofit and community development-focused organizations. The identified community development needs in the AA, based on community contact information and information obtained from Bank management, include the following:

- Affordable housing (rental and homeownership);
- Letters of credit for affordable housing builders;
- Rehabilitation funding for multifamily housing;
- Community development lending;
- Capacity building for nonprofits; and,
- Foreclosure prevention.

The opportunities for community development participation within the assessment area are broad. There are numerous community development and governmental organizations representing affordable housing, economic development, and services to low- and moderate-income families.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c) and 195.28(c), in determining a national bank's (bank) or federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Consumer Financial Protection Bureau.

The OCC did not identify evidence of discriminatory or other illegal credit practices with respect to this institution.

The OCC will consider any evidence of discriminatory or other illegal credit practices relative to this institution that other regulators may provide to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information provided concerns activities that occurred during the evaluation period addressed in this performance evaluation.

Rating Area: New York Counties

CRA rating for the New York Counties: Outstanding

The Lending Test is rated: High Satisfactory

The Investment Test is rated: Outstanding

The Service Test is rated: Outstanding

The major factors that support this rating include:

- MSPBNA provided excellent responsiveness to the community development needs of the assessment area through the volume of qualified investments; and exceeded its CRA strategic plan goals for excellent performance when originating qualified community development investments.
- Bank employees provided an excellent level of community development services. Moreover, the Bank exceeded its CRA strategic plan goals for excellent performance when providing community development services.
- MSPBNA exceeded its goals for excellent community development lending under its CRA strategic plans.
- CD lending had a significantly positive impact on the Lending Test. The excellent CD lending activity throughout the evaluation period elevated the otherwise adequate performance to a good level and had a positive impact on the Lending Test rating.
- Lending activity is good, considering the Bank's non-traditional distribution network (no branches) and establishing mortgage lending activities as a new bank.
- The geographic distribution of loans is good, considering the relatively low percentage of owner-occupied housing units and the strong lending competition in the assessment area.

Description of Institution's Operations in the Rating Area

MSPBNA has only one location - its headquarters, and no branches or ATMs in the rating area. Its headquarters location is not a typical retail banking location, as it is located in a suburban business campus in an otherwise traditional office building. MSPBNA does not rely on a branch office network to deliver banking services and MSPBNA provides limited retail products. As explained in detail in the "Description of the Assessment Area" section of this evaluation, the Bank changed the delineation of its rating area during the evaluation period by excluding two suburban New York state counties. Nonetheless, the New York City counties and Westchester County remained in the rating area throughout the evaluation period.

LENDING TEST

Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the Lending Test for the New York Counties is rated High Satisfactory. Based on a full-scope review, the Bank's performance is good. The excellent level of CD lending activity throughout the evaluation period elevated adequate lending performance to a good level and had a positive impact on the Lending Test rating.

Lending Activity

Refer to Tables 1 Lending Volume in the New York Counties of Appendix D for the facts and data used to evaluate lending activity.

Lending activity is good for the combined performance of community development lending throughout the entire evaluation period and HMDA lending, especially considering the strong competition in the assessment area. Excellent community development lending compensates for the adequate HMDA lending activity performance and elevates lending activity performance overall.

Community development lending for 2011 through May 31, 2013 and during the strategic plan portion of this evaluation was excellent within the AA. The high cost of homeownership in the AA, coupled with the need for affordable rental housing, led MSPBNA to concentrate on community development. As a result, the Bank focused on CD lending as a product that could help to meet community development needs. Through its CD lending, the Bank demonstrated its responsiveness to those community development needs, and in particular, the need for multifamily affordable rental housing. This performance is within a highly competitive banking environment with over 120 depository institutions in the AA, including most of the largest banks in the country, competing for CD lending opportunities. Refer to comments under **Community Development Lending** for additional details.

Lending activity for HMDA is adequate based on the volume of mortgage lending within the AA and considering several performance context factors, which limited the volume of HMDA lending. First, MSPBNA's distribution network for home mortgage loans is not traditional. MSPBNA's business strategy is to offer loans primarily to customers of Morgan Stanley Smith Barney (MSSB), a wealth management affiliate, through MSSB financial advisors and to Morgan Stanley employees. MSSB has offices throughout the country resulting in lending well beyond MSPBNA's AA borders. In addition, MSPBNA does not have any traditional branches and does not offer mortgages via electronic alternatives similar to other lending institutions competing in the AA. Moreover, MSPBNA is a de novo bank started in 2010 and, therefore, management needed to develop its client-lending base. Unlike institutions that grow assets rapidly through bank mergers and acquisitions, MSPBNA's rapid deposit growth resulted primarily from the acquisition of deposits from MSSB. In addition, unlike a bank merger or acquisition, MSSB provided primarily deposits and no CRA assets or established CRA lending pipeline to the bank. Moreover, lending competition is strong with many nationally

based lenders having no deposit presence in the AA. Finally, as of June 30, 2013, 81 percent of the Bank's total deposits were brokered deposits. Given that mortgages are provided to customers throughout the country, the source of the deposits gathered through MSSB may be from anywhere in the country as well.

Despite strong and relatively concentrated competition, the Bank achieved good market share rankings with respect to both home purchase and home refinance loans. There were 456 and 511 lenders originating home purchase and refinance loans, respectively, in 2013. MSPBNA's market share for purchase mortgages, based on the number of loans originated and purchased, is 0.30 percent and ranks 53rd out of 456. This performance placed the Bank in the top 12 percent of all home purchase lenders. The combined market share for the top three lending institutions for purchase mortgages by number of originations is 42 percent. MSPBNA's market share for refinance loans based on the number of loans originated is 0.58 percent and ranks 28th out of 511. This performance placed the Bank in the top 6 percent of all home refinance lenders. The combined market share for the top three lending institutions for refinance loans by number of mortgages is 30 percent.

The lending market share, based on 2013 Peer Mortgage Data, is not similar to the deposit market share based on the larger number of lenders versus deposit-taking institution within the AA. MSPBNA's market share of deposits was 1.50 percent as of June 30, 2013. All of MSPBNA's deposits are attributed to its defined AA and are from Bank affiliates as opposed to individual retail customers located within the AA - meaning that while the deposits are attributed to the AA, the actual location of deposit owners may not be within the AA. As of June 30, 2013, 81 percent of the Bank's total deposits were brokered deposits. Market share of deposits for the top three institutions is over 60 percent and for the top five is over 70 percent as of June 30, 2013. Given that there were so many national home mortgage lenders competing in this market, this type of market share analysis for this institution provides little value in evaluating its performance.

Distribution of Loans by Income Level of the Geography

The overall geographic distribution of loans is good because of home mortgage lending. Refer to Tables 2, 3, 4, and 5 in Appendix D for the facts and data used to evaluate the geographic distribution.

The distribution of home purchase and home refinancing loans to geographies of different income levels is good, especially considering the relatively low percentage of owner-occupied housing units and the strong lending competition in the assessment area. This is the result of overall good home purchase and home refinancing distribution for the large bank evaluation period. The geographic distribution of home purchase loans in 2011 was excellent as the Bank's percentage of lending exceeded the percentage of owner-occupied housing units in both low-income and moderate-income geographies. The geographic distribution of home purchase loans in 2012/13 was adequate as the Bank's percentage of lending was below the percentage of owner-

occupied housing units in moderate-income geographies and was well below the percentage of owner-occupied housing units in low-income geographies.

