INTERMEDIATE SMALL BANK

PUBLIC DISCLOSURE

September 23, 2024

COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION

Ponce Bank
Charter Number 706509

2244 Westchester Avenue
Bronx, NY 10462

Office of the Comptroller of the Currency

7 Times Square, 10th Floor
New York, NY 10036

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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Overall CRA Rating

Institution's CRA Rating: This institution is rated Outstanding.

> **The Lending Test is rated:** Outstanding.
> **The Community Development test is rated:** Outstanding.

The major factors that support this rating include:

- The Lending Test rating is based on the bank's performance in meeting the credit needs of the New York-Jersey City-White Plains, NY-NJ assessment area (AA).
- The bank has an excellent distribution of loans by income level of the geography.
- The bank has a more than reasonable loan-to-deposit ratio.
- The bank has a substantial majority of lending within the AA.
- The Community Development (CD) Test rating is based on the institution's excellent level of CD loans, qualified investments, and CD services.
- The bank demonstrates excellent responsiveness to credit and CD needs in its AA.

Loan-to-Deposit Ratio

Considering the bank's size, financial condition, and credit needs of the AA, the bank's loan-to-deposit (LTD) ratio was more than reasonable. The banks average LTD ratio from January 1, 2021 to December 31, 2023 was 111.07 percent. The ratio ranged from a quarterly low of 97.50 percent to a quarterly high of 126.10 percent during this period. The average LTD ratio was compared to the average LTD of five similarly situated institutions (SSI). The SSI's average LTD ratio of 103.06 percent was lower compared to Ponce Bank. The LTD ratio for the peer group ranged from a quarterly low of 67.02 percent to 145.63 percent.

Lending in Assessment Area

A substantial majority of the bank's loans were inside its AA.

The bank originated and purchased 75.7 percent of its total loans inside the bank's AA during the evaluation period. By dollar volume, 92.6 percent were inside its AA. The contributing factor to the number of loans made outside of the bank's AA, which totaled 24.3 percent, is the bank's mission as a Community Development Financial Institution (CDFI) to provide lending opportunities to urban and rural low-income communities across the nation.

This analysis was performed at the bank, rather than the AA, level. This performance had a positive impact on the overall analysis of the geographic distribution of lending by income level of geography.

Lending Inside and Outside of the Assessment Area									
Loan Category	Number of Loans				Total #	Dollar Amount of Loans $(000s)				Total $(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		$	%	$	%	
Home Mortgage	451	75.7	145	24.3	596	1,114,388	92.6	88,832	7.4	1,203,219
Total	451	75.7	145	24.3	596	1,114,388	92.6	88,832	7.4	1,203,219

Description of Institution

Ponce Bank, formerly known as Ponce de Leon Federal Bank, is a federally chartered stock savings association headquartered in Bronx, NY. The bank was established in 1960 to serve the needs of the Hispanic and low- and moderate-income (LMI) communities in the Bronx and throughout New York City. Today, the bank is wholly owned by Ponce Financial Group, Inc., a financial holding company. The bank is a designated Minority Depository Institution (MDI) and a CDFI. The bank has been certified as a CDFI since April 26, 2018.

The bank's AA includes Bronx, Kings, New York, and Queens Counties in the State of New York, as well as Hudson County in the State of New Jersey. In 2022, the bank expanded its AA include Bergen County, New Jersey. The bank's AA comprises all census tracts within the six counties included in the New York-Jersey City-White Plains, NY-NJ Metropolitan Division #35614. The bank operated 12 full-service branches across four boroughs of New York City, along with one full-service branch in Union City, NJ. All branches were equipped with 24-hour Automatic Teller Machine (ATM) services. There were no branch openings, closings, mergers, or acquisitions that affected the scope of the bank's operations during the evaluation period.

The bank provided a traditional range of lending and deposit products and services tailored to both businesses and consumers. While the primary focus was on residential mortgage lending and consumer deposit accounts, the bank also offered a variety of checking and savings accounts designed for individuals and businesses, including certificates of deposit, individual retirement accounts, and money market accounts. Additionally, the bank featured a comprehensive selection of secured and unsecured consumer loan products, such as home equity lines of credit, and personal loans. The bank deployed Prosper, a small business lending platform for businesses that may not qualify for traditional unsecured business loans. Prosper can generate an offer of up to $25,000 to help entrepreneurs take advantage of opportunities that can benefit their businesses. The bank closed 33 loans through Prosper, totaling $772,007 throughout the evaluation period. Alternative delivery systems were readily accessible to geographies and individuals of different income levels in the bank's AA. Some examples include online bill payment services, telephone banking, 24-hour ATMs, online banking, mobile banking, and direct deposit.

