



**WHOLESALE BANK**

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Comptroller of the Currency  
Administrator of National Banks

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**PUBLIC DISCLOSURE**

**June 19, 2002**

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

**Delta National Bank And Trust Company  
Charter Number 20547**

**650 Fifth Avenue, 26th Floor  
New York, NY 10019**

**Comptroller of the Currency  
New York Metro - Community Banks & Federal Branches  
1114 Avenue Of The Americas Suite 3900  
New York, NY 10036**

**NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.**

## **Institution's CRA rating:**

**This institution is rated Satisfactory.**

The conclusions for the three rating criteria are:

- The bank demonstrates an adequate level of qualified investment and community development lending activity in its assessment areas.
- The bank does not use innovative or complex qualified investments, community development loans, or community development services.
- The bank demonstrates adequate responsiveness to credit and community development needs in its assessment areas.

## **Scope of the Examination**

In evaluating the bank's performance under the CRA, we reviewed community development activities from January 1, 1998 through June 19, 2002. We reviewed the level and nature of qualified investments, community development lending, and community development services. At the prior examination dated December 31, 1997, we rated the bank Satisfactory.

## **Description of Institution**

Delta National Bank and Trust Company (DeltaBank), headquartered in New York City, opened in 1986 and was approved for wholesale bank designation for CRA purposes on May 14, 1996. The bank is a wholly owned subsidiary of Delta North Bankcorp, a Delaware holding company, which in turn is owned by Cayman Investment Company located in Grand Cayman. There are no subsidiaries of the bank.

On January 3, 2000, DeltaBank's national bank affiliate (Delta National Bank and Trust Company of Florida) located in Miami was merged into the New York bank, creating an interstate bank. Description of the bank's assessment area and performance in the two states are presented separately in this evaluation.

In New York, DeltaBank operates from one office located on the twenty-sixth floor of an office building and not readily accessible to the general public. In Florida, the bank operates from one office located on the fifth floor of an office building in downtown Miami. There are no other branches.

DeltaBank's main business focus is on private banking, cash management, investment, and trust services directed towards individual and corporate South American customers. The bank does not routinely offer traditional consumer or commercial loans. There are no legal or financial impediments to the bank's ability to help meet the credit needs in its assessment areas.

Table 1 below highlights the bank's financial information during the evaluation period:

**Table 1: Financial Information (000s)**

	<b>Year-end 1998</b>	<b>Year-end 1999</b>	<b>Year-end 2000*</b>	<b>Year-end 2001</b>	<b>Most Recent Quarter-end 03/31/2002**</b>	<b>Average for Evaluation Period</b>
<b>Tier 1 Capital</b>	21,889	23,761	41,136	40,715	41,099	33,720
<b>Total Income</b>	26,767	29,945	45,078	39,274	31,000	34,413
<b>Net Operating Income</b>	3,327	3,494	5,293	2,983	2,792	3,578
<b>Total Assets</b>	296,102	309,839	485,180	399,141	393,265	376,705

Source: Consolidated Report of Condition and Income and bank reported data.

\* Merger of Delta National Bank and Trust of Florida into NY occurred on January 3, 2000

\*\* Annualized data reported.

## STATE OF NEW YORK

### CRA RATING FOR NEW YORK: Satisfactory

DeltaBank has an adequate record of participating in and helping to support community development activities in its assessment area. DeltaBank has done this primarily through qualified investments.

### Description of New York Assessment Area

DeltaBank's assessment area (AA) in New York consists of the five boroughs of New York City (Manhattan, Queens, Brooklyn, The Bronx, and Staten Island) and is part of the New York Metropolitan Statistical Area (MSA) #5600. The AA meets the requirement of the regulation and does arbitrarily exclude low- or moderate-income geographies. Table 2a below provides demographic information about the AA.

**Table 2a: Assessment Area Description – New York**

	<b>Number</b>	<b>Low</b>	<b>Moderate</b>	<b>Middle</b>	<b>Upper</b>
<b>Tracts</b>	2,216	14% *	19% *	35% *	29% *
<b>Families</b>	1,755,718	28% **	16% **	19% **	37% **
<b>Businesses</b>	285,762	8% ***	18% ***	25% ***	45% ***

Source: Demographic Data - 1990 U.S. Census, Dun & Bradstreet Data.

