



PUBLIC DISCLOSURE

June 13, 2016

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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4th Floor
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:

- The bank demonstrates an adequate level of community development (CD) lending, community development services, and qualified investment activity, particularly investments that are not routinely provided by private investors.
- The bank demonstrates no use of 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 (AAs).

Scope of the Examination

In evaluating the bank's performance under the Community Reinvestment Act (CRA), we reviewed community development activities from June 13, 2013 through December 31, 2015. We reviewed the level and nature of qualified investments, community development lending, and community development services. At the bank's request, we also considered qualified investments provided by the bank's affiliates, Safra Securities LLC and Joseph Safra Asset Management Corporation. The bank was last evaluated utilizing the CRA Wholesale Bank Examination Procedures on June 10, 2013. At that time, the bank received a "Satisfactory" performance rating.

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 Deposits* report for all insured institutions. Based on the most recent release as of June 30, 2015, the bank's deposits total \$5.2 billion.

Description of Institution

Safra National Bank of New York ("Safra" or "the bank") is a wholesale bank, headquartered in New York, NY. 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 wholly owned bank subsidiaries and affiliates include

Safra Securities LLC (registered broker dealer); Joseph Safra Asset Management Corporation (investment advisor), 3050 Aventura Owner, LLC (to hold premises), and Planet 550 Corporation (to hold premises). While subsidiaries and affiliates of the bank did not have a significant impact on the bank's capacity for community reinvestment, Safra's management requested all affiliate-related activities to be considered in evaluating its performance. Accordingly, our review of the bank's CRA-related activity includes qualifying investment activity of affiliates, Safra Securities LLC and Joseph Safra Asset Management Corporation. The affiliates' qualifying activity is limited to five time deposits placed with minority-owned institutions.

Safra provides banking services to high net worth individuals and large international corporations through its main branch in New York, NY and two extension branches in the state of Florida. During the evaluation period, Safra expanded its Florida presence by establishing a second branch in Miami, FL. The services of the new Miami branch are geared mainly to international private banking and custodial services. All lending and trading activities remain centralized and conducted through the New York branch. The core business of the bank is international private banking. The bank provides a range of custody services, trading and execution services, trade finance services, and commercial real estate financing services. 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. Few personal and mortgage loans are made to accommodate wealthy pre-existing private banking clients.

As of December 31, 2015, the bank's total assets were \$6.7 billion, comprised of net loans and leases (40.6 percent), investment securities (34.6 percent), and interest bearing bank balances (17.8 percent). The loan portfolio consisted primarily of real estate loans (41.9 percent), followed by commercial and industrial loans (35.3 percent), and non-depository and other loans (21.8 percent).

On August 6, 1997, the OCC designated Safra as a wholesale bank. A wholesale bank 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.

Table 1: Financial Information (000s)

	Year-End 2013	Year-End 2014	Year-End 2015	Average for Evaluation Period
Tier 1 Capital	\$576,537	\$597,841	\$506,053	\$560,144
Total Income	\$182,404	\$177,709	\$209,954	\$190,022
Net Operating Income	\$40,275	\$26,303	\$30,020	\$32,199
Total Assets	\$6,768,945	\$6,218,149	\$6,670,016	\$6,552,370

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

The major credit needs in both AAs, including low- and moderate-income neighborhoods, is affordable housing. Safra operates in a highly competitive banking market. Large

financial institutions have an established presence in the New York and Florida AAs 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 AAs. There were no known merger and acquisition activity that may impact the scope of the bank's operations during the evaluation period. More weight has been placed on the bank's performance in the New York AA given the centralized nature of operations and the bank's New York AA presence.

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 CD lending and qualified investment activity that is 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 New York headquarters are located in an urban area of midtown Manhattan. Safra's designated New York AA satisfies the regulatory requirements outlined in 12 CFR 25. The AA includes geographies in which the main office is located. Additionally, the AA consists of one or more contiguous political subdivisions (counties) and does not arbitrarily exclude low- and moderate-income geographies.

