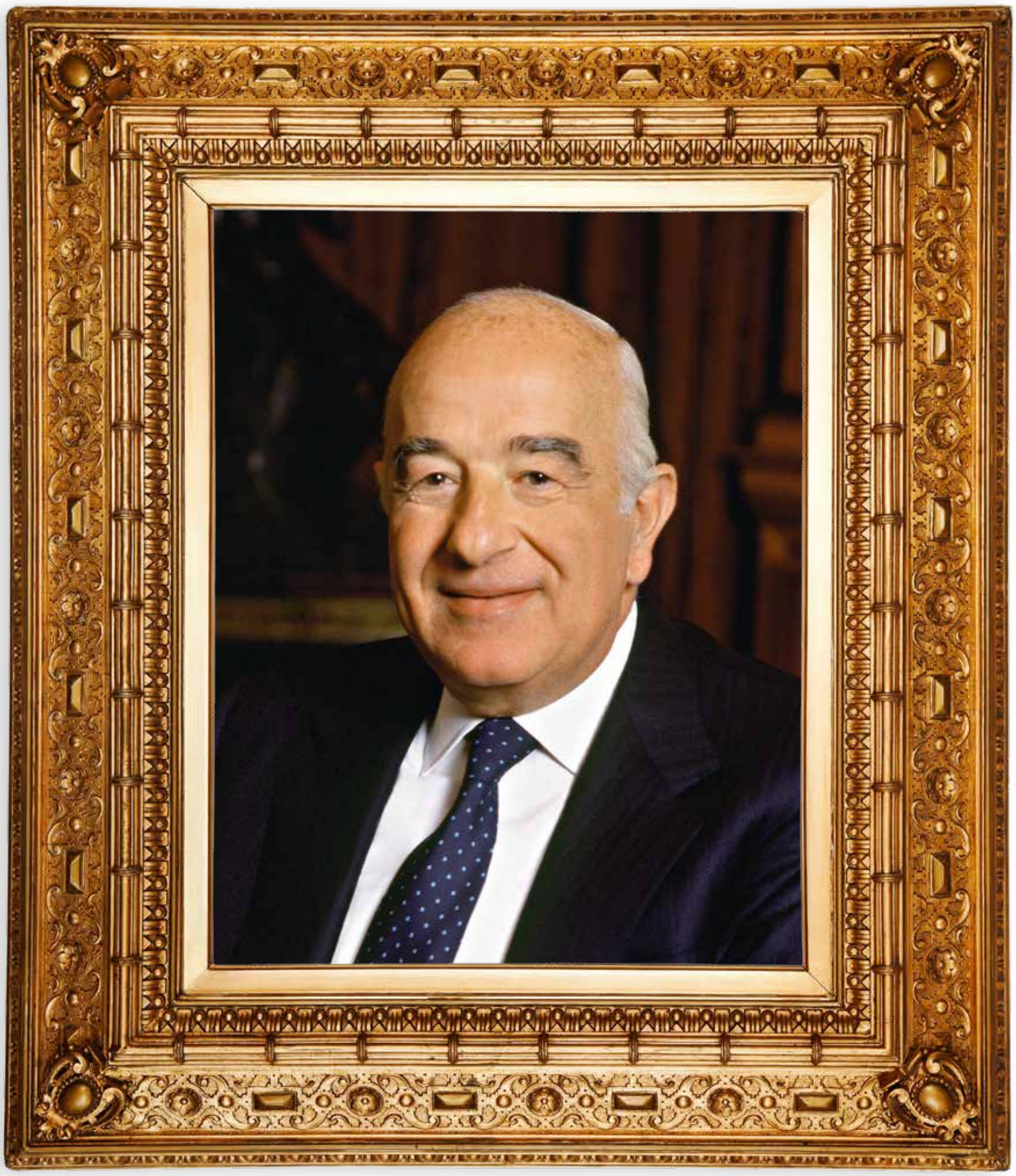
Annual Report 2020

Safra National Bank of New York

180 YEARS



"Every bank is like a child –
you have to nurture it
so it is able to grow and thrive."

Joseph Safra (1938 – 2020)

Joseph Safra

Joseph Safra

Born on September 1, 1938 in Beirut, Lebanon, Joseph Safra built a transcontinental banking empire and was one of the most pre-eminent bankers and financiers of modern times. Far beyond being a successful banker, he was much loved and respected as a husband, a father, and a caring grandfather. His family, his business, his friends and the people who benefitted from his philanthropy around the world, have lost a great leader and one of their main pillars of strength.

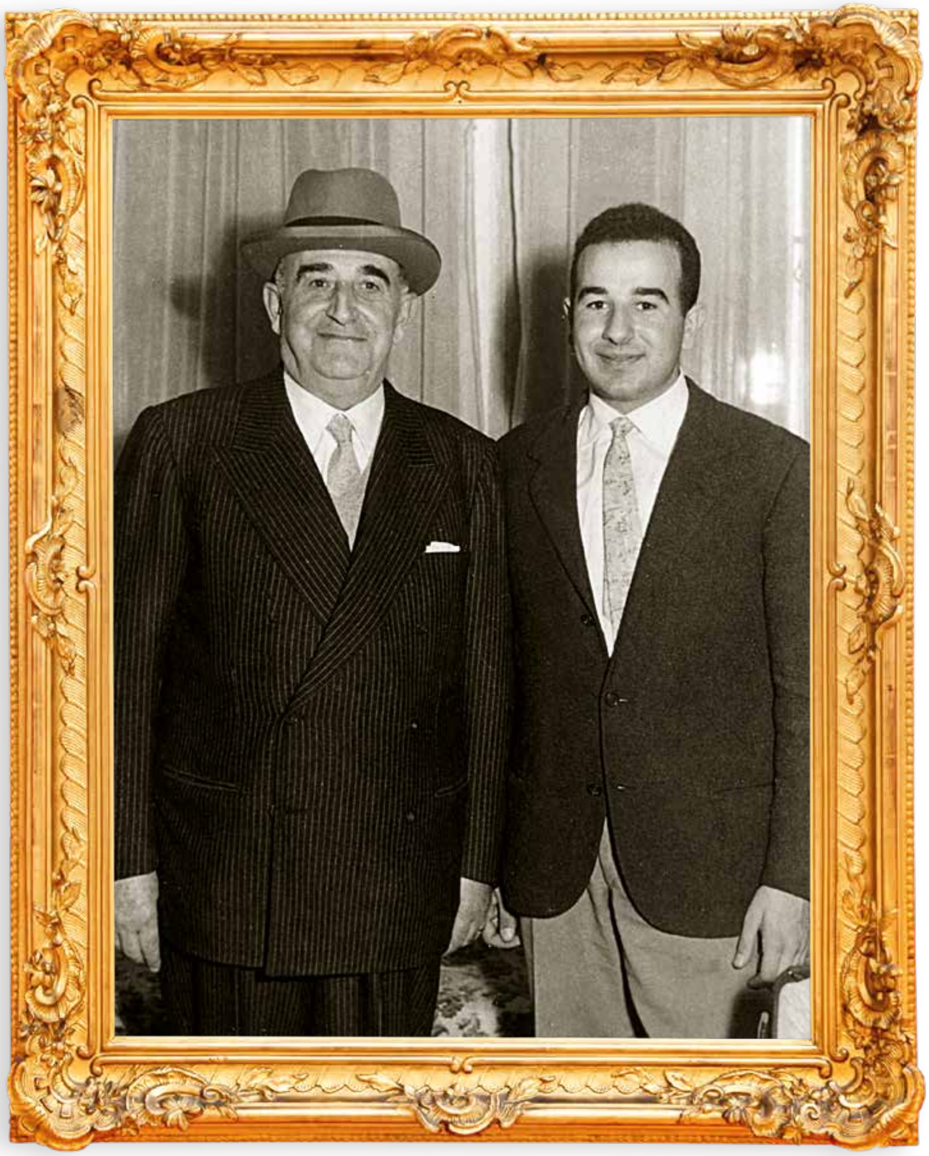
The figure of Joseph Safra has become almost mythical in the world of finance and the media. Since he rarely gave interviews, in reality little is known about his private life and his family. He placed a high value on discretion and privacy. Nonetheless, all the people who had contact with him, for whatever reason, have a story to tell about his perception, privileged mind, generosity, simplicity, humour and his enormous attachment to his traditions. Tens of thousands of people have benefitted from him – directly or indirectly. Joseph was always ready to help friends, many dating back to his childhood and youth, being there for both their celebrations and in difficult moments.

Joseph was an elegant man, with an open smile, who liked to wear impeccable blue suits. He was a cosmopolitan man, a citizen of the world – he respected all religions and all peoples. A polyglot – he spoke seven languages, Arabic, English, French, Hebrew, Italian, Portuguese and Spanish. A born leader, he headed all the projects in

Jacob E. Safra and his wife Esther with six of their eight children – from left to right: Edmond, Joseph, Gabi, Arlette, Moise and Huguette, 1940

which he participated – both in the business world and in the world of benevolence – with firm determination, courage, and wisdom. He was detail oriented, he didn't believe there was such a small detail that didn't deserve his attention, and a perfectionist who always wanted to do what, in his eyes, seemed exceptional.

Although he hired famous architects and decorators, he directed and chose the architecture and decoration for all his houses, his banks, his real estate, and the charitable projects he sponsored. He shared with his wife, Vicky, his passion for architecture. A lover of the arts, he collected rare books and works of art. In his private library,



Jacob and Joseph Safra

among thousands of old books, he had the first editions of countless works. He was considered one of the largest collectors of old books in Brazil.

In his spare time, Joseph enjoyed swimming, skiing, water skiing, and navigating the seas. Sometimes he cooked meals for his family and friends. Soccer and sports in general were some of his passions.

However, despite being one of the world's great financiers and a friend to presidents and prime ministers, who was invited to the weddings of princes and countless illustrious figures, he had a characteristic that


Jacob, Edmond and Joseph Safra, 1960

set him apart from many other successful businessmen: he valued above all his family – his wife Vicky, his children and grandchildren. They were his true wealth. He returned home from the Bank every night to have dinner with his family, to see his children and learn all the details of their daily lives. He did not hesitate to interrupt important meetings to attend to his wife or one of his children. He made a point of having the whole family around him whenever possible – especially on holidays and his vacations. His grandchildren, with whom he loved to play, were his joy and he took great pleasure, at every opportunity, of telling them stories of his ancestors, thus passing on his moral values, tradition and culture.

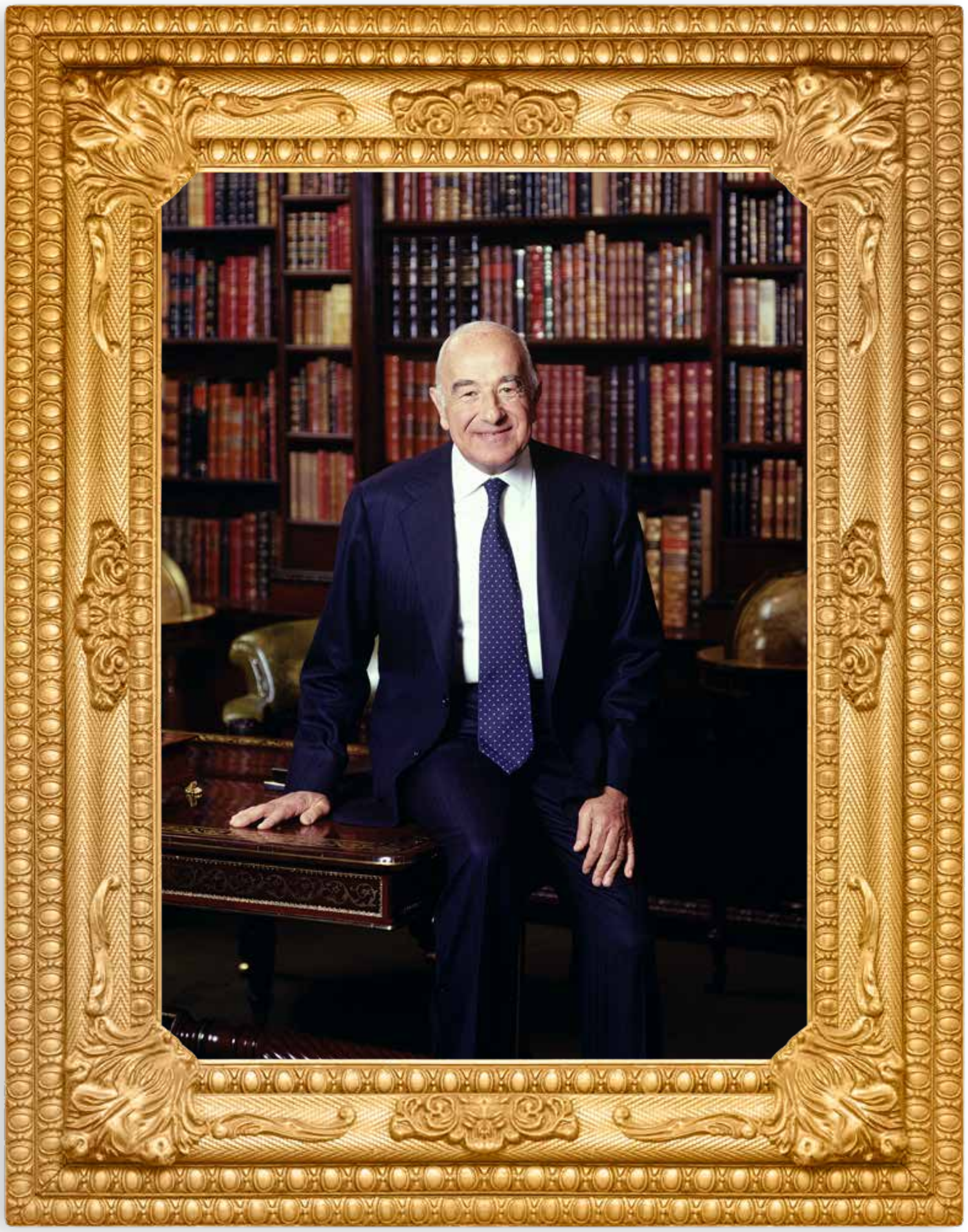
Wedding of Vicky and Joseph Safra, 1969

Joseph was a great donor to countless social, religious and cultural causes, such as the construction and renovation of hospitals, day care centers and museums, having also contributed to the construction of Jewish, Christian and Muslim places of worship, among others. He personally helped people who needed financial assistance. Not even his family and his closest staff knew about all the projects in which he participated and all the causes he supported. Today, after his death, they discover even more the scope of his benevolence. His acts of generosity and kindness were always undertaken with absolute discretion, far from the spotlight. For him, what mattered was the cause and not the disclosure and promotion of his image.

Joseph and Vicky Safra

In recent months, aware of the seriousness of the pandemic that plagued the world, he supported many benevolent hospitals and health institutions and participated in funding for research and the manufacture of a vaccine against Coronavirus, as well as for hospitals in Brazil and Israel.

Joseph Safra passed away peacefully of natural causes on December 10, 2020. He was a man of many talents and qualities, who dedicated his life to family, friends, business and social causes. His legacy can be measured not only by the scale and strength of the Group today, but especially by his character and the values he passed on to



Joseph Safra

so many people who now carry his spirit and determination forward. He lived an exemplary and reserved life, without ostentation and far from the public eye. He was known for his discretion and conservatism, his attention to detail, an exacting work ethic and careful analysis of risk.

Joseph Safra led the Group with courage, wisdom and determination, and leaves a legacy to be followed by many generations. To family and friends, he leaves his teachings and will be deeply missed.

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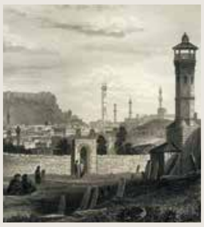


1840
Aleppo

1891
Jacob Safra born

1929 Jacob E. Safra
Maison de Banque, Beirut

Chairman's Foreword

Chairman's Foreword

We are pleased to report an impressive performance for Safra National Bank of New York in 2020, a year of exceptional challenges for global society in the face of the COVID-19 pandemic. This past year has again brought to mind the resilience of the J. Safra Group entities, as they have continued to grow and thrive throughout the most recent pandemic and throughout the various economic cycles.

We have demonstrated to our clients and to ourselves that we are capable and strong partners, founded in a culture consisting of prudent controls, and values built over 180 years. In this time of uncertainty and crisis, we were able to shield our clients and ourselves from the disruptions and challenges of a turbulent, unpredictable, and interconnected global economy. This is the core of our strength and the reason that the J. Safra brand continues as the preeminent leader in the private banking business worldwide.

180 YEARS

STABLE FAMILY OWNERSHIP

180 Years

The year 2021 marks the 180th anniversary of the Group, tracing its roots back to 1841. The values and behaviours which the shareholders have instilled over generations were shown to be invaluable once again in 2020. Agility, entrepreneurship, a duty of care, natural conservatism, and a long-term perspective are clear benefits of our culture as a family-owned private bank. Thanks to no competing voices or interests, we regularly reinvest into equity capital, adding to the Group's stability. We put huge value on knowing our clients intimately, serving many families from generation to generation.

Sustainability and client focus

In this past challenging year, we were particularly pleased to help many clients, both private and institutional, to swiftly identify potential winners and losers across different regions and sectors, aided by our renowned expertise. Although the pandemic captured the most attention of policy makers and civil society this year, we remain convinced of the need to tackle the fundamental issues of the environment and sustainability. Today's younger society demands that the financial sector plays its part in finding solutions to these critical challenges and we are proud to continue playing a leading global role. Ultimately our duty and privilege are to accompany clients as they build patrimony that requires careful stewardship across generations.

Capital strength and risk management

Safra National Bank of New York remains well capitalized and has all the financial strength to continue to grow and to navigate the different economic cycles, regardless of whether they are turbulent or calm. Tier 1 Capital rose to \$807 million, an increase of 11.9% over the prior year and capital to risk-weighted-asset ratio closed at 22.1%.

Future installations of Safra National Bank of New York in Aventura, FL

Our commitment to such strong foundations is also reflected in the conservative structure of the Bank's balance sheet, which maintained a high level of liquidity.

The Bank deploys ample resources to manage increasing regulatory requirements and a challenging market environment, in combination with a proven risk management approach.

Outlook 2021

Undoubtedly many countries face a harsh winter, with high COVID-19 infection rates and enforced shut-downs. However, the roll-out of mass inoculation programs should improve social mobility and economic activity as we move towards summer in the northern hemisphere. Clearly the new Biden administration faces significant challenges.

We remain convinced of the need to address the long-term challenges of the environment and sustainability, and our investment approach continues to drive our stewardship of client wealth. One key lesson from the pandemic has been the importance of technological breakthroughs; we see many reasons for optimism with

Future installations of Safra National Bank of New York in Aventura, FL

continued investment in, and adoption of, new technologies across many sectors. The key question for markets will be the extent to which inflation rates are rising and what central banks, in particular the US Federal Reserve, will be doing about it and when.

Based upon our responsiveness and resilience in managing the challenges of the pandemic, we are confident that the Bank will deliver another solid performance in 2021. Our 180 years heritage as private bankers, with a culture of discipline and conservatism, helps us navigate swiftly-changing environments. Our business continues to generate steady revenues with sector-leading efficiency. This is supported by exceptional capital strength, built up over years of prudent risk management and reinvestment of retained earnings.

