



PUBLIC SUMMARY

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION OF BANK OF BARODA, NEW YORK BRANCH

AS OF JUNE 30, 2023

New York State Department of Financial Services
Consumer Protection and Financial Enforcement Division
One State Street, New York NY 10004

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 Department of Financial Services concerning the safety and soundness of this financial institution.

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BANK OF BARODA, NEW YORK BRANCH – CRA PERFORMANCE EVALUATION

I - GENERAL INFORMATION

This document is an evaluation (the “Evaluation”) of the Community Reinvestment Act (“CRA”) performance of Bank of Baroda, New York Branch (“BOBNYB” or the “Bank”) prepared by the New York State Department of Financial Services (“DFS” or the “Department”). This Evaluation represents the Department’s current assessment and rating of the Bank’s CRA performance based on an evaluation conducted as of June 30, 2023.

Section 28-b of the New York Banking Law, as amended, requires that when evaluating certain applications, the Superintendent of Financial Services 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 Superintendent (“GRS”) implements Section 28-b and further requires that the Department assess the CRA performance records of regulated financial institutions. Part 76 establishes the framework and criteria by which the Department will evaluate institutions’ performance. Section 76.5 further provides that the 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 in meeting community credit needs; and
- (4) Substantial noncompliance in meeting community credit needs.

Section 76.5 further requires that the CRA rating and the Evaluation be made available to the public. Evaluations of banking institutions are primarily based on a review of performance tests and standards described in Section 76.7 and detailed in Sections 76.8 through 76.13. The tests and standards incorporate the 12 assessment factors contained in Section 28-b of the New York Banking Law.

For an explanation of technical terms used in this report, please consult the **GLOSSARY** at the end of this Evaluation.

II- OVERVIEW OF INSTITUTION’S PERFORMANCE

The Department evaluated BOBNYB’s performance according to the community development test for wholesale or limited purpose banking institutions pursuant to Section 76.11 of the GRS. The evaluation period covered October 1, 2020 to June 30, 2023. The Department assigned BOBNYB a rating of “2,” indicating a “Satisfactory” record of helping to meet community credit needs.

This rating is based on the following criteria:

A. Community Development Test:

BOBNYB’s community development performance demonstrated an adequate level of community development loans, qualified investments and services considering the Bank’s capacity and the need and availability of such opportunities for community development in its assessment area.

1. Community Development Lending:

During the evaluation period, BOBNYB originated \$13.5 million in new community development loans, and had none outstanding from prior evaluation periods.

2. Qualified Investments:

During the evaluation period, BOBNYB made \$22.6 million in new qualified investments and had \$26.3 million in qualified investments outstanding from prior evaluation periods. In addition, the Bank made \$425,000 in qualified grants.

3. Community Development Services:

During the evaluation period, BOBNYB performed 11 instances of community development services.

B. Innovative or Complex Practices:

BOBNYB demonstrated no use of innovative or flexible community development practices.

C. Responsiveness to Credit and Community Development Needs:

BOBNYB demonstrated adequate level of responsiveness to credit and community development needs.

This Evaluation was conducted based on a review of the 12 assessment factors set forth in Section 28-b of the New York Banking Law and Part 76 of the General Regulations of the Superintendent.

III - PERFORMANCE CONTEXT

A. Institution Profile

BOBNYB, is a New York branch of Bank of Baroda (“BOB”). BOB is a majority state-owned banking and financial services company headquartered in India. BOBNYB is the only branch of BOB in the United States.

BOBNYB offers services and products to facilitate international trade between businesses located in India and the United States. Services and products include wire transfers, syndicated loans, standby-letters-of-credit, revolving lines-of-credit and self-liquidating loan facilities. Retail products offered are limited to certificates of deposit and checking accounts.