As of December 31, 2023, the bank's loan portfolio totaled $1.9 billion, representing 69.6 percent of total assets, and deposits totaled $1.5 billion or 56.0 percent of total assets. The majority of the bank's loan portfolio was made up of real estate and commercial loans. Real estate loans totaled $1.9 billion, representing 99.8 percent of the bank's loans, while commercial loans totaled $20.1 million or 0.2 percent of loans. Real estate loans primarily consisted of $551.7 million in multifamily residential

properties, $505.0 million in construction and land development loans, and $503.4 million in 1-4 family residential properties. The bank's tier 1 capital totaled $466.2 million.

In March 2020, the World Health Organization declared COVID-19 a pandemic. In response to the pandemic, the United States was under a shelter-in-place order to limit the spread of the virus. Due to the shelter-in-place orders, certain businesses deemed non-essential were shut down or limited in operations. The evaluation of the bank's performance takes into consideration the impact of the pandemic. During the evaluation period, the bank strategically targeted certain CD activities to assist in addressing economic hardships associated with the pandemic mitigation practices, advancing the bank's commitment towards alleviating economic disparities among LMI communities. The bank offered Paycheck Protection Program (PPP) loans through the Small Business Administration (SBA). PPP loans were SBA-backed and helped businesses keep their workforce employed during the pandemic. During 2021, the bank issued 4,369 PPP loans, 3,563 inside its AA and 806 outside its AA, totaling $148.6 million and $27.1 million, respectively. This demonstrated the bank's ability to adapt and respond to the needs of small businesses that experienced operational hardships during the pandemic. During 2022, the bank received $225 million from the federal government Emergency Capital Investment Program (ECIP) which was created to encourage LMI community financial institutions to augment their efforts to support small businesses and consumers in their communities. Under the program, capital was directly provided to depository institutions that are certified CDFIs or MDIs to provide loans, grants, and forbearance for small businesses, minority-owned businesses, and consumers, especially in low-income and underserved communities that may be disproportionately impacted by the economic effects of the COVID-19 pandemic.

There were no legal, financial, or other factors impeding the bank's ability to help meet the credit needs of its AA. Ponce Bank's prior CRA performance evaluation (PE) was dated July 19, 2021 and was rated "Outstanding."

Scope of the Evaluation

Evaluation Period/Products Evaluated

This performance evaluation assessed the CRA performance of Ponce Bank using intermediate small bank CRA examination procedures. This included a Lending Test and a CD Test. The OCC performed a full scope assessment of the bank's CRA performance in its one identified AA of the New York-Jersey City-White Plains, NY-NJ MMSA.

The OCC determined Ponce's primary loan product was home mortgage loans based on the bank's loan portfolio composition and lending activity by product type during the evaluation period. In evaluating lending performance, the OCC analyzed home mortgage loans that management reported under the Home Mortgage Disclosure Act (HMDA).

For the Lending Test, there were two analysis periods considered for this evaluation when analyzing geographical and borrower distribution of loans. The split analysis periods were due to updates in the U.S. Census 2015 American Community Survey (ACS) to the 2020 U.S. Census. The updates to the Census information changed the demographic and aggregate comparators for geographic and borrower distribution of loans, thus split analysis periods were needed to accurately assess performance in these two Lending Test components. The analysis periods for geographical and borrower distribution of loans

were January 1, 2021, through December 31, 2021, and January 1, 2022, through December 31, 2023. Performance Tables O and P in Appendix D reflect data covered by the split analysis periods.

The CD Test evaluated CD loans, qualified investments, and CD services from January 1, 2021, through December 31, 2023.

Selection of Areas for Full-Scope Review

In each state where the bank has an office, one or more of AAs within that state was selected for a full scope review. For purposes of this evaluation, bank-delineated assessment areas located within the same metropolitan statistical area (MSA), multistate metropolitan statistical area (MMSA), or combined statistical area (CSA) are combined and evaluated as a single AA. Similarly, bank-delineated non-MSA AAs within the same state are combined and evaluated as a single area. These combined AAs may be evaluated as full- or limited-scope. Refer to the "Scope" section under each State Rating for details regarding how full-scope AAs were selected. Refer to appendix A, Scope of Examination, for a list of full- and limited-scope AAs.

Ratings

The bank's overall rating is based on New York-Jersey City-White Plains, NY-NJ AA rating, as it is the only rating area for the bank.

