



**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, 2009

**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 the New York Branch of the State Bank of India (“the bank” or “SBIN”) 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, 2009.

Section 28-b of the New York State Banking Law, as amended, requires that when evaluating certain applications, the Superintendent of Banks shall assess a banking institution’s record of helping to meet the credit needs of its entire community, including low- and moderate-income areas, consistent with safe and sound operations.

Part 76 of the General Regulations of the Banking Board implements Section 28-b and further requires that the Banking Department assess the CRA performance records of regulated financial institutions. Part 76 establishes the framework and criteria by which the Department will evaluate the performance. Section 76.5 further provides that the Banking Department will prepare a written report summarizing the results of such assessment and will assign to each institution a numerical CRA rating based on a 1 to 4 scoring system. The numerical scores represent an assessment of CRA performance as follows:

- (1) outstanding record of meeting community credit needs;
- (2) satisfactory record of meeting community credit needs;
- (3) 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 CRA Rating: "Needs to Improve"**

State Bank of India New York's ("SBINY") performance was evaluated according to the community development test for wholesale or limited purpose banking institutions pursuant to Part 76.11 of the General Regulations of the Banking Board. This assessment period included calendar years 2007, 2008 and 2009. SBINY is rated "3" indicating a "Needs to Improve" record of helping to meet community credit needs. The rating is downgraded from the prior rating of "1," ("Outstanding") based on the NYSBD Performance Evaluation dated December 31, 2006.

The rating is based on the following factors:

### **Community Development Activity: "Needs to Improve"**

During the evaluation period, SBINY had \$14.5 million outstanding in community development loans and investments, of which 93% was new money. When annualized, the level of \$14.5 million was 35% lower than the prior period's \$14.9 million<sup>1</sup>. Since the last evaluation period, SBINY's total assets more than quadrupled, from \$804.1 million to \$3,861.4 million. At the same time, the level of CRA lending and investments (on an annualized basis) were reduced by more than one-third.

#### **Community Development Loans: "Needs to Improve"**

As of December 31, 2009, SBINY had \$7.3 million in community development loans, which included approximately \$1 million that was originated during the prior evaluation period, but was still outstanding as of the evaluation date.

#### **Community Development Investments: "Needs to Improve"**

As of December 31, 2009, SBINY had \$7.2 million in qualified investments, including \$41 thousand in six qualifying grants.

#### **Community Development Services: "Needs to Improve"**

SBINY provided a poor level of community development services during the evaluation period. One community development service activity was provided which began near the end of the evaluation period.

### **Innovative or Complex Practices: "Needs to Improve"**

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<sup>1</sup> The prior evaluation period was two years, 2005 and 2006, versus this evaluation period, which is three years.

SBINY demonstrated a poor level of innovative or flexible community development practices.

**Responsiveness to Credit and Community Development Needs:** “Needs to Improve”

SBINY demonstrated a poor level of responsiveness to credit and community development needs of its assessment area. Considering the bank’s asset size and its assessment area characteristics, SBINY did not make an adequate level of community development loans and investments and did not provide an adequate level of community development services.

*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 an FDIC-insured branch in December of 1971. Headquartered in Mumbai, India, State Bank of India was established in July of 1955 under an Act of the Parliament of India.

SBINY's primary business is in correspondent banking, letters of credit, and trade financing, serving the Indian-American and Indian business community within the United States. This is consistent with the bank's designation as a wholesale institution for purposes of CRA performance evaluations. SBINY does not originate or purchase residential mortgage, small business or consumer loans, except as an accommodation to its existing clientele.

SBINY has one office, which is located at 460 Park Avenue in New York, NY. The bank has not opened or closed any branches since the prior evaluation.

As of December 31, 2009, SBINY reported total assets of \$3,861.4 million, of which \$2,487.8 million (or 64.4%) were net loans and leases; total deposits were \$1,944.4 million.

*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:**

The bank's assessment area includes the five counties of New York City in their entirety: Bronx, New York, Kings, Queens and Richmond (Staten Island). The assessment area consists of 2,217 census tracts, of which 939 or 42.4% are considered to be low- and moderate-income ("LMI").

*The assessment area appears reasonable based upon the branch'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
<b>Total</b>	<b>58</b>	<b>326</b>	<b>613</b>	<b>663</b>	<b>557</b>	<b>2,217</b>

### **Demographic & Economic Data**

According to the 2000 U.S. Census Bureau, the assessment area had a population of 8 million. About 11.7% or 938 thousand of the population were over the age of 65 and 21.6% or 1.7 million were under the age of 16.