Mr. Joseph Y. Safra

The sad passing of my father has been recognized by many messages of condolence and appreciation for which I extend thanks to all of you on behalf of my family. Throughout his life he showed an enormous responsibility to society, to clients and to employees. In my life and that of those who had the opportunity to meet him, he left deep roots of altruism, excellence, ethics, respect and commitment – sustainable principles that permeate everything we do.

There is one particular teaching of his which I would like to emphasize: if you look after your clients carefully, and nurture your staff, then everything else falls into line. When you lose sight of what is best for your clients or for your staff, then you endanger the very essence of banking: trust and reputation.

On behalf of the Board of Directors, I would like to acknowledge their deepest gratitude and admiration for the wise counsel of my father. He was the leader of the J. Safra Group over many decades, ensuring that the Group and its clients always found a safe harbour, whatever the challenges. His legacy is immeasurable and perpetual.

In conclusion, the Board thanks our loyal clients for their continued trust and support, and expresses our appreciation to all employees for their expertise and dedication, particularly in 2020. I am confident that the Group has the scale and strength to meet the needs of our clients for future generations as we look forward to another 180 years of resilience and performance.

Jacob J. Safra
Chairman of the Board of Directors
Safra National Bank of New York

Financial Highlights

Consolidated income statements	2020 US$ 000	2019 US$ 000
Net interest income	120,116	118,025
Non-interest income	119,811	120,338
Non-interest expenses	(132,206)	(133,552)
Operating income	**103,147**	**104,811**
Net income	**79,759**	**78,999**

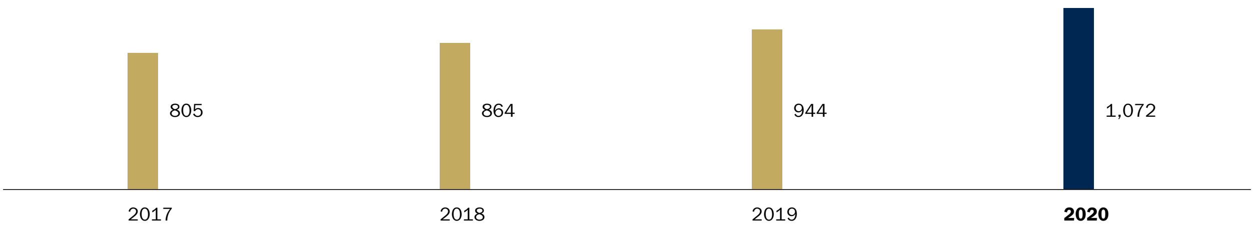
Consolidated balance sheets	12.31.2020 US$ 000	12.31.2019 US$ 000
Total assets	9,626,861	8,296,257
Investments	6,172,677	4,841,280
Loans	2,829,697	2,877,858
Deposits	7,475,859	6,281,170
Equity	**1,071,983**	**943,698**

Client assets	12.31.2020 US$ million	12.31.2019 US$ million
Total client assets	25,945	23,138

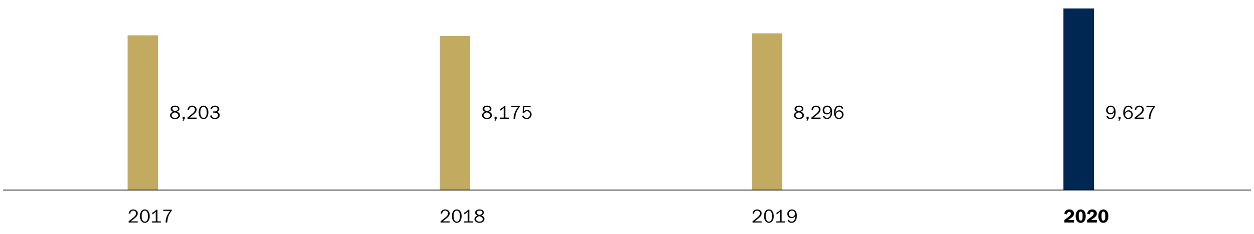
Ratios	2020 %	2019 %
Capital Ratio	22.1%	19.8%
Cost-income ratio	55.1%	56.0%

Note: Consolidated figures include the accounts of Safra National Bank of New York and its wholly owned subsidiaries Safra Securities LLC and 3050 Aventura Owner, LLC.

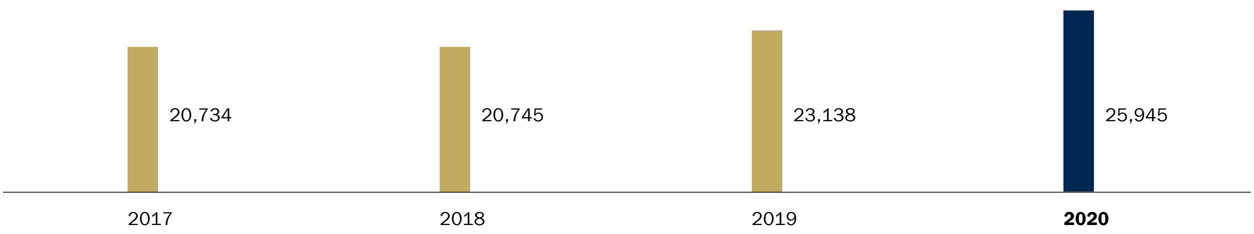
Total Equity as of 12.31.2020 (US$ million)



On-Balance Sheet Assets as of 12.31.2020 (US$ million)



Total Client Assets as of 12.31.2020 (US$ million)



1964 First Advert of Safra S.A.

1966 Senator Robert Kennedy opens the new Office of Republic National Bank of New York

Year in Review

2020 Year in Review

The year of 2020 was marked by the global pandemic and public health crisis caused by COVID-19 which has not only impacted the global economy and financial markets but created an unprecedented public health crisis.

No corner of the developed market world's economy was left untouched, with manufacturing and service-based activities grinding to a halt at the onset of the pandemic. However, while it became clear, early on, that governments around the world underestimated the virility of the COVID-19 spread, there was a quick response of those same governments and central banks to implement some of the largest global fiscal stimulus programs to combat the lockdowns which were causing economic deterioration, and which helped the financial markets to rebound swiftly after mid-year.

180 YEARS

RESILIENCE & PERFORMANCE

2020 – Another year of improved growth and performance

The 2020 year for Safra National Bank of New York, included an increase in total client assets of 12.1%, or $2.8 billion, to a record amount of $25.9 billion. This substantial increase was the result of strong new client assets of $1.5 billion and positive market performance.

The Bank reported net income of $80 million.

Total on-balance sheet assets and total equity reached $9.6 billion and $1.1 billion at December 31, 2020, respectively, as compared to $8.3 billion and $944 million at the end of 2019.

Outstanding Talent

In addition to the global socio-economic and public health crisis brought on by the COVID-19 pandemic, the manner and format in which we performed our jobs and interacted with each other and our clients were also profoundly affected. Pre-pandemic, less than 1% of our workforce worked remotely, with that figure increasing substantially to 90% during the peak of the pandemic. Our teams performed exceptionally well in the transition of our business to a virtual business model with the right level of technology and connectability, as well as the team's continued and unwavering dedication to provide uninterrupted, quality services to our most valued commodity, our clients. The adaptability and commitment of the team, especially in light of the many varied complexities of the pandemic, is a cause for great pride. We expect that the benefits of new technologies and our new ways of working will be expanded upon and will help shape the future of Safra National Bank of New York.

Client relationships built over generations

Safra National Bank of New York continues to devote a considerable amount of resources in expanding our reach and presence throughout Latin America: attracting

546 Fifth Avenue, New York, NY

new and talented individuals that share our sense of ownership and accountability; maintaining a strong culture consisting of prudent controls and governance; and tapping into the burgeoning financial technologies of the industry to allow us to develop tools and services that create a more interconnected environment, increasing availability, access, and transparency. For the latter, the pandemic only accelerated our on-going efforts to expand our digital platform and broaden how we interact with our clients.

The quality of our staff, and the loyalty so many of our teams have demonstrated over the past few decades of service, enable us to provide exceptional service to our clients. Throughout the years, we have continued to work closely with them to create portfolios that are robust, well diversified, and able to withstand the complexities of the current environment. This, along with our consistent year over year results, and our adherence to a longstanding family philosophy of care, prudence, and long term perspectives, continues to make us a strong, trusted, and reliable partner to our clients and their families spanning the multitude of generations.

180 years

The resilience and performance of the J. Safra Group for the last 180 years is due to the wise and prudent philosophy of its founders – think about our clients all the time and take care of their wealth as we would

546 Fifth Avenue, New York, NY

do our own. This philosophy is the key differentiator between ourselves and our competitors, where we maintain direct involvement and alignment with our clients and where, through that innate understanding of our clients' needs, our clients can take the most advantage of our experienced and knowledgeable team and the vast resources of the J. Safra Group entities.

The images of this year's Annual Report are from the archives of the J. Safra Group and reminds us of the importance of historical precedents and the reason why we value a culture built on a strong philosophy of nurturing clients across generations. A key founding principal of the J. Safra Group is expressed in the quote of Jacob Safra: "If you choose to sail upon the seas of banking, build your bank as you would your boat, with the strength to sail safely through any storm." His son Joseph Safra embodied this principle over many decades of wise leadership until his sad passing in December 2020. We feel his absence keenly. A significant part of our culture revolves around the values and principles passed on to us over the years by Mr. Safra and we will forever honor his memory in the way we conduct ourselves and our business.

Our long-term perseverance and commitment to core principles is essential to the continued resilience and performance of Safra National Bank of New York and continues to position the J. Safra brand as a true leader in private banking. 2020 was a year where these principles and core values were tested and the year became a reminder to us all as to why they were truly worth preserving. The year 2020 also reflected the true spirt of our humanity, with the array of dedicated health care workers, first responders, scientists, and the incredible advances in medical technology that not only offer us hope for the coming year, but will also positively benefit the many generations that come after us. I am confident that our ingenuity, and our innate instinct to care for our fellow man will see us all past this pandemic.

On behalf of the Safra National Bank of New York Executive Team, I would like to thank our loyal clients for their continued trust and support, and to express our gratitude to all employees for their expertise and dedication as we continue to grow and thrive.

Simoni Morato
Chief Executive Officer
Safra National Bank of New York

1968 XV de Novembro Branch of Banco Safra, then the Financial Center of São Paulo

1970 Joseph Safra and Governor Negrão de Lima open a New Branch of Banco de Santos in Rio de Janeiro

Moise, Edmond and Joseph Safra standing next to a Bust of their Father Jacob Safra

180 Years of Banking Heritage

The Safras, a prominent family from Aleppo, Syria, recognised the significant business opportunity in providing banking, financing, and related services to the centuries-old caravan trade that transported goods between China, India and Europe.

The family formed Safra Frères & Cie in the 1840's, to finance the caravans and exchange currencies from several different countries throughout Asia, Europe and Africa. In addition to Aleppo's favourable position along the trade routes, the Safra Frères business benefitted from the family's membership of what was then considered the most "renowned mercantile class of the Middle East". Throughout the latter half of the 19^{th} century, Safra Frères thrived, expanding to Constantinople and Alexandria. In 1891 Jacob Safra was born in Aleppo, Syria. Following his father's sudden death, Jacob was taken in by his uncle Ezra and at 13, started working in the family business. Described as "a brilliant young man", he possessed a privileged mind and the extraordinary ability to very quickly mentally calculate the conversion of different currencies and determine the financing costs of a loan.

180
YEARS

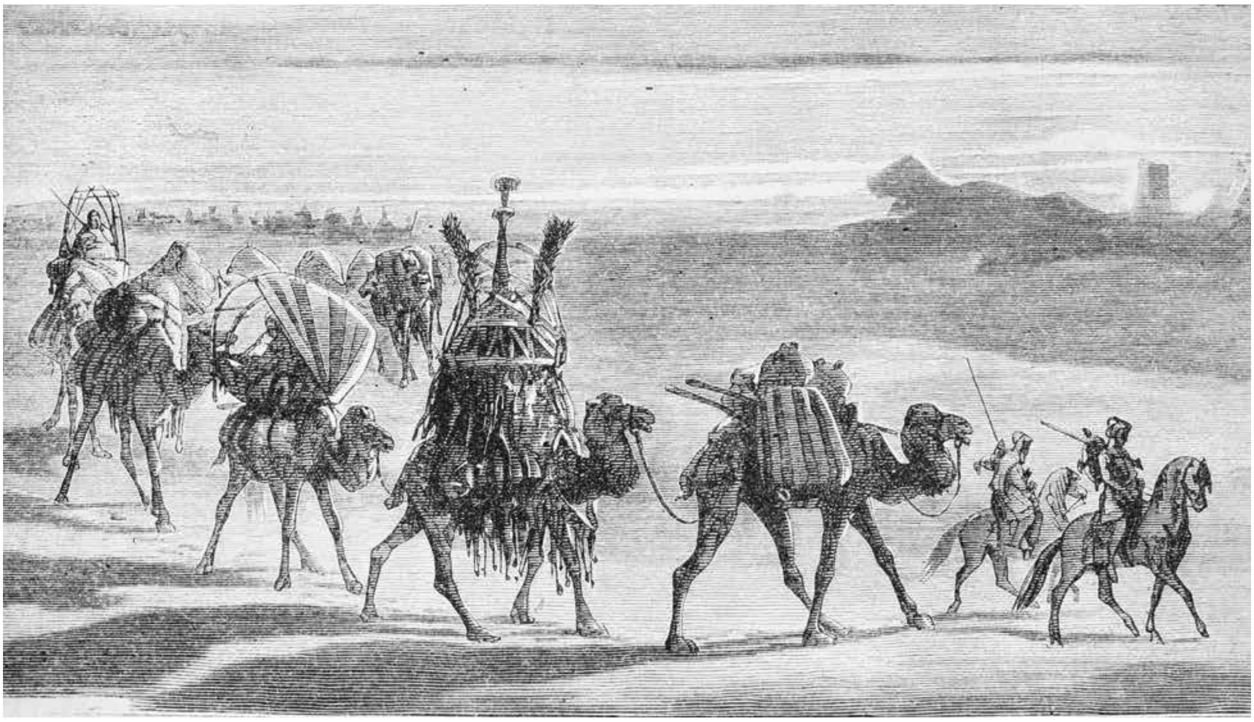
PATRIMONY &
TRADITION

In the early part of the 20^{th} century, economic conditions weakened the Ottoman Empire. Many Halabim, including Jacob Safra, fled to Lebanon and beyond. In 1914, Jacob settled in Beirut to establish a new branch of Safra Frères, in Allenby Street. As the Ottomans and European powers lurched toward World War I, Aleppo was no longer the commercial and cultural stronghold it had once been.

In 1920 Jacob married his cousin Esther. They had ten children, but only eight survived beyond infancy. In 1921 their first son was born, named after his grandfather – Eliahu. In the following years, the couple had four daughters – Evelyn, Gabi, Arlette and Huguette and three more sons – Edmond, Moise and Joseph, the youngest who was born on September 1, 1938.

Jacob Safra opened his first bank, Jacob E. Safra Maison de Banque, in Beirut. It quickly prospered, benefitting from a massive influx of Syrian businessmen who became Jacob's primary customer base. During the period between World War I and World War II, Jacob's business benefitted from the dynamics of the local financial market, especially the turbulence in foreign exchange operations and gold trading.

In 1943, at the height of World War II, when Joseph Safra was only five years old, his mother Esther died during childbirth at the age of 39. Her death left a deep mark on the family. A widower at only 52 years old, Jacob had the responsibility of raising his children. He would remarry, but only seven years later, to Marie. It was up



While a significant portion of the Safra Frères business involved currency exchange, the company also provided loans to local merchants active in the caravan trade and was selective about whom it lent to.

to his daughters, especially the eldest, Evelyn, to take care of the daily duties and their brothers. Joseph, the youngest, suffered a lot due to the death of his mother and for whom he would always maintain a true veneration. Although he barely remembered her face, he remembered her love, her gestures of affection, and her songs. He grew up grateful to his sisters for the love and care they dedicated to him and for having his father and brothers around him as models, his true heroes.

Jacob was always concerned about his children's education. For him, it was also important to pass on to his children his own knowledge and experience in terms of business. As Joseph grew up, Jacob soon realised that Joseph had a great insight for business, an innate financial intelligence and the ability to identify opportunities.

As soon as Joseph turned 11, during school vacations he went to his father's office at the bank to help him in any way that he could. Jacob, who called his youngest affectionately "Ayouni" (my eyes, my love), realised early his son's talent for business, and always patiently answered his questions. Joseph had always shown a very deep level of respect and admiration for his father, and the coexistence made him admire him even more. Father and son shared many personal characteristics, including the ability to quickly grasp people's character and the gift of making mental calculations.

During the time he spent at the bank, Joseph became familiar with bills and coins from different countries, promissory bills, receipts and collections. The young man also learned by observing how the employees performed the transactions following his father's instructions.

During the late 1940's, Jacob knew the family had to leave Beirut. In 1952, his two youngest sons, Joseph and Moise went to school in England. The two spoke French, Arabic and Hebrew well and they would learn English, a language they did not yet know. Joseph went to a Jewish boarding school, Whittingehame College, in Brighton, known as the city of students because of the large number of colleges there.

Geneva, 1955

Jacob's second son, Edmond, travelled extensively to find a country for the family to settle. Brazil offered the most promising future. Jacob relocated his family to São Paulo in 1953.

Jacob Safra was the last member of his family to leave Lebanon. However, he did not abandon his business there, but instead left his bank in Beirut in the hands of trusted employees. Operating under the name Banque de Crédit National, the bank remained part of the Safra Group for many decades ahead.

The family quickly re-established their business in São Paulo. In 1955 they founded Safra S.A. Importação e Comércio to trade in metals, machinery, cattle and agricultural produce, as well as in chemicals and industrial products.

Edmond travelled back to Europe in 1956, where he laid the foundations for a future bank, opening a commercial office in Geneva, Switzerland. From this base, in subsequent decades Edmond operated a private banking business under the names of Trade Development Bank and also Republic National Bank of New York. Both of which were highly successful global private banks before being subsequently acquired by American Express and HSBC, respectively.

In 1957 Jacob Safra obtained his formal Brazilian banking license. Safra SA Importação e Comércio changed its name to Safra SA Financiamento e Investimentos and started offering credit to clients. By 1960, the Brazilian bank had expanded its product offerings to include securities and public bonds, leveraging the family's long-standing expertise in banking and finance, as well as their connections with the local Jewish community, establishing itself as one of the most highly respected financial institutions. Yet these were difficult times in Brazil: high inflation was starting to cripple the economy. The Bank was able to protect itself and its clients through careful planning and sensible investment strategies.

Vale do Anhangabaú, São Paulo, 1950's

Also in 1957, as soon as Joseph Safra graduated, after a brief visit to his family in Brazil, he embarked for the United States. He worked in New York at Bear Stearns and then in San Francisco at Bank of America.