Greater emphasis was given to the geographic distribution of loans than the borrower distribution of loans by income level. Greater weight was given to performance compared to aggregate lenders than to performance relative to demographic factors in lending. Most mortgage borrowers were entities, and the bank was not required to capture and report borrower income and revenue information on a large majority of its home mortgage loans.

The analysis of CD loans and qualified investments for the CD Test considered the high level of competition in the AA. Competition is high, with large interstate, regional, and community banks competing for qualified investments in the market. Additionally, the analysis of CD services includes an evaluation of the service hours performed by bank directors and personnel.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 CFR 25.28(c) in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any AA by an affiliate whose loans have been considered as part of the bank'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, as applicable.

The OCC has not identified that this institution has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

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

Multistate Metropolitan Statistical Area Rating

New York-Jersey City-White Plains, NY-NJ

CRA rating for the New York-Jersey City-White Plains, NY-NJ: Outstanding

> **The Lending Test is rated:** Outstanding.
> **The Community Development Test is rated:** Outstanding.

The major factors that support this rating include:

- The bank exhibits an excellent distribution of loans by income level of the geography.

- The bank exhibits a reasonable distribution of loans to individuals of different income levels, given the product lines offered by the bank.

- Ponce's CD activities show excellent responsiveness to identified community needs.

Description of Institution's Operations in New York-Jersey City-White Plains, NY-NJ

The bank designated Bronx, Kings, New York, and Queens Counties in the State of New York and Hudson County in the State of New Jersey, as its AA for 2021. In 2022, the bank added Bergen County, NJ to its AA. All designated counties were located within the New York-Jersey City-White Plains, NY-NJ Metro Division (MD), which was a part of the New York-Newark-Jersey City, NY-NJ-PA MSA. Ponce operated four branches in Bronx, NY, three in Brooklyn, NY, two in New York, NY, two in Jackson Heights, NY, one in Astoria, NY, one in Forest Hills, NY, and one in Union City, NJ.

As of December 31, 2023, the New York-Jersey City-White Plains, NY - NJ AA consisted of 2,587 census tracts (CT). Of the 2,587 CTs, 290 were low-income (11.2 percent), 639 were moderate-income (24.7 percent), 781 were middle-income (30.2 percent), and 732 were upper income (28.3 percent). In addition, there were 145 CTs that did not report data and were listed as unknown.

According to the June 30, 2023, FDIC Summary of Deposit report, Ponce Bank's deposit market share was 0.08 percent in Bronx, Kings, New York, and Queens Counties and 0.05 percent in Bergen and Hudson Counties. The bank ranked 38 out of 107 banks in the four counties located in the State of New York in terms of deposits and 43 out of 54 in the two counties located in the State of New Jersey. The New York-Jersey City-White Plains, NY-NJ AA banking market was highly competitive. The deposit market was dominated by large multi-national institutions. The six largest competitors in the four New York counties held 82.50 percent of the market share, and the six largest competitors in the two New Jersey counties held 67.78 percent of the market share. Ponce's major competitors had an established presence in the AA and provided strong competition to the bank.

According to the U.S. Bureau of Labor statistics (BLS), there was a decrease in the unemployment rate in the New York-Jersey City-White Plains, NY-NJ AA. The average unemployment rate in the counties in which the bank operates decreased from 10.4 percent in January 2021 to 4.6 percent in December

2023. The average unemployment rate in the bank's counties was above the State of New York unemployment rate of 4.4 percent, and the national average of 3.7 percent in December 2023.

The top industries in the area were hospitals and national banks. The largest employers included Montefiore Health System, Mount Sinai Health System, JPMorgan Chase & Co., Bank of America, and New York-Presbyterian Healthcare System.

The December 2023 report from Moody's Analytics indicated that the New York-Jersey City-White Plains, NY-NJ AA strengths included a reputation as the financial capital of the world, high per capita income, limited exposure to manufacturing, and strong international immigration. The weaknesses were high costs, including taxes, housing, office rents, and energy; rapidly aging infrastructure; and troubled fiscal health made worse by population losses. The economy was in recovery with the unemployment rate falling. This was aided by increases in tourism, especially international arrivals, while the influx of immigrants and reduction of migration out of the area increased the labor supply. White collar industries had been challenged with high interest rates impacting business and driving layoffs at Wall Street banks and in the technology industry.

As part of the CRA evaluation, the OCC held discussions with three community contacts within the bank's AA to determine local economic conditions and community needs. The first community contact was an organization that focuses on developing and preserving affordable housing to LMI individuals and families within Bergen County, NJ. The second community contact was a non-profit economic development group that works to provide resources to small businesses in Queens County, NY. This group's goal was to assist small businesses and encourage entrepreneurship, with an emphasis on LMI individuals, by creating and retaining jobs. The third community contact was a local government agency that focuses on neighborhood improvement, housing, economic development, and data and information accessibility within New York City. These contacts emphasized the need for economic revitalization projects, employment opportunities, affordable housing units, and information accessibility for LMI individuals and families within the bank's AA.

