



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

PUBLIC SUMMARY

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Date of Evaluation: December 31, 2004

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.

TABLE OF CONTENTS

	Section
General Information	1
Overview of Institution's Performance	2
Performance Context.....	3
Institution's Profile	
Assessment Area	
Performance Tests and Assessment Factors	4
Community Development Test	
Discrimination or Other Illegal Practices	
Other Factors	
Glossary	5

GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (“CRA”) performance of Bank of Baroda, New York Branch (“the branch” or “Baroda”) prepared by the New York State Banking Department. The evaluation represents the Banking Department’s assessment and rating of the institution’s CRA performance based on an evaluation conducted as of December 31, 2004.

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.

- Community development loans, qualified investments, and grants have increased significantly by 454.1% since the prior evaluation. The amount at \$1.4 million was all new money.
 - The level of community development lending increased significantly, 750.2%, to \$1.2 million from \$144.5 thousand at the prior evaluation.
 - Qualified investments increased to \$199.5 thousand, representing almost a 100% increase, due to a new certificate of deposit placed at Carver Federal Savings Bank.
 - Qualified grants totaled \$15.5 thousand.
- Community development service includes an employee's teaching in the NHS Financial Life Skill Program.

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 was established in 1908, headquartered in Baroda, India, with the Government of India as a 66.8% share holder. It opened its New York branch in 1979 and obtained its membership from the Federal Deposit Insurance Corporation ("FDIC") a year later. As of December 31, 2004, the branch reported total assets of \$153.4 million, loans of \$137.4 million, representing approximately 89.6% of total assets, and total deposits of \$95.8 million.

The branch focuses primarily on serving the Indian business community in the United States through letters of credit and trade bills finance.

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 designation as a wholesale institution for purposes of its evaluation under CRA.

Baroda has one office located at 1 Park Avenue, New York. Since the prior evaluation, the bank has not opened or closed any branches.

Assessment Area:

The branch's assessment area includes five counties in their entirety: Bronx, New York, Kings, Queens and Richmond, which is part of Metropolitan Division ("MD 35644"). The assessment area consists of 2,217 census tracts, 939 or 42.4% of which, are considered to be low to moderate income ("LMI").

The assessment area appears reasonable based upon the branch's location and its designation as a wholesale institution. There is no evidence that LMI areas are arbitrarily excluded.

Unemployment Rates: According to the New York State Department of Labor, New York City's average unemployment rates were 8.3% in 2003 and 7.1% in 2004. These rates were above the state's average rates of 6.4% and 5.8% respectively.

Business Demographic Data: According to the 2004 Business Geodemographic Data, there were 494 thousand businesses in New York City. Service providers were the largest industry, consisting of 194 thousand (39.3%) businesses. Retail trade industry (18.2%) and finance, insurance and real estate (9.6%) were the second and third largest industries in this area. The remaining businesses, over 1% of the total trades, were wholesale trade (6.2%), construction (4.6%), manufacturing (4.2%), and transportation and communication (4.2%). Approximately 12.8% of businesses were non-classifiable.

PERFORMANCE TEST AND ASSESSMENT FACTORS

The Banking Department evaluates the CRA performance of wholesale banks pursuant to the “community development test,” as provided in Section 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 investments, 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 institutions 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, 2004, the branch’s community development loans and qualified investments totaled \$1.4 million, with \$1.4 million outstanding. This represented an increase of \$1.2 million or 454.1% since the prior performance evaluation.

All of the commitments were considered new money, including a new relationship with Carver Federal Savings Bank, a grant to NHS and six loans extended to small businesses and nonprofit organizations. During the evaluation period, the branch’s assets increased by 53.2%, to \$153.4 million.

