



**Safra National Bank**  
of New York

**Annual Report**  
**2023**







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

**Joseph Safra (1938 – 2020)**

A large tree with thick, gnarled roots in a forest. The roots are prominent and spread out across the ground, creating a complex network of natural structures. The background is filled with lush green foliage, suggesting a dense, healthy forest environment. The lighting is natural, highlighting the textures of the bark and the surrounding vegetation.

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A large tree with thick, gnarled roots in a lush forest. The roots are prominent, curving and spreading across the ground. The background is filled with dense green foliage and sunlight filtering through the leaves.

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A scenic view of a river flowing through a forest. In the foreground, several large, weathered tree trunks are partially submerged in the water, creating a small waterfall effect. The river flows from the background towards the foreground, with white water rapids visible. The background is filled with lush green trees, and a large tree branch hangs down from the top of the frame, framing the scene. The overall atmosphere is peaceful and natural.

# Chairman's Foreword

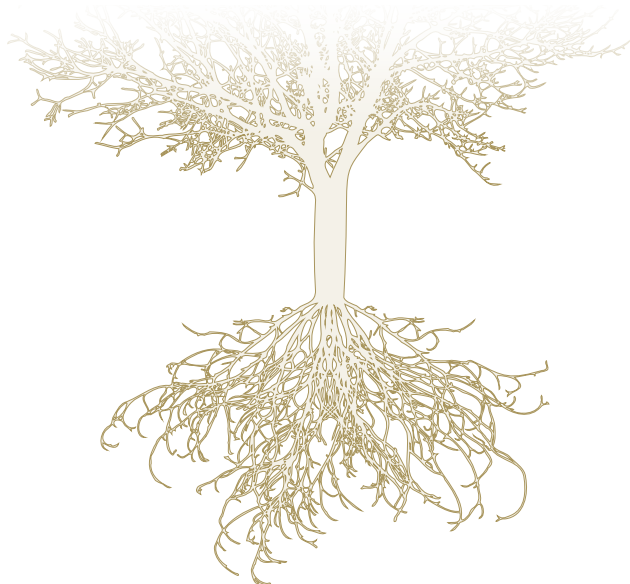
# Chairman's Foreword

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Welcome to the Annual Report 2023 of Safra National Bank of New York. We are pleased to announce that the Bank delivered another year of robust performance – a testament to the vitality of its core business, which is characterized by prudence and financial discipline.

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As we review the events of 2023, we take pride in the Bank's resilience and ability to thrive in the face of persistent external challenges. Adapting to a complex economic and market environment marked by global conflicts, rising inflation and market volatility, we remain confident in our ability to consistently deliver an exceptional service to our clients. We have recorded a strong increase in operating income, fueled by net new money inflows and rising interest rates, underscoring our longstanding reputation as a steadfast partner and a secure haven for our clients and their assets.



## **An approach based on reliability and long-term thinking**

At the very core of our principles is our resolve to have a forward-thinking perspective. As a family-oriented business we are aware that to ensure the continued financial well-being of our clients over generations we must always keep sight of the long-term trends that will shape the future. This means embracing a strategic way of thinking in which we meticulously manage risks and opportunities, ensuring decisions align seamlessly with the financial aspirations of those we serve.

## **Client-focused wealth management**

Our risk management approach is not just caution; it is a bold commitment, a testament to our ambition as dedicated stewards of our clients' wealth. Infused with a culture of entrepreneurship, the Bank has a philosophy of personal accountability that not only bolsters the overall work ethic of its staff but also contributes to its resilience. Aligned with our clients' priorities, we tailor our wealth management approach to ensure a personalized and client-centric experience. Rooted in our heritage, we not only strengthen our reputation for stability but also strategically position ourselves to pursue valuable opportunities. Staying true to our role as a dependable partner highlights our skills in managing uncertainties and exercising sound judgment while remaining committed to the enduring values of preserving wealth for the next generation.

## **Pioneering sustainability**

Finance has a role to play in shaping a more sustainable future, and the J. Safra Group has long been a pioneer in devising sustainability policies and integrating them into concrete actions. Additionally, the J. Safra Group has been actively working on refining and enhancing its approach to sustainable investments.

As part of our commitment to Environmental, Social and Governance principles, Safra National Bank of New York is a proud signatory of the United Nations

Global Compact, a program aimed to align companies' strategies and operations with ten universal principles related to human rights, labor and environment.

### **Capital strength and risk management**

Safra National Bank of New York further strengthened its financial position in 2023. Tier 1 capital, the ultimate measure of a bank's financial strength, rose to \$953 million, more than doubled its regulatory requirement to be considered well capitalized, and capital to risk-weighted-asset ratio closed at 26.7%. The Bank continues to be not only well capitalized but also has capital buffer above many other US banks. These figures demonstrate that the Bank 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. At December 31, 2023 the Bank's overnight deposit at the Federal Reserve Bank amounted to \$3.7 billion, providing the Bank with the liquidity needed to meet and even exceed its clients demand deposits. High-Quality Liquid Assets and Loans to Deposit Ratios were 68.7% and 32.0%, respectively. The Bank deploys ample resources to manage increasing regulatory requirements and a challenging market environment, in combination with a proven risk management approach.

### **Outlook for 2024**

As the second half of 2023 has shown deceleration in inflation, the ongoing trend is expected to continue through 2024 though not without its challenges. Expectations from the Federal Reserve for 2024 are for inflation to further subside. Factors helping towards the reduction on the inflation front should be aided by the ongoing proliferation of artificial intelligence (AI), which would result in productivity increase. While the technology landscape may benefit from the onset of

AI, such rewards should be seen across a variety of industries in the coming months and years. Let alone, the higher base effects from 2023 should aid in inflation slowing as well. However, the journey towards inflation falling to the Federal Reserve's mandate will not be a simple ride as labor markets and wage growth continue to be elevated. Let alone, abundant liquidity continues to exist as evidenced by money market flows and increase in the average net worth of the US citizen aided by capital markets performance over the years.

The market volatility that may persist given the pathway of disinflation will be undoubtedly challenging. Downward resets have already been forecasted towards the number of potential rate cuts from the Federal Reserve for 2024, and with every single data point being excruciatingly scrutinized will add to the complexities of investing. How the Federal Reserve will ultimately act towards the handling of financial conditions will continue to be questioned with each data release. Not to mention, geopolitical uncertainty remains with ongoing fighting in the Middle East and Europe as well as the US Presidential election in the latter part of 2024.

Despite such market challenges and the potential for forthcoming economic uncertainty, we continue to examine the longer-term framework of global policies and our investment themes. The team continues to rely on its core principle of diversification within its asset allocation construct. Such a model, along with the trust from our clients, have fostered the endurance of the J. Safra brand and helps towards the continuity of being a leader within private banking.

### **Jacob J. Safra**

Chairman of the Board of Directors  
Safra National Bank of New York



A large, ancient tree with thick, gnarled branches and roots spreading across a lawn. The tree's trunk is massive and textured, with several large roots extending horizontally across the grass. The background shows a lush green lawn and other trees, suggesting a park or garden setting. The lighting is bright, casting soft shadows on the grass.

# Financial Highlights

# Financial Highlights

	<b>2023</b>	<b>2022</b>
<b>Consolidated income statements</b>	<b>US\$ 000</b>	<b>US\$ 000</b>
Net interest income	197,196	173,695
Non-interest income	182,408	15,262
Non-interest expenses	(215,099)	(158,405)
<b>Operating income</b>	<b>105,874</b>	<b>40,089</b>
<b>Net income</b>	<b>78,047</b>	<b>32,540</b>

	<b>12.31.2023</b>	<b>12.31.2022</b>
<b>Consolidated balance sheets</b>	<b>US\$ 000</b>	<b>US\$ 000</b>
Total assets	10,526,718	9,768,583
Investments	6,687,147	5,785,223
Loans	2,853,329	3,023,511
Deposits	8,922,263	7,809,889
<b>Equity</b>	<b>1,165,711</b>	<b>1,063,923</b>

	<b>12.31.2023</b>	<b>12.31.2022</b>
<b>Client assets</b>	<b>US\$ million</b>	<b>US\$ million</b>
Total client assets	34,285	28,305

	<b>2023</b>	<b>2022</b>
<b>Ratios</b>	<b>%</b>	<b>%</b>
Capital ratio	26.7%	22.4%
Leverage ratio	10.3%	9.8%

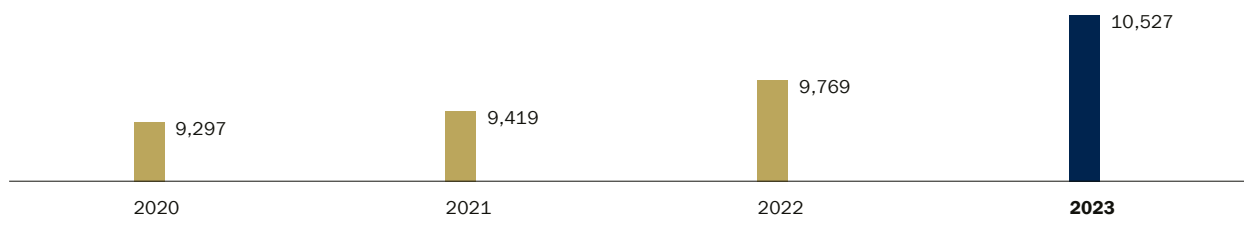
Note: Consolidated figures include the accounts of Safra National Bank of New York and its wholly owned subsidiaries Safra Securities LLC and 3050 Aventura Owner, LLC.

**Tier 1 Capital as of 12/31 (US\$ million)**

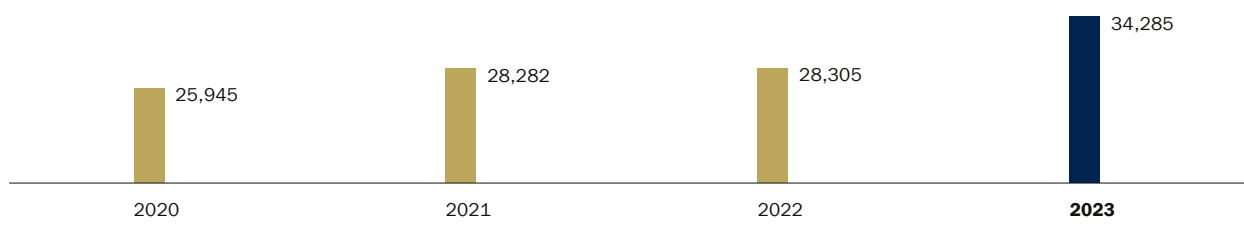
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**On-Balance Assets as of 12/31 (US\$ million)**

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**Total Client Assets as of 12/31 (US\$ million)**

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A photograph of a large, ancient tree with thick, gnarled roots and a textured trunk. The tree is the central focus, with its roots spreading out across the ground. The background is a dense forest with green foliage and a path leading away. The lighting is natural, suggesting a sunny day. The text 'Year in Review' is overlaid in white, serif font in the upper middle part of the image.

