



PUBLIC DISCLOSURE

June 10, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Safra National Bank of New York
Charter Number 20948

546 Fifth Avenue
New York, NY 10036

Office of the Comptroller of the Currency

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New York, NY 10017-2613

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:

- Safra demonstrated an adequate level of qualified investment, Community Development (CD) lending activity, and CD services, particularly investments that are not routinely provided by private investors.
- The bank demonstrates no use of innovative or complex qualified investments, CD loans, or CD services.
- The bank demonstrates adequate responsiveness to credit and CD needs in its Assessment Areas (AAs).

Scope of the Examination

In evaluating the bank's performance under the Community Reinvestment Act (CRA), we reviewed community development activities from June 17, 2009 through June 10, 2013. Safra is designated a wholesale bank and as a result of this designation we reviewed the level and nature of qualified investments, CD lending, and CD services presented for consideration. All of the bank's activities reviewed during this evaluation were within or directly benefited the delineated assessment areas. At the prior examination dated June 16, 2009, we rated the bank Satisfactory.

Allocation of capital, income, receivables

This evaluation rates the overall CRA performance of Safra National Bank as well as performance in the States of New York and Florida. The overall rating is based on the CRA performance of the bank in each state. The ratios in the family of financial measures contained in this public evaluation were derived by allocating bank capital, income, and receivables to the states and assessment areas, where feasible and reasonable. The allocation is based on the amount of banking deposits contained in each of the states and assessment areas. The Federal Deposit Insurance Corporation (FDIC) releases an annual *Summary of Deposit* report for all insured institutions. Based on the most recent release as of June 30, 2012 bank deposits total \$4.2 billion. Of this amount, 86%, or \$3.6 billion, is attributed to the New York office. Accordingly, we allocated 86% of income and capital to New York with the remainder allocated to Florida.

Description of Institution

Safra National Bank of New York ("Safra" or "The bank") is a wholesale bank, headquartered in New York, NY, with reported total assets of \$6.0 billion as of March 31, 2013. The bank and its subsidiaries are wholly owned by Safra National Bank New

York Holdings Limited, a Gibraltar based holding company. Safra is a member of the Safra Group, an international network of financial institutions controlled by the Joseph Safra family. The four wholly owned bank subsidiaries include Safra Securities LLC (registered broker dealer); 3050 Aventura Owner, LLC (to hold premises); Joseph Safra Management Corporation, and J. Safra Investment Corporation. Subsidiaries and affiliates of the bank did not have an impact on the bank's capacity for community reinvestment. Safra management did not request affiliate-related activities to be considered in evaluating its performance.

On August 6, 1997, the OCC designated Safra as a wholesale bank. An institution so designated is evaluated pursuant to the community development test, which assesses a bank's record of meeting AA credit needs through CD lending, qualified investments, or CD services, as applicable.

Safra provides banking services to high net worth individuals and large international corporations through its main branch in New York, NY and extension branch in Aventura, FL. The core business of the bank is international private banking. The bank also offers retail and commercial deposit accounts and CD related lending activity. The primary credit product offered is commercial loans fully secured by securities and real estate collateral. Other credit products include trade finance loans. Few personal and mortgage loans are made to accommodate wealthy pre-existing private banking clients. Gross loans comprised 37% of total assets as of March 31, 2013. The loan portfolio is comprised of commercial loans (55%), followed by real estate loans (35%), and consumer loans (5%).

Table 1: Financial Information (000s)

	Year-end CY09	Year-end CY10	Year-end CY11	Year-end CY12	Most Recent Quarter- end 03/31/2013	Average for Evaluation Period
Tier 1 Capital	\$481,026	\$507,661	\$519,972	\$541,262	\$552,944	\$520,573
Total Income	\$118,229	\$122,705	\$142,324	\$189,177	\$170,588	\$148,604
Net Operating Income	\$20,961	\$26,579	\$31,259	\$48,790	\$46,728**	\$34,863
Total Assets	\$3,767,640	\$4,134,346	\$5,147,254	\$5,750,604	\$5,953,152	\$4,950,599

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

The major credit needs in both AAs' community, including low- and moderate-income neighborhoods, is affordable housing. Large financial institutions such as JP Morgan Chase, Bank of America, and The Bank of New York Mellon, have an established presence in the New York AA and provide strong competition with the bank for CD activities.

Aside from restrictions imposed by Safra's wholesale designation, scope of operations and business strategy, there are no additional legal, financial, or other constraints impeding the bank's ability to help meet the credit needs in its AA. There were no known merger and acquisition activity that may impact the scope of the bank's operations during the evaluation period.

