



NEW YORK STATE BANKING DEPARTMENT
CONSUMER SERVICES DIVISION
One State Street
New York, NY 10004-1417

PUBLIC SUMMARY
OFF-SITE EVALUATION

COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION

Date of Evaluation: December 31, 2002

Institution: MashreqBank psc, New York Branch
255 Fifth 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 “off-site” evaluation of the Community Reinvestment Act (“CRA”) performance of MashreqBank psc, New York Branch (“MashreqBank”) 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 (“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 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

MashreqBank is rated "2," indicating a satisfactory record of helping to meet community credit needs. This rating reflects the following:

- For this evaluation period, the bank exhibited good responsiveness to the credit and community development needs of its assessment area, given its limited size and capacity. As of December 31, 2002, MashreqBank's community development commitments totaled \$800 thousand, all representing new money.
- The branch's community development portfolio is comprised entirely of investments within its assessment area, with \$790 thousand (98.8%) supporting economic development, and \$5 thousand each targeting affordable housing and community service programs.
- The branch is encouraged to increase its community development services going forward.

This "off-site" 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:

MashreqBank, formerly Bank of Oman Limited, is a New York State chartered branch of MashreqBank psc, a public shareholding company incorporated in Dubai, United Arab Emirates. The branch, established in 1989, is a single office wholesale bank located in Manhattan (New York County).

In 1999, the bank shifted its business focus to correspondent banking and trade financing. MashreqBank continues to provide trade financing to medium-sized local businesses owned or managed by individuals with ties to South Asia and the Middle East.

The bank is not in the business of originating loans to retail customers. Accordingly, on September 25, 1997, the FDIC granted the bank designation as a wholesale institution for purposes of its evaluation under the CRA.

As of December 31, 2002, the branch reported total assets of \$118 million, including \$100.1 million (84.8% of total assets) in total loans. As of the same date, total deposits amounted to \$3.5 million, of which \$142 thousand (4.1%) were domestic deposits.

The bank received a rating of "2," reflecting a satisfactory record of helping to meet community credit needs, at its prior Performance Evaluation by the New York State Banking Department on December 31, 2000.

There are no known financial or legal impediments that adversely impacted the bank's ability to meet the credit needs of its community.

Assessment Area:

The branch's assessment area consists of the five counties (Bronx, Kings, New York, Queens and Richmond) of New York City, part of the Primary Metropolitan Statistical Area ("PMSA") 5600. Excluding 66 zero tracts, there are 2150 census tracts of which 314 (14.6%) are low-, 419 (19.5%) are moderate-, 779 (36.2%) are middle-, and 638 (29.7%) are upper-income tracts. According to the 1990 U.S Census, the total population in the assessment area was approximately 7.3 million. There were 2.8 million households, of which 975.7 thousand (34.8%) were located within LMI tracts. Of the total 2.8 million households in the assessment area, 1.2 million (42.9%) were LMI households and 501 thousand (17.8%) had incomes below the poverty level. The percentage of households receiving public assistance in LMI geographies was 56%, compared with 13% for the entire assessment area.

There were almost three million housing units in the assessment area, of which 35.8% were 1-4 family units and 27% were owner-occupied. Approximately 67.2% were rentals units, and 6.1% were vacant/boarded up. The median home value was \$186,350. Eighteen

percent of the housing units in LMI census tracts were owner-occupied, and approximately 76.5% were multi-family (five or more units).

In 1990, there were 1.7 million families in the PMSA, of which 487 thousand (27.7%) were low-income, about 286 thousand (16.3%) were moderate-income, nearly 329 thousand (18.7%) were middle-income, and 654.2 thousand (37.2%) were upper-income families. Of the approximately 773 thousand LMI families, 448 thousand, or nearly 58%, lived in LMI tracts. These families accounted for 67% of all the families (667 thousand) that lived in LMI tracts.

Base on estimates by the U.S. Department of Housing and Urban Development (“HUD”), the median family income for MSA 5600 increased to \$62.8 thousand, in 2002, from \$37.5 thousand reported at the 1990 Census.

