



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: State Bank of India
New York Branch
460 Park Avenue
New York, NY 10022

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 State Bank of India, New York Branch (“SBINY”) 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

State Bank of India, New York Branch is rated "1," indicating an outstanding record of helping to meet community credit needs. This rating is based on the following:

- SBINY's level of community development loans and investments increased significantly to \$14.9 million compared to \$5.5 million at the previous evaluation. This includes \$14.5 million in community development loans and \$356 thousand in qualified investments.

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 Profile:

SBINY opened as a representative office in 1966 and converted into a branch in 1971. SBINY's head office is located in Mumbai, India. The State Bank of India was formed in 1955 under an Act of the Parliament of India and is the largest commercial bank in India.

SBINY's sole office is located at 460 Park Avenue, in New York County. SBINY has not opened or closed any branch offices since the previous performance evaluation.

SBINY's business focus is primarily on foreign currency transactions and trade financing between the United States and India. SBINY is not in the business of originating or purchasing residential mortgage, home improvement or small business loans to retail customers, except as an accommodation to its existing clientele. Accordingly, in July 1996, the Federal Deposit Insurance Corporation ("FDIC") granted SBINY the designation as a wholesale institution for CRA evaluation purposes.

As of December 31, 2006, SBINY reported total assets of \$804.1 million, of which \$540.9 million were net loans and leases, and total deposits of \$495.6 million.

At its most recent Performance Evaluation conducted by the New York State Banking Department as of December 31, 2004, SBINY received a rating of "2," reflecting a satisfactory record of helping to meet community credit needs.

There are no known legal or financial impediments that would adversely affect SBINY's ability to meet the credit needs of its assessment area.

Assessment Area:

SBINY's assessment area includes the five counties of New York City: Bronx, Kings (Brooklyn), New York (Manhattan), Queens and Richmond (Staten Island). This area consists of 2,217 census tracts, of which 939 (42.4%) are LMI tracts.

The assessment area appears reasonable based upon SBINY's designation as a wholesale institution. There is no evidence that 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” described in Part 76.11 of the General Regulations of the Banking Board. Performance criteria include: (1) the number and amount of community development loans, qualified investments or community development services generated by the institution; (2) the institution’s use of innovative or complex qualified investments, community development loans and/or community development services and the extent to which these activities are not routinely provided by private investors; and (3) the institution’s responsiveness to the credit and community development needs of its assessment area.

I. Community Development Test

During the evaluation period, SBINY’s community development loans and investments totaled approximately \$15 million, an increase of \$9.4 million since the previous performance evaluation. During the same period, SBINY’s assets increased by \$191.4 million (31.2%) to \$804.1 million from \$612.7 million.

SBINY’s qualified loans and investments by community development designation are as follows:

Community Development Activity January 1, 2005 through December 31, 2006				
Community Development Activity	Affordable Housing *	Economic Development *	Community Service *	Total *
Loans	8,691	5,818	0	14,509
Investments	5	346	5	356
Total	8,696	6,164	5	14,865

* In thousands

SBINY’s community development lending activity totaled \$14.5 million of which \$13.1 million or 90.3% represented new money. There were 11 qualified investments totaling \$356 thousand, including grants of \$14 thousand. Approximately \$114 thousand or 32.0% of the investments is new money.

Following are brief descriptions of SBINY’s community development activities during the evaluation period:

Community Development Lending

Affordable Housing

- *\$2.9 million in financing to a developer of properties in LMI geographies* – The entity has a working relationship with the Community Preservation Corporation. The credit extended consists of a \$1.4 million loan and a \$1.5 million line of credit for housing construction projects located in LMI areas.

- *A \$2.0 million loan to fund a project in Brooklyn* – The borrower is an entity that develops properties located in LMI areas of Brooklyn. SBINY took over the financing of this project from the Community Preservation Corp., which had provided the initial funding for the project.
- *Credit facilities totaling \$2.9 million extended to a general contracting and construction management group* – The borrower was established to manage and construct residential and commercial structures in inner cities, especially in Brooklyn and the Bronx. The facilities include a \$1.4 million construction loan and a \$1.5 million working capital line of credit.
- *A \$650 thousand line of credit to a real estate developer* – The facility provided funds for the development of affordable housing units in LMI geographies in Brooklyn.
- *Neighborhood Housing Services of New York City (“NHS”)* – NHS is a not-for-profit organization 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. SBINY extended loans totaling \$1.1 million to NHS during previous evaluation periods. The outstanding balance on these loans amounted to \$241 thousand as of December 31, 2006.

Economic Development

SBINY had 15 Small Business Administration (“SBA”) loans amounting to \$5.8 million, of which nine loans totaling \$4.6 million were purchased during the evaluation period.

Qualified Investments

- *Carver Federal Savings Bank (“CFSB”)* – In 2006, SBINY renewed its \$100 thousand certificate of deposit with CFSB. CFSB is a certified community development financial institution.
- *SBA Loan Pool* – SBINY held investments in four SBA loan pools. The investments were made during prior evaluation periods and the combined balance of these investments is \$242 thousand.
- *Grants* – SBINY provided grants totaling \$14 thousand to various organizations engaged in community development programs within the assessment area.

Community Development Services

SBINY did not provide any community development services during the evaluation period. However, branch management has been making efforts to join the boards of non-profit organizations.

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 compliance examination, conducted concurrently with this evaluation, indicates a satisfactory performance in terms of adherence to anti-discrimination 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.

SBINY's senior business development officers meet with representatives of business and community development organizations to identify the credit needs of the 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.

SBINY's formal marketing efforts consist of advertisements in local magazines and participation in various community functions including seminars and meetings.

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.

SBINY's CRA Committee, consisting of senior officers, meets on a monthly basis to review and discuss SBINY's activities and proposals for purposes of the CRA.

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 2000 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.