



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

October 15, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank of New York
Charter Number 24680

2222 Merrick Road
Merrick, NY 11566

Office of the Comptroller of the Currency

New York - Jersey City
Harborside Financial Center, Plaza Five
Jersey City, NJ 07311

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 Lending Test is rated: Satisfactory

The Community Development Test is rated: Satisfactory

The primary factors supporting the overall rating are:

- FNB of NY's loan-to-deposit ratio is more than reasonable given its 96 percent average; financial condition, the assessment area (AA) credit needs, and relevant competitive factors;
- A majority of the bank's primary loan product was originated within the AA;
- The distribution of loans to businesses of various sizes reflects excellent penetration;
- The distribution of loans in the AA reflects poor dispersion throughout the census tracts of different income levels;
- The bank did not receive any CRA-related complaints during the evaluation period and there was no evidence of discriminatory or illegal credit practices inconsistent with helping to meet community credit needs;
- The bank's level of community development (CD) activities demonstrates adequate responsiveness to the community development needs in the AA given the bank's capacity and CD opportunities within the AA. Management sits on the Board of several organizations and provides assistance in a professional capacity.

Scope of Examination

This Performance Evaluation is an assessment of the record of First National Bank of New York (FNB of NY) in meeting the credit needs of the communities in which it operates. FNB of NY was evaluated under the Intermediate Small Bank performance criteria, which includes a lending test and a community development test. The lending test evaluates a bank's record of helping to meet the credit needs of its assessment area through its lending activities. The community development test evaluates a bank's responsiveness to community development needs in its assessment area through community development lending, qualified investment, and community development service activities.

The evaluation period covers the bank's performance from October 9, 2009 to October 14, 2012. We evaluated taxi medallion loans, the bank's primary loan product originated within the evaluation period for the lending test. For the community development test, we evaluated qualified investments on the number and dollar

amounts made during the evaluation period. In addition, we considered the extent to which the bank provides community development services.

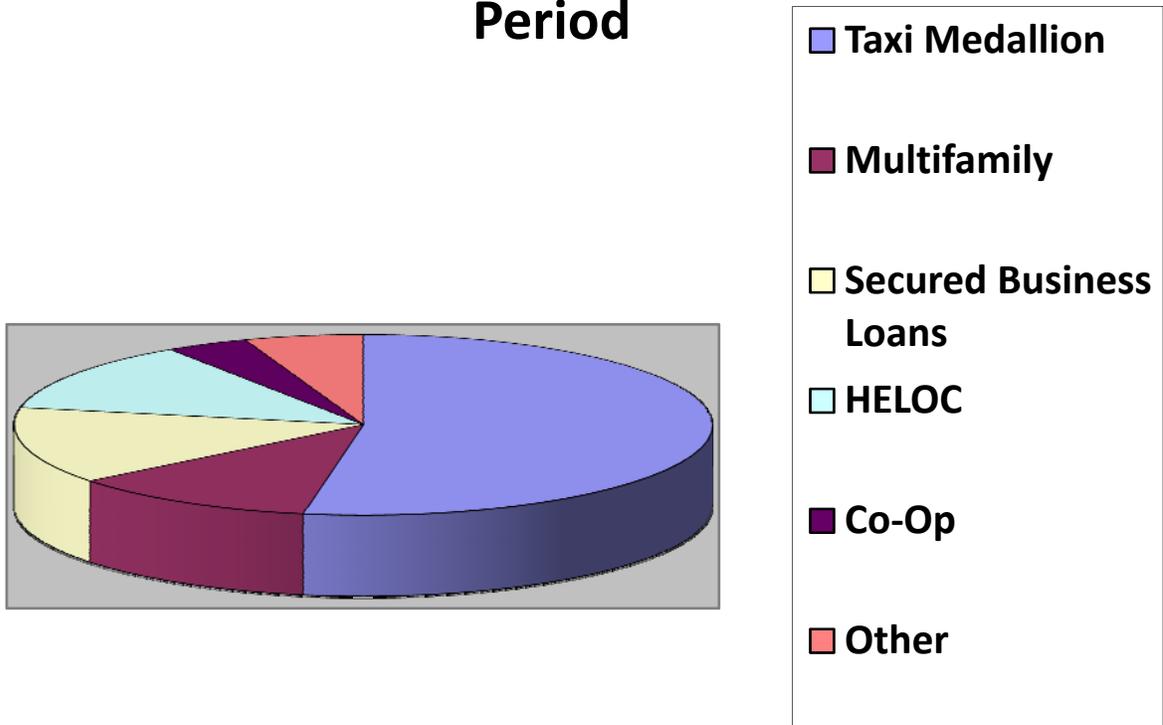
Description of Institution

FNB of NY, formerly Madison National Bank, is an intrastate bank headquartered in Merrick, New York. Madison National Bank opened its doors in February 2007 and opened a second branch five months later. Madison was acquired by FNB of NY on April 2, 2012. As of September 2012, total assets were \$271 million. FNB of NY is wholly owned by Modern Capital Holdings, LLC. There are two full service branches in Massapequa and Merrick in addition to the Merrick head office. The branches and head office have deposit taking ATMs. Since the prior CRA examination, there were no branches opened or closed.