\* 3% of tracts do not have income designation.

\*\* Represents families by income level. Does not equal 100% due to rounding.

\*\*\* Represents businesses by income level of census tract. 3% of businesses located in tracts with no income designation. Does not equal 100% due to rounding

According to 1990 U.S. Census data, the population of the AA is 7.3 million. The census median family income (MFI) is \$37,515 and the 2002 Department of Housing and Urban Development updated MFI is \$62,800.

Within the AA, there are 3 million housing units of which 94% are occupied. Owner-occupied units account for 27% and rental units accounts for 67%. In addition, nearly 63% (1.9 million) of all housing units are multifamily. The majority of the multifamily units are located primarily throughout Manhattan and the Bronx, and to a lesser degree, Brooklyn. The median housing value in the AA is \$186,350 and is considered high, making homeownership difficult for most low- and moderate-income individuals.

New York City (NYC) is home to a diversified mix of businesses. Many national and international corporations are headquartered here. Historically, the downtown area has been dominated by the financial services industry. Industries operating in the midtown area include advertising, publishing, and garment production. The retail sector is a major employer with several large department stores and many small businesses operating throughout the AA.

After experiencing several years of good economic growth, the NYC economy has shown signs of weakening in line with the national economy. A major factor is the September 11, 2001 terrorist attack that destroyed the World Trade Center. Tourism, a major contributor to the NYC economy has been negatively impacted and has had a ripple effect on other industries and services. The volatility on Wall Street has also impacted the local and national economy. The AA unemployment level has increased to 7.5% in April 2002 compared to the state rate of 5.8% for the same period.

DeltaBank operates in a very competitive market with many multinational, regional, and foreign local banks. The major banks include Citibank, Chase, Fleet, and HSBC.

The need for increased and improved affordable housing remains a commonly expressed weakness. A community contact with a community development corporation and recently conducted community contacts with community organizations serving the bank's AA reveal a continued need for affordable housing development and rehabilitation lending. These contacts also identified flexible lending products and homebuyer counseling as needs within the community. The contacts stated that more involvement by financial institutions, in partnership with nonprofit organizations, is needed to assist consumers in obtaining credit.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE IN NEW YORK**

### **Conclusions About Performance**

#### **Summary**

DeltaBank's overall CRA performance as a wholesale-designated bank is satisfactory. The bank demonstrated an adequate level of qualified investments and community development loans in the AA. The investments and loans were neither innovative nor complex; however, they did provide adequate responsiveness to credit and community development needs in the AA.

- The level of the bank's activity was adequate in relation to available opportunities and the bank's capacity. DeltaBank funded five qualified investments. Additionally, qualified donations were made to four community organizations that support affordable housing and quality of life programs for low- and moderate-income individuals. Quality of life programs include, but are not limited to, job training, financial education, and homeless assistance. Two community development loans were originated. Opportunities exist throughout the AA, but are limited due to intense competition among financial institutions. One community development service was provided to a nonprofit housing organization.
- DeltaBank provided only routine community development activities in the AA during the evaluation period. The bank's community development activities consisted of qualified investments, donations, loans, and services that are routinely provided by other entities.
- The bank's qualified investments and community development lending exhibited adequate responsiveness to credit and economic development needs within its AA. Investment and lending related programs have positively impacted affordable housing, community development, and economic development initiatives throughout the AA.

#### **Qualified Investments**

The bank invested an adequate level of funds in certificates of deposit of minority owned and community development banks and low-income credit unions, given the availability of qualified investments in the AA, the bank's size, and its strategic focus. During the evaluation period, the bank purchased five new certificates of deposit aggregating \$491 thousand. Six certificates of deposit purchased in prior periods that remain outstanding total \$588 thousand have a continuing impact in the AA. The investments are neither innovative nor complex; however, they are responsive to credit and community development needs of the AA.

