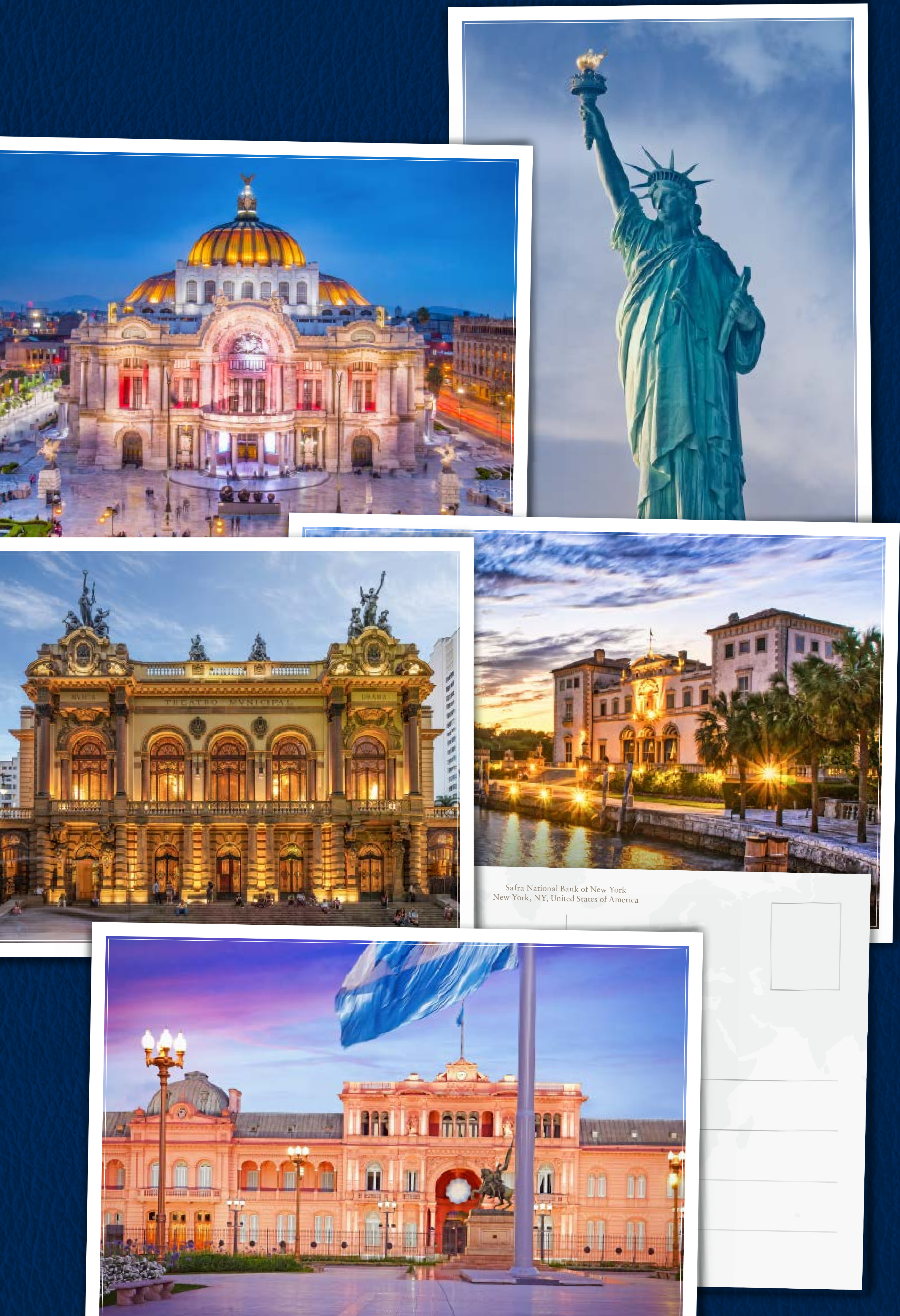
Annual Report 2021

Safra National Bank of New York

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

Joseph Safra (1938 – 2020)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DRAMA
Safra National Bank of New York
New York, NY, United States of America

Contents

ONE WORLD TRADE CENTER

Safra National Bank of New York
New York City, NY, United States of America

STATUE OF LIBERTY

CHAIRMAN'S FOREWORD

Chairman's Foreword

Welcome to the Annual Report of Safra National Bank of New York for 2021. We are pleased to report another impressive performance, with client assets under management up by 10% benefitting from strong net new assets and positive market conditions.

The outstanding qualities of our employees came to the fore again as they navigated the "new normal" of delivering exceptional service to our clients, by leveraging for example the investments we have made in new digital tools.

Client engagement

For over 180 years, we have had the privilege of serving many families from generation to generation, and taking care of our clients' wealth like we do our own. This approach is fundamental to our culture as a family-owned private bank. Although the tools and ways of communicating may change over the decades, our clients consistently regard the J. Safra Group as a landmark of stability and conservative wealth management. Faced with the challenges of the pandemic, we are proud to have helped our clients adapt to both the risks and new opportunities, particularly those offered by new technologies and sustainable business practices.

Sustainability guides generational stewardship

The J. Safra Group has been a pioneer in sustainable investing for over 30 years, and we continue to lead the way for the benefit of both private and institutional clients. Our brand, our products and our employees are well recognized as standard setters in the growing institutional market. It is clear that the pandemic has been a wake-up call for how multiple actors must collaborate

across the world to overcome systemic healthcare challenges: the same lessons can be applied to the challenges of climate change and biodiversity. The financial sector is making important steps towards finding solutions, and the Group is proud to further invest and enhance its efforts. Our responsibility is now also to those in society who are just starting their professional and personal journeys; it is our duty and privilege to give them the strategies and tools to invest responsibly and create lasting sustainable economic, environmental and social impact for generations to come.

Capital strength and risk management

Safra National Bank of New York further strengthened its financial position in 2021. Tier 1 capital, the ultimate measure of a bank's financial strength, rose to $826 million,

more than twice its regulatory requirement and capital to risk-weighted-asset ratio closed at 21.3%. The Bank continues to be 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.

Our conservatism is also reflected in the 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 2022

The onset of the New Year 2022 has already presented challenges and differences compared to that of 2021. As we move forward towards a post-Covid era, the reality of increased inflation is becoming more prevalent, which is having a profound impact on central banks in the developed market world. Additionally, geopolitical instability, as evidenced through ongoing fighting between Russia and Ukraine, has exacerbated the inflation rhetoric globally. This in turn has led to an increase in volatility within the capital markets landscape.

Navigating such volatility is and will be paramount to managing any portfolio. However, increased volatility is not foreign to us, and we continue to be adaptive in our processes towards assessing various markets outcomes. Economic tailwinds do persist, as indicated by strong employment trends and growing disposable incomes. Nonetheless, prudent decision making, inclusive of risk management and a commitment towards a diversified portfolio construction continue to be vital. This has, and will allow for us to protect capital during challenging times and provide us with the opportunity for deployment of capital during opportune times.

The Federal Reserve has noted the dangers of inflation, and we believe will be vigilant towards trying to achieve equality as best as they can. The pathway towards reigning in inflation will be circuitous, and will undoubtedly impact the Equities, Commodities, Fixed Income and Foreign Exchange markets. This will present investment opportunities and challenges. Our ongoing continued communication and transparency with our clients throughout the year, will help to weather such turbulence.