Per the most recent FDIC *Summary of Deposits Report*, dated June 30, 2015, total deposits for Safra's New York branch were \$4.08 billion, representing a market share of 0.27 percent and ranking Safra at the 32nd place among 219 banks within the bank's AA. Comparatively, J.P. Morgan Chase, the Bank of New York Mellon, and Bank of America account for the three largest market shares within the bank's AA with total deposits of \$493.6 billion (32.77 percent) and 957 offices, \$131.9 billion (8.75 percent) and one office, and \$117.1 billion (7.77 percent) and 448 offices, respectively.

The Office of Management and Budget (OMB) changes to the Metropolitan Statistical Area (MSA) and Metropolitan Division (MD) delineations, effective January 1, 2014, resulted in changes for the New York MSA that contains Safra's AA. Specifically, Putnam County was removed from the MSA No. 34644 and combined with Dutchess County to create MSA No. 20524. Additionally, Ocean, Monmouth, Middlesex, and Orange counties were added to the MSA No. 35644 to form a new MSA No. 35614, which is now the MSA that contains Safra's AA. Due to these changes, our review analyzes New York AA data from 2013 separately from data from 2014 and 2015.

2013 New York Assessment Area

In 2013, Safra's designated New York AA included multiple counties in MSA No. 35644-New York-White Plains-Wayne, NY-NJ. Specifically, MSA No. 35644 encompassed the following counties: Bergen, Hudson, Passaic, Bronx, Kings, New York, Putnam, Queens, Richmond, Rockland, and Westchester. Safra limited its AA to the immediate counties surrounding its Manhattan office: New York, Rockland, Westchester, Putnam, Bronx,

Kings, Queens, and Richmond. This AA had a total population of 9.5 million and included 2,475 tracts, the majority of which were in the upper- and middle-income categories at 31.52 percent and 29.05 percent, respectively. The AA population has grown 2 percent over the past ten years. New York City remained the most densely populated city in the U.S., according to 2010 Census data. According to the US Bureau of Labor Statistics, the unemployment rate was 5.23 percent.

Affordable housing remained a challenge in this AA for most low- and moderate-income individuals and families. The number of household units with monthly ownership and rental costs above thirty percent of income were 13.86 percent and 28.1 percent, respectively. The weighted average of median housing was \$524,111 and the weighted average of monthly gross rent was \$1,131. By comparison, the weighted average median family income and weighted average median household income were \$72,510 and \$60,973, respectively. Due to the high costs, 57.19 percent of households were renting compared to the 34.21 percent of owner-occupied units. Multifamily and 1-4 family units were the primary types of housing in the New York AA, comprising 55.57 percent and 44.22 percent of total housing type, respectively. Only 8.48 percent of all housing units were reported vacant.

Refer to Table 2a below for demographic information about the 2013 New York AA.

Table 2a: New York Assessment Area Description - 2013

	Number	Low	Moderate	Middle	Upper
Tracts[^]	2,475	12.61%	24.44%	29.05%	31.52%
Families[*]	2,180,243	13.96%*	26.18%*	26.61%*	33.25%*
Businesses^{**^}	765,321	7.95%**	18.33%**	21.69%**	49.25%**

Source: Demographic Data - 1990 or 2000 U.S. Census, Dun & Bradstreet Data. *Represents families by income level.

**Represents businesses by income level of census tract. ^ Do not add to 100% due to rounding and (#) Census Tracts are not income categorized."

2014/2015 New York Assessment Area

The New York AA for 2014 and 2015 included counties within MSA No. 35614- New York-Jersey City-White Plains, NY-NJ. This MSA encompasses the following counties: Bergen, Hudson, Middlesex, Monmouth, Ocean, Passaic, Bronx, Kings, New York, Queens, Orange, Richmond, Rockland, and Westchester. Safra limited its designated AA to the immediate counties surrounding its Manhattan branch: Kings, Bronx, Queens, New York, Westchester, Richmond, and Rockland. This AA includes 2,456 tracts and has a total population of \$9.4 million. Low- and moderate-income tracts account for 14.05 percent and 27.16 percent, respectively, with 16.84 percent of households falling below the poverty line.