State of New York

CRA Rating for New York: Satisfactory.

The conclusions for the three rating criteria are:

- The bank demonstrates an adequate level of qualified investment activity, CD lending, and CD service, particularly investments that are not routinely provided by private investors.
- The bank demonstrates no use of innovative or complex qualified investments, CD loans, or CD services.
- The bank demonstrates adequate responsiveness to credit and CD needs in its assessment area.

Description of Assessment Area(s)

Safra's head banking office is located in the urban area of midtown Manhattan, New York, NY. As of March 31, 2013, the bank reported total deposits of \$6.0 billion. The Federal Deposit Insurance Corporation (FDIC) releases an annual *Summary of Deposit* report for all insured institutions. Based on the most recent release as of June 30, 2012, total deposits for Safra's New York branch were \$3.6 billion placing Safra at 29th among 231 banks, or 31% of deposit market share within the bank's AA. JP Morgan Chase is top ranked with 4,653 offices and commands 35% of deposit market share within the bank's AA, followed by The Bank of New York Mellon with four offices and 7.9% market share, and Bank of America with 5,179 offices and 7.8% market share.

Safra has designated the New York Metropolitan Statistical Area (MSA) No. 35644 as its AA. MSA No. 45633 encompasses all five boroughs of New York City as well as the neighboring counties of Westchester, Rockland, and Putnam. Refer to Table 2 below for demographic information about the MSA. Within the MSA, there are 2,475 census tracts and a total population of 9.5 million persons. The MSA population has grown by 2% over the past ten years. New York City is the most densely populated city in the U.S. according to 2010 Census data. The weighted average of median family income was \$72,510 and unemployment rate of 5.23%. Percentage of households living below poverty levels was 17%.

Homeownership is difficult for most low- and moderate-income individuals and families. The weighted average of median family income was \$72,510 while the average median housing is \$524,111. The percentage of total housing with monthly owner cost resulting in greater than 30% of income is 14% within the New York AA. Due to the high costs, a 57% majority of households chose to rent compared to the 34% owner occupied units. The weighted average monthly gross rent is \$1,131 and 28% of monthly renter costs are greater than 30% of income. Only 8% of all housing units are reportedly vacant. Multi-family housing is the primary housing type in the AA, comprising 56% of total

housing type, while one to four family units are the secondary housing type comprising 44% of total housing types within the New York AA.

Table 2: New York City Assessment Area Description

	Number	Low	Moderate	Middle	Upper
Tracts[^]	2,475	12%	24%	29%	32%
Families[*]	2,180,243	14% [*]	26% [*]	27% [*]	33% [*]
Businesses^{**^}	858,964	8% ^{**}	18% ^{**}	22% ^{**}	49% ^{**}

Source: Demographic Data – 2010 U.S. Census and 2012 Business Geodemographic Data. ^{}Represents families by income level. ^{**}Represents Total Non-Farm businesses by income level of census tract. [^]Do not add to 100% due to rounding and non-categorized Tracts.*

A Community Contact representative from Habitat for Humanity – New York City reiterated the need for affordable housing in the AA. The organization was founded in 1984, and exclusively builds affordable homes for qualified low-to moderate-income individuals using volunteer help at no profit. Habitat for Humanity is a strong advocate for affordable housing on an international platform. Alongside with the future homeowner, the local organization is equipped to build in all five boroughs of New York City. The volume of applications for homes is high and the organization selects approximately 40 qualified applicants each year.

Although this particular branch of Habitat for Humanity does not provide direct credit assistance to its purchasers, the branch is able to provide assistance that aides families to achieve the goal of homeownership. All first time homebuyers are required to attend financial literacy classes to gain a better understanding of attaining a mortgage. Safra contributes financially to this organization on an annual basis. The contact indicated that banks and financial institutions could offer special credit products to assist low-to moderate-income borrowers such as reduced closing costs and down payment requirements.

We also spoke with an Executive Officer from The College of New Rochelle who attributed Safra's strong support to the continuation of School of New Resources program. The School of New Resources admits at least 40 qualifying low-income adult students to earn their GED before transitioning into the college. On average, most of the adult students enrolled in the program have not attended school for ten years. In 2012, Federal funding for the program was eliminated and Safra contributed the financial assistance required for the program to continue. Classes are offered in six different campuses within the New York AA. Financial literacy is a community development need identified by the Community Contact.

