



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, 2006

Institution: Bank of Baroda, New York Branch
One 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 (“the branch” or “Baroda”) 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, 2006.

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

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

- During the evaluation period, community development loans and qualified investments totaled \$1.7 million, of which \$1.5 million is new money.
 - Community development lending totaled about \$1.5 million and was concentrated in loans supporting economic development.
 - Qualified investments, including grants, totaled \$212 thousand.
- Baroda did not provide any community development services during the evaluation period.

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 ("BoB") was established in 1908 and is headquartered in Baroda, India. The Government of India holds 66.8% of the bank's shares. BoB opened its New York branch in 1979 and obtained Federal Deposit Insurance Corporation ("FDIC") membership a year later. As of December 31, 2006, the branch reported total assets of \$646.8 million, loans of \$605.6 million, representing approximately 93.6% of total assets, and total deposits of \$434.5 million. Since the previous evaluation, assets increased by 321.6%, due to a significant increase in lending to foreign banks.

Baroda's primary business is in letters of credit and trade bills financing, serving the Indian business community within the United States.

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

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

At its prior CRA evaluation, as of December 31, 2004, Baroda was rated "2," indicating a satisfactory record of helping to meet community credit needs.

Assessment Area:

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

The assessment area appears reasonable based upon Baroda's location and its designation as a wholesale institution. There is no evidence that LMI areas are arbitrarily excluded. The following chart provides a summary of the census tracts within the assessment area:

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

Unemployment Rates: According to the New York State Department of Labor, New York City's average unemployment rates were 5.7% in 2005 and 4.9% in 2006. These rates were above the state's average rates of 5.0% and 4.5%, respectively.

Business Demographic Data: According to the 2006 Business Geo-demographic Data, there were nearly 544 thousand businesses in New York City. Service providers were the largest industry, consisting of 208 thousand (38.3%) businesses. Retail trade (17.6%) and finance, insurance and real estate (9.5%) were the second and third largest industries in this area. Other industries, representing more than 1% of the businesses in New York City, were wholesale trade (5.7%), construction (4.7%), manufacturing (3.8%), and transportation and communication (4%). Approximately 15.7% of total 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 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. During the evaluation period, Baroda’s community development loans and qualified investments, including grants, totaled \$1.7 million. This represents an increase of \$300 thousand, or 21% more than at the prior Performance Evaluation. The increase in commitments is attributed to loans supporting economic development. New money represents 90% of the current activity.

Baroda’s community development loans and investments within its assessment area were comprised as follows:

Bank of Baroda, New York Branch					
Community Development Activity – Evaluation as of December 31, 2006					
(in thousands)					
Type	Number of Commitments	Commitment Amount	Percent of Total	New Money	Percent of New Money
Affordable Housing	3	228	13.3	112	7.2
Economic Development	6	1,484	86.7	1,435	92.8
Total	9	1,712	100.0	1,547	100.0

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

- **Community Development Lending**

During the evaluation period, Baroda had \$1.5 million in community development loan commitments.

- Baroda extended three new small business loans totaling \$1.3 million to businesses with gross annual revenues of \$1 million or less. All of the businesses are located within New York City.
- Baroda also maintained loans extended prior to this evaluation period. These include a \$116 thousand balance on a term loan extended to Neighborhood Housing Services of

New York City, Inc. (“NHS”). NHS is a nonprofit organization that works to revitalize underserved neighborhoods by creating and preserving affordable housing, and by providing opportunities for homeownership education and financial assistance.

- **Qualified Investments**

During the evaluation period, Baroda made qualified investments totaling \$212 thousand. The following are brief descriptions of these investments:

- *Community Capital Bank (“CCB”)* - Baroda continuously renewed a certificate of deposit of \$100 thousand with CCB. CCB is a designated Community Development Financial Institution (“CDFI”). This institution uses its deposits to develop housing for LMI families and to support economic development through lending to small businesses in the local community.
- *Carver Federal Savings Bank (“Carver”)* – Baroda maintains a \$105 thousand certificate of deposit with Carver. Carver is a designated CDFI. Carver employs local residents and provides funding to churches, community organizations, developers of affordable housing and vital commercial services.
- Baroda provided a \$7 thousand grant to NHS.

- **Community Development Services**

Baroda did not provide any community development services during the evaluation period. While a staff member was designated to teach in the NHS Financial Life Skills Program, the staff member was not called upon by NHS to provide this service. Branch management should consider working with other community-based organizations to increase Baroda’s opportunities to provide qualified community development services.

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 and fair lending examinations concurrent with this assessment indicate 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.

Because of the nature of Baroda's operations, contact with the public is minimal. Baroda relies on its association with nonprofit community institutions such as NHS, and its participation in community-related functions to ascertain the credit needs of its community.

Baroda's approval for participation in the SBA Express Lending Program has facilitated additional contact with community groups, local officials and individuals, with an emphasis on LMI individuals and geographies.

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.

Baroda does not have a formal credit-related marketing program because management believes that informal ways of communication and promotion, such as personal contacts and word of mouth, are the best ways of marketing its credit products.

Due to its limited marketing budget, Baroda 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.

Baroda's CRA activities and performance are reviewed and monitored by the New York Performance Monitoring Committee ("NYPMC"). NYPMC is chaired by the chief executive and the assistant general manager. The latter is also the head of the compliance department. The NYPMC reviews Baroda's CRA performance and training activities, and approves the CRA Statement, annually.

The CRA Statement and the CRA performance are updated annually by the branch and reviewed by the NYPMC.

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;

- 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.