In its Consolidated Report of Condition (the “Call Report”) as of June 30, 2023, filed with the Federal Deposit Insurance Corporation (“FDIC”), BOBNYB reported total assets of \$9 billion, of which \$ 7.6 billion were net loans and lease financing receivables. It also reported total deposits of \$ 6.9 billion, resulting in an LTD ratio of 110.1%. According to the latest available comparative deposit data as of June 30, 2023, BOBNYB obtained a market share of 0.4%, or \$6.9 billion in a market of \$ 1.8 trillion, ranking it 18th among 108 deposit-taking institutions in the assessment area.

The following is a summary of the Bank’s loan portfolio, based on Schedule RC-C of the Bank’s December 31, 2020, 2021, 2022 and June 30, 2023’s Call Reports:

TOTAL GROSS LOANS OUTSTANDING								
Loan Type	12/31/2020		12/31/2021		12/31/2022		6/30/2023	
	\$000's	%	\$000's	%	\$000's	%	\$000's	%
Loans to Banks in Foreign Countries	3,638,344	62.5	1,437,612	31.5	2,103,163	30.3	2,487,500	32.9
Commercial & Industrial Loans	2,032,865	34.9	2,330,632	51.0	4,031,251	58.1	4,169,267	55.2
Loans to U.S. Branches of Foreign Banks	50,000	0.9	0	0.0	0	0.0	100,000	1.3
Loans to other Financial Institutions	100,000	1.7	800,000	17.5	800,000	11.5	800,000	10.6
Total Gross Loans	5,821,209		4,568,244		6,934,414		7,556,767	

As illustrated in the above table, commercial & industrial loans made up 55.2% of the Bank’s gross loan portfolio as of June 30, 2023, followed by loans to banks in foreign countries (32.9%).

Examiners did not find evidence of financial or legal impediments that had an adverse impact on BOBNYB’s ability to meet the credit needs of its community.

B. Assessment Area

The Bank’s assessment area consists of Bronx, Kings, New York, Queens and Richmond counties.

There are 2,327 census tracts in the Bank’s assessment area, of which 285 are low-income, 570 are moderate-income, 727 are middle-income, 596 are upper-income, and 149 are tracts with no income indicated.

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Assessment Area Census Tracts by Income Level							
County	N/A	Low	Mod	Middle	Upper	Total	LMI %
Bronx	21	129	121	65	25	361	69.3
Kings	46	91	235	263	170	805	40.5
New York	23	36	44	32	175	310	25.8
Queens	52	26	157	325	165	725	25.2
Richmond	7	3	13	42	61	126	12.7
Total	149	285	570	727	596	2,327	36.7

C. Demographic & Economic Data

The assessment area had a population of 8,804,190 during the evaluation period. Approximately 14.2% of the population was over the age of 65 and 22.5% was under the age of 16.

Of the 1,902,630 families in the assessment area 29.8% were low-income, 16% were moderate-income, 16.2% were middle-income and 38% were upper-income. There were 3,191,691 households in the assessment area, of which 17.2% had income below the poverty level and 4.7% were on public assistance. The weighted average median family income in the assessment area was \$88,081.

There were 3,519,595 housing units within the assessment area, of which 38.5% were one-to-four family units and 61.3% were multifamily units. A majority (60.9%) of the housing units were rental occupied, 29.8% were owner-occupied and 9.3% were vacant units.

Of the total 2,143,429 rental-occupied units, 49.4% were in LMI census tracts while 49.1% were in middle- and upper-income census tracts. The weighted average monthly gross rent was \$1,590.

Of the 1,048,262 owner-occupied housing units, 20.7% were in LMI census tracts while 78.6% were in middle- and upper-income census tracts. The median age of the housing stock was 72 years, and the weighted average median home value in the assessment area was \$676,656.

There were 1,421,214 non-farm businesses in the assessment area. Of these, 93.6% were businesses with reported revenues of less than or equal to \$1 million, 2.5% reported revenues of more than \$1 million and 3.9% did not report their revenues. Of all the businesses in the assessment area, 98.1% were businesses with less than fifty employees while 96.2% operated from a single location. The largest industries in the area were Services (31.5%), Retail Trade (10.9%), and Finance, Insurance & Real Estate (10.4%); 34.1% of businesses in the assessment area were not classified.