According to the US Bureau of Labor Statistics, December 2015 unemployment rate was 5.25 percent, which was slightly above the national unemployment rate of 5 percent. Major employers in the New York AA include Metropolitan Transportation Authority, Northwell Health, New York City and Hospitals Corp, JPMorgan Chase &Co., Citibank NA, Wegman's Food Markets Inc., University of Rochester, Cablevision Systems, and

Mount Sinai Medical Center. Top industry sectors are education and health services, government, professional and business services, and retail trade.

The primary need of the New York AA is affordable housing, which continues to present a key problem for members of the low- and moderate-income (LMI) community. The New York AA's level of homeowner occupancy is one of the lowest in the country at 33.89 percent. Further, homeowner occupancy in low- and moderate-income geographies is even lower at 7.92 percent and 20.40 percent, respectively. On the contrary, the level of renter occupancy in these geographies is high at 84.45 percent and 71.30 percent respectively, which indicates a need for affordable rental units. Housing stock in the lower income segments is characterized by disproportionately lower levels of owner occupancy, older homes with median age ranging from 59 to 63 years, lower property values (\$366.5 thousand to \$465.2 thousand compared to a weighted average median housing price of \$525.1 thousand) and lower monthly rents (\$776 to \$1,019 compared to a weighted average monthly gross rents of \$1,131). These characteristics provide some insight into the demand for affordable housing in these communities and were considered when evaluating the bank's CD lending and investment opportunities.

The need for affordable housing and affordable rental housing is exemplified by the fact the number of households with monthly ownership and rental costs more than thirty percent of income comprise 13.67 percent and 28.30 percent of total households, respectively. The weighted average monthly gross rent has remained stable at \$1,131 while the weighted average median house price increased slightly to \$525,073 since 2013. By comparison, the weighted average median family income and weighted average median household income declined slightly to \$72,143 and \$60,682 since 2013, respectively. The majority of households remain rentals occupied at 57.62 percent, further indicating that homeownership remains a challenge in the bank's New York AA. Multifamily and 1-4 family housing units continue to account for the majority of housing type at 56.04 percent and 43.75 percent, respectively. Vacant housing units remain stable at 8.49 percent of total housing.

Refer to Table 2b below for demographic information about the 2014-2015 New York AA.

Table 2b: New York Assessment Area Description - 2014/2015

	Number	Low	Moderate	Middle	Upper
Tracts[^]	2,456	14.05%	27.16%	28.91%	27.04%
Families[*]	2,153,703	16.17%	28.70%	26.24%	28.89%
Businesses^{**^}	621,665	9.41%	20.48%	21.83%	45.67%

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 from Neighborhood Housing Services (NHS) of New York City, Inc. reiterated the need for affordable housing services for LMI communities. The community contact identified low-rate loans and grants to non-profit organizations as a potential area for improvement for local financial institutions. NHS is a not-for-profit organization aimed at providing LMI individuals with access to affordable housing credit options, as well as

financial literacy and counseling services. Our community contact discussed that while local institutions often collaborate with NHS to fund programs and events, it is less common for institutions to fund grants and low-cost loans. Our contact discussed the opportunity for local institutions to obtain CRA credit by providing donations and loans, in addition to providing services. In such loan arrangements, NHS obtains a low-cost loan from a local financial institution, re-lends the funds to an LMI individual at a higher rate, and uses the spread to repay the loan and interest to the financial institution, as well as to cover overhead expenses. Our community contact expressed that involvement by local financial institutions has had an overall positive impact on the organization. .

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 demonstrate an adequate responsiveness to the credit and development needs of the community. During the evaluation period, Safra extended approximately \$7.8 million in community development loans and \$224 thousand in qualified investments and grants. Combined, these activities in the amount of approximately \$8 million represent approximately 2 percent of the bank's average Tier 1 Capital for the evaluation period. In addition, the bank has participated in a reasonable amount of community development services. The level of the bank's activity was adequate given its wholesale designation, strategic plans, scope of operations, competitive pressures and available opportunities in the AA.