Conclusions about Performance in New York

Summary

Safra demonstrated an adequate level of CD performance through qualified investments, CD loans, and CD services. Although the investments and CD loans made were neither innovative nor complex, they demonstrated an adequate

responsiveness to the credit and development needs of the community. The bank also conducted some CD services within this AA. The level of the bank's activity was adequate given its wholesale designation, scope of operations, and available opportunities.

- The level of CD performance in relation to meeting community opportunities based on the bank's capacity is adequate. Safra's primary CD focus is providing affordable housing and meeting the community needs of low-and moderate-income individuals. Safra allocates a majority of its resources in CD investments to organizations that facilitate affordable housing needs. Affordable housing is the leading community need within the bank's New York AA. During the evaluation period, CD investments were comprised of 89% (\$11 million) in mortgage-backed securities that are supported by mortgages to low-to moderate-income individuals and families. Approximately 9% (\$1.1 million) of investment activities were purchased in certificates of deposit with minority owned financial institutions. The remaining 2% (\$191,000) of qualified investments were originated grants to local organizations that provided direct benefits to low-to moderate-income individuals and families. Safra originated four pro rata CD loans during the evaluation period consisting \$10.1 million to borrowers dedicating a portion of the subject property to affordable housing. Board Members and Executive Officers partake in leadership roles of nonprofit organizations with the primary focus to provide educational and economic needs of low-and moderate-income individuals.
- Our review of qualified investments and nominal CD lending did not reveal any use of innovative or complex CD activities.
- Safra adequately responds to the credit and CD needs within the New York AA. Through qualified investments, CD lending, and CD services, the bank is able to help meet the needs of low-to moderate-income individuals.

Qualified Investments

Total qualified investments of \$3.1 million were originated in the evaluation period with the continuing impact of \$9.1 million in outstanding prior period investments. Together with newly originated investments and outstanding prior investments, total qualified investments amounted to \$12.2 million. Qualified investments made by the bank directly benefited low-to moderate-income individuals within the New York AA. A large majority of investments, \$11.0 million (or 90%) were in mortgage-backed securities that benefitted the bank's AA. Investments in mortgage-backed securities are supported by mortgages to low-to moderate-income individuals and families. Additionally, management purchased 12 certificates of deposit, totaling \$1.1 million (or 9%) of total qualified CD investments, with minority-owned banks and thrifts that serve the local community. Minority owned financial institutions bring needed liquidity to traditionally underserved communities to facilitate business expansion and economic development. Below is a summary of the bank's qualified investments:

- Safra purchased a \$2.0 million mortgage-backed security, during the evaluation period that is supported by mortgages to low-to moderate-income individuals and families within the New York AA.
- Approximately 13 qualified prior period investments totaling \$9.1 million in mortgage-backed securities remain outstanding.
- Safra purchased 12 certificates of deposit during the evaluation period, totaling \$1.1 million with minority-owned banks and thrifts within the New York AA.
- Safra purchased a certificate of deposit of \$125,000 with a minority-owned thrift in the previous examination that remains outstanding.

Other qualified investments include grants and contributions for CD purposes. Approximately 20 originated grants, totaling \$191,000, benefited the New York AA in relation to the bank's capacity and AA characteristics and needs. The bank supports organizations that provide construction of affordable housing and financial literacy training to low income families. Additionally, the bank supports organizations that provide educational resources to low income individuals. Below are examples of the bank's qualifying contributions:

- Safra made three contributions totaling \$80,000 to the College of New Rochelle's School of New Resources program that provides low-income adults with the opportunity to obtain their General Educational Development (GED) or high school equivalency credential. The program oversees each student's transition into college, thereafter. A Senior Executive from the college noted Safra's contribution of \$50,000 in 2012 to being a key factor to the continuation of the program.
- Safra made two contributions totaling \$20,000 to Habitat for Humanity – New York. Habitat for Humanity – New York provides construction of affordable housing in all five boroughs of New York City. The organization relies on volunteer labor to construct affordable homes at no profit.

Table 3b: Qualified Investment Activity (000s)

	Benefits New York AA**
Originated Investments	\$3,066
Originated Grants	\$191
Prior-Period Investments that Remain Outstanding	\$9,155
Total Qualified Investments	\$12,412

** Investments included in the Benefits AA column are located in the AA or in the broader statewide or regional area that includes the AA and benefit the AA or have the potential to benefit the AA.