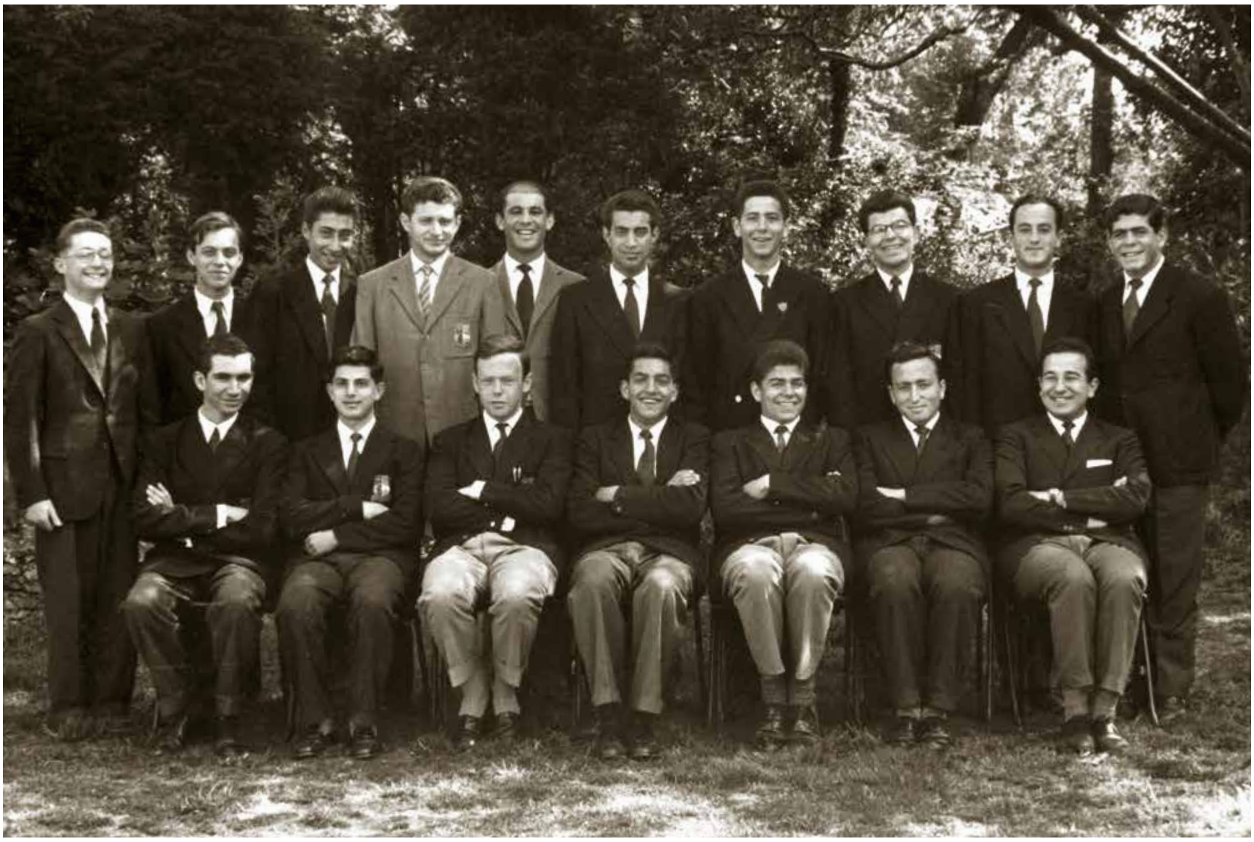
After a few years, on his father's advice, Joseph left the United States for Buenos Aires. The capital of Argentina was considered the largest metropolis in Latin America. Joseph settled in an apartment in the elegant neighbourhood of Recoleta and opened the new office of Trade Development Bank in the city's financial center.

Business was booming for Joseph, but unfortunately his father's health deteriorated rapidly and he returned to Brazil. Now already at the head of the Bank, Joseph left his job for a while to remain next to his father at the hospital. For four months he never left his side, he was the one who slept at the hospital. The patriarch of the family passed away on May 28, 1963.

After their father's death, it was up to his two sons, Joseph and Moise, to take over the reins of the Safra family business. Moise took charge of the administration of the industrial activities, while Joseph took over the banking and financial sector and soon became known for his quick reasoning and his decision making power, traits that accompanied him all through his life. He could not tolerate unfinished business or temporary solutions and was able to decide a major operation safely and urgently. Throughout the 1960's, the bank in Brazil flourished, offering new products and services to clients. It also grew through the acquisition of other institutions. From 1963 on, under Joseph's leadership, the institution grew to become one of the largest financial institutions in Brazil. When, in 1965, the Brazilian government defined new rules for the banking sector, making private investments more attractive, Joseph obtained a license that allowed the Bank to operate as an investment bank. With his business vision and great expertise, he predicted that the industrial sector and agribusiness exports would need financing.

The Safra brothers enjoyed enormous credibility with several members of the government and thus were able to help the Brazilian government in the process of economic policy and recovery in the 1970's. In the following decade, this positive influence would be felt once again.

A central aspect would catch Joseph's attention: monetary policy and strong expansion of credit as ways to boost domestic demand and production. Joseph was ready to finance big companies and decided that it was time to expand the activities and the number of branches even further. From 1967 he commanded the acquisition of several banks. He acquired Banco Nacional Transatlântico, changing its name to Banco de Santos. This transaction was another striking step on the journey to building a large and successful financial institution. The expansion continued in 1969, with



Joseph Safra (front row, first on the right) at Whittingehame College, Brighton, England, 1957 the acquisition of Banco Renascença and J.C. da Silva Leça. Three years later, in 1972, the Bank would grow even further by acquiring and integrating Banco das Indústrias S.A. and Auxiliar da Produção. In 1972 the Bank's name was changed to Banco Safra S.A.

Joseph's life would change in January 1968, when he met Vicky Sarfaty. It was love at first sight, a love that would last until the last moment of his life. On July 31, 1969 Joseph and Vicky were married in São Paulo, Brazil. Joseph Safra was a unique financial strategist. Facing and overcomig challenges stimulated him. He was one of the first Brazilian bankers to start an internationalization strategy. In 1981 he opened his first branch outside Brazil, in New York. It was the first Brazilian private bank to offer its clients in the United States a complete portfolio of banking services. This was quickly followed in 1982 with a subsidiary in the Cayman Islands and then in the Bahamas in 1983.

At this time, the Brazilian economy was experiencing difficulties with annual inflation rates reaching more than 100%. For any banker the scenario was a nightmare, but at the head of his bank, Joseph managed to find ways to protect his clients' assets and his own. Joseph would become a heavyweight of finance in Latin America.

One of the options he identified was investments in gold. Thus, the Group created CBM, a company dedicated to trading gold assets, both directly in the mines and through participation in foundry and mining activities. In addition, Safra began to invest in agribusiness, acquiring more than 30 thousand head of cattle in two regions of the State of Mato Grosso do Sul, Brazil.

The Safra Group expanded its activities while "sailing the turbulent seas" of the Brazilian economy. Joseph had decided that the time had come to expand the Safra Group's activities to Europe. Luxembourg, one

Edmond (2nd left), Joseph (3rd right) and Moise Safra (1st right), among other executives of the Bank,
at the inauguration of the headquarters of Banco Safra on Rua XV de Novembro, São Paulo, 1968

of the first countries to become a member of the European Union, was his first choice. As a country located in the heart of Europe with a stable political system and a strong financial system it was the ideal place to open a private bank. In 1985, Banque Safra Luxembourg was founded for private banking operations. While other banks arrived and left, Banque Safra Luxembourg remained committed to long-term activities in the country.

In 1987, wanting to strengthen his position in the United States, as the U.S. subsidiary was mainly engaged in transactions related to Brazil, Joseph decided to create Safra National Bank of New York. The business experienced modest growth until 1993–94, when the Bank tripled its assets. At that time, new offices were purchased on Fifth Avenue. Shortly thereafter, the Safra Group acquired United Mizrahi Bank, a private bank in New York, with offices throughout Latin America, including Argentina, Uruguay, Venezuela and Mexico. This acquisition brought to Safra a significant increase in its client portfolio in Latin America.

In Brazil, Banco Safra was merging and consolidating its portfolio of credit companies as well as diversifying, through investing in manufacturing companies in transport and engine production. This period saw the Safra Group participate in many of Brazil's privatizations.

The year 1988 was one of great accomplishments for the Safra Group, including the completion of the new headquarters of Banco Safra in Avenida Paulista in São Paulo, Brazil.

The imposing building was built on a piece of land that Joseph had bought a decade earlier, in the heart of the financial center of the city of São Paulo, on the avenue where many other banks, several multinational companies, MASP and other cultural entities are located. Despite having hired outstanding architects and builders, Joseph personally supervised the project and its execution. From his office, surrounded by art objects from all over the world, on the 24^{th} floor, he could see the city of São Paulo.

It was also in 1988 that the Group invested in Aracruz Celulose S.A. The company was then Brazil's largest producer and the world's largest exporter of pulp. Committed to the principles of sustainable development, Aracruz focused on the preservation of native forests. In the following two years, Aracruz's production doubled. In 2009, the company merged with Votorantim Celulose e Papel (VCP) to form Fibria, a Brazilian forest products company with a strong global presence.

The Group also invested in other companies in the country, among them Companhia Eletromecânica Celma S.A. Headquartered in the State of Rio de Janeiro, Celma was the largest aeronautical engine maintenance company in Latin America. The Group would sell this participation in 1996.

In 1989, Banco Safra expanded its portfolio in the consumer loan and credit business by merging Safra S.A. Crédito Imobiliário with Safra S.A. Crédito, Financiamento e Investimentos. The Group would also take another step in its expansion by acquiring 27% of First International Bank of Israel Ltd. (FIBI), one of Israel's largest banks entirely under private control. In April 2003, the Group would sell its stake in FIBI.

In 1999, Safra National Bank of New York opened a branch in Miami, Florida, to serve both Latin American and local clients. The Group also decided to increase its operations in Europe. With an office in Luxembourg, Joseph Safra decided that Switzerland would be the ideal place to open a private bank. In 2000 he acquired Uto Bank in Zurich, which gave him a banking license in Switzerland. Renamed Bank Jacob Safra (Switzerland) Ltd., its headquarters were moved to Geneva. A year later, Bank Jacob Safra (Gibraltar) Ltd was opened.

Joseph's four children joined their father and gradually assumed responsibility for different businesses within the Group – Jacob in 1997, Esther in 2000, Alberto in 2002 and David in 2007.

After graduating from Wharton School, University of Pennsylvania (Bachelor of Sciences in Economics, Finance Major), Jacob. J. Safra moved to New York, where from 1998 until 2005, he served as COO and subsequently CEO of Safra National Bank of New York.

In 2005, Jacob moved from New York to Geneva, Switzerland, and was elected Vice Chairman of J. Safra Sarasin Holding.

In 2006, Joseph Safra bought out his brother Moise's share, unifying the wider J. Safra Group under his family. As of October 2006, the Group became J. Safra Group. In the same year, Banque J. Safra (Suisse) S.A. acquired Banque du Gothard, in Monaco, one of the largest in the Principality, which was renamed Banque J. Safra (Monaco) S.A. Two years later, the Group opened an office in Panama.

In 2006, David J. Safra also graduated from Wharton School, University of Pennsylvania (Bachelor of Sciences in Economics, Finance Major), and after working in other institutions, started his career at the J. Safra Group with a series of job rotations.

In 2007 David increased his responsibilities in Banco Safra, in particular with the creation of the payroll loan business, the investment banking division, and entering into the retail banking segment. Under his leadership, the Investment Bank created a series of new products and expanded its offering for individual clients. In 2008 he launched the Galileo fund, which became one of the most coveted hedge funds on the market and represented a major advance for the Group's asset management arm. In 2020, Safra Asset Management had BRL 100 billion in assets under management, with a complete offer of sophisticated and diversified products.

In 2007, Rabobank acquired the majority shareholding in Bank Sarasin. The Bank positioned itself firmly as a solutionsbased investment advisor and asset manager for private and institutional clients and set about expanding its network in Europe, the Middle East and Asia, as well as diversifying its products and services.

Safra National Bank of New York Headquarters, 546 Fifth Avenue, NY

In 2010, the J. Safra Group concluded the restructuring process of its private banking activities, with the objective of unifying the European banks.

On 25 November 2011, the J. Safra Group announced the acquisition of the majority shareholding in Bank Sarasin from Rabobank, a transaction which was completed in July 2012. It was back to the roots for the Basel institution since it could enjoy once again the benefits of private family ownership and a long-term perspective. One year later, Banque J. Safra (Suisse) SA merged with Bank Sarasin & Co Ltd. to form Bank J. Safra Sarasin Ltd. The successful integration of these two historic names in private banking is evident in how well J. Safra Sarasin has prospered, with record profits and assets under management in 2020, when it was ranked in the top 5 Swiss banks for capital strength. Moreover, the Bank has consolidated its heritage of over 30 years as a global leader in sustainable investing, offering expert advice and products to help clients navigate opportunities and challenges from major shifts in the environment, technology and society.

The Group further grew with the acquisition of high-quality real estate such as the iconic Gherkin building in London and New York's 660 Madison Avenue office complex, as well as a 50% stake in the agribusiness Chiquita Brands International in 2014.

Under Joseph's leadership, the Group has continued to play a significant role in the consolidation of the private banking industry, acquiring several businesses. These included the Credit Suisse subsidiaries in Gibraltar (2016) and Monaco (2017), as well as the private banking activities of Morgan Stanley in Switzerland (2015), Bank Leumi in Luxembourg (2016), Bank Hapoalim in Miami (2017), Luxembourg and Switzerland (2018), and Bank Lombard Odier in Gibraltar (2019).

Banco Safra embarked on a period of rapid growth in its segment of high net worth individuals, private banking and consumer financing. In 2017, it launched Safrapay, which soon gained a major share of the merchant acquiring market. Another important milestone for Banco Safra occurred in 2018, when the Bank surpassed 1 million individual customers (by December 2020 it reached 2.1 million individual customers).

In 2020, Banco Safra created Safra Invest, a platform of high quality independent investment agents to expand the business and attract new customers. Also in 2020, focusing on another segment, launched AgZero, a digital-only bank that combines Safra's financial strength, trust and expertise with the convenience offered by digital platforms.

In 2021, the Group announced the acquisition of Bank of Montreal's private banking activities in Hong Kong and Singapore.

Today, the J. Safra Group consists of privately owned banks under the Safra name and investment holdings in asset based business sectors such as real estate and agribusiness. It has total assets under management of over USD 300 billion and over 160 banking locations. Jacob J. Safra is Chairman of J. Safra Sarasin Group and Safra National Bank of New York and oversees the Group's activities outside of Brazil. David J. Safra is a director of the Board of Banco Safra and oversees the Group's activities in Brazil. There are more than 34,000 employees associated with the J. Safra Group.

The Group's banking interests are J. Safra Sarasin, headquartered in Basel, Switzerland; Banco Safra, headquartered in São Paulo, Brazil; and Safra National Bank of New York, headquartered in New York City, USA, all independent from one another, including from a consolidated supervision standpoint.

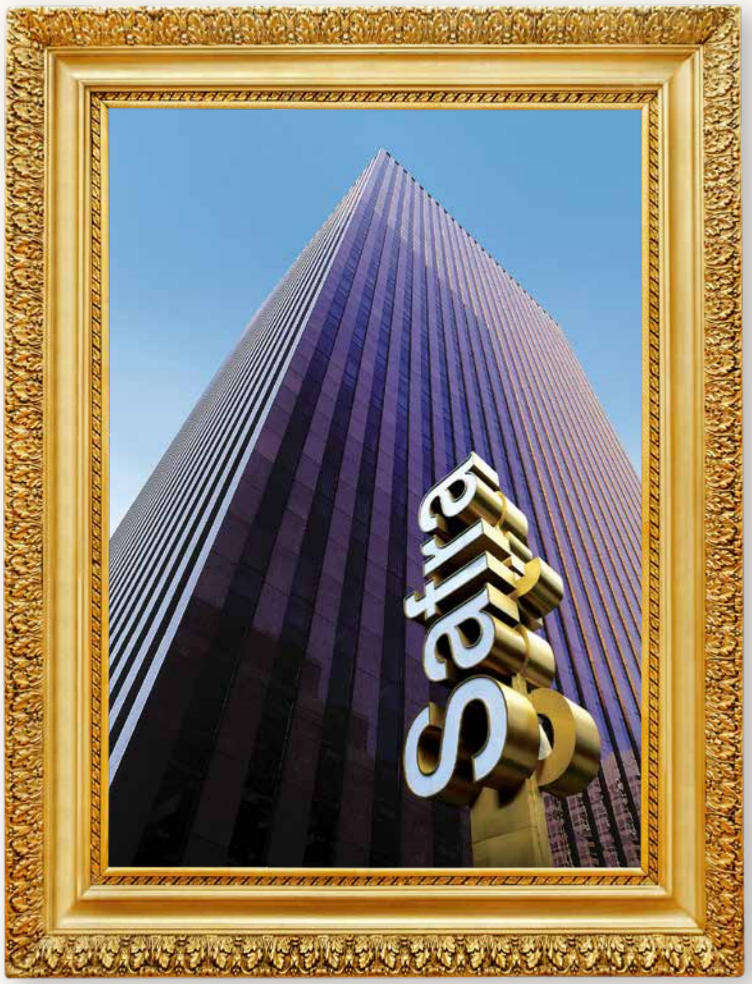
The J. Safra real estate holdings consist of more than 200 premier commercial, residential, retail and farmland properties worldwide, such as New York City's 660 Madison Avenue office complex and London's iconic Gherkin Building. The Group controls in excess of 2 million square feet of commercial real estate located in major cities around the world.

As part of its investments in food and agribusiness, the Group owns 50% of Chiquita Brands International, the world-famous fruit and vegetable company. With annual revenues close to USD 3 billion, Chiquita has operations in nearly 70 countries worldwide.

The J. Safra Group continues to have the scale and strengths to meet the needs of its clients for future generations. The family is the custodian of what has been achieved by Joseph Safra and his ancestors. Their principles and values will ensure the Group's continued performance and resilience for another 180 years.

1981 Banco Safra branch opened in the Heart of Manhattan, New York

1988 The Art of Brazilian Roberto Burle Marx in the Garden of Banco Safra, São Paulo



1988 Opening of Banco Safra new Headquarters in São Paulo

Consolidated Financial Statements

Independent Auditors' Report

To the Board of Directors of
Safra National Bank of New York
New York, NY

We have audited the accompanying consolidated financial statements of Safra National Bank of New York and its subsidiaries (the "Bank"), which comprise the consolidated statements of financial condition as of December 31, 2020 and 2019, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

180 YEARS

SOLID CAPITAL STRENGTH

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Safra National Bank of New York and its subsidiaries as of December 31, 2020 and 2019, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

New York, NY
March 12, 2021

Consolidated Statements of Financial Condition

ASSETS	As of 12.31.2020 US$ 000	As of 12.31.2019 US$ 000
CASH AND DUE FROM BANKS	223,077	129,889
SHORT-TERM INVESTMENTS	38,717	547,727
CASH AND SECURITIES REQUIRED TO BE SEGREGATED UNDER FEDERAL OR OTHER REGULATIONS	40,353	31,126
INTEREST-BEARING DEPOSITS WITH BANKS	586,237	330,787
SECURITIES HELD-TO-MATURITY, AMORTIZED COST:		
Pledged as collateral	355	423
Unencumbered	520	692
Total securities held-to-maturity	875	1,115
SECURITIES AVAILABLE-FOR-SALE, FAIR VALUE:		
Pledged as collateral	4,173,757	3,053,184
Unencumbered	1,263,644	822,073
Total securities available-for-sale (includes securities available-for-sale at fair value option — $2,454,786 and $1,969,505 on December 31, 2020 and 2019, respectively)	5,437,401	3,875,257
TRADING SECURITIES, FAIR VALUE:		
Pledged as collateral	49,998	21,963
Unencumbered	59,449	64,431
Total trading securities	109,447	86,394
LOANS — net of allowance for loan losses, unearned discounts, and deferred loan fees (includes loans at fair value option — $807,811 and $1,013,781 on December 31, 2020 and 2019, respectively)	2,829,697	2,877,858
OTHER ASSETS:		
Interest receivable	24,621	27,819
Premises and equipment, net	32,795	26,134
Customers' liability on acceptances outstanding	959	112
Cash surrender value of life insurance	82,221	80,377
Net deferred tax asset	–	3,385
Federal Reserve Stock	9,602	9,602
Derivative assets	100,858	49,553
Other assets	110,001	219,122
Total other assets	361,057	416,104
TOTAL ASSETS	**9,626,861**	**8,296,257**

See notes to consolidated financial statements.