An analysis of employment data from the New York State Department of Labor, showed that the annual average unemployment rates for New York State and each of the five counties in the Bank's assessment area steadily declined from their peak in 2020 (due to the onset of the COVID-19 pandemic) through 2022. Of the five counties, Bronx County consistently had the highest unemployment rates, while New York County consistently had the lowest unemployment rates.

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Assessment Area Unemployment Rate						
	Statewide	Bronx	Kings	New York	Queens	Richmond
2020	9.8	16	12.4	9.5	12.4	10.5
2021	7	13.8	10.3	7.7	9.8	8.9
2022	4.3	7.8	5.9	4.6	5.2	5.5
Average of above	7.0	12.5	9.5	7.3	9.1	8.3

D. Community Information

DFS examiners conducted community contact interviews with representatives of two nonprofit organizations operating in BOBNYB’s assessment area.

The first organization is located in New York County and serves the five boroughs of New York City. The organization provides financial literacy counseling and education to help LMI individuals and families purchase and maintain a house. The organization is also a certified Community Development Financial Institution (“CDFI”) and offers loans for downpayment and closing cost assistance, as well as for needed home repairs. The representative noted the need for special loan programs for LMI individuals and families with less stringent underwriting guidelines that also give credit for unconventional credit history such as rent payments. The representative also noted the need for deposit products with less or no fees and the need for more services in languages other than English and Spanish.

The second organization is located in Queens County, New York and provides community services that include day care centers for children and older adults, crisis intervention and affordable housing assistance. The representative noted that the lack of affordable housing is a destabilizing factor within neighborhoods and has resulted in apartment sharing and overcrowding. Furthermore, the high cost of housing causes people to be in arrears in the payment of their rent, contributing to the destabilization of the economy in a neighborhood. Finally, the representative noted the need for financial literacy classes and fee free banking accounts.

IV - PERFORMANCE TEST AND ASSESSMENT FACTORS

The Department evaluated BOBNYB under the wholesale banking institution performance standards pursuant to the “community development test,” as provided in Section 76.11 of the GRS.

Performance criteria 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 institution’s responsiveness to credit and community development needs.

In addition, the following factors are also considered in assessing BOBNYB’s record of performance: the extent of participation by the board of directors or board of trustees in formulating CRA policies and reviewing CRA performance; any practices intended to discourage credit applications; evidence of prohibited discriminatory or other illegal credit practices; the Bank’s record of opening and closing offices and providing services at offices; and process factors such as activities to ascertain credit needs; and the extent of marketing and special credit related programs.

Finally, the Evaluation considered other factors as delineated in Section 28-b of the New York Banking Law that reasonably bear upon the extent to which a banking institution is helping to meet the credit needs of its entire community.

DFS derived statistics employed in this Evaluation from various sources. BOBNYB submitted bank-specific information both as part of the Evaluation process and in its Call Report submitted to the FDIC.

DFS derived the demographic data referred to in this report from the 2020 U.S. Census and the FFIEC. DFS based business data on Dun & Bradstreet reports, which Dun & Bradstreet updates annually. DFS obtained unemployment data from the New York State Department of Labor.

The evaluation period included the period from October 1, 2020 to June 30, 2023.

In its prior Community Reinvestment Act Performance Evaluation as of September 30, 2020, DFS assigned BOBNYB a rating of “2,” reflecting a “Satisfactory” compliance with regulatory standards.

Current CRA Rating: Satisfactory

A. Community Development Test:

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BOBNYB’s community development performance demonstrated an adequate level of community development loans, qualified investments and services considering BOBNYB’s capacity, and the need and availability of such opportunities for community development in its assessment area.