Table 4b: Qualified Investment Percentages

	Benefits New York AA (%)*
Total Investments/Average Tier 1 Capital	3%
Total Investments/Average Total Income	10%

* Investments included in the Benefits AA column are located in the AA or in the broader statewide or regional area that includes the AA and benefit the AA or have the potential to benefit the AA. Calculations reflect capital and income allocated by location of deposits as reported by the bank in its annual Summary of Deposits report, available at www.fdic.gov

Community Development Lending

During the evaluation period, Safra originated four qualifying CD loans amounting to \$10.1 million. Three new originations, with a cumulative balance of \$7.4 million, were new originations to borrowers dedicating a portion of the subject property to affordable housing for low-or moderate-income individuals and families. All CD loans provide benefit to low-and moderate-income individuals and families in the bank’s New York AA. A pro rata share of lending qualifies for community development that provides affordable housing to low-or moderate-income individuals based on the percentage set aside for such purpose. Approximately 15 prior period loans, totaling \$374,000 remain outstanding from prior period examinations. Total CD loans amounted to \$10.6 million. Below are examples of CD loans originated during the evaluation period:

- Safra originated a \$2.8 million loan to refinance a community facility located in a low-to moderate-income geography and primarily serving low-to moderate-income individuals. Over 80% of property space was dedicated to a not-for-profit organization providing in-home nursing care, therapy, and palliative services.
- Safra originated a pro rata CD loan of \$2.6 million to purchase a residential property with 20% of rental revenue generated from affordable housing against the balance of the loan. The property had pre-existing rent-controlled and rent-stabilized tenants. Management determined that these units qualified for affordable housing by providing a breakdown of average rents by apartment types that did not exceed the threshold used by HUD of 30% of income for low-to moderate-income families.
- Safra originated a pro rata CD loan of \$1.5 million to refinance a residential property with 23% of rental revenue generated from affordable housing against the balance of the loan. This property is situated in a low-to moderate-income geography and had pre-existing rent-controlled and rent-stabilized tenants. Management determined that these units qualified for affordable housing by providing a breakdown of average rents by apartment types that did not exceed the threshold used by HUD of 30% of income for low-to moderate-income families.

Table 5b: Community Development Lending Percentages

	Benefits New York AA (%)*
Total CD Lending/Average Tier 1 Capital	2%
Total CD Lending/Average Total Income	8%

* CD loans included in the Benefits AA column are located in the AA or in the broader statewide or regional area that includes the AA and benefit the AA or have the potential to benefit the AA. Calculations reflect capital, income, and receivables, if applicable, allocated by location of deposits as reported by the bank in its annual Summary of Deposits report, available at www.fdic.gov.

Community Development Services

Six members of the Board and Executive Committee participated in leadership roles of nonprofit organizations that provide educational and economic benefits to low-and moderate-income individuals. The services address the community needs of the AA as indicated by our discussion with community contacts and our review of community information. Examples of Members of the Board and Executive Committee serving in leadership capacities included:

- The Corporate Secretary of the Board serves as Trustee of the College of New Rochelle. The College of New Rochelle's School of Arts and Sciences, as well as the School of New Resources provide educational services to low income individuals. The College operates in six campuses within the bank's AA.
- A Board of Director Member serves as an active Member of the David Schwartz Foundation. The David Schwartz Foundation is a nonprofit organization that selects and provides grants and contributions to educational charities.

State of Florida

CRA Rating for Florida: **Satisfactory.**

- The bank demonstrates an adequate level of qualified investment activity that is not routinely provided by private investors, and a poor level of CD lending and CD services.
- The bank demonstrates no use of innovative or complex qualified investments.
- The bank demonstrates adequate responsiveness to credit and CD needs in its assessment area.

Description of Assessment Area(s)

Safra National Bank has one banking office in the city of Aventura located in northeastern Miami-Dade County, Florida. According to the FDIC Summary of Deposits, deposits for this office were \$589 million as of June 30, 2012 and accounted for 14% of the bank's total deposits. Within the Miami-Dade County deposit market, Safra is ranked 32nd among 112 banks and commanding 0.35% of total market share. Within the AA, Wells Fargo Bank N.A. with 201 offices, Bank of America N.A. with 205 offices, and Citibank N.A. with 53 offices, had 18%, 15%, and 8% of the deposit market share, respectively.

The Safra Aventura office serves as an extension of the New York City office providing support to South American private banking clients. The current Aventura, Florida office at 3050 Aventura Blvd was relocated on September 4, 2012. Apart from an onsite Credit Department, the branch offers identical products designed to enhance the services provided by Safra New York. All lending and trading activities are conducted through the New York branch.