The geographic distribution of home refinance loans in 2011 was adequate as the Bank's percentage of lending was below the percentage of owner-occupied housing units in both low-income and moderate-income geographies. The geographic distribution of home refinance loans in 2012/13 was excellent as the Bank's percentage of lending exceeded the percentage of owner-occupied housing units in low-income geographies and approximated the percentage of owner-occupied housing units in moderate-income geographies. A relevant performance context factor, which affected home mortgage lending performance, was the relatively low percentage of owner-occupied housing units in the assessment area. As noted in the "Description of the Assessment Area" section, over 60 percent of all housing units in the assessment area are rental units as compared to the national average of approximately 35 percent for rental units.

For home purchase loans in 2011, the Bank's market share in both low-income and moderate-income geographies exceeded the Bank's overall market share within the assessment area. For home purchase loans in 2012/13, the Bank's market share in both low-income and moderate-income geographies was significantly below the Bank's overall market share within the assessment area. However, the market share percentages are not significant enough to draw a meaningful conclusion for this type of analysis. As a result, we gave little weight to this analysis.

For home refinance loans in 2011, the Bank's market share in low-income geographies was near to the Bank's overall market share within the assessment area and the Bank's overall market share in moderate-income geographies exceeded the Bank's overall market share within the assessment area. For home refinance loans in 2012/13, the Bank's market share in both low-income and moderate-income geographies was significantly below the Bank's overall market share within the assessment area. However, the market share percentages are not significant enough to draw a meaningful conclusion for this type of analysis. As a result, we gave little weight to this analysis.

Inside/Outside Ratio

The Bank originated or purchased a low volume of home mortgage loans within the assessment area. In 2011, MSPBNA originated or purchased 12.4 percent and 7.4 percent of its overall purchase and refinance mortgages, respectively, within the AA. In 2012/13, MSPBNA originated or purchased 8.1 percent and 6.3 percent of its overall purchase and refinance mortgages, respectively, within the AA. The low volume of mortgages originated or purchased within the AA is consistent with the Bank's structure and business strategy. Because of this, the low volumes had a neutral impact on the overall geographic distribution conclusion. MSPBNA offers mortgages to clients of MSSB, nationwide, and employees with no traditional branch distribution system or alternative internet application processes.

Distribution of Loans by Income Level of the Borrower

The distribution of home purchase and refinancing loans to borrowers of different income levels is adequate after considering the high cost of housing and the high level of poverty in the assessment area as well as the comparatively limited mortgage lending business model of the Bank. Refer to Tables 8, 9, and 10 in Appendix D for the facts and data used to evaluate borrower distribution.

As discussed in the “Description of the Assessment Area” section, economic data show that the median sales price of existing single-family homes in the AA was over \$460 thousand in 2013. Coupled with a poverty level of 17-18% of the households in the area during the evaluation period, housing affordability remains a challenge for many borrowers, especially low- and moderate-income borrowers. The updated 2010 median family income for the AA indicates that a low-income individual earns less than \$33,000 a year and a moderate-income borrower earns less than \$52,800 a year. In addition, the supply of owner-occupied units is constrained as more than half of all housing units in the AA are rentals. In addition, MSPBNA offers loans primarily to customers of MSSB, a wealth management affiliate, and to Morgan Stanley employees. Moreover, MSPBNA does not have a traditional branch distribution system and does not offer mortgages via electronic alternatives as other lending institutions competing in the same AA. Finally, MSPBNA is a de novo bank started in 2010 and, therefore, needed to develop its client-lending base, and, as a new institution did not purchase many loans for evaluation under CRA. Although performance is generally well below demographics, after considering these critical performance context factors, home purchase and home refinance lending is adequate. Details for the actual distribution of loans by income level of borrower prior to consideration of these performance context factors are shown below.

The distribution of home purchase loans to borrowers of different income levels was adequate after considering the performance context factors previously discussed. Based solely on the numbers in the Tables of Performance Data, home purchase lending performance was poor overall for the evaluation period. In 2011, performance was adequate with very poor lending performance to low-income borrowers which offset otherwise excellent performance to moderate-income borrowers. Home purchase lending to low-income borrowers was significantly below the demographics while home purchase lending to moderate-income borrowers exceeded the demographics in 2011. Home purchase lending in 2012/13 was poor because lending to low-income borrowers was significantly below the demographics while home purchase lending to moderate-income borrowers was lower than the demographics.

The distribution of home refinance loans to borrowers of different income levels was adequate after considering the performance context factors previously discussed. Based solely on the numbers in the Tables of Performance Data, home refinance lending performance was poor overall for the evaluation period. In 2011, home refinance lending to both low-income and moderate-income borrowers was significantly below the demographics and, as a result, very poor. Overall, for 2012/13, the distribution of home refinance loans was poor. This is due to very poor lending

performance to low-income borrowers, which was significantly below the demographics, and adequate home refinance lending to moderate-income borrowers, which was slightly below the demographics in 2012/13.

For home purchase and home refinance loans in 2011 as well as in 2012/13, the Bank's market share in both low-income and moderate-income geographies was significantly below the Bank's overall market share within the assessment area. However, the market share percentages are not significant enough to draw a meaningful conclusion for this type of analysis. As a result, we gave little weight to this analysis.

Product Innovation and Flexibility

MSPBNA's use of product innovation and flexibility has a neutral impact. MSPBNA does not offer any innovative or flexible products directed to LMI geographies or borrowers. Please refer to comments under **Community Development Lending** for information on how MSPBNA met the needs of LMI geographies and borrowers beyond traditional mortgage lending.

MSPBNA collaborates with Carver Federal Savings Bank (New York City-based) on the design and implementation of the MSPBNA/Carver Home Loan Collaboration program, whereby MSPBNA provides one-to-four family mortgages as a retail banking service to Carver's LMI clients. Carver Bank is a Minority Depository Institution as well as a Community Development Financial Institution focused on providing banking services to underserved neighborhoods in New York City. The collaboration with Carver Federal Savings Bank produced a low volume of mortgage originations to LMI clients.

Community Development Lending

CD lending had a significantly positive impact on lending performance under the large bank procedures because of the volume of loans and responsiveness to community development needs.

Please refer to Tables 1 Lending Volume in Appendix D for the number and dollar amounts of community development lending during 2011 and 2012/13.

MSPBNA's CD lending throughout the large bank evaluation period (July 1, 2010 through May 31, 2013) consisted of 38 loans totaling \$274 million or 16 percent of total Tier One Capital as of June 30, 2013 (closest quarter end date to May 31, 2013). CD lending for the individual evaluation periods (2011 and 2012/13) compared to Tier One Capital (June 30, 2013) was 7 percent and 9 percent, respectively. During the evaluation period, the Bank experienced significant growth, including capital growth, and a comparison of 2011 CD lending to Tier One Capital in 2011 would have resulted in 11 percent CD lending.

MSPBNA's CD lending focused on the community development needs of the AA, the majority of dollars supported housing projects for LMI families. This included the construction of new and the renovations of existing housing, with a particular focus on

rental properties. The problem of multifamily affordable housing for LMI families is so significant that the city of New York and New York City community groups track and prioritize projects. New York City, through its Housing Preservation and Development Agency, created the “200 Most Distressed” list of housing buildings. MSPBNA provided financing to a number of the buildings on the “Most Distressed” list, including early financing to support acquisition of landlord abandoned buildings, which left LMI residents to deal with basic building maintenance and other issues. In this regard, the Bank was highly responsive to a critical need for affordable housing. MSPBNA’s CD lending in many cases provides flexible products and services, and in some cases leadership, such as providing interim bridge loans and initial financing to purchase distressed buildings.