# Year in Review

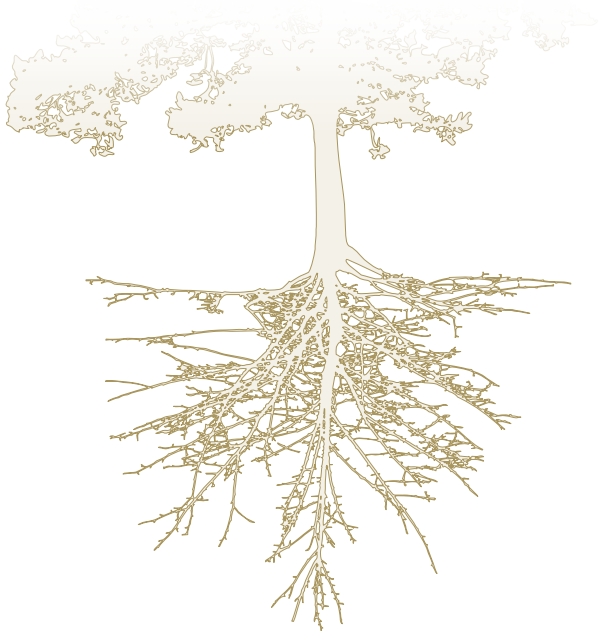
# Year in Review

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As with the years that came before, 2023 was yet another unprecedented year, witnessing the continuation of the aggressive monetary policy executed by the Federal Reserve to curb inflation, which included nine consecutive increases between March 2022 and May 2023, bringing Fed Funds target rate to 5.25 / 5.5%.

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This new rate scenario exposed the vulnerabilities of some regional banks in U.S. Increased funding costs combined with fixed rate loans and fixed rate long term investments, transformed what was believed to be positive net interest rate margins, into unsustainable negative interest rate margins. This led to a liquidity crunch which forced the FDIC to intervene and liquidate some of those banks.



Safra National Bank of New York endured this crisis and in fact thrived during these periods. The Bank continues to demonstrate our value as a trusted partner to help our clients navigate during these unsettled waters. Through the strength of our balance sheet, as demonstrated by our tier 1 capital of 26.7%, more than twice the regulatory requirement to be considered a well-capitalized bank and our strong liquidity with a loan to deposit ratio of 0.3%, we are able to attract new clients.

## **Continued growth in 2023**

The Bank's balance sheet exceeded ten billion dollars and total client custodial assets amounted to \$34.3 billion on December 31, 2023, which included \$1.6 billion from the acquisition of Delta National Bank and Trust Company in October 2023. The Bank also had an additional \$1.1 billion in client net new custodial assets, from both existing and new clients. Additionally, net interest income rose by 14% to \$197 million in 2023 compared to \$174 million in 2022, due to our balance sheet structure which allows us to benefit from the rise in interest rates.

In addition to the acquisition of Delta National Bank and Trust, which was a significant milestone for the Bank, the Bank has been expanding its presence throughout the United States, with new offices in Palm Beach, FL, downtown Brickell FL, in addition to its prestigious New York Fifth Avenue headquarters and its Aventura, FL branch. Following the 2023 regional banking crisis, Safra National Bank of New York was able to attract additional talent to expand even more its domestic presence, with plans to open additional offices

in Boston and California in 2024, further strengthening the Bank's position as a leader in Private Wealth Management not only in Latin America but also in other U.S. markets.

### **A sound basis for achievement**

In choosing "Roots" as the theme for this year's Annual Report, we sought to reaffirm what makes the Group's approach to private banking and wealth management distinctive: our activities are anchored in more than 180 years of experience, tradition, and stability, which help ensure clients achieve their financial goals while providing them with a foundation capable of withstanding the most uncertain and volatile of markets. A strong sense of personal accountability, and unwavering commitment is deeply rooted in our team of relationship managers, traders and supporting functions, as well as, investment managers, and insurance agents from our affiliates J. Safra Asset Management and J. Safra Inc, respectively. We consider ourselves stewards of a long-standing family philosophy of care and prudence, which continues to make us a strong, trusted, and reliable partner to our clients, their families, and the multitude of generations. Having strong roots also means establishing locations where our clients are based, and with our continued presence abroad and expansion domestically, we are even more capable of providing clients access to our talent and our tailored suite of wealth management products and services.

In 2024, Safra National Bank of New York continues to provide its strength and stability as a stalwart partner to its loyal client base. We continue to grow and

expand as a result of our strong balance sheet, our adherence to the fundamental principles of sound risk management, our entrepreneurial spirit, and the care we take in ensuring our clients are at the forefront of every decision we make. On behalf of the Safra National Bank of New York Executive Team, I would like to extend our gratitude to our employees, and especially to our clients, whose trust and support provide us the momentum to carry forward to even greater heights.

### **Simoni Morato**

Chief Executive Officer

Safra National Bank of New York





# Consolidated Financial Statements

# Independent Auditor's Report

To the Board of Directors  
Safra National Bank of New York:

## Opinion

We have audited the consolidated financial statements of Safra National Bank of New York and its subsidiaries (the Bank), which comprise the consolidated statements of financial condition as of December 31, 2023 and 2022, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Bank as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

We also have audited, in accordance with auditing standards generally accepted in the United States of America (GAAS), the Bank's internal control over financial reporting as of December 31, 2023, based on criteria established in the *Internal Control – Integrated Framework* (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 26, 2024 expressed an unmodified opinion on the effectiveness of the Bank's internal control over financial reporting.

## Basis for Opinion

We conducted our audits in accordance with GAAS. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated 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 Consolidated Financial Statements

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

In preparing the consolidated 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 consolidated financial statements are available to be issued.



### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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.

**KPMG LLP**

New York, New York  
March 26, 2024

# Consolidated Statements of Financial Condition

<b>ASSETS</b>	NOTES	<b>As of 12.31.2023</b>	As of 12.31.2022
		<b>US\$ 000</b>	US\$ 000
CASH AND DUE FROM BANKS	3	111,782	165,828
SHORT-TERM INVESTMENTS	3	54,420	32,477
CASH AND SECURITIES REQUIRED TO BE SEGREGATED UNDER FEDERAL OR OTHER REGULATIONS	3	216	153
INTEREST-BEARING DEPOSITS WITH BANKS	2	3,707,744	3,122,012
SECURITIES PURCHASED UNDER AGREEMENTS	5	–	5,142
SECURITIES HELD-TO-MATURITY	6	316	460
INVESTMENT SECURITIES	6	2,737,024	2,580,845
TRADING SECURITIES, FAIR VALUE:	7	187,643	44,287
LOANS — net of allowance for loan losses, unearned discounts, and deferred loan fees	8, 23	2,853,329	3,023,511
<b>OTHER ASSETS:</b>			
Interest receivable		43,765	35,749
Premises and equipment, net	10	96,573	44,327
Customers' liability on acceptances outstanding		630	348
Cash surrender value of life insurance		87,930	85,928
Net deferred tax asset	16	31,170	37,188
Federal Reserve Stock		11,500	9,602
Derivative assets	23	299,493	305,182
Other assets	11	303,183	275,544
Total other assets		874,244	793,868
<b>TOTAL ASSETS</b>		<b>10,526,718</b>	<b>9,768,583</b>

See notes to consolidated financial statements.

(Continued)

<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>	NOTES	<b>As of 12.31.2023</b>	As of 12.31.2022
		<b>US\$ 000</b>	US\$ 000
<b>LIABILITIES:</b>			
Deposits:			
Demand	13	2,033,605	2,664,464
Money market, NOW, and savings	13	1,420,836	856,232
Time	13	5,467,822	4,289,193
<b>Total deposits</b>	<b>13</b>	<b>8,922,263</b>	<b>7,809,889</b>
Borrowings	4, 14	–	500,700
Securities sold under agreements to repurchase	5	–	5,142
Interest payable		35,816	29,190
Acceptances outstanding		630	348
Accrued compensation		46,409	29,897
Accrued taxes payable		9	2,321
Derivative liabilities	23	59,002	36,505
Payable to customers		40,084	128,659
Other liabilities	11	256,794	162,009
<b>Total liabilities</b>		<b>9,361,007</b>	<b>8,704,660</b>
<b>COMMITMENTS AND CONTINGENT LIABILITIES</b>	<b>20</b>		
<b>STOCKHOLDERS' EQUITY:</b>			
Common stock, \$100 par value — authorized, 500,000 shares; issued and outstanding, 189,560 shares		18,956	18,956
Additional paid-in capital		353,143	292,601
Retained earnings		816,638	791,899
Accumulated other comprehensive loss — net of tax	17	(23,026)	(39,533)
<b>Total stockholders' equity</b>		<b>1,165,711</b>	<b>1,063,923</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>		<b>10,526,718</b>	<b>9,768,583</b>

See notes to consolidated financial statements.

(Concluded)

# Consolidated Statements of Income

	NOTES	For the Year Ended 12.31.2023 US\$ 000	For the Year Ended 12.31.2022 US\$ 000
<b>INTEREST INCOME:</b>			
Loans — including realization of deferred fees and accretion of discounts on loans		186,765	109,599
Securities		118,604	77,906
Interest-bearing deposits with banks		144,026	42,978
Securities purchased under agreements		55	1,085
<b>Total interest income</b>		<b>449,450</b>	<b>231,568</b>
<b>INTEREST EXPENSE:</b>			
Deposits and borrowings		252,252	56,789
Securities sold under agreements to repurchase		2	1,084
<b>Total interest expense</b>		<b>252,254</b>	<b>57,873</b>
<b>NET INTEREST INCOME</b>		<b>197,196</b>	<b>173,695</b>
<b>NET PROVISION (BENEFIT) FOR CREDIT LOSSES —</b>			
including off-balance sheet reserve	9	58,631	(9,537)
<b>Net interest income after provision for credit losses</b>		<b>138,565</b>	<b>183,232</b>
<b>OTHER INCOME:</b>			
Net gain on securities transactions	6, 7	25,249	77,193
Net gain (loss) on fair value measurements	1	68,793	(129,223)
Net gain on foreign currency valuation on securities and derivatives		6,821	6,491
Fees and service charges		55,199	49,948
Other income		26,346	10,853
<b>Total other income</b>	<b>1</b>	<b>182,408</b>	<b>15,262</b>
<b>OTHER EXPENSES:</b>			
Salaries and employee benefits		116,110	87,543
Professional fees		34,261	26,196
Occupancy		11,545	9,380
Communications and data processing		13,672	16,503
Other operating	15	39,511	18,783
<b>Total other expenses</b>		<b>215,099</b>	<b>158,405</b>
<b>INCOME BEFORE INCOME TAXES</b>		<b>105,874</b>	<b>40,089</b>
<b>INCOME TAXES (includes \$(1,383) and \$13,711 income tax expense (benefit) from reclassification items from OCI for the years ended December 31, 2023 and 2022, respectively)</b>			
		27,827	7,549
<b>NET INCOME</b>		<b>78,047</b>	<b>32,540</b>

See notes to consolidated financial statements.