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

Community Development Portfolio – December 31, 2004								
	Number of Commitm't	CD Loans*	CD Loans O/S Balance*	Investment*	Grants*	Total*	Total O/S Balance*	New Money*
Affordable Housing	3	144.5	135.0	100.0	0.0	244.5	235.0	244.5
Community Service	1	0.0	0.0	0.0	15.5	15.5	15.5	15.5
Economic Develop.	6	1,084.0	1,084.0	99.5	0.0	1,183.5	1,183.5	1,183.5
Total	10	1,228.5	1,219.0	199.5	15.5	1,443.5	1,418.5	1,443.5

* In Thousands

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

- **Community Development Lending**

As of December 31, 2004, the branch committed \$1.2 million community development loans, with an outstanding balance of \$1.2 million.

Affordable Housing Initiative:

- *Neighborhood Housing Services of New York City (“NHS”)* – In 2004, the branch renewed two lines of credit totaling \$144.5 thousand, with \$135 thousand outstanding. These facilities were originally granted in 1998 as a \$150 thousand, five-year term loan which was reduced to \$144.5 thousand in 2001. The purpose of the loan was to support affordable housing programs of NHS. NHS is a nonprofit organization that works to increase investments in declining LMI neighborhoods, and encourage and support neighborhood self-reliance. It also helps to create, preserve and promote affordable housing for LMI families in New York City.

Economic Development Initiative - Small Businesses:

- During the evaluation period, five loans were extended to five small businesses with annual sales less than \$1 million. All these businesses are located in New York City. The total amount of \$1.1 million represented one new commitment of \$15 thousand made in 2004 and the other four were renewed during the evaluation period.

- **Qualified Investments**

As of December 31, 2004, Baroda had two qualified investments totaling \$199.5 thousand. The following is a brief description of these investments:

- 1) *Community Capital Bank (“CCB”)* - The branch renews continuously a certificate of deposit of \$99.5 thousand with CCB. CCB has been designated as a Community Development Financial Institution by the U.S. Department of Treasury. This institution uses its deposits to develop housing for LMI families and support economic development through lending to small businesses in the local community.
- 2) *Carver Federal Savings Bank (“Carver”)* – The branch started a new relationship with Carver in November 2004 by purchasing a \$100 thousand certificate of deposit. Carver has been designated as a Certified Community Development Financial Institution (“CDFI”). Carver employs local residents and provides funding to churches, community organizations, developers of affordable housing and vital commercial services.
- 3) In addition, the branch provided a grant totaling \$15.5 thousand to NHS.

- **Community Development Services**

A Baroda staff member was nominated to teach in the NHS Financial Life Skills Program. The program trains attendees 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.

The most recent regulatory compliance and fair lending examinations concurrent with this assessment 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.

Due to the nature of the branch's business focus, contact with the public is minimal. To ascertain the credit needs of its community, the bank keeps contact with various non-profit organizations that provide community development services. These organizations include Neighborhood Housing Services of New York City, CCB, Carver, Bharatiya Vidya Bhavan (BVB) and so forth.

Being an approved Small Business Administration ("SBA") lender, the branch is able to expand its contacts with community groups, local officials and individuals with special emphasis on LMI geographies. In December 2004, the branch supplemented the existing agreement with SBA with another agreement to participate in the SBA Express Pilot Program. By means of this lending, the branch intends to increase its community development activities through lending to small businesses within its assessment area.

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 credit-related marketing program, because it believes informal forms, such as personal contacts and word of mouth are the best ways of

marketing its financial products.

Due to its limited marketing budget, the branch advertises in souvenirs, journals, and brochures of organizations that are active in the local community, especially those 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 New York Performance Monitoring Committee is in charge of the branch's CRA activities. This committee consists of local senior management, such as the chief executive officer, chief managers, and senior managers. The chief manager of compliance is responsible for CRA activities. The committee annually updates and reviews the CRA policy, then submits it to the head office for further review and approval. The latest policy was updated and approved in July 2004.

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.

Baroda contributes \$10 thousand annually to BVB to support's cultural and educational activities.

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

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- 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;

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- ❖ 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.