According to the New York Department of Labor, the average unemployment rate for New York City was 7.9% in 2002 and 6% in 2001 compared with 6.1% for New York State in 2002 and 4.9 % in 2001.

Based on the location of the bank's branches and lending patterns, the bank's assessment area delineation is in conformance with the CRA regulation. There is no evidence that the bank arbitrarily excluded LMI areas.

PERFORMANCE TEST AND ASSESSMENT FACTORS

This evaluation incorporates a review of MashreqBank's community development activities from January 1, 2001 through December 31, 2002.

The Banking Department evaluates the CRA performance of wholesale banks pursuant to the "community development test: as provided in section 76.11 of the New York Banking Law. 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

MashreqBank continues to exhibit good responsiveness to credit and community development needs in its assessment area, given its limited size and capacity. Between evaluations, the bank's assessment area-based community development commitments increased by 60%, from \$500 thousand recorded on December 31, 2000 (prior evaluation date), to \$800 as of December 31, 2002. The entire amount represents new money.

The branch's community development portfolio is comprised entirely of investments within its assessment area, with \$790 thousand (98.8%) supporting economic development, and \$5 thousand each targeting affordable housing and community service programs. MashreqBank did not make any community development loans, nor did it participate in any community development services, during the evaluation period.

MashreqBank participates in community development initiatives primarily by working with intermediaries that serve its assessment area. The bank's total community development portfolio within its assessment area includes the following:

| Community Development Portfolio as of December 31, 2002 | | | | | |
|--|-----------------------|----------------------------------|-------------------|-----------------------------------|-------------------|
| Type | No. of Comm'ts | Comm't Amt (in thousands) | Percentage | Outstanding (in thousands) | Percentage |
| Affordable Housing | 2 | 5 | .6 | 0 | 0 |
| Community Service | 1 | 5 | .6 | 0 | 0 |
| Economic Development | 6 | 790 | 98.8 | 295 | 100 |
| Total | 9 | \$800 | 100 | \$295 | 100 |

During this evaluation period, the bank made nine qualified investments (including grants) totaling \$800 thousand. The following are examples of the branch's qualified community

development investments:

Lower East Side Peoples Credit Union (LESPCU) – The branch renewed a \$95 thousand certificate of deposit with LESPFCU, in 2001 and 2002. LESPFCU is a federally chartered and -regulated nonprofit [501(c)(1)] community development credit union serving primarily LMI people residing on Manhattan’s Lower East Side.

Neighborhood Trust Federal Credit Union (NTFCU) – In 2001 and 2002, the branch renewed a \$100 thousand certificate of deposit with NTFCU, a non-profit 501(c) 3 organization that promotes the economic empowerment of low-income families in the Washington Heights and West Harlem neighborhoods of Manhattan.

Community Capital Bank (CCB) – In 2001 and 2002, the branch renewed a \$200 thousand certificate of deposit with CCB, a financial institution that provides community development loans for LMI neighborhoods in New York City.

Qualifying Grants: The branch provided two grants totaling \$5 thousand to Neighborhood Housing Services (“NHS”) of New York City, during this evaluation period. NHS is a nonprofit organization established to create and rehabilitate affordable housing for LMI individuals in New York City.

In addition, the branch made a \$5 thousand grant to The Children’s Hospital at Montefiore, which provides health care to medically underserved areas of the Bronx.

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.

Examiners noted no practices 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 concurrent with this assessment indicates satisfactory 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.

The bank ascertains the credit needs of its community through its contacts with financial

intermediaries and charitable organizations. In addition, the bank executive staff participates in meetings and seminars organized by 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.

As a wholesale bank, MashreqBank does not advertise its credit services to the public. However, the bank indirectly participates in loan programs by making deposits in financial institutions that provide loans to LMI communities and individuals.

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 has a designated CRA Officer, responsible for CRA activities of the branch.

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.

None noted.

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 non-metropolitan 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 non-metropolitan 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.