



WHOLESALE BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

Public Disclosure

August 31, 2005

Community Reinvestment Act Performance Evaluation

**Delta National Bank and Trust Company
Charter Number: 20547**

**650 Fifth Avenue, 31st Floor
New York, NY 10019**

**Office of the Comptroller of the Currency
New York Metro-south
340 Madison Avenue, Fourth Floor
New York, NY 10017**

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

Institution's CRA rating:

This institution is rated Satisfactory

The conclusions for the three rating criteria are:

- The bank demonstrates an adequate level of qualified investment and community development lending activity in its assessment areas.
- The bank does not use innovative or complex qualified investments, community development loans, or community development services.
- The bank demonstrates adequate responsiveness to credit and community development needs in its assessment areas.

Scope of the Examination

We evaluated the Delta National Bank and Trust Company (DeltaBank) performance under the CRA regulation by reviewing the bank's community development activities from June 19, 2002 through August 31, 2005. We examined the level and nature of qualified investments, community development lending, and community development services. At the prior CRA examination in June 19, 2002, we rated DeltaBank as "Satisfactory".

Data Integrity

We assessed the bank's processes and internal controls for collecting, reporting, and verifying the accuracy of data on community development loans, services, qualified investments and donations for CRA during our data integrity review in May 2005. The bank's processes, controls, and data were found to be adequate.

Description of Institution

DeltaBank, headquartered in New York City, opened in 1986 and was approved for wholesale bank designation for CRA purposes on May 14, 1996. The bank is a wholly owned subsidiary of Delta North Bankcorp, a Delaware holding company, which is owned by Delta Investment Company located in Grand Cayman. There are no subsidiaries of the bank.

On January 3, 2000, DeltaBank's national bank affiliate (Delta National Bank and Trust Company of Florida) located in Miami was merged with the New York bank, creating an interstate bank. Description of the bank's assessment area and performance in the two states are presented separately in this evaluation.

In New York, DeltaBank operates from one office located on the twenty-sixth floor of an office building and is not readily accessible to the public. In Florida, the bank operates from one office located on the fifth floor of an office building in downtown Miami. There are no other branches.

DeltaBank's main business focus is on private banking, cash management, investment, and trust services directed towards individual and corporate South American customers. The bank occasionally offers traditional consumer or commercial loans. There are no legal or financial hindrances to the bank's ability to help meet the credit needs in its assessment areas.

Table 1 below highlights the bank's financial information during the evaluation period:

Table 1: Financial Information (000s)

	Year-end 2002	Year-end 2003	Year-end 2004	Through Quarter-end 06/30/2005**	Average for Evaluation Period
Tier 1 Capital	40,849	41,394	42,498	42,422	41,791
Total Income	29,996	25,553	25,629	25,076	26,564
Net Operating Income	134	545	1,103	365	537
Total Assets	493,526	472,390	392,515	336,590	423,755

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

** Annualized or Projected data reported.

STATE OF NEW YORK

CRA RATING FOR NEW YORK: Satisfactory

DeltaBank has an adequate record of participating in and helping to support community development activities in its assessment area. DeltaBank has done this primarily through qualified investments.

Description of New York Assessment Area

DeltaBank's assessment area (AA) in New York consists of the five boroughs of New York City (Manhattan, Queens, Brooklyn, The Bronx, and Staten Island), which is part of the New York-Wayne-White Plains, NY-NJ Metropolitan Division #35644 under New York-Newark-Edison, NY-NJ-PA Metropolitan Statistical Area #35620. The AA meets the requirement of the regulation and does not arbitrarily exclude low- or moderate-income geographies. Table 2 below provides demographic information about the AA.

Table 2: Assessment Area Description – New York

	Number	Low	Moderate	Middle	Upper
Tracts	2,217	14.7%*	27.7%*	29.9%*	25.1%*
Families	1,869,809	16.6%**	31.4%**	27.9%**	24.1%**
Business	494,339	8.27%	20.53%	21.88%	49.32%

Source: Demographic Data - 2000 U.S. Census.

* 2.6% of tracts do not have income designation.

** Represents families by income level.

The population of the AA is 8.0 million per the 2000 U.S. Census data. The census median family income (MFI) is \$48,158. The 2004 Department of Housing and Urban Development updated MFI is \$57,000.

Within the AA, there are 3.2 million housing units of which 94% are occupied. Owner-occupied units account for 29% and rental units accounts for 66%. In addition, nearly 61% (1.9 million) of all housing units are multifamily. The median housing value in the AA is considered high at \$240,909 making homeownership a difficult proposition for most low- and moderate-income individuals. The low interest rate environment, innovative mortgage products, high salaries, and housing demand have contributed to price growth.