The remainder of MSBPBA’s CD lending focused on entities that support small businesses.

Strategic Plan Evaluation – Community Development Lending

MSPBNA significantly exceeded its goals for excellent performance for community development lending under its strategic plans. During the Strategic Plan I assessment period, MSPBNA extended 20 loans for a total of \$165.4 million, which was over 270% of its goal. During the Strategic Plan II assessment period, the Bank extended 13 loans for a total of \$51 million, which was over 110% of its goal. Annual strategic plan goals relate to a percentage of assets.

Examples of community development loans that meet the AA needs include:

- A \$50 million loan to an affordable housing nonprofit that operates within the Bank’s assessment area.
- A \$10 million letter of credit to a nonprofit to support the rehabilitation of a physically and financially distressed affordable multifamily property in the Bank’s assessment area.
- A \$10 million loan to support the rehabilitation of ten buildings, consisting of 414 residential apartments. All units will be reserved for households earning below 60 percent of area median income in the Bank’s assessment area.
- A \$16 million loan to a nonprofit CDFI to fund a revolving loan facility that will support the acquisition of land and/or buildings used to create or preserve affordable housing in the Bank’s assessment area.
- A \$100 thousand loan to a small business nonprofit CDFI to provide assistance to small business in the Bank’s region.
- In partnership with a minority depository institution, a \$360 thousand mortgage loan in the Bank’s assessment area.

Conclusions for Areas Receiving Limited-Scope Reviews

There are no Limited-Scope areas for review.

INVESTMENT TEST

Conclusions for Areas Receiving Full-Scope Reviews

The Bank's performance under the Investment Test for the rating area is Outstanding. Based on a full-scope review, the Bank's performance is excellent for the large bank evaluation period and exceeded goals for Outstanding during the strategic plan evaluations. Refer to Tables 14 of Appendix D for the facts and data used to evaluate investment activity.

Investment test performance was excellent due to the high volume of qualified investments, excellent responsiveness to community development needs, occasional use of innovative or complex investments, and a high level of broader statewide area investments with benefit to the assessment area.

Qualified investments and grants made in or benefiting the assessment area totaled \$342.8 million during the Large Bank evaluation, including \$45.8 million in binding, unfunded investment commitments for Low-Income Housing Tax Credit projects. The majority of the qualified investments and grants focused on providing affordable housing and, to a lesser extent, community services to low- and moderate-income individuals. As such, the investments were responsive to the identified needs of the assessment area. In addition, we also considered \$504.5 million in investments and grants made in the broader statewide area with the potential to benefit the assessment area. Moreover, we also considered \$108 thousand in grants in the broader regional area with the potential to benefit the assessment area.

The Bank and its affiliates occasionally used innovative or complex qualified investments. We considered approximately \$55 million as serving needs not routinely provided by other private investors, including two investments totaling \$19.5 million for the purchase and renovation of distressed multifamily housing.

The Bank adequately addressed the needs of the assessment area and, as a result, we considered \$17 thousand in grants made in the broader statewide area.

Discussed below are qualified investments that are highly responsive to community development needs or where Bank management was innovative or took a leadership role.

In New York City, many multifamily rental properties, often located in low- and moderate-income communities, cannot cover normal operating expenses and meet their mortgage debt payments with their current rental income. As a result, many of these buildings run the risk of falling into disrepair and face mortgage default and foreclosure, becoming a drag on their communities and destabilizing their surrounding

neighborhoods. The Bank provided funds to community development organizations that focus on affordable housing for the purchase and rehabilitation of distressed multifamily affordable housing in New York City. One of these investments was for \$9.2 million while another was for \$10.2 million, along with approximately \$5 million in CD lending, which was considered under the Lending Test.

In addition, the Bank made a \$15 million equity investment in a multi-investor deal of \$55 million in a minority-owned financial institution. This is an example of a complex investment in which Morgan Stanley took a leadership role in arranging the investment.

Conclusions for Areas Receiving Limited-Scope Reviews

There are no Limited-Scope areas for review.

Strategic Plan – Community Development Investments

MSPBNA significantly exceeded its strategic plan goals for excellent qualified community development investments for all periods under review. During the Strategic Plan I assessment period, MSPBNA had 215 investments for a total of \$502.6 million, which was over 200% of its goal. During the Strategic Plan II assessment period, the Bank made 84 investments for a total of \$323.3 million, which was over 180% of its goal.

Examples of qualified community development investments include:

- A \$235 million investment structured, priced, and purchased municipal housing bonds to support affordable housing in the Bank's assessment area.
- A \$6.7 million Low-Income Housing Tax Credit (LIHTC) investment to a developer to rehabilitate affordable, distressed multifamily housing in the Bank's assessment area.
- A \$9 million LIHTC investment in a multi-investor fund that supports affordable housing throughout the Northeast, including New York State. Funds were for a substantial rehabilitation of two multifamily rental properties, containing 31 units, located in the Bronx, NY. All units will be available to families at or below 80 percent area median income. An affordable housing nonprofit will acquire the properties in the Bank's assessment area.
- A \$240 thousand grant to a nonprofit organization with a mission to support community development in low-income neighborhoods in the Bank's assessment area.
- A \$270 thousand grant to a nonprofit organization that provides supportive services, workforce development, and education for low-income people.
- A \$100 thousand grant to a nonprofit organization that provides capital for

affordable housing and community development.

- A \$50 thousand grant to a Community Development Financial Institution (CDFI) that supports nonprofits with financial assistance and management advice.
- A \$50 thousand grant to a nonprofit organization that provides supportive services to the homeless.

SERVICE TEST

The Bank's performance under the Service Test for the New York Counties is Outstanding. Based on a full-scope review, the Bank's performance is excellent. MSPBNA's community development service volume is excellent for the large bank evaluation portion of the evaluation period and exceeded goals for Outstanding for the CRA strategic plan portion of the evaluation period. The Bank provides community development services throughout its AA, with employees often taking a leadership role by serving as a Board or committee member of nonprofit organizations.

Conclusions for Areas Receiving Full-Scope Reviews

Retail Banking Services

MSPBNA has only one location, its headquarters, and no branches or ATMs. MSPBNA provides limited retail products. MSPBNA does not rely on a branch office network to deliver banking services; it focuses its efforts on providing CD services for evaluation under the CRA. The Bank's headquarters is in the AA, located on a suburban business campus in Westchester County. Therefore, MSPBNA's retail banking services are not significant to the Service Test rating.

Community Development Services

MSPBNA provided an excellent level of CD services under the large bank standards and exceeded strategic goals for an excellent level of CD services under its strategic plan(s). MSPBNA provided an excellent level of CD services in its AA and its broader statewide and regional area. The Bank's responsiveness to community development needs in the AA is significantly positive. MSPBNA demonstrated responsiveness to available opportunities, which include acquiring and building affordable housing, addressing high unemployment, supporting community organizations, and developing new community development leaders.