# Consolidated Statements of Comprehensive Income

	For the Year Ended 12.31.2023 US\$ 000	For the Year Ended 12.31.2022 US\$ 000
NET INCOME	78,047	32,540
OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAXES:		
Securities available-for-sale:		
Net unrealized gains/(losses) during the period (net of tax (expense)/benefit of \$(4,119) and \$8,094 on December 31, 2023 and 2022, respectively)	12,358	(24,283)
Reclassification adjustment for realized (gains)/losses for securities sold/called included in net income (net of tax expense/(benefit) of \$(1,383) and \$13,711, on December 31, 2023 and 2022, respectively)	4,149	(41,134)
Other comprehensive income/(loss)	16,507	(65,417)
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>94,554</b>	<b>(32,877)</b>

See notes to consolidated financial statements.

# Consolidated Statements of Changes in Stockholders' Equity

US\$ 000	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated	Total
				Other Comprehensive Income (Loss)	
BALANCE — January 1, 2022	18,956	292,601	759,359	25,884	1,096,800
Net income	-	-	32,540	-	32,540
Other comprehensive loss	-	-	-	(65,417)	(65,417)
<b>BALANCE — December 31, 2022</b>	<b>18,956</b>	<b>292,601</b>	<b>791,899</b>	<b>(39,533)</b>	<b>1,063,923</b>
Payment of dividends — Note 22	-	-	(55,000)	-	(55,000)
Capital Contribution — Note 1	-	60,542	-	-	60,542
Net income	-	-	78,047	-	78,047
Adjustment due to the adoption ASU No 2016-13	-	-	1,692	-	1,692
Other comprehensive income	-	-	-	16,507	16,507
<b>BALANCE — December 31, 2023</b>	<b>18,956</b>	<b>353,143</b>	<b>816,638</b>	<b>(23,026)</b>	<b>1,165,711</b>

See notes to consolidated financial statements.

# Consolidated Statements of Cash Flows

	For the Year Ended 12.31.2023 US\$ 000	For the Year Ended 12.31.2022 US\$ 000
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	78,047	32,540
Adjustment to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	6,420	3,516
Loss on disposal of software and equipment	861	7,208
Provision for (benefit from) deferred income taxes	(445)	19,489
Net Provision (benefit) for credit losses	(58,631)	9,537
Net amortization/accretion of securities premiums/discounts	6,690	3,529
Net realized (gain)/loss on sales of securities available-for-sale ("AFS")	5,532	(54,845)
Net (gain)/loss on fair value measurement of elected fair value option ("FVO") on securities available-for-sale	(17,325)	69,812
Net (gain)/loss on fair value measurement of elected FVO on loans	1,359	23,620
Net (gain)/loss from basis adjustments on fair value hedges of AFS securities and loans	(32,498)	112,002
Net (increase) decrease in operating assets:		
Trading securities	(83,948)	337,668
Interest receivable	(6,851)	(6,743)
Derivative assets	5,688	(262,676)
Other assets	(12,828)	38,592
Net increase (decrease) in operating liabilities:		
Interest payable	6,625	27,026
Accrued compensation	16,273	1,396
Accrued taxes payable	(2,312)	2,321
Derivative liabilities	22,496	(200,221)
Payable to customers	(88,575)	(40,012)
Other liabilities	92,450	(127,593)
<b>Net cash used in operating activities</b>	<b>(60,972)</b>	<b>(3,834)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from paydowns, sales, calls, and maturities of securities available-for-sale	240,887	936,665
Proceeds from paydowns and maturities of securities held-to-maturity	143	146
Purchases of securities	(339,616)	(39,519)
Cash and cash equivalents acquired in acquisitions, net	3,745	-
Purchases of premises and equipment	(56,456)	(21,900)
Increase in cash surrender value of life insurance	(2,002)	(1,884)
Net (increase) decrease in:		
Interest-bearing deposits with banks	(368,704)	(2,021,181)
Loans	296,889	258,714
Customers' liability on acceptances outstanding	(282)	(348)
<b>Net cash used in by investing activities</b>	<b>(225,396)</b>	<b>(889,307)</b>

See notes to consolidated financial statements.

(Continued)

	For the Year Ended 12.31.2023 US\$ 000	For the Year Ended 12.31.2022 US\$ 000
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payment of dividends	(55,000)	–
Net increase (decrease) in:		
Deposits	952,808	256,107
Borrowings	(648,800)	422,400
Acceptances outstanding	282	348
<b>Net cash provided by financing activities</b>	<b>249,290</b>	<b>678,855</b>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<b>5,038</b>	<b>(7,142)</b>
<b>NET (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH</b>	<b>(32,040)</b>	<b>(221,428)</b>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH— Beginning of year	198,458	419,886
CASH, CASH EQUIVALENTS AND RESTRICTED CASH — End of year	166,418	198,458
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>		
Cash paid during the year for:		
Interest on deposits, borrowed funds, and derivative transactions	177,050	40,020
Income taxes — (net of refunds received of \$41 in 2023 and \$172 in 2022)	41,405	16,677
<b>SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTMENTS ACTIVITIES:</b>		
Acquisitions:		
Non-cash assets acquired:		
Interest-bearing deposits with banks	217,027	–
Trading securities	77,923	–
Loans	47,290	–
Other assets	20,945	–
Total non-cash assets acquired	363,185	–
Liabilities assumed:		
Deposits	149,248	–
Borrowings	148,100	–
Other liabilities	9,040	–
Total liabilities assumed	306,388	–
Net (liabilities assumed) non-cash assets acquired	56,797	–
Cash and cash equivalents acquired in acquisitions, net	3,745	–
Contribution of business acquired by Parent	60,542	–
See notes to consolidated financial statements.		(Concluded)

# Notes to Consolidated Financial Statements

As of and for the years ended December 31, 2023 and 2022  
(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 U.S. generally accepted accounting principles (hereinafter referred to as “GAAP”). All inter-company 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 and the fair value of financial instruments.

### 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 short-term investments which consists of money market funds, money market accounts, short-term interest bearing deposits with financial institutions, securities and restricted cash. All amounts included in short-term investments have an original maturity of 90 days or less. Cash in SNBNY’s vault at December 31, 2023 and 2022, was \$827 and \$530, 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 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 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. Credit related impairment is recognized as an allowance for credit losses (“ACL”) on the Statement of Condition, limited to the amount by which the amortized cost basis exceeds the fair value, with a corresponding adjustment to earnings. Both the ACL and the adjustment to net income may be reversed if conditions change.

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 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 23 for further details on fair value of the loans.

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.

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 Bank adopted Accounting Standard Update No. 2016-13 on January 1, 2023. The Bank recorded a net increase to retained earnings of \$1.7 million, upon adoption. Results for the period beginning after January 1, 2023 are presented under Accounting Standards Codification ("ASC") 326 and follow the current expected credit losses ("CECL") methodology. Prior periods continue to be reported in accordance with the previously applicable U.S. GAAP, which followed

the incurred credit loss methodology. The following policies noted are under the current expected credit loss methodology. Under CECL, allowance for credit losses (ACLs) are estimates of the expected credit losses on financial assets measured at amortized cost, based on relevant information about past events, historical credit loss experience on financial assets with similar risk characteristics, current conditions, and reasonable and supportable forecasts that affect the collectability of the remaining cash flows over the contractual term of the financial assets. In the event that collection of principal becomes uncertain, the Bank has policies in place to reverse accrued interest in a timely manner. Therefore, the Bank has made a policy election to exclude accrued interest from the amortized cost basis.

Expected credit losses are reflected in the allowance for loan ACL through a charge to the provision for credit loss expense. When the Bank deems all or a portion of a financial asset to be uncollectible, the appropriate amount is written off and the ACL is reduced by the same amount. In general, the principal balance of a loan is charged off in full or in part when management concludes, based on the available facts and circumstances, that collection of principal in full is not probable.

The Bank measures expected credit losses of financial assets at the loan level by segment, by pooling loans when the financial assets share similar risk characteristics. Depending on the nature of the pool of financial assets with similar risk characteristics, the Company uses a discounted cash flow ("DCF") method to estimate the expected credit losses. Allowance on loans that do not share risk characteristics are evaluated on an individual basis.

The Bank's methodologies for estimating the ACL consider available relevant information about the collectability of cash flows, including information about past events, current conditions, and reasonable and supportable forecasts. The methodologies apply historical loss information, adjusted for asset-specific characteristics, economic conditions at the measurement date, and forecasts about future economic conditions expected to exist through the contractual lives of the financial assets that are reasonable and supportable, to the identified pools of financial assets with similar risk characteristics for which the historical loss experience was observed.

The Bank has identified the following pools of financial assets with similar risk characteristics for measuring expected credit losses:

- CRE – Construction/Land Development
- CRE – Multifamily
- CRE – Non-Owner Occupied
- CRE – Owner Occupied
- CRE – Residential First Lien
- Commercial Unsecured
- Consumer – Access Loans <30 PD
- Consumer – Access Loans – 30-59 PD
- Consumer – Access Loans – 60-90 PD
- Consumer – Access Loans – 90+ PD
- Other (overdrafts and credit cards)

Loans that are carried at fair value or fully secured by marketable securities are not included in the ACL methodology.

If a financial asset does not share similar risk characteristics with other assets, expected credit losses for that asset are evaluated individually based on the appropriate method.

The Bank uses the DCF method to estimate expected credit losses. The model also considers the need to qualitatively adjust expected loss estimates for information not already captured in the loss estimation process. These qualitative factors include, but are not limited to, those suggested by the Interagency Policy Statement on Allowances for Credit Losses. These qualitative factor adjustments may increase or decrease the Company's estimate of expected credit losses.

### 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 and right-of-use asset. 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. Right-of-use assets are depreciated on a straight-line basis over the useful

life of the underlying asset. 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. During 2023, the Bank impaired \$5,854 (2022: \$0) from goodwill related to the unwinding of the consumer loan business acquired in 2021. No impairment was recorded for intangible assets for both 2023 and 2022.

### 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.

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. 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 loss on fair value measurements or net gain 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 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 24 for further details.

### **Deposits**

Deposits consist of demand, money market, NOW, savings, and time deposits accounts. Included within time deposits are brokered certificates of deposit issued by the Bank. The Bank has elected the fair value option in accordance with ASC 825 for certain brokered time deposits. Refer to Note 24 for further details.

### **Borrowings**

Generally, 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 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, 2023 and 2022. 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 the caption of 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

The majority of the Bank's revenues come from interest income and other sources, including loans, investments and derivatives, that are outside the scope of ASC 606, Revenue from Contracts with Customers ("ASC 606"). The Bank's services that fall within the scope of ASC 606 are presented within Other Income and are recognized as revenue as the Bank satisfies its performance obligation to the customer. Services within the scope of ASC 606 include revenues from brokerage fees, custody fees, wealth management fees, service charges on deposits, interchange and credit card fees, and other commissions.

