

PUBLIC DISCLOSURE

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

March 21, 1997

Safra National Bank of New York

546 Fifth Avenue
New York, New York 10036

Charter Number: 20948

NOTE: 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.

GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (CRA) performance of Safra National Bank of New York prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency.

The evaluation represents the OCC's current assessment and rating of the institution's CRA performance based on an examination conducted as of March 21, 1997. It does not reflect any CRA-related activities that may have been initiated or discontinued by the institution after the completion of the examination.

The purpose of the Community Reinvestment Act of 1977 (12 U.S.C. 2901), as amended, is to encourage each financial institution to help meet the credit needs of the communities in which it operates. The Act requires that in connection with its examination of a financial institution, each federal financial supervisory agency shall (1) assess the institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution, and (2) take that record of performance into account when deciding whether to approve an application of the institution for a deposit facility.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989, Pub. L. No. 101-73, amended the CRA to require the Agencies to make public certain portions of their CRA performance assessments of financial institutions.

Basis for the Rating

The assessment of the institution's record takes into account its financial capacity and size, legal impediments and local economic conditions and demographics, including the competitive environment in which it operates. Assessing the CRA performance is a process that does not rely on absolute standards. Institutions are not required to adopt specific activities, nor to offer specific types or amounts of credit. Each institution has considerable flexibility in determining how it can best help to meet the credit needs of its entire community. In that light, evaluations are based on a review of 12 assessment factors, which are grouped together under 5 performance categories, as detailed in the following section of this evaluation.

ASSIGNMENT OF RATING

Identification of Ratings:

In connection with the assessment of each insured depository institution's CRA performance, a rating is assigned from the following groups:

Outstanding record of meeting community credit needs.

An institution in this group has an outstanding record of, and is a leader in, ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Satisfactory record of meeting community credit needs.

An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Needs to improve record of meeting community credit needs.

An institution in this group needs to improve its overall record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Substantial noncompliance in meeting community credit needs.

An institution in this group has a substantially deficient record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

ABBREVIATIONS

Below are the common abbreviations used in this Public Evaluation:

ACH	Automated Clearing House
ATM	Automated Teller Machine
FHA	Federal Housing Administration
HMDA	Home Mortgage Disclosure Act
MSA	Metropolitan Statistical Area
NHS	Neighborhood Housing Services
NYCE	New York Cash Exchange
SBA	Small Business Administration
VA	Veterans' Administration

NOTES:

LMI - Low- and moderate-income (LMI) census tracts and block number areas are those in which the median family income is less than 50% and 80% of the median family income for the Metropolitan Statistical Area (MSA) or state.

The source of the population statistics and income information used in this Public Evaluation is the 1990 Census and the United States Department of Housing and Urban Development.

DISCUSSION OF INSTITUTION'S PERFORMANCE

Institution's Rating:

Based on the findings presented below, Safra National Bank of New York is rated: Satisfactory record of meeting community credit needs.

Evaluation Period - The prior Performance Evaluation covered the period from January 1994 through September 1995. The current Performance Evaluation assessed the bank's performance from October 1995 through February 1997.

BANK PROFILE

Safra National Bank of New York (Safra) is a federally chartered bank incorporated in 1987 with total assets of approximately \$1.8 billion. Headquartered at 546 Fifth Avenue with one branch at 1114 Avenue of the Americas, Safra acquired United Mizrahi Bank and Trust Company (UMB) in January 1997. UMB was located at 1 Rockefeller Plaza, also in midtown Manhattan. Safra will be consolidating the operations of the two institutions at its Fifth Avenue site, remaining a limited service institution with a wholesale focus. The main activity of the bank is attracting deposits which fund a conservative asset structure of liquid and high quality investments. Lending is primarily for international trade finance. Safra only makes residential mortgages or consumer loans as an accommodation to its business customers. The acquisition of UMB is expected to help expand Safra's domestic and small business loan portfolio.