According to Table A, the median housing value of owner-occupied housing units for the New York-Jersey City- White Plains, NY-NJ AA was $527,538 for 2021 (*2015 ACS*) and $650,491 for 2022 through 2023 (*2020 U.S. Census*). Based on this data, housing values increased 23.3 percent over the evaluation period. Due to high housing costs, 60.0 percent of housing units were rented, compared to 31.1 percent being owner occupied. See below for details of the housing affordability analysis the OCC completed for the AA. Based on federal guidelines, low-income was defined as 50 percent or less of the median family income (MFI) for an area, while moderate-income was defined as 50 percent to 80 percent of the MFI for an area.

Based on data from the 2015 ACS covering 2021 in the New York-Jersey City-White Plains, NY-NJ AA, low-income families earned less than $2,815 and moderate-income families earned less than $4,504 monthly. Using 30.0 percent as a reasonable debt-to-income (DTI) ratio, this results in a maximum monthly mortgage payment of $845 for low-income borrowers and $1,351 for moderate-income borrowers. Assuming a 30-year mortgage with a 5.0 percent fixed interest rate, and excluding a down payment, homeowner's insurance, real estate taxes, or additional monthly expenses, the monthly mortgage payment for a home at the New York-Jersey City-White Plains, NY-NJ AA median housing value would have been $2,832. Based on this data, home mortgage loans were not affordable to low-income borrowers in the AA, with moderate-income borrowers likely to struggle as well. *Reference Table A for demographic data for 2021.*

Based on data from the 2020 U.S. Census, covering 2022 through 2023, low-income families earned less than $3,562 and moderate-income families earned less than $5,699 monthly. To determine housing affordability, 30.0 percent was used as a reasonable DTI ratio for a maximum monthly principal and interest payment of the applicant's monthly income, resulting in a maximum monthly mortgage payment of $1,069 for low-income borrowers and $1,710 for moderate-income borrowers. Assuming a 30-year mortgage with a 5.0 percent fixed interest rate, and excluding a down payment, homeowner's insurance, real estate taxes, or additional monthly expenses, the monthly mortgage payment for a home at the New York-Jersey City-White Plains, NY-NJ AA median housing value would have been $3,492. Based on this data, both low- and moderate-income families would struggle to qualify for a home mortgage based on the median family income and median home value in the New York-Jersey City-White Plains, NY-NJ AA from 2022 through 2023. *Reference Table A for demographic data for 2022-2023.*

The poverty level across the AA was considered in evaluating lending performance. Families living below the state poverty threshold, identified as having difficulty meeting basic financial needs, are less likely to have adequate financial resources to qualify for a home loan compared to those above the poverty line.

Table A – Demographic Information of the Assessment Area						
Assessment Area: 2021 Ponce AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	2,223	13.1	27.9	30.0	25.9	3.0
Population by Geography	8,616,881	16.5	30.9	26.8	25.4	0.3
Housing Units by Geography	3,518,512	14.6	28.1	25.4	31.5	0.3
Owner-Occupied Units by Geography	955,439	3.8	18.9	34.4	42.8	0.2
Occupied Rental Units by Geography	2,241,896	19.8	32.5	22.0	25.3	0.3
Vacant Units by Geography	321,177	10.7	25.5	21.9	41.4	0.4
Businesses by Geography	1,087,016	9.4	23.2	22.1	43.0	2.4
Farms by Geography	4,209	6.7	19.8	22.6	49.2	1.7
Family Distribution by Income Level	1,897,124	33.2	16.5	15.6	34.7	0.0
Household Distribution by Income Level	3,197,335	32.3	14.7	15.4	37.6	0.0
Median Family Income MSA - 35614 New York-Jersey City-White Plains, NY-NJ		$67,560	Median Housing Value			$527,538
			Median Gross Rent			$1,345
			Families Below Poverty Level			17.7%
Source: 2015 ACS and 2021 D&B Data *Due to rounding, totals may not equal 100.0%* *(*) The NA category consists of geographies that have not been assigned an income classification.*						

