



**NEW YORK STATE
DEPARTMENT OF FINANCIAL SERVICES
FINANCIAL FRAUDS AND CONSUMER PROTECTION DIVISION**

One State Street
New York, NY 10004

PUBLIC SUMMARY

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Date of Evaluation: June 30, 2012

Institution: State Bank of India, New York Branch
460 Park Ave,
New York, NY 10022

Note: This evaluation is not an assessment of the financial condition of this institution. The rating assigned does not represent an analysis, conclusion or opinion of the New York State Department of Financial Services concerning the safety and soundness of this financial institution.

TABLE OF CONTENTS

	Section
General Information	1
Overview of Institution's Performance	2
Performance Context	3
Institution's Profile	
Assessment Area	
Demographic & Economic Data	
Performance Tests and Assessment Factors	4
Community Development Test	
Innovative or Complex Practices	
Responsiveness to Credits and Community Development Needs	
Additional Factors	
Glossary	5

GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (“CRA”) performance of State Bank of India (SBIN) prepared by the New York State Department of Financial Services (“Department”). The evaluation represents the Department’s current assessment and rating of the institution’s CRA performance based on an evaluation conducted as of September 30, 2012.

Section 28-b of the New York State Banking Law, as amended, requires that when evaluating certain applications, the Superintendent of Banks shall assess a banking institution’s record of helping to meet the credit needs of its entire community, including low- and moderate-income (“LMI”) areas, consistent with safe and sound operations.

Part 76 of the General Regulations of the Banking Board implements Section 28-b and further requires that the Department assess the CRA performance records of regulated financial institutions. Part 76 establishes the framework and criteria by which the Department will evaluate the performance. Section 76.5 further provides that the Department will prepare a written report summarizing the results of such assessment and will assign to each institution a numerical CRA rating based on a 1 to 4 scoring system. The numerical scores represent an assessment of CRA performance as follows:

- (1) Outstanding record of meeting community credit needs;
- (2) Satisfactory record of meeting community credit needs;
- (3) Needs to improve record of meeting community credit needs; and
- (4) Substantial noncompliance in meeting community credit needs.

Section 76.5 further requires that the CRA rating and the written summary (“Evaluation”) be made available to the public. Evaluations of banking institutions are primarily based on a review of performance tests and standards described in Section 76.7 and detailed in Sections 76.8 through 76.13. The tests and standards incorporate the 12 assessment factors contained in Section 28-b of the New York State Banking Law.

For an explanation of technical terms used in this report, please consult the **GLOSSARY** at the back of this document.

OVERVIEW OF INSTITUTION'S PERFORMANCE

Overall CRA Rating: "Satisfactory"

SBINY's performance was evaluated according to the community development test for wholesale or limited purpose banking institutions pursuant to Part 76.11 of the General Regulations of the Banking Board. The assessment period covered January 1, 2010 through June 30, 2012. SBINY is rated "2" indicating a "Satisfactory" record of helping to meet community credit needs. This rating is an upgrade from the prior rating of "Needs to Improve" based on the New York State Department of Financial Services' Performance Evaluation dated December 31, 2009.

This rating is based on the following factors:

Community Development Test : "Satisfactory"

SBINY's community development performance demonstrated an adequate level of responsiveness to the community development needs of its assessment area through community development loans, investments and services, considering SBINY's capacity and the need and availability of opportunities for community development in its assessment area.

Community Development Lending: "Satisfactory"

During this evaluation period, SBINY originated \$12.1 million in new community development loans, and still had \$3.6 million outstanding from prior evaluation periods. This demonstrated an adequate level of community development lending over the course of the evaluation period. This evaluation period's community development lending of \$12.1 million is an increase of 65.8% from a total of \$7.3 million in the previous examination.

Community Development Qualified Investments: "Satisfactory"

During the evaluation period, SBINY made \$44.7 million in new community development investments, and had \$3.2 million outstanding from prior evaluation periods. These investments were made in mortgage-backed securities to LMI borrowers. This amount represents a significant increase of the prior period's investment total of \$7.2 million.