BOBNYB’s community development activities for the current evaluation period (2.75 years) totaled \$68.1 million which represents a decline from the prior evaluation period’s (2 years) total of \$73.0 million. The COVID-19 pandemic, during the first part of the evaluation period, adversely affected the national, regional and local economy including the bank’s assessment area.

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

1. Community Development Lending:

During the evaluation period, BOBNYB originated \$13.5 million in new community development loans, and had none outstanding from prior evaluation periods.¹ The Bank’s level of community development lending for the evaluation period on an annualized basis was \$4.9 million, which represented a decline from the annualized lending of \$7.8 million for the prior evaluation period.

The Bank’s community development lending was comprised entirely of overdraft line of credits to nonprofit housing organizations.

Community Development Loans				
Purpose	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Loans	\$000	# of Loans	\$000
Affordable Housing	6	13,500		
Economic Development				
Community Services				
Other (Please Specify)				
Total	6	13,500	0	0

Below are highlights of BOBNYB’s community development lending:

- The Bank renewed a \$4 million overdraft line of credit to a CDFI. The line was renewed three times during the evaluation period for a total of \$12 million. The CDFI, through lending, financial literacy, and housing counseling services, empowers disadvantaged LMI people in New York City to purchase homes.
- BOBNYB renewed a \$500,000 overdraft line of credit to a nonprofit organization, three times during the evaluation period for a total of \$1.5 million. This organization creates and preserves affordable housing for LMI people in Kings County. The organization offers

¹ For analysis purposes, renewals of lines of credit that occur during the evaluation period are considered new extensions of credit. However, the level of lending is reviewed across the time period of the exam.

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services that focus on first-time homebuying, home maintenance and repairs, financial literacy, mortgage assistance, and foreclosure intervention.

2. Qualified Investments:

During the evaluation period, BOBNYB made \$22.6 million in new qualified investments and still had \$26.3 million investments outstanding from prior evaluation periods. In addition, the Bank made \$425,000 in qualified grants. The Bank’s level of qualified investments and grants on an annualized basis was \$17.9 million, which represented a decline from the annualized qualified investments and grants of \$28.8 million for the prior evaluation period.

The majority of BOBNYB’s qualified investments were for the community development purpose of affordable housing.

Qualified Investments and Grants				
	This Evaluation Period		Outstandings from Prior Evaluation Periods	
	# of Inv.	\$000	# of Inv.	\$000
CD Investments				
Affordable Housing	12	\$ 19,526	33	26,257
Economic Development	7	\$ 3,061		
Community Services				
Other (Please Specify)				
Total	19	\$ 22,587	33	26,257
CD Grants	# of Grants	\$000	Not Applicable	
Affordable Housing	19	\$ 190		
Economic Development	12	\$ 60		
Community Services	17	\$ 175		
Other (Please Specify)				
Total	48	\$ 425		

Below are highlights of BOBNYB’s qualified investments and grants:

- BOBNYB purchased mortgage-backed securities (“MBS”) issued by the Federal Home Loan Mortgage Corporation in the amount of \$19.5 million. The underlying collateral was residential mortgage loans to LMI borrowers, qualifying the MBS as supporting affordable housing.
- The Bank donated a total of \$65,000 to a nonprofit organization which is also a CDFI. The organization provides financial literacy and housing counseling services, as well as loan origination and facilitation to empower LMI New Yorkers to purchase homes and support the attainment and sustainability of homeownership for underserved populations.

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- BOBNYB donated a total of \$50,000 to a community service organization that provides and delivers food to LMI individuals and the elderly throughout New York City, especially on weekends and during emergencies.

3. Community Development Services:

During the evaluation period, BOBNYB performed 11 instances of community development services.