FNB of NY offers a wide variety of loan and deposit products and services. Business lending is the primary focus with the majority of the portfolio consisting of multifamily loans. Other noteworthy loan products include medallion loans and commercial mortgages. The bank offers free checking accounts that feature bill pay, unlimited check writing, no service charges, and free Visa debit card. There are student, holiday, and free kid savings accounts along with the regular savings accounts. The bank also offers IRAs, home equity loans and lines of credit, and money market accounts. Popmoney is a convenient service that allows customers to pay others at any time.

During the evaluation period, the bank originated mostly Taxi Medallion loans. Specifically, the bank originated 182 loans and 52 percent were Taxi Medallions. Secured Business, Home Equity Lines of Credit, and Multifamily loan originations were 14 percent, 13 percent, and 12 percent, respectively. Other loans originated included Personal Consumer loans as well as Commercial Mortgages. The pie chart below represents the composition of loans originated within the evaluation period.

Loans Originated during the Evaluation Period



Description of Assessment Area(S)

FNB of NY has one AA in New York State that consists of two Metropolitan Divisions (MDs). The AA includes Suffolk, Nassau, Queens, and Kings Counties. The AA meets regulatory requirements and does not arbitrarily exclude low- or moderate-income (LMI) geographies.

Nassau/Suffolk MD

The Nassau/Suffolk MD consists of Nassau and Suffolk Counties. Both counties are among the most affluent in the country primarily due to their proximity to New York City. New York City is located within the New York-Northern New Jersey-Long Island Metropolitan Statistical Area (MSA).

The following represents demographic information for Nassau and Suffolk Counties.

Nassau/Suffolk Counties Demographic Information						
	#	% Low	% Moderate	% Middle	% Upper	N/A
Geographies (Census Tracts)	597	0.67%	14.07%	62.81%	19.77%	2.68%
Population by Geography	2,753,913	0.76%	16.02%	64.36%	18.86%	0.01%
Owner Occupied Housing by Geography	733,628	0.22%	12.21%	66.17%	21.40%	0%
Non- Farm Businesses by Geography	335,372	0.58%	12.84%	62.87%	23.70%	0.01%
Farms by Geography	6,174	0.34%	17.96%	65.40%	16.29%	0.00%
Family Distribution by Income Level	712,551	18.03%	18.61%	24.19%	39.18%	0%
Distribution of Low and Moderate Families through AA Geographies	261,056	1.25%	22.16%	65.10%	11.48%	0%
Median Family Income (MFI)		\$76,221	Median Housing Value			\$240,638
HUD Adjusted Median Family Income for 2011		\$106,100	Families Below the Poverty Level			5%
			Unemployment Rate			6.50%

Source: 2011 HUD updated MFI & 2011 Business Geodemographic Data

Nassau and Suffolk counties, or Long Island, are slowly recovering from recent economic conditions. The unemployment rate was 7 percent in 2010, increased to 7.5 percent a year later then improved to 6.5 percent in 2012. Regional Reports anticipate that unemployment on Long Island will be reduced to 4.4 percent by 2014. The primary industries adding jobs on Long Island are manufacturing and related fields such as transportation, warehousing, and wholesale trade. State and local employment were steady resulting in a better overall employment rate when compared to surrounding areas. Moody's expects housing prices to fall another 8 percent, in line with the national decrease by year-end. Long Island's mortgage delinquencies are significantly higher than the national average, indicating foreclosures may rise in the future. However, increased home sales over the past 18 months suggest foreclosures are being absorbed and RealtyTrac shows the number of homes entering into the foreclosure process has decreased over a 12 month period indicating a positive trend.

The Nassau/Suffolk AA is highly competitive and FNB of NY's market share is minimal. Wells Fargo and Bank of America have the largest market share in the AA as these banks originated 18 percent and 10 percent of the loan amount in the AA. While it may be difficult for FNB of NY to make loans to this extent, management has many opportunities to make investments and services that primarily benefit LMI persons or areas.

New York/Wayne/White Plains MD

The New York/Wayne/White Plains MD consists of 11 counties. FNB of NY delineated two counties, Kings and Queens Counties, as part of its' AA.

The following is a summary of some demographic information for Kings/Queens counties.

