



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: MashreqBank psc, New York Branch
255 Fifth Avenue
New York, N.Y. 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 MashreqBank psc, New York 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, 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) 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 psc, New York Branch is rated "2," indicating a satisfactory record of helping to meet community credit needs. Based on the branch's limited level of community development investments and the absence of community development loans and services this was a marginally satisfactory performance. The bank is advised to increase its community development lending, investment and service activities to sustain a satisfactory rating in the future.

- As of December 31, 2004, the branch had total qualified community development investments of \$366 thousand. Of this total, grants constituted \$11 thousand (3.0%).
- The branch did not report originating any community development loans during the evaluation period.
- The branch does not provide community development services with its assessment area.

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:

MashreqBank psc, a public shareholding company incorporated in Dubai, United Arab Emirates, was licensed in 1989 by the New York State Banking Department under the name Bank of Oman Limited. The bank changed its name in 1993 to MashreqBank psc, ("Mashreq NY"). The branch operates one principal office located in midtown Manhattan.

The branch is not in the business of originating loans to retail customers. Accordingly, on September 25, 1997 the FDIC designated the branch a wholesale institution for CRA purposes. The institution's activities are mainly in the areas of correspondent banking and trade financing with a primary focus on U.S. companies involved in international trade.

As of December 31, 2004, the branch reported total assets of \$102.5 million, of which \$37.7 million (37.0%) were domestic assets; \$67.3 million (66.0%) were loans and \$3.1 million (3.0%) were domestic deposits.

Mashreq NY did not open or close any office since the previous evaluation.

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

Assessment Area:

The branch's assessment area did not change since the prior evaluation. The branch took the five counties of New York City as its assessment area; Bronx, New York, Kings, Queens and Richmond. The area is part of the New York-Wayne-White Plains, NY-NJ Metropolitan Division (MD)¹ 35644. MDs 35644 is a subset of MSA 35620 titled "New York-Northern-New Jersey-Long Island, NY-NJ-PA."

There are 2,217 census tracts in the assessment area, of which 326 (14.7%) are low-income, 613 (27.6%) are moderate-income, 663 (30.0%) are middle-income and 557 (25.1%) are upper-income tracts. The area also includes 58 (2.6%) zero-income tracts.

¹ A group of counties within a Core based Statistical Area that contains a core with a population of at least 2.5 million. An MD consists of one or more/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main county or counties through commuting ties.

The following table shows the distribution of census tracts throughout the assessment area during the evaluation period:

Distribution of Census Tracts Within the Assessment Area						
County	Zero-Income Tracts	Low-Income Tracts	Moderate-Income Tracts	Middle-Income Tracts	Upper-Income Tracts	Total Census Tracts
Bronx	14	132	98	65	46	355
Kings	15	119	297	235	117	783
New York	9	60	59	24	144	296
Queens	18	12	148	310	185	673
Richmond	2	3	11	29	65	110
Total	58	326	613	663	557	2,217

PERFORMANCE TEST AND ASSESSMENT FACTORS

The banking Department evaluates the CRA performance of wholesale banks pursuant to the "Community Development Test" established in Section 76.11 of the General Rules and 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 and the extent to which the investment are not routinely provided by private investors; (3) the provision of community development services; and (4) the banking institution's responsiveness to the credit and community development needs of its assessment area.

This evaluation incorporates a review of Mashreq Bank's New York Branch's community development activities from January 1, 2003 through December 31, 2004

I. Community Development Test

The branch participates in community development projects primarily through intermediaries that serve the assessment area.

▪ Qualified Investments

As of December 31, 2004, the branch had total qualified community development investments of \$366 thousand. Of this total, grant constituted \$11 thousand (3.0%). The branch did not report originating any community development loans.

The current total of the branch's qualified investments is new money and represents a decrease of approximately 119% from the previous evaluation. Though not complex or innovative, these investments are responsive to the needs of the assessment area.

The following table depicts the distribution of the bank's qualified community development investments by type during the evaluation period:

Category of Qualified Community Development offered By The Bank								
Category	No. of Commitments				Outstanding Commitments			
	#	%	(\$000)	%	#	%	(\$000)	%
Affordable Housing	2	22	5	0.8	0	0.0	0	0.0
Community Service	1	11.1	5	0.8	0	0.0	0	0.0
Economic Development	6	66.7	590	98.3	3	100.0	295	100.0
Total	9	100.0	600	100.0	3	100.0	295	100.0

The following are examples of the branch's qualified community development investments:

- During the evaluation period, the bank renewed qualified deposits at three qualified community development financial institutions in the amount of \$295 thousand. These institutions are actively involved in community development programs serving the LMI community.
- In 2003, the branch awarded a \$5 thousand grant to a local hospital for qualified community development purposes. The recipient provides critical family centered health care services to underserved and homeless children within the assessment area.
- During the evaluation period, the bank awarded two grants of \$2,500 each to a qualified community development organization. The organization is a not-for-profit intermediary that creates and preserves affordable housing, and promotes increased investment in underserved and declining New York City neighborhoods through a broad range of lending, development/rehabilitation, and homebuyer education and counseling initiatives.

▪ **Community Development Services**

Management indicated that, given the branch size and limited staff; direct participation in community development services is not feasible for the institution.

II. Discrimination or Other Illegal Practices

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

There were 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 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.

The branch's business focus is correspondent banking. The branch does not have a policy of providing credit facilities to individuals. Management indirectly participates in loan programs by placing deposits with financial intermediaries serving LMI individuals. Mashreq ascertains the credit needs of its community through contacts with its financial intermediaries and charitable organizations.

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 is a wholesale bank and does not advertise its services to the public.

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 does not have a CRA committee; however, management has designated a CRA officer who is responsible for CRA compliance and placement of CRA deposits and investments.

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.

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;

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- 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

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- ❖ Assisting in fund raising, including soliciting or arranging investments.

Low or Moderate Income (“LMI”) Geographies

Those census tracts or block numbering areas (“Bans ”), where according to the 1990 US Census, the median family income is less than 80% of the area median family 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.