(Continued)

LIABILITIES AND STOCKHOLDERS' EQUITY	As of 12.31.2020 US$ 000	As of 12.31.2019 US$ 000
LIABILITIES:		
Deposits:		
Demand	3,029,247	1,972,007
Money market, NOW, and savings	402,159	207,083
Time (includes time deposits at fair value option — $0 and $1,998 on December 31, 2020 and 2019, respectively)	4,044,453	4,102,080
Total deposits	7,475,859	6,281,170
Borrowings	476,360	618,400
Interest payable	15,778	31,740
Acceptances outstanding	959	112
Accrued compensation	23,783	26,703
Accrued taxes payable	593	1,168
Net deferred tax liability	24,877	–
Derivative liabilities	374,327	132,258
Payable to customers	112,097	56,340
Other liabilities	50,245	204,668
Total liabilities	8,554,878	7,352,559
COMMITMENTS AND CONTINGENT LIABILITIES (Note 20)		
STOCKHOLDERS' EQUITY:		
Common stock, $100 par value — authorized, 500,000 shares; issued and outstanding, 189,560 shares	18,956	18,956
Additional paid-in capital	292,601	292,601
Retained earnings	707,140	633,381
Accumulated other comprehensive income (loss) — net of tax	53,286	(1,240)
Total stockholders' equity	1,071,983	943,698
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**9,626,861**	**8,296,257**

See notes to consolidated financial statements. (Concluded)

Consolidated Statements of Income

	For the Year Ended 12.31.2020 US$ 000	For the Year Ended 12.31.2019 US$ 000
INTEREST INCOME:		
Loans — including realization of deferred fees and accretion of discounts on loans	80,712	115,838
Securities	81,760	80,081
Interest-bearing deposits with banks	12,893	26,956
Other	28	28
Total interest income	175,393	222,903
INTEREST EXPENSE:		
Deposits and borrowings	55,277	104,878
NET INTEREST INCOME	120,116	118,025
NET PROVISION FOR CREDIT LOSSES — including off-balance sheet reserve	4,574	–
Net interest income after provision for credit losses	115,542	118,025
OTHER INCOME:		
Net gain/(loss) on securities transactions (includes $239 and $(890) accumulated other comprehensive income ("OCI") reclassifications for realized net gains/(losses) on available-for-sale securities sold/called for the years ended December 31, 2020 and 2019, respectively)	53,384	56,599
Net gain/(loss) on fair value measurements (includes derivative net interest income (expense) of $(23,173) and $8,501 for the years ended December 31, 2020 and 2019, respectively)	17,970	(1,864)
Net gain/(loss) on foreign currency valuation on securities and derivatives	(12,936)	20,772
Fees and service charges	41,517	31,973
Other income	19,876	12,858
Total other income	119,811	120,338
OTHER EXPENSES:		
Salaries and employee benefits	68,313	70,444
Professional fees	23,760	24,927
Occupancy	9,567	10,969
Communications and data processing	9,372	7,417
Other operating	21,194	19,795
Total other expenses	132,206	133,552
INCOME BEFORE INCOME TAXES	103,147	104,811
INCOME TAXES (includes $60 and $(231) income tax expense (benefit) from reclassification items from OCI for the years ended December 31, 2020 and 2019, respectively)	23,388	25,812
NET INCOME	**79,759**	**78,999**

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

	For the Year Ended 12.31.2020 US$ 000	For the Year Ended 12.31.2019 US$ 000
NET INCOME	79,759	78,999
OTHER COMPREHENSIVE INCOME, NET OF TAXES:		
Securities available-for-sale:		
Net unrealized gains/(losses) during the period (net of tax (expense)/benefit of $(18,240) and $(1,656) on December 31, 2020 and 2019, respectively)	54,705	4,712
Reclassification adjustment for realized (gains)/losses for securities sold/called included in net income (net of tax expense/(benefit) of $60 and $(231), on December 31, 2020 and 2019, respectively)	(179)	659
Other comprehensive income	54,526	5,371
TOTAL COMPREHENSIVE INCOME	**134,285**	**84,370**

See notes to consolidated financial statements.

Consolidated Statements of Changes in Stockholders' Equity

US$ 000	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
BALANCE — January 1, 2019	**18,956**	**292,601**	**562,743**	**(9,972)**	**864,328**
Payment of dividends	–	–	(5,000)	–	(5,000)
Net income	–	–	78,999	–	78,999
Other comprehensive income	–	–	–	5,371	5,371
Reclassification of tax effects from the Tax Act	–	–	(3,361)	3,361	–
BALANCE — December 31, 2019	**18,956**	**292,601**	**633,381**	**(1,240)**	**943,698**
Payment of dividends	–	–	(6,000)	–	(6,000)
Net income	–	–	79,759	–	79,759
Other comprehensive income	–	–	–	54,526	54,526
BALANCE — December 31, 2020	**18,956**	**292,601**	**707,140**	**53,286**	**1,071,983**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

	For the Year Ended 12.31.2020 US$ 000	For the Year Ended 12.31.2019 US$ 000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	79,759	78,999
Adjustment to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	4,090	5,541
Deferred income taxes	10,065	6,090
Net provision for credit losses	4,574	–
Net amortization/accretion of securities premiums/discounts	5,490	(348)
Net (gain)/loss on sales of securities available-for-sale	(239)	(1,789)
Net (gain)/loss on fair value measurement of elected fair value option (“FVO”) on securities available-for-sale	(231,496)	(114,356)
Net (gain)/loss on fair value measurement of elected FVO on loans and deposits	(15,938)	(22,521)
Net (gain)/loss from basis adjustments on fair value hedges of AFS securities and loans	5,084	–
Net (increase) decrease in operating assets:		
Securities required to be segregated under federal or other regulations	17,982	(4,041)
Trading securities	(23,053)	7,643
Interest receivable	3,197	6,257
Derivative assets	(51,305)	22,584
Other assets	108,069	(109,527)
Net increase (decrease) in operating liabilities:		
Interest payable	(15,961)	763
Accrued compensation	(2,919)	1,617
Accrued taxes payable	(575)	550
Derivative liabilities	242,069	78,417
Payable to customers	55,757	23,160
Other liabilities	(154,423)	58,328
Net cash provided by (used in) operating activities	**40,227**	**37,367**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from paydowns, sales, calls, and maturities of securities available-for-sale	1,147,272	6,735,777
Proceeds from paydowns and maturities of securities held-to-maturity	240	262
Purchases of securities	(2,417,153)	(7,333,552)
Purchases of premises and equipment	(9,698)	(2,159)
Increase in cash surrender value of life insurance	(1,844)	(1,891)
Net (increase) decrease in:		
Interest-bearing deposits with banks	(255,450)	989,107
Loans	61,146	203,666
Customers’ liability on acceptances outstanding	(847)	184
Net cash provided by (used in) investing activities	**(1,476,334)**	**591,394**

See notes to consolidated financial statements.

(Continued)

	For the Year Ended 12.31.2020 US$ 000	For the Year Ended 12.31.2019 US$ 000
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment of dividends	(6,000)	(5,000)
Net increase (decrease) in:		
Deposits	1,185,344	195,281
Borrowings	(142,040)	(315,500)
Acceptances outstanding	847	(184)
Net cash provided by (used in) financing activities	**1,038,151**	**(125,403)**
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	9,343	(355)
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(388,613)	503,003
CASH, CASH EQUIVALENTS AND RESTRICTED CASH — Beginning of year	678,760	175,757
CASH, CASH EQUIVALENTS AND RESTRICTED CASH — End of year	290,147	678,760
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the year for:		
Interest on deposits, borrowed funds, and derivative transactions	91,234	93,772
Income taxes — (net of refunds received of $535 in 2020 and $0 in 2019)	15,327	11,558

See notes to consolidated financial statements.

(Concluded)

Notes to Consolidated Financial Statements

As of and for the years ended December 31, 2020 and 2019
(Dollars in thousands)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements include the accounts of Safra National Bank of New York ("SNBNY") and its wholly owned subsidiaries, Safra Securities LLC ("SSL") and 3050 Aventura Owner, LLC (collectively, the "Bank"). SNBNY engages in wholesale and private banking under a federal charter and is a member of the Federal Deposit Insurance Corporation ("FDIC") and the Federal Reserve System ("FED"). The Office of the Comptroller of the Currency (the "OCC") regulates and supervises SNBNY. SSL is registered with the Securities and Exchange Commission ("SEC") and is a member of the Financial Industry Regulatory Authority ("FINRA"). The Bank is a subsidiary of Safra New York Corporation (the "Parent"), a U.S. holding company.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Bank and are prepared in accordance with accounting principles generally accepted in the United States of America (hereinafter referred to as "generally accepted accounting principles" or "GAAP"). All intercompany accounts and transactions within the Bank have been eliminated in consolidation.

Use of Estimates in the Preparation of Consolidated Financial Statements

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could materially differ from these estimates. Significant accounting estimates reflected in the Bank's consolidated financial statements include the allowance for loan losses, the valuation of goodwill and intangible assets, the realization of deferred tax assets, the other-than-temporary impairment of available-for-sale securities, the fair value of financial instruments and reserve for claims.

Cash and Cash Equivalents

For purposes of the consolidated financial statements, cash and cash equivalents are comprised of cash and due from banks which consists of cash on hand, cash items in the process of collection, and amounts due from banks and other financial institutions, and short-term investments which consists of money market funds, money market accounts, short-term interest bearing deposits with financial institutions and securities. All amounts included in short-term investments have an original maturity of 90 days or less. Cash in SNBNY's vault at December 31, 2020 and 2019, was $572 and $548, respectively.

Cash and Securities Required to be Segregated under Federal or Other Regulations

Cash and securities required to be segregated under federal or other regulations consists of non interest-bearing cash and U.S. Government securities held in a special reserve bank account pursuant to SEC Rule 15c3-3 for SSL.

Interest-Bearing Deposits with Banks

Interest-bearing deposits with banks consist principally of due from the Federal Reserve Bank of New York ("FRBNY"), time deposits, and amounts due from other depository and other financial institutions. The Bank may pledge interest-bearing deposits as collateral for a credit line with the FRBNY and securities transactions with other financial institutions.

Securities Sold under Agreements to Repurchase ("Repurchase Agreements") and Securities Purchased under Agreements to Resell ("Reverse Repurchase Agreements")

Repurchase agreements and reverse repurchase agreements are recorded as collateralized financing transactions and are carried at the contract value as specified in the respective agreements. Accrued interest on these transactions is recorded within interest receivable or payable in the consolidated statements of financial condition. Interest on these transactions is recorded within interest income or interest expense in the consolidated statements of income. It is the policy of the Bank to obtain possession of collateral with a fair value equal to or in excess of the principal amount loaned under the reverse repurchase agreements. Collateralized reverse repurchase agreements may result in credit exposure in the event the counterparties to the transactions are unable to fulfill their contractual obligations. The Bank minimizes the credit risk associated with this activity by monitoring credit exposure and collateral values, and by requiring additional collateral to be promptly deposited with or returned to the Bank when deemed necessary.

Securities

Securities accounted for under Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 320, *Investments — Debt and Equity Securities* ("ASC 320"), are categorized as held-to-maturity, available-for-sale, or trading. Debt securities that the Bank has the positive intent and ability to hold to maturity are classified as held-to-maturity and are carried on the consolidated statements of financial condition at amortized cost unless a decline in value is deemed other-than-temporary as a result of a credit deterioration of the issuer, in which case the carrying value is adjusted. The amortization of premium or accretion of discount, as well as any unrealized loss deemed other-than-temporary due to credit deterioration, is included in current period earnings. Securities that were bought and held principally for the purpose of selling them in the near term are classified as trading securities. Trading securities are carried at fair value with changes in unrealized gains and losses included in current earnings. Securities not classified as trading or as held-to-maturity are classified as available-for-sale. These securities are carried in the consolidated statements of financial condition at fair value with changes in unrealized holding gains and losses reported as other comprehensive income/(loss) ("OCI"), net of deferred income taxes, in the consolidated statements of comprehensive income. The Bank elected the fair value option for certain available-for-sale securities at inception and the changes in unrealized gains and losses for these securities are included in net gain/(loss) on fair value measurements on the consolidated statements of income. Interest revenue arising from securities is included in interest income on the consolidated statements of income.

For available-for-sale securities that are deemed to have other-than-temporary impairment due to a change in the Bank's intent to sell, the full decline in fair value below cost is included in current earnings. For available-for-sale securities that are deemed to have other-than-temporary impairment as a result of credit impairment, only the decline in fair value for credit-related impairment below cost is included in current earnings. Impairments related to other factors are recorded in OCI, net of applicable taxes.

Gains and losses on disposition of securities are based on the net proceeds received as compared to the adjusted carrying amount of the securities sold by using the First in First out (FIFO) method. Refer to Notes 6 and 7 for further details.

Loans

Loans are stated at the principal amount outstanding, reduced by unearned discounts, deferred loan fees and allowance for loan losses. Interest is calculated by using the simple interest method on daily balances of the principal amount outstanding. Unearned discounts are recognized as interest income over the term of the loans using the effective interest method. Loan fees and certain direct costs associated with originating or acquiring loans are deferred and amortized over the term of the loan using the effective interest method.

Certain loans are recorded and measured at fair value in accordance with ASC 825, *Financial Instruments* ("ASC 825") as the Bank has elected the fair value option for such loans. Such loans and accrued interest are stated at fair value with unrealized gains and losses included in net gain/(loss) on fair value measurements. Interest revenue arising from those loans is included in the interest income on the consolidated statements of income. All up-front fees and costs related to those loans are recognized as fees and service charges and other expenses, respectively, in the consolidated statements of income. Premiums and discounts are recognized in interest income as incurred and not deferred. The allowance for loan losses is not applied to such loans. Refer to Note 22 for further details.

Nonaccrual loans are those loans on which the accrual of interest ceases when principal or interest payments are past due 90 days or more, unless, in the opinion of management, based upon a review of the borrower's or guarantor's financial condition, collateral value or other factors, full repayments are expected. A loan may be placed on nonaccrual status prior to the 90-day period if, in management's opinion, conditions warrant nonaccrual status. Generally, accrued interest is reversed when a loan is placed on nonaccrual status. Interest payments received on this loan may be recognized as income or applied to principal depending on management's judgment.

A modified loan is considered a troubled debt restructuring ("TDR") when the borrower is experiencing financial difficulties and the Bank grants a concession to the borrower that would not typically be considered. No single factor, by itself, is indicative of whether restructuring a debt is a TDR. The Bank evaluates the overall general decline in the economy and deteriorations of the borrower's financial condition. The Bank grants a concession when the nature and amount of the additional collateral or guarantees received as part of a debt restructuring do not serve as adequate compensation for other terms of the restructuring. When additional guarantees are received in a restructuring, the Bank evaluates both the guarantor's ability and willingness to pay the balance owed. The Bank reports all TDR loans as impaired loans until they mature or are paid down.

The Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") which was signed into law on March 27, 2020, provided relief from TDR accounting under certain circumstances for loan modifications in connection with the COVID-19 pandemic. In addition, on April 7, 2020, certain regulatory banking agencies issued an interagency statement that offers practical expedients for evaluating whether loan modifications in response to the COVID-19 pandemic are TDRs. The CARES Act guidance applies to modifications made between March 1, 2020 and December 31, 2020. Section 4013 of the CARES Act permits the suspension of TDR accounting for loan modifications that are made in response to the COVID-19 pandemic if (1) the borrower was not more than 30 days past due as of December 31, 2019, and (2) the modifications are related to arrangements that defer or delay the payment of principal or interest, or change the interest rate on the loan. The Bank has applied this guidance related to qualified modifications during the year ended December 31, 2020.

Uncollected overdraft amounts are charged off after 60 days outstanding. Any such amounts charged off are charged back directly against the Bank's current earnings and not against the provision for credit losses.

Allowance for Loan Losses

The allowance for loan losses is established through a provision for credit losses, which is charged to expense and is based upon management's estimate of probable incurred and inherent losses in the loan portfolio, current domestic and international economic conditions, and other factors.

ASC 310, *Receivables* ("ASC 310"), requires all creditors to account for impaired loans, except those loans that are accounted for at fair value or at the lower of cost or fair value, at the present value of the expected future cash flows discounted at the loan's original effective interest rate or, as an expedient, at the loan's observable market price or the fair value of the collateral.

The Bank's allowance for loan losses is estimated considering the following factors: whether the loan is impaired, the type of loan product, the availability of first loss insurance, the estimated credit risk associated with a loan or pool of loans, the default and loss rates experienced by the Bank and industry, and the economic environment.

If a loan is considered impaired, the Bank will measure the impairment based on either the present value of estimated future cash flows, fair value of the loan, or, if the loan is collateral dependent, the fair value of the collateral less estimated costs to sell. Fair value of the collateral is generally determined by third-party appraisals for residential mortgage loans, quoted market prices for securities, and estimated fair values for other assets. For all impaired loans, the amount by which the loan balance exceeds the impairment measure is included as a component of the allowance for loan losses estimate.

The Bank's methodology to determine the allowance for loan losses and the provision for the off-balance sheet reserve for the non-impaired loans is based on the level of risk associated with each loan. The entire loan portfolio is divided into pools based on Facility Risk Grades on a scale from 1 to 11, 1 being minimal risk of loss and 11 being a loss. Each Facility Risk Grade has an approximated correlation with rating scales from nationally recognized rating agencies.

These grades are then assigned both default rates and recovery rates using current data from the nationally recognized rating agencies adjusted by qualitative factors, such as business conditions, collateral, competition/law/regulations, and credit concentrations.

Loss rates are determined by subtracting the recovery rates from 100%. For each Facility Risk Grade, the reserve allocation factor is the Facility Risk Grade's average probability of loss given default. Qualitative adjustments are added to the factor, if required. The loan balances for each Facility Risk Grade category are then multiplied by the reserve allocation factor to calculate the required allowance for loan losses for each Facility Risk Grade category. The determination of the allowance requires judgment by management, and is therefore inherently uncertain.