Table A – Demographic Information of the Assessment Area						
Assessment Area: 2022-2023 Ponce AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	2,587	11.2	24.7	30.2	28.3	5.6
Population by Geography	9,989,029	13.9	26.7	28.2	30.1	1.2
Housing Units by Geography	3,982,370	13.1	24.3	27.0	34.5	1.2
Owner-Occupied Units by Geography	1,239,432	3.2	16.6	32.8	46.8	0.7
Occupied Rental Units by Geography	2,388,447	19.0	28.8	24.5	26.4	1.4
Vacant Units by Geography	354,491	8.4	20.7	23.4	46.1	1.5
Businesses by Geography	1,646,378	8.7	19.9	23.3	43.9	4.2
Farms by Geography	8,036	5.0	15.2	21.5	55.3	3.0
Family Distribution by Income Level	2,186,386	28.5	15.5	16.0	39.9	0.0
Household Distribution by Income Level	3,627,879	29.8	13.9	14.6	41.6	0.0
Median Family Income MSA - 35614 New York-Jersey City-White Plains, NY-NJ		$85,483	Median Housing Value			$650,491
			Median Gross Rent			$1,600
			Families Below Poverty Level			13.0%
Source: 2020 U.S. Census and 2023 D&B Data Due to rounding, totals may not equal 100.0% (*) The NA category consists of geographies that have not been assigned an income classification.						

Scope of Evaluation in New York-Jersey City-White Plains, NY-NJ

This CRA evaluation determines the bank's record of meeting community credit needs in its AA. The OCC used a combination of bank- and examiner-generated loan and demographic reports to assess the bank's CRA performance. In addition, the OCC used information about the community and the bank's performance obtained during discussions with members of local community organizations. Examiners also considered the significant amount of market competition when evaluating the bank's overall performance.

The Lending Test analysis focused on the geographic distribution and borrower income distribution of home mortgage loans. The bank was not required to capture or report income and revenue information on a large majority of its home mortgages. Therefore, the income distribution analysis is not as meaningful and was given minimal weighting when coming to our conclusions. Examiners placed more weight on the bank's distribution of loans by income level of the geography. Examiners compared the bank's distribution to demographic information as well as aggregate performance ratios, which provided a comparison to peer banks in the AA.

The CD test considered all qualified activities with an emphasis on those that addressed specific community needs or were particularly responsive to the COVID-19 pandemic, specifically PPP lending.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN NEW YORK-JERSEY CITY-WHITE PLAINS, NY-NJ

LENDING TEST

The bank's performance under the Lending Test in the New York-Jersey City-White Plains, NY-NJ is rated Outstanding.

Based on a full-scope review, the bank's performance in the New York-Jersey City-White Plains, NY-NJ is excellent.

Distribution of Loans by Income Level of the Geography

The bank exhibits excellent geographic distribution of loans in the MMSA.

Home Mortgage Loans

Refer to Table O in the "MMSA" section of appendix D for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations and purchases.

2021
The geographic distribution of home mortgage loans in 2021 was excellent. The bank's proportion of home mortgage loans in both low- and moderate-income geographies exceeded both the percentage of owner-occupied housing and the aggregate distribution.

2022-2023
The geographic distribution of home mortgage loans in 2022-2023 was excellent. The bank's proportion of home mortgage loans in both low- and moderate-income geographies exceeded both the percentage of owner-occupied housing and the aggregate distribution.

Lending Gap Analysis

The OCC evaluated the lending distribution in the AA to determine if any unexplained, conspicuous gaps existed. Examiners reviewed summary reports and maps and analyzed the bank's lending activity over the evaluation period to identify any gaps in the geographic distribution of loans. There were no unexplained, conspicuous gaps identified.

Distribution of Loans by Income Level of the Borrower

The bank exhibits reasonable distribution of loans to individuals of different income levels given the product lines offered by the bank.

Home Mortgage Loans

Refer to Table P in the "MMSA" section of appendix D for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.

2021
The borrower distribution of home mortgage loans in 2021 was adequate. The bank did not originate or purchase any loans to LMI borrowers in 2021. However, for 88.90 percent of home mortgage loans reported by the bank, borrower income was not available. Most mortgage borrowers were entities without borrower income information available for the bank to report.

2022-2023
The borrower distribution of home mortgage loans in 2022-2023 was adequate. In 2022-2023 the proportion of home mortgage loans to LMI borrowers was significantly below the percent of families in those income categories but near to the aggregate industry distribution of home mortgage loans to those borrowers. Similarly to 2021, the bank reported a large volume of loans where income was not available on the borrowers. For 48.50 percent of home mortgage loans reported by the bank, borrower income was not available.

Responses to Complaints

The bank did not receive any CRA-related complaints during the evaluation period.

COMMUNITY DEVELOPMENT TEST

The bank's performance under the Community Development Test in the New York-Jersey City-White Plains, NY-NJ AA is rated Outstanding.