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. I am confident that the Group has the scale and strength to continue meeting the needs of our clients, providing a safe harbor of sustainable performance for future generations.

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

PALACE OF FINE ARTS

Safra National Bank of New York – Representative Office in Mexico
México D.F., México

PALACIO NACIONAL – ZOCALO

Financial Highlights

Financial Highlights

Consolidated income statements	2021 US$ 000	2020 US$ 000
Net interest income	146,742	120,116
Non-interest income	126,979	119,811
Non-interest expenses	(159,779)	(132,206)
Operating income	**108,260**	**103,147**
Net income	**82,219**	**79,759**

Consolidated balance sheets	12.31.2021 US$ 000	12.31.2020 US$ 000
Total assets	9,418,664	9,626,861
Investments	5,187,383	6,172,677
Loans	3,370,728	2,829,697
Deposits	7,565,948	7,475,859
Equity	**1,096,800**	**1,071,983**

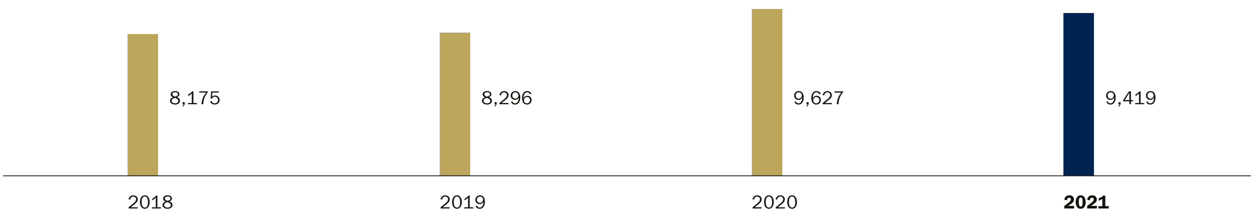
Client assets	12.31.2021 US$ million	12.31.2020 US$ million
Total client assets	28,440	25,945

Ratios	2021 %	2020 %
Capital Ratio	21.3%	22.1%
Cost-income ratio	58.4%	55.1%

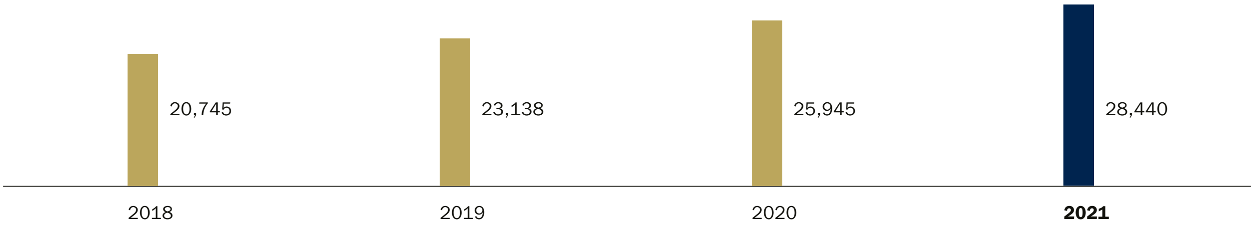
Note: Consolidated figures include the accounts of Safra National Bank of New York and its wholly owned subsidiaries Safra Securities LLC and 3050 Aventura Owner, LLC.

Total Equity as of 12.31.2021 (US$ million)

On-Balance Sheet Assets as of 12.31.2021 (US$ million)



Total Client Assets as of 12.31.2021 (US$ million)



FREEDOM TOWER

Safra National Bank of New York – Aventura Branch
Aventura, FL, United States of America

Year in Review

Year in Review

With the massive roll-out of the COVID-19 Vaccine to all areas of the globe, especially to those developed countries who offer greater access to health care, the year of 2021 proved to be a year of transition.

A transition from the pandemic ravaged landscape of 2020 to a post-pandemic environment where, while wary, the world and the global economy have begun to step out into a "new normal". A new normal which, along with a US$ 1.9 trillion pandemic stimulus program issued by the U.S. government in late 2021, had to contend with on-going global supply chain disruptions, stifled manufacturing, and changes to consumer spending behavior that have resulted in increasing inflationary pressure. This inflationary pressure has caused the price for durable goods, housing, vehicles, and not just commodities like oil or gas, to increase substantially. The Consumer Price Index increased more than 7 percent for the year ended 2021, leading to the largest 12-month advance since December 1981. The CPI continues to increase, and how the Federal Reserve and other central banks, attempt to curb inflation will most certainly shape how the economy and markets behave in 2022 and beyond.

We are grateful, and proud, of how well the Bank, as well as the Group, performed this year, and especially how well we have managed to successfully navigate the COVID-19 crisis and its challenges. We demonstrated the resilience and adaptability of the Bank, our employees, and the Group, overall. The financial results of 2021 are also demonstrative of the reliability of the Safra brand, which was built on 180 years of stable family ownership, a strong capital foundation, prudent risk management, and a long-term perspective.

FUTURE INSTALLATIONS OF SAFRA NATIONAL BANK OF NEW YORK IN AVENTURA, FL

2021 – Another year of improved growth and performance

The 2021 year for Safra National Bank of New York included an increase in total client assets of 10% or \$2.5 billion, to a record amount of \$28.4 billion. This substantial increase was the result of strong net new client assets and positive market performance.

The Bank reported net income of \$82.2 million.

Total on-balance sheet assets and total equity reached \$9.4 billion and \$1.1 billion at December 31, 2021, respectively.

Client focus

As a family-owned business, we take care of our clients' wealth as we do our own and we are dedicated to ensuring the security and stability of their wealth, along with providing an appropriate mix of investments suitable to their risk appetite and profile. The market conditions in 2021 also resulted in an increase in client investment activities and above average returns. Our relationship managers, along with the trading desk at our broker dealer subsidiary, Safra Securities, LLC, and our investment management team of our affiliated investment advisor, J. Safra Asset Management, were able to collaborate and successfully navigate the shift in industries and

FUTURE INSTALLATIONS OF SAFRA NATIONAL BANK OF NEW YORK IN AVENTURA, FL

sectors caused by the pandemic to provide investment opportunities that added value to our clients' portfolios. Digitalization arising from the "social distancing" concepts imparted by the pandemic also played a large role in 2021, allowing the Bank to offer greater access, greater transparency, and greater connectivity to clients through Safralink and other on-line platforms that have become endemic to private banking.

Outstanding talent

Our team, from our relationship managers and traders to our back-office and supporting functions, adapted with fluidity and efficiency throughout this unprecedented global health crisis. Our ability to migrate our workforce from 100% on premises to 95% remote and then back to 90% hybrid, without any negative impact in our services or any material decrease in performance, was a clear demonstration of the flexibility and determination of our employees to do well and to support the needs of the Bank and our clients. We continue to encourage this sense of entrepreneurial adaptability to all of our employees, and at all levels, and are continually investing in the right talent and the tools that allow them to be successful.

The quality, loyalty, and commitment of our team, which is further reflected by their longevity with the J. Safra Group, have enabled us to provide exceptional service to our clients. Our highly specialized team of qualified and knowledgeable relationship managers and investment teams also continue to provide clients with investment portfolios that are robust, well diversified, and able to withstand the complexities of the current environment. This, along with our consistent financial results, and our adherence to a longstanding family philosophy of care and prudence, continues to make us a strong, trusted, and reliable partner to our clients, their families, and the multitude of generations.