During the large bank portion of the evaluation period, MSPBNA and affiliate employees provided over 23 thousand hours of service to over 130 organizations, which benefited the AA. Two organizations received 50 hours of community development service in the broader statewide area with the potential to benefit the AA. In addition to the services that directly benefit the AA, MSPBNA provided approximately 57 hours to two organizations in the broader regional area, which includes the AA.

MSPBNA provided several innovative community development services that were responsive to the affordable housing, high unemployment, and development of new leaders in the assessment area.

- MSPBNA's affiliate created a Strategy Challenge and selected several nonprofits to receive an eight-week pro-bono strategic consulting engagement by Morgan Stanley employees, who gave advice on issues such as business models and growth strategies to assist nonprofits in sustainability and to achieve higher impact. MSPBNA's affiliate selected 26 NY-based community groups with employees providing several thousand hours of community development services. One organization, which received these services, received advice to expand the program to provide financial counseling and products to low-income individuals. This program now serves six thousand clients annually. Another program empowers underserved youth based out of New York City to explore different careers and encourage them to further their education. Six Morgan Stanley affiliate employees contributed more than one thousand hours as volunteers. Moreover, one employee also served as a Board member of the organization to provide general financial and operational consulting services to improve its cost structure, decision-making process, and plans for expansion.
- Morgan Stanley developed and collaborated with a housing and development organization to place graduate students in year-round paid fellowships at community development organizations to work on projects that directly serve local communities. This fellowship program resulted in 16 fellows graduating within the first two full years and receiving jobs with housing and economic development city organizations.
- Two of MSPBNA's affiliate employees provided 960 hours of service as the Chairman of the Board and member a Board of Trustees for a disaster relief fund that supports community members in need after Superstorm Sandy.

Conclusions for Areas Receiving Limited-Scope Reviews

There are no Limited-Scope areas for review.

Strategic Plan – Community Development Services

MSPBNA significantly exceeded its strategic plan goals for excellent community development services for both periods under review. During the Strategic Plan I assessment period, MSPBNA had 106 community development services for a total of 12,680 hours, which was over 600% of its goal. During the Strategic Plan II assessment period, the Bank provided 33 services for a total of 1,239 hours, which was over 120% of its goal.

Examples of community development services under the strategic plans include:

- Bank officers provided information and training on small business, homebuyer

counseling and financial literacy in underserved communities in partnership with a minority depository institution.

- A Bank officer is the President of the Board of Directors of a nonprofit organization that promotes community development, affordable housing and preservation.
- A Bank officer serves as a member of the Board of Directors for a nonprofit that provides affordable micro-loans to assist low-income entrepreneurs.

Appendix A: Scope of Evaluation – Large Bank

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive evaluation review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope” if applicable).

Time Period Reviewed	Lending, Investment and Service Tests: 7/1/2010 - 5/31/2013	
Financial Institution		Products Reviewed
Morgan Stanley Private Bank, N.A. (MSPBNA) Purchase, New York		HMDA CD Lending, Investments, and Services
Affiliate(s)	Affiliate Relationship	Products Reviewed
Morgan Stanley & Co.	Parent company	Investments
Morgan Stanley Bank, N.A.	Affiliate	CD Lending
Morgan Stanley International Holdings Inc.	Affiliate	Investments
Morgan Stanley Municipal Funding Inc.	Affiliate	Investments
Morgan Stanley Community Investments LLC	Affiliate	CD Lending
Morgan Stanley Foundations	Affiliate	Investments
List of Assessment Areas and Type of Evaluation		
Assessment Area	Type of Evaluation	Other Information
New York State – Counties of Bronx, Kings (Brooklyn), New York (Manhattan), Queens, Richmond (Staten Island), Putnam, Rockland, and Westchester	Full-scope	Large Bank (Lending, Investment, and Service Tests) July 1, 2010 to May 31, 2013

Appendix A: Scope of Evaluation – Strategic Plans

During the evaluation period, MSPBNA operated under two CRA Strategic Plans. We evaluated MSPBNA's CRA performance under the strategic plan from June 1, 2013 to June 30, 2014 for Strategic Plan I and July 1, 2014 to December 31, 2014 for Strategic Plan II. MSPBNA submitted a new five year CRA Strategic Plan that covers the period July 2014 to June 2019. The Bank changed the assessment area July 2014, due to the revised delineations of the statistical areas and the new assessment area is in the new plan. Both strategic plans include performance goals for "satisfactory" and "outstanding" for community development loans, investments and services. MSPBNA exceeded the "outstanding" goals for both Strategic Plan I and II.

SCOPE OF EVALUATION: Strategic Plan I and II			
TIME PERIODS REVIEWED			
Strategic Plan I: June 1, 2013 through June 30, 2014			
Strategic Plan II: July 1, 2014 through December 31, 2014			
FINANCIAL INSTITUTION			PRODUCTS REVIEWED
Morgan Stanley Private Bank, NA			Community Development Loans Community Development Investments Community Development Services Community Development Grants
FINANCIAL INSTITUTION/ AFFILIATE		AFFILIATE RELATIONSHIP	PRODUCTS REVIEWED
See "Appendix A: Scope of Evaluation – Large Banks"			See "Appendix A: Scope of Evaluation – Large Banks"
LIST OF ASSESSMENT AREAS AND TYPE OF EVALUATION			
ASSESSMENT AREA	TYPE OF EVALUATION	BRANCHES VISITED	OTHER INFORMATION
New York Counties within the New York-Wayne-White Plains, NY-NJ Metropolitan Division (35644)	Strategic Plan	Headquarters	Strategic Plan I Bronx, Kings, New York, Queens, Richmond, Rockland, Westchester and Putnam counties
Six New York Counties within the New York-Jersey City-White Plains, NY-NJ Metropolitan Division (35614)	Strategic Plan	Headquarters	Strategic Plan II Bronx, Kings, New York, Queens, Richmond and Westchester counties

Appendix B: Summary of State Ratings

RATINGS: Morgan Stanley Private Bank, N.A.				
Overall Bank:	Lending Test Rating*	Investment Test Rating	Service Test Rating	Overall Bank/State/Multistate Rating
Morgan Stanley Private Bank, N.A.	High Satisfactory	Outstanding	Outstanding	Outstanding
Multistate Metropolitan Area or State:				
New York Counties	High Satisfactory	Outstanding	Outstanding	Outstanding

* The Lending Test is weighted more heavily than the Investment and Service Tests in the overall rating.

Appendix C: Market Profiles for Rating Areas

Market Profile for New York Counties

Demographic Information for Full-Scope Area: New York Counties						2000 Census
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	2,515	13.20	25.29	28.27	30.78	2.47
Population by Geography	9,314,235	14.72	27.97	25.49	31.64	0.18
Owner-Occupied Housing by Geography	1,208,243	2.58	13.53	28.16	55.73	0.00
Business by Geography	903,723	7.75	19.68	21.55	49.86	1.15
Farms by Geography	5,373	3.44	9.98	18.95	67.28	0.35
Family Distribution by Income Level	2,203,975	27.89	15.69	16.62	39.79	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	960,674	25.26	37.68	23.58	13.49	0.00
Median Family Income		49,461	Median Housing Value		\$244,528	
HUD Adjusted Median Family Income for 2011		67,400	Unemployment Rate (Dec 2011)		8.2%	
Households Below Poverty Level		18%				

(*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2000 U.S. Census and 2011 Department of Housing and Urban Development ("HUD") updated MFI

The Bank's assessment area is part of the New York-Northern New Jersey-Long Island, NY-NJ-PA MSA (# 35620) and consists of the following New York state counties: Bronx, Kings (Brooklyn), New York (Manhattan), Queens, Richmond (Staten Island), Putnam, Rockland, and Westchester. The assessment area includes the five boroughs of New York, with NYC the principal city of the MSA.