\$	2023	2022
Net gain (loss) on fair value measurements <sup>a)</sup>	68,793	(139,424)
Net (loss) gains on sales of securities <sup>a)</sup>	(5,532)	54,845
Brokerage fees	48,995	40,049
Custody fees	22,608	17,571
Wealth management fees	15,503	16,069
Service charges on deposits	12,326	11,842
Net gain on foreign currency revaluation <sup>a)</sup>	6,821	6,491
Interchange and credit card fees	3,183	2,706
Other <sup>b)</sup>	9,711	5,113
<b>Total other income</b>	<b>182,408</b>	<b>15,262</b>

<sup>a)</sup> Not within the scope of ASC 606.

<sup>b)</sup> (b) The other category includes \$1,041 consisting mostly of loan prepayment fees, letter of credit fees and other fees, which is within the scope of ASC 606. The remaining balance of \$8,671 are mainly the interest income earned from bank owned life insurance, dividends from the Federal Reserve Bank and Federal Home Loan Bank stocks, charges on cash accounts and bargain on acquisition which is outside the scope of ASC 606.

A description of the Bank's revenue streams accounted for under ASC 606 follows:

#### Brokerage fees and commissions

The Bank earns fees from investment brokerage services provided to its customers. The Bank profits from mark-ups and mark-downs on riskless principal transactions, in which the Bank, upon receipt of an order to buy or sell a security, buys or sells that security in order to fill the customer order. Brokerage Fees are transaction-based commissions, including trade execution 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.

#### Custody fees

The Bank earns custody fees for safekeeping securities on behalf of the customer. Custody is a service in which the Bank earns custody fees for safekeeping securities on behalf of the customer, which reduces the risk of the customer losing his/her assets or having them stolen. They are also available to the Bank to sell at the customer's demand. Custody provides an investor to store assets with little risk. Custody fees are earned over the course of a month, representing the period over which the Bank satisfies the performance obligation, and are assessed based on the market value of assets under custody at month-end.

#### Wealth management and brokerage fees

The Bank earns wealth management and brokerage fees from its contracts with customers to manage assets for investment, and/or to transact on their accounts. Wealth Management Fees are produced from investment advisory services provided to its customers by an affiliate service provider. These fees are primarily earned over time as the affiliate provides the contracted quarterly services and are generally assessed based on a tiered scale of the market value of assets under management ("AUM") at month-end. The affiliate pays the Bank a percentage of its fees earned from the customers, because the Bank (i) acts as an introducer in arranging the relationship; and (ii) does not control the services rendered to the customer.

#### Service charges on deposit accounts

The Bank earns fees from its deposit customers for transaction-based, account maintenance and overdraft charges. Transaction-based fees, which include services such as ATM use fees, stop payment charges, wire transfer and ACH fees, are recognized at the time the transaction is executed as that is the point in time the Bank fulfills the customer's request. Account maintenance fees, which relate primarily to monthly maintenance, are earned over the course of a month, representing the period over which the Bank satisfies the performance obligation. Overdraft charges are recognized at the point in time that the overdraft occurs.

#### Interchange and credit card fees

The Bank earns interchange and credit card fees from credit cardholder transactions conducted through the MasterCard payment network, and credit card fees annually while the credit cardholder keep signed up for the Safra Mastercard, respectively. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and are recognized daily, concurrently with the transaction processing services provided to the cardholder. Credit card fees, which relate primarily to the annual maintenance, are earned over the course of a year, representing the period over which the Bank satisfies the performance obligation.

#### **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, loans and deposits. Refer to Note 23 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 consumer loans at fair value of \$7,230. 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. During 2023, the Bank decided to unwind and exit the consumer loan business. It is anticipated that the remaining portfolio of \$3,665 as December 31, 2023 (2022: \$ 13,236) will pay down by July 2025.

#### **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. 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.

### Business Combination

On October 1, 2023, the Parent closed the acquisition of Delta North BankCorp, Inc in an all-cash transaction. In addition, the Parent and SNBNY received approval from the Federal Reserve Bank and from the Office of the Controller of Currency, respectively, to merge Delta National Bank and the Trust Company (“Delta”) into Safra National Bank of New York, with SNBNY being the surviving entity for no consideration and treated as a capital contribution from its parent. The acquisition of Delta is expected to result revenue stream enhancement, addition of new clients to SNBNY's client base, opportunity to expand business with Delta's clients through the offering of new products, a seasoned Private Banking Team, Trust license and cost reduction.

The acquisition of Delta North BankCorp has been accounted for as a business combination. The Company recorded the estimate of fair value based on valuation as of acquisition date on October 1, 2023.

\$	Amount
<b>Purchase price consideration (by Parent)</b>	<b>60,542</b>
<b>Fair value of assets acquired:</b>	
Cash & cash equivalent	220,772
Securities	77,923
Loans held for investment	47,290
Other assets	7,241
Total acquired assets	353,226
<b>Fair value of liabilities assumed:</b>	
Deposits	149,248
Borrowings	148,100
Other liabilities	5,204
Total liabilities assumed	302,552
Fair value of net identifiable assets	50,674
Bargain purchase gain	3,835

In connection with the acquisition, the Company recorded \$13,704 in intangible assets and a bargain purchase gain of \$3,835.

### Fair value of Assets Acquired and Liabilities Assumed:

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants to the measurement date, reflecting assumptions that a market participant would use when pricing a n asset or liability. In some cases, the estimation of fair values requires management to make estimates about discount rates, future expected cash flows, market conditions, and other future events that are highly subjective in nature and are subject to change.

### Recent Accounting Pronouncements

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 Bank has adopted this guidance for Q1 2023 using a retrospective approach and recorded an increase to retained earnings of \$1,691 upon adoption.

On January 1, 2023, the Company adopted ASU 2022-02, which eliminated the accounting guidance on TDRs for creditors for all loan modifications to borrowers experiencing financial difficulty occurring on or after January 1, 2023. In cases where a borrower experiences financial difficulty, the Company may grant certain modifications to the terms and conditions of a loan. Modifications may result in a payment delay, interest rate reduction, term extension, principal forgiveness, or combination thereof. Loan modifications are offered on a case-by-case basis and are generally

payment delay, term extension and/or interest rate reduction modification. When a loan is modified, the bank will evaluate whether the modification represents a new loan or a continuation of an existing loan, consistent with the accounting for other loan modifications.

The Company currently has no TDR Loans, the standard did not have a significant impact on the Company's consolidated financial statements.

## 2. INTEREST-BEARING DEPOSITS WITH BANKS

As of December 31, 2023, interest-bearing deposits with banks in the amount of \$3,707,744 (2022: \$3,122,012) on the consolidated statements of financial condition consist principally of time deposits with foreign and domestic banks, deposits with the FRBNY, and a deposit of \$19,301 (2022: \$20,271) with an affiliated bank. The time deposits bear interest at rates ranging from 0.25% to 5.4%, with maturities from January to December 2024 (2022: 3.95% to 5.09%, with maturities in August and November 2023).

Included in the interest-bearing deposits with banks amounts noted above are also deposits with the FRBNY bearing interest of 5.4% and 4.40%, amounting to \$3,681,301 and \$2,250,336 at December 31, 2023 and 2022, respectively.

Regulations of the Federal Reserve Board require depository institutions to maintain reserves, which are not available for investment purposes. As of March 26, 2020, FRBNY reduced the reserve requirement ratio to zero percent, thus there is no more required cash reserve. On average, there were deposits of \$2,002,583 and \$1,923,134 in excess of the reserve requirement held at the FRBNY during the years ended December 31, 2023 and 2022, 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, 2023 and 2022, amounted to cash of \$216 and \$153, respectively, and qualified securities as defined by SEC Rule 15c3-3 with a fair value of \$ 5,970 and \$16,909, respectively.

At December 31, 2023 and 2022, cash, cash equivalents and restricted cash consisted of the following:

\$	2023	2022
Cash and due from banks	111,782	165,828
Short-term investments	54,420	32,477
Restricted cash included in cash and securities segregated under federal or other regulations	216	153
<b>Total</b>	<b>166,418</b>	<b>198,458</b>

## 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, 2023 and 2022, are as follows:

\$	2023	2022
<b>ASSETS:</b>		
Cash and due from banks	10	30
Interest bearing deposits with banks	19,301	20,271
Loans	126,026	127,791
Interest receivable	133	119
Other assets	40,519	122,210
<b>LIABILITIES:</b>		
Demand deposits	31,810	21,463
Money market accounts, NOW, and savings deposits	334,379	349
Time deposits	131,117	115,471
Borrowings	-	500,700
Interest payable	192	242
Other liabilities	23,872	10,146
<b>INCOME AND EXPENSE FOR THE YEARS ENDED DECEMBER 31:</b>		
<b>INCOME:</b>		
Introducer fee income (included in fees and service charges)	16,029	16,625
Interest income on loans	7,614	1,660
<b>EXPENSE:</b>		
Interest expense on deposits and borrowings	18,215	6,928
Professional services (included in professional fees)	20,090	16,815
Rental expense (included in occupancy expenses)	5,132	4,101
Charitable contributions (included in other operating expenses)	9,932	384

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, 2023 and 2022, the loan balance was reduced to \$113,471 and \$114,971, respectively. The loan is fully secured by U.S. agency/government securities and deposits. All other loans provided to affiliates as of December 31, 2023 and 2022 of \$12,555 and \$11,541, 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, 2023 and 2022 were 5.97% and 1.26%, respectively. As of December 31, 2023 and 2022, letters of credit of \$53 and \$115, 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 2023 and 2022 were \$322,068 and \$257,670, respectively, and the average interest rate on overnight borrowings with affiliates during the years ended December 31, 2023 and 2022 were 3.13% and 2.10%, respectively.

Other assets include receivables for unsettled securities transactions, taxes and expense reimbursements. Other liabilities include payables 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:

\$	2023	2022
Balance as of December 31	–	5,142
Average balance during the year	917	355
Average interest rate earned during the year	4.92%	3.62%
Highest balance at any month end	5,142	5,142

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:

\$	2023	2022
Balance as of December 31	–	5,142
Average balance during the year	916	355
Average interest rate paid during the year	4.92%	3.62%
Highest balance at any month end	5,158	5,142

The Bank does not net securities purchased under agreements to resell and securities sold under agreements to repurchase. The securities purchased under agreements to resell and securities sold under agreements to repurchase were open-maturity and monthly term agreements during 2022.

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

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 loss on fair value measurements on the consolidated statements of income. These securities are classified as investment securities on the consolidated statements of financial condition. The change in value of FVO securities is recorded in net loss on fair value measurements on the consolidated statements of income.