Community Development Services: "Satisfactory"

SBINY demonstrated a reasonable level of community development services over the course of the evaluation period. SBINY has participated in several foreclosure prevention workshops and has conducted financial literacy education classes at some community service organizations. SBINY's Senior Compliance Officer serves on the board of directors of a not-for-profit organization founded to provide housing and other

services to LMI victims of domestic abuse and their children. CRA Officer serves in the board of a not-for-profit organization founded that promotes economic development in its Queens-based community.

Innovative or Complex Practices:

During the evaluation period, SBINY did not make or utilize any community development loans or investments that were complex in nature or met the needs of the community in any innovative way.

Responsiveness to Credit and Community Development Needs:

SBINY demonstrated an adequate level of responsiveness to credit and community development needs.

This Evaluation was conducted based on a review of the 12 assessment factors set forth in Section 28-b of the New York State Banking Law and Part 76 of the General Regulations of the Banking Board.

PERFORMANCE CONTEXT

Institution Profile:

SBINY opened as a representative office in 1966 and converted into an FDIC-insured branch in December of 1971. Headquartered in Mumbai, India, SBINY was established in July of 1955 by an Act of Parliament of India. Its New York branch is located at 460 Park Avenue, New York, NY 10022. SBINY has not opened or closed any branch in the United States of America since the prior evaluation as of December 31, 2009.

SBINY is designated as a wholesale institution for purposes of CRA performance evaluation. The bank's primary business is in correspondent banking, letters of credit, and trade financing serving the Indian-American and Indian business community in the USA. SBINY does not originate or purchase residential mortgage, small business or consumer loans except as an accommodation to its existing clientele.

As per consolidated report of condition filed with FDIC, SBINY reported total assets of \$7.3 billion of which \$5.7 billion or 77.0% were net loans and leases as of June 30, 2012. SBINY also reported total deposits of \$5.0 billion, resulting in a loan-to-deposit ratio of 113.6%. According to FDIC records of the comparative deposit data as of June 30, 2012, SBINY obtained a market share of 0.64% in a market of \$784.3 billion inside its market, ranking it 13th among 119 deposit taking institutions in the assessment area.

Assessment Area:

The bank's assessment area consists of the five counties of Bronx, Kings, New York, Queens and Richmond in the state of New York, which comprise the five boroughs of New York City.

There are 2217 census tracts in the area, of which 326 are low-income, 613 are moderate-income, 663 are middle-income, 557 are upper-income and 58 are tracts with no income indicated.

Assessment Area Census Tracts by Income Level								
County	N/A	Low	Mod	Middle	Upper	Total	LMI %	LMI & Dis-tressed %
Bronx	14	132	98	65	46	355	64.8	65%
Kings	15	119	297	235	117	783	53.1	53%
New York	9	60	59	24	144	296	40.2	40%
Queens	18	12	148	310	185	673	23.8	24%
Richmond	2	3	11	29	65	110	12.7	13%
Total	58	326	613	663	557	2,217	42.4	42%

The assessment area appears reasonable based upon the location of the bank's offices and its lending patterns. There is no evidence that LMI areas have been arbitrarily excluded.

Demographic & Economic Data

The assessment area had a population of approximately eight million people during the examination period. About 11.7% of the population was over the age of 65 and 21.6% was under the age of 16.

Of the 1.87 million families in the assessment area, 30.7% were low-income, 16.7% were moderate-income, 17.0% were middle-income and 35.5% were upper-income families. There were 3.0 million households in the assessment area, of which 19.7% had income below the poverty level and 7.5% were on public assistance.

The MSA median family income within the assessment area was \$49 thousand. The U.S. Department of Housing and Urban Development ("HUD") estimated median family income in the assessment area to be \$67,400 in 2012.

There were 3.2 million housing units within the assessment area, of which 39.2% were one- to four-family units, and 60.8% were multifamily units. A majority (65.9 %) of the area's housing units were rental-occupied, while 28.5% were owner occupied units. Of the 912,133 owner-occupied housing units, 20.5% were in LMI census tracts while 79.4% were in middle- and upper-income census tracts. The median age of the housing stock was 62 years and the median home value in the assessment area was \$240,909.