New York City is home to a diversified mix of businesses, with many national and international corporations headquartered or with significant operations in the area. Historically, the financial services industry has dominated the downtown area (lower Manhattan), while the midtown area has been home to advertising, publishing, and media. The retail sector is a major employer along with health services, social care, financial services and insurance. In addition, light manufacturing and wholesale trades provide a significant level of job opportunities in the Bronx.

In 2010 and 2011, the AA still suffered lingering effects from the 2008 recession. The unemployment rate in the New York-Northern New Jersey-Long Island, NY-NJ-PA MSA as of December 2011 was 8.2 percent; this rate was comparable to the national unemployment rate of 8.5 percent during the same period. Some of the AA's largest employers are JPMorgan Chase, New York Presbyterian Healthcare Systems, Citigroup, Verizon, and Macy's Inc.

The 2011 HUD adjusted median family income for the area was \$67,400; however, there are significant disparities in the income levels throughout the counties of the AA. New York County (Manhattan) is among the richest counties in the U.S. while the overall poverty level of the entire assessment area (18 percent) is high. Within Bronx and Kings Counties, areas have over 20 percent poverty rates.

The median housing value in the 2000 Census was \$244,528; however, the National Association of Realtors for 2011 reported updated housing costs of \$442,600. The disparity between housing costs and family income produces a significant challenge for low- and moderate-income families to become first-time homeowners. A majority of housing units in the AA are rental units. Renter occupied units were nearly 62 percent of housing units. The median monthly rent of more than \$1,100 and the fact that 50 percent of renters spend more than 30 percent of income on rent further demonstrates the difficulty of LMI individuals to afford housing.

MSPBNA has one headquarter office (in Westchester County) with limited retail loan and deposit products. MSPBNA formed on July 1, 2010. We used large bank CRA procedures to evaluate the MSPBNA's performance during 2010-11.

There is very strong banking competition in the AA with almost 2,300 branches from more than 138 depository institutions. Based on the FDIC Summary of Deposits as of June 30, 2011, MSPBNA ranked 13th out of 138 institutions with a 0.85 percent market share. The top competitors included JPMorgan Chase Bank, Bank of America, The Bank of New York Mellon, Citibank, and HSBC Bank USA.

The opportunities for community development participation within the assessment area are broad. There are numerous community development and governmental organizations representing affordable housing, economic development, and services to low- and moderate-income families.

Through community contacts performed by the OCC and discussion with Bank management, the following financial needs for this assessment area are:

- Affordable housing (rental and homeownership);
- Letters of credit for affordable housing builders;
- Rehabilitate multifamily housing;
- Foreclosure prevention;
- Community development lending; and,
- Capacity building for nonprofits.

Demographic Information for Full-Scope Area: New York Counties				2010 Census		
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	2,475	12.16	24.44	29.05	31.52	2.83
Population by Geography	9,535,643	14.42	27.00	26.01	32.32	0.25
Owner-Occupied Housing by Geography	1,322,253	2.78	13.54	29.11	54.57	0.00
Business by Geography	765,321	7.95	18.33	21.69	49.75	2.78
Farms by Geography	5,308	3.24	11.23	21.50	64.15	0.89
Family Distribution by Income Level	2,180,243	27.27	15.95	16.28	40.51	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	942,116	24.86	36.75	24.30	14.08	0.01
Median Family Income HUD Adjusted Median Family Income for 2013 Households Below Poverty Level		64,171 66,000 17%	Median Housing Value Unemployment Rate (2010 US Census)		\$524,111 4.21%	

(*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2010 U.S. Census and 2013 HUD updated MFI

We used large bank CRA procedures to evaluate the Bank's performance during 2012-13. MSPBNA operated under a CRA Strategic Plan starting on June 1, 2013 through June 30, 2014. The Bank operated under a successor CRA Strategic Plan starting on July 1, 2014.

The information in this section uses data, updated in 2010, by the U.S. Census Bureau as a source. The 2010 U.S. census resulted in the income level re-classification of over 70 census tracts from the 2000 census.

The Bank's assessment area is part of the New York-Northern New Jersey-Long Island, NY-NJ-PA MSA (MSA 35620) and consists of the following New York state counties: Bronx, Kings (Brooklyn), New York (Manhattan), Queens, Richmond (Staten Island), Putnam, Rockland, and Westchester. The assessment area includes the five boroughs of New York City, which is the principal city of the New York MSA. The Bank used this delineation of its assessment area through June 30, 2014. Starting July 1, 2014, the Bank changed the assessment area to include the five New York City counties as well as Westchester County.

Some of the AA's largest employers are JPMorgan Chase, New York Presbyterian Healthcare Systems, Citigroup, Verizon, and Macy's Inc. According to data from the Bureau of Labor Statistics for the five New York City counties, job growth primarily occurred in professional and businesses services, education and health services, and leisure and hospitality industries. Employment reduced in the information sector, manufacturing sector, and government sector.

Housing affordability remains a significant challenge in the AA. The 2013 HUD adjusted median family income for the area was \$66,000 with approximately 17 percent of households living below the poverty level. The median housing value increased to \$524 thousand. High housing costs makes it difficult for low- and moderate- income borrowers to become homeowners. Over 60 percent of the housing units are rentals in this market.

MSPBNA's assessment area remains highly competitive for banking. Based on the FDIC Summary of Deposits as of June 30, 2013, MSPBNA ranked 10th out of 129 institutions in the AA with a market share of 1.5 percent. The top competitors include JPMorgan Chase Bank, The Bank of New York Mellon, Bank of America, Citibank, and HSBC Bank USA. More than 450 lenders originated HMDA loans in the AA.

The opportunities for community development participation within the assessment area are broad. There are numerous community development and governmental organizations representing affordable housing, economic development, and services to low- and moderate-income families.

Through community contacts performed by the OCC and discussion with bank management, the following financial needs for this assessment area are:

- Affordable housing (rental and homeownership);
- Letters of credit for affordable housing builders;
- Rehabilitate multifamily housing;
- Foreclosure prevention;
- Community development lending; and,
- Capacity building for nonprofits.

Appendix D: Tables of Performance Data

Content of Standardized Tables

A separate set of tables is provided for each state, as applicable. All multistate metropolitan areas are presented in one set of tables. References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to Appendix A: Scope of the Evaluation). For purposes of reviewing the Lending Test tables, the following are applicable: (1) Purchased loans are treated as originations/purchases and market share is the number of loans originated and purchased by the bank as a percentage of the aggregate number of reportable loans originated and purchased by all lenders in the MA/AA; (2) Partially geocoded loans (loans where no census tract is provided) cannot be broken down by income geographies and, therefore, are only reflected in the Total Loans in Core Tables 2 through 7 and part of Table 13; and (3) Partially geocoded loans are included in the Total Loans and % Bank Loans Column in Core Tables 8 through 12 and part of Table 13, as applicable. Deposit data are compiled by the FDIC and are available as of June 30th of each year.

Tables without data are not included in this Performance Evaluation.

