



Office of the
Comptroller of the Currency
Washington, DC 20219

WHOLESALE BANK

PUBLIC DISCLOSURE

February 5, 2024

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Modern Bank, National Association
Charter Number: 16629

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New York, NY 10022

Office of the Comptroller of the Currency

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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

Institution's CRA Rating: This institution is rated Satisfactory.

The major factors that support this rating include:

- The institution demonstrates an adequate level of CD loans and qualified investment activity.
- The institution demonstrates occasional use of innovative or complex qualified investments and CD loans.
- The institution exhibits adequate responsiveness to credit and CD needs in its assessment area (AA).

Description of Institution

Modern Bank, National Association (Modern or the bank) is a wholesale bank headquartered in New York, New York (NY). The bank is owned by Modern Bank Management LLC under a multi-tier holding company structure. The bank's community reinvestment performance is not impacted by its holding company, subsidiaries, or affiliates. In 2011, the Office of the Comptroller of the Currency (OCC) designated Modern as a wholesale bank for CRA purposes. 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 qualified investments, CD loans, and CD services as applicable. There are no legal, financial, or other factors impeding the bank's ability to help meet the credit needs in the AA. Modern was rated Outstanding during the previous CRA Performance Evaluation dated March 15, 2021.

Modern has one AA, which is located in the state of New York. The bank's primary market is the New York metropolitan area, and the AA is comprised of Kings County and New York County. Both counties are located in the New York-Jersey City-White Plains, NY-NJ metropolitan division (MD) #35614 (NY-NJ MD), which is part of the New York-Newark-Jersey City, NY-NJ-PA metropolitan statistical area (MSA) #35620 (NY-NJ-PA MSA). The AA remains unchanged since the prior evaluation. The bank maintains one full-service branch and one loan production office for commercial energy lending in Dallas, Texas. There were no branch openings or closings during the evaluation period. There were no merger or acquisition activities during the evaluation period.

Modern offers traditional bank products, such as checking, savings, money market, time deposits, commercial loan products, and related deposit services. The bank provides deposit-related banking services to primarily high net worth individuals and commercial borrowers. This includes cash management services and deposit products to domestic private clients. The bank's primary business is serving the financial needs of the commercial segment in its target markets including commercial real estate (CRE) as well as the owners and operators of commercial businesses. The bank originates CRE loans, some of which qualify as Community Development Loans. The bank also directly originates and participates in commercial and industrial loans, energy lending products, and other commercial asset-based lending on a national basis. As of December 31, 2023, commercial loans total \$373.2 million or 55.6 percent of gross loans, CRE loans total \$274.3 million or 40.9 percent of gross loans, and core deposits total \$689.0 million or 79.9 percent of total liabilities. The table below provides a summary of the bank's financial condition and a perspective on the bank's capacity to help meet the needs of the AA.

Table 1: Financial Information (000s)

	Year-end 2021	Year-end 2022	Most Recent Quarter-end 12/31/2023	Average for Evaluation Period
Tier 1 Capital	81,539	82,007	83,412	82,319
Total Income	32,299	35,529	57,360	41,729
Net Operating Income	7,576	5,553	2,801	5,310
Total Assets	782,411	787,974	947,937	839,441
Pass Through Receivables /Managed Assets	0	0	0	0

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

Scope of the Examination

Evaluation Period/Products Evaluated

In evaluating the bank's performance under the CRA, we reviewed CD activities from January 1, 2021 through December 31, 2023. We reviewed the level and nature of qualified CD investments, CD lending, and CD services. At the prior examination dated March 15, 2021, we rated the bank Outstanding.

For purposes of this evaluation, bank delineated AAs located within the same MSA, multistate metropolitan statistical area (MMSA), or combined statistical area (CSA) are combined and evaluated as a single AA. Similarly, bank delineated non-MSA AAs within the same state are combined and evaluated as a single area.

The bank has adequately addressed the needs of its AA, and therefore, outside of AA qualified investments, CD loans and/or services were considered in evaluating its performance.

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 Bureau of Consumer Financial Protection, 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.