A general description of the Bank's Facility Risk Grade categories is as follows:

Facility Risk Grades	**Classification**	**Description**
1 to 3	Top Quality	These loans are well collateralized with certificates of deposit, diversified readily marketable securities, and letters of credit from investment grade banks.
4 to 6	Normal	These loans do not possess any substantive negative characteristics. The Bank assigns a general reserve as a contingency in the event of any adverse condition such as a review of the borrower's financial statements shows a decline in earnings from one year to the next or a reduction in the borrower's available credit with other financial institutions affecting the borrower's ability of payment.
7	Normal	Mortgages on properties in a transitional phase, High LTV loans or exposures that now requires management attention although payments are current. Normal risk of loss of interest and principal according to the terms and conditions of the facility. May require very close monitoring.
8	Special Mention	These loans are examined to determine whether the collateral has been impaired and payments have been received on a timely basis. Loans within this category usually exhibit early warning signals of distress or deviation from expected performance but have not yet defaulted on payments. Early warning signals include but are not limited to (a) noticeable decline in obligor cash flows or deterioration of collateral, (b) litigation which may impede the borrower's future operating performance, (c) non-payment related defaults and (d) other adverse events that do not currently jeopardize repayment.
9	Substandard	These loans are assessed for evidence of deterioration of the value of the collateral, and/or the collectability and timing of payments does not allow the borrower to satisfy payments on the agreed terms, endangering recovery of unpaid balances.
10	Doubtful	These loans present evidence that the borrower may have an impaired financial and economic situation, and the likelihood of recovery for these loans is low.
11	Loss	These loans are designated as a loss and are to be charged off, as there is no potential for recovery.

In order to maintain the quality of the loan portfolio, the credit quality of each loan is reviewed at least annually. This lending policy is applicable to all classes of loans.

Premises and Equipment
Premises and equipment, including land, building and improvements, and computer hardware and software are stated at cost, less any accumulated depreciation and amortization. Depreciation of furniture, equipment, computer software and hardware is computed by the straight-line method based on the estimated useful lives of the assets, which are in the range of three to five years. Depreciation of building is computed by the straight-line method over the estimated useful life of 41 years. Improvements are amortized over the shorter of the life of the related lease or the estimated useful lives of the assets. Artwork and land are carried at cost and are not amortized.

Goodwill and Intangible Assets
The Bank evaluates the recoverability of finite-lived intangible assets for possible impairment annually and whenever events or circumstances indicate that the carrying amount of such assets may not be recoverable.

Intangible assets acquired in business acquisitions are amortized on a straight-line basis over the estimated useful lives of the assets. The approximate useful lives for amortization of the Bank's core deposits and customer relationship intangible assets is 12 years. The amortization expense is included in other operating expense in the consolidated statements of income.

Goodwill is measured as of the acquisition date at the excess of consideration transferred over the net fair value of assets acquired and liabilities assumed in a business acquisition. Goodwill is not amortized for accounting purposes.

The Bank is required to assess goodwill for impairment by comparing the estimated fair value of the reporting unit with its respective carrying value. If the estimated fair value exceeds the carrying value, goodwill is not deemed to be impaired. If the estimated fair value is less than carrying value further analysis is required to determine the amount of the impairment. The estimated fair values of the reporting units are derived based on valuation techniques the Bank believes market participants would use for each of the reporting units. No impairment was recorded during 2020 and 2019 for goodwill and intangible assets.

Derivative Instruments and Hedging Activities
The Bank uses various derivative financial instruments, including interest rate swaps and foreign exchange contracts, to manage the interest rate characteristics of certain assets or liabilities and to economically hedge against the effects of fluctuations in interest rates or foreign exchange rates. The Bank adheres to ASC 815, *Derivatives and Hedging* ("ASC 815"), which establishes accounting and reporting standards for derivative instruments, as well as certain derivative instruments embedded in other contracts that are outside of the Bank's trading activities.

Effective January 1, 2020, the Bank elected to early adopt ASU 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities* and began applying hedge accounting for certain transactions initiated after that date. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk in a fair value hedge. The Bank has continued to enter into derivative contracts that are intended to economically hedge certain of its risk, even though the Bank has not designated such derivatives for hedge accounting. All derivatives are recorded at fair value as derivative assets or derivative liabilities on the consolidated statements of financial condition.

For derivatives designated and that qualify as fair value hedges, the gain or loss on the derivative as well as the offsetting loss or gain on the hedged item attributable to the hedged risk are recognized in interest income. The Bank's fair value hedges consist of interest rate swap agreements that are intended to modify the exposure to interest rate risk on fixed rate securities available-for-sale and loans.

Certain fair value hedges are considered to be 100% effective as each meets shortcut method accounting requirements, and accordingly, the changes in fair values of both the interest rate swap contracts and related available-for-sale securities are recorded as equal and offsetting gains and losses in the consolidated statements of income. Accordingly, there was no gain or loss recognized in current period earnings related to these hedges.

For fair value hedges that do not meet shortcut accounting requirements the extent to which these instruments are effective at achieving offsetting changes in fair value must be assessed at least quarterly. For loans designated in hedging relationships, the difference between the change in fair value of the interest rate swap and the change in the fair value of the loan relating to the hedged risk is reported in earnings on the consolidated statements of income as an adjustment to interest income.

If a hedging relationship is discontinued as a result of not passing the effectiveness tests, and the derivative instrument is not redesignated to a new hedging relationship, the subsequent change in fair value of such instrument is charged directly to earnings. Changes in fair value of derivatives not designated in hedging relationships are recorded directly to earnings and included in net gain/(loss) on fair value measurements or net gain/(loss) on foreign currency valuation on securities and derivatives on the consolidated statements of income. The derivative assets and liabilities related interest income/(expense) on derivatives not designated as hedging instruments is recorded in net gain/(loss) on fair value measurements in the consolidated statements of income.

To reduce credit exposures on derivatives transactions, the Bank enters into master netting agreements with counterparties that permit it to offset receivables and payables with such counterparties. For derivative contracts cleared through certain central clearing parties that have modified their rules to treat variation margin payments as settlements, the fair value of the respective derivative contracts are reported net of the variation margin payments. The Bank records the foreign exchange contracts, included within the derivative assets and liabilities, on a net-by-counterparty basis (i.e., the net payable or receivable for derivative assets and liabilities for a given counterparty) in the consolidated statements of financial condition when a legal right of setoff exists under ASC 210-20-45, *Balance Sheet Offsetting, or ASC 815-10-45, Derivatives and Hedging – Balance Sheet Netting.* The Bank also offsets the interest-bearing deposits pledged as collateral in the derivative assets and liabilities in the consolidated statements of financial condition. Refer to Note 23 for further details.

Deposits

Deposits consist of demand, money market, NOW, savings, and time deposits accounts. Included within time deposits are brokered certificates of deposit issued by the Bank. The Bank has elected the fair value option in accordance with ASC 825 for certain brokered time deposits. There were no deposits measured at fair value at December 31, 2020. Refer to Note 22 for further details.

Borrowings

Borrowings include overnight borrowings with affiliated banks and advances from the Federal Home Loan Bank of New York (“FHLBNY”). Overnight borrowings with affiliated banks are payable the next business day and generally bear interest at a rate less than the federal funds rate. Advances from the FHLBNY have an original maturity of 90 days or less with preset interest rates determined by the FHLBNY.

Foreign Currency Transactions

Foreign currency transactions are accounted for at the exchange rates prevailing on the related transaction dates. Assets and liabilities denominated in foreign currencies are recorded and reported in the accompanying consolidated statements of financial condition using the period-end exchange rates. Gains and losses resulting from the settlement of foreign currency transactions and from the revaluation of assets and liabilities denominated in foreign currencies are recognized as net gain/(loss) on foreign currency valuation on securities and derivatives in the consolidated statements of income.

Federal Reserve Bank of New York Stock and Federal Home Loan Bank of New York Stock

The Bank’s investments in the FRBNY and the FHLBNY stocks are carried at par value. The Bank is required to maintain a minimum level of investment in the FRBNY stock based on the capital of the Bank. As a member of the FHLBNY, the Bank is required to own shares of the FHLBNY stock. The FHLBNY’s requirement is based on the amount of either the eligible collateral or advances outstanding from the FHLBNY. The Bank periodically evaluates the FRBNY and the FHLBNY stocks for other-than-temporary impairment. The Bank’s determination of whether these stocks are impaired is based on its assessment of ultimate recoverability of par value rather than recognizing temporary declines in value. The determination of whether the decline affects the ultimate recoverability is influenced by the criteria such as: (1) the significance of the decline in net assets of the FRBNY and the FHLBNY as compared to the capital stock amounts for the FRBNY and the FHLBNY and the length of time this situation has persisted; (2) commitments by the FRBNY and the FHLBNY to make payments required by law or regulation and the level of such payments in relation to the operating performance of the FRBNY and the FHLBNY; (3) the impact of legislative and regulatory changes on institutions and, accordingly, on the customer base of the FRBNY and the FHLBNY; and (4) the liquidity position of the FRBNY and the FHLBNY. Based on this evaluation, the Bank determined there is not an other-than-temporary impairment of the stocks as of December 31, 2020 and 2019. The par value of the FHLBNY stocks is included in other assets in the consolidated statements of financial condition. Dividend income from the FRBNY and the FHLBNY stocks is included in other income in the consolidated statements of income.

Fees and Service Charges, and Other Income

Fees and service charges includes custody and banking fees. Other income primarily consists of commission income recorded on trade date basis by SSL, the Bank's broker-dealer subsidiary. Also included within other income is other commissions earned by the Bank, and interest income earned from bank owned life insurance.

Revenue Recognition

In accordance with the provisions of ASC 606, *Revenue from Contracts with Customers,* the Bank recognizes revenue when it transfers promised services to customers in an amount that reflects the consideration to which the Bank expects to be entitled in exchange for those services. The Bank believes that the performance obligation is satisfied on the trade date for riskless principal trading and commissions because that is when the underlying financial instrument or purchaser is identified, the pricing is agreed upon and risks and rewards of ownership have been transferred to/from the customer. Revenues from riskless principal trading of $51,780 and $47,104, included in net gain/(loss) on securities transactions, and commissions of $15,747 and $8,914, included in other income, were recognized in the consolidated statements of income pursuant to ASC 606 for the years ended December 31, 2020 and 2019, respectively. In addition, the Bank recognized revenues from custody fees and service charges of $38,134 and $29,387 in 2020 and 2019, respectively, as earned in accordance with ASC 606.

Income Taxes

The Bank accounts for income taxes in accordance with the provisions of ASC 740, *Incomes Taxes* ("ASC 740"), which requires that an asset and liability approach be applied in accounting for income taxes and that deferred tax assets and liabilities be reflected for temporary differences using tax rates expected to be in effect when such differences reverse. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. In assessing the usability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized.

The Bank is included in the consolidated federal income tax return and combined state/city tax returns of the Parent. Current and deferred taxes are allocated to the Bank under the "separate-return" method. Under this method, the Bank is assumed to file a separate return with the taxing authority, thereby reporting its taxable income or loss and paying the applicable tax to or receiving the appropriate refund from the Parent as if the Bank was a separate taxpayer, except that net operating losses (or other current or deferred tax attributes) are characterized as realized (or realizable) by the Bank when those tax attributes are realized (or realizable) by the consolidated federal and combined state/city tax return group even if the Bank would not otherwise have realized the attributes on a stand-alone basis. Combined state apportionment factors are also utilized by the Bank. This method for allocating income tax expense, pursuant to the tax-sharing agreement is systematic, rational and consistent with the broad principles of ASC 740.

The Bank recognizes tax positions in the consolidated financial statements only when it is more likely than not that the position will be sustained upon examination by relevant taxing authorities based on the technical merits of the position. A position that meets this standard is measured at the largest amount of benefit that will more likely than not be realized upon settlement. A liability is established for differences between positions taken in a tax return and amounts recognized in the consolidated financial statements.

The Bank recognizes interest and penalties related to such a position within the income tax expense line and a liability for unrecognized tax benefits ("UTB") is included in other liabilities in the accompanying consolidated statements of financial condition and income.

Fair Value Option for Financial Instruments

ASC 825 permits entities to elect to measure financial instruments and certain eligible items at fair value upon entering into the transaction. The objective of the fair value option is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. The Bank has elected the fair value option for certain available-for-sale securities, loans and time deposits. Refer to Note 22 for further details.

LIBOR Transition

The London Interbank Offered Rate ("LIBOR") is the reference rate used for many of the Bank's transactions, including lending, securities and the derivatives that are used to manage risk related to such transactions. LIBOR is calculated daily by the Intercontinental Exchange for several currencies, maturities and tenors resulting in the daily reporting of 35 LIBOR rates that are used in various financial products and instruments worldwide.

The United Kingdom Financial Conduct Authority ("FCA"), which regulates the process for establishing LIBOR, announced in July 2017 that the sustainability of LIBOR could not be guaranteed. In November 2020, the ICE Benchmark Administration, the administrator of US Dollar LIBOR announced that it intends to cease publication of 1-week and 2-month USD LIBOR at the end of 2021 and that subject to compliance with applicable regulations, including as to representativeness, it does not intend to cease publication of the remaining USD LIBOR tenors until June 30, 2023. In the US, the Alternative Reference Rates Committee, a group of private-market and official sector participants, identified the Secured Overnight Financing Rate ("SOFR") as its recommended alternative benchmark rate. The Bank currently holds LIBOR referenced positions with maturities past 2021. Management is assessing the risks associated with this transition and planning how to mitigate those risks, including accounting impacts and fallback language to change reference rates. In 2019, the Bank began entering into a limited number of derivatives contracts using the SOFR reference rates.

COVID-19 Pandemic

In March 2020, the outbreak of COVID-19 was recognized as a pandemic by the World Health Organization. The spread of COVID-19 has created a global public health crisis that has resulted in unprecedented uncertainty and disruption in financial markets and in governmental, commercial and consumer activity in the US and globally.

The US federal government has taken action to support the US economy through protections for companies, employees and the newly unemployed. The Federal Reserve has also taken actions to provide liquidity and support to the economy. The Bank has continued to operate during this period under its business continuity protocols. In addition, the Bank has taken a number of actions to monitor and mitigate the effects of COVID-19, such as safety and health measures for employees, including social distancing and working from home. The Bank has also agreed to loan modifications for borrowers that have been impacted by the pandemic. Refer to Note 9 for further details on loan modifications under the CARES Act.

The Bank's liquidity and financial position remain strong. However, at this point the extent to which these events may impact the Bank's consolidated financial position or consolidated results of operations is uncertain.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842). The new guidance affects any entity that enters into a lease, with some specified scope exemptions. The ASU increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, which was issued in June 2020 in response to the COVID-19 pandemic, deferred the effective dates for the new guidance to fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. The Bank is currently evaluating the impact, if any, the new guidance may have on its consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which amended the guidance on accounting for credit losses. The amended guidance requires measurement of all expected credit losses for financial instruments and other commitments to extend credit held at the reporting date. For financial assets measured at amortized cost, factors such as historical experience, current conditions, and reasonable and supportable forecasts will be used to estimate expected credit losses. The amended guidance will also change the manner in which credit losses are recognized on debt securities classified as available-for-sale. In November 2018, the FASB issued ASU No. 2018-19, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses*, which amends two areas of the new guidance. The new guidance will be effective for the Bank's interim and annual periods beginning January 1, 2023. Early adoption is permitted. The Bank is currently evaluating the impact of the new accounting guidance on its consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04, *Simplifying the Test for Goodwill Impairment*, to simplify the accounting for goodwill impairment. The guidance removes Step 2 of the goodwill impairment test, which requires a hypothetical purchase price allocation. A goodwill impairment will now be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. All other goodwill impairment guidance will remain largely unchanged. Entities will continue to have the option to perform a qualitative assessment to determine if a quantitative impairment test is necessary. The same one-step impairment test will be applied to goodwill at all reporting units, even those with zero or negative carrying amounts. Entities will be required to disclose the amount of goodwill at reporting units with zero or negative carrying amounts. ASU 2017-04 is effective for the Bank's annual and interim periods beginning January 1, 2022. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Bank does not expect the adoption of ASU 2017-04 to have a material impact on its consolidated financial statements.

In March 2017, the FASB issued ASU No. 2017-08, *Receivables - Nonrefundable Fees and Other Costs (Subtopic 320-20): Premium Amortization on Purchased Callable Debt Securities*. This standard shortens the amortization period for the premium to the earliest call date to more closely align interest income recorded on bonds held at a premium or a discount with the economics of the underlying instrument. Adoption of ASU 2017-08 is required for the Bank's annual periods beginning January 1, 2020 and interim periods beginning January 1, 2021, and early adoption is permitted. The Bank adopted this guidance in 2019 with no material impact on its consolidated financial statements. In October 2020, the FASB issued ASU No. 2020-08, *Codification Improvements to Subtopic 310-20, Receivables – Nonrefundable Fees and Other Costs*, which clarifies that an entity should reevaluate each reporting period whether a callable debt security is within the guidance from ASU 2017-08. Adoption of ASU 2020-08 is required for the Bank's annual periods beginning January 1, 2022, and interim periods beginning January 1, 2023, and early adoption is permitted.

In August 2017, the FASB issued ASU No. 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities*. This standard better aligns an entity's risk management activities and financial reporting for hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results. To meet that objective, the amendments expand and refine hedge accounting for both nonfinancial and financial risk components and align the recognition and presentation of the effects of the hedge instruments and the hedged item in the financial statements. Adoption of this ASU is required for the Bank's annual periods beginning January 1, 2021 and interim periods beginning January 1, 2022. As permitted by the standard, the Bank early adopted the amendments on January 1, 2020 without any impact on its consolidated financial statements.

In February 2018, the FASB issued ASU No. 2018-02, *Income Statement–Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*. The amendments in ASU 2018-02 are effective for all entities for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. ASU 2018-02 allows an entity to elect a one-time reclassification from Accumulated Other Comprehensive Income ("AOCI") to retained earnings of "stranded" tax effects resulting from the Tax Cuts and Jobs Act. Refer to Note 16 for further details.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820), Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*. This ASU eliminates and modifies certain disclosure requirements for fair value measurements. The guidance is effective for fiscal years beginning after December 15, 2019, but entities are permitted to early adopt either the entire standard or only the provisions that eliminate or modify the existing requirements. The Bank adopted this guidance on January 1, 2020 with no material impact on its consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-15, *Customer's Accounting for implementation Costs Incurred in a Cloud Computing Arrangement that Is a Service Contract*. This ASU aligns the accounting for costs to implement a cloud computing arrangement that is a service contract with the guidance on capitalizing costs for developing or obtaining internal use software. The guidance is effective for fiscal years beginning after December 15, 2020. As permitted by the standard, the Bank early adopted the guidance on January 1, 2020 using the prospective transition method. The Bank has cloud computing arrangements relating to its internet banking activities. Implementation costs incurred in connection with these cloud computing arrangements are included in other assets in the consolidated statements of financial condition.

In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848) – Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, and in January 2021, the FASB issued No. ASU 2021-01, *Reference Rate Reform (Topic 848) – Scope*. ASU 2020-04 provides optional expedients and exceptions for applying US GAAP to contract modifications, hedging relationships, and other transactions affected by the anticipated transition away from LIBOR. ASU 2021-01 refines the scope of ASC 848 and clarifies some of its guidance on reference rate reform. ASU 2021-01 also permits entities to elect certain optional expedients and exceptions when accounting for derivatives contracts and certain hedging relationships affected by changes in the interest rates used for discounting cash flows, for computing variation margin settlements, and for calculating price alignment interest in connection with reference rate reform activities under way in global financial markets. The amendments are effective as of March 12, 2020 and can be adopted anytime during the period of January 1, 2020 through December 31, 2022. The Bank intends to adopt this guidance during the adoption period and is currently evaluating the impact, if any, the new guidance may have on its consolidated financial statements.