The following is a listing and brief description of the tables included, as applicable:

- Table 1. Lending Volume** - Presents the number and dollar amount of reportable loans originated and purchased by the bank over the evaluation period by MA/AA. Community development loans to statewide or regional entities or made outside the bank’s AA may receive positive CRA consideration. See Interagency Q&As ___12 (h) - 6 and - 7 for guidance on when a bank may receive positive CRA consideration for such loans.
- Table 1. Other Products** - Presents the number and dollar amount of any unreported category of loans originated and purchased by the bank, if applicable, over the evaluation period by MA/AA. Examples include consumer loans or other data that a bank may provide, at its option, concerning its lending performance. This is a two-page table that lists specific categories.
- Table 2. Geographic Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents market share information based on the most recent aggregate market data available.
- Table 3. Geographic Distribution of Home Improvement Loans** - See Table 2.
- Table 4. Geographic Distribution of Home Mortgage Refinance Loans** - See Table 2.
- Table 5. Geographic Distribution of Multifamily Loans** - Compares the percentage distribution of the number of multifamily loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage

distribution of multifamily housing units throughout those geographies. The table also presents market share information based on the most recent aggregate market data available.

- Table 6. Geographic Distribution of Small Loans to Businesses** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available. Because small business data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's AA.
- Table 7. Geographic Distribution of Small Loans to Farms** - The percentage distribution of the number of small loans (less than or equal to \$500 thousand) to farms originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available. Because small farm data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's AA.
- Table 8. Borrower Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MA/AA. The table also presents market share information based on the most recent aggregate market data available.
- Table 9. Borrower Distribution of Home Improvement Loans** - See Table 8.
- Table 10. Borrower Distribution of Refinance Loans** - See Table 8.
- Table 11. Borrower Distribution of Small Loans to Businesses** - Compares the percentage distribution of the number of small loans (less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to the percentage distribution of businesses with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the business. Market share information is presented based on the most recent aggregate market data available.
- Table 12. Borrower Distribution of Small Loans to Farms** - Compares the percentage distribution of the number of small loans (less than or equal to \$500 thousand) originated and purchased by the bank to farms with revenues of \$1 million or less to the percentage distribution of farms with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the farm. Market share information is presented based on the most recent aggregate market data available.

Table 13. Geographic and Borrower Distribution of Consumer Loans (OPTIONAL) - For geographic distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of households within each geography. For borrower distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage of households by income level in each MA/AA.

Table 14. Qualified Investments - Presents the number and dollar amount of qualified investments made by the bank in each MA/AA. The table separately presents investments made during prior evaluation periods that are still outstanding and investments made during the current evaluation period. Prior-period investments are reflected at their book value as of the end of the evaluation period. Current period investments are reflected at their original investment amount even if that amount is greater than the current book value of the investment. The table also presents the number and dollar amount of unfunded qualified investment commitments. In order to be included, an unfunded commitment must be legally binding and tracked and recorded by the bank's financial reporting system.

A bank may receive positive consideration for qualified investments in statewide/regional entities or made outside of the bank's AA. See Interagency Q&As __.12 (h) - 6 and - 7 for guidance on when a bank may receive positive CRA consideration for such investments.

Table 15. Distribution of Branch Delivery System and Branch Openings/Closings - Compares the percentage distribution of the number of the bank's branches in low-, moderate-, middle-, and upper-income geographies to the percentage of the population within each geography in each MA/AA. The table also presents data on branch openings and closings in each MA/AA.

Tables of Large Bank Performance Data

Table 1. Lending Volume

LENDING VOLUME		Geography: NEW YORK						Evaluation Period: JANUARY 1, 2011 TO DECEMBER 31, 2011				
Assessment Area (2011):	% of Rated Area Loans (#), in MA/AA	Home Mortgage		Small Loans to Businesses		Small Loans to Farms		Community Development Loans **		Total Reported Loans		% of Rated Area Deposits in MA/AA ***
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	
Full Review:												
New York Counties	100.00	549	398,260	0	0	0	0	13	111,078	563	519,338	100.00
Statewide Activity (1)	-	0	0	0	0	0	0	1	10,000	1	10,000	-

(1) Statewide Activity benefits the broader statewide area that includes the assessment area in which the entity or activity has a purpose, mandate, or function that includes serving the assessment area.

* Loan Data as of December 31, 2011. Rated area refers to either state or multistate MA rating area.

** The evaluation period for Community Development Loans is from July 1, 2010 to December 31, 2011.

*** Deposit Data as of June 30, 2013. Rated Area refers to the state, multistate MA, or institution, as appropriate.

Table 2. Geographic Distribution of Home Purchase Loans

Geographic Distribution: HOME PURCHASE			Geography: NEW YORK				Evaluation Period: JANUARY 1, 2011 TO DECEMBER 31, 2011					Market Share (%) by Geography				
Assessment Area:	Total Home Purchase Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall	Low	Mod	Mid	Upp	
	#	% of Total**	% Owner Occ Units***	% BANK Loans****	% Owner Occ Units***	% BANK Loans****	% Owner Occ Units***	% BANK Loans****	% Owner Occ Units***	% BANK Loans****						
Full Review:																
New York Counties	142	100.00	2.58	4.23	13.53	23.24	28.16	16.90	55.73	55.63	0.36	0.78	0.61	0.20	0.33	

* Based on 2011 Peer Mortgage Data

** Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

*** Percentage of Owner-Occupied Units is the number of owner-occupied units in a particular geography divided by the number of owner-occupied housing units in the area based on 2000 Census information.

**** Data shown includes only One-to-Four family and manufactured housing. (Property type of 1 or 2)

Table 4. Geographic Distribution of Home Mortgage Refinance Loans

Geographic Distribution: HOME MORTGAGE REFINANCE			Geography: NEW YORK				Evaluation Period: JANUARY 1, 2011 TO DECEMBER 31, 2011					Market Share (%) by Geography				
Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall	Low	Mod	Mid	Upp	
	#	% of Total**	% Owner Occ Units***	% BANK Loans****	% Owner Occ Units***	% BANK Loans****	% Owner Occ Units***	% BANK Loans****	% Owner Occ Units***	% BANK Loans****						
Full Review:																
New York Counties	407	100.00	2.58	1.72	13.53	11.06	28.16	7.86	55.73	79.36	0.82	0.68	0.95	0.31	0.96	

* Based on 2011 Peer Mortgage Data (USPR)

** Home refinance loans originated and purchased in the MA/AA as a percentage of all home refinance loans originated and purchased in the rated area.

*** Percentage of Owner-Occupied Units is the number of owner-occupied units in a particular geography divided by the number of owner-occupied housing units in the area based on 2000 Census information.

**** Data shown includes only One-to-Four family and manufactured housing. (Property type of 1 or 2)

Table 8. Borrower Distribution of Home Purchase Loans

Borrower Distribution: HOME PURCHASE		Geography: NEW YORK						Evaluation Period: JANUARY 1, 2011 TO DECEMBER 31, 2011							
Assessment Area:	Total Home Purchase Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share				
	#	% of Total**	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	Overall	Low	Mod	Mid	Upp
Full Review:															
New York Counties	142	100.00	27.89	2.17	15.69	18.84	16.62	13.04	39.79	65.94	0.18	0.00	0.03	0.04	0.25

* Based on 2011 Peer Mortgage Data (USPR)

** Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

*** Percentage of Families is based on the 2000 Census information. Data shown includes only One-to-Four family and manufactured housing. (Property type of 1 or 2)

**** As a percentage of loans with borrower income information available. No information was available for 2.8% of loans originated and purchased by bank.