COMMUNITY PROFILE

Safra is located in the heart of midtown Manhattan, an area of predominantly commercial and wholesale/retail businesses, although there are some housing units. Rental units account for 70% of total housing units in the area. Businesses include those associated with the garment and jewelry industries. The area's proximity to well known New York City landmarks is reflected in the number of establishments from consumer electronics to high fashion catering to the tourist trade. There are no low-income census tracts in the area, although there are five moderate-income census tracts. The median family income is \$54,612. Of the nearly 3,800 families in the area, 420 families or 11% are low-income.

I. ASCERTAINMENT OF COMMUNITY CREDIT NEEDS

Assessment Factor A - Activities conducted by the 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 it provides.

Ascertainment activities are reasonable. Safra has maintained regular contacts with members of its community.

Such contacts are achieved through a calling program involving small businesses and intermediaries engaged in affordable housing and economic development activities. Bank officers make cold calls on businesses in the bank's vicinity and attend trade shows. These regular contacts have generated small business loans, banking products and services which help meet community needs.

Credit needs identified through these contacts include small business loans and affordable housing. Safra has responded to the credit needs of the small business sector through direct and indirect lending. Performance is discussed in greater detail under Assessment Factor I.

Safra has responded to the credit needs related to affordable housing through financial intermediaries. Contacts with intermediaries have led to participation in community development programs and projects. Over the years, Safra has maintained meaningful contacts with Neighborhood Housing Services, Manhattan Renaissance Local Development Corporation, Manhattan Borough Development Corporation, Local Initiatives Support Corporation. The results of these contacts and participation in programs by these intermediaries are discussed in greater detail under Assessment Factor H.

Assessment Factor C - The extent of participation by the institution's board of directors in formulating the institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act.

The Board of Directors adequately supports CRA activities.

CRA activities are integrated in the planning process. The Board reviews the bank's CRA performance, including lending activities and the geographic distribution of loans, and related ascertainment and marketing programs. The acquisition of United Mizrahi Bank has resulted in an expansion of Safra's offerings of small business loan products and deposit services.

The Board supports the training of personnel for CRA. In the past two years, Safra has adopted an expanded CRA statement annually which is descriptive of the bank's CRA performance.

II. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED

Assessment Factor B - The extent of the institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the institution.

Safra has implemented adequate marketing programs to make its community aware of its services.

Safra markets its small business loans through its officer calling program, direct mailing, and other promotional materials. In the past two years, Safra hired account officers to expand its call campaign among businesses. The acquisition of UMB is expected to strengthen the domestic and small business portfolio with the addition of UMB officers and new products. These programs have resulted in the origination of small business loans as discussed in greater detail under Assessment Factor I. Advertising is limited to deposit products, primarily to certificates of deposits.

Assessment Factor I - The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business or small farm loans within its community, or the purchase of such loans originated in its community.

Origination of small business loans helps meet the credit needs of its community.

Safra helps meet the primary credit needs of its community by lending to small businesses. Lending levels, as shown in the table below, reflect the continuing commitment of the Board and management to be responsive to those pressing credit needs. The acquisition of UMB is consistent with plans to expand the domestic and small business loan portfolio. Safra offers consumer credit products as an accommodation to its business customers.

SMALL BUSINESS LOAN ORIGINATIONS

Prior Period
(Jan-94 to Sep-95)*
Current Period
(Oct-95 to Feb-97)
Change

\$

\$

Total Originations

81
14,067,356
68
11,866,847
(16%)

Originations inside
the Delineated Area

52
7,759,557
35
6,903,940
(11%)

* Safra only, prior to UMB acquisition.

Loan volumes are adequate in relation to Safra's resources and business orientation. Safra offers loans to small businesses for various purposes such as inventory and equipment, and seasonal working capital. These loans may be secured by the company's assets and the personal guarantees of the principals of the company. A small business loan is a business loan in an amount of \$1 million or less. The bank originated 68 small business loans representing 38% of all new domestic business loans booked in the current period. The volume of small business loans originated in the current period represents a 16% decrease when compared to the prior period. The bank originated 35 small business loans within the delineated community representing 51% of the total number of small business loans in the current period. It should be noted that the prior review period spanned 21 months, compared to the current review period of 17 months.