2. INTEREST-BEARING DEPOSITS WITH BANKS

As of December 31, 2020, interest-bearing deposits with banks in the amount of $586,237 on the consolidated statement of financial condition consist principally of time deposits with foreign and domestic banks, deposits with the FRBNY, and a deposit of $3,674 with an affiliated bank. The time deposits bear interest at rates ranging from 2.5% to 3.27%, with maturities in June 2022.

As of December 31, 2019, interest-bearing deposits with banks in the amount of $330,787 on the consolidated statement of financial condition consist principally of time deposits with foreign and domestic banks, deposits with the FRBNY, and a deposit of $32,413 with an affiliated bank with interest of 0.16%. The time deposits bear interest at rates ranging from 2.75% to 3.46%, with maturities ranging from February 2020 to June 2022.

Included in the interest-bearing deposits with banks amounts noted above are also deposits with the FRBNY bearing interest of 0.10% and 1.55%, amounting to $332,563 and $98,129 at December 31, 2020 and 2019, respectively. Regulations of the Federal Reserve Board require depository institutions to maintain reserves, which are not available for investment purposes. On average, required cash reserves were $48,079 and $162,748 at the FRBNY during the years ended December 31, 2020 and 2019, respectively. As of March 26, 2020, FRBNY reduced the reserve requirement ratio to zero percent. On average, there were deposits of $278,033 and $481,961 in excess of the reserve requirement held at the FRBNY during the years ended December 31, 2020 and 2019, respectively.

3. CASH AND SECURITIES REQUIRED TO BE SEGREGATED UNDER FEDERAL OR OTHER REGULATIONS

In accordance with SEC Rule 15c3-3, SSL as a broker carrying customer accounts, is subject to requirements related to maintaining cash and/or U.S. Government securities in a segregated reserve account for the exclusive benefit of its customers, which as of December 31, 2020 and 2019, amounted to cash of $28,353 and $1,144, respectively, and qualified securities as defined by SEC Rule 15c3-3 with a fair value of $12,000 and $29,982, respectively.

At December 31, 2020 and 2019, cash, cash equivalents and restricted cash consisted of the following:

$	**2020**	2019
Cash and due from banks	223,077	129,889
Short-term investments	38,717	547,727
Restricted cash included in cash and securities segregated under federal or other regulations	28,353	1,144
Total	290,147	678,760

4. RELATED-PARTY TRANSACTIONS

The ultimate shareholder of the Bank also controls various other companies (affiliates) located in the United States of America, Latin America, and Europe. Transactions with such affiliates arise in the normal course of business. A summary of transactions and balances with affiliates as of and for the years ended December 31, 2020 and 2019, are as follows:

$	**2020**	2019
ASSETS:		
Cash and due from banks	331	70
Interest bearing deposits with banks	3,674	32,413
Loans	129,991	130,541
Interest receivable	17	68
Other assets	6,731	97,310
LIABILITIES:		
Demand deposits	21,814	79,579
Money market accounts, NOW, and savings deposits	6,474	278
Time deposits	36,772	93,672
Borrowings	476,360	618,400
Interest payable	8	561
Other liabilities	27,794	9,087
INCOME AND EXPENSE FOR THE YEARS ENDED DECEMBER 31:		
INCOME:		
Introducer fee income (included in fees and service charges)	10,303	–
Interest income on loans	3,277	4,896
Rental income (included in other income)	306	251
EXPENSE:		
Interest expense on deposits and borrowings	2,119	10,681
Professional services (included in professional fees)	14,413	17,154
Rental expense (included in occupancy expenses)	5,347	5,080
Charitable contributions (included in other operating expenses)	5,352	6,441

Pursuant to service agreements, SNBNY charges certain affiliates for expenses, which are included in the income and expenses shown above. The allocation of expenses from SNBNY to certain affiliates is based on SNBNY's proportionate head counts and allocated time.

In August 2006, a loan of $263,738 was provided to the Parent to acquire and retire 50% of the Parent's equity shares. As of December 31, 2020 and 2019, the loan balance was reduced to $119,250 and $120,250, respectively. The loan is fully secured by U.S. agency/government securities and deposits. All other loans provided to affiliates as of December 31, 2020 and 2019 of $10,741 and $10,291, respectively, are fully secured by U.S. agency/government securities and deposits. The average interest rates on all loans provided to related parties for the years ended December 31, 2020 and 2019 were 2.45% and 3.53%, respectively. As of December 31, 2020 and 2019, letters of credit of $140 and $215, respectively, have been issued on behalf of affiliates.

The average balance of overnight borrowings with affiliates which are recorded in borrowings on the consolidated statements of financial condition, during the years of 2020 and 2019 were $613,957 and $460,165, respectively, and the average interest rate on overnight borrowings with affiliates during the years ended December 31, 2020 and 2019 were 0.27% and 1.91%, respectively.

Other assets includes receivable for unsettled securities transactions, taxes and expense reimbursements. Other liabilities includes payable for professional fees, rent and other accrued expenses.

5. SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL AND SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

Information concerning financial assets purchased under agreements to resell is summarized as follows:

	2020	2019
Balance as of December 31,	$ –	$ –
Average balance during the year	$12,330	$836
Average interest rate earned during the year	0.23%	3.34%
Highest balance at any month end	$ 30,798	$ –

The Bank enters into repurchase agreements to obtain short-term financing. The counterparties to these agreements may sell, loan, or otherwise dispose of such financial assets to other parties in the normal course of their operations, and will agree to resell to the Bank identical financial assets at the maturities of these agreements.

Information concerning securities sold under agreements to repurchase is summarized as follows:

	2020	2019
Balance as of December 31,	$ –	$ –
Average balance during the year	$7,669	$26
Average interest rate paid during the year	0.53%	2.62%
Highest balance at any month end	$ 30,798	$ –

The Bank does not net securities purchased under agreements to resell and securities sold under agreements to repurchase. The securities purchased under agreements to resell and securities sold under agreements to repurchase were open-maturity and monthly term agreements during 2020 and open-maturity agreements during 2019.

6. SECURITIES — AVAILABLE-FOR-SALE & HELD-TO-MATURITY

The amortized cost, gross unrealized gains/(losses), and fair value of securities including elected fair value option available-for-sale securities as of December 31, 2020 and 2019, were approximately as follows:

Securities at December 31, 2020

$	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-Sale Securities:				
Obligations of U.S. Government	1,093,295	140,604	–	1,233,899
Non-U.S. government debt securities	702,703	21,596	–	724,299
Corporate debt securities	457,435	20,672	(328)	477,779
Obligations of states, local, U.S. Sponsored agencies, and political subdivisions	1,060,704	201,010	(1,203)	1,260,511
Agency mortgage-backed securities	1,726,864	14,182	(133)	1,740,913
Total available-for-sale securities	5,041,001	398,064	(1,664)	5,437,401
Held-to-Maturity Securities:				
Agency mortgage-backed securities	875	64	–	939
Total held-to-maturity securities	875	64	–	939

Securities at December 31, 2019

$	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-Sale Securities:				
Obligations of U.S. Government	1,185,446	33,045	(1,296)	1,217,195
Non-U.S. government debt securities	471,244	2,367	(351)	473,261
Corporate debt securities	395,470	1,500	(173)	396,797
Obligations of states, local, U.S. Sponsored agencies, and political subdivisions	1,012,704	71,425	(6,356)	1,077,773
Agency mortgage-backed securities	711,507	1,481	(2,756)	710,231
Total available-for-sale securities	3,776,371	109,818	(10,932)	3,875,257
Held-to-Maturity Securities:				
Agency mortgage-backed securities	1,115	63	–	1,178
Total held-to-maturity securities	1,115	63	–	1,178

The Bank elected the fair value option ("FVO") for certain securities in order to align the accounting with swaps and foreign currency forward contracts that hedge the risk associated with the investments. The swaps and forwards do not qualify for hedge accounting and the change in value of the swaps and forwards are recorded in net gain/(loss) on fair value measurements on the consolidated statements of income. These securities are classified as available-for-sale securities on the consolidated statements of financial condition. The change in value of FVO securities is recorded in net gain/(loss) on fair value measurements on the consolidated statements of income.

A summary of FVO securities as of December 31, 2020 and 2019 is as follows:

$	**2020**	2019
Amortized cost	2,122,732	1,868,946
Fair value of FVO securities	2,454,786	1,969,505
Gross unrealized gains	332,056	107,413
Gross unrealized (losses)	–	(6,854)

Available-for-sale securities with unrealized losses as of December 31, 2020 and 2019 including elected fair value option available-for-sale securities, are presented in the following table by the length of time, for which individual securities have been in a continuous unrealized loss position. There were no gross unrealized losses for held-to-maturity securities as of December 31, 2020 and 2019.

As of December 31, 2020

				Less Than 12 Months		Greater Than 12 Months	
$	Amortized Cost	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Available-for-Sale Securities:							
Corporate debt securities	78,663	78,335	(328)	78,335	(328)	–	–
Obligations of states, local, U.S. Sponsored agencies, and political subdivisions	53,065	51,862	(1,203)	51,862	(1,203)	–	–
Agency mortgage-backed securities	83,332	83,199	(133)	–	–	83,199	(133)
Total	215,060	213,396	(1,664)	130,197	(1,531)	83,199	(133)

As of December 31, 2019

				Less Than 12 Months		Greater Than 12 Months	
$	Amortized Cost	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Available-for-Sale Securities:							
Obligation of U.S. Government	451,841	450,545	(1,296)	250,664	(1,186)	199,881	(110)
Non-U.S. government debt securities	38,531	38,180	(351)	38,180	(351)	–	–
Corporate debt securities	65,613	65,440	(173)	65,440	(173)	–	–
Obligations of states, local, U.S. Sponsored agencies, and political subdivisions	182,395	176,039	(6,356)	176,039	(6,356)	–	–
Agency mortgage-backed securities	577,561	574,805	(2,756)	266,964	(242)	307,841	(2,514)
Total	1,315,941	1,305,009	(10,932)	797,287	(8,308)	507,722	(2,624)

The number of available-for-sale securities with unrealized losses were 10 and 22 at December 31, 2020 and 2019, respectively. The unrealized losses associated with available-for-sale securities are related to changes in interest rates and do not affect the expected cash flows of the underlying collateral or issuer. The decline in fair value at December 31, 2020 and 2019, below the amortized cost of the investments is deemed to be temporary because the Bank does not have the intent to sell nor is it probable that the Bank will be forced to sell such securities. In addition, there has been no credit impairment noted. The Bank considered all available evidence to evaluate the realizable value of its investments, including factors, such as the associated credit risk, interest rate, and prepayment risk.

The amortized cost and fair value of securities at December 31, 2020 and 2019, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

Securities at December 31, 2020

$	Amortized Cost	Fair Value
Available-for-Sale Securities:		
Due in one year or less	–	–
Due after one year through five years	1,590,316	1,656,765
Due after five years through ten years	236,244	240,232
Over ten years	1,487,577	1,799,491
	3,314,137	3,696,488
Agency mortgage-backed securities	1,726,864	1,740,913
Total available-for-sale securities	5,041,001	5,437,401
Held-to-Maturity Securities:		
Agency mortgage-backed securities	875	939
Total held-to-maturity securities	875	939

Securities at December 31, 2019

$	Amortized Cost	Fair Value
Available-for-Sale Securities:		
Due in one year or less	885,908	888,831
Due after one year through five years	883,018	882,968
Due after five years through ten years	–	–
Over ten years	1,295,938	1,393,227
	3,064,864	3,165,026
Agency mortgage-backed securities	711,507	710,231
Total available-for-sale securities	3,776,371	3,875,257
Held-to-Maturity Securities:		
Agency mortgage-backed securities	1,115	1,178
Total held-to-maturity securities	1,115	1,178

Proceeds from sales of available-for-sale securities during the years ended December 31, 2020 and 2019, were approximately $338,496, and $4,831,228, respectively.

During the years ended December 31, 2020 and 2019, net gains of approximately $239 and $1,789 respectively, were recorded on sales of securities and are included in net gain/(loss) on securities transactions in the consolidated statements of income. During the years ended December 31, 2020 and 2019, there were no losses from other-than-temporary impairment of available-for-sale securities.

A summary of available-for-sale securities and held-to-maturity securities pledged as collateral for credit lines and securities transactions is as follows:

	Pledged at FRBNY, FHLBNY and other financial institutions			
$	Available-for-sale Securities, at fair value	Held-to-Maturity Securities, at amortized cost	Borrowings from FRBNY	Borrowings from FHLBNY
At 12/31/2020:	4,173,757	355	–	–
At 12/31/2019:	3,053,184	423	–	–

7. TRADING SECURITIES

During the years ended December 31, 2020 and 2019, trading securities gains were approximately $52,184 and $54,020, respectively, included in net gain on securities transactions in the consolidated statements of income.

A summary of trading securities at December 31, 2020 and 2019, is as follows:

$	**2020**	2019
Obligations of U.S. government	49,998	27,960
Corporate debt securities	51,747	51,222
Equities	7,702	7,212
Total trading securities	109,447	86,394

At December 31, 2020 and 2019, SSL pledged Obligations of U.S. government of $49,998 and $21,963, respectively, with its clearing organizations for the conduct of its day-to-day clearing activities.

8. LOANS

A summary of the composition of the loan portfolio at December 31, 2020 and 2019, is as follows:

$	**2020**	2019
Commercial and industrial:		
Domestic	1,549,947	1,735,030
Foreign	997,846	878,409
Total commercial and industrial	2,547,793	2,613,439
Individuals	283,359	260,405
Foreign banks	30,000	30,000
Total loans	2,861,152	2,903,844
Less:		
Deferred loan fees and unearned discounts	171	171
Allowance for loan losses	31,284	25,815
Loans — net of allowance for loan losses, deferred loan fees and unearned discounts	2,829,697	2,877,858

The Bank elected the fair value option for certain loans with an aggregate outstanding principal balance of $789,160 and $1,010,292 as of December 31, 2020 and 2019, respectively, and recorded these loans at fair value of $807,811 and $1,013,781, as of December 31, 2020 and 2019, respectively. Refer to Note 22 for further details.

A summary of loans not recorded at fair value before allowance for loan losses, deferred loan fees and unearned discounts, and excluding hedge accounting basis adjustments, classified by Facility Risk Grade according to the Bank's methodology as discussed in Note 1 is as follows:

As of December 31, 2020

$ Facility Risk Grade	Commercial & Industrial Domestic	Commercial & Industrial Foreign	Individuals	Foreign Banks	Total
1–6	629,218	984,965	283,359	–	1,897,542
7	124,300	–	–	30,000	154,300
8	–	–	–	–	–
9	–	–	–	–	–
10	–	–	–	–	–
11	–	–	–	–	–
Total	753,518	984,965	283,359	30,000	2,051,842

As of December 31, 2019

$ Facility Risk Grade	Commercial & Industrial Domestic	Commercial & Industrial Foreign	Individuals	Foreign Banks	Total
1–6	689,267	861,916	260,405	–	1,811,588
7	45,475	3,000	–	30,000	78,475
8	–	–	–	–	–
9	–	–	–	–	–
10	–	–	–	–	–
11	–	–	–	–	–
Total	734,742	864,916	260,405	30,000	1,890,063

The maturities of the loan portfolio at December 31, 2020 and 2019 before allowance for loan losses, deferred loan fees and unearned discounts, and excluding hedge accounting basis adjustments, is summarized as follows:

$	**2020**	2019
Three months or less	1,375,371	1,298,896
Over three months through 12 months	726,073	582,671
Over one year through three years	260,873	526,993
Over three years through five years	175,868	198,327
Over five years through 15 years	321,348	296,957
Total	2,859,533	2,903,844

The Bank pledged $642,087 and $607,637 at December 31, 2020 and 2019, respectively, of loans before allowance for loan losses, deferred loan fees and unearned discounts, with the FRBNY and the FHLBNY as collateral for credit lines.

9. ALLOWANCE FOR LOAN AND OFF-BALANCE SHEET COMMITMENT LOSSES

The change in the allowance for loan and off-balance sheet commitment losses for the years ended December 31, 2020 and 2019, was as follows:

	LOANS					
	Commercial & Industrial					
$	Domestic	Foreign	Individuals	Foreign Banks	Total	Off-Balance Sheet Commitments
Balance — January 1, 2019	21,906	3,091	804	–	25,801	3,091
Provisions (Reversals)	(2,819)	171	197	2,451	–	–
Write-offs	–	–	–	–	–	–
Loan recoveries	13	–	1	–	14	–
Balance — December 31, 2019	19,100	3,262	1,002	2,451	25,815	3,091
Provisions (Reversals)	5,351	134	(18)	1	5,468	(894)
Write-offs	(1)	–	–	–	(1)	–
Loan recoveries	2	–	–	–	2	–
Balance — December 31, 2020	24,452	3,396	984	2,452	31,284	2,197

The allowance for off-balance sheet commitment losses is included in other liabilities on the consolidated statements of financial condition.

At December 31, 2020 and 2019, there were no loans that are past due and on nonaccrual status. There were no impaired loans recorded at December 31, 2020 and 2019, and for the years then ended. During the years ended December 31, 2020 and 2019, the Bank did not record any provisions for credit losses or specific reserves for impaired loans.

The Bank does not collectively evaluate any specific group of homogenous loans for impairment. In accordance with ASC 310-10-35, the Bank evaluated the loans as of December 31, 2020 and 2019, and there were no impairments on an individual basis. The Bank did not maintain any loans purchased with deteriorated credit as of December 31, 2020 and 2019.

The Bank determined that no loans qualified as a TDR at December 31, 2020 and 2019, and for the years then ended. In the year ended December 31, 2020, the Bank made certain loan modifications which are accounted for in accordance with Section 4013 of the CARES Act and are therefore not treated as a TDR for accounting or disclosure purposes. As of December 31, 2020, $569,847 of principal and interest was deferred under these arrangements. There were no interest rate reductions and no forgiveness of principal and interest in connection with the loan modifications. Refer to Note 1 for further details.

10. PREMISES AND EQUIPMENT

Premises and equipment at December 31, 2020 and 2019, included the following:

$	2020	2019
Land	5,235	5,235
Building and improvements	34,897	31,695
Furniture and equipment	5,494	5,552
Computer hardware and software	18,628	12,254
Artwork	3,453	3,453
	67,707	58,189
Less accumulated depreciation and amortization	34,912	32,055
Total premises and equipment, net	32,795	26,134

The related depreciation and amortization expense, included in occupancy and other operating expenses in the consolidated statements of income, was approximately $3,038 and $4,489 in 2020 and 2019, respectively.

11. OTHER ASSETS AND OTHER LIABILITIES

Other assets at December 31, 2020 and 2019, included the following:

$	2020	2019
Receivable from customers	32,211	167,765
Accounts receivable	11,311	15,089
Receivable from brokers, dealers and clearing organizations	39,488	13,693
Intangible assets, net	8,813	9,865
Securities borrowed	2,877	5,402
FHLBNY stock	2,318	2,242
Goodwill	1,837	1,837
Taxes receivable	2,818	–
Other assets	8,328	3,229
Total other assets	110,001	219,122

Amortization expense for the intangible assets, which is included in other operating expenses in the consolidated statements of income, was approximately $1,052 and $1,052 in 2020 and 2019, respectively.
SSL borrows securities from other broker dealers to fulfill short sales by customers and delivers cash to the lender in exchange for securities. The fair value of these borrowed securities, which can be rehypothecated, was $2,690 and $5,060, at December 31, 2020 and 2019, respectively.

