



PUBLIC DISCLOSURE

February 20, 2018

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Modern Bank, N.A.
Charter Number 16629

250 West 55th Street, 15th Floor
New York, NY 10019

Office of the Comptroller of the Currency

340 Madison Avenue, 4th Floor
New York, NY 10173

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.

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Overall CRA Rating:

This institution is rated Satisfactory.

The conclusions for the rating criteria are:

- The bank demonstrates an adequate level of community development lending, community development services, and qualified investment activity; and
- The bank demonstrates adequate responsiveness to credit and community development needs in its assessment area.

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: The OCC considers all qualified investments, community development loans, and community development services that benefit areas within the bank's assessment area(s) or a broader statewide or regional area that includes the bank's assessment area(s).

Benefit Outside Assessment Area: The OCC considers the qualified investments, community development loans, and community development services that benefit areas outside the bank's assessment area(s), if the bank has adequately addressed the needs of its assessment area(s).

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): A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts generally have a population between 1,200 and 8,000 people, with an optimal size of 4,000 people. Their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community Development: Affordable housing (including multifamily rental 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 Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; activities that revitalize or stabilize low- or moderate-income geographies,

distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or outside the assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

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.

Limited Purpose Institution: An institution that offers only a narrow product line (such as credit cards or automobile loans) to a regional or broader market and for which a designation as limited purpose bank is in effect. [*This definition is not needed if bank is designated a wholesale institution.*]

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Metropolitan Area (MA): Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget, and any other area designated as such by the appropriate federal financial supervisory agency.

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

Metropolitan Statistical Area: An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties 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)"*]

Pass-Through Receivables: Outstanding receivables tied to all accounts issued or owned by the bank. Pass-through receivables include receivables attributable and receivables retained

on balance sheet as those terms are used in 12 CFR 8. [*If not already reported to the OCC, the bank provides this information. If not applicable to institution being examined, definition is not required.*]

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.

Description of Institution

Modern Bank, NA (Modern) is a wholesale bank headquartered in New York, New York (NY). On November 2011, the OCC designated Modern as a wholesale bank. An institution so designated is evaluated pursuant to the community development (CD) test, which assesses a bank's record of meeting AA credit needs through CD loans, qualified investments, or CD services, as applicable. The bank has two full-service branch offices, one in New York, NY and one in Miami, Florida (FL). The bank primarily offers tailored banking products and services to commercial clients in specific business segments. The bank, along with several affiliates, is owned by, and part of, a multi-tiered holding company structure.

Modern provides deposit-related banking services primarily to high net-worth individuals and commercial borrowers, as well as to a select set of international clients. The bank offers traditional bank products to both business and private banking clients, including traditional demand (checking), NOW, savings, money market, and time deposits. The bank also has a small volume of listing service deposits and brokered deposits. Modern's New York headquarters and Miami branch do not gather deposits from the local community or neighborhoods. The Miami branch was opened in 2015, after the bank's prior CRA evaluation, in order to better service Modern's international customers who frequently visited or lived in the Miami area. The Miami location does not offer lending products.

As of December 31, 2017, Modern reported total assets of \$836 million. The loan portfolio and investment portfolio comprise 69 percent and 27 percent of total assets, respectively, with non-earning assets accounting for the remaining 4 percent. The loan portfolio is comprised of commercial and industrial loans (62 percent), commercial real estate loans (34 percent), and 1-4 family real estate loans (4 percent). Net tier 1 capital is approximately \$78 million.

Table 1: Financial Information (000s)

	Year-end CY14	Year-end CY15	Year-end CY16	Most Recent Quarter-end 12/31/2017	Average for Evaluation Period
Tier 1 Capital	67,043	73,103	77,586	77,930	73,916
Total Income	25,077	22,441	25,096	27,508	25,031
Net Operating Income	4,574	11,076	6,499	1,273	5,856
Total Assets	704,580	723,869	796,492	835,747	765,172

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

Aside from restrictions imposed by Modern's wholesale designation, scope of operations and business strategy, there are no additional legal, financial, or other constraints impeding the bank's ability to help meet the credit needs in its AA.

Scope of the Examination

In evaluating the bank's performance under the CRA, we reviewed community development activities from September 22, 2014 through February 20, 2018. We reviewed the level and nature of qualified investments, community development lending, and community development services. At the prior examination dated September 22, 2014, we rated the bank Satisfactory.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. §25.28(c) or §195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment area by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Consumer Financial Protection Bureau, as applicable.