Safra also offers personal and business loans fully secured by the bank's certificates of deposits, secured or unsecured loans as an accommodation to private banking individuals, and secured and unsecured trade and commercial financing loans to large corporate customers of the bank's affiliate bank in Brazil.

Assessment Factor J - The institution's participation in governmentally-insured, guaranteed or subsidized loan programs for housing, small business or small farms.

Safra's participation in governmentally-insured and guaranteed programs for housing and small business is sufficient.

The bank participates in government loan programs primarily through its purchase of SBA loans and securities. As of Feb-10-97, the bank originated a total of \$1.2 million representing 4 SBA guaranteed loans, and a \$2 million participation guaranteed by SONYMA. In addition, Safra also purchased two (2) mortgage backed securities totaling about \$6.1 million from the FNMA where underlying mortgages are to minorities or low income individuals.

III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

Reasonableness of Delineated Community

The bank's delineation is reasonable.

The bank has delineated its local community based on the location of its main office and its two branches. Safra has defined its local community as the commercial business area of midtown Manhattan, bordering on 59th Street on the north, south on Park Avenue to 45th Street, west on 45th Street, south on Vanderbilt Avenue, east on 42nd Street, south on Park Avenue, west on 28th Street, and north on Avenue of the Americas to 59th Street. This area is part of the midtown Manhattan business district and does not arbitrarily exclude any area. The delineated community includes five moderate-income census tracts.

Assessment Factor E - The geographic distribution of the institution's credit extensions, credit applications, and credit denials.

Small business loans are reasonably distributed.

Penetration inside the delineated community is consistent with Safra's resources and capabilities. Management analysis of the geographic distribution of the bank's lending activity covers small business loans made inside and outside of the bank's delineated community. During the current evaluation period, Safra originated 54% of the number of small business loans inside the delineated community, down from 64% of the number originated in the prior period. Management attributes the decline to the inclusion of UMB loans which were primarily made outside the delineated community.

A similar analysis is conducted for consumer deposits. The bank's analysis indicates that only 2% of the bank's domestic deposits are in the delineated community. The bank's major source of deposits is certificates of deposit. These deposits are obtained outside of the community since the delineated community is primarily made up of small businesses.

Assessment Factor G - The institution's record of opening and closing offices and providing services at offices.

Services provided are good and help meet community needs.

Banking services are reasonable and include a wide array of competitively priced deposit products. Safra does not have automated teller machine (ATM) facilities, but offers ATM cards to its customers. Safra belongs to the New York Cash Exchange (NYCE) network, the dominant ATM network in the New York metropolitan area. Safra has developed and offered other products such as low-cost or no cost checking accounts, student oriented savings accounts, Automated Clearing House (ACH) transfers, rent security escrow accounts, collection services, and VISA credit cards. ACH transfers allow small businesses and individuals to receive and transfer funds reliably and inexpensively.

With the acquisition of United Mizrahi Bank, Safra acquired an additional branch at 1 Rockefeller Plaza. This branch is located on the 8th floor of the building. Safra plans to consolidate the operations of the two institutions at its site on Fifth Avenue. This consolidation is not expected to create a negative impact on its customer base.

IV. DISCRIMINATION AND OTHER ILLEGAL CREDIT PRACTICES

Assessment Factor D - Any practices intended to discourage applications for types of credit set forth in the institution's CRA Statement(s).

No practices were found which would discourage applications for credit.

Safra solicits credit applications from all segments of the community for the types of credit listed in the bank's CRA statement. Credit policies and training programs adequately cover fair lending laws and the requirements of the Equal Credit Opportunity Act. Training programs include diversity and sensitivity modules.

Assessment Factor F - Evidence of prohibited discriminatory or other illegal credit practices.

A recent examination did not disclose any evidence of disparate treatment or other illegal credit practices.