- The level of CD performance in relation to meeting community opportunities based on the bank's capacity is adequate. Historically, Safra allocated a majority of its resources in CD investments to organizations that facilitate affordable housing needs. During the evaluation period, CD investments amounted to \$224 thousand in contributions and grants, with \$4.7 million in qualified investments outstanding from the prior period. While current period qualified investments account for only 4.57 percent of the bank's total qualified investment activities, prior period investments of 95.43 percent remain outstanding and continue to address credit needs of the low- and moderate-income community. Level of CD lending is adequate as Safra originated two pro rata CD loans and refinanced two pro rata CD loans, totaling \$7.7 million. These loans were to the borrowers dedicating a portion of the subject property to affordable housing. The level of CD services is reasonable as the Board Members and Executive Officers continue to 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 responds adequately to the credit and CD needs within the New York AA.

Qualified Investments

The institution provided an adequate level of qualified CD investments not routinely provided by private investors. During the evaluation period, qualified investments made by the bank to directly benefit low- and moderate-income individuals within the New York AA included 11 contributions and grants totaling \$224 thousand. Current period investment activity represents 4.57 percent of the bank's total qualified investments. However, prior period investments that remain outstanding and continue to benefit low- and moderate-income families and individuals with the New York AA total \$4.7 million, or 95.43 percent of the bank's total qualified investments. These prior period investments are comprised of one qualified mortgage-backed security of \$1.9 million and 14 certificates of deposit totaling \$2.8 million, placed by Safra and its affiliates with minority-owned institutions that serve the local community.

Below is a summary of the bank's prior period qualified investments:

- One qualified prior period investment totaling \$1.9 million in mortgage-backed securities remain outstanding.
- Safra did not place any certificates of deposit with minority-owned institutions during the evaluation period. Nine certificates of deposits totaling \$1.545 million remain outstanding from the prior evaluation period.
- Safra's affiliates, Safra Securities, LLC and J.Safra Asset Management, held five certificates of deposit with minority-owned institutions totaling \$1.225 million. These minority-owned financial institutions bring needed liquidity to traditionally underserved communities to facilitate business expansion and economic development.

The only qualified current period investment for CD purposes were 11 originated grants, totaling \$224 thousand that benefited the New York AA. These contributions were made to the organizations that provide construction of affordable housing and financial literacy training to low-income families. Additionally, the bank supported organizations that provide educational resources to low-income individuals. Below are examples of the bank's qualifying contributions:

- Safra made three contributions totaling \$55,000 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.
- Safra made three contributions totaling \$30,000 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 3a: Qualified Investment Activity (000s)

	Benefits New York AA**
Originated Investments	\$0
Originated Grants	\$224
Prior-Period Investments that Remain Outstanding	\$4,675
Total Qualified Investments	\$4,899

** 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 3b: Qualified Investment Percentages

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

* 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 has engaged in an adequate volume of CD loans relative to its strategic focus and available opportunities in the New York AA. During the evaluation period, Safra originated two qualifying CD loans amounting to \$4.6 million and refinanced two qualifying CD loans amounting to \$3.1 million. Safra's total CD lending aggregated to \$7.7 million over the evaluation period. All CD loans provide benefit to low- and moderate-income individuals and families in the bank's New York AA.

The bank's qualified lending activities are not considered particularly complex or innovative; however, the proceeds of the loans adequately responded to the community development needs of its local market. Specifically, two new originations and refinanced loans were pro rata loans to borrowers dedicating a portion of the subject property to affordable housing for low- and moderate-income individuals and families as well as sponsoring community services targeted to low- and moderate-income individuals in the bank's New York AA. A pro rata share of lending qualifies for community development that provides affordable housing to low- and moderate-income individuals based on the percentage set aside for such purpose. Below are examples of both CD loans originated during the evaluation period:

- In 2013 the bank originated a \$1.5 million pro rata loan for the refinancing of an existing mortgage on a residential building containing pre-existing rent-controlled and rent-stabilized housing units. Specifically, of the 60 units in the apartment building, 46 were rent-stabilized and two were rent-controlled. Roughly, 5.7 percent of rental income is derived from rent-controlled or rent-stabilized units.