There were 754,169 non-farm businesses in the assessment area. Of these, 65.07% were businesses with reported revenues of less than or equal to \$1 million, 3.7% reported revenues of more than \$1 million and 31.2% did not report their revenues. Of all the businesses in the assessment area, 70.7% were businesses with less than fifty employees while 94.9% operated from a single location. The largest industries in the area were services (39.6%), followed by retail trade (13.2%) and finance, insurance & real estate (7.9%), while 23.3% of businesses in the assessment area were not classified.

According to the New York State Department of Labor, the average unemployment rate for New York State was 8.2% in 2011 and 8.6% in 2010 as shown in the chart below. The average statewide unemployment rate during the prior examination period was 8.3% in 2009, 5.4% in 2008 and 4.5% in 2007. Unemployment rates in Bronx and Kings Counties were higher at 12.4% and 9.8% in comparison with the statewide rate of 8.2% in 2011.

Assessment Area Unemployment Rate						
	Statewide	Bronx	Kings	New York	Queens	Richmond
2010	8.6%	12.8%	10.3%	8.1%	8.7%	8.8%
2011	8.2%	12.4%	9.8%	7.5%	8.1%	8.3%

Community Contact

Two not-for-profit community organizations were interviewed during the examination.

One organization has been in existence for 27 years providing New Yorkers with affordable home loans and education in buying, improving, maintaining and keeping their homes. Its main focus is on low-income, minority and immigrant neighborhoods and it operates in nine locations throughout the five boroughs. The organization revitalizes underserved neighborhoods by creating and preserving affordable housing and works in collaboration with governments and businesses led by local residents and guided by local needs.

The other not-for-profit organization was founded in 1994 to provide affordable housing and other services to low income victims of domestic violence who are women and children. The organization collaborates with the city when the victims come out of its shelter system, when they are provided programs and resources to rebuild and transform their lives. Some of the programs offered include individual counselling, domestic violence counselling and employment coaching.

Both organizations commented positively about the involvement of SBINY in their efforts in fulfilling the housing and economic needs of the community they serve.

PERFORMANCE TEST AND ASSESSMENT FACTORS

The Department of Financial Services evaluates the CRA performance of wholesale banks pursuant to the “community development test,” as provided for in Section 76.11 of the General Regulations of the Banking Board. Performance criteria include

- 1. The number and amount of community development loans, qualified investments or community development services;*
- 2. The use of innovative or complex qualified investments, community development loans or community development services and the extent to which investments are not routinely provided by private investors; and*
- 3. The banking institution’s responsiveness to credit and community development needs.*

In addition, the following factors are also considered in assessing SBINY’s record of performance: the extent of participation by the board of directors or board of trustees in formulating CRA policies and reviewing CRA performance; any practices intended to discourage credit applications; evidence of prohibited discriminatory or other illegal credit practices; the record of opening and closing offices and providing services at offices; and process factors such as activities to ascertain credit needs; and the extent of marketing and special credit related programs. Finally, the evaluation considered other factors as delineated in Section 28-b of the Banking Law that reasonably bear upon the extent to which a banking institution is helping to meet the credit needs of its entire community.

The examination period was from January 1, 2010 to June 30, 2012.

Statistics employed in this evaluation were derived from various sources. Demographic data referred to in this report was derived from the 2000 U.S. Census data with the updated median family income figures provided by the U.S. Department of Housing and Urban Development (“HUD”). Business demographic data used in this report is based on Dun & Bradstreet information, which is updated annually. Call report data that the institution filed with the FDIC is also used in the analysis.

SBINY received a rating of “3”, reflecting a “Needs to Improve” record of helping to meet community credit needs at its **prior** Performance Evaluation conducted by the New York State Banking Department as of December 31, 2009.

Current CRA Rating: “Satisfactory”

Community Development Test: “Satisfactory”

SBINY’s community development performance demonstrated an adequate level of responsiveness to the community development needs of its assessment area through community development loans, investments and services, considering SBINY’s capacity and the need and availability of opportunities for community development in its assessment area.