The amortized cost, gross unrealized gains/(losses), and fair value of securities including elected fair value option investment securities as of December 31, 2023 and 2022, were as follows:

**Securities at December 31, 2023**

\$	Amortized Cost	Gross		Fair Value
		Unrealized Gains	Unrealized Losses	
Obligations of states, local, U.S. Sponsored agencies, and political subdivisions	973,074	–	(112,415)	860,659
Agency mortgage-backed securities	23,334	–	(990)	22,344
<b>Total Investment Securities: Fair Value Option</b>	<b>996,408</b>	<b>–</b>	<b>(113,405)</b>	<b>883,003</b>
Obligations of U.S. government	648,958	196	(6,859)	642,295
Corporate debt securities	144,461	–	(9,599)	134,862
Obligations of states, local, U.S. Sponsored agencies, and political subdivisions	219,913	–	(66,935)	152,978
Agency mortgage-backed securities	941,917	33	(18,064)	923,886
<b>Total Investment Securities: Available for sale</b>	<b>1,955,249</b>	<b>229</b>	<b>(101,457)</b>	<b>1,854,021</b>
<b>Total Investment Securities</b>	<b>2,951,657</b>	<b>229</b>	<b>(214,862)</b>	<b>2,737,024</b>
<b>Held-to-Maturity Securities:</b>				
Agency mortgage-backed securities	316	2	(2)	316
<b>Total held-to-maturity securities</b>	<b>316</b>	<b>2</b>	<b>(2)</b>	<b>316</b>

**Securities at December 31, 2022**

\$	Amortized Cost	Gross		Fair Value
		Unrealized Gains	Unrealized Losses	
Obligations of states, local, U.S. Sponsored agencies, and political subdivisions	997,024	–	(142,312)	854,712
Agency mortgage-backed securities	27,191	–	(1,478)	25,713
<b>Total Investment Securities: Fair Value Option</b>	<b>1,024,215</b>	<b>–</b>	<b>(143,790)</b>	<b>880,425</b>
Obligations of U.S. government	400,185	–	(17,060)	383,125
Corporate debt securities	217,404	–	(22,002)	195,402
Obligations of states, local, U.S. Sponsored agencies, and political subdivisions	220,490	–	(70,837)	149,653
Agency mortgage-backed securities	1,002,855	66	(30,681)	972,240
<b>Total Investment Securities: Available for sale</b>	<b>1,840,934</b>	<b>66</b>	<b>(140,580)</b>	<b>1,700,420</b>
<b>Total Investment Securities</b>	<b>2,865,149</b>	<b>66</b>	<b>(284,370)</b>	<b>2,580,845</b>
<b>Held-to-Maturity Securities:</b>				
Agency mortgage-backed securities	460	3	(5)	458
<b>Total held-to-maturity securities</b>	<b>460</b>	<b>3</b>	<b>(5)</b>	<b>458</b>

Investment securities with unrealized losses as of December 31, 2023 and 2022 including elected fair value option securities, are presented in the following table by the length of time, for which individual securities have been in a continuous unrealized loss position.

#### As of December 31, 2023

	Amortized		Less Than 12 Months		Greater Than 12 Months		
			Gross Unrealized		Gross Unrealized		
	Cost	Fair Value	Losses	Fair Value	Losses	Fair Value	Losses
<b>Investment Securities:</b>							
Obligation of U.S. Government	400,062	393,203	(6,859)	–	–	393,203	(6,859)
Corporate debt securities	144,461	134,863	(9,597)	–	–	134,863	(9,597)
Obligations of states, local, U.S. Sponsored agencies, and political subdivisions	1,192,986	1,013,636	(179,350)	–	–	1,013,636	(179,350)
Agency mortgage-backed securities	963,937	944,881	(19,056)	6,849	(167)	938,032	(18,889)
<b>Total</b>	<b>2,701,446</b>	<b>2,486,583</b>	<b>(214,862)</b>	<b>6,849</b>	<b>(167)</b>	<b>2,479,734</b>	<b>(214,695)</b>

#### As of December 31, 2022

	Amortized		Less Than 12 Months		Greater Than 12 Months		
			Gross Unrealized		Gross Unrealized		
	Cost	Fair Value	Losses	Fair Value	Losses	Fair Value	Losses
<b>Investment Securities:</b>							
Obligation of U.S. Government	400,185	383,125	(17,060)	–	–	383,125	(17,060)
Corporate debt securities	217,404	195,402	(22,002)	19,919	(81)	175,483	(21,921)
Obligations of states, local, U.S. Sponsored agencies, and political subdivisions	1,217,514	1,004,365	(213,149)	–	–	1,004,365	(213,149)
Agency mortgage-backed securities	1,028,483	996,324	(32,159)	985,916	(30,945)	10,408	(1,214)
<b>Total</b>	<b>2,863,586</b>	<b>2,579,216</b>	<b>(284,370)</b>	<b>1,005,835</b>	<b>(31,026)</b>	<b>1,573,381</b>	<b>(253,344)</b>

There were \$2 in gross unrealized losses for held to maturity securities as of December 31, 2023 as compared to \$5 as of December 31, 2022 and therefore they were all in an unrealized loss position for less than 12 months. The number of available-for-sale securities with unrealized losses were 100 and 110 while the number of held-to-maturity securities with unrealized losses were 20 and 19 at December 31, 2023 and 2022, respectively. The unrealized losses associated with available-for-sale and held-to-maturity 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, 2023 and 2022, 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, 2023 and 2022, 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.

**Securities at December 31, 2023**

\$	Amortized Cost	Fair Value
<b>Investment Securities:</b>		
Due in one year or less	–	–
Due after one year through five years	648,959	642,294
Due after five years through ten years	118,991	112,015
Over ten years	1,218,456	1,036,486
	1,986,406	1,790,795
Agency mortgage-backed securities	965,251	946,229
<b>Total investment securities</b>	<b>2,951,657</b>	<b>2,737,024</b>
<b>Held-to-Maturity Securities:</b>		
Agency mortgage-backed securities	316	316
<b>Total held-to-maturity securities</b>	<b>316</b>	<b>316</b>

**Securities at December 31, 2022**

\$	Amortized Cost	Fair Value
<b>Investment Securities:</b>		
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
<b>Total investment securities</b>	<b>3,710,978</b>	<b>3,963,846</b>
<b>Held-to-Maturity Securities:</b>		
Agency mortgage-backed securities	606	629
<b>Total held-to-maturity securities</b>	<b>606</b>	<b>629</b>

Proceeds from sales of available-for-sale securities during the years ended December 31, 2023 and 2022, were approximately \$123,856 and \$566,243 respectively.

During the year ended December 31, 2023, gross gains of \$9,597 and gross losses of \$15,129 were recorded on sales of securities and are included in net gain on securities transactions in the consolidated statements of income. During the year ended December 31, 2022, gross gains of \$59,084 and gross losses of \$4,239 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, 2023 and 2022, there were no losses from other-than-temporary impairment of available-for-sale securities.

A summary of investment securities pledged as collateral for credit lines and securities transactions is as follows:

\$	Investment Securities, at fair value	Held-to-Maturity Securities, at amortized cost
At December 31, 2023	2,737,024	316
At December 31, 2022	2,580,845	207

There were no borrowings from FRBNY and FHLBNY at December 31, 2023 and 2022.

## 7. TRADING SECURITIES

During the years ended December 31, 2023 and 2022, trading securities gains were approximately \$30,781 and \$25,876, respectively, included in net gain on securities transactions in the consolidated statements of income.

A summary of trading securities at December 31, 2023 and 2022, is as follows:

\$	2023	2022
Obligations of U.S. government	187,643	–
Corporate debt securities	–	37,774
Equities	–	6,513
<b>Total trading securities</b>	<b>187,643</b>	<b>44,287</b>

At December 31, 2023 and 2022, SSL pledged Obligations of U.S. government of \$109,663 and \$0, 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, 2023 and 2022, is as follows:

\$	2023	2022
Domestic	1,573,964	1,546,057
Foreign	950,083	1,154,377
Individuals	350,540	347,064
<b>Total Loans</b>	<b>2,874,587</b>	<b>3,047,498</b>
Deferred loan fees and unearned discounts	(11)	(10)
Allowance for loan losses	(21,247)	(23,977)
<b>Loans — net of allowance for loan losses, deferred loan fees and unearned discounts</b>	<b>2,853,329</b>	<b>3,023,511</b>

The Bank elected the fair value option for certain loans with an aggregate outstanding principal balance of \$459,689 and \$481,777 as of December 31, 2023 and 2022, respectively, and recorded these loans at fair value of \$438,104 and \$453,290, as of December 31, 2023 and 2022, respectively. Refer to Note 23 for further details.

A summary of loans held for investment before allowance for loan losses, deferred loan fees and unearned discounts, and excluding hedge accounting basis adjustments (see Note 24 for further details), classified

by Facility Risk Grade according to the Bank's methodology as discussed in Note 1 is as follows:

### As of December 31, 2023

Facility Risk Grade	Commercial & Industrial		Individuals	Total
	Domestic	Foreign		
1–6	1,143,240	867,761	346,805	2,357,806
7	112,707	–	3,065	115,772
8	–	–	154	154
9	4,778	–	110	4,888
10	–	–	188	188
11	–	–	147	147
<b>Total</b>	<b>1,260,725</b>	<b>867,761</b>	<b>350,469</b>	<b>2,478,955</b>

### As of December 31, 2022

Facility Risk Grade	Commercial & Industrial		Individuals	Total
	Domestic	Foreign		
1–6	1,065,312	1,071,838	333,836	2,470,986
7	92,634	–	11,480	104,114
8	75,000	–	619	75,619
9	–	–	569	569
10	–	–	462	462
11	–	–	105	105
<b>Total</b>	<b>1,232,946</b>	<b>1,071,838</b>	<b>347,071</b>	<b>2,651,855</b>

The maturities of the loan portfolio at December 31, 2023 and 2022 before allowance for loan losses, deferred loan fees and unearned discounts, and excluding hedge accounting basis adjustments (further details on Note 24), is summarized as follows:

\$	2023	2022
Three months or less	665,646	577,367
Over three months through 12 months	653,362	733,676
Over one year through three years	302,617	342,357
Over three years through five years	236,946	199,174
Over five years through 15 years	316,335	407,546
Over 15 years	763,739	847,161
<b>Total</b>	<b>2,938,645</b>	<b>3,107,281</b>

The Bank pledged \$440,495 and \$320,440 at December 31, 2023 and 2022, 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, 2023 and 2022, was as follows:

\$	LOANS				Off-Balance Sheet	
	Domestic	Foreign	Individuals	Foreign Banks	Total	Commitments
Balance – January 01, 2022	28,618	4,509	3,056	–	36,183	1,303
Provisions (Benefits)	(14,303)	1,352	3,358	–	(9,593)	56
Charge-offs	–	–	(2,661)	–	(2,661)	–
Loan recoveries	–	–	48	–	48	–
<b>Balance – December 31, 2022</b>	<b>14,315</b>	<b>5,861</b>	<b>3,801</b>	<b>–</b>	<b>23,977</b>	<b>1,359</b>
Adoption of ASU No 2016–13	–	–	(1,690)	–	(1,690)	(565)
<b>Balance – January 01, 2023</b>	<b>14,315</b>	<b>5,861</b>	<b>2,111</b>	<b>–</b>	<b>22,287</b>	<b>794</b>
Provisions (Benefits)	5,799	(5,861)	58,587	–	58,525	106
Charge-offs*	–	–	(59,631)	–	(59,631)	–
Loan recoveries	–	–	66	–	66	–
<b>Balance – December 31, 2023</b>	<b>20,114</b>	<b>–</b>	<b>1,133</b>	<b>–</b>	<b>21,247</b>	<b>900</b>

\* Consisting mostly by individually evaluated loan.