Community Development Services	
Activity Type	Number of Activities
On-Going Board & Committee Memberships	11
Technical Assistance	
Seminars	
Credit Counseling	
Other Services	
Total Community Development Services	11

Below are highlights of BOBNYB’S community development services:

- BOBNYB’s Chief Executive serves on the board and two members of senior management serve on committees of an organization that supports affordable housing. This organization offers financial education and counseling to LMI people, as well as financing to buy, repair, and maintain a home. The organization also offers tenant assistance services to LMI people.
- The Chief Executive also serves on the advisory committee of an affordable homeownership organization based in New York City. This organization provides lending, financial literacy, and housing counseling services helping LMI New Yorkers to purchase and maintain homes.

B. Innovative or Complex Practices:

BOBNYB demonstrated no use of innovative or flexible community development practices.

C. Responsiveness to Credit and Community Development Needs:

BOBNYB demonstrated an adequate level of responsiveness to credit and community development needs.

D. Additional Factors

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 CRA

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BOBNYB's New York performance monitoring committee, which includes the Chief Executive and other executive officers, is responsible for initiating, monitoring and coordinating CRA activities. This committee is also responsible for annual review of the CRA plan and acting upon any interim changes between the annual reviews.

1. Discrimination and other illegal practices

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

DFS did not note any practices that were intended to discourage applications for the types of credit offered by the institution.

- *Evidence of prohibited discriminatory or other illegal credit practices.*

DFS did not note any evidence of prohibited discriminatory or other illegal practices.

2. The banking institution's record of opening and closing offices and providing services at offices

The Bank has not opened or closed any branches since the prior evaluation. As a wholesale bank, BOBNYB does not offer retail services at its offices.

3. Process 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.*

Members of senior management serving on the board or committees of local nonprofit organizations helping BOBNYB to ascertain the credit needs of its community. In addition, management, in course of its daily activities, also maintains contact with business groups, trade associations, charitable and philanthropic institutions.

- *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*

BOBNYB as a wholesale institution, does not engage in retail banking and does not have a formal marketing program. However, it has a small publicity budget which is used for placing complimentary advertisements in souvenirs and periodicals, and for sponsoring special events hosted by community development organizations, business groups, and trade associations. Through these activities, the Bank makes members of the community aware of the Bank's credit services.

4. Other factors that in the judgment of the Superintendent bear upon the extent to which a banking institution is helping to meet the credit needs of its entire community

DFS noted no other factors.

V - GLOSSARY

Aggregate Lending

“Aggregate lending” means the number of loans originated and purchased by all reporting lenders in specified categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the assessment area.

Banking Development District (“BDD”) Program

The BDD Program is a program designed to encourage the establishment of bank branches in areas across New York State where there is a demonstrated need for banking services, in recognition of the fact that banks can play an important role in promoting individual wealth, community development, and revitalization. Among others, the BDD Program seeks to reduce the number of unbanked and underbanked New Yorkers and enhance access to credit for consumers and small businesses. More information about the program, may be found at <https://www.dfs.ny.gov> and search for the BDD Program.

Community Development

“Community development” means:

- Affordable housing (including multifamily housing) for LMI individuals;
- Community services targeted to LMI individuals;
- 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;
- Activities that revitalize or stabilize LMI geographies, designated disaster areas, or distressed or underserved metropolitan middle-income geographies designated by the Board of Governors of the federal Reserve System, FDIC and the Office of Comptroller of the Currency; and
- Activities that seek to prevent defaults and/or foreclosures in loans included in the first and third bullet points above.

Community Development Loan

“Community development loan” means a loan that has 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 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;

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- 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.

Community Development Service

“Community development service” means a service that has community development as its *primary purpose*, 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.

Community Development Financial Institution (“CDFI”)

A CDFI is a financial institution that provides credit and financial services to underserved markets and populations and has a primary mission of community development, serves a target market, is a financing entity, provides development services, remains accountable to its community, and is a non-governmental entity. CDFIs are certified as such by United States Treasury Department’s CDFI Fund.