Demographic Information for Kings/Queens Counties						
	#	% Low	% Moderate	% Middle	% Upper	N/A
Geographies (Census Tracts)	1,456	9%	30.56%	37.43%	20.74%	2.27%
Population by Geography	4,694,705	10.15%	36.13%	37.03%	16.66%	0.03%
Owner Occupied Housing by Geography	573,184	2.51%	21.07%	44.49%	31.93%	0%
Non- Farm Businesses by Geography	349,788	7.34%	34.39%	37.47%	20.14%	0.66%
Farms by Geography	1,300	4.31%	25.31%	37.92%	32.00%	0.46%
Family Distribution by Income Level	1,131,674	29.61%	17.56%	18.32%	34.50%	0%
Distribution of Low and Moderate Families through AA Geographies	533,906	16.10%	43.52%	31.75%	8.63%	0%
Median Family Income (MFI)		\$49,461	Median Housing Value			\$218,606
Census Median Household Income 2011		\$67,400	Families Below the Poverty Level			19%
HUD-MFI		\$64,800	Unemployment Rate			9.20%

Source: 2011 HUD updated MFI & 2011 Business Geodemographic Data

The New York City recovery, including Kings and Queens Counties, has slowed primarily because financial and professional/business services have reduced expansion. Growth in higher paying industries have come to a halt as a result of uncertain fiscal and regulatory policies along with the uncertain U. S. recovery. However, the reduced job growth rate is minor when compared to the national rate. New York City's unemployment rate, including Kings and Queens Counties, significantly increased from 5.4 percent in 2008 to 9.2 percent in 2009. Unemployment increased to 9.5 percent in 2010 and again to 9.9 percent in 2011. The rate decreased to 9.2 percent in 2012 and is expected to dip to 7.2 percent in 2013 and even further to 5.6 percent the following year. The industries currently contributing the most jobs are education/healthcare, leisure/hospitality; transportation/distribution; and wholesale.

Public sector job losses are significant, and job cuts are expected through 2013. The city Mayor implemented a hiring freeze and budget cuts over the next two years in order to close a \$3 billion gap that emerged in 2012. Another 26,000 government jobs are expected to be eliminated in 2013.

Income growth slowed as low-paying service industries lead the job market recovery and will continue to do so through 2013. Income growth in the New York City area, including Kings and Queens Counties, are in line with the national income growth rate and is expected to be constant in 2013 as finance jobs are slow to return and professional services expansion are below normal.

Overall, New York City, including Kings and Queens Counties, will continue to recover even with the threat of another recession. Labor and housing markets are in better shape compared to national performance and will continue to improve in 2013. Housing prices will continue to decrease as foreclosures trend upwards.

The Kings/Queens AA is a highly competitive area and FNB of NY market share is minimal. Wells Fargo and Bank of America have the largest market share as these banks originated 18 percent and 10 percent of the loan amount in the AA.

Community Contact

We contacted a Program Director of Neighborhood Housing Services (NHS) of Northern Queens to discuss credit needs within the community. The organization revitalizes underserved neighborhoods by creating and preserving affordable housing, and providing opportunities for home ownership education, financial assistance, and community leadership. NHS works in partnership with the government and businesses to provide services in Flushing, Jackson Heights, Elmhurst, Woodside, and Corona. Among the programs offered the organization presents pre- and post-home purchase education and counseling, homebuyers' clubs, financial fitness, landlord education, and foreclosure prevention seminars. Further, NHS is a HUD-approved Housing Counseling Agency and a participating agency in the National Foreclosure Mitigation Counseling Program.

The Program Director considers the banks in the area good partners. Some of the larger banks have provided grants and other assistance historically, and some banks have employees that serve on the Board of directors and the advisory Board. However, there are more opportunities for banks to partner with the NHS with Storeworks (properties for mixed used that NHS developed in Queens, and first-time homebuyers' program. The community needs affordable housing assistance, foreclosure prevention, home purchase counseling, financial literacy training, and funding for non-profits.

Conclusions with Respect to Performance Tests

The bank's performance under the lending test in the AAs is rated "Satisfactory". The geographic distribution section of the test received more weight primarily because the loan-to-deposit ratio is more than reasonable and the majority of the loans are within the AA.

LENDING TEST

The bank’s loan-to-deposit ratio is more than reasonable given its 96 percent average. A majority of the bank’s primary loan product was originated within the AA. The distribution of loans to businesses by loan size reflects reasonable penetration in the AA as the bank meets the demographic comparators. The bank’s distribution of loans in the AA reflects poor dispersion throughout the census tracts of different income levels.

Loan-to-Deposit Ratio

The bank’s loan-to-deposit ratio is more than reasonable. The ratio is elevated primarily due to the loan portfolio decreasing while total deposits have remained mostly steady. FNB of NY’s loan-to-deposit ratio averaged 96 percent since the prior CRA exam. The loan-to-deposit ratio ranged from 66 percent to 118 percent.