This philosophy is the key differentiator between ourselves and our competitors, where we maintain direct involvement and an alignment of interest between the Bank and our clients. Our clients can also avail themselves of the vast resources available to them through the global array of J. Safra Group entities.

Landmark of stability

The images of this year's Annual Report are from the various Landmarks where many of the J. Safra Group entities serves their clients, including our New York Fifth Avenue skyrise and the our new office building in Aventura, FL that is expected to be completed in 2023, and which, when completed, will be a symbol of the creativity, sustainability, and innovation of Safra National Bank of New York and the J. Safra Group as a whole.

We are proud of the long-standing endurance of the J. Safra brand, which is globally respected as a Landmark, in its own right, by its employees and clients for 180 years. Our long-term perseverance and commitment to core principals continues to be 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.

In conclusion, and on behalf of the Safra National Bank of New York Executive Team, I would like to thank all of our loyal clients, employees, and business partners for their continued trust and support as we continue to persevere and maintain our position as a truly exceptional global private bank!

Simoni Morato
Chief Executive Officer
Safra National Bank of New York

MUSEU DO IPIRANGA

Safra National Bank of New York – Representative Office in Brazil
Sao Paulo, SP, Brazil

Consolidated Financial Statements

Independent Auditor’s Report

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

Opinion

We have audited the consolidated financial statements of Safra National Bank of New York and subsidiaries (the “Bank”), which comprise the consolidated statements of financial condition as of December 31, 2021 and 2020, 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 (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Bank and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Bank's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Bank's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Deloitte & Touche LLP

New York, NY
March 21, 2022

Consolidated Statements of Financial Condition

ASSETS	As of 12.31.2021 US$ 000	As of 12.31.2020 US$ 000
CASH AND DUE FROM BANKS	234,755	223,077
SHORT-TERM INVESTMENTS	71,778	38,717
CASH AND SECURITIES REQUIRED TO BE SEGREGATED UNDER FEDERAL OR OTHER REGULATIONS	113,353	40,353
INTEREST-BEARING DEPOSITS WITH BANKS	1,100,831	586,237
SECURITIES HELD-TO-MATURITY, AMORTIZED COST:		
Pledged as collateral	291	355
Unencumbered	315	520
Total securities held-to-maturity	606	875
SECURITIES AVAILABLE-FOR-SALE, FAIR VALUE:		
Pledged as collateral	3,569,703	4,173,757
Unencumbered	394,143	1,263,644
Total securities available-for-sale (includes securities available-for-sale at fair value option — $1,575,020 and $2,454,786 on December 31, 2021 and 2020, respectively)	3,963,846	5,437,401
TRADING SECURITIES, FAIR VALUE:		
Pledged as collateral	–	49,998
Unencumbered	50,322	59,449
Total trading securities	50,322	109,447
LOANS — net of allowance for loan losses, unearned discounts, and deferred loan fees (includes loans at fair value option — $703,514 and $807,811 on December 31, 2021 and 2020, respectively)	3,370,728	2,829,697
OTHER ASSETS:		
Interest receivable	29,006	24,621
Premises and equipment, net	32,099	32,795
Customers' liability on acceptances outstanding	–	959
Cash surrender value of life insurance	84,044	82,221
Federal Reserve Stock	9,602	9,602
Derivative assets	42,506	100,858
Other assets	315,188	110,001
Total other assets	512,445	361,057
TOTAL ASSETS	**9,418,664**	**9,626,861**

See notes to consolidated financial statements.

(Continued)

LIABILITIES AND STOCKHOLDERS' EQUITY	**As of 12.31.2021** **US$ 000**	As of 12.31.2020 US$ 000
LIABILITIES:		
Deposits:		
Demand	3,449,671	3,029,247
Money market, NOW, and savings	503,567	402,159
Time	3,612,710	4,044,453
Total deposits	7,565,948	7,475,859
Borrowings	78,300	476,360
Interest payable	2,164	15,778
Acceptances outstanding	–	959
Accrued compensation	28,501	23,783
Accrued taxes payable	–	593
Net deferred tax liability	4,177	24,877
Derivative liabilities	236,726	374,327
Payable to customers	168,671	112,097
Other liabilities	237,377	50,245
Total liabilities	8,321,864	8,554,878
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	759,359	707,140
Accumulated other comprehensive income — net of tax	25,884	53,286
Total stockholders' equity	1,096,800	1,071,983
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**9,418,664**	**9,626,861**

See notes to consolidated financial statements. (Concluded)

Consolidated Statements of Income

	For the Year Ended 12.31.2021 US$ 000	For the Year Ended 12.31.2020 US$ 000
INTEREST INCOME:		
Loans — including realization of deferred fees and accretion of discounts on loans	67,151	80,712
Securities	81,913	81,760
Interest-bearing deposits with banks	10,177	12,893
Other	–	28
Total interest income	159,241	175,393
INTEREST EXPENSE:		
Deposits and borrowings	12,499	55,277
NET INTEREST INCOME	146,742	120,116
NET PROVISION FOR CREDIT LOSSES — including off-balance sheet reserve	5,682	4,574
Net interest income after provision for credit losses	141,060	115,542
OTHER INCOME:		
Net gain/(loss) on securities transactions (includes $17,495 and $239 accumulated other comprehensive income ("OCI") reclassifications for realized net gains/(losses) on available-for-sale securities sold/called for the years ended December 31, 2021 and 2020, respectively)	90,581	53,384
Net gain/(loss) on fair value measurements (includes derivative net interest income (expense) of $(31,892) and $(23,173) for the years ended December 31, 2021 and 2020, respectively)	(67,635)	17,970
Net gain/(loss) on foreign currency valuation on securities and derivatives	37,566	(12,936)
Fees and service charges	48,304	41,517
Other income	18,163	19,876
Total other income	126,979	119,811
OTHER EXPENSES:		
Salaries and employee benefits	79,242	68,313
Professional fees	24,641	23,760
Occupancy	16,226	9,567
Communications and data processing	11,009	9,372
Other operating	28,661	21,194
Total other expenses	159,779	132,206
INCOME BEFORE INCOME TAXES	108,260	103,147
INCOME TAXES (includes $4,374 and $60 income tax expense (benefit) from reclassification items from OCI for the years ended December 31, 2021 and 2020, respectively)	26,041	23,388
NET INCOME	**82,219**	**79,759**

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

	For the Year Ended 12.31.2021 US$ 000	For the Year Ended 12.31.2020 US$ 000
NET INCOME	82,219	79,759
OTHER COMPREHENSIVE INCOME, NET OF TAXES:		
Securities available-for-sale:		
Net unrealized gains/(losses) during the period (net of tax (expense)/benefit of $4,760 and $(18,240) on December 31, 2021 and 2020, respectively)	(14,281)	54,705
Reclassification adjustment for realized (gains)/losses for securities sold/called included in net income (net of tax expense/(benefit) of $4,374 and $60, on December 31, 2021 and 2020, respectively)	(13,121)	(179)
Other comprehensive income/(loss)	(27,402)	54,526
TOTAL COMPREHENSIVE INCOME	**54,817**	**134,285**

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, 2020	**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 (loss)	–	–	–	54,526	54,526
BALANCE — December 31, 2020	**18,956**	**292,601**	**707,140**	**53,286**	**1,071,983**
Payment of dividends	–	–	(30,000)	–	(30,000)
Net income	–	–	82,219	–	82,219
Other comprehensive income (loss)	–	–	–	(27,402)	(27,402)
BALANCE — December 31, 2021	**18,956**	**292,601**	**759,359**	**25,884**	**1,096,800**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