Fair Market Rents (“FMRs”)

Fair Market Rents are published and developed annually by the US Department of Housing and Urban Development (“HUD”) and used to determine rent payments for affordable housing projects

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such as Section 8 contracts in defined metropolitan statistical areas (“MSAs”) nationwide. For easy reference of annual FMRs in New York MSAs or counties, go to www.huduser.gov/portal/datasets/fmr.html

Geography

“Geography” means a census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (“HMDA”)

The Home Mortgage Disclosure Act, enacted by Congress in 1975, and subsequently amended, requires institutions to annually report data about applications for residential (including multifamily) financing.

Income Level

The income level for borrowers is based on household or family income. A geography’s income is categorized by median family income for the geography. In both cases, the income is compared to the Metropolitan Statistical Area (“MSA”) or statewide nonmetropolitan median income.

Income level of individual or geography	% of the area median income
Low-income	Less than 50
Moderate-income	At least 50 and less than 80
Middle-income	At least 80 and less than 120
Upper-income	120 or more

LMI Geographies

“LMI geographies” means those census tracts or block numbering areas where, according to the most current U.S. 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 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 Block Numbering Areas (“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 Borrowers

“LMI borrowers” means borrowers whose income, as reported on the loan application which the lender relied upon in making the credit decision, is less than 80% of the area median family income. In cases where the residential property is located 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

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family incomes used to measure borrower income levels are updated annually by the Federal Financial Institutions Examination Council (“FFIEC”).

LMI Individuals/Persons

“LMI individuals” or “LMI persons” means individuals or persons 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 FFIEC.

LMI Penetration Rate

“LMI penetration rate” means the percentage of a bank’s total loans (for a particular product) that was extended to LMI geographies or borrowers. For example, if a bank made 20 out of a total of 100 loans in LMI geographies or to LMI borrowers, the penetration rate would be 20%.

Low-Income Housing Tax Credit (“LIHTC”)

LIHTC were created under the Tax Reform Act of 1986, that provides incentives to invest in projects for the utilization of private equity in the development of affordable housing aimed at low-income Americans. The tax credits provide a dollar-for-dollar reduction in a taxpayer’s federal income tax. It is more commonly attractive to corporations since the passive loss rules and similar tax changes greatly reduced the value of tax credits and deductions to individual taxpayers.

Minority Depository Institutions (“MDIs”)

An MDI is defined as a federal insured depository institution for which (1) 51 percent or more of the voting stock is owned by minority individuals; or (2) a majority of the board of directors is minority and the community that the institution serves is predominantly minority. For more of MDIs, go to FDIC.gov (Minority Depository Institutions Program) including list of MDIs.

New Markets Tax Credit (“NMTC”)

The NMTC Program was established by Congress in December 2000 to stimulate economic and community development and job creation in low-income communities. It permits taxpayers to receive a credit against federal income taxes for making qualified equity investments in Community Development Entities (“CDEs”). The credit provided to the investor totals 39% of the cost of the investment and is claimed over a 7-year period. CDEs must use substantially all of the taxpayer’s investments to make qualified investments in low-income communities. The Fund is administered by the CDFI Fund, an agency of the United States Department of the Treasury.

Paycheck Protection Program (“PPP”) Loans

The Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) temporarily permits the U.S. Small Business Administration (“SBA”) to guarantee 100% of 7(a) loans under a new program titled the “Paycheck Protection Program”. The intent of the PPP is to help small business

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cover payroll costs providing for forgiveness of up to the full principal of qualifying loans guaranteed under the PPP subject to certain rules including how much or percentage of the loan proceeds a borrower spends on payroll costs. A small business owner can apply through any existing SBA 7(a) lender or through any federally insured depository institution, federally insured credit union, and Farm Credit System institution that is participating. Any amount of the PPP loan that is not forgiven shall be repaid over a 5-year term at a fixed interest rate of 1%. The program officially ended May 31, 2021.

Qualified Investment

“Qualified investment” means a lawful investment, deposit, membership share or grant that has community development as its *primary purpose*. 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.

Small Business Loan

A small business loan is a loan less than or equal to \$1 million.