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 individually evaluated at December 31, 2023 and 2022, is as follows:

\$	2023	2022
Loans past due 30 through 89 days and still accruing	562	1,188
Loans past due 90 days or more and still accruing	8	–
Nonaccrual loans	541	567
Individually evaluated loans	–	75,000

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

\$	Average recorded in investment in individually evaluated loans	Interest income recognized on impaired loans	Interest forgone on nonaccrual loans
For the year ended December 31, 2023	–	–	–
For the year ended December 31, 2022	75,000	2,905	–

The Bank does not collectively evaluate any specific group of homogenous loans for impairment. In accordance with ASC 310-10-35, the Bank did not evaluate any loan on an individual basis as of December 31, 2023 (2022: commercial and industrial loan of \$75,000). The Bank had an allowance for the one individually evaluated loan of \$0 and \$32 as of December 31, 2023 and 2022, respectively. The Bank did not maintain any loans purchased with deteriorated credit as of December 31, 2023 and 2022.

In the year ended December 31, 2021, the Bank made certain loan modifications which are accounted for in accordance with Section 4013 of the CARES Act and the applicable regulatory guidance, therefore not treated as a TDR for accounting or disclosure purposes.

The Bank implemented a payment deferral program to assist both consumer and business borrowers that may be experiencing financial hardship due to the COVID-19 pandemic. As of December 31, 2023 and 2022, respectively, \$53,336 and \$492,076 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

\$	2023	2022
Land	5,235	5,235
Building and improvements	97,501	49,626
Furniture and equipment	6,272	5,164
Computer hardware and software	16,582	13,104
Right-of-use assets	2,886	–
Artwork	3,453	3,456
<b>Total</b>	<b>131,929</b>	<b>76,586</b>
Less accumulated depreciation and amortization	35,356	32,259
<b>Total premises and equipment, net</b>	<b>96,573</b>	<b>44,327</b>

The related depreciation and amortization expense, included in occupancy and communications and data processing expenses in the consolidated statements of income, was approximately \$3,348 and \$2,464 in 2023 and 2022, 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 which costs are being capitalized. The carrying amount of the building under construction as of December 31, 2023 and December 31, 2022 is \$67,003 and \$29,454, respectively. Depreciation will begin when construction is completed and the building is capable of being operational in the manner intended by management.

## 11. OTHER ASSETS AND OTHER LIABILITIES

Other assets at December 31, 2023 and 2022, included the following:

\$	2023	2022
Receivable from customers	200,444	157,367
Receivable from brokers, dealers and clearing organizations	30,049	66,760
Accounts receivable	26,675	24,422
Intangible assets, net	19,360	6,708
Securities borrowed	1,986	716
FHLBNY stock	2,539	3,029
Goodwill	1,837	7,441
Taxes receivable	13,312	–
Other assets	6,981	9,101
<b>Total other assets</b>	<b>303,183</b>	<b>275,544</b>

Amortization expense for the intangible assets, which is included in other operating expenses in the consolidated statements of income, was approximately \$1,052 for both the years ended December 2023 and 2022, respectively.

In 2023, the Bank impaired \$5,854 (2022: \$0) from goodwill related to the unwinding of the consumer loan business acquired in 2021.

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 \$1,917 and \$694 at December 31, 2023 and 2022, respectively.

Other liabilities at December 31, 2023 and 2022, included the following:

\$	2023	2022
Payable to brokers, dealers and clearing organizations	226,938	\$110,930
Accrued expenses	23,059	14,893
Other liabilities	6,797	36,186
<b>Total other liabilities</b>	<b>256,794</b>	<b>162,009</b>

## 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, 2023

\$	Govern- mental		Private Busi- ness and		Total
	Obligations	Financial Institutions	Individuals		
Western Europe and Canada	497	368,873	111,822		481,192
Brazil	9,281	65,725	14,279		89,285
Other					
Latin America	18,236	15,321	36,124		69,681
Other	2,402	170,003	160,532		332,937
<b>Total</b>	<b>30,416</b>	<b>619,922</b>	<b>322,757</b>		<b>973,095</b>

### December 31, 2022

\$	Govern- mental		Private Busi- ness and		Total
	Obligations	Financial Institutions	Individuals		
Western Europe and Canada	893	680,426	120,593		801,912
Brazil	12,206	164,333	32,092		208,631
Other					
Latin America	13,516	15,360	19,991		48,867
Other	1,851	203,482	46,694		252,027
<b>Total</b>	<b>28,466</b>	<b>1,063,601</b>	<b>219,370</b>		<b>1,311,437</b>

## 13. DEPOSITS — LIABILITIES

Deposits — liabilities at December 31, 2023 and 2022 are summarized as follows:

\$	2023	2022
Demand deposit – non-interest bearing	2,033,605	2,664,464
Money market	1,393,530	785,379
NOW and savings	27,306	70,853
Certificates of deposit	1,048,006	770,414
Certificates of deposit – brokered	4,419,816	3,518,779
<b>Total deposits – liabilities</b>	<b>8,922,263</b>	<b>7,809,889</b>

The distribution of certificates of deposit by remaining maturity at December 31, 2023 and 2022 is as follows:

\$	2023	2022
Maturity in one year or less	5,237,934	3,962,971
Maturity in over one year through three years	213,819	322,881
Maturity in over three years	16,069	3,341
<b>Total</b>	<b>5,467,822</b>	<b>4,289,193</b>

At December 31, 2023 and 2022, certificates of deposit in denominations of \$250,000 or more were \$931,077 and \$712,672, respectively. The Bank recorded \$3,701,785 and \$453,429 of certificates of deposit – brokered for which the fair value option was elected in accordance with ASC 825 as of December 31, 2023 and 2022, respectively. Refer to Note 23 for further details.

## 14. BORROWINGS

As of December 31, 2023 and 2022, all borrowings on the consolidated statements of financial condition of \$0 and \$500,700, respectively, were with affiliates. Refer to Note 4 for further details.

## 15. OTHER OPERATING EXPENSES

Other operating expenses for the years ended December 31, 2023 and 2022, are as follows:

\$	2023	2022
Charitable contributions	9,932	384
FDIC insurance premiums	7,150	5,124
Other general operating	22,429	13,275
<b>Total other operating expenses</b>	<b>39,511</b>	<b>18,783</b>

## 16. INCOME TAXES

The components of the provision for income taxes for the years ended December 31, 2023 and 2022, are as follows:

\$	2023	2022
Current tax expense:		
Federal	21,740	22,678
State and city	5,567	4,060
Foreign	75	300
Total current tax expense	27,382	27,038
Deferred tax expense/(benefit):		
Federal	561	(15,648)
State and city	(116)	(3,841)
Total deferred tax expense/(benefit)	445	(19,489)
<b>Income taxes</b>	<b>27,827</b>	<b>7,549</b>

The net deferred tax asset and liability at December 31, 2023 and 2022, were composed of the following:

\$	2023	2022
Deferred tax assets:		
Allowance for loan losses	4,943	6,538
Fair value measurements	5,895	12,642
Capital loss carryforward	1,113	-
Capital loss carryback	127	-
Depreciation and amortization	1,392	2,598
Unrealized losses included in stockholders' equity	7,675	13,178
Accrued compensation	10,204	1,840
Accrued expenses	850	459
Valuation Allowance Capital loss carryforward	(1,113)	-
Other	84	(67)
<b>Total deferred tax assets</b>	<b>31,170</b>	<b>37,188</b>
Deferred tax liabilities:		
Total deferred tax liabilities	-	-
<b>Net deferred tax asset</b>	<b>31,170</b>	<b>37,188</b>

The Bank has determined that it is more likely than not that the majority of the deferred tax assets will be fully realized. A valuation allowance of \$1,113 was taken on the portion of the realized tax loss carryforward of \$4,379 on the sale of the investment portfolio that is not anticipated to be utilized in the coming year. The valuation allowance is used as an offset of the deferred tax asset on the total gross tax loss of \$4,877 less portion that can be carried back to prior years of \$498. The Bank believes that it is more-likely-than-not that sufficient capital gains to offset the tax loss carryforward will not be generated in the foreseeable future, thus a valuation allowance was deemed necessary.

The provision for income taxes varied from the federal statutory income tax rate for the years ended December 31, 2023 and 2022, as follows:

\$	2023	2022
Taxes at federal statutory rate	22,234	8,419
State and city income taxes — net of federal benefit	4,306	173
Bank owned life insurance	(424)	(399)
Valuation Allowance	920	-
Dividend received deduction	(136)	(274)
Other — net	927	(370)
<b>Provision for income taxes</b>	<b>27,827</b>	<b>7,549</b>

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 unrecognized tax benefits (“UTB”) within the income tax expense line in the accompanying consolidated statements of income. In 2023 and 2022, no UTB or interest 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, 2023, the Bank’s tax years 2020 and after are subject to examination by the US tax authority and tax years 2017 and after are subject to examination by state and city tax authorities.

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, 2023, the Bank had a tax receivable of \$12,104 due from Parent, and a tax receivable of \$1,208 for a separately filed state tax return both of which are included in other assets on the consolidated statements of financial condition. As of December 31, 2022, the Bank had a tax payable of \$1,941 due from Parent, and a tax payable of \$380 for a separately filed state tax return both of which were included in other liabilities on the consolidated statement of financial condition.

## 17. ACCUMULATED OTHER COMPREHENSIVE INCOME

The tax effect allocated to each component of AOCI for the years ended December 31, 2023 and 2022 were as follows:

	Amount before Tax	Tax Benefit (Expense)	Amount Net of Tax
<b>2023</b>			
Beginning balance –			
January 1, 2023	(52,711)	13,178	(39,533)
Net Change in unrealized gain (loss)	16,477	(4,119)	12,358
Amounts reclassified out of AOCI	5,532	(1,383)	4,149
<b>Ending balance –</b>			
<b>December 31, 2023</b>	<b>(30,702)</b>	<b>7,676</b>	<b>(23,026)</b>
<b>2022</b>			
Beginning balance –			
January 1, 2022	34,512	(8,628)	25,884
Net Change in unrealized gain (loss)	(32,377)	8,094	(24,283)
Amounts reclassified out of AOCI	(54,845)	13,711	(41,134)
<b>Ending balance –</b>			
<b>December 31, 2022</b>	<b>(52,711)</b>	<b>13,178</b>	<b>(39,533)</b>

## 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, 2023 and 2022, such obligations included standby and commercial letters of credit of approximately \$68,037 and \$48,462, 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 \$24,000 and \$30,125 at December 31, 2023 and 2022, respectively.

In connection with guarantees issued, substantially all such items were collateralized by deposits or highly liquid assets at December 31, 2023 and 2022.