New York City (NYC) is home to a diversified mix of businesses with many national and international corporations headquartered here. Historically, the downtown area in Manhattan borough has been dominated by the financial services industry. Industries operating in the midtown area include advertising, publishing, and garment production. The retail sector is a major employer with several large department stores and many small businesses operating throughout the AA.

The NYC economy continues to recover from the events of September 11, 2001. Statistics showed that tourism has rebounded with hotel occupancy reaching 75.3% during the first quarter of 2005, the highest first-quarter rate since 2000 and about 11 points higher than the national average. In addition, Wall Street hiring has increased for the past five quarters following three years of declines. High salaries have had a large multiplier effect throughout the NYC and its surrounding areas. The AA unemployment level stood at 5.5% in July 2005 compared to the state rate of 5.1% for the same period.

DeltaBank operates in an extremely competitive market with many multinational, regional, and foreign local banks in the AA. Several major banks operate in the area including Citibank, JP Morgan Chase, HSBC, Washington Mutual, Bank of America, and Wachovia.

A community contact within the bank's AA disclosed that affordable housing development, rehabilitation lending, and homebuyer counseling continue to be needs in the AA. The contact stressed that educating low- and moderate-income areas on home ownership and the perils of predatory lending is increasingly important. Other contacts have identified flexible lending products and homebuyer counseling as needs within the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE IN NEW YORK

Conclusions About Performance

Summary

DeltaBank's overall CRA performance as a wholesale-designated bank is satisfactory. The bank demonstrated an adequate level of qualified investments and community development loans in the AA. The investments and loans were neither innovative nor complex; however, they did provide adequate responsiveness to credit and community development needs in the AA.

- The level of the bank's activity is adequate in relation to available opportunities and the bank's capacity. DeltaBank funded four qualified investments and made qualified donations to four community organizations that support affordable housing and quality of life programs for low- and moderate-income individuals. Quality of life programs include, but are not limited to, job training, financial education, and homeless assistance. The bank originated a community development loan. Opportunities exist throughout the AA, but are limited due to the strong competition among financial institutions. The bank provided a community development service to a nonprofit housing organization.
- DeltaBank provided only routine community development activities in the AA during the evaluation period. The bank's community development activities consisted of qualified investments, donations, loans, and services that are routinely provided by other entities.
- The bank's qualified investments and community development lending exhibited adequate responsiveness to credit and economic development needs within its AA. Qualified investment and lending related programs have positively impacted affordable housing, community development, and economic development initiatives throughout the AA.

Qualified Investments

The bank invested an adequate level of funds in certificates of deposit at minority owned and community development banks and low-income credit union, given the availability of qualified investments in the AA, the bank's size, and its strategic focus. During the evaluation period, the bank purchased three new certificates of deposit aggregating \$294 thousand. The deposits are maintained with banks designated minority-owned that typically assist the low- and middle income- communities in redeveloping their communities. In addition, the bank allocated \$159 thousand in a bond targeted to be used for a low- and moderate- income property. The investments are neither innovative nor complex; however, they are responsive to credit and community development needs of the AA.

During the evaluation period, DeltaBank provided qualified grants and donations to four community organizations that support affordable housing, financial education, and quality of life programs targeting low- and moderate-income individuals. The total dollar amount for the period was \$87 thousand. DeltaBank has been a consistent donor to these organizations since the early 1990s.

Table 3: Qualified Investment Activity (000s)

	Benefits AA
Originated Investments	453
Originated Grants	87
Prior-Period Investments that Remain Outstanding	0
Total Qualified Investments	540

Table 4: Qualified Investment Percentages

	Benefit AA (%)
Total Investments/Average Tier 1 Capital	1.3%
Total Investments/Average Total Income	2.0%

Community Development Lending

Delta Bank originated an adequate level of qualified community development loans, given the bank's size and strategic focus. During the evaluation period, DeltaBank committed a \$200 thousand line of credit to a nonprofit housing organization whose mission is to preserve and create affordable housing for low- and moderate-income individuals. The commitment was used to fund the organization's fourth closing payment assistance program.

Table 5: Community Development Lending Percentages

	Benefits AA (%)
Total CD Lending/Average Tier 1 Capital	0.5%
Total CD Lending/Average Total Income	0.8%

Community Development Services

DeltaBank provided a community development service during the evaluation period. The bank's CRA officer served on the Neighborhood Housing Services of New York loan review committee until its dissolution in 2003.

STATE OF FLORIDA

CRA RATING FOR FLORIDA: Satisfactory

DeltaBank has an adequate record of participating in and helping to support community development activities in its assessment area. DeltaBank has done this primarily through qualified investments.