During the evaluation period, SBINY originated \$12.1 million in new community development loans, and still had \$3.6 million outstanding from prior evaluation periods. Also during the evaluation period, SBI made \$44.7 million in new community development investments and had \$3.2 million outstanding from prior evaluation periods. SBI made \$282,000 in community development grants. All these grants were made to organizations within the assessment area. These activities represent a significant increase from the prior evaluation period.

Community Development Lending: "Satisfactory"

During this evaluation period, SBINY originated \$12.1 million in new community development loans, and still had \$3.6 million outstanding from prior evaluation periods. This demonstrated an adequate level of community development lending over the course of the evaluation period. This evaluation period's community development lending of \$12.1 million is an increase of 65.8% from a total of \$7.3 million in the previous examination.

Below is a summary breakdown of SBINY's community lending.

Community Development Loans				
Purpose	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Loans	\$000	# of Loans	\$000
Affordable Housing	1	5,000		
Economic Development	8	4,773	7	3,560
Community Services	1	1,494		
Revitalization & Stabilization	1	800		
Total	11	12,067	7	3,560

SBINY extended a \$5.0 million revolving line of credit to a not-for-profit organization which provided affordable housing projects throughout the five boroughs of NYC. The non-for-profit is involved in revitalizing underserved and distressed LMI neighborhoods by creating and preserving affordable housing and providing opportunities for homeownership education, financial assistance and community leadership. It is led by local residents who are guided by local needs and working in partnership with government and businesses.

During the evaluation period, SBINY purchased eight SBA loans totaling \$6.2 million to meet community development needs including a neighborhood grocery supermarket in a LMI area of supermarket shortage, a handicapped educational training institution, and loans toward the expansion and retention of low- and moderate-income employment.

Community Development Investments: “Satisfactory”

During the evaluation period, SBINY made \$44.7 million in new community development investments, and had \$3.2 million outstanding from prior evaluation periods. These investments were made in mortgage-backed securities to LMI borrowers. This amount represents a significant increase of the prior period’s investment total of \$7.2 million.

During the evaluation period, SBINY invested in Fannie Mae, Freddie Mac and Ginnie Mae MBS securities and \$44.2 million of these investments was backed by mortgages extended to LMI borrowers.

Community Development Investments and Grants				
	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Inv.	\$000	# of Inv.	\$000
CD Investments				
Affordable Housing	38	\$ 44,213	1	3,202
Economic Development				
Community Services				
Revitalization & Stabilization	3	\$ 500		
Total	41	\$ 44,713	1	3,202
CD Grants	# of Grants	\$000	Not Applicable	
Affordable Housing	5	\$ 49		
Economic Development	4	\$ 25		
Community Services	27	\$ 179		
Other - Revitalization	4	\$ 30		
Total	40	\$ 282		

Community Development Services: “Satisfactory”

SBINY demonstrated a reasonable level of community development services over the course of the evaluation period. SBINY has participated in several foreclosure prevention workshops and has conducted financial literacy education classes at some community service organizations. SBINY’s Senior Compliance Officer serves on the board of directors of a not-for-profit organization founded to provide housing and other services to LMI victims of domestic abuse and their children. CRA Officer serves in the board of a not-for-profit organization founded that promotes economic development in its Queens-based community.

Innovative Practices:

During the evaluation period, SBINY did not make or utilize any community

development loans or investments that were complex in nature or met the needs of the community in any innovative way.

Responsiveness to Credit and Community Development Needs:

SBINY demonstrated an adequate level of responsiveness to credit and community development needs.

Additional Factors

The extent of participation by the banking institution's board of directors/trustees in formulating the banking institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act

SBINY's senior management including Chief Executive Officer is actively involved in the CRA activities of the bank. The CEO chairs the quarterly CRA committee, reviews and directs CRA activities.

Prior to November 2010, SBINY's CRA activities were overseen by a home-based officer who rotates out every three or four years. In order to ensure uninterrupted management of CRA activities, the management recruited a non-rotating CRA officer in November 2010.

Discrimination and other illegal practices

- *Any practices intended to discourage applications for types of credit set forth in the banking institution's CRA Public File.*

DFS did not note any practices that were intended to discourage applications for the types of credit offered by the institution.