Table 10. Borrower Distribution of Home Mortgage Refinance Loans

Borrower Distribution: HOME MORTGAGE REFINANCE			Geography: NEW YORK				Evaluation Period: JANUARY 1, 2011 TO DECEMBER 31, 2011					Market Share				
Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall	Low	Mod	Mid	Upp	
	#	% of Total**	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****						
Full Review:																
New York Counties	407	100.00	27.89	1.49	15.69	4.47	16.62	5.71	39.79	88.34	0.80	0.12	0.17	0.14	1.02	

* Based on 2011 Peer Mortgage Data (USPR)

** Home refinance loans originated and purchased in the MA/AA as a percentage of all home refinance loans originated and purchased in the rated area.

*** Percentage of Families is based on the 2000 Census information. Data shown includes only One-to-Four family and manufactured housing. (Property type of 1 or 2)

**** As a percentage of loans with borrower income information available. No information was available for 1.0% of loans originated and purchased by bank.

Table 14. Qualified Investments

QUALIFIED INVESTMENTS									
Geography: NEW YORK									
Evaluation Period: JANUARY 1, 2011 TO DECEMBER 31, 2011									
Assessment Area:	Prior Period Investments		Current Period Investments		Total Investments			Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	\$(000's)	% of Total	#	\$(000's)
Full Review:									
New York Counties	0	0	0	0	0	0	0.00	0	0

See Table 14, Qualified Investments, for data on Qualified Investments for the period July 1, 2010 to May 31, 2013.

* 'Prior Period Investments' means investments made in a previous period that are outstanding as of the evaluation date.

** 'Unfunded Commitments' means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.

Table 15. Distribution of Branch Delivery System and Branch Openings/Closings

DISTRIBUTION OF BRANCH DELIVERY SYSTEM AND BRANCH OPENINGS/CLOSINGS																	
Geography: NEW YORK																	
Evaluation Period: JANUARY 1, 2011 TO DECEMBER 31, 2011																	
Assessment Area:	Deposits	Branches						Branch Openings/Closings				Population					
	% of Rated Area Deposits in AA	# of BANK Branches	% of Rated Area Branches in AA	Location of Branches by Income of Geographies (%)				# of Branch Openings	# of Branch Closings	Net change in Location of Branches (+ or -)				% of Population within Each Geography			
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp
Full Review:																	
New York Counties	100	1	100	0.00	0.00	0.00	1	0	0	0	0	0	0	14.72	27.97	25.49	31.64

Table 1. Lending Volume

LENDING VOLUME												
Geography: NEW YORK												
Evaluation Period: JANUARY 1, 2012 TO DECEMBER 31, 2013												
Assessment Area (2012-2013):	% of Rated Area Loans (#) in MA/AA*	Home Mortgage****		Small Loans to Businesses		Small Loans to Farms		Community Development Loans**		Total Reported Loans		% of Rated Area Deposits in MA/AA***
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$(000's)	
Full Review:												
New York Counties	100.00	1,230	856,330	0	0	0	0	24	153,083	1,254	1,009,413	100.00

* Loan Data from January 1, 2012 to May 31, 2013. Rated area refers to either state or multistate MA rating area.

** The evaluation period for Community Development Loans is from January 01, 2012 to May 31, 2013.

*** Deposit Data as of June 30, 2013. Rated Area refers to the state, multistate MA, or institution, as appropriate.

**** These tables include only loans with geographic or income information available (i.e. excludes loans with NA for geographic location or income.)

Table 2. Geographic Distribution of Home Purchase Loans

Geographic Distribution: HOME PURCHASE		Geography: NEW YORK						Evaluation Period: JANUARY 1, 2012 TO DECEMBER 31, 2013							
Assessment Area:	Total Home Purchase Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*				
	#	% of Total**	% Owner Occ Units***	% BANK Loans****	% Owner Occ Units***	% BANK Loans****	% Owner Occ Units***	% BANK Loans****	% Owner Occ Units***	% BANK Loans****	Overall	Low	Mod	Mid	Upp
Full Review:															
New York Counties	296	100.00	2.78	1.69	13.54	9.80	29.11	14.53	54.57	73.99	0.25	0.05	0.06	0.09	0.38

* Based on 2013 Peer Mortgage Data -- US and PR

** Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

*** Percentage of Owner-Occupied Units is the number of owner-occupied units in a particular geography divided by the number of owner-occupied housing units in the area based on 2010 Census information.

**** Data shown includes only One-to-Four family and manufactured housing (Property type of 1 or 2) and only loans with geographic or income information available.

Table 3. Geographic Distribution of Home Improvement Loans

Geographic Distribution: HOME IMPROVEMENT			Geography: NEW YORK						Evaluation Period: JANUARY 1, 2012 TO DECEMBER 31, 2013						
Assessment Area:	Total Home Improvement Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*				
	#	% of Total**	% Owner Occ Units***	% BANK Loans****	% Owner Occ Units***	% BANK Loans****	% Owner Occ Units***	% BANK Loans****	% Owner Occ Units***	% BANK Loans****	Overall	Low	Mod	Mid	Upp
Full Review:															
New York Counties	8	100.00	2.78	0.00	13.54	0.00	29.11	0.00	54.57	100.00	0.09	0.00	0.00	0.00	0.15

* Based on 2013 Peer Mortgage Data -- US and PR

** Home improvement loans originated and purchased in the MA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

*** Percentage of Owner-Occupied Units is the number of owner-occupied units in a particular geography divided by the number of owner-occupied housing units in the area based on 2010 Census information.

**** Data shown includes only One-to-Four family and manufactured housing (Property type of 1 or 2) and only loans with geographic or income information available.

Table 4. Geographic Distribution of Home Mortgage Refinance Loans

Geographic Distribution: HOME MORTGAGE REFINANCE			Geography: NEW YORK				Evaluation Period: JANUARY 1, 2012 TO DECEMBER 31, 2013									
Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*					
	#	% of Total**	% Owner Occ Units***	% BANK Loans****	% Owner Occ Units***	% BANK Loans****	% Owner Occ Units***	% BANK Loans****	% Owner Occ Units***	% BANK Loans****	Overall	Low	Mod	Mid	Upp	
Full Review:																
New York Counties	921	100.00	2.78	3.80	13.54	13.03	29.11	11.18	54.57	71.99	0.64	0.07	0.17	0.19	0.91	

* Based on 2013 Peer Mortgage Data -- US and PR

** Home refinance loans originated and purchased in the MA/AA as a percentage of all home refinance loans originated and purchased in the rated area.

*** Percentage of Owner-Occupied Units is the number of owner-occupied units in a particular geography divided by the number of owner-occupied housing units in the area based on 2010 Census information.

**** Data shown includes only One-to-Four family and manufactured housing (Property type of 1 or 2) and only loans with geographic or income information available.