During the evaluation period, DeltaBank provided qualified grants and donations to four community organizations that support affordable housing, financial education, and quality of life programs targeting low- and moderate-income individuals. The total dollar amount for the period was \$147 thousand. DeltaBank has been a consistent donor to these organizations since the early 1990s.

**Table 3b: Qualified Investment Activity (000s)**

	<b>Benefits AA</b>
<b>Originated Investments</b>	491
<b>Originated Grants</b>	147
<b>Prior-Period Investments that Remain Outstanding</b>	588
<b>Total Qualified Investments</b>	1,226

**Table 4b: Qualified Investment Percentages**

	<b>Benefit AA (%)</b>
<b>Total Investments/Average Tier 1 Capital</b>	3.6%
<b>Total Investments/Average Total Income</b>	3.6%

### **Community Development Lending**

DeltaBank originated and purchased an adequate level of qualified community development loans, given the bank's size and strategic focus. During the evaluation period, DeltaBank committed a \$200 thousand line of credit to a nonprofit housing organization whose mission is to preserve and create affordable housing for low- and moderate-income individuals. The commitment was to fund the organization's fourth closing assistance program. Additionally, DeltaBank purchased a 6.67% share (\$11 thousand) in a permanent mortgage loan granted to the same organization.

**Table 5b: Community Development Lending Percentages**

	<b>Benefits AA (%)</b>
<b>Total CD Lending/Average Tier 1 Capital</b>	0.6%
<b>Total CD Lending/Average Total Income</b>	0.6%

### **Community Development Services**

DeltaBank provided one community development service during the evaluation period. The bank's CRA officer serves on the Neighborhood Housing Services of New York loan committee.

## STATE OF FLORIDA

### CRA RATING FOR FLORIDA: Satisfactory

DeltaBank has an adequate record of participating in and helping to support community development activities in its assessment area. DeltaBank has done this primarily through qualified investments

### Description of Florida Assessment Area

DeltaBank’s AA in Florida consists of the Miami MSA #5000 and matches the boundaries of Miami-Dade County. The AA meets the requirement of the regulation and does not arbitrarily exclude low- or moderate-income geographies. Table 2a below provides demographic information about the AA.

**Table 2a: Assessment Area Description – Miami MSA**

	Number	Low	Moderate	Middle	Upper
<b>Tracts</b>	267	14%*	21%*	36%*	28%*
<b>Families</b>	485,213	23%**	16%**	19%**	41%**
<b>Businesses</b>	94,349	10%***	19%***	31%***	39%***

Source: Demographic Data - 1990 U.S. Census, Dun & Bradstreet Data.

Miami-Dade County is located along the southern tip of Florida. The county is bordered in the north by Broward County, in the east by the Atlantic Ocean, in the south by Monroe County, and in the west by Monroe and Collier Counties. Some of the largest incorporated municipalities within the county are Miami, Miami Beach, Hialeah, North Miami, North Miami Beach, Coral Gables, Coconut Grove, Homestead, South Miami, and Kendall. The eastern and northern portions of the county are primarily urban with the western and southern portions primarily rural/agricultural. Consequently, the credit needs of the community differ vastly.

Tourism is the county’s largest industry with an estimated eight million visitors annually, and is the county’s primary economic mainstay. However, the events of September 11, 2001 have adversely impacted the county’s tourism, at least in the short term. Prior to this day, the number of visitors and hotel occupancy rates were strong. However, the number of domestic and international tourist arriving at Miami International Airport dropped severely after September 11<sup>th</sup> as well as hotel occupancy levels. Similarly, the cruise line industry, which is a major employer in the county, experienced substantial financial consequences. As a result, employees with travel related positions lost their jobs. While these adverse trends have been consistently improving since September 2001, tourism is still below normal levels.