Description of Florida Assessment Area

DeltaBank's AA in Florida consists of the Miami-Miami Beach-Kendall, FL Metropolitan Division (Miami-Dade County) #33124, which is part of the Miami-Fort Lauderdale-Miami Beach, FL Metropolitan Statistical Area #33100. The AA meets the requirement of the regulation and does not arbitrarily exclude low- or moderate-income geographies. Table 2 below provides demographic information about the AA.

Table 2: Assessment Area Description – Miami MSA

	Number	Low	Moderate	Middle	Upper
Tracts	347	7.8%*	28.5%*	32.9%*	30.0%*
Families	552,484	4.3%**	27.4%**	36.0%**	32.3%**
Business	213,667	5.02%	22.36%	32.42%	40.2%

Source: Demographic Data - 2000 U.S. Census.

*3 tracts do not have income designation.

** Represents families by income level.

According to the 2000 U.S. Census data, the population of the AA is 2.3 million. The census median family income (MFI) is \$44,734 and the 2004 Department of Housing and Urban Development updated MFI is \$45,700.

Within the AA, there are 852 thousand housing units of which 91% are occupied. Owner-occupied units account for 53% and rental units accounts for 38%. In addition, 39% (322 thousand) of all housing units are multifamily. The median housing value in the AA is \$123,974.

Miami-Dade County is the largest metropolitan area in the state of Florida and often referred to as the "Gateway to Latin America and the Caribbean." The community is located along the southeast tip of the Florida peninsula. It is bounded by Biscayne Bay and the Atlantic Ocean to the east, Everglades National Park to the west, the Florida Keys to the south, and Broward County to the North.

The City of Miami is the largest municipality, followed by Hialeah, Miami Gardens, Miami Beach, North Miami and Coral Gables. Miami-Dade County comprises an area in excess of 2,200 square miles. Miami-Dade is one of the most diverse major counties in the nation; more than half of the County's residents are foreign born.

Miami-Dade County's economy, at \$75 billion Gross County Product is larger than that of 70 countries. The tourist industry is the County's main moneymaker, employing approximately 14% of the labor market and injecting \$13.5 billion into the local economy each year. Miami experiences more than 10 million overnight visitors from Europe, Latin America, North America and Asia yearly. Miami-Dade is the meeting center for many multinational businesses. Fifty-four percent of all U.S. trade with Central America flows through Miami. The county's unemployment rate of 5.0% at July 2005 is higher

than Florida's rate of 3.8%, nevertheless an improvement over previous years, after the events of September 11, 2001.

Home prices have surged even though homebuilding has been robust in the county and the state. Florida's permit issuances through the first quarter of 2005 were up over 15 percent from 2004. In the City of Miami alone, over 60,000 units are in various stages of development, a strong pace given the fact that just 7,000 units were built in the past 10 years. However, the 2005 hurricane season is expected to be active and could damage or slow the rapid pace of coastal development if one strikes.

CONCLUSIONS WITH RESPECT TO PERFORMANCE IN FLORIDA

Conclusions About Performance

Summary

DeltaBank's overall CRA performance as a wholesale-designated bank is satisfactory. The bank demonstrated an adequate level of qualified investments and community development loans in the AA. The investments and loans were neither innovative nor complex; however, they did provide adequate responsiveness to credit and community development needs in the AA.

- The level of the bank's activity was adequate in relation to available opportunities and the bank's capacity. DeltaBank funded two qualified investments. The bank also has an equity investment in a community development consortium consisting of 23 area banks totaling \$40 thousand representing 2.9% of the consortium. Additionally, qualified donations were made to two community organizations that support affordable housing and quality of life programs such as financial education for low- and moderate-income individuals. Opportunities exist throughout the AA, but are limited due to the competition throughout the AA. The bank provided community development service.
- DeltaBank provided routine community development activities in the AA during the evaluation period. The bank's community development activities consisted of qualified investments, donations, loans, and services that are routinely provided by other entities.
- DeltaBank's responsiveness to the credit and community development needs in its AA was adequate.

Qualified Investments

The bank made adequate qualified investments during the evaluation period, given the availability of qualified investments in the AA, the bank's size, and its strategic focus. The bank purchased two bonds totaling \$400 thousand: \$200 thousand in a bond to finance a low income housing tax credit property in Miami, Florida, and a \$200 thousand bond to the Miami Beach Redevelopment Agency. The bank renewed 14 qualified certificates of deposit for approximately \$1.4 million placed in minority owned banks. Additionally, eleven public housing bonds aggregating approximately \$1.1 million, purchased in prior periods, are still outstanding. The investments are neither innovative nor complex; however, they are responsive to credit and community development needs of the AA.