## 19. LEASE OBLIGATIONS

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The standard requires lessees to recognize the assets and liabilities that arise from leases in the balance sheet. Additionally, in July 2018, the FASB issued ASU 2018-11, Leases (Topic 842) – Targeted Improvements, which, among other things, provides an additional transition method that would allow entities to not apply the guidance in ASU 2016-02 in the comparative periods presented in the financial statements and instead recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. The Bank adopted ASU 2016-02 and its related amendments as of December 31, 2022, which resulted in the recognition of operating and right-of-use assets totaling \$2,886, as well as operating lease liabilities totaling \$2,932, respectively. The Bank elected to adopt the transition relief provisions from ASU 2018-11 and recorded the impact of adoption as of December 31, 2023, without restating any prior-year amounts or disclosures.

The related policy elections made by the bank can be found in Note 1– Organization and Summary of Significant Accounting Policies. There was no cumulative effect adjustment to the opening balance of retained earnings required. The Bank recognizes right-of-use assets and lease liabilities for all leases, except short-term leases that have a lease term of 12 months or less. Right-of-use assets represents the Bank's right to use an underlying asset for the lease term, and lease liabilities represents the Bank's obligation to make lease payments arising from the lease.

The Bank has operating leases of office space in buildings for corporate offices. For year ended 2023, Aventura Suite 800 & 503 office lease term is from June 2021 to September 30, 2024, with lease cost of \$773, Aventura Suite 302 office lease term is from September 2021 to September 2024 with lease cost of \$313, Palm Beach office lease term is from October 2022 to November 2026 with lease cost of \$397, and Brickell office lease term is from October 2023 to July 2026 with lease cost of \$102, and New York office from August 2017 to July 2027 with lease cost of \$1,030. The remaining weighted average lease term is 1.73 years.

The following table summarizes the line items in the consolidated statements of financial condition which include amounts for operating leases as of December 31:

\$	2023	2022
Fixed assets and premises — Right-of-use	2,886	–
Accrued expenses and other liabilities —		
Other liabilities	2,932	–

The following summarizes the weighted average remaining lease term and discount rate as of December 31, 2023:

<b>As of December 31, 2023</b>	
Weighted average remaining lease term	1.73 years
Weighted average discount rate	4.61%

The maturities of lease liabilities as of December 31, 2023, were as follows:

<b>Year ending December 31</b>	
\$	
2024	1,592
2025	849
2026	652
Total undiscounted cash flows	3,093
Less: net present value discount	(161)
<b>Total lease liabilities</b>	<b>2,932</b>

The following table summarizes cash flow information related to leases for the year ended December 31:

\$	2023	2022
Cash paid for amounts included in measurement of lease liabilities	1,586	–
Lease assets obtained in exchange for lease obligations	3,093	–

## 20. CREDIT-RELATED RISK CONCENTRATIONS

In the normal course of its business, the Bank's credit-related risk concentrations as of December 31, 2023 and 2022, were as follows:

\$	2023	2022
Credit exposure in deposits with banks:		
Branches and agencies in the United States of America	3,791,582	3,216,304
Foreign banks	27,343	71,169
Credit exposure in assets of the consolidated statements of financial condition in:		
The U.S. federal government and its agencies	2,527,083	2,297,671
Real estate loan portfolio	974,620	1,005,161
<b>Total</b>	<b>7,320,628</b>	<b>6,590,305</b>

## 21. COMMITMENTS AND CONTINGENT LIABILITIES

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 fair 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.

## 22. 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 \$107,806 and \$158,518 as of December 31, 2023, and 2022 respectively. In accordance with this restriction, the Bank declared and paid dividends of \$55,000 and \$0 during the years ended December 31, 2023 and 2022, 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, 2023 and 2022, the Bank meets all capital adequacy requirements to which they are subject.

As of December 31, 2023, 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		To be Well Capitalized	
			Adequacy Purposes		Under Prompt Corrective	
	Amount (\$)	Ratio (%)	Amount (\$)	Ratio (%)	Amount (\$)	Ratio (%)
<b>As of December 31, 2023</b>						
Total capital (to risk-weighted assets)	975,643	26.65	292,833	8.00	366,041	10.00
Tier 1 capital (to risk-weighted assets)	953,497	26.05	219,625	6.00	292,833	8.00
Common Equity Tier 1 capital (to risk-weighted assets)	953,497	26.05	164,719	4.50	237,927	6.50
Tier 1 capital (to average assets)	953,497	10.26	371,658	4.00	464,572	5.00
<b>As of December 31, 2022</b>						
Total capital (to risk-weighted assets)	914,929	22.41	326,615	8.00	408,268	10.00
Tier 1 capital (to risk-weighted assets)	889,592	21.79	244,954	6.00	326,606	8.00
Common Equity Tier 1 capital (to risk-weighted assets)	889,592	21.79	183,716	4.50	265,367	6.50
Tier 1 capital (to average assets)	889,592	9.76	364,587	4.00	455,734	5.00

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, 2023 and 2022:

\$	2023	2022
Required net capital	1,468	981
Net capital	207,767	187,538
Excess net capital	206,299	186,557

### 23. 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”).

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 which are measured at fair value on a recurring basis. All of the valuation techniques described below apply to the unpaid principal balance, excluding any accrued interest or dividends at the measurement date. Interest income and expense are recorded within the consolidated statements of income depending on the nature of the instrument using the effective interest method based on acquired discount or premium.

#### 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
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 held at fair value

The fair value of loans carried at fair value 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, 2023 and 2022:

**Financial Assets and Liabilities at Fair Value as of December 31, 2023**

\$	Level 1	Level 2	Level 3	Cash Collateral Netting	Total
<b>ASSETS</b>					
Short-term investments:					
Money market accounts and funds	54,420	–	–	–	54,420
<b>Total Short-term investments</b>	<b>54,420</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>54,420</b>
Available-for-sale securities:					
Obligations of U.S. Government	–	642,295	–	–	642,295
Corporate debt securities	–	134,862	–	–	134,862
Obligations of states, local, U.S. Sponsored agencies and political subdivisions	–	1,013,637	–	–	1,013,637
Agency mortgage-backed securities	–	946,230	–	–	946,230
<b>Total available-for-sale securities</b>	<b>–</b>	<b>2,737,024</b>	<b>–</b>	<b>–</b>	<b>2,737,024</b>
Trading securities:					
Obligations of U.S. Government	–	187,643	–	–	187,643
Corporate debt securities	–	–	–	–	–
Equities	–	–	–	–	–
<b>Total trading securities</b>	<b>–</b>	<b>187,643</b>	<b>–</b>	<b>–</b>	<b>187,643</b>
Loans	–	–	438,104	–	438,104
Derivative assets:					
Foreign exchange contracts	–	53,290	–	6,800	60,090
Interest rate contracts	–	239,403	–	–	239,403
<b>Total derivative assets</b>	<b>–</b>	<b>292,693</b>	<b>–</b>	<b>6,800</b>	<b>299,493</b>
<b>Total assets</b>	<b>54,420</b>	<b>3,217,360</b>	<b>438,104</b>	<b>6,800</b>	<b>3,716,684</b>
<b>LIABILITIES</b>					
Deposits – time deposits	–	3,701,785	–	–	3,701,785
Derivative liabilities:					
Foreign exchange contracts	–	52,002	–	–	52,002
Interest rate contracts	–	7,000	–	–	7,000
Other contracts	–	–	–	–	–
<b>Total derivative liabilities</b>	<b>–</b>	<b>59,002</b>	<b>–</b>	<b>–</b>	<b>59,002</b>
<b>Total liabilities</b>	<b>–</b>	<b>3,760,787</b>	<b>–</b>	<b>–</b>	<b>3,760,787</b>

**Financial Assets and Liabilities at Fair Value as of December 31, 2022**

\$	Level 1	Level 2	Level 3	Cash	
				Collateral	Netting
					Total
<b>ASSETS</b>					
Short-term investments:					
Money market accounts and funds	32,476	–	–	–	32,476
<b>Total Short-term investments</b>	<b>32,476</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>32,476</b>
Available-for-sale securities:					
Obligations of U.S. Government	–	383,125	–	–	383,125
Corporate debt securities	–	195,402	–	–	195,402
Obligations of states, local, U.S. Sponsored agencies and political subdivisions	–	1,004,365	–	–	1,004,365
Agency mortgage-backed securities	–	997,953	–	–	997,953
<b>Total available-for-sale securities</b>	<b>–</b>	<b>2,580,845</b>	<b>–</b>	<b>–</b>	<b>2,580,845</b>
Trading securities:					
Corporate debt securities	–	37,774	–	–	37,774
Equities	6,513	–	–	–	6,513
<b>Total trading securities</b>	<b>6,513</b>	<b>37,774</b>	<b>–</b>	<b>–</b>	<b>44,287</b>
Loans	–	–	453,290	–	453,290
Derivative assets:					
Foreign exchange contracts	–	32,772	–	(6,800)	25,972
Interest rate contracts	–	279,210	–	–	279,210
<b>Total derivative assets</b>	<b>–</b>	<b>311,982</b>	<b>–</b>	<b>(6,800)</b>	<b>305,182</b>
<b>Total assets</b>	<b>38,989</b>	<b>2,930,601</b>	<b>453,290</b>	<b>(6,800)</b>	<b>3,416,080</b>
<b>LIABILITIES</b>					
Deposits – time deposits	–	453,429	–	–	453,429
Derivative liabilities:					
Foreign exchange contracts	–	27,971	–	–	27,971
Interest rate contracts	–	8,534	–	–	8,534
Other contracts	–	–	–	–	–
<b>Total derivative liabilities</b>	<b>–</b>	<b>36,505</b>	<b>–</b>	<b>–</b>	<b>36,505</b>
<b>Total liabilities</b>	<b>–</b>	<b>489,934</b>	<b>–</b>	<b>–</b>	<b>489,934</b>

### 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, 2023 and 2022. The following table presents the quantitative information about Level 3 fair value measurements as of December 31, 2023 and 2022:

#### Assets at December 31, 2023

	Fair Value	Valuation	Significant	Range of	Weighted
	\$	Technique	Unobservable Inputs	Inputs	Average
Loans	438,104	Discounted cash flows	Credit spreads	124 bps – 1115 bps	371 bps

#### Assets at December 31, 2022

	Fair Value	Valuation	Significant	Range of	Weighted
	\$	Technique	Unobservable Inputs	Inputs	Average
Loans	453,290	Discounted cash flows	Credit spreads	36 bps – 736 bps	297 bps

The following table presents detailed changes in the Bank's Level 3 financial assets and liabilities at fair value that occurred during 2023 and 2022:

#### Level 3 — Financial Assets and Liabilities for Years Ended

\$	
BALANCE — January 1, 2022	703,514
Net unrealized gain (included in net gain/(loss) on fair value measurements)	(28,927)
Issuances	—
Paydowns	(221,297)
<b>BALANCE — December 31, 2022</b>	<b>453,290</b>
Net unrealized gain (included in net gain/(loss) on fair value measurements)	6,903
Issuances	—
Paydowns	(22,089)
<b>BALANCE — December 31, 2023</b>	<b>438,104</b>

There were no transfers between Level 1, Level 2 and Level 3 for the years ended December 31, 2023 and 2022.