Based on a full-scope review, the bank exhibits excellent responsiveness to CD needs in the MMSA through CD loans, qualified investments, and CD services, as appropriate, considering the bank's capacity and the need and availability of such opportunities for CD in the bank's AA.

Number and Amount of Community Development Loans

Refer to the Community Development Loan table below for the facts and data used to evaluate the bank's level of CD lending. The table includes all CD loans, including multifamily loans that also qualify as CD loans.

Community Development Loans				
Assessment Area	Total			
	#	% of Total #	$(000's)*	% of Total $
New York-Jersey City-White Plains, NY-NJ AA	3,653	81.92	696.9	96.25
Broader Regional Statewide Area	806	18.08	27.2	3.75
Total	**4,459**	**100.00**	**724.0**	**100.00**
Due to rounding, totals may not equal 100.0% *In millions*				

During the evaluation period, the bank made 3,653 qualified CD loans inside the AA totaling $696.9 million. Total CD loans originated inside the AA included 3,563 or $148.5 million in PPP loans aimed at stabilizing and revitalizing LMI areas, which reflects the bank's excellent responsiveness to meet the

credit needs of its AA in response to the COVID-19 pandemic. The bank also provided 806 or $27.2 million in PPP loans outside of its designated AA in keeping with its mission as a CDFI. Total CD loans represented 155 percent of tier 1 capital.

Highlights of CD loan examples include:

- $12.3 million loan to construct a mixed-use building that includes a community center space and 50 affordable housing units for senior citizens.

- $4.5 million loan to finance a mixed-use investment property that provided 16 affordable apartments through the NYC Housing Preservation and Development Agency.

- $1.0 million loan to finance a 10-unit apartment building that provided affordable housing to LMI individuals within the bank's AA.

Number and Amount of Qualified Investments

The Qualified Investment Table, shown below, set forth the information and data used to evaluate the bank's level of qualified CD investments. These tables include all CD investments and donations including prior period investments that remain outstanding as of the examination date.

Qualified Investments										
Assessment Area	Prior Period*		Current Period		Total					Unfunded Commitments**	
	#	$(000's)	#	$(000's)	#	% of Total #	$(000's)	% of Total $	#	$(000's)
New York-Jersey City-White Plains, NY-NJ AA	1	799	668	4,072	669	99.85	4,871	49.35	1	2,420
Nationwide	1	5,000	0	0	1	0.15	5,000	50.65	0	0
Total	2	5,799	668	4,072	670	100.00	9,871	100.00	1	2,420

* Prior Period Investments' means investments made in a previous evaluation 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.

Ponce demonstrated a good responsiveness to CD investment opportunities in the AA. During the evaluation period, the bank made one investment of $2.6 million equity investment in a small business investment company (SBIC) fund and 667 donations totaling $1.5 million. The bank is committed to fund an additional $2.4 million in the SBIC fund. The donations supported community services targeted at LMI families and students within the bank's AA. The bank developed a Minority Scholarship Program that served to provide equitable opportunities to students who strive for academic excellence yet encounter financial burdens, job insecurity, or challenges at home. Additionally, the bank had a prior period investment of $799 thousand in a mortgage-backed security that funded home loans in LMI CTs in the bank's AA and a $5.0 million investment in a bond to an MDI focused on affordable housing in the State of California.

Described below are some of the bank's most significant qualified investments and donations:

- $81,000 to 70 beneficiaries of the bank's Minority Scholarship Program. The program awarded funds to students who come from historically underserved communities and live in LMI areas across New York and New Jersey.

- $5.0 million equity investment in a SBIC fund that benefited the local AA.

- $10,000 donation to a local economic development group that aided Bronx-based businesses in the form of capital access, business capacity building, and community development.

Extent to Which the Bank Provides Community Development Services

Ponce provided an excellent level of CD services. Throughout the evaluation period, the bank's board members dedicated 355 hours in leadership positions to 13 qualified organizations operating in the New York-Jersey City-White Plains, NY-NJ AA. These organizations provided community services, including economic development, small business financial education, and qualified health services to underserved communities. As a result of COVID-19, small businesses were disproportionately impacted without resources to respond to social distancing regulations for operating and reopening during the pandemic. Ponce employees dedicated 148 hours over the evaluation period providing innovative educational support via the Small Business Bootcamp, a business development program designed to improve the economic prospects of traditionally underserved groups, focused on LMI entrepreneurs and their communities. Over the evaluation period almost 700 new small business entrepreneurs located in the bank's AA participated in the program.