Management determined that these units qualified for affordable housing credit by providing a breakdown of average rents by apartment types compared to the Department of Housing and Urban Development (HUD) threshold of income for low- and moderate-income families. Management then excluded any rent-stabilized or rent-controlled unit with monthly rental costs in excess of 20 percent of the median monthly income for the New York AA.

- In 2013 the bank originated a \$3.125 million pro rata loan for the refinancing of an existing mortgage and cashing out of real estate investment. The real estate was a commercial building located in a moderate-income geography and containing a floor devoted to a community mental health service organization. The organization provides mental health services, youth education, and supportive housing targeted to low-and moderate-income individuals, including several programs designed for the homeless population specifically.

Table 4: Community Development Lending Percentages

	Benefits New York AA (%)*
Total CD Lending/Average Tier 1 Capital	2%
Total CD Lending/Average Total Income	5%

* 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

Several members of the Board and Executive Committee continue to participate 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:

- Chief Executive Officer and Board of Director Member, Simoni Morato serves as a Board Member for The Brazilian-American Chamber of Commerce in New York. This organization, located in a moderate income tract, is an independent, not-for-profit business organization which partnered with one of its member organizations, Legions of Good Will USA, to provide programs that assist low- and moderate-income individuals and families in the New Jersey and New York region.
- Chief Compliance Officer and CRA Officer, Peter Javier serves as Trustee for The College of New Rochelle. The College of New Rochelle’s School of Arts and Sciences, and School of New Resources provide educational services to low-income individuals at school’s campuses located in Harlem, NY and Co-Op City in the Bronx, New York.

- Stephen Gardner, a member of the bank's Board of Directors serves as a member of the David Schwartz Foundation. The David Schwartz Foundation is a not-for-profit organization that provides grants and contributions to various educational charities and religious organizations such as the Albert Einstein College of Medicine Cancer Center (AECC). Epidemiological research at AECC focuses on factors that contribute to the excess burden of cancer in LMI communities, such as obesity, viral infections, and co-morbid illness.

State of Florida

CRA Rating for Florida: Needs to Improve.

The conclusions for the three rating criteria are:

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

Description of Assessment Area(s)

During the evaluation period, Safra expanded its state of Florida presence by establishing a second branch in the city of Miami in September 2013. Currently, there are two banking offices in the state of Florida located in the cities of Aventura and Miami, which belong to Miami-Dade County MSA No. 33124. According to the FDIC *Summary of Deposits* report dated June 30, 2015, deposits for the two Florida branches were \$1.16 billion, which accounted for 22.2 percent of the bank's total deposits. Within the Miami-Dade County deposit market, Safra has a rank of 23rd among 105 institutions, with a market share of 0.56 percent. Comparatively, Wells Fargo, Bank of America, and CitiBank account for the three largest market shares of this AA with total deposits of \$35.3 billion at 203 offices (17 percent), \$34 billion at 198 offices (16.4 percent), and \$16.1 billion at 54 offices (7.76 percent), respectively.

Safra's Florida offices serve as an extension of the New York City office providing support to high net worth international private banking clients who are primarily located in Central America, Argentina, Chile, Guatemala and a smaller number in Brazil. The bank's Miami and Aventura branches offer identical products designed to enhance services provided by Safra New York. All lending and trading activities are conducted through the New York branch.

Safra designated Miami-Dade County MSA No. 33124 as its Florida AA. This AA satisfies the regulatory requirements outlined in 12 CFR 25, and includes geographies in which the bank's branches are located. Additionally, the AA consists of one or more contiguous political subdivisions (counties) and does not arbitrarily exclude low- and moderate-income geographies.