During the evaluation period, DeltaBank provided qualified donations to two community organizations that support and promote programs and services for low and moderate-income areas. The total dollar amount for the period was \$3 thousand.

Table 3: Qualified Investment Activity (000s)

	Benefits AA
Originated Investments	400
Originated Grants	3
Prior-Period Investments that Remain Outstanding	2,480
Total Qualified Investments	2,883

Table 4: Qualified Investment Percentages

	Benefit AA (%)
Total Investments/Average Tier 1 Capital	6.9%
Total Investments/Average Total Income	10.6%

Community Development Lending

DeltaBank originated an adequate level of qualified community development loans. During the evaluation period, DeltaBank through the Community Reinvestment Consortium committed five loans in the amount of \$674 thousand. DeltaBank has open commitments and five outstanding CRA loans from the prior period that continue to benefit low- and moderate income areas.

Table 5: Community Development Lending Percentages

	Benefits AA (%)
Total CD Lending/Average Tier 1 Capital	1.6%
Total CD Lending/Average Total Income	2.5%

Community Development Services

The CRA Officer is the bank's representative to the Community Reinvestment Group (CRG). A community development consortia of banks with the purpose of making zero interest loans to qualified Community Development Corporations.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of illegal discrimination or other illegal credit practices.

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate – Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if both companies are directly or indirectly controlled by the same company. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Assessment Area (AA) – A geographic area that consists generally of one or more MSAs (using the MSA boundaries that were in effect as of January 1 of the calendar year in which the delineation is made) or one or more contiguous political subdivisions, such as counties, cities, or towns, in which the bank has its main office, branches, and deposit-taking ATMs.

Benefit to Assessment Area – A qualified Community Development activity benefits the assessment area if (i) the activity benefits areas within the assessment area, or (ii) the activity has the potential to benefit the assessment area and is located in the broader statewide or regional area that includes the bank’s assessment area. If a bank has adequately addressed the needs of its assessment area, then the OCC also considers activities submitted by the bank that benefit areas outside of its assessment area.

CEBA – Competitive Equality Banking Act of 1987, which permitted corporations to form limited-purpose credit card banks, whose operations are restricted to credit card activities, without the corporation becoming subject to the limitations of a “bank holding company” under the Bank Holding Company Act. A CEBA credit card bank engages only in credit card operations, does not accept demand deposits or savings or time deposits of less than \$100,000 (other than to secure extensions of credit), maintains only one office and does not engage in the business of making commercial loans. *[This definition is not needed for non-CEBA Limited Purchase or Wholesale Institutions.]*

Census Tract (CT) – Small, locally defined statistical areas within metropolitan statistical areas. These areas are determined by the United States Census Bureau in an attempt to group homogenous populations. A CT has defined boundaries per 10-year census and an average population of 4,000.

Community Development (CD) – Affordable housing for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration’s Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies.

Community Reinvestment Act (CRA) – The statute that requires the OCC to evaluate a bank’s record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Geography – A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Median Family Income (MFI) – The median income determined by the United States Census Bureau every 10 years and used to determine the income level category of geographies. Also, it is the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of families. For any given geography, the median is the point at which half of the families have income above it and half below it. (See the four categories of median income below.)

- **Low-Income** – An income level that is less than 50% of the MFI.
- **Moderate-Income** – An income level that is at least 50% and less than 80% of the MFI.
- **Middle-Income** – An income level that is at least 80% and less than 120% of the MFI.
- **Upper-Income** – An income level that is 120% or more of the MFI.

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

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

Net Operating Income – As listed in the Consolidated Report of Condition and Income: Income before income taxes and extraordinary items and other adjustments. [*Schedule RI - Income Statement, line 8 or UBPR, page 2, “PreTax Operating Income (TE)”*]

Tier 1 Capital – The total of common shareholders’ equity, perpetual preferred shareholders’ equity with noncumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries. [*Schedule RC-R - Regulatory Capital, line 3a(1) or UBPR, page 11A, “Net Tier One”*]

Total Assets – Total bank assets as listed in the Consolidated Report of Condition and Income. [*Schedule RC - Balance Sheet, line 12 or UBPR, page 4, “Total Assets”*]

Total Income – From the Consolidated Report of Condition and Income – Total Interest income plus Total Noninterest income. [*Schedule RI - Income Statement, Total Interest Income, line 1g and Total Noninterest Income, line 5g, except for banks with domestic offices only and total assets less than \$100 million, line 5c or UBPR, page 2, “Total Interest Income” and “Noninterest Income”*]

Wholesale Institution – An institution that is not in the business of extending home mortgage, small business, small farm, or consumer loans to retail customers and for which a designation as a wholesale bank is in effect.