



NEW YORK STATE BANKING DEPARTMENT
CONSUMER SERVICES DIVISION
1 State Street
New York, NY 10004

PUBLIC SUMMARY

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Date of Evaluation: December 31, 2002

Institution: Bank of Baroda
New York Branch
1 Park Avenue
New York, NY 10016

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 Banking Department concerning the safety and soundness of this financial institution.

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GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (“CRA”) performance of Bank of Baroda, New York Branch (“Baroda” or “the branch”) prepared by the New York State Banking Department. The evaluation represents the Banking Department’s current assessment and rating of the institution’s CRA performance based on an evaluation conducted as of December 31, 2002.

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 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 Banking 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 Banking 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 be made available to the public (“Evaluation”). Evaluations are primarily based on a review of performance tests and standards described in Section 76.7 and detailed in Sections 76.8 – 76.13. The tests and standards incorporate the 12 assessment factors contained in Section 28-b of the New York State Banking Law.

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

OVERVIEW OF INSTITUTION'S PERFORMANCE

Overall Rating

Bank of Baroda, New York Branch is rated "2," indicating a satisfactory record of helping to meet community credit needs.

- The branch's community development lending and qualified investments totaled \$260.5 thousand.
 - Community development loan commitments decreased to \$144.5 thousand, from the \$150 thousand reported at the prior evaluation. None of the loan commitments is considered new money.
 - Qualified investments, exclusive of grants, totaled \$99.5 thousand. This represents a certificate of deposit that the branch has maintained at Community Capital Bank for several years.
 - Qualified grants totaled \$16.5 thousand.
- A branch staff member participates in a financial skills education program sponsored by a local community development organization.

Although the branch maintained a satisfactory rating at this evaluation, management is strongly encouraged to be more proactive in its CRA activities. The current level of performance is only marginally within the guidelines for a satisfactory rating.

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's Profile:

Bank of Baroda is a government-controlled institution established in 1908 with its head office located in Baroda, India. The New York branch, which is located at 1 Park Avenue in New York City, commenced operations in 1979 and obtained Federal Deposit Insurance Corporation ("FDIC") membership a year later. As of December 31, 2002, the branch reported total assets of \$100.1 million, loans of \$65.3 million representing approximately 65.2% of total assets and domestic deposits of \$31.8 million.

The branch is a wholesale commercial institution. As the only branch in the dollar denominated area, the New York branch serves as a dollar pool for Bank of Baroda's global network of branches. The branch's primary business focus involves lending to the Indian business community within the United States, specializing in operations related to letters of credit and trade bills.

The branch is not in the business of originating or purchasing residential mortgage, housing rehabilitation, home improvement, small business or small farm loans to retail customers, except as an accommodation to its existing clients. Accordingly, on October 2, 1997, the FDIC granted the branch a wholesale institution designation for purposes of its evaluation under the CRA.

Assessment Area:

The branch has designated all of New York City as its assessment area. Excluding 66 zero-income tracts, this area consists of 2,150 census tracts, 314 (14.6%) are low-income, 419 (19.5%) are moderate-income, 779 (36.2%) are middle-income and 638 (29.7%) are upper-income.

Considering the nature of the branch's operations, the assessment area appears reasonable, and there is no evidence that low or moderate-income ("LMI") areas are arbitrarily excluded.

PERFORMANCE TEST AND ASSESSMENT FACTORS

The Banking Department evaluates the CRA performance of wholesale banks pursuant to the “community development test: as provided in Part 76.11 of the General Regulations of the Banking Board. Performance criteria may include (1) the number and amount of community development loans, qualified investments or community development services; (2) the use of innovative or complex qualified investment, community development loans or community development services and the extent to which the investments are not routinely provided by private investors; and (3) the banking institution’s responsiveness to credit and community development needs.

I. Community Development Test

Baroda participates in community development initiatives primarily by working with intermediaries that serve its assessment area. As of December 31, 2002, the branch’s assessment area-based community development loans and qualified investments totaled \$260.5 thousand, a decrease of \$1.5 thousand since the prior performance evaluation. During the same period, the branch’s assets increased by 38.1%, to \$100.1million.