According to the 2010 Census, the Miami-Dade County AA includes 518 tracts, and has a total population of \$2.5 million individuals. Low- and moderate-income tracts account for six percent and 25.48 percent, respectively, with 18.02 percent of households falling below the poverty line. According to the US Bureau of Labor Statistics, December 2015

unemployment rate was 5.18 percent, which was slightly above the national unemployment rate of 5 percent.

Miami-Dade County AA is a densely populated urban center, with approximately 16 percent of the population residing in the City of Miami. The AA's level of homeowner occupancy of 49 percent is significantly below the national homeownership rate of 63.5 percent. Further, the level of homeowner occupancy in low- and moderate-income geographies is low at 14.3 percent and 36.9 percent, respectively. On the contrary, the level of renter occupancy in low- and moderate-income geographies is high at 70.3 percent and 50.8 percent, respectively. Low- and moderate-income geographies represent high levels of households below the poverty level at 44.2 percent and 26.6 percent, respectively, indicating a need for affordable rental housing.

Housing stock in the lower income segments is characterized by disproportionately lower levels of owner occupancy, older homes with median home age ranging from 42 to 48 years, lower property values (\$187.7 thousand to \$208 thousand compared to a weighted average median housing price of \$295.7 thousand), lower monthly rents (\$701 to \$910 compared weighted average monthly gross rents of \$1,042), and lower vacancy rates (15.4 percent and 12.39 percent compared to the AA's vacancy rate of 15.61 percent). These characteristics provide some insight into the demand for affordable housing in these communities and were considered when evaluating the bank's CD lending and investment opportunities.

Miami-Dade County AA has been severely impacted by the housing crisis. It consistently has some of the highest foreclosure rates in the United States. According to Bankrate.com, South Florida has consistently ranked in the top five states for the highest foreclosure rates. The 2010 Census estimates the median value of owner-occupied housing units in Miami-Dade County AA to be \$295,738. Considering the HUD estimated median family income of \$56,643, above national average unemployment rate and the poverty levels in the AA, it is evident that low-income and many moderate-income families generally could not afford mortgage payments, as well as taxes and insurance, unless subsidies and other special programs provided them with assistance during the initial purchase. During the evaluation period, economic conditions had reduced the availability of such assistance. Realtors reported that investors were buying lower priced homes for cash that reduced opportunities available to low- and moderate-income families that wish to occupy the property as their primary residence.

Refer to Table 5 below for demographic information about the Florida AA.

Table 5: Miami-Dade Assessment Area

	Number	Low	Moderate	Middle	Upper
Tracts[^]	518	5.98%	25.48%	32.05%	33.20%
Families[*]	571,889	4.69%	26.61%	34.35%	34.34%
Businesses^{**^}	354,431	3.14%	21.91%	26.96%	46.24%

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.

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. Overall, opportunities for CD lending, investments, and services in Miami-Dade County AA are good. Catalyst Miami, a nonprofit organization that develops and supports individual leadership and strong organizations that work together to improve health, education, and economic opportunity in the community of Miami-Dade County, identified credit for affordable housing to be the primary CD need in the AA. The contact at the organization identified one of the AA's credit needs to be asset-building products that aid low- and moderate- income residents. This is due to a significant portion (25 percent) of the population paying greater than 30 percent of their income for a home mortgage, which represents a challenge for homeownership among low- and moderate-income residents. Additionally, the contact noted a need for micro consumer loans (less than \$2,000) with low, non-predatory interest rates. This is a result of Miami being one of the highest users of payday lending in the country.

Other identified needs include financial literacy training in schools and in cooperation with local community organizations pertaining to homeownership, credit, foreclosure counseling, and information on general banking services to assist the un-banked population.

Conclusions about Performance in Florida

Summary

Safra demonstrated poor responsiveness to the credit and CD needs of its Florida AA through CD loans, qualified investments, and CD services. During the evaluation period, the bank maintained a poor level of qualified investments, particularly investments that are not routinely provided by private investors. Further, Safra did not originate or purchase any CD loans, or provide any CD services within its Florida AA. As a Wholesale Institution, the bank is not required to participate in all three elements of the CD test. However, the levels of qualified investments are not sufficient to augment the absence of CD lending and CD services, and adequately support the needs of the Florida AA. Further, significant deterioration in Safra's overall performance under the CD Test was noted as the overall number and dollar volume of the bank's qualified investments declined in comparison to its overall performance at the prior evaluation. At the same time, the bank's Florida presence and percent of deposits derived from the Florida AA increased during the evaluation period.