Other liabilities at December 31, 2020 and 2019, included the following:

$	2020	2019
Payable to brokers, dealers and clearing organizations	30,754	170,704
Accrued expenses	13,365	11,816
Other liabilities	6,126	22,148
Total other liabilities	50,245	204,668

12. GEOGRAPHIC CONCENTRATIONS

The following table classifies the international assets (consisting primarily of loans, acceptances, overdrafts, interest-bearing deposits, securities, derivative assets, and cash and due from banks) of the Bank by region of ultimate risk (excluding assets secured by cash deposits):

December 31, 2020

$	Governmental Obligations	Financial Institutions	Private Business and Individuals	Total
Western Europe and Canada	630,444	624,244	173,485	1,428,173
Brazil	75,440	272,082	41,247	388,769
Other Latin America	15,636	47,542	42,698	105,876
Other	56,182	170,037	65,850	292,069
Total	777,702	1,113,905	323,280	2,214,887

December 31, 2019

$	Governmental Obligations	Financial Institutions	Private Business and Individuals	Total
Western Europe and Canada	327,460	732,928	38,153	1,098,541
Brazil	44,237	288,373	38,576	371,186
Other Latin America	1,424	41,676	31,230	74,330
Other	109,789	58,611	30,557	198,957
Total	482,910	1,121,588	138,516	1,743,014

Substantially all of the Bank's assets are denominated in U.S. dollars.

13. DEPOSITS — LIABILITIES

Deposits — liabilities at December 31, 2020 and 2019 are summarized as follows:

$	**2020**	2019
Demand deposit — non-interest bearing	3,029,247	1,972,007
Money market	348,375	167,186
NOW and savings	53,784	39,897
Certificates of deposit	656,640	865,279
Certificates of deposit — brokered	3,387,813	3,236,801
Total deposits — liabilities	7,475,859	6,281,170

The distribution of certificates of deposit by remaining maturity at December 31, 2020 and 2019 is as follows:

$	**2020**	2019
Maturity in one year or less	4,043,147	4,031,200
Maturity in over one year through three years	1,034	70,521
Maturity in over three years	272	359
Total	4,044,453	4,102,080

The aggregate amount of certificates of deposit, excluding certificates of deposit – brokered, with a denomination of $100,000 or more was approximately $635,989 and $844,606 at December 31, 2020 and 2019, respectively. The Bank recorded $0 and $1,998 of certificates of deposit – brokered at fair value due to the fair value option election in accordance with ASC 825 as of December 31, 2020 and 2019, respectively. Refer to Note 22 for further details.

At December 31, 2020 and 2019, certificates of deposit in denominations of $250,000 or more were $3,976,059 and $4,031,582, respectively.

14. BORROWINGS

As of December 31, 2020 and 2019, all borrowings on the consolidated statements of financial condition of $476,360 and $618,400, respectively, were with affiliates. Refer to Note 4 for further details.

15. OTHER OPERATING EXPENSES

The other operating expenses for the years ended December 31, 2020 and 2019, are as follows:

$	**2020**	2019
Charitable contributions	5,352	6,441
FDIC insurance premiums	6,878	3,547
Other general operating	8,964	9,807
Total other operating expenses	21,194	19,795

16. INCOME TAXES

The components of the provision for income taxes for the years ended December 31, 2020 and 2019, are as follows:

$	**2020**	2019
Current tax expense:		
Federal	11,350	16,052
State and city	1,673	3,370
Foreign	300	300
Total current tax expense	13,323	19,722
Deferred tax expense:		
Federal	8,213	4,592
State and city	1,852	1,498
Total deferred tax expense	10,065	6,090
Income taxes	23,388	25,812

The net deferred tax asset and liability at December 31, 2020 and 2019, were composed of the following:

$	**2020**	2019
Deferred tax assets:		
Allowance for credit losses	8,459	7,403
Contingency reserve	105	106
Depreciation and amortization	648	2,006
Accrued compensation	1,610	1,589
Accrued expenses	257	388
Unrealized losses included in stockholders’ equity	–	435
Other	(46)	(35)
Total deferred tax assets	11,033	11,892
Deferred tax liabilities:		
Fair value measurements	(18,148)	(8,507)
Unrealized gains included in stockholders’ equity	(17,762)	–
Total deferred tax liabilities	(35,910)	(8,507)
Net deferred tax asset (liability)	(24,877)	3,385

The Bank has determined that it is more likely than not that the deferred tax assets will be fully realized and therefore no valuation allowance against the deferred tax assets is necessary.

The provision for income taxes varied from the federal statutory income tax rate for the years ended December 31, 2020 and 2019, as follows:

$	**2020**	2019
Taxes at federal statutory rate	21,661	22,010
State and city income taxes — net of federal benefit	2,342	3,772
Bank owned life insurance	(390)	(400)
Dividend received deduction	(321)	(316)
State and city rate adjustment	45	103
Other — net	51	643
Provision for income taxes	23,388	25,812

Income taxes are provided for using the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the consolidated financial statements.

In February 2018, the FASB issued ASU No. 2018-02, *Income Statement – Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*. ASU 2018-02 allows an entity to elect a one-time reclassification from AOCI to retained earnings of “stranded” tax effects resulting from the Tax Cuts and Jobs Act (the “Tax Act”). The amount of the reclassification includes the effect of the change in the U.S. federal corporate income tax rate on the gross deferred tax amounts and related valuation allowances. The Bank’s accounting policy related to the release of the income tax effects from AOCI is to follow the portfolio approach. Effective January 1, 2019, the Bank adopted this ASU which resulted in a decrease in retained earnings and an increase in AOCI of $3,361, as a result of the change to the U.S federal corporate income tax rate.

The Bank recognizes interest and penalties related to UTB within the income tax expense line in the accompanying consolidated statements of income. In 2020 and 2019, no UTB was deemed necessary to be recognized in the consolidated statements of financial condition.

The Bank is subject to taxation in the U.S., New York State, Florida and New York City. As of December 31, 2020, the Bank’s tax years 2015 and after are subject to examination by the taxing authorities. Where tax returns have not been filed, the statute of limitations remains open indefinitely.

Pursuant to a tax sharing agreement the Bank reimburses the Parent for all federal, state and city taxes paid in connection with consolidated/combined tax returns. As of December 31, 2020, the Bank had a tax receivable of $2,818 due from Parent which is included in other assets, and a tax liability of $593 for a separately filed state tax return which is included as a liability, on the consolidated statement of financial condition. As of December 31, 2019, the Bank had a tax payable of $1,088 due to Parent and a tax liability of $80 for a separately filed state tax return, which are included as liabilities, on the consolidated statement of financial condition.

17. ACCUMULATED OTHER COMPREHENSIVE INCOME

The following table presents changes in AOCI, net of tax, for the years ended December 31, 2020 and 2019:

$	AFS Securities
Balance — January 1, 2019	(9,972)
Net change in unrealized gain/(loss)	4,712
Amounts reclassified out of AOCI	659
Reclassification of tax effects from the Tax Act	3,361
Balance — December 31, 2019	(1,240)
Net change in unrealized gain/(loss)	54,705
Amounts reclassified out of AOCI	(179)
Balance — December 31, 2020	53,286

The related tax effects allocated to securities available-for-sale (“AFS”) in AOCI as of December 31, 2020 and 2019 are as follows:

$	**2020**	2019
Unrealized gain/(loss) on AFS securities	71,048	(1,675)
Tax component	(17,762)	435
Net amount included in AOCI	53,286	(1,240)

18. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

Credit Related Instruments — The Bank enters into various types of agreements with its customers to enhance their credit standing and guarantee performance to third parties or advance funds in the form of loans. These commitments usually have fixed expiration dates and may require payment of a fee. At December 31, 2020 and 2019, such obligations included standby and commercial letters of credit of approximately $34,953 and $32,246, respectively. These amounts represent the maximum principal which the Bank may be required to disburse and the maximum potential exposure if all such obligations were ultimately to become worthless. The arrangements have credit risks essentially the same as that involved in extending loans to customers and are subject to the normal credit policies of the Bank. In addition, the Bank's outstanding unfunded lending commitments were approximately $29,175 and $11,922 at December 31, 2020 and 2019, respectively.

In connection with guarantees issued, substantially all such items were collateralized by deposits or highly liquid assets at December 31, 2020 and 2019.

19. CREDIT-RELATED RISK CONCENTRATIONS

In the normal course of its business, the Bank's credit-related risk concentrations as of December 31, 2020 and 2019, were as follows:

$	**2020**	2019
Credit exposure in deposits with banks:		
Branches and agencies in the United States of America	763,387	779,801
Foreign banks	104,187	132,690
Credit exposure in assets of the consolidated statements of financial condition in:		
The U.S. federal government and its agencies	4,188,176	2,965,079
Real estate loan portfolio	1,151,029	1,171,979
Total	6,206,779	5,049,549

20. COMMITMENTS AND CONTINGENT LIABILITIES

At December 31, 2020, the Bank was obligated under a non-cancelable lease with an affiliate for the Bank's premises expiring through July 2027.

Rental expense for 2020 and 2019 was $5,432 and $5,479, respectively, included in occupancy expenses in the consolidated statements of income. Minimum rental commitments on leases as of December 31, 2020, were as follows:

Years Ending December 31,

$	Amount
2021	957
2022	987
2023	1,030
2024	1,030
2025	1,030
Thereafter	1,631
Total	6,665

As of December 31, 2020, the Bank was obligated as a lessor on a non-cancelable lease contract with an affiliate, expiring through June 30, 2022. Rental income for 2020 and 2019 was $306 and $251, respectively, included in other income in the consolidated statements of income. Minimum rental commitments on this lease as of December 31, 2020, were as follows:

Years Ending December 31,

$	Amount
2021	340
2022	173
Total	513

As of December 31, 2020, total land, building and improvement of $14,010 was held for this lease.

The Bank is a party to litigations involving various aspects of its business. The Bank believes it has strong defenses and, where appropriate, will vigorously contest these matters. In accordance with applicable accounting guidance, the Bank establishes accruals for litigations when those matters proceed to a stage where they present loss contingencies that are both probable and estimable. The Bank will continue to monitor such matters for developments that could affect the amount of the accrual, and will adjust the accrual amount as appropriate.

In the normal course of business, SSL may enter into contracts that contain various guarantees and indemnities including contracts where it executes, as agent or principal, transactions on behalf of customers. If the transactions brokered by SSL do not settle because of failure to perform by either counterparty, SSL may be required to discharge the obligation of the nonperforming party and, as a result, may incur a loss if the market value of the underlying security is different from the contract amount of the transaction. SSL has the right to pursue collection or performance from the counterparties who do not perform under their contractual obligations.

21. REGULATORY MATTERS

The Bank, as a national bank, is subject to the dividend restrictions set forth by the OCC. Under such restrictions, a bank may not, without the prior approval of the OCC, declare dividends in excess of the sum of the current year's earnings (as defined) plus the retained earnings (as defined) from the prior two years. In accordance with the aforementioned criteria, the Bank had the ability to declare dividends without the OCC's approval up to $235,756 and $271,949 as of December 31, 2020, and 2019 respectively. In accordance with this restriction, the Bank declared and paid dividends of $6,000 and $5,000 during the years ended December 31, 2020 and 2019, respectively.

The Bank is subject to various regulatory capital requirements administered by federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possible additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Bank's consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the following table) of Common equity Tier 1 capital, Tier 1 risk-based capital, Total risk-based capital, and Tier 1 leverage ratios (as defined in the regulations). Events beyond management's control, such as deterioration in credit markets, could adversely affect future earnings and the Bank's ability to meet future capital requirements. As of December 31, 2020 and 2019, the Bank meets all capital adequacy requirements to which it is subject.

As of December 31, 2020, the most recent notification from the OCC categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum or exceed Common equity Tier 1 capital, Tier 1 risk-based capital, Total risk-based capital, and Tier 1 leverage ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed the Bank's category.

The Bank's actual capital amounts and ratios are presented in the following table.

	Actual		For Capital Adequacy Purposes		To be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount ($)	Ratio (%)	Amount ($)	Ratio (%)	Amount ($)	Ratio (%)
As of December 31, 2020:						
Total capital (to risk-weighted assets)	840,198	22.11	304,006	8.00	380,008	10.0
Tier 1 capital (to risk-weighted assets)	806,717	21.23	228,005	6.00	304,006	8.0
Common Equity Tier 1 capital (to risk-weighted assets)	806,717	21.23	171,004	4.50	247,005	6.5
Tier 1 capital (to average assets)	806,717	8.31	388,270	4.00	485,337	5.0
As of December 31, 2019:						
Total capital (to risk-weighted assets)	749,830	19.83	302,442	8.00	378,052	10.0
Tier 1 capital (to risk-weighted assets)	720,924	19.07	226,831	6.00	302,442	8.0
Common Equity Tier 1 capital (to risk-weighted assets)	720,924	19.07	170,124	4.50	245,734	6.5
Tier 1 capital (to average assets)	720,924	8.62	334,673	4.00	418,342	5.0

SSL is subject to the SEC Uniform Net Capital Rule pursuant to Rule 15c3-1 under the Securities Exchange Act of 1934 (“SEC Rule 15c3-1”). SSL uses the alternate method under SEC Rule 15c3-1, which requires SSL to maintain minimum net capital, as defined, of $250 or 2% of aggregate debit items arising from customer transactions, as defined. The following table summarizes the minimum capital requirements and excess capital for SSL at December 31, 2020 and 2019:

$	**2020**	2019
Required net capital	1,429	401
Net capital	206,164	201,621
Excess net capital	204,735	201,220

In December 2013, the Federal Reserve Board, SEC, OCC, FDIC, and Commodity Futures Trading Commission (collectively, the “Agencies”) released final rules implementing the Volcker Rule, a part of the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Volcker Rule”). The Volcker Rule was designed to prohibit banks from engaging in proprietary trading and owning or engaging in certain transactions with hedge funds or private equity funds. Under the Volcker Rule, certain activities may be permitted to continue (e.g. U.S. government, agency, state, and municipal obligations, exemptions available for market making, underwriting, and risk mitigating/hedging activities), although under new, restrictive definitions. In July 2019, the Agencies released final rule amendments (the “Rule Amendments”) which exempt certain financial institutions from the restrictions imposed by the Volcker rule. The Bank’s management has determined that it meets the conditions under the Rule Amendments and is therefore exempt from the Volcker Rule.

22. DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The following disclosure of the fair value of financial instruments is made in accordance with the requirements of ASC 825 and ASC 820.

ASC 820 offers enhanced guidance for using fair value to measure assets and liabilities. It provides a single definition of fair value, together with a framework for measuring it, and requires additional disclosure about the use of fair value to measure assets and liabilities. It defines the fair value of a financial instrument as the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (the exit price). Instruments that the Bank owns (long positions) are marked to bid prices. Fair value measurements do not include transaction costs. ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three broad levels of the fair value hierarchy under ASC 820 are described below:

Level 1 Inputs — Unadjusted quoted market prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Examples of financial instruments with such inputs include certain U.S. Government securities, exchange-traded equity securities and money market funds.

Level 2 Inputs — Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Examples of financial instruments with such inputs include U.S. Agency securities, municipal bonds, deposits, corporate bonds, certain mortgage-backed securities, over-the-counter derivatives (e.g. Interest rate and foreign exchange contracts), and certain sovereign bonds.

Level 3 Inputs — Unobservable inputs for the asset or liability rely on management's own assumptions which are assumptions that management determines market participants would use in pricing the asset or liability. The unobservable inputs should be developed based on the best information available in the circumstances and may include the Bank's own data. An example of financial instruments with such inputs is loans.

The following methods and assumptions were used to calculate the fair value of each class of financial instrument for which it is practicable to calculate that value.

Securities

The fair value of securities is based on quoted market prices. In the absence of quoted market prices, fair value is determined by pricing vendors using models which discount the future cash flows to their present value using current rates at which similar securities would be bought with similar credit ratings and for the same remaining maturities, or similar techniques. These models use inputs that are observable for substantially the full term of the security, inputs that are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the security or internally developed assumptions.

The following table describes the valuation methodologies used by the Bank to measure its securities at fair value:

Securities Type	Valuations	Classifications in the Valuation Hierarchy
Equities and money market funds	Actively traded and valued using the exchange price, or published NAV	Level 1
Debt Securities	Quoted market prices are used where available	Level 2
Debt Securities	In the absence of quoted market prices, fair value is determined by pricing vendors using models which discount the future cash flows to their present value using current rates at which similar securities would be bought with similar credit ratings and for the same remaining maturities, or similar techniques. In certain instances unobservable inputs are used (those would be classified as Level 3).	Level 2 or 3

Loans

The fair value of loans is calculated by using a discounted cash flow model ("DCF"). For loans measured at fair value in the accompanying consolidated statements of financial condition, the fair value approximates the amount that would be received to sell the loan (exit price). The DCF uses inputs that are observable either directly or indirectly for substantially the full term of the loan, such as interest rates as well as internally developed assumptions, such as credit risk and liquidity premium. Credit risk is included as part of the valuation process by considering expected rates of return for market participants for similar loans in the marketplace. The fair value of impaired loans is determined by discounting expected future cash flows of principal and interest, and any costs to sell the related collateral upon foreclosure. The DCF uses inputs that are observable either directly or indirectly for substantially the full term of the loan, such as interest rates.

Deposit Liabilities

For time deposits measured at fair value in the accompanying consolidated statements of financial condition, the fair value approximates the amount that would be transferred with similar credit ratings and for the same remaining maturities (exit price). The fair value is calculated by using pricing models discounting the required future cash outflows to their present value using current inputs that are observable either directly or indirectly for substantially the full term of the deposit, such as interest rates as well as internally developed assumptions, such as the Bank's own credit risk.

Interest Rate Contracts

The fair value of interest rate swaps and caps are determined using a discounted cash flow pricing model with assumptions such as yield curves and discount rates with inputs that are observable either directly or indirectly for substantially the full term of the interest rate swap and caps.

Foreign Exchange Contracts

The fair value of foreign exchange forward and swap contracts is based on current market quotations for similar agreements at the reporting date, taking into account current interest rates, foreign exchange rates, and the current creditworthiness of the counterparties.

Other Derivative Contracts

Other derivative contracts include equity option contracts and credit default swaps. The fair value of these contracts are based on current market valuations.