Of the 1.870 million families in the assessment area, 30.8% were low income, 16.7% were moderate-income, 17.0% were middle-income and 35.5% were upper-income families. There were 3.022 million households in the assessment area, of which 19.7% had income below the poverty level and 7.5% were on public assistance.

According to the 2000 U.S. Census, the MSA median family income within the assessment area was \$49.5 thousand. The U.S. Department of Housing and Urban Development updated estimated median family income for the area was \$64.8 thousand in 2009.

There were 3.204 million housing units within the assessment area, including 1.255 million (39.2%) one- to four-family units and 1.946 million (60.7%) multifamily units. A majority of the area's housing units (65.8%) were renter-occupied, while 28.5% were owner-occupied units.

The assessment area had a total of 663 thousand businesses. Of these 74.7% were businesses with reported revenues of less than or equal to \$1 million, 5.7% reported revenues of more than \$1 million, and 19.7% did not report their revenues. Of all the businesses in the assessment area, 81.8% were business with less than fifty employees while 93.5% operated from a single location. The largest industries in the area were service providers (44.0%), followed by retail trade companies (16.9%) and finance, insurance and real estate (9.5%), while 11.5% of businesses in the assessment area were not classified.

According to the New York State Department of Labor, the average unemployment rate for New York State rose from 4.5% in 2007 to 8.3% in 2009. During the same period, the assessment area unemployment rates had a similar trend but were higher, primarily due to higher unemployment rates in the Bronx and Kings Counties. The increasing

trend in all geographies was a result of the nationwide economic downturn.

The following chart shows average yearly unemployment rates:

<b>Assessment Area Unemployment Rate (%) for the State, New York City and five Counties</b>							
	Statewide	New York City	Kings	Queens	Bronx	Richmond	New York
2007 - Annual	4.5	4.9	5.3	4.4	6.6	4.4	4.2
2008 - Annual	5.4	5.5	5.9	4.9	7.4	5.0	4.9
2009 - Annual	8.3	9.2	9.9	8.3	11.9	8.1	8.3

Source: New York State Department of Labor

## **PERFORMANCE TEST AND ASSESSMENT FACTORS**

*The Banking Department evaluates the CRA performance of wholesale banks pursuant to the “community development test,” as provided for in Section 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; (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 SBINY’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; 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 Banking Law that reasonably bear upon the extent to which a banking institution is helping to meet the credit needs of its entire community.*

The assessment period included calendar years 2007, 2008 and 2009.

Statistics employed in this evaluation were derived from various sources. The demographic data referred to in this report were derived from the 2000 U.S. Census data with the updated median family income figures provided by the U.S. Department of Housing and Urban Development (“HUD”). Business demographic data used in this report derive from information on US businesses, enhanced by Dun & Bradstreet and updated annually. Call report data that the institution filed with the FDIC are also used in the analysis.

SBINY received a rating of “1” reflecting an “Outstanding” record of helping to meet community credit needs based on the **prior** NYSBD Performance Evaluation dated December 31, 2006.

**Current CRA Rating:** “Needs to Improve”

**Community Development Activities:** “Needs to Improve”

During the evaluation period, SBINY had \$14.5 million outstanding in community development loans and investments, of which 93% was new money. When annualized, the level of \$14.5 million was 35% lower than the prior period’s \$14.9 million.<sup>1</sup> Since the last evaluation period, SBINY’s total assets more than quadrupled, from \$804.1 million to \$3,861.4 million. At the same time, the level of CRA lending and investments (on an annualized basis) were reduced by more than one-third.

SBINY's total community development portfolio of loans and investments within its assessment area was comprised as follows:

Community Development Activity during 2007, 2008 and 2009*				
	Affordable Housing \$000	Economic Development \$000	Community Service \$000	Total \$000
Loans	1,100.0	6,171.7		7,271.7
Investments	6,993.6	203.0	0.5	7,197.1
Total	8,093.6	6,374.7	0.5	14,468.8

\* For prior period loans the outstanding balances as of December 31, 2009 are used.

Community Development Lending: “Needs to Improve”

As of December 31, 2009, SBINY had \$7.3 million in community development loans, which included approximately \$1 million that was originated during the prior evaluation period, but was still outstanding as of the evaluation date. The \$1 million consisted of five prior-period SBA-guaranteed loans that support economic development.

SBINY made six new SBA-guaranteed loans for economic development purposes, with loan sizes ranging from \$100 thousand to \$1.4 million. The borrowers are various types of businesses, such as those with warehouses, that typically employ people who are likely to be LMI.