	For the Year Ended 12.31.2021 US$ 000	For the Year Ended 12.31.2020 US$ 000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	82,219	79,759
Adjustment to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	10,798	4,090
Loss on disposal of software and equipment	688	–
Provision for (benefit from) deferred income taxes	(11,566)	10,065
Net provision for credit losses	5,682	4,574
Net amortization/accretion of securities premiums/discounts	(6,705)	5,490
Net realized (gain)/loss on sales of securities available-for-sale (“AFS”)	(17,495)	(239)
Net (gain)/loss on fair value measurement of elected fair value option (“FVO”) on securities available-for-sale	95,707	(231,496)
Net (gain)/loss on fair value measurement of elected FVO on loans and deposits	18,568	(15,938)
Net (gain)/loss from basis adjustments on fair value hedges of AFS securities and loans	20,238	5,084
Net (increase) decrease in operating assets:		
Securities required to be segregated under federal or other regulations	12,000	17,982
Trading securities	59,124	(23,053)
Interest receivable	(4,245)	3,197
Derivative assets	58,352	(51,305)
Other assets	(200,585)	108,069
Net increase (decrease) in operating liabilities:		
Interest payable	(13,614)	(15,961)
Accrued compensation	4,718	(2,919)
Accrued taxes payable	(593)	(575)
Derivative liabilities	(137,601)	242,069
Payable to customers	56,574	55,757
Other liabilities	186,632	(154,423)
Net cash provided by (used in) operating activities	**218,896**	**40,227**

See notes to consolidated financial statements. (Continued)

	For the Year Ended 12.31.2021 US$ 000	For the Year Ended 12.31.2020 US$ 000
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from paydowns, sales, calls, and maturities of securities available-for-sale	1,763,147	1,147,272
Proceeds from paydowns and maturities of securities held-to-maturity	268	240
Purchases of securities	(408,923)	(2,417,153)
Acquisition of consumer loan business	(10,869)	–
Purchases of premises and equipment	(9,737)	(9,698)
Increase in cash surrender value of life insurance	(1,823)	(1,844)
Net (increase) decrease in:		
Interest-bearing deposits with banks	(514,594)	(255,450)
Loans	(568,655)	61,146
Customers' liability on acceptances outstanding	959	(847)
Net cash provided by (used in) investing activities	**249,773**	**(1,476,334)**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment of dividends	(30,000)	(6,000)
Net increase (decrease) in:		
Deposits	95,529	1,185,344
Borrowings	(398,060)	(142,040)
Acceptances outstanding	(959)	847
Net cash provided by (used in) financing activities	**(333,490)**	**1,038,151**
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(5,440)	9,343
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	129,739	(388,613)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH — Beginning of year	290,147	678,760
CASH, CASH EQUIVALENTS AND RESTRICTED CASH — End of year	419,886	290,147
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the year for:		
Interest on deposits, borrowed funds, and derivative transactions	60,575	91,234
Income taxes — (net of refunds received of $0 in 2021 and $535 in 2020)	44,995	15,327

See notes to consolidated financial statements.

(Concluded)

Notes to Consolidated Financial Statements

As of and for the years ended December 31, 2021 and 2020 (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, 2021 and 2020, was \$612 and \$572, 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, in accordance with ASC 825, *Financial Instruments* ("ASC 825"). 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, 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. In December 2020, the provisions of Section 4013 of the CARES Act were extended until the earlier of January 1, 2022 or 60 days after the end of the COVID-19 national emergency. The Bank has applied this guidance related to qualified modifications executed during the years ended December 31, 2021 and 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 the present value of expected future cash flows or, as practical expedient, at the fair value of the loan or the fair value of the collateral less estimated costs to sell, if the loan is collateral dependent. 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 is 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. Building improvements are amortized when the assets are placed in service. 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 2021 and 2020 for goodwill and intangible assets.

Derivative Financial 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 Accounting Standards Update ("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. In addition, 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 may elect 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, 2021 and 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, 2021 and 2020. 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* ("ASC 606"), 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 $73,887 and $51,780, included in net gain/(loss) on securities transactions, and commissions of $16,714 and $15,747, included in other income, were recognized in the consolidated statements of income pursuant to ASC 606 for the years ended December 31, 2021 and 2020, respectively. In addition, the Bank recognized revenues from custody fees and service charges of $45,714 and $38,134 in 2021 and 2020, 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 this income tax allocation 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 in the accompanying consolidated statements of income, and a liability for unrecognized tax benefits ("UTB") which is included in other liabilities in the accompanying consolidated statements of financial condition.

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 and loans. Refer to Note 22 for further details.

Acquisition of Consumer Loan Business

On August 18, 2021, the Bank acquired the consumer loan business of Access Loans LLC for $12,885. The acquisition was accounted for under the acquisition method of accounting pursuant to ASC 805, *Business Combinations.* The Bank paid cash of $10,869 for the acquired business which included fair value of $7,230 in consumer loans. The purchase price included $5,028 for the assumption and payoff of third party debt and $1,516 for the discharge of loans previously made by the Bank to Access Loans LLC. The Bank recorded $5,655 of goodwill related to the acquisition. The purchase agreement provides for additional payments of up to $7,000 based on net earnings of the unit for the periods beginning at acquisition date and ending December 31, 2024 and 2025. These contingent payments have not been reflected in the consolidated financial statements.

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. As previously announced in 2020, the ICE Benchmark Administration, the administrator of US Dollar LIBOR ceased publication of 1-week and 2-month USD LIBOR at the end of 2021 and intends to cease publication of the remaining USD LIBOR tenors on 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 June 30, 2023. Effective January 1, 2022, the Bank ceased entering into new swaps and loans referencing LIBOR. In addition, the reference rates on certain types of loans existing as of December 31, 2021 were changed from LIBOR to SOFR-based rates on January 1, 2022, and all other loan agreements with maturities after June 30, 2023 have been modified with fallback language allowing the replacement of LIBOR-based rates. Management has further mitigated the risks relating to the LIBOR transition by adhering to the ISDA IBOR Fallbacks Protocol which provides for SOFR-based replacement rates on derivatives that use LIBOR as a reference rate, which were entered into on or before December 31, 2021.

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 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 severity of the pandemic decreased substantially in 2021 due to successful vaccine and other medical treatments. However, the pandemic has continued throughout 2021 and into 2022 with the spread of new variants.

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 adopted this guidance on January 1, 2022 with no material impact 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. In March 2021, the FASB issued ASU No. 2021-03, *Intangibles—Goodwill and Other (Topic 350): Accounting Alternative for Evaluating Triggering Events.* This guidance provides private companies and not-for-profit entities with an accounting alternative to perform the goodwill impairment triggering event evaluation as of the end of the reporting period, whether the reporting period is an interim or annual period. The amendments in ASU 2021-03 are effective for fiscal years beginning after December 31, 2019. The Bank adopted the above guidance relating to goodwill on January 1, 2022 with no 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. The Bank adopted this additional guidance on January 1, 2022 with no material impact on its consolidated financial statements.

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 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 adopted this guidance during the year ended December 31, 2021 with no material impact on its consolidated financial statements.

2. INTEREST-BEARING DEPOSITS WITH BANKS

As of December 31, 2021, interest-bearing deposits with banks in the amount of $1,100,831 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 $25,704 with an affiliated bank. The time deposits bear interest at rates ranging from 1.10% to 3.27%, with maturities in January and June 2022.