The OCC has not identified that this institution has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

Description of Assessment Area

New York-Jersey City-White Plains, NY-NJ Assessment Area Description

Modern Bank is located in the urban area of midtown Manhattan, New York, NY. Modern has designated the New York-Jersey City-White Plains, NY-NJ Metropolitan Division (MD) #35614 as its AA. The AA consists of all of Kings and New York County. The AA is comprised of 1,049 census tracts. There are 159 low-income census tracts (15.6 percent), 311 moderate-income tracts (31.55 percent), 231 middle-income tracts (22.02 percent), and 299 upper-income tracts (28.05 percent). There are 29 census tracts listed as unknown by the 2015 U.S. Census Bureau. The total population of the AA is 4,244,776. The weighted average median family income is \$72,047. The AA consists of 896,060 families of which 19.82 percent are low-income families and 32.27 percent are moderate-income families. The AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income (LMI) geographies.

The New York–Jersey City-White Plains, NY-NJ AA banking market is highly competitive. The deposit market is dominated by large multi-national institutions. Modern’s major competitors include JP Morgan Chase Bank, NA; the Bank of New York Mellon; HSBC Bank USA, NA; Goldman Sachs Bank, USA; Citibank, NA; and Bank of America, NA. These major competitors have an established presence in the AA and provide strong competition with the bank for CD activities. The Federal Deposit Insurance Corporation (FDIC) releases an annual Summary of Deposits report for all insured institutions. According to the June 30, 2017 FDIC Summary of Deposits report, Modern’s deposit market share was 0.05 percent. The bank ranks 47 out of 98 banks in terms of deposits in the AA.

Table 2: Assessment Area Description

	Number	Low	Moderate	Middle	Upper
Tracts	1,049	15.16	31.55	22.02	28.05
Families	896,060	19.82%*	32.27%*	18.61%*	29.04%*
Businesses	330,662	9.56%**	18.01%**	12.00%**	56.26%**

Source: Demographic Data – 2010 or 2015 ACS US Census. *Represents families by income level. **Represents businesses by income level of census tract. Percentages do not add to 100 percent due to rounding.

Based on data from the U.S. Bureau of Labor Statistics, the December 2017 unemployment rate for the New York-Jersey City-White Plains, NY-NJ AA was 4.0 percent, compared to the national rate of 4.1 percent. Several of the major employers in New York County include JP Morgan Chase & Co; Mt. Sinai Medical Center; Macy’s, Inc.; Citibank, NA; New York-Presbyterian Healthcare System; Bank of America; and Continuum Health Partners, Inc. The primary industries in the New York-Jersey City-White Plains, NY-NJ AA continue to be education and health services, government, professional and business services, and retail.

Moody’s Analytics reports the strength of the New York-Jersey City-White Plains, NY-NJ AA is that it is the financial capital of the world, has strong international immigration, high per capita income, and limited exposure to manufacturing. However, among the area’s weaknesses are high business costs, especially office rents and energy, costly housing and high tax burdens, and overreliance on wealthy overseas buyers to support real estate market.

Based on the housing value and the FFIEC Adjusted Median Family Income, there is a lack of affordability for a low-income individual or family to purchase a home. The 2015 U.S. Census data reported the weighted average median family income was \$72,047 while the average median housing cost is \$660,296. Within the New York AA, more than 32 percent of one's income is for housing. Due to the high costs, a 66 percent majority of households rent, compared to the 24 percent owner-occupied units. The weighted average monthly gross rent is \$1,433 and 32 percent of monthly renter costs are greater than 30 percent of income. Vacancies are reported at 11 percent of housing units.

In determining the performance context, we contacted a non-profit organization that aims at providing LMI individuals with access to affordable housing credit options, as well as financial literacy and counseling services. Our community contact expressed that involvement by local financial institutions has had an overall positive impact on the organization. Donations provided by local financial institutions allow non-profit organizations like our community contact to continue with their mission to help the NY community.

Miami-Dade Assessment Area Description

The bank's urban Miami branch is full-service but does not gather deposits from the local community or neighborhoods. The branch serves international clientele and does not offer lending products. It is located in the Miami-Dade, FL MSA #33124, which is comprised of 519 census tracts, of which 30 are low-income (5.78 percent), 144 are moderate-income (27.75 percent), 150 are middle-income (28.90 percent), and 177 are upper-income (34.10 percent). There are 18 tracts (3.47 percent) listed as unknown by the 2015 U.S. Census Bureau. Total population within the AA is 2,639,042. The weighted average median family income is \$49,264. The AA consist of 572,388 families of which 27,891 are low-income families and 28.78 percent are moderate-income families. The AA meets the requirements of the regulation and does not arbitrarily exclude LMI geographies.