The bank also made one non-SBA small business loan to a hotel for the purpose of improvement of the hotel's facilities. Located in Manhattan, the hotel employs LMI workers and the improvement was expected to help maintain permanent jobs.

The bank also maintains a \$1.1 million revolving credit to Neighborhood Housing Services of New York City, Inc. (“NHS”) – a non-profit organization whose mission is to revitalize underserved neighborhoods by creating and preserving affordable housing and by providing opportunities for homeownership education, financial assistance and community leadership.

Community Development Investments: “Needs to Improve”

As of December 31, 2009, SBINY had \$7.2 million in qualified investments, including \$41 thousand in six qualifying grants.

In 2009, the bank purchased eight mortgage-backed securities, collateralized by mortgages, a majority of which were within the assessment area. Seven of these securities were issued through GNMA; but, only 20% of the underlying mortgages were extended to LMI borrowers. Thus, only 20% of the adjusted purchase value was considered a community development investment. One of the securities, (valued at \$3.1 million), was purchased through FNMA, and all of its underlying mortgages were extended to LMI borrowers.

SBINY invested in two \$100-thousand certificates of deposit, issued by Carver Federal Savings Bank, a Certified Community Development Financial Institution (“CDFI”).

Community Development Services: “Needs to Improve”

SBINY provided a poor level of community development services during the evaluation period. Towards the end of the evaluation period, in September 2009, one of the bank’s senior officers joined the board of an organization dedicated to providing affordable housing to low-income women and victims of domestic violence. As a board member, the officer provides his financial expertise to the organization. In 2010, subsequent to the evaluation period, SBINY hosted the organization’s board meetings twice.

Innovative or Complex Practices: “Needs to Improve”

SBINY demonstrated a poor level of innovative or flexible community development practices.

During the evaluation period, SBINY did not make or utilize any community development loans or investments that were complex in nature or met the needs of the community in any innovative way.

Responsiveness to Credit and Community Development Needs: “Needs to Improve”

SBINY demonstrated a poor level of responsiveness to the credit and community development needs of its assessment area.

Considering the bank’s asset size and its assessment area characteristics, SBINY did not make an adequate level of community development loans and investments and did not provide an adequate level of community development services.

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 Community Reinvestment Act**

SBINY does not have a board of directors. However, the board of directors for the bank in India has delegated the authority of monitoring compliance with U.S. laws and regulations (including CRA) to the Country Head of U.S. Operations. The Country Head interacts regularly with the Senior Compliance Officer who, at quarterly intervals, reviews compliance-related matters including CRA. SBINY has a designated Compliance Committee that covers CRA; consisting of senior U.S. officers, including the Senior Compliance Officer. The committee meets monthly and forwards its reports to the Country Head. Reports and minutes of the committee meetings are also forwarded

to the home office (in India) for its review.

**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.**

NYSBD noted no evidence of prohibited discriminatory or other illegal practices.

**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, SBINY does not offer retail services at its offices.

**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.

SBINY's senior officials are responsible for business development, and they ascertain the credit needs of the community members, organizations and institutions through interactions with community groups such as New Destiny Housing Corporation and the Small Business Development Centre of Pace University.

- 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 consisted of occasional advertisements in the North American edition of The Indian Express, and Divya Bhaskar, an Indian language magazine, as well as participating in various seminars and community meetings. The Bank participated in Diwali Mela (a fair) and the Indian Independence Day Parade. These measures are deemed adequate in light of the wholesale nature of the bank.

- 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

### Aggregate Penetration Rate

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.

### 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.

**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 of the person, family or household is based on the income of person, family or household. A geography’s income is categorized by median family income for the geography. In both cases, the income is compared to the MSA or statewide nonmetropolitan median income.

<b>Income level of individual or geography</b>	<b>% of the area median income</b>
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

**Loans to Small Businesses**

Small business loans to businesses with gross annual revenues (“GAR”) of \$1 million or less (“< = \$ 1MM”).

**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 non-metropolitan median family income.

**LMI Borrowers**

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 the case 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 family incomes used to measure borrower income levels are updated annually by the U.S. Department of Housing and Urban Development (“HUD”).

### **LMI Individuals/Persons**

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 HUD.

### **LMI Penetration Rate**

A number that depicts the percentage of a bank’s total loans (for a particular product) that was extended to LMI geographies or borrowers. For example, an LMI penetration rate of 20% would indicate that the bank made 20 out of a total of 100 loans in LMI geographies or to LMI borrowers.

### **Small Business Loans**

Loans to businesses with original amounts of  $\leq$  \$1MM.