The following table presents financial assets and liabilities measured at fair value on a recurring basis, including instruments for which the Bank has elected the fair value option, classified according to ASC 820 valuation hierarchy, as of December 31, 2020 and 2019:

Financial Assets and Liabilities at Fair Value as of December 31, 2020

$	Level 1	Level 2	Level 3	Cash Collateral Netting	Total
ASSETS					
Short-term investments:					
Money market accounts and funds	36,717	–	–	–	36,717
Obligations of U.S. Government	–	2,000	–	–	2,000
	36,717	2,000	–	–	38,717
Securities required to be segregated under federal or other regulations	–	12,000	–	–	12,000
Available-for-sale securities:					
Obligations of U.S. Government	–	1,233,899	–	–	1,233,899
Non-U.S. government debt securities	–	724,299	–	–	724,299
Corporate debt securities	–	477,779	–	–	477,779
Obligations of states, local, U.S. Sponsored agencies and political subdivisions	–	1,260,511	–	–	1,260,511
Agency mortgage-backed securities	–	1,740,913	–	–	1,740,913
	–	5,437,401	–	–	5,437,401
Trading securities:					
Obligations of U.S. Government	–	49,998	–	–	49,998
Corporate debt securities	–	51,747	–	–	51,747
Equities	7,702	–	–	–	7,702
	7,702	101,745	–	–	109,447
Loans	–	–	807,811	–	807,811
Derivative assets:					
Foreign exchange contracts	–	85,745	–	–	85,745
Interest rate contracts	–	7,214	–	–	7,214
Other contracts	–	7,899	–	–	7,899
	–	100,858	–	–	100,858
Total assets	44,419	5,654,004	807,811	–	6,506,234
LIABILITIES					
Derivative liabilities:					
Foreign exchange contracts	–	97,970	–	(22,200)	75,770
Interest rate contracts	–	290,658	–	–	290,658
Other contracts	–	7,899	–	–	7,899
	–	396,527	–	(22,200)	374,327
Total liabilities	–	396,527	–	(22,200)	374,327

Financial Assets and Liabilities at Fair Value as of December 31, 2019

$	Level 1	Level 2	Level 3	Total
ASSETS				
Short-term investments:				
Money market accounts and funds	541,741	–	–	541,741
Obligations of U.S. Government	–	5,986	–	5,986
	541,741	5,986	–	547,727
Securities required to be segregated under federal or other regulations	–	29,982	–	29,982
Available-for-sale securities:				
Obligations of U.S. Government	–	1,217,195	–	1,217,195
Non-U.S. government debt securities	–	473,261	–	473,261
Corporate debt securities	–	396,797	–	396,797
Obligations of states, local and political subdivisions	–	1,077,773	–	1,077,773
Agency mortgage-backed securities	–	710,231	–	710,231
	–	3,875,257	–	3,875,257
Trading securities:				
Obligations of U.S. Government	–	27,960	–	27,960
Corporate debt securities	–	51,222	–	51,222
Equities	7,212	–	–	7,212
	7,212	79,182	–	86,394
Loans	–	–	1,013,781	1,013,781
Derivative assets:				
Foreign exchange contracts	–	42,554	–	42,554
Interest rate contracts	–	6,999	–	6,999
		49,553	–	49,553
Total assets	548,953	4,039,960	1,013,781	5,602,694
LIABILITIES				
Deposits — time deposits	–	1,998	–	1,998
Derivative liabilities:				
Foreign exchange contracts	–	31,269	–	31,269
Interest rate contracts	–	100,989	–	100,989
	–	132,258	–	132,258
Total liabilities	–	134,256	–	134,256

Certain financial assets and liabilities measured at fair value on a nonrecurring basis are classified according to ASC 820 valuation hierarchy; however, the assets and liabilities not measured at fair value on an ongoing basis, are subject to fair value adjustments in certain circumstances, such as when there is evidence of impairment. For the years ended December 31, 2020 and 2019, there were no impaired loans.

Methods Used to Fair Value Level 3 Assets

The fair value for loans was measured using DCF with contractual future cash flows, since all loans measured at fair value in the accompanying consolidated statements of financial condition are performing loans. The discount rate was derived from swap rates which effectively converts the discount rate from a floating rate over Libor to a fixed rate for the duration of the loan; plus, the contractual spread over Libor for each loan; plus a liquidity spread; and plus a spread adjustment reflecting current market conditions and the resulting spreads as if the loan was to be effectuated as of December 31, 2020 and 2019. The following table presents the quantitative information about Level 3 fair value measurements as of December 31, 2020 and 2019:

Assets at December 31, 2020

	Fair Value $	Valuation Technique	Significant Unobservable Inputs	Range of Inputs	Weighted Average
Loans	807,811	Discounted cash flows	Credit spreads	140 bps – 440 bps	289 bps

Assets at December 31, 2019

	Fair Value $	Valuation Technique	Significant Unobservable Inputs	Range of Inputs	Weighted Average
Loans	1,013,781	Discounted cash flows	Credit spreads	160 bps – 360 bps	248 bps

The following table presents detailed changes in the Bank's Level 3 financial assets and liabilities at fair value that occurred during 2020 and 2019:

Level 3 — Financial Assets and Liabilities for Years Ended

$	Loans
BALANCE — January 1, 2019	1,017,147
Net unrealized gain (included in net gain/(loss) on fair value measurements)	22,556
Issuances	208,447
Settlements	(234,369)
BALANCE — December 31, 2019	1,013,781
Net unrealized gain (included in net gain/(loss) on fair value measurements)	15,162
Issuances	–
Settlements	(221,132)
BALANCE — December 31, 2020	807,811

There were no transfers between Level 1, Level 2 and Level 3 for the years ended December 31, 2020 and 2019.

Fair Value Option

The Bank elected the fair value option for certain securities in order to align the accounting with swaps and foreign currency forward contracts that hedge the risk associated with the investments. Refer to Note 6 for further details.

The Bank elected to account for some fixed-rate loans at fair value under the provisions of ASC 825. These loans are economically hedged by certain derivatives in accordance with the Bank's risk management policies. The election of the fair value option intends to align the accounting for these loans with the related economic hedges. The Bank has not elected the fair value option for the remainder of the loan portfolio as these loans are either not economically hedged or the Bank has elected to apply hedge accounting.

Loans for which the fair value option have been elected had an aggregate fair value of $807,811 and $1,013,781, and an aggregate outstanding principal balance of $789,160 and $1,010,292 at December 31, 2020 and 2019, respectively, and were included in loans in the consolidated statements of financial condition. As of December 31, 2020 and 2019, the Bank had no loans recorded at fair value that were classified as nonaccrual and/or past due. Accrued interest receivable of $1,246 and $2,024 at December 31, 2020 and 2019, respectively, were included in the aggregate fair value of the loans recorded at fair value. Interest revenue arising from these loans is included in interest income on the consolidated statements of income. All up-front fees and costs are recognized as fees and service charges and other expenses, respectively, in the consolidated statements of income. Premiums and discounts related to these loans are recognized in interest income as incurred and not deferred. An allowance for loan loss is not applied to these loans. Net gains resulting from changes in fair value of these loans of $15,939 and $22,549 were included in net gain/(loss) on fair value measurements in the consolidated statements of income for the years ended December 31, 2020 and 2019, respectively. Changes in fair value due to instrument specific credit risk for the years 2020 and 2019 were not material. The changes in fair value of these loans were partially offset by changes in the fair value of the related financial derivatives that economically hedged these loans and both were recorded in net gain/(loss) on fair value measurements on the consolidated statements of income.

The Bank also elected to account for certain long-term time deposits at fair value under the provisions of ASC 825, which are economically hedged using derivatives. The Bank has not elected the fair value option for the remainder of the time deposit portfolio as they are not hedged.

Time deposits for which the fair value option has been elected had an aggregate fair value of $0 and $1,998 and an aggregate outstanding principal balance of $0 and $2,000 at December 31, 2020 and 2019, respectively and were included in deposits in the consolidated statements of financial condition. Interest expense arising from these deposits is included in the consolidated statements of income as part of net interest expense. All up-front fees, costs, premiums and discounts related to these deposits are recognized in interest expense as incurred and not deferred. Net gains/(losses) resulting from changes in fair value of these deposits of $(2) and $(28) were included in net gain/(loss) on fair value measurements in the consolidated statements of income for the years ended December 31, 2020 and 2019, respectively. Changes in fair value due to instrument specific non-performance risk for the years 2020 and 2019 were not material. The changes in fair value of these deposits were partially offset by changes in the fair value of the related financial derivatives that economically hedged these deposits.

23. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The Bank uses derivative financial instruments primarily to protect against interest rate, foreign exchange rate and other market movement, and to fulfill clients' requests.

Foreign Exchange Contracts

The Bank uses foreign exchange contracts as economic hedges against fluctuations of assets and liabilities denominated in foreign currencies, and to facilitate customer transactions. As of December 31, 2020 and 2019, the Bank was a party to foreign exchange swaps to mitigate the effects of foreign exchange risk associated with non-U.S. government and corporate debt securities portfolios, with notional amounts totaling $872,698 and $573,391, respectively. As of December 31, 2020 and 2019, the total notional amounts outstanding to fulfill clients' needs were $3,394,559 and $3,080,648, respectively. Foreign exchange contracts had maturities ranging from January 2021 to December 2026, and from January 2020 to April 2024, as of December 31, 2020 and 2019, respectively.

Interest Rate Contracts

The Bank uses interest rate swaps to mitigate the effects of interest rate risks associated with the loans and securities portfolios and for certain time deposits, and also to facilitate customer transactions. During the year ended December 31, 2020, the Bank began designating interest rate swaps in fair value hedging transactions. The Bank uses fair value hedges to manage its exposure to changes in fair value of certain fixed rate available-for-sale securities and loans. The Bank was a party to interest rate swaps and caps as of December 31, 2020 and 2019, as follows:

$	**2020**	2019
Notional amounts of interest rate contracts as of December 31,		
Used as economic hedges	1,853,287	2,169,482
Used to fullfil clients' needs	106,466	261,600
Designated as fair value hedges	300,713	–
Total notional amounts	2,260,466	2,431,082
Range of maturity	January 2021 to August 2045	January 2020 to August 2045

Other Derivative Contracts

The Bank enters into other derivative contracts to facilitate customer transactions, including equity and credit derivatives. As of December 31, 2020, the total notional amounts outstanding to fulfil clients' needs were equity option contracts of $2,400 and credit default contracts of $83,016.

Fair values of gross derivative assets and liabilities as of December 31, 2020 and 2019 are as follows:

Derivatives Assets

As of December 31,	2020		2019	
	Consolidated Statement of Financial Condition	Fair Value $	Consolidated Statement of Financial Condition	Fair Value $
Derivatives designated as hedging instruments:				
Interest rate contracts	Derivative assets	6,703	Derivative assets	–
Derivatives not designated as hedging instruments:				
Foreign exchange contracts	Derivative assets	90,139	Derivative assets	59,048
Foreign exchange contracts*	Derivative liabilities	57,772	Derivative liabilities	4,595
Interest rate contracts	Derivative assets	511	Derivative assets	6,999
Other contracts	Derivative assets	7,899	Derivative assets	–
		156,321		70,642
Total gross derivative assets		163,024		70,642

* Derivative instruments within this category are subject to master netting agreements and are presented on a net basis in the consolidated statements of financial condition in accordance with ASC 210-20-45.

Derivative Liabilities

As of December 31,	2020		2019	
	Consolidated Statement of Financial Condition	Fair Value $	Consolidated Statement of Financial Condition	Fair Value $
Derivatives designated as hedging instruments:				
Interest rate contracts	Derivative liabilities	7,471	Derivative liabilities	–
Derivatives not designated as hedging instruments:				
Foreign exchange contracts	Derivative liabilities	155,742	Derivative liabilities	35,864
Foreign exchange contracts*	Derivative assets	4,394	Derivative assets	16,494
Interest rate contracts	Derivative liabilities	283,187	Derivative liabilities	100,989
Other contracts	Derivative liabilities	7,899	Derivative liabilities	–
		451,222		153,347
Total gross derivative liabilities		458,693		153,347

* Derivative instruments within this category are subject to master netting agreements and are presented on a net basis in the consolidated statements of financial condition in accordance with ASC 210-20-45.

The following amounts represent interest income and gains/(losses) on derivatives not designated as hedging instruments:

$	Location on Consolidated Statement of Income	Amount of Gain/(Loss) Recognized in Consolidated Statements of Income	
		2020	2019
Derivatives not Designated as Hedging Instruments:			
Interest income on interest rate contracts — net	Net gain/(loss) on fair value measurements	(23,173)	8,501
Interest income on foreign exchange contracts — net	Net gain/(loss) on foreign currency valuation on securities and derivatives	675	1,086
Gain/(loss) on interest rate contracts — net	Net gain/(loss) on fair value measurements	(206,565)	(147,242)
Gain/(loss) on foreign exchange contracts — net	Net gain/(loss) on foreign currency valuation on securities and derivatives	(13,607)	19,660
Total		(242,670)	(117,995)

Fair Value Hedges

For derivative instruments that are designated and qualify as a fair value hedge, the gain or loss on the derivative instrument as well as the offsetting loss or gain on the hedged item attributable to the hedged risk are recognized in current earnings. The gain or loss on both the derivative instrument and the hedged item are included in interest income.

As of December 31, 2020 and 2019, the following amounts were recorded on the consolidated statements of financial condition related to cumulative basis adjustments for fair value hedges:

As of December 31,	**2020**		2019	
$	Carrying Amount of Hedged Asset	Amount of Basis Adjustments Included in the Carrying Amount	Carrying Amount of Hedged Asset	Amount of Basis Adjustments Included in the Carrying Amount
Line item on the consolidated statements of financial condition in which the hedged item is included:				
Securities available-for-sale*	186,522	(6,703)	–	–
Loans	141,192	1,619	–	–

* Carrying value of securities available-for-sale represents amortized cost.

The effect of gain or loss from derivatives designated as fair value hedges on the consolidated statements of income for the years ended December 31, 2020 and 2019 were as follows:

$	Location on Consolidated Statement of Income	Amount of Gain/(Loss) Recognized in Consolidated Statements of Income	
		2020	2019
Derivatives Designated as Fair Value Hedges:			
Gain/(loss) on interest rate contracts	Interest Income	5,273	–
Hedged item — AFS securities	Interest Income	(6,703)	–
Hedged item — loans	Interest Income	1,619	–
Total		189	–

The following tables provide a summary of offsetting derivative financial instruments as of December 31, 2020 and 2019:

$	Gross Amount Recognized	Gross Amount Offset in the Statement of Financial Condition	Net Amount Presented in Statement of Financial Condition	Gross Amount Not Offset in the Statement of Financial Condition		Net Amount
				Derivatives	Collateral*	
As of December 31, 2020						
Derivative assets	163,024	(62,166)	100,858	(8,053)	–	92,805
Derivative liabilities	458,693	(84,366)	374,327	(8,053)	(301,823)	64,451

* Collateral values in excess of related derivative amounts recognized in the consolidated statement of financial condition are excluded from this table.

$	Gross Amount Recognized	Gross Amount Offset in the Statement of Financial Condition	Net Amount Presented in Statement of Financial Condition	Gross Amount Not Offset in the Statement of Financial Condition		Net Amount
				Derivatives	Collateral*	
As of December 31, 2019						
Derivative assets	70,642	(21,089)	49,553	(15,566)	(9,475)	24,512
Derivative liabilities	153,347	(21,089)	132,258	(15,566)	(85,289)	31,403

* Collateral values in excess of related derivative amounts recognized in the consolidated statement of financial condition are excluded from this table.

The Bank is required to pledge assets under a bilateral margin arrangement, including either cash or U.S. Government securities, as collateral for its foreign exchange and interest rate contracts, whose collateral requirements vary by counterparty and change over time based on the market value, notional amount, and remaining term of the derivative agreements ("Derivatives"). In the event the Bank is unable to meet a margin call under one of its Derivatives, thereby causing an event of default or triggering an early termination event under one of its Derivatives, the counterparty to such Derivatives may have the option to terminate all of such counterparty's outstanding Derivatives with the Bank. In addition, under this scenario, any closed-out amount due to the counterparty upon termination of the counterparty's transactions would be immediately payable by the Bank pursuant to the applicable agreement. The Bank was in compliance with all margin requirements under its Derivatives as of December 31, 2020 and 2019. The Bank has received $0 and $10,120, respectively, as of December 31, 2020 and 2019 related to margin for foreign exchange and interest rate contracts, which is included in money market, NOW, and savings deposits in the accompanying consolidated statements of financial condition. In addition, the Bank has paid $22,200 and $0, respectively, as of December 31, 2020 and 2019, which is netted against derivative liabilities on the consolidated statements of financial condition.

The use of foreign exchange and interest rate contracts exposes the Bank to counterparty credit risks in the event of a default by a Derivative counterparty. If a counterparty defaults under the applicable Derivative agreement, the Bank may be unable to collect payments to which it is entitled under its Derivative agreements, and may have difficulty collecting the assets it pledged as collateral against such Derivative. The Bank currently has in place with all outstanding Derivative counterparties bilateral margin agreements thereby requiring a party to post collateral to the Bank for any valuation deficit. This arrangement is intended to limit the Bank's exposure to losses in the event of a counterparty default. The Bank also has valid master netting agreements in place with Derivative counterparties, which allow payables and receivables to settle with a net payment.

24. EMPLOYEE BENEFIT PLANS

The Bank sponsors a multiemployer profit-sharing contribution plan covering substantially all its employees. Profit sharing expense included on the consolidated statements of income in salaries and employee benefits expenses for the years ended December 31, 2020 and 2019, were approximately $2,118 and $2,129, respectively.

25. CUSTODY SERVICES

The Bank provides custody services to its customers related to domestic and foreign fixed income instruments, equities, mutual funds and hedge funds. The market value of assets under custody was $15,975,213 and $15,776,667 at December 31, 2020 and 2019, respectively. These items are not included in the consolidated statements of financial condition, since such items are not assets of the Bank. These instruments are not FDIC insured and are held on behalf of customers, who bear all risks. Custody fee revenue, included in fees and service charges in the consolidated statements of income, was $18,751 and $19,376 for the years ended December 31, 2020 and 2019, respectively.

26. SUBSEQUENT EVENTS

For the year ended December 31, 2020, the Bank evaluated subsequent events for the consolidated financial statements. There were no subsequent events through March 12, 2021, the date the consolidated financial statements were available to be issued, that would require recognition or disclosure in the consolidated financial statements.

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180 YEARS

Long-term Perspective

2010 Office Tower at
660 Madison Avenue, New York

2014 The Gherkin, London

Locations and Affiliates

Locations and Affiliates

Safra National Bank of New York

Headquarters

546 Fifth Avenue
New York, NY, 10036
+1 (212) 704 5500
Member Federal Reserve System
Member Federal Deposit Insurance Corporation

Branch Office

Aventura
3050 Aventura Boulevard
Aventura, FL, 33180
+1 (305) 682 3800

Representative Offices

Brazil
Avenida Paulista, 2100
Sao Paulo, SP, Brazil – 01310-930
+55 (11) 3175 9911

Chile
Edificio Millenium,
Vitacura 2939, Piso 25, Oficina 2501
Santiago, Chile
+56 (2) 32 733 100

Mexico
Edificio Forum,
Andres Bello 10, Piso 19
11520, México D. F., México
+52 (55) 5279 4880

Panama
Torre Bicsa,
Avenida Balboa y Calle Aquilino de La Guardia, Piso 39
Panama, Republica de Panama
+50 (7) 380 7025

Subsidiary

Safra Securities LLC
546 Fifth Avenue
New York, NY, 10036
+1 (212) 704 5617
Member Financial Industry Regulatory Authority
Member Securities Investor Protection Corporation

Affiliates

J. Safra Asset Management Corporation
546 Fifth Avenue
New York, NY, 10036
+1 (212) 704 5553

SNB Servicios (Argentina) S.A.
Avenida Leandro N. Alem 855, Piso 33 “B”
C1001 AAD, Buenos Aires, Argentina
+54 (11) 3987 7055

SNB Servicios (Uruguay) S.A.
World Trade Center,
Avenida Luis Alberto de Herrera, 1248 Oficina 2304
11300, Montevideo, Uruguay
+598 (2) 624 5552

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"If you choose to sail upon the seas
of banking, build your bank as
you would your boat, with the strength
to sail safely through any storm."

Jacob Safra (1891 – 1963)

Safra National Bank
of New York