According to the June 30, 2017 FDIC Summary of Deposit Market Share report, Modern's deposit market share was 0.0 percent and placed 64 out of 65 banks in terms of deposits within the AA. Modern's major competitors are the larger multi-national institutions which includes Bank of America, NA; Wells Fargo Bank, NA; and Citibank, NA. In addition to the larger multi-national institutions, BankUnited, NA and SunTrust Bank have a strong presence with this AA.

Table 3: Assessment Area Description

	Number	Low	Moderate	Middle	Upper
Tracts	519	5.78%	27.75%	28.90%	34.10%
Families	572,388	4.87%*	28.78%*	31.00%*	35.08%*
Businesses	344,520	3.09%**	21.32%**	25.86%**	47.40%**

Source: Demographic Data – 2010 or 2015 ACS US Census. *Represents families by income level. **Represents businesses by income level of census tract. Percentages do not add to 100% due to rounding.

Based on data from the US Bureau of Labor Statistics, the December 2017 unemployment rate for the Miami-Dade AA was 4.8, compared to the national rate of 4.1 percent. Several of the major employers in Miami-Dade area include University of Miami, Jackson Health System, Publix Super Market, Inc., Baptist Health Systems of Sothern Florida, and American Airlines.

The primary industries in the Miami-Dade area continue to be education and health services, professional and business services, retail and leisure, and hospital services.

The 2015 US Census data reported the FFIEC Adjusted Median Family Income is \$51,800 and the average median housing cost is \$244,010. The weighted average monthly gross rent is \$1,155. Sixteen percent of housing units are reported vacant.

Conclusions about Performance

Summary

Overall, the bank's CRA performance is satisfactory. The bank's performance in the New York-Jersey City-White Plains, NY-NJ assessment area is factored more heavily in the bank's overall CRA assessment, as banking activity in the Miami-Dade assessment area is limited to servicing of international customers who frequently visit or live in the Miami area. While the bank's performance in the Miami-Dade, FL AA is very poor, limited to no emphasis was placed on this performance in arriving at our overall conclusion.

Summary of Performance in New York-Jersey City-White Plains, NY-NJ Assessment Area

Modern demonstrated an adequate level of CD performance through their qualified investments, CD loans, and CD services given its wholesale designation, scope of operations, and available opportunities. The investment and CD loans are not innovate or complex, but demonstrate an adequate responsiveness to the credit and development needs of the community.

Modern's primary CD focus is on providing affordable housing and meeting the community needs of LMI individuals and families. The bank's qualified investments include mortgage backed securities (MBS) backed by mortgages to LMI borrowers and investments in Small Business Investment Company (SBIC) programs that support regional small business. Additionally, within the evaluation period, Modern provided \$85 thousand in grants to nonprofit organizations who provide direct benefit to LMI individuals and families. The bank originated 11 CD loans, totaling \$15.2 million, which focused on affordable housing. In conjunction with a community service organization, management and executive officers partake in educating LMI children and young adults on financial responsibility and literacy as part of Modern's CD services in the NY AA.

Modern adequately responds to the credit and CD needs within the AA. Through qualified investments, CD lending, and CD services, the bank is able to meet the needs of LMI individuals and families.

Qualified Investments

Modern originated approximately \$4.082 million in qualified investments for the current evaluation period. The total outstanding amount of prior period investments is \$836 thousand. Total qualified investments (newly originated plus outstanding prior investments) is approximately \$4.92 million, which represents 6.67 percent of tier 1 capital plus the ALLL. Modern's qualified investment portfolio consists of MBS and SBIC programs. MBS comprise 37 percent of total qualified investments at \$1.82 million, all of which benefit affordable housing within the AA. The MBS are made up of mortgages to LMI individuals and families. The SBIC programs comprise 63 percent of total qualified investments at \$3.10 million. The investments in the SBIC programs support regional small businesses, which include small businesses in the AA.

Modern provided \$85 thousand in charitable grants and contributions, in addition to the investments discussed above. The bank made 10 donations during the evaluation period to three different organizations. Eight of the grants supported the bank's AA and two supported the broader regional area. The grants were given to organizations that directly provide benefits to LMI individuals and families. Below is a short description of the three organizations:

- Modern made five contributions totaling \$50 thousand to a non-profit educational organization for global learning and youth development that works to ensure that youth from underserved areas have the knowledge, skills, experiences and values they need to succeed in school, participate effectively in the democratic process, and achieve leadership in their communities and in the world. The organization is based in NY, NY and Washington, DC.
- Modern made three contributions totaling \$15 thousand to a non-profit organization for poverty-stricken children and families living in Harlem. The organization provides free support in the form of parenting workshops, a pre-school program, three charter schools, and child-oriented health programs for thousands of children and families.
- Modern made two contributions totaling \$20 thousand to a non-profit five-screen cinema and education center. The non-profit celebrates film as a vehicle for entertainment, education, and inspiration. The non-profit strives to further their mission, spark dialogue, and encourage an acceptance of a diversity of perspectives among their theatergoers and the community.