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.

Included in the interest-bearing deposits with banks amounts noted above are also deposits with the FRBNY bearing interest of 0.15% and 0.10%, amounting to $725,127 and $332,563 at December 31, 2021 and 2020, 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 $0 and $48,079 at the FRBNY during the years ended December 31, 2021 and 2020, respectively. As of March 26, 2020, FRBNY reduced the reserve requirement ratio to zero percent.

On average, there were deposits of $674,771 and $278,033 in excess of the reserve requirement held at the FRBNY during the years ended December 31, 2021 and 2020, respectively.

3. CASH AND CASH EQUIVALENTS, INCLUDING RESTRICTED CASH

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, 2021 and 2020, amounted to cash of $113,353 and $28,353, respectively, and qualified securities as defined by SEC Rule 15c3-3 with a fair value of $0 and $12,000, respectively.

At December 31, 2021 and 2020, cash, cash equivalents and restricted cash consisted of the following:

$	**2021**	2020
Cash and due from banks	234,755	223,077
Short-term investments	71,778	38,717
Restricted cash included in cash and securities segregated under federal or other regulations	113,353	28,353
Total	419,886	290,147

4. RELATED-PARTY TRANSACTIONS

The ultimate shareholders of the Bank also control 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, 2021 and 2020, are as follows:

$	**2021**	2020
ASSETS:		
Cash and due from banks	58	331
Interest bearing deposits with banks	25,704	3,674
Loans	129,291	129,991
Interest receivable	19	17
Other assets	125,953	6,731
LIABILITIES:		
Demand deposits	54,841	21,814
Money market accounts, NOW, and savings deposits	3,557	6,474
Time deposits	121,294	36,772
Borrowings	78,300	476,360
Interest payable	5	8
Other liabilities	17,959	27,794
INCOME AND EXPENSE FOR THE YEARS ENDED DECEMBER 31:		
INCOME:		
Introducer fee income (included in fees and service charges)	16,538	10,303
Interest income on loans	1,163	3,277
Rental income (included in other income)	92	306
EXPENSE:		
Interest expense on deposits and borrowings	141	2,119
Professional services (included in professional fees)	15,749	14,413
Rental expense (included in occupancy expenses)	5,710	5,347
Charitable contributions (included in other operating expenses)	13,344	5,352

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, 2021 and 2020, the loan balance was reduced to $118,250 and $119,250, respectively. The loan is fully secured by U.S. agency/government securities and deposits. All other loans provided to affiliates as of December 31, 2021 and 2020 of $11,041 and $10,741, 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, 2021 and 2020 were 0.84% and 2.45%, respectively. As of December 31, 2021 and 2020, letters of credit of $115 and $140, 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 2021 and 2020 were $378,355 and $613,957, respectively, and the average interest rate on overnight borrowings with affiliates during the years ended December 31, 2021 and 2020 were 0.01% and 0.27%, 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:

	2021	2020
Balance as of December 31,	$ –	$ –
Average balance during the year	$ –	$12,330
Average interest rate earned during the year	0.00%	0.23%
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:

	2021	2020
Balance as of December 31,	$ –	$ –
Average balance during the year	$ –	$7,669
Average interest rate paid during the year	0.00%	0.53%
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 Bank did not enter into securities purchased under agreements to resell and securities sold under agreements to repurchase during 2021. The securities purchased under agreements to resell and securities sold under agreements to repurchase were open-maturity and monthly term agreements during 2020.

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, 2021 and 2020, were approximately as follows:

Securities at December 31, 2021

$	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-Sale Securities:				
Obligations of U.S. government	777,231	106,832	(4)	884,059
Corporate debt securities	421,234	4,245	(2,267)	423,212
Obligations of states, local, U.S. Sponsored agencies, and political subdivisions	1,184,012	137,593	(5,673)	1,315,932
Agency mortgage-backed securities	1,328,501	12,198	(56)	1,340,643
Total available-for-sale securities	3,710,978	260,868	(8,000)	3,963,846
Held-to-Maturity Securities:				
Agency mortgage-backed securities	606	23	–	629
Total held-to-maturity securities	606	23	–	629

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

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, 2021 and 2020 is as follows

$	**2021**	2020
Amortized cost	1,338,672	2,122,732
Fair value of FVO securities	1,575,020	2,454,786
Gross unrealized gains	236,403	332,056
Gross unrealized (losses)	(55)	–

Available-for-sale securities with unrealized losses as of December 31, 2021 and 2020 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, 2021 and 2020.

As of December 31, 2021

				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	74,922	74,918	(4)	74,918	(4)	–	–
Corporate debt securities	179,136	176,869	(2,267)	63,023	(428)	113,846	(1,839)
Obligations of states, local, U.S. Sponsored agencies, and political subdivisions	181,598	175,925	(5,673)	175,925	(5,673)	–	–
Agency mortgage-backed securities	6,234	6,178	(56)	4,664	(55)	1,514	(1)
Total	441,890	433,890	(8,000)	318,530	(6,160)	115,360	(1,840)

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)

The number of available-for-sale securities with unrealized losses were 20 and 10 at December 31, 2021 and 2020, 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, 2021 and 2020, 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, 2021 and 2020, 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. In addition, agency mortgage-backed securities are not categorized based on the maturity as they are not due at a single maturity date.

Proceeds from sales of available-for-sale securities during the years ended December 31, 2021 and 2020, were approximately $464,434 and $338,496 respectively.

During the years ended December 31, 2021 and 2020, net gains of approximately $17,495 and $239 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, 2021 and 2020, 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 12/31/2021:	3,569,703	291	–	–
At 12/31/2020:	4,173,757	355	–	–

Securities at December 31, 2021

$	Amortized Cost	Fair Value
Available-for-Sale Securities:		
Due in one year or less	–	–
Due after one year through five years	582,737	591,765
Due after five years through ten years	174,071	171,977
Over ten years	1,625,669	1,859,461
	2,382,477	2,623,203
Agency mortgage-backed securities	1,328,501	1,340,643
Total available-for-sale securities	3,710,978	3,963,846
Held-to-Maturity Securities:		
Agency mortgage-backed securities	606	629
Total held-to-maturity securities	606	629

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

7. TRADING SECURITIES

During the years ended December 31, 2021 and 2020, trading securities gains were approximately $71,659 and $52,184, respectively, included in net gain on securities transactions in the consolidated statements of income.