The bank also offered "Ponce U," a completely free online Financial Mastery program licensed from Everfi. Ponce had partners with several schools to incentivize their students to access the free online courses. Ponce also partnered with community organizations to assist seniors on the basics of fraud and scams to help them avoid financial exploitation. The bank also became an Alliance Member of the Federal Deposit Insurance Corporation's Money Smart Program to obtain additional curriculum financial concepts and topics for the community, children of all ages, groups, and businesses.

Appendix A: Scope of Examination

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 MSA(s) and non-MSA(s) that received comprehensive examination review, designated by the term "full-scope," and those that received a less comprehensive review, designated by the term "limited-scope."

Time Period Reviewed:	01/01/21 through 12/31/23	
Bank Products Reviewed:	Home mortgage loans CD loans, qualified investments, CD services	
Affiliate(s)	**Affiliate Relationship**	**Products Reviewed**
None	Not applicable	Not applicable
List of Assessment Areas and Type of Examination		
Rating and Assessment Areas	**Type of Exam**	**Other Information**
MMSA(s)		
New York-Jersey City-White Plains, NY-NJ	Full scope	Counties of Bergen and Hudson, NJ and Bronx, Kings, New York, and Queens, NY

Appendix B: Summary of MMSA and State Ratings

RATINGS Ponce Bank			
Overall Bank:	Lending Test Rating*	CD Test Rating	Overall Bank/State/ Multistate Rating
Ponce Bank	Outstanding	Outstanding	Outstanding
MMSA or State:			
New York-Jersey City-White Plains, NY-NJ	Outstanding	Outstanding	Outstanding

(*) The Lending Test and Community Development Test carry equal weight in the overall rating.

Appendix C: Definitions and Common Abbreviations

The following terms and abbreviations are used in 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. For example, a bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Aggregate Lending (Aggt.): The number of loans originated and purchased by all reporting lenders (HMDA or CRA) in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/assessment area.

Census Tract (CT): A small, relatively permanent statistical subdivision of a county delineated by a local committee of census data users for the purpose of presenting data. Census tracts nest within counties, and their boundaries normally follow visible features, but may follow legal geography boundaries and other non-visible features in some instances, Census tracts ideally contain about 4,000 people and 1,600 housing units.

Combined Statistical Area (CSA): A geographic entity consisting of two or more adjacent Core Based Statistical Areas with employment interchange measures of at least 15. An employment interchange measure is a measure of ties between two adjacent entities. The employment interchange measure is the sum of the percentage of workers living in the smaller entity who work in the larger entity and the percentage of employment in the smaller entity that is accounted for by workers who reside in the larger entity.

Community Development (CD): Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of $1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas.

Community Reinvestment Act (CRA): The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its entire community, including LMI areas, 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, 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-Scope 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 Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn), the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

Home Mortgage Loans: A closed-end mortgage loan or an open-end line of credit as these terms are defined under 12 CFR 1003.2, and that is not an excluded transaction under 12 CFR 1003.3(c)(1) through (c)(10) and (c)(13).

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

Limited-Scope 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: Individual income that is less than 50 percent of the area median income.

Low Income Geography: A census tract with a median family income that is less than 50 percent.

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 state/assessment area.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. The median is the point at which half of the families have income above, and half below, a range of incomes. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) 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, and half below, a range of incomes.

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

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

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

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

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

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

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

Rating Area: A rated area is a state or multi-state metropolitan statistical 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 multi-state metropolitan statistical area, the institution will receive a rating for the multi-state metropolitan statistical 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) 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 1 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 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

Appendix D: Tables of Performance Data

Content of Standardized Tables

A separate set of tables is provided for each state. All multistate metropolitan statistical areas, if applicable, 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 Examination). For purposes of reviewing the Lending Test tables, the following are applicable: (1) purchased are treated as originations; and (2) "aggregate" is the percentage of the aggregate number of reportable loans originated and purchased by all HMDA or CRA-reporting lenders in the MMSA/assessment area. 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 PE.

The following is a listing and brief description of the tables included in each set:

Table O.   **Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-<u>income</u> geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents aggregate peer data for the years the data is available.

Table P.   **Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower** - 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 MMSA/assessment area. The table also presents aggregate peer data for the years the data is available.

The total loan amount presented in the tables for each assessment area may differ from the total loan amount reported in the aggregate table due to how the underlying loan data is rounded in each table.