The impact of September 11<sup>th</sup> on Miami’s international trade industry is not clear as sustained growth in the Miami area is linked closely to overseas developments. International trade has increased considerably in recent years given the favorable geographic location, the trained commercial and industrial labor force, and the good transportation facilities. This increase has resulted in attracting national and international firms who do business in Latin America. Trade

with Latin America, the Caribbean, and Europe has caused a substantial growth in the number of financial institutions conducting business in the county. Miami International Airport and the Port of Miami have made the metropolitan area a convenient gateway to Latin America for U.S. and European companies. However, economic growth is impacted by the economies of those countries, which remain fragile, presenting significant downside risk. The effects of September 11<sup>th</sup> may further deteriorate already weak economies. Consequently, as the metropolitan area grows increasingly interconnected with international developments, exposure to global risks correspondingly rises.

Miami-Dade County also has been heavily influenced by the film and television industry. This industry has experienced tremendous economic growth, making the county one of the largest production centers in the nation. Florida Trend estimates the entertainment industry will be the region's fastest growing business sector. It is estimated that Miami-Dade employs 6,100 fulltime entertainment industry workers.

The county's unemployment rate of 7.3% at April 2002 is 46% higher than Florida's rate of 5.0%. Most county economic indicators after September 2001 exhibit adverse results, which appeared to peak in December 2001.

Home construction has slowed from year 2000 levels, but home prices continue to increase. In the Miami area, the commercial real estate vacancy rate has risen significantly due in part to the abundance of sublease space, and the slump in the high technology and telecommunication sectors. The area west of the airport, which has a high concentration of these companies, is the most challenging sub-market in the county.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE IN FLORIDA**

### **Conclusions About Performance**

#### **Summary**

DeltaBank's overall CRA performance as a wholesale-designated bank is satisfactory. The bank demonstrated an adequate level of qualified investments and community development loans in the AA. The investments and loans were neither innovative nor complex; however, they did provide adequate responsiveness to credit and community development needs in the AA.

- The level of the bank's activity was adequate in relation to available opportunities and the bank's capacity. DeltaBank funded seven qualified investments. The bank also made an equity investment in a community development consortium consisting of 19 area banks. Additionally, qualified donations were made to seven community organizations that support affordable housing and quality of life programs for low- and moderate-income individuals. Quality of life programs include, but are not limited to, job training, financial education, and homeless assistance. Community development loans, including the bank's pro-rata share of loans made by the community development consortia totaled \$79 thousand. Opportunities exist throughout the AA, but are limited due to intense competition throughout the AA. Two community development services were provided.
- DeltaBank provided only routine community development activities in the AA during the evaluation period. The bank's community development activities consisted of qualified investments, donations, loans, and services that are routinely provided by other entities.
- DeltaBank's responsiveness to the credit and community development needs in its AA was adequate.

#### **Qualified Investments**

The bank invested an adequate level of funds in deposits of minority owned banks, given the availability of qualified investments in the AA, the bank's size, and its strategic focus. During the evaluation period, the bank purchased two new certificates of deposit aggregating \$196 thousand. Six certificates of deposit purchased in prior periods that remain outstanding total \$588 thousand have a continuing impact in the AA. Additionally, the bank purchased public housing and public health facility bonds totaling \$807 thousand. The facility provides a majority of the charity care within the county. Twelve public housing bonds purchased in prior periods and still outstanding total \$761 thousand. An equity investment of \$35 thousand (3.4%) was made in a community development consortium. The investments are neither innovative nor complex; however, they are responsive to credit and community development needs of the AA.

During the evaluation period, DeltaBank provided qualified donations to seven community organizations that support affordable housing, financial education, and quality of life programs targeting low- and moderate-income individuals. The total dollar amount for the period was \$8 thousand. .

**Table 3b: Qualified Investment Activity (000s)**

	<b>Benefits AA</b>
<b>Originated Investments</b>	1,038
<b>Originated Grants</b>	8
<b>Prior-Period Investments that Remain Outstanding</b>	1,349
<b>Total Qualified Investments</b>	2,395

**Table 4b: Qualified Investment Percentages**

	<b>Benefit AA (%)</b>
<b>Total Investments/Average Tier 1 Capital</b>	7.1%
<b>Total Investments/Average Total Income</b>	7.1%

### **Community Development Lending**

DeltaBank originated an adequate level of qualified community development loans, given the bank's size and strategic focus. During the evaluation period, DeltaBank received a pro-rata share of 29 loans based on its equity investment in the community development consortia totaling \$79 thousand.