A summary of trading securities at December 31, 2021 and 2020, is as follows:

$	**2021**	2020
Obligations of U.S. government	–	49,998
Corporate debt securities	42,778	51,747
Equities	7,544	7,702
Total trading securities	50,322	109,447

At December 31, 2021 and 2020, SSL pledged Obligations of U.S. government of $0 and $49,998, 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, including hedge accounting basis adjustments, at December 31, 2021 and 2020, is as follows:

$	**2021**	2020
Commercial and industrial:		
Domestic	1,612,145	1,549,947
Foreign	1,416,312	997,846
Total commercial and industrial	3,028,457	2,547,793
Individuals	378,541	283,359
Foreign banks	–	30,000
Total loans	3,406,998	2,861,152
Less:		
Deferred loan fees and unearned discounts	87	171
Allowance for loan losses	36,183	31,284
Loans — net of allowance for loan losses, deferred loan fees and unearned discounts	3,370,728	2,829,697

The Bank elected the fair value option for certain loans with an aggregate outstanding principal balance of $703,073 and $789,160 as of December 31, 2021 and 2020, respectively, and recorded these loans at fair value of $703,514 and $807,811, as of December 31, 2021 and 2020, 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, 2021

$ Facility	Commercial & Industrial		Indivi-	Foreign	
Risk Grade	Domestic	Foreign	duals	Banks	Total
1–6	837,659	1,332,575	366,370	–	2,536,604
7	87,040	–	11,371	–	98,411
8	75,000	–	343	–	75,343
9	–	–	230	–	230
10	–	–	227	–	227
11	–	–	–	–	–
Total	999,699	1,332,575	378,541	–	2,710,815

As of December 31, 2020

$ Facility	Commercial & Industrial		Indivi-	Foreign	
Risk Grade	Domestic	Foreign	duals	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

The maturities of the loan portfolio at December 31, 2021 and 2020 before allowance for loan losses, deferred loan fees and unearned discounts, and excluding hedge accounting basis adjustments, is summarized as follows:

$	**2021**	2020
Three months or less	1,756,097	1,375,371
Over three months through 12 months	770,093	726,073
Over one year through three years	274,644	260,873
Over three years through five years	305,933	175,868
Over five years through 15 years	307,562	321,348
Total	3,414,329	2,859,533

The Bank pledged $445,618 and $642,087 at December 31, 2021 and 2020, 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, 2021 and 2020, was as follows:

	LOANS					
	Commercial & Industrial					
$	Domestic	Foreign	Individuals	Foreign Banks	Total	Off-Balance Sheet Commitments
Balance — January 1, 2020	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
Provisions (Reversals)	4,151	1,113	2 ,688	(2,452)	5,500	182
Write-offs	–	–	(622)	–	(622)	–
Loan recoveries	15	–	6	–	21	–
Balance — December 31, 2021	28,618	4,509	3 ,056	–	36,183	2,379

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

A summary of loans past due, nonaccrual and impaired at December 31, 2021 and 2020, is as follows:

$	**2021**	2020
Loans past due 30 through 89 days and still accruing	722	–
Loans past due 90 days or more and still accruing	229	–
Nonaccrual loans	–	–
Impaired loans	75,000	–

The following table presents average impaired loans and related interest income, and interest forgone on nonaccrual loans reported by the Bank:

$	Average recorded investment in impaired loans	Interest income recognized on impaired loans	Interest foregone on nonaccrual loans
For the year ended December 31, 2021	75,000	1,626	–
For the year ended December 31, 2020	–	–	–

The Bank does not collectively evaluate any specific group of homogenous loans for impairment. In accordance with ASC 310-10-35, the Bank evaluated a commercial and industrial loan of $75,000 for impairment on an individual basis as of December 31, 2021. There were no impairments on an individual basis as of December 31, 2020. The Bank did not maintain any loans purchased with deteriorated credit as of December 31, 2021 and 2020.

The Bank determined that no loans qualified as a TDR at December 31, 2021 and 2020, and for the years then ended. In the years ended December 31, 2021 and 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, 2021 and 2020, respectively, $549,735 and $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, 2021 and 2020, included the following:

$	**2021**	2020
Land	5,235	5,235
Building and improvements	27,905	34,897
Furniture and equipment	5,362	5,494
Computer hardware and software	22,332	18,628
Artwork	3,453	3,453
	64,287	67,707
Less accumulated depreciation and amortization	32,188	34,912
Total premises and equipment, net	32,099	32,795

The related depreciation and amortization expense, included in occupancy and communications and data processing expenses in the consolidated statements of income, was approximately $9,746 and $3,038 in 2021 and 2020, respectively.

In 2021, management approved a redevelopment plan providing for the demolition of an office building, used for the Bank's and an affiliate's premises, and construction of a new building on the site. Depreciation expense for the year ended December 31, 2021, includes $5,550 relating to the change in useful life for the existing building and building improvements.

11. OTHER ASSETS AND OTHER LIABILITIES

Other assets at December 31, 2021 and 2020, included the following:

$	**2021**	2020
Receivable from customers	132,758	32,211
Receivable from brokers, dealers and clearing organizations	118,303	39,488
Accounts receivable	22,619	11,311
Intangible assets, net	7,760	8,813
Securities borrowed	5,229	2,877
FHLBNY stock	3,555	2,318
Goodwill	7,492	1,837
Taxes receivable	7,809	2,818
Other assets	9,663	8,328
Total other assets	315,188	110,001

In 2021, the Bank recorded $5,655 of Goodwill in connection with the acquisition of a consumer loan business. Refer to Note 1 for further details.

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 2021 and 2020, 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 $4,903 and $2,690 at December 31, 2021 and 2020, respectively.

Other liabilities at December 31, 2021 and 2020, included the following:

$	**2021**	2020
Payable to brokers, dealers and clearing organizations	214,548	30,754
Accrued expenses	13,159	13,365
Other liabilities	9,670	6,126
Total other liabilities	237,377	50,245

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, 2021

$	Governmental Obligations	Financial Institutions	Private Business and Individuals	Total
Western Europe and Canada	255,690	999,987	69,938	1,325,615
Brazil	29,954	241,776	34,521	306,251
Other Latin America	7,369	25,882	25,343	58,594
Other	31,043	250,585	56,712	338,340
Total	324,056	1,518,230	186,514	2,028,800

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

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

13. DEPOSITS — LIABILITIES

Deposits — liabilities at December 31, 2021 and 2020 are summarized as follows:

$	**2021**	2020
Demand deposit — non-interest bearing	3,449,671	3,029,247
Money market	441,757	348,375
NOW and savings	61,810	53,784
Certificates of deposit	925,435	656,640
Certificates of deposit — brokered	2,687,275	3,387,813
Total deposits — liabilities	7,565,948	7,475,859

The distribution of certificates of deposit by remaining maturity at December 31, 2021 and 2020 is as follows:

$	**2021**	2020
Maturity in one year or less	3,576,740	4,043,147
Maturity in over one year through three years	10,492	1,034
Maturity in over three years	25,478	272
Total	3,612,710	4,044,453

The aggregate amount of certificates of deposit, excluding certificates of deposit – brokered, with a denomination of $100,000 or more was approximately $906,401 and $635,989 at December 31, 2021 and 2020, respectively.

At December 31, 2021 and 2020, certificates of deposit in denominations of $250,000 or more were $3,554,350 and $3,976,059, respectively.

14. BORROWINGS

As of December 31, 2021 and 2020, all borrowings on the consolidated statements of financial condition of $78,300 and $476,360, respectively, were with affiliates. Refer to Note 4 for further details.

