



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

PUBLIC SUMMARY

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION
OFF-SITE EVALUATION**

Date of Evaluation: December 31, 2004

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 “off-site” evaluation of the Community Reinvestment Act (“CRA”) performance of State Bank of India’s 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, 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 an institution’s 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 (“evaluation”) be made available to the public. Evaluations 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 of the regulation. These tests and standards incorporate the 12 assessment factors contained in Section 28-b of the New York State Banking Law.

For an 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

The CRA performance of State Bank of India's New York Branch is rated "2," indicating a satisfactory record of helping to meet community credit needs. This rating is based on the following considerations:

- SBINY has an adequate level of community development loans and qualified investments. As of the current evaluation date, the bank's CRA-eligible loans and investments totaled \$5.5 million, including \$4.3 million in community development loans and \$1.1 million of qualified investments. The total amount reported represents a 40.0% decrease from the previous evaluation.
- SBINY did not provide any community development services during the evaluation period.

This "off-site" 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:

Chartered in 1966 as a representative office, State Bank of India's New York office was converted into a branch in 1971. As of the evaluation date, SBINY operates a single branch office, located at 460 Park Avenue, in New York County (Manhattan). SBINY's parent, State Bank of India, is headquartered in Mumbai, India and is that country's largest commercial bank. In total, State Bank of India operates a network of more than 900 branches in India and 51 overseas branches in 32 countries. The major stockholder of State Bank of India is the Reserve Bank of India, which holds 59.7% of the bank's outstanding shares.

As of December 31, 2004, SBINY reported total assets of \$613 million, including \$436 million in loans. The branch also reported total domestic deposits of \$417 million.

On July 17, 1996, the Federal Deposit Insurance Corporation ("FDIC") approved SBINY's request to be designated a wholesale bank for CRA evaluation purposes. Consistent with this designation, SBINY does not originate or purchase residential mortgage, housing rehabilitation, home improvement, small business or small farm loans to retail customers, except to accommodate the needs of existing customers. The branch's primary business activities include foreign currency transactions and financing trade between the United States and India.

Assessment Area:

SBINY's assessment area comprises the five counties of New York City. All five counties are part of Metropolitan Division (MD) 35644. The assessment area contains 2,217 census tracts, including 939 (42.4%) low- or moderate-income tracts.

The assessment area appears reasonable based on SBINY's location and its designation as a wholesale institution. There is no evidence that LMI areas have been arbitrarily excluded from the assessment area.

Unemployment Rates: According to the U.S. Department of Labor, New York City's average unemployment rate was 8.0% in 2003 and 6.3% in 2004. These rates exceeded the statewide averages of 6.4% in 2003 and 5.8% in 2004.

Business Demographic Data: According to 2004 demographic data obtained from PCi Corporation's CRA Wiz[®] software, there were 494 thousand businesses in New York City as of 2004. Businesses in the service sector accounted for 39.3% of the city's businesses, while retail trade accounted for 18.2% and companies in finance, insurance and real estate represented 9.6% of the total.

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

SBINY identifies community development opportunities by maintaining contact with various community-based and statewide organizations. These organizations include local housing authorities, city and state economic development offices and nonprofit groups.

As of year-end 2004, SBINY reported qualified community development loans and investments of approximately \$5.5 million. This total represents a decrease of \$3.5 million since the prior evaluation date. By comparison, SBINY's assets increased by \$42 million (7.4%), from \$571 million to \$613 million, during the evaluation period.

The following table summarizes SBINY's qualified loans and investments by community development designation:

Community Development Portfolio as of December 31, 2004								
Community Development Activity	Affordable Housing		Economic Development		Community Service		Total	
	\$000	%	\$000	%	\$000	%	\$000	%
CD Lending	2,835	65.5	1,491	34.5	0	0.0	4,326	100
Qualified Investments	112	10.0	1,004	90.0	0	0.0	1,116	100
Grants*	15	41.7	10	27.8	11	30.5	36	100
Total	2,962	54.1	2,505	45.7	11	0.2	5,478	100

* CRA-eligible grants generally fall into the category of "qualified investments;" however, grants are broken out here for ease of reference.

As shown in the table above, loans accounted for an overwhelming majority of the bank's community development activity. At \$4.3 million, loans represented 79.0% of total CRA-eligible activities. The remaining balance includes \$1.1 million (20.3%) in investments and \$36 thousand (<1.0%) in grants. Approximately 26%, or \$1.4 million, of SBINY's community development loans and qualified investments were originated during the current evaluation period.

Examples of SBINY's community development lending and qualified investment activities are provided below:

Community Development Lending

Affordable Housing

- *Neighborhood Housing Services of New York City (“NHS”)* - NHS is a nonprofit organization that works to build self-sustaining communities, especially in low- and moderate-income neighborhoods. In its community development work, NHS emphasizes neighborhood self-reliance works to create, preserve and promote affordable housing in New York City. As of the evaluation date, SBINY had two extensions of credit to NHS with combined outstanding balances of \$248 thousand.
- *New York Business Development Corporation (“NYBDC”)* - NYBDC is a privately-owned financial intermediary created by New York State statute and funded by a group of financial institutions. NYBDC provides a broad range of financing options to small and mid-sized businesses in New York State. During the evaluation period, SBINY renewed a \$100 thousand line of credit that was originally extended to NYBDC in 1995. The current balance on the line is less than \$15 thousand.
- *Affordable Rental Housing* - In June 2004, SBINY renewed a \$3 million term loan to a private developer for the purchase of properties containing 188 apartments. These rental properties are covered by two project-based Section 8 subsidy contracts with the U.S. Department of Housing and Urban Development (“HUD”). The Section 8 contracts provide rental subsidy payments for LMI families. As of the evaluation date, the loan had an outstanding balance of \$2.6 million.

Economic Development

As of the evaluation date, SBINY held nine SBA loans with combined outstanding balances of \$1.4 million. Four of these loans, totaling \$1.1 million, were originated during the current evaluation period.

Community Development Investments

Affordable Housing

- *Community Capital Bank (“CCB”)* - In 2003, SBINY renewed a \$100 thousand certificate of deposit (CD) at this bank. CCB is a New York State-chartered community development financial institution dedicated to financing affordable housing and small business development throughout New York City.
- *Government National Mortgage Association (“GNMA”)* – SBINY continues to hold GNMA mortgage-backed securities from a prior evaluation period. As of the current evaluation date, this investment had an outstanding balance of \$12 thousand.

Economic Development

As of the evaluation date, SBINY held 12 investments of varying maturities in SBA loan pools totaling \$1.0 million. These investments qualify for CRA credit because the underlying loans finance small businesses within the bank's assessment area.

Grants

SBINY made 11 grants totaling \$36 thousand to various organizations within its assessment area. Of this total, \$15 thousand supported affordable housing, \$10 thousand promoted economic development and \$11 thousand financed community services.

Community Development Services

SBINY did not provide any community development services during the evaluation period.

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 examination was conducted concurrently with this evaluation and indicated satisfactory performance regarding 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 institution's efforts to communicate with members of its community regarding the credit services being provided by the banking institution.

To ascertain the credit needs of its assessment area, SBINY's senior business development officers maintain close contact with a broad cross section of community development 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 bank's formal marketing efforts consist primarily of magazine advertisements and participation in various community forums, such as 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 officer submits all CRA-related reports to executive management and provides guidance and support concerning CRA activities.

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.