- *Evidence of prohibited discriminatory or other illegal credit practices.*

DFS did not note any evidence of prohibited discriminatory or other illegal practices.

The banking institution's record of opening and closing offices and providing services at offices

As a wholesale bank, SBINY does not offer retail services at its offices. A new branch affiliated with State Bank of India U.S operations was opened in Jackson Heights, Queens New York, and started operations in March of 2011.

Process Factors

- *Activities conducted by the banking institution to ascertain the credit needs of its*

community, including the extent of the banking institution's efforts to communicate with members of its community regarding the credit services being provided by the banking institution.

SBINY ascertains the credit needs of the community members, organizations and institutions through interactions with various community groups.

- The extent of the banking institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the banking institution

In addition to the expertise of the newly hired the CRA officer, SBINY reaches to community organizations to ascertain the community needs.

Other factors that in the judgment of the Superintendent and Banking Board bear upon the extent to which a banking institution is helping to meet the credit needs of its entire community

DFS noted no additional factors.

GLOSSARY

Aggregate Penetration Rate

The number of loans originated and purchased by all reporting lenders in specified categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the assessment area.

Community Development

“Community development”:

1. Affordable housing (including multifamily housing) for low- or moderate-income (“LMI”) individuals;
2. Community services targeted to LMI individuals;
3. Activities that promote economic development by financing business or farms that meet the size eligibility standards of the United States Small Business Administration (“SBA”) Development Company or Small Business Investment Company programs, or have gross annual incomes of \$1 million or less;
4. Activities that revitalize or stabilize LMI geographies; and
5. Activities that seek to prevent defaults and/or foreclosures in loans included in (1) and (3) above.

Community Development Loan

A loan that has its *primary purpose* community development. This includes but is not limited to loans to:

- Borrowers for affordable housing rehabilitation and construction, including construction and permanent financing for multifamily rental property serving low or moderate income (“LMI”) persons;
- Nonprofit organizations serving primarily LMI or other community development needs;
- Borrowers to construct or rehabilitate community facilities that are located in LMI areas or that primarily serve LMI individuals;
- Financial intermediaries including community development financial institutions, community development corporations, minority- and women-owned financial institutions, community loan funds or pools, micro-finance institutions, and low-income or community development credit unions that primarily lend or facilitate lending to promote community development;
- Local, state and tribal governments for community development activities; and
- Borrowers to finance environmental clean up or redevelopment of an industrial site as part of an effort to revitalize the LMI community in which the property is located.

Community Development Service

Service that has community development as its *primary purpose*, is related to the provision of financial services, and has not been considered in the evaluation of the banking institution's retail banking services. This includes but is not limited to:

- Providing technical assistance on financial matters to nonprofit, tribal or government organizations serving LMI housing or economic revitalization and development needs;
- Providing technical assistance on financial matters to small businesses or community development organizations;
- Lending employees to provide financial services for organizations facilitating affordable housing construction and rehabilitation or development of affordable housing;
- Providing credit counseling, home buyers and home maintenance counseling, financial planning or other financial services education to promote community development and affordable housing;
- Establishing school savings programs for LMI individuals;
- Providing seminars for LMI persons on banking and bank account record-keeping;
- Making ATM “Training Machines” available for extended periods at LMI community sites or at community facilities that serve LMI individuals; and
- Technical assistance activities to community development organizations such as:
 - ❖ Serving on a loan review committee;
 - ❖ Developing loan application and underwriting standards;
 - ❖ Developing loan processing systems;
 - ❖ Developing secondary market vehicles or programs;
 - ❖ Assisting in marketing financial services, including the development of advertising and promotions, publications, workshops and conferences;
 - ❖ Furnishing financial services training for staff and management;
 - ❖ Contributing accounting/bookkeeping services; and
 - ❖ Assisting in fund raising, including soliciting or arranging investments.

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 Home Mortgage Disclosure Act, enacted by Congress in 1975, and subsequently amended, requires institutions to annually report data about applications for residential (including multifamily) financing.

Income Level

The income level for borrowers is based on household or family income. A geography's income is categorized by median family income for the geography. In both cases, the income is compared to the MSA or statewide nonmetropolitan median income.