Safra has designated Miami-Dade County MSA No. 33124 as its AA. MSA No. 33124 consists of the southern tip of Florida. Miami-Dade County is bordered by Broward County to the north, Collier and Monroe counties to the west, and the Atlantic Ocean to the east. Refer to Table 3 below for demographic information about the MSA. The Miami-Dade County MSA is comprised of 518 census tracts and a population of 2.5 million persons. Miami-Dade County is ranked fifth in terms of populous density in the US.

Miami-Dade County has a 65% majority Hispanic ethnic origin population with 72% of the population above age five speaking a language other than English at home. Half of the total population is foreign-born. Persons of Hispanic origins own over 60% of businesses. The weighted average of HUD MSA median family income was \$52,600, while the median housing value in the AA was \$295,738. The percentage of households with monthly housing ownership cost above 30% of income is 25%. There are more homeowners in the MSA than renters as there are 49% of owner occupied

units compared to the 35% rental occupied units. The owner vacancy rate is 4% while the rental vacancy rate is 11%. The unemployment rate among the population is 5%. Persons living below the poverty level are 18%. One-to-four family housing units is the primary type of housing consisting of 59% of all housing followed by multifamily units at 41%.

Table 3: Miami-Dade Assessment Area

	Number	Low	Moderate	Middle	Upper
Tracts	518	6%	25%	32%	33%
Families*	571,889	5%*	27%*	34%*	34%*
Businesses**^	444,338	3%**	22%**	28%**	45%**

*Source: Demographic Data – 2010 U.S. Census and 2012 Business Geodemographic Data. *Represents families by income level. **Represents Total Non-Farm businesses by income level of census tract. ^Do not add to 100% due to rounding and non-categorized Tracts.*

Miami-Dade County is unique due to its high traffic of international and domestic visitors. Port Miami is the county's second most important economic engine welcoming 2.3 million of cruise ship passengers through its terminals annually. The location of the county allows for easy access to the Caribbean and Latin America through its seaport and airport routes. This distinct advantage provides the county as a trading point. The primary industry in the county is retail trade with 35% of total sales from this income-generating source followed by tourism and recreation at 21%. The employment distribution by industry is as follows; Trade (19%), Education and Health Services (16%), Professional and Business Services (13%), and Leisure and Hospitality (10%).

An evaluation of community credit needs in the Florida AA was determined based on an assessment of recent housing and demographic data and community contacts conducted by OCC in connection with other CRA examinations of banks operating in the same AA. Credit needs for affordable housing was the primary CD need identified. Other identified needs include financial literacy training for homeownership, credit repair, and foreclosure prevention.

Conclusions about Performance

Summary

Safra demonstrated an adequate level of CD performance through CD loans, qualified investments, and CD services. Although the investments made were neither innovative nor complex, they demonstrated an adequate responsiveness to the credit and development needs of the community. Safra did not originate any CD loans or provide CD services within the Florida AA. The level of the bank's activity was adequate given its wholesale designation, scope of operations, and available opportunities.

- The level of CD performance in relation to meeting community opportunities based on the bank's capacity is adequate. Safra's primary CD focus is providing affordable housing and meeting the community needs of low-and moderate-income individuals. Safra allocates a majority of its resources in CD investments to organizations that facilitate affordable housing needs. Affordable housing is the leading community need within the bank's Miami-Dade AA. During the evaluation period, CD investments comprised of 92% (\$7.4 million) in mortgage-backed securities that are supported by mortgages to low-to moderate-income individuals and families. Approximately 7% (\$575,000) of investment activities were purchased in certificates of deposit with minority owned financial institutions. The remaining investments, \$110,000, were originated grants to local organizations that provided direct benefits to low-to moderate-income individuals and families. Safra did not originate CD loans
- The bank demonstrates no use of innovative or complex qualified investments, CD loans, or CD services.
- The bank demonstrates adequate responsiveness to credit and CD needs in its AA.