### Fair Value Option

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

The Bank elected to account for some fixed-rate loans at fair value under the provisions of ASC 825. These loans are economically hedged by certain derivatives in accordance with the Bank's risk management policies. The election of the fair value option intends to align the accounting for these loans with the related economic hedges. The Bank has not elected the fair value option for the remainder of the loan portfolio as these loans are 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 \$438,105 and \$453,290, and an aggregate outstanding principal balance of \$459,689 and \$481,777 at December 31, 2023 and 2022, respectively, and were included in loans in the consolidated statements of financial condition. As of December 31, 2023 and 2022, the Bank had no loans recorded at fair value that were classified as nonaccrual and/or past due. Accrued interest receivable of \$1,556 and \$1,324 at December 31, 2023 and 2022, 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 \$23,140 and \$29,424 were included in net loss on fair value measurements in the consolidated statements of income for the years ended December 31, 2023 and 2022, respectively. Changes in fair value due to instrument specific credit risk for the years 2023 and 2022 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 loss on fair value measurements on the consolidated statements of income.

## 24. 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, 2023 and 2022, 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 \$14,490 and \$93,185, respectively. As of December 31, 2023 and 2022, the total notional amounts outstanding to fulfill clients' needs were \$2,666,295 and \$2,061,984, respectively. Foreign exchange contracts had maturities ranging from January 2024 to December 2029, and from January 2023 to June 2027, as of December 31, 2023 and 2022, 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, 2023 and 2022, as follows:

\$	2023	2022
Notional amounts of interest rate contracts as of December 31,		
Used as economic hedges	4,916,669	1,736,341
Used to fulfill clients' needs	–	172,000
Designated as fair value hedges	1,082,357	1,094,782
<b>Total notional amounts</b>	<b>5,999,026</b>	<b>3,003,123</b>

### Other Derivative Contracts

The Bank enters into other derivative contracts to facilitate customer transactions, including equity and credit derivatives. As of December 31, 2023 and 2022, there were no amounts outstanding to fulfil clients' needs.

Fair values of gross derivative assets and liabilities as of December 31, 2023 and 2022 are as follows:

#### Derivative Assets

As of December 31,	2023		2022	
	Consolidated Statement of Financial Condition	Fair Value \$	Consolidated Statement of Financial Condition	Fair Value \$
Derivatives designated as hedging instruments:				
Interest rate contracts	Derivative assets	110,408	Derivative assets	140,756
Derivatives not designated as hedging instruments:				
Foreign exchange contracts	Derivative assets	60,090	Derivative assets	37,725
Foreign exchange contracts*	Derivative liabilities	13,801	Derivative liabilities	795
Interest rate contracts	Derivative assets	128,994	Derivative assets	138,454
Other contracts	Derivative assets	–	Derivative assets	–
Total derivatives not designated as hedging instruments		202,885		176,974
<b>Total gross derivative assets</b>		<b>313,293</b>		<b>317,730</b>

\* 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,	2023		2022	
	Consolidated Statement of Financial Condition	Fair Value \$	Consolidated Statement of Financial Condition	Fair Value \$
Derivatives designated as hedging instruments:				
Interest rate contracts	Derivative liabilities	1,221	Derivative liabilities	78
Derivatives not designated as hedging instruments:				
Foreign exchange contracts	Derivative liabilities	65,802	Derivative liabilities	21,966
Foreign exchange contracts*	Derivative assets	–	Derivative assets	11,753
Interest rate contracts	Derivative liabilities	5,779	Derivative liabilities	8,456
Other contracts	Derivative liabilities	–	Derivative liabilities	–
Total derivatives not designated as hedging instruments		71,581		42,175
<b>Total gross derivative liabilities</b>		<b>72,802</b>		<b>42,253</b>

\* 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	
		2023	2022
<b>Derivatives not Designated as Hedging Instruments:</b>			
Interest income on interest rate contracts — net	Net gain/(loss) on fair value measurements	37,406	(8,760)
Interest income on foreign exchange contracts — net	Net gain/(loss) on foreign currency valuation on securities and derivatives	—	—
Gain/(loss) on interest rate contracts — net	Net gain/(loss) on fair value measurements	(1,889)	283,250
Gain/(loss) on foreign exchange contracts — net	Net gain/(loss) on foreign currency valuation on securities and derivatives	12,689	6,418
<b>Total</b>		<b>48,206</b>	<b>280,908</b>

#### 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, 2023 and 2022, 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,	2023		2022	
	Amount of Basis Adjustments Carrying Amount	Included in the of Hedged Asset Carrying Amount	Amount of Basis Adjustments Carrying Amount	Included in the of Hedged Asset Carrying Amount
\$				
Line item on the consolidated statements of financial condition in which the hedged item is included:				
Securities available-for-sale*	426,801	(67,240)	467,589	(79,676)
Loans	567,954	(42,475)	520,559	(57,647)

\* 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, 2023 and 2022 was as follows:

	Location on Consolidated Statement of Income	Amount of Gain/(Loss) Recognized in Consolidated Statements of Income	
		2023	2022
\$			
<b>Derivatives Designated as Fair Value Hedges:</b>			
Gain/(loss) on interest rate contracts	Interest Income	(31,467)	120,750
Hedged item — AFS securities	Interest Income	17,325	(69,812)
Hedged item — loans	Interest Income	14,821	(50,317)
<b>Total</b>		<b>679</b>	<b>621</b>

The following tables provide a summary of offsetting derivative financial instruments as of December 31, 2023 and 2022.

	Gross Amount Recognized	Gross Amount Condition of Financial Condition	Net Amount Condition of Financial Condition	Gross Amounts Not Offset in the Derivatives Consolidated Statement of Financial Condition		Net Amount
				Derivatives	Collateral*	
<b>As of december 31, 2023</b>						
Derivative assets	313,293	(13,800)	299,493	(58,844)	(4,080)	236,569
Derivative liabilities	72,802	(13,800)	59,002	(58,844)	(40,588)	(40,430)
<b>As of december 31, 2022</b>						
Derivative assets	317,730	(12,548)	305,182	(65,861)	(621)	238,700
Derivative liabilities	42,253	(5,748)	36,505	(65,861)	(10,522)	(39,878)

\* 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, 2023 and 2022. The Bank has received \$4,080 and \$2,210, respectively, of cash collateral as of December 31, 2023 and 2022 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 paid \$6,800 and received \$6,800, respectively, of cash collateral as of December 31, 2023 and 2022, 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.

## **25. EMPLOYEE BENEFIT PLANS**

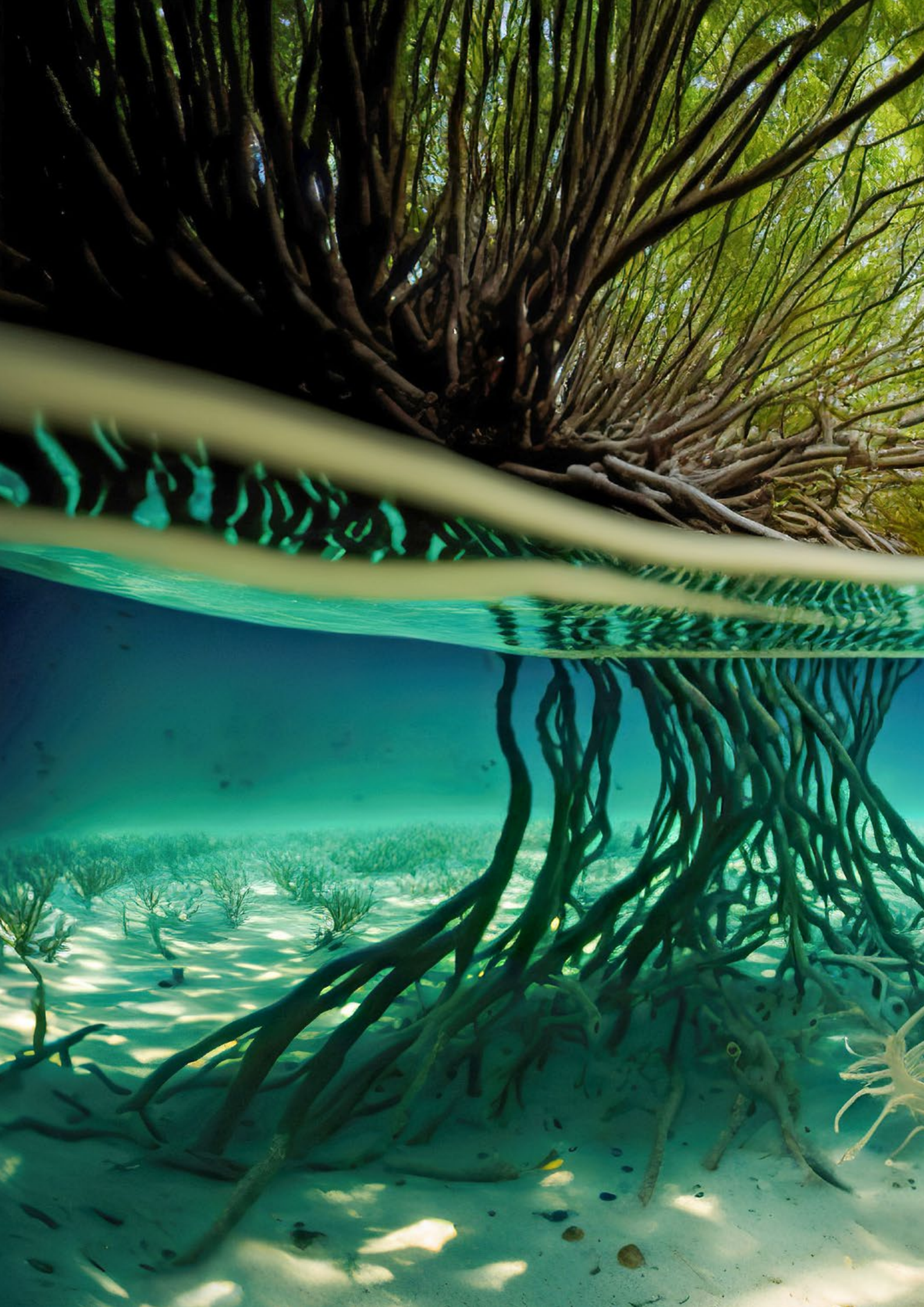
The Bank sponsors a multiemployer profit-sharing contribution plan covering substantially all its employees. Profit sharing expense included on the consolidated statements of income in salaries and employee benefits expenses for the years ended December 31, 2023 and 2022, was approximately \$2,912 and \$2,459, respectively.

## **26. 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 fair value of assets under custody was \$21,447,829 and \$17,463,264 at December 31, 2023 and 2022, 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 \$23,440 and \$18,337 for the years ended December 31, 2023 and 2022, respectively.

## **27. SUBSEQUENT EVENTS**

For the year ended December 31, 2023, the Bank evaluated subsequent events for the consolidated financial statements. There were no subsequent events through March 26, 2024, the date the consolidated financial statements were available to be issued, that would require recognition or disclosure in the consolidated financial statements.





# Locations and Affiliates

# Locations and Affiliates



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(\*) offices

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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 Safran (1891 – 1963)**

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**Safra National Bank**  
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