Income level of individual or geography	% of the area median income
Low-income	Less than 50
Moderate-income	At least 50 and less than 80
Middle-income	At least 80 and less than 120
Upper-income	120 or more

Loans to Small Businesses

Small business loans to businesses with gross annual revenues of \$1 million or less.

Low or Moderate Income ("LMI") Geographies

Those census tracts or block numbering areas where, according to the 2000 U.S. Census, the median family income is less than 80% of the area median family income. In the case of tracted areas that are part of a Metropolitan Statistical Area ("MSA") or Primary Metropolitan Statistical Area ("PMSA"), this would relate to the median family income for the MSA or PMSA in which the tracts are located. In the case of BNAs and tracted areas that are not part of a MSA or PMSA, the area median family income would be the statewide non-metropolitan median family income.

LMI Borrowers

Borrowers whose income, as reported on the loan application which the lender relied upon in making the credit decision, is less than 80% of the area median family income. In cases where the residential property is located in a MSA or PMSA, this would relate to the median family income for that MSA or PMSA. Otherwise, the area median family income would be the statewide non-metropolitan median family income. In all instances, the area median family incomes used to measure borrower income levels are updated annually by the U.S. Department of Housing and Urban Development ("HUD").

LMI Individuals/Persons

Individuals or persons whose income is less than 80% of the area median family income. In the case where the individual resides in a MSA or PMSA, this would relate to the median family income for that MSA or PMSA. Otherwise, the area median family income would be the statewide non-metropolitan median family income. In all instances, the area median family incomes used to measure individual income levels are updated annually by HUD.

LMI Penetration Rate

A number that represents the percentage of a bank's total loans (for a particular product) that was extended to LMI geographies or borrowers. For example, an LMI penetration rate of 20% would indicate that the bank made 20 out of a total of 100 loans in LMI geographies or to LMI borrowers.

Low-Income Housing Tax Credit (LIHTC)

A dollar for dollar tax credit for affordable housing, created under the Tax Reform Act of 1986, that provides incentives to invest in projects for the utilization of private equity in the development of affordable housing aimed at low income Americans. It is also more commonly called Section 42 credits in reference to the applicable section of the IRC. The tax credits are more attractive than tax deductions as they provide a dollar for dollar reduction in a taxpayer's federal income tax. It is more commonly attractive to corporations since the passive loss rules and similar tax changes greatly reduced the value of tax credits and deductions to individual taxpayers.

New Markets Tax Credit (NMTC)

The New Markets Tax Credits (NMTC) Program was established by Congress in December 2000 to stimulate economic and community development and job creation in low-income communities. It permits individual and corporate taxpayers to receive a credit against federal income taxes for making qualified equity investments in Community Development Entities (CDEs). The credit provided to the investor totals 39% of the cost of the investment and is claimed over a 7-year period. CDEs must use substantially all of the taxpayer's investments to make qualified investments in low-income communities. The Fund is administered by the US Treasury Department's Community Development Financial Institutions Fund (CDFI).

Qualified Investment

A lawful investment, deposit, membership share or grant that has community development as its *primary purpose*. This includes but is not limited to investments, deposits, membership shares or grants in or to:

- Financial intermediaries (including community development financial institutions, community development corporations, minority- and women-owned financial institutions, community loan funds, micro-finance institutions and low-income or community development credit unions) that primarily lend or facilitate lending in LMI areas or to LMI individuals in order to promote community development;
- Organizations engaged in affordable housing rehabilitation and construction;
- Organizations, including, for example, small business investment corporations that promote economic development by financing small businesses;

- Facilities that promote community development in LMI areas or LMI individuals, such as youth programs, homeless centers, soup kitchens, health care facilities, battered women's centers, and alcohol and drug recovery centers;
- Projects eligible for low-income housing tax credits;
- State and municipal obligations, such as revenue bonds that specifically support affordable housing or other community development needs;
- Organizations serving LMI housing or other community development needs, such as counseling for credit, home ownership, home maintenance, and other financial services education; and
- Organizations supporting activities essential to the capacity of LMI individuals or geographies to utilize credit to sustain economic development, such as day care operations and job training programs that facilitate access to permanent jobs.