- The level of CD performance in relation to meeting community opportunities based on the bank's capacity is poor. Affordable housing is the leading community need within the bank's Florida AA. Historically, Safra allocated a majority of its resources in CD investments to organizations that facilitate affordable housing needs. However, during the evaluation period, Safra did not make any qualified investments in mortgage-backed securities that are supported by mortgages to

low- and moderate-income individuals and families in its AA. Total qualified investments declined to \$3.1 million, with 96.51 percent attributed to the qualified prior period investments that remain outstanding. Qualified current period activity is limited to \$109 thousand, which accounts for only 3.49 percent of the bank's total Florida AAs qualified investments.

- The bank demonstrates no use of innovative or complex qualified investments, CD loans, or CD services.
- The bank demonstrates poor responsiveness to credit and CD needs in its AA.

Qualified Investments

The institution provided a poor level of qualified CD investments not routinely provided by private investors. During the evaluation period, qualified investments made by the bank to directly benefit low- and moderate-income individuals within the Florida AA were limited to ten contributions totaling \$109 thousand. Safra did not make any qualified investments in mortgage-backed securities that are supported by mortgages to low- and moderate-income individuals and families within its Florida AA. Further, Safra did not place any certificates of deposit with minority-owned financial institutions to provide for needed liquidity to traditionally underserved communities in order to facilitate business expansion and economic development of the area. Prior period investments that remain outstanding total \$3.0 million, or 96.51 percent of total qualified investments, comprised of two qualified mortgage-backed securities.

Current period qualified investments were limited grants and donations for CD purposes. Approximately ten contributions totaling \$109 thousand were made to the local organizations that serve community service needs of low- and moderate-income individuals. Below are examples of the bank's qualifying contributions:

- Safra made three contributions totaling \$54 thousand 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 three contributions totaling \$30 thousand to Miami Senior High School. The contributions were strictly used to assist students from low- and moderate-income families visit colleges as part of the admission process.
- Safra made three contributions totaling \$15 thousand to City Year Organization. The Organization's mission statement is to bridge the gap in high-poverty communities between the support that students actually need, and what their schools are resourced to provide to help to increase the graduation rates. The contributions were provided as sponsorship for their Annual Women's Bridge Builder Luncheon and as general program and services support as determined by the Organization.

Table 6a: Qualified Investment Activity (000s)

	Benefits Florida AA**
Originated Investments	\$0
Originated Grants	\$109
Prior-Period Investments that Remain Outstanding	\$3,017
Total Qualified Investments	\$3,126

** 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 6b: Qualified Investment Percentages

	Benefits Florida AA (%)*
Total Investments/Average Tier 1 Capital	3%
Total Investments/Average Total Income	7%

* 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 any CD loans during this evaluation period. While historically management's CRA strategy was to focus on CD investments rather than CD loans to address CD needs in this assessment area, Safra provided a poor level of qualified CD investments over the evaluation period. Further, because of management's strategic focus on CD lending efforts in the New York AA, the bank did not seek out CD lending opportunities in its Florida AA. This demonstrates poor responsiveness to the community credit and economic needs of the local assessment area. As stated previously, Safra has no significant impediments or restrictions that would prevent the bank from making CD loans within its Florida AA.

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. The lack of activity in this area represents poor responsiveness to CD needs in the local market, given the opportunities for serving qualified organizations, small businesses, and low- and moderate-income segments throughout the AA.

Overall, the bank provided a poor level of CD services, with no use of innovativeness, considering the bank's capacity and AA needs. Community contact information was also weighted with respect to the need for additional financial institution participation in CD lending and other service opportunities present in the AA that have been undertaken by other similar sized institutions.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.

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.