We conducted a Fair Lending review of small business loans based on a comparison of loan terms. Our sample included loans originated by United Mizrahi Bank and Safra. Our review showed compliance with the substantial provisions of antidiscrimination laws and regulations, including the Equal Credit Opportunity Act. There were no violations found. Independent testing is provided by internal audit which found compliance with the applicable provisions of the Equal Credit Opportunity Act.

V. COMMUNITY DEVELOPMENT

Assessment Factor H - the institution's participation, including investments, in local community development and redevelopment projects or programs.

Participation in community development projects through indirect lending and investments helps meet identified credit needs.

The bank participates in the following local lending and investment programs to help meet the credit needs of small businesses and assist in the creation and maintenance of low- and moderate-income housing. Participation during this current period aggregated \$3,600,000 in community development loans as follows:

Local Initiatives Support Corporation (LISC)

LISC is a nonprofit organization whose objective is to assist selected community development corporations (CDCs) in their efforts to transform distressed neighborhoods into healthy communities. LISC raises funds from individuals and public institutions, and uses the money it has raised to extend financial assistance to CDCs. LISC supports CDCs in the development of affordable housing, vital commercial facilities, and job creating industrial projects. In 1996, Safra increased its commitment from \$200 thousand to \$300 thousand to LISC.

Community Service Society of New York (CSS)

CSS was established through the merger of two social welfare organizations, the Association for Improving the Condition of the Poor and The Charity Organization Society. CSS is a nonprofit organization whose objective is to assist low income New Yorkers in their efforts to transform distressed neighborhoods into healthy communities. In 1996, CSS provided technical housing assistance to 21 buildings with 545 units, managed 26 active loans representing more than 500 building units, and helped 1,032 new social service clients. It also launched plans to permanently finance a \$3 million construction loan for a 70-unit building in the Tremont section of the Bronx. Further, it approved a contingency construction funds loan to support the \$2.27 million rehabilitation of a 51-unit apartment building in Washington Heights. In 1996, Safra extended a \$500 thousand unsecured term loan to the subject.

The Neighborhood Housing Services of New York

Neighborhood Housing Services of New York is a citywide organization working to increase and protect investment in declining neighborhoods, to help people help themselves through education, to encourage and support neighborhood self-reliance, and to create, preserve, and promote affordable housing in New York City neighborhoods. In 1996, Safra committed to lend \$500 thousand to this organization.

Foreign Bank Loan Fund (FBLF)

FBLF was established by a consortium of primarily wholesale foreign owned/controlled banking institutions. Currently, a \$1,000,000 participation in a \$2.65 million funding was committed under the name of United Mizrahi Bank & Trust Company and of Safra National Bank of New York. This loan pool will support New York State-based small business horizontal construction firms working on state contracts for roads, bridges or tunnels and will be backed by the federal Small Business Administration.

Global Resources for Affordable Neighborhood Development Inc. (GRAND)

GRAND III is a corporate entity of the NYC Housing Partnership New Homes Program. The purpose of this program is to facilitate the construction of homes for low and moderate income families in New York City, to provide a vehicle for bank investments in affordable housing, to increase the amount of capital available to finance affordable housing, and to lower the cost of units sold under the program. In 1996, Safra committed a \$2 million line of credit to the program, with a total of about \$650 thousand currently outstanding.

Community Development Investments

The bank has placed total deposits of \$950,000 in ten different financial institutions supporting their Community Partnership Account. These funds are used exclusively to rehabilitate and develop low-income housing as well as other community projects in New York.

Community Development Services

Bank officers provide technical assistance to community-based organizations. The CRA Officer continues to serve as a member of the Board of Directors of the Manhattan Borough Development Corporation.

Assessment Factor K - The institution's ability to meet various community credit needs based on its financial condition and size, legal impediments, local economic conditions and other factors.

Consistent with its strategic focus, Safra is able to help meet its community credit needs.

Safra is primarily a wholesale bank with an international and private banking focus. There are no impediments to helping meet the credit needs of its community.

Assessment Factor L - Any other factors that, in the regulatory authority's judgment, reasonably bear upon the extent to which an institution is helping to meet the credit needs of its entire community.

No other activities were considered for purposes of this evaluation.