The branch’s total community development portfolio of loans, investments and grants within its assessment area was comprised as follows:

Community Development Portfolio – December 31, 2002					
Type	No. of Commitments	Commitment Amount (\$000s)	Percentage	Outstandings (\$000)	Percentage
Affordable Housing	2	144.5	55.5	144.0	55.4
Community Service	1	16.5	6.3	16.5	6.3
Economic Development	1	99.5	38.2	99.5	38.3
Total	4	260.5	100.0	260.0	100.0

A more detailed description of the branch’s community development activity follows:

- **Community Development Lending**

The branch’s community development lending consists of the following single initiative:

- *Neighborhood Housing Services of New York City (“NHS”) - The branch renewed a \$144.5 thousand term loan to NHS. Originally written in 1998 as a \$150 thousand, 5-year term loan and reduced to \$144.5 thousand in 2001. The current outstanding balance is \$144 thousand. NHS is a city-wide, not-for-profit community revitalization organization that works to increase investments in declining neighborhoods, encourage*

and support neighborhoods' self-reliance, create, preserve and promote affordable housing in New York City neighborhoods.

- **Qualified Investments**

As of December 31, 2002, Baroda had qualified investments totaling \$116 thousand. Below is a brief description of these activities:

- 1) *Community Capital Bank ("CCB")* – This bank is a community development financial institution located in Brooklyn. This institution uses its deposits to develop housing for LMI families, promote job creation through small business lending and support businesses that provide beneficial products or services to the local community. Baroda maintains a \$99.5 thousand certificate of deposit with CCB, which the branch consistently renews.
- 2) During the evaluation period, the branch contributed \$16.5 thousand to NHS.

- **Community Development Services**

One staff member participates in the NHS Financial Life Skills Program. The program teaches participants to take charge of their finances with emphasis on goal setting and homeownership.

II. Discrimination or Other Illegal Practices

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

There were no practices noted that were intended to discourage applications for the types of credit offered by the institution.

Evidence of prohibited discriminatory or other illegal credit practices.

The most recent regulatory compliance report dated November 24, 2003 indicates a satisfactory performance in terms of adherence to antidiscrimination or other applicable laws and regulations. No evidence of prohibited discriminatory or other illegal credit practices was noted.

III. Other 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.

Management has met with Flushing Savings Bank and discussed ways for Baroda to gain

access to Small Business Administration (“SBA”) loans. As an approved SBA lender, Baroda intends to actively engage in making SBA guaranteed loans.

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.

The branch does not have a formal marketing plan or special credit-related programs. The client base is largely Asian immigrants or business owners seeking a financial intermediary.

The branch advertises mainly in journals and program brochures of organizations that are active in the local community, particularly those in recognized in LMI geographies.

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.

The branch’s CRA activities are managed by the New York Performance Monitoring Committee, an apex local management committee comprised of the chief executive officer, chief managers, senior managers and managers. The branch’s CRA policy is periodically updated and reviewed by the committee. Local management then submits the policy to the home office for further review and approval. The committee most recently approved the CRA Statement in January 2002. The chief manager responsible for overseeing the compliance functions is also responsible for CRA activities.

Other factors that in the judgement 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.

The SBA approved the branch for participation in the SBA guaranteed lending program. As an SBA participating lender, the branch will have more opportunity to help the small business community.

The branch contributed \$30 thousand to Bharatiya Vidya Bhavan, (Bhavan) New York. Bhavan actively promotes the Indian Culture in the US. Activities promoted by Bhavan include classes to teach Indian languages, philosophy, culture, music and yoga.

GLOSSARY

Community Development

The term “community development” is defined to mean:

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.

A “community development loan” is defined as a loan that has as 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.

A “qualified investment” is defined as a lawful investment, deposit, membership share or grant that has as its *primary purpose* community development. 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.

A "community development service" is defined as a service that has as its *primary purpose* community development, 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.

Low or Moderate Income (“LMI”) Geographies

Those census tracts or block numbering areas (“BNAs”), where according to the 1990 US 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 nonmetropolitan median family income.

LMI Individuals/Persons

Those individuals, 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 nonmetropolitan median family income. In all instances, the area median family incomes used to measure individual income levels are updated annually by the U.S. Department of Housing and Urban Development (“HUD”).

Wholesale Institution

The term “wholesale institution” means a banking institution that is not in the business of extending home mortgage, small business, small farm or consumer loans to retail customers, and for which a designation as a wholesale banking institution by the appropriate Federal regulatory authority is in effect. When evaluating a wholesale institution’s CRA performance, the Banking Department looks primarily at its record of helping to meet the credit needs of its assessment are through community development lending, qualified investments and community development services.