Qualified Investments

The institution provided an adequate level of qualified CD investments not routinely provided by private investors. Qualified investments made by the bank directly benefited low-to moderate-income individuals within the Miami-Dade County MSA. Total qualified investments of \$575,000 were originated in the evaluation period with the continuing impact of \$7.4 million in outstanding prior period investments. Together with newly originated investments and outstanding prior investments, qualified investments amounted to \$8.0 million. A large majority of investments, \$7.4 million (or 92%) were in mortgage-backed securities that benefit the bank's AA. Investments in mortgage-backed securities are supported by mortgages to low to moderate income individuals and families. Additionally, management purchased six certificates of deposits totaling \$575,000 (or 7%) of total qualified CD investments with minority-owned banks and thrifts that serve the local community. Minority owned financial institutions bring needed liquidity to traditionally underserved communities to facilitate business expansion and economic development. Below is a summary of the bank's qualified investments:

- Safra purchased six certificates of deposit, during the evaluation period, totaling \$575,000 with minority-owned banks and thrifts within the Florida AA.
- Safra made 12 qualified investments totaling \$7.4 million in mortgage-backed securities that are supported by mortgages to low to moderate income individuals and families within the Florida AA, in the previous examinations that are still outstanding.

Other qualified investments include grants and donations for CD purposes. Approximately ten contributions totaling \$110,000 benefited the Miami-Dade County AA in relation to the bank’s capacity and AA characteristics and needs. The bank supports organizations that provide community service needs to low to moderate income individuals. Below are examples of the bank’s qualifying contributions:

- Safra made two contributions totaling \$50,000 to Michael-Ann Russell Jewish Community Center. The Center serves low to moderate income individuals and families in the Miami-Dade County by providing summer camps, early childhood education, and special needs program to its qualifying participants.
- Safra made four contributions totaling \$40,000 to Miami Senior High School. The contributions were strictly used to assist students from low to moderate income families visit colleges as part of the admission process.

Table 3b: Qualified Investment Activity (000s)

	Benefits Florida AA**
Originated Investments	\$575
Originated Grants	\$110
Prior-Period Investments that Remain Outstanding	\$7,376
Total Qualified Investments	\$8,061

** Investments included in the Benefits AA column are located in the AA or in the broader statewide or regional area that includes the AA and benefit the AA or have the potential to benefit the AA.

Table 4b: Qualified Investment Percentages

	Benefits Florida AA (%)*
Total Investments/Average Tier 1 Capital	11%
Total Investments/Average Total Income	39%

* Investments included in the Benefits AA column are located in the AA or in the broader statewide or regional area that includes the AA and benefit the AA or have the potential to benefit the AA. Calculations reflect capital and income allocated by location of deposits as reported by the bank in its annual Summary of Deposits report, available at www.fdic.gov

Community Development Lending

Safra did not originate CD loans during this evaluation period. This is consistent with the bank’s wholesale nature and the prior examination. Management’s CRA strategy is

to focus on CD investments rather than CD loans to address CD needs in this assessment area.

Community Development Services

Safra did not provide CD services to its Florida AA during this evaluation period. Safra concentrates its provision of CD services in the New York AA. A positive consideration for Safra's contribution and donation to local organizations was given to qualified investments.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs. Safra's retail lending activities are minimal due to its wholesale designation. Accordingly, fair lending risk remains low. Consumer products offered are non-complex. Lending policies and procedures governing fair lending issues including discretionary pricing and loan officer judgment are adequate. The process for monitoring consistency with lending patterns is centralized and our review revealed the bank adheres to well-defined underwriting standards and override procedures. Management promptly addresses any identified deficiencies and policy exceptions.

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.

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.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize-

- (i) Low-or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-

- a. Rates of poverty, unemployment, and population loss; or
- b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

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 delineated by the United States Bureau of the Census in the most recent decennial census.

Limited Purpose Institution: An institution that offers only a narrow product line (such as credit cards or automobile loans) to a regional or broader market and for which a designation as limited purpose bank is in effect. [*This definition is not needed if bank is designated a wholesale institution.*]

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): Refers to an MSA or a metropolitan division.

Metropolitan Division: As defined by Office of Management and Budget, a county or group of counties within a Metropolitan Statistical Area that contains a population of at least 2.5 million. A Metropolitan Division consists of one or more counties that represent an employment center or centers, plus adjacent counties associated with the main county or counties through commuting ties.

Metropolitan Statistical Area: An area, defined by the Office of Management and Budget, as having at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties, plus adjacent outlying counties having a high degree of social and economic integration with the central county as measured through commuting.

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)"*]

Pass-Through Receivables: Outstanding receivables tied to all accounts issued or owned by the bank. Pass-through receivables include receivables attributable and receivables retained on balance sheet as those terms are used in 12 CFR 8. [*If not already reported to the OCC, the bank provides this information. If not applicable to institution being examined, definition is not required.*]

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.