Lending in Assessment Area

A majority of the bank’s primary loan product originated during the evaluation period was originated within the AA. Approximately 81 percent of the number of taxi medallion, and 77 percent of the dollar amount, was originated within the AA. Table 1 below illustrates all taxi medallion loans originated during the evaluation period.

Table 1 - Lending in Nassau/Suffolk and Kings/Queens Counties										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Taxi Medallion	78	81.20	18	18.80	96	63,924	76.90	19,207	23.10	83,131
Totals	78	81.20	18	18.80	96	63,924	76.90	19,207	23.10	83,131

Source: FNB of NY’s Loan Portfolio

Lending to Businesses of Different Sizes

The distribution of loans to businesses of different sizes reflects reasonable penetration in the AA as FNB of NY meets the demographic comparators.

Performance in Nassau/Suffolk Counties

The distribution of loans to businesses of various sizes reflects excellent penetration. Table 2A illustrates that all of the taxi medallion loans the bank originated were made to small businesses. Small businesses are businesses with annual gross revenues of \$1 million or less. The demographics provide that approximately 71 percent of businesses in Nassau/Suffolk Counties have annual gross revenues of \$1 million or less. All of the taxi medallion loans the bank originated were made to small businesses.

Table 2A - Borrower Distribution of Loans to Businesses in Nassau/Suffolk Counties				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	71	21	8	100
% of Bank Loans in AA by #	100	0	n/a	100
% of Bank Loans in AA by \$	100	0	n/a	100

Performance in Kings/Queens Counties

Loan distribution to businesses in Kings/Queens counties is also excellent. Table 2A.1 illustrates that the bank made 100 percent of the number and dollar amount of taxi medallion loans to small businesses. This reflects excellent borrower distribution in Kings/Queens counties as the demographics show that 67 percent of the businesses have revenues of \$1 million or less.

Table 2A.1 - Borrower Distribution of Loans to Businesses in Kings/Queens Counties				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	67	32	1	100
% of Bank Loans in AA by #	100	0	n/a	100
% of Bank Loans in AA by \$	100	0	n/a	100

Geographic Distribution of Loans

FNB of NY’s distribution of loans in the AA reflects poor dispersion throughout the census tracts of different income levels. The geographic distribution analysis considers all taxi medallion loans originated during the evaluation period.

Performance in Nassau/Suffolk Counties

FNB of NY’s geographic distribution of business loans reflects poor dispersion throughout the census tracts of varying income levels. Table 3A illustrates that the bank did not make any loans in the LMI areas. Low income census tracts are less than one percent, thus significantly limiting the opportunity to issue business loans. Management did not originate any loans in moderate income tracts which represented 14 percent.

Table 3A - Geographic Distribution of Loans to Businesses in Nassau/Suffolk Counties								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Businesses	% of Number of Loans						
Taxi Medallion	0.67	0	14.07	0	62.81	8.30	19.77	11.50

Performance in Kings/Queens Counties

FNB of NY’s geographic distribution of business loans is reasonably distributed given the loans originated in moderate income tracts and the competition faced in these counties. Table 3A.1 illustrates that 24 percent of the bank’s loans in this AA were originated in moderate income tracts. The bank did not originate any loans in the low income tracts which make up 9 percent of Kings/Queens counties.

Table 3A.1 - Geographic Distribution of Loans to Businesses in Kings/Queens Counties								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Taxi Medallion	9.00	0	30.56	24.00	37.43	22.90	20.74	14.60

Responses to Complaints

FNB of NY did not receive any complaints about its performance in helping to meet the credit needs in the bank’s AA during the evaluation period.

COMMUNITY DEVELOPMENT TEST

FNB of NY’s level of responsiveness to Community Development (CD) needs through CD loans, services, and qualified investments originated and offered in the AA meet the standard of adequate responsiveness. Management made over 15 donations that benefited organizations serving LMI persons within the AA. The extent to which management provides CD services is adequate. Management sits on the Board of two organizations and provides financial expertise in a professional capacity.

Number and Amount of Community Development Loans

FNB of NY did not originate any CD loans during the assessment period.

Number and Amount of Qualified Investments

Management made numerous donations to non-profit organizations. Management made over 25 donations totaling \$63,587 that directly benefited LMI persons and families. For example, donations were made to a non-profit organization with a mission

to help persons on public assistance, the unemployed, and youth in the foster care system and to a college scholarship fund specifically targeting LMI families.

Extent to Which the Bank Provides Community Development Services

The extent to which FNB of NY provides CD services is adequate. The bank's President serves on an Executive Board and ensured that funds benefitted students of LMI families. The Former President served as treasurer in 2009 and 2010 for an organization that provides services to the hungry and the homeless on Long Island.

Fair Lending or Other Illegal Credit Practices Review

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