15. OTHER OPERATING EXPENSES

Other operating expenses for the years ended December 31, 2021 and 2020, are as follows:

$	**2021**	2020
Charitable contributions	13,344	5,352
FDIC insurance premiums	3,905	6,878
Other general operating	11,412	8,964
Total other operating expenses	28,661	21,194

16. INCOME TAXES

The components of the provision for income taxes for the years ended December 31, 2021 and 2020, are as follows:

$	**2021**	2020
Current tax expense:		
Federal	28,826	11,350
State and city	8,481	1,673
Foreign	300	300
Total current tax expense	37,607	13,323
Deferred tax expense (benefit):		
Federal	(8,792)	8,213
State and city	(2,774)	1,852
Total deferred tax expense (benefit)	(11,566)	10,065
Income taxes	26,041	23,388

The net deferred tax asset and liability at December 31, 2021 and 2020, were composed of the following:

$	**2021**	2020
Deferred tax assets:		
Allowance for credit losses	9,910	8,459
Contingency reserve	–	105
Depreciation and amortization	2,526	648
Accrued compensation	6,661	1,610
Accrued expenses	447	257
Other	(69)	(46)
Total deferred tax assets	19,475	11,033
Deferred tax liabilities:		
Fair value measurements	(15,024)	(18,148)
Unrealized gains included in stockholders' equity	(8,628)	(17,762)
Total deferred tax liabilities	(23,652)	(35,910)
Net deferred tax (liability)	(4,177)	(24,877)

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, 2021 and 2020, as follows:

$	**2021**	2020
Taxes at federal statutory rate	22,735	21,661
State and city income taxes — net of federal benefit	4,265	2,342
Bank owned life insurance	(386)	(390)
Dividend received deduction	(287)	(321)
State and city rate adjustment	238	45
Other — net	(524)	51
Provision for income taxes	26,041	23,388

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.

The Bank recognizes interest and penalties related to UTB within the income tax expense line in the accompanying consolidated statements of income. In 2021 and 2020, 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, 2021, 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, 2021, the Bank had a tax receivable of $7,372 due from Parent which is included in other assets, and a tax receivable of $437 for a separately filed state tax return which is included in other assets on the consolidated statement of financial condition. 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.

17. ACCUMULATED OTHER COMPREHESIVE INCOME

The following table presents changes in AOCI, net of tax, for the years ended December 31, 2021 and 2020:

$	AFS Securities
Balance — January 1, 2020	(1,240)
Net change in unrealized gain/(loss)	54,705
Amounts reclassified out of AOCI	(179)
Balance — December 31, 2020	53,286
Net change in unrealized gain/(loss)	(14,281)
Amounts reclassified out of AOCI	(13,121)
Balance — December 31, 2021	25,884

The related tax effects allocated to securities available-for-sale ("AFS") in AOCI as of December 31, 2021 and 2020 are as follows:

$	**2021**	2020
Unrealized gain/(loss) on AFS securities	34,512	71,048
Tax component	(8,628)	(17,762)
Net amount included in AOCI	25,884	53,286

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, 2021 and 2020, such obligations included standby and commercial letters of credit of approximately $38,146 and $34,953, 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 $24,505 and $29,175 at December 31, 2021 and 2020, respectively.

In connection with guarantees issued, substantially all such items were collateralized by deposits or highly liquid assets at December 31, 2021 and 2020.

19. CREDIT-RELATED RISK CONCENTRATIONS

In the normal course of its business, the Bank's credit-related risk concentrations as of December 31, 2021 and 2020, were as follows:

$	**2021**	2020
Credit exposure in deposits with banks:		
Branches and agencies in the United States of America	1,391,762	763,387
Foreign banks	126,126	104,187
Credit exposure in assets of the consolidated statements of financial condition in:		
The U.S. federal government and its agencies	3,433,482	4,188,176
Real estate loan portfolio	1,109,368	1,151,029
Total	6,060,738	6,206,779

20. COMMITMENTS AND CONTINGENT LIABILITIES

At December 31, 2021, the Bank was obligated under non-cancelable leases for the Bank's premises with an affiliate expiring through July 2027 and with a non-affiliate expiring through September 2024.

Rental expense for 2021 and 2020 was $5,707 and $5,432, respectively, included in occupancy expenses in the consolidated statements of income. Minimum rental commitments on leases as of December 31, 2021, were as follows:

Years Ending December 31,

$	Amount
2022	1,689
2023	1,753
2024	1,579
2025	1,030
2026	1,030
Thereafter	601
Total	7,682

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, the Bank 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 the Bank do not settle because of failure to perform by either counterparty, the Bank 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. The Bank 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 $199,977 and $235,756 as of December 31, 2021, and 2020 respectively. In accordance with this restriction, the Bank declared and paid dividends of $30,000 and $6,000 during the years ended December 31, 2021 and 2020, 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, 2021 and 2020, the Bank meets all capital adequacy requirements to which they are subject.

As of December 31, 2021, 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, 2021:						
Total capital (to risk-weighted assets)	864,986	21.26	325,446	8.00	406,808	10.0
Tier 1 capital (to risk-weighted assets)	826,424	20.31	244,085	6.00	325,446	8.0
Common Equity Tier 1 capital (to risk-weighted assets)	826,424	20.31	183,064	4.50	264,425	6.5
Tier 1 capital (to average assets)	826,424	8.86	373,079	4.00	466,349	5.0
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

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, 2021 and 2020:

$	**2021**	2020
Required net capital	2,020	1,429
Net capital	220,394	206,164
Excess net capital	218,374	204,735

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, *Fair Value Measurement.*

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 if applicable, 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, 2021 and 2020:

Financial Assets and Liabilities at Fair Value as of December 31, 2021

$	Level 1	Level 2	Level 3	Cash Collateral Netting	Total
ASSETS					
Short-term investments:					
Money market accounts and funds	71,778	–	–	–	71,778
	71,778	–	–	–	71,778
Available-for-sale securities:					
Obligations of U.S. Government	–	884,059	–	–	884,059
Corporate debt securities	–	423,212	–	–	423,212
Obligations of states, local, U.S. Sponsored agencies and political subdivisions	–	1,315,932	–	–	1,315,932
Agency mortgage-backed securities	–	1,340,643	–	–	1,340,643
	–	3,963,846	–	–	3,963,846
Trading securities:					
Corporate debt securities	–	42,778	–	–	42,778
Equities	7,544	–	–	–	7,544
	7,544	42,778	–	–	50,322
Loans	–	–	703,514	–	703,514
Derivative assets:					
Foreign exchange contracts	–	21,566	–	(5,375)	16,191
Interest rate contracts	–	20,643	–	–	20,643
Other contracts	–	5,672	–	–	5,672
	–	47,881	–	(5,375)	42,506
Total assets	79,322	4,054,505	703,514	(5,375)	4,831,966
LIABILITIES					
Derivative liabilities:					
Foreign exchange contracts	–	15,568	–	–	15,568
Interest rate contracts	–	215,486	–	–	215,486
Other contracts	–	5,672	–	–	5,672
	–	236,726	–	–	236,726
Total liabilities	–	236,726	–	–	236,726

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

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, 2021 and 2020, assets measured at fair value on a nonrecurring basis were as follows:

Financial Assets at Fair Value as of December 31, 2021 and 2020

$	Fair Value at December 31,	Level 1	Level 2	Level 3	Total Losses for the Year Ended December 31,
2021					
Impaired loans	74,988	–	74,988	–	12
2020					
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 on a recurring basis 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 (or SOFR) to a fixed rate for the duration of the loan; plus, the contractual spread over Libor (or SOFR) 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, 2021 and 2020. The following table presents the quantitative information about Level 3 fair value measurements as of December 31, 2021 and 2020:

The following table presents detailed changes in the Bank's Level 3 financial assets and liabilities at fair value that occurred during 2021 and 2020:

Level 3 — Financial Assets and Liabilities for Years Ended

$	**Loans**
BALANCE — January 1, 2020	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
Net unrealized gain (included in net gain/(loss) on fair value measurements)	(18,211)
Issuances	79,500
Settlements	(165,586)
BALANCE — December 31, 2021	703,514

There were no transfers between Level 1, Level 2 and Level 3 for the years ended December 31, 2021 and 2020.