Table 4a: Qualified Investment Activity (000s)

	Benefits AA	Outside AA	Totals
Originated Investments	\$1,305	\$2,777**	\$4,082
Originated Grants	\$65	\$20**	\$85
Prior-Period Investments that Remain Outstanding	\$513	\$323**	\$836
Total Qualified Investments	\$1,883	\$3,120**	\$5,003

** Investments included in the Outside AA column are location in the broader statewide or regional area that includes the AA and benefit the AA or have the potential to benefit the AA.

Table 4b: Qualified Investment Percentages

	Benefits AA (%)	Outside AA (%)	Total (%)
Total Investments/Average Tier 1 Capital	3%	4%**	7%
Total Investments/Average Total Income	8%	13%**	20%

** Investments included in the Outside AA column are location in the broader statewide or regional area that includes the AA and benefit the AA or have the potential to benefit the AA.

Community Development Lending

During the evaluation period, Modern originated 11 qualifying CD loans amounting to \$15.2 million. All the CD loans that Modern originated provide affordable housing units to LMI

individuals and families within the bank’s AA and broader regional area. Below are examples of CD loans originated during the evaluation period:

- Modern originated a \$3.64 million loan to purchase a five-story, mixed-use building consisting of 10 residential units and two commercial units. The property is in a low-income tract in Manhattan. All 10 residential units are being rented below median market rental rates.
- Modern originated a \$2.25 million loan to purchase three properties consisting of 16 residential units and one commercial unit. The properties are located in a moderate-income tract in Kings County. All 16 residential units are being rented below median market rental rates.
- Modern originated a \$1.78 million loan to purchase a three-story, multifamily building consisting of 10 residential units. The property is in a low-income tract in Bronx County. All 10 residential units are being rented below median market rental rates.

Table 5: Community Development Lending Percentages

	Benefits AA (%)	Outside AA (%)	Total (%)
Total CD Lending/Average Tier 1 Capital	16%	5%**	21%
Total CD Lending/Average Total Income	48%	15%**	63%

** CD Loans included in the Outside AA column are location in the broader statewide or regional area that includes the AA and benefit the AA or have the potential to benefit the AA.

Community Development Services

Several members of the bank’s management team participate in leadership roles or events hosted by the Non-profit Educational Organization for Youth Development, which provides educational and economic benefits to LMI individuals. In each year of the evaluation period, Modern provided a Financial Literacy Workshop in conjunction with a community service organization to LMI children and young adults. The focus of the workshop is on financial responsibility and literacy and it includes career path discussions and a finance case study to solidify financial concepts.

Table 6: Community Development Service Activities

CD Service	Benefits AA
Community service organization that serves to educate LMI children and individuals in the bank's AA/Modern Bank Financial Literacy Workshop 2015	X
Community service organization that serves to educate LMI children and individuals in the bank's AA/Modern Bank Financial Literacy Workshop 2015	X
Community service organization that serves to educate LMI children and individuals in the bank's AA/Modern Bank Financial Literacy Workshop 2015	X

X means yes; Blank means No

Summary of Performance in Miami-Dade, FL Assessment Area

Modern demonstrated a very poor level of CD performance in the Miami-Dade AA. Modern has not performed any CD Lending activities in the Miami-Dade AA. Modern's qualified investments do not consist of any investments in the Miami AA. Additionally, Modern has not performed any CD services in the Miami AA. In the Miami AA, Modern demonstrated insufficient level of CD performance. The bank demonstrates no use of innovative or complex qualified investments, CD loans, or CD services in this AA. The bank demonstrates very poor responsiveness to credit and community development needs in this AA. The bank's Miami location was converted to a full service branch in 2015 and it is used solely for private banking customers; no deposits are drawn from the local market. According to the June 2017 FDIC Summary of Deposit report, Modern's deposit market share was 0.0 percent and it placed 64 out of 65 banks within the AA in terms of deposit taking. The deposits are all from existing international customers from the New York location. This AA is not weighed heavily into the overall CRA rating due to the limited nature of the branch, and the fact that the branch was not open for the entire evaluation period.