**Table 5b: Community Development Lending Percentages**

	<b>Benefits AA (%)</b>
<b>Total CD Lending/Average Tier 1 Capital</b>	0.2%
<b>Total CD Lending/Average Total Income</b>	0.2%

### **Community Development Services**

DeltaBank provided two community development services during the evaluation period. An officer of the bank has provided accounting and technical assistance to a nonprofit organization that provides community development services to low- and moderate-income individuals. An officer of the bank is actively involved with the community development consortia in which the bank has an equity investment.

### **Fair Lending Review**

An analysis of the most recent public comments and consumer complaint information was performed according to the OCC's risk-based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted with the CRA evaluation this year. The latest comprehensive fair lending exam was performed in 1997.

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

**Affiliate** – Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if both companies are directly or indirectly controlled by the same company. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Assessment Area (AA)** – A geographic area that consists generally of one or more MAs (using the MA boundaries that were in effect as of January 1 of the calendar year in which the delineation is made) or one or more contiguous political subdivisions, such as counties, cities, or towns, in which the bank has its main office, branches, and deposit-taking ATMs.

**Benefit to Assessment Area** – A qualified Community Development activity benefits the assessment area if (i) the activity benefits areas within the assessment area, or (ii) the activity benefits a broader statewide or regional area that includes the bank’s assessment area. If a bank has adequately addressed the needs of its assessment area, then the OCC also considers activities submitted by the bank that benefit areas outside of its assessment area.

**Block Numbering Area (BNA)** – Statistical subdivisions of counties in which census tracts have not been established. The United States Census Bureau has established BNAs in conjunction with state agencies.

**Census Tract (CT)** – Small, locally defined statistical areas within Metropolitan Areas. These areas are determined by the United States Census Bureau in an attempt to group homogenous populations. A CT has defined boundaries per 10-year census and an average population of 4,000.

**Community Development (CD)** – Affordable housing for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration’s Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies.

**Community Reinvestment Act (CRA)** – The statute that requires the OCC to evaluate a bank’s record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

**Geography** – A census tract or a block numbering area delineated by the United States Bureau of the Census in the most recent decennial census.

**Median Family Income (MFI)** – The median income determined by the United States Census Bureau every 10 years and used to determine the income level category of geographies. Also, it is the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of families. For any given geography, the median is the point at which half of the families have income above it and half below it. (See the four categories of median income below.)

- **Low-Income** – An income level that is less than 50% of the MFI.
- **Moderate-Income** – An income level that is at least 50% and less than 80% of the MFI.
- **Middle-Income** – An income level that is at least 80% and less than 120% of the MFI.
- **Upper-Income** – An income level that is 120% or more of the MFI.

**Metropolitan Area (MA)** – Area defined by the director of the United States Office of Management and Budget. MAs consist of one or more counties, including large population centers and nearby communities that have a high degree of interaction.

**Net Operating Income** – As listed in the Consolidated Report of Condition and Income: Income before income taxes and extraordinary items and other adjustments. [*Schedule RI - Income Statement, line 8 or UBPR, page 2, “PreTax Operating Income (TE)”*]

**Qualified Investment** - A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Tier 1 Capital** – The total of common shareholders’ equity, perpetual preferred shareholders’ equity with noncumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries. [*Schedule RC-R - Regulatory Capital, line 3a(1) or UBPR, page 11A, “Net Tier One”*]

**Total Assets** – Total bank assets as listed in the Consolidated Report of Condition and Income. [*Schedule RC - Balance Sheet, line 12 or UBPR, page 4, “Total Assets”*]

**Total Income** – From the Consolidated Report of Condition and Income – Total Interest income plus Total Noninterest income. [*Schedule RI - Income Statement, Total Interest Income, line 1g and Total Noninterest Income, line 5g, except for banks with domestic offices only and total assets less than \$100 million, line 5c or UBPR, page 2, “Total Interest Income” and “Noninterest Income”*]

**Wholesale Institution** – An 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 bank is in effect.