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

Assets at December 31, 2021

	Fair Value $	Valuation Technique	Significant Unobservable Inputs	Range of Inputs	Weighted Average
Loans	703,514	Discounted cash flows	Credit spreads	15 bps – 790 bps	299 bps

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

value option for the remainder of the loan portfolio as these loans are 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 $703,514 and $807,811, and an aggregate outstanding principal balance of $703,073 and $789,160 at December 31, 2021 and 2020, respectively, and were included in loans in the consolidated statements of financial condition. As of December 31, 2021 and 2020, the Bank had no loans recorded at fair value that were classified as nonaccrual and/or past due. Accrued interest receivable of $1,603 and $1,246 at December 31, 2021 and 2020, 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 gain/(loss) resulting from changes in fair value of these loans of $(18,568) and $15,939 were included in net gain/(loss) on fair value measurements in the consolidated statements of income for the years ended December 31, 2021 and 2020, respectively. Changes in fair value due to instrument specific credit risk for the years 2021 and 2020 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.

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, 2021 and 2020, 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 $44,600 and $872,698, respectively. As of December 31, 2021 and 2020, the total notional amounts outstanding to fulfill clients' needs were $1,934,779 and $3,394,559, respectively. Foreign exchange contracts had maturities ranging from January 2022 to June 2030, and from January 2021 to December 2026, as of December 31, 2021 and 2020, 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, 2021 and 2020, as follows:

$	**2021**	2020
Notional amounts of interest rate contracts as of December 31,		
Used as economic hedges	1,697,191	1,853,287
Used to fullfil clients' needs	72,000	106,466
Designated as fair value hedges	690,381	300,713
Total notional amounts	2,459,572	2,260,466
Range of maturity	January 2022 to May 2046	January 2021 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, 2021, the total notional amounts outstanding to fulfil clients' needs were equity option contracts of $35,443 and credit default contracts of $0. 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, 2021 and 2020 are as follows:

Derivatives Assets

As of December 31,	**2021**		2020	
	Consolidated Statement of Financial Condition	Fair Value $	Consolidated Statement of Financial Condition	Fair Value $
Derivatives designated as hedging instruments:				
Interest rate contracts	Derivative assets	20,475	Derivative assets	6,703
Derivatives not designated as hedging instruments:				
Foreign exchange contracts	Derivative assets	31,508	Derivative assets	90,139
Foreign exchange contracts*	Derivative liabilities	765	Derivative liabilities	57,772
Interest rate contracts	Derivative assets	169	Derivative assets	511
Other contracts	Derivative assets	5,672	Derivative assets	7,899
		38,114		156,321
Total gross derivative assets		58,589		163,024

* 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,	**2021**		2020	
	Consolidated Statement of Financial Condition	Fair Value $	Consolidated Statement of Financial Condition	Fair Value $
Derivatives designated as hedging instruments:				
Interest rate contracts	Derivative liabilities	134	Derivative liabilities	7,471
Derivatives not designated as hedging instruments:				
Foreign exchange contracts	Derivative liabilities	16,333	Derivative liabilities	155,742
Foreign exchange contracts*	Derivative assets	9,943	Derivative assets	4,394
Interest rate contracts	Derivative liabilities	215,352	Derivative liabilities	283,187
Other contracts	Derivative liabilities	5,672	Derivative liabilities	7,899
		247,300		451,222
Total gross derivative liabilities		247,434		458,693

* 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	
		2021	2020
Derivatives not Designated as Hedging Instruments:			
Interest income on interest rate contracts — net	Net gain/(loss) on fair value measurements	(31,892)	(23,173)
Interest income on foreign exchange contracts — net	Net gain/(loss) on foreign currency valuation on securities and derivatives	531	675
Gain/(loss) on interest rate contracts — net	Net gain/(loss) on fair value measurements	78,496	(206,565)
Gain/(loss) on foreign exchange contracts — net	Net gain/(loss) on foreign currency valuation on securities and derivatives	37,013	(13,607)
Total		84,148	(242,670)

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, 2021 and 2020, the following amounts related to cumulative basis adjustments for fair value hedges were recorded on the consolidated statements of financial condition:

As of December 31,	**2021**		2020	
$	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*	351,646	(17,992)	186,522	(6,703)
Loans	353,591	(7,330)	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, 2021 and 2020 were as follows:

$	Location on Consolidated Statement of Income	Amount of Gain/(Loss) Recognized in Consolidated Statements of Income	
		2021	2020
Derivatives Designated as Fair Value Hedges:			
Gain/(loss) on interest rate contracts	Interest Income	21,108	5,273
Hedged item — AFS securities	Interest Income	(11,289)	(6,703)
Hedged item — loans	Interest Income	(8,949)	1,619
Total		870	189

The following tables provide a summary of offsetting derivative financial instruments as of December 31, 2021 and 2020:

$	Gross Amount Recognized	Gross Amount Offset in the Consolidated Statement of Financial Condition	Net Amount Presented in the Consolidated Statement of Financial Condition	Gross Amounts Not Offset in the Consolidated Statement of Financial Condition		Net Amount
				Derivatives	Collateral*	
As of December 31, 2021						
Derivative assets	58,589	(16,083)	42,506	(24,203)	(870)	17,433
Derivative liabilities	247,434	(10,708)	236,726	(24,203)	(186,290)	26,233

* 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 Consolidated Statement of Financial Condition	Net Amount Presented in the Consolidated Statement of Financial Condition	Gross Amounts Not Offset in the Consolidated 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.

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, 2021 and 2020. The Bank has received $870 and $0, respectively, of cash collateral as of December 31, 2021 and 2020 related to margin for equity option contracts, which is included in money market, NOW, and savings deposits in the accompanying consolidated statements of financial condition. In addition, the Bank has received $5,375 and paid $22,200, respectively, of cash collateral as of December 31, 2021 and 2020, which is netted against derivative assets and derivative liabilities, respectively, 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, 2021 and 2020, was approximately $2,231 and $2,118, respectively.

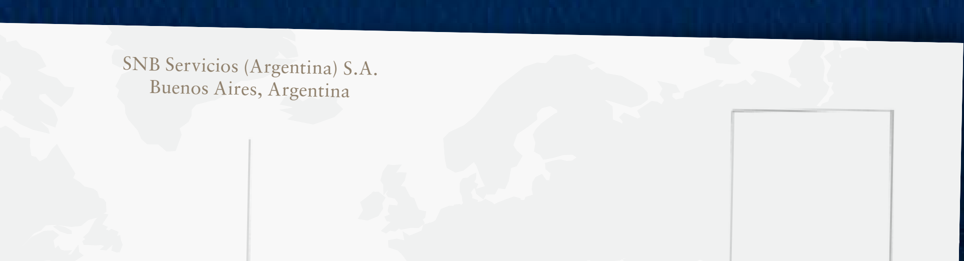
25. CUSTODY SERVICES

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 $16,668,511 and $15,975,213 at December 31, 2021 and 2020, 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 $18,950 and $18,751 for the years ended December 31, 2021 and 2020, respectively.

26. SUBSEQUENT EVENTS

For the year ended December 31, 2021, the Bank evaluated subsequent events for the consolidated financial statements. There were no subsequent events through March 21, 2022, the date the consolidated financial statements were available to be issued, that would require recognition or disclosure in the consolidated financial statements.


·BUENOS AIRES·
CASA ROSADA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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