Table O: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography — **2021**

Assessment Area:	#	$	% of Total	Overall Market	Low-Income Tracts % of Owner-Occupied Housing Units	% Bank Loans	Aggregate	Moderate-Income Tracts % of Owner-Occupied Housing Units	% Bank Loans	Aggregate	Middle-Income Tracts % of Owner-Occupied Housing Units	% Bank Loans	Aggregate	Upper-Income Tracts % of Owner-Occupied Housing Units	% Bank Loans	Aggregate	Not Available-Income Tracts % of Owner-Occupied Housing Units	% Bank Loans	Aggregate
2021 Ponce AA	72	126,654,344	100.0	133,642	3.8	16.7	4.7	18.9	31.9	20.1	34.4	38.9	29.6	42.8	12.5	45.4	0.2	0.0	0.2
Total	**72**	**126,654,344**	**100.0**	**133,642**	**3.8**	**16.7**	**4.7**	**18.9**	**31.9**	**20.1**	**34.4**	**38.9**	**29.6**	**42.8**	**12.5**	**45.4**	**0.2**	**0.0**	**0.2**

Source: 2015 ACS; 01/01/2021 - 12/31/2021 Bank Data, 2021 HMDA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%

Ponce Bank (10000706509) excluded from Aggregate

Table O: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography — **2022-2023**

Assessment Area:	#	$	% of Total	Overall Market	Low-Income Tracts % of Owner-Occupied Housing Units	% Bank Loans	Aggregate	Moderate-Income Tracts % of Owner-Occupied Housing Units	% Bank Loans	Aggregate	Middle-Income Tracts % of Owner-Occupied Housing Units	% Bank Loans	Aggregate	Upper-Income Tracts % of Owner-Occupied Housing Units	% Bank Loans	Aggregate	Not Available-Income Tracts % of Owner-Occupied Housing Units	% Bank Loans	Aggregate
2022-2023 Ponce AA	379	987,733,544	100.0	69,906	3.2	7.9	3.8	16.6	27.2	16.1	32.8	41.7	26.6	46.8	22.7	52.7	0.7	0.5	0.8
Total	**379**	**987,733,544**	**100.0**	**69,906**	**3.2**	**7.9**	**3.8**	**16.6**	**27.2**	**16.1**	**32.8**	**41.7**	**26.6**	**46.8**	**22.7**	**52.7**	**0.7**	**0.5**	**0.8**

Source: 2020 U.S. Census; 01/01/2022 - 12/31/2023 Bank Data, 2023 HMDA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%

Ponce Bank (10000706509) excluded from Aggregate

The total loan amount presented in the tables for each assessment area may differ from the total loan amount reported in the aggregate table due to how the underlying loan data is rounded in each table.

Table P: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower — **2021**

Assessment Area:	Total Home Mortgage Loans				Low-Income Borrowers			Moderate-Income Borrowers			Middle-Income Borrowers			Upper-Income Borrowers			Not Available-Income Borrowers		
	#	$	% of Total	Overall Market	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate
2021 Ponce AA	72	126,654,344	100.0	133,642	33.2	0.0	1.4	16.5	0.0	6.2	15.6	0.0	16.8	34.7	11.1	60.3	0.0	88.9	15.3
Total	**72**	**126,654,344**	**100.0**	**133,642**	**33.2**	**0.0**	**1.4**	**16.5**	**0.0**	**6.2**	**15.6**	**0.0**	**16.8**	**34.7**	**11.1**	**60.3**	**0.0**	**88.9**	**15.3**

Source: 2015 ACS; 01/01/2021 - 12/31/2021 Bank Data, 2021 HMDA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%

Ponce Bank (10000706509) excluded from Aggregate

Table P: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower — **2022-2023**

Assessment Area:	Total Home Mortgage Loans				Low-Income Borrowers			Moderate-Income Borrowers			Middle-Income Borrowers			Upper-Income Borrowers			Not Available-Income Borrowers		
	#	$	% of Total	Overall Market	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate
2022-2023 Ponce AA	379	987,733,543	100.0	69,906	28.5	0.5	1.1	15.5	3.4	4.4	16.0	16.1	11.5	39.9	31.4	48.5	0.0	48.5	34.4
Total	**379**	**987,733,543**	**100.0**	**69,906**	**28.5**	**0.5**	**1.1**	**15.5**	**3.4**	**4.4**	**16.0**	**16.1**	**11.5**	**39.9**	**31.4**	**48.5**	**0.0**	**48.5**	**34.4**

Source: 2020 U.S. Census; 01/01/2022 - 12/31/2023 Bank Data, 2023 HMDA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%

Ponce Bank (10000706509) excluded from Aggregate

The total loan amount presented in the tables for each assessment area may differ from the total loan amount reported in the aggregate table due to how the underlying loan data is rounded in each table.