Table 5. Geographic Distribution of Multifamily Loans

Geographic Distribution: MULTIFAMILY			Geography: NEW YORK				Evaluation Period: JANUARY 1, 2012 TO DECEMBER 31, 2013					Market Share (%) by Geography*				
Assessment Area:	Total Multifamily Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall	Low	Mod	Mid	Upp	
	#	% of Total**	% of MF Units***	% BANK Loans****	% MF Units***	% BANK Loans****	% MF Units***	% BANK Loans****	% MF Units***	% BANK Loans****						
Full Review:																
New York Counties	1	100.00	18.26	0.00	28.15	0.00	20.91	0.00	32.69	100.00	0.03	0.00	0.00	0.00	0.09	

* Based on 2013 Peer Mortgage Data -- US and PR

** Multifamily loans originated and purchased in the MA/AA as a percentage of all multifamily loans originated and purchased in the rated area.

*** Percentage of Multifamily Units is the number of multifamily units in a particular geography divided by the number of multifamily housing units in the area based on 2010 Census information.

**** Multifamily loan distribution includes Home Purchases, Home Improvement and Refinances and only loans with geographic or income information available.

Table 8. Borrower Distribution of Home Purchase Loans

Borrower Distribution: HOME PURCHASE		Geography: NEW YORK						Evaluation Period: JANUARY 1, 2012 TO DECEMBER 31, 2013							
Assessment Area:	Total Home Purchase Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share %*				
	#	% of Total**	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	Overall	Low	Mod	Mid	Upp
Full Review:															
New York Counties	297	100.00	27.27	1.01	15.95	8.42	16.28	10.44	40.51	80.13	0.27	0.00	0.11	0.11	0.34

* Based on 2013 Peer Mortgage Data -- US and PR

** Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

*** Percentage of Families is based on the 2010 Census information. Data shown includes only One-to-Four family and manufactured housing. (Property type of 1 or 2)

**** As a percentage of loans with borrower income information available. No information was available for 0.0% of loans originated and purchased by bank.

Table 9. Borrower Distribution of Home Improvement Loans

Borrower Distribution: HOME IMPROVEMENT			Geography: NEW YORK						Evaluation Period: JANUARY 1, 2012 TO DECEMBER 31, 2013						
Assessment Area:	Total Home Improvement Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share %*				
	#	% of Total**	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	Overall	Low	Mod	Mid	Upp
Full Review:															
New York Counties	8	100.00	27.27	0.00	15.95	12.50	16.28	12.50	40.51	75.00	0.10	0.00	0.00	0.00	0.15

* Based on 2013 Peer Mortgage Data -- US and PR

** Home improvement loans originated and purchased in the MA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

*** Percentage of Families is based on the 2010 Census information. Data shown includes only One-to-Four family and manufactured housing. (Property type of 1 or 2)

**** As a percentage of loans with borrower income information available. No information was available for 0.0% of loans originated and purchased by bank.

Table 10. Borrower Distribution of Home Mortgage Refinance Loans

Borrower Distribution: HOME MORTGAGE REFINANCE												Geography: NEW YORK			Evaluation Period: JANUARY 1, 2012 TO DECEMBER 31, 2013				
Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share %*								
	#	% of Total**	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	Overall	Low	Mod	Mid	Upp				
Full Review:																			
New York Counties	924	100.00	27.27	1.73	15.95	11.26	16.28	9.42	40.51	77.60	0.72	0.00	0.16	0.16	0.92				

* Based on 2013 Peer Mortgage Data -- US and PR

** Home refinance loans originated and purchased in the MA/AA as a percentage of all home refinance loans originated and purchased in the rated area.

*** Percentage of Families is based on the 2010 Census information. Data shown includes only One-to-Four-family and manufactured housing. (Property type of 1 or 2)

**** As a percentage of loans with borrower income information available. No information was available for 0.0% of loans originated and purchased by bank.

Table 14. Qualified Investments

QUALIFIED INVESTMENTS									
Geography: NEW YORK									
Evaluation Period: JULY 1, 2010 TO MAY 31, 2013									
Assessment Area:	Prior Period Investments*		Current Period Investments		Total Investments			Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	\$(000's)	% of Total	#	\$(000's)
Full Review:									
New York Counties (NY MD only)	0	0	555	342,826	555	342,826	100	0	0
Statewide Activity (1)	0	0	15	504,492	15	504,492	100	0	0

(1) Statewide Activity benefits the broader statewide area that includes the assessment area in which the entity or activity has a purpose, mandate, or function that includes serving the assessment area.

Table 14a. Qualified Investments

QUALIFIED INVESTMENTS									
Geography: REGIONAL									
Evaluation Period: JULY 1, 2010 TO MAY 31, 2013									
Assessment Area:	Prior Period Investments*		Current Period Investments		Total Investments			Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	\$(000's)	% of Total	#	\$(000's)
Full Review:									
Regional Activity (2)	0	0	5	108	5	108	100.00	0	0

(2) Regional Activity benefits the broader regional area that includes the assessment area in which the entity or activity has a purpose, mandate, or function that includes serving the assessment area.

* 'Prior Period Investments' means investments made in a previous period that are outstanding as of the evaluation date.

** 'Unfunded Commitments' means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.

* 'Prior Period Investments' means investments made in a previous period that are outstanding as of the examination date.

** 'Unfunded Commitments' means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.

Table 15. Distribution of Branch Delivery System and Branch Openings/Closings

DISTRIBUTION OF BRANCH DELIVERY SYSTEM AND BRANCH OPENINGS/CLOSINGS																	Geography: NEW YORK		Evaluation Period: JANUARY 1, 2012 TO MAY 31, 2013			
MA/Assessment Area:	Deposits	Branches						Branch Openings/Closings						Population								
	% of Rated Area Deposits in AA	# of BANK Branches	% of Rated Area Branches in AA	Location of Branches by Income of Geographies (%)				# of Branch Openings	# of Branch Closings	Net change in Location of Branches (+ or -)				% of Population within Each Geography								
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp					
Full Review:																						
New York Counties	100	1	100	0.00	0.00	0.00	1	0	0	0	0	0	0	14.42	27.00	26.01	32.32					

CRA Strategic Plan I Goals and Performance

Assessment Area: New York Counties within the New York-Wayne-White Plains, NY-NJ Metropolitan Division (35644)

STRATEGIC PLAN GOALS AND ACTUAL PERFORMANCE FOR NEW YORK COUNTIES WITHIN THE NEW YORK-WAYNE-WHITE PLAINS NY-NJ MD TO OBTAIN OUTSTANDING RATING		
	Strategic Plan Goal Strategic Plan I June 1, 2013 – June 30, 2014	Actual Performance
Community Development Loans	\$60,800,000	\$165,464,133
Qualified Community Development Investments	\$243,200,000	\$502,600,956
Community Development Services	2,100 Hours	12,680 Hours

CRA Strategic Plan II Goals and Performance

Assessment Area: Six New York Counties within the New York-Jersey City-White Plains, NY-NJ Metropolitan Division (35614)

STRATEGIC PLAN GOALS AND ACTUAL PERFORMANCE FOR SIX NEW YORK COUNTIES WITHIN THE NEW YORK-JERSEY CITY-WHITE PLAINS NY-NJ MD TO OBTAIN OUTSTANDING RATING		
	Strategic Plan Goal Strategic Plan II July 1, 2014 – June 30, 2015	Actual Performance
Community Development Loans	July 1, 2014 – December 31, 2014: \$44,062,000	\$51,021,869
Qualified Community Development Investments	July 1, 2014 – December 31, 2014: \$176,246,000	\$323,282,534
Community Development Services	July 1, 2014 – December 31, 2014: 983 Hours	1,239 Hours