Multistate Metropolitan Statistical Area Rating

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

CRA Rating for the New York-Jersey City-White Plains, NY-NJ MSA: Satisfactory

The major factors that support this rating include:

- The institution demonstrates an adequate level of CD loans and qualified investment activity in the New York-Jersey City-White Plains, NY-NJ MSA.
- The institution demonstrates occasional use of innovative or complex qualified investments and CD loans in the New York-Jersey City-White Plains, NY-NJ MSA.
- The institution exhibits adequate responsiveness to credit and CD needs in the New York-Jersey City-White Plains, NY-NJ MSA.

Description of New York-Jersey City-White Plains, NY-NJ MSA

Modern has designated the New York-Jersey City-White Plains, NY-NJ MD #35614 as its AA. The AA consists of all of Kings and New York County. The AA meets the requirements of the CRA and does not arbitrarily exclude low- and moderate-income (LMI) geographies.

The AA is a densely populated urban area. According to the 2020 US Census data the AA contains 2,201 census tracts (CTs). There are 282 low-income CTs (12.8 percent), 557 moderate-income CTs (25.3 percent), 685 middle-income CTs (31.1 percent), and 535 upper-income CTs (24.3 percent). There are 142 (6.5 percent) CTs for which the income designation is unknown. The total population of the AA is 8.3 million. The AA has 1,779,604 families of which 30.6 percent are low-income families and 16.1 percent are moderate-income families. There are 3.3 million housing units of which 62.6 percent are rental units, 28.0 percent are owner-occupied, and 9.4 percent are vacant. Additionally, 63.9 percent of housing units are multifamily compared to 35.9 percent in 1-4 family units. The MSA Median Family Income is \$85,483 while the median housing value is \$684,398. Based on the housing cost and the median family income, there is a lack of affordability for LMI families to purchase a home.

Table 2: Assessment Area Description

	Number	Low	Moderate	Middle	Upper
Tracts	2,201	12.8%	25.3%	31.1%	24.3%
Families	1,779,604	30.6%	16.1%	16.2%	37.1%
Businesses	1,073,766	10.0%	20.7%	22.9%	41.4%

Source: Demographic Data – 2020 U.S. Census

Modern operates in a highly competitive banking market. The bank faces competition from local and multinational, large financial institutions. As of the June 30, 2023 FDIC Summary of Deposit Report, Modern’s deposit share totaled 0.04 percent. The bank ranks 49th out of 107

banks in terms of deposits in the AA. The competitors with the largest deposit market share include JPMorgan Chase Bank, National Association, Goldman Sachs Bank USA, The Bank of New York Mellon, Bank of America, NA, and HSBC Bank USA NA. These major competitors have an established presence in the AA and provide strong competition with the bank for CD activities.

As of December 2023, the U.S. Bureau of Labor Statistics (BLS) reported the non-seasonally adjusted unemployment rate for the New York-Jersey City-White Plains, NY-NJ MD as 4.7 percent. The BLS reported the New York State unemployment rate totaled 4.4 percent and the national unemployment rate totaled 3.7 percent during the same time period. The top employers in the area include Montefiore Health System, Mount Sinai Health System, JPMorgan Chase & Co., Bank of America, NA, New York Presbyterian Healthcare System, NYU Langone Medical Center, and Macy's, Inc.

Based on data published from the November 2023 Moody's Analytics report, post-pandemic growth is fading rapidly driven by a contracting labor force and layoffs in the technology and finance industries. Permanent changes in working patterns negatively impact demand for commercial office space, which is increasing vacancies. The demand for affordable housing continues to increase. The New York metropolitan area is experiencing widespread gains from tourism due to the return of international tourism and business travel. Strengths of the area including high per capita income and strong international immigration are offset by weaknesses such as the high cost of living, rapidly aging infrastructure, and troubled fiscal health worsened by population losses.

As part of the CRA evaluation, the OCC reviewed information from two community contacts within the AA to determine local economic conditions and community needs. One community contact was an affordable housing trade association. The group's focus is to develop and preserve affordable housing across the state of New York with a focus on New York City counties including New York and Kings County. The other contact was an economic development corporation that focuses on Brooklyn but offers programs that expand to the five New York City boroughs. This organization provides job training programs, small business workshops, and small business loans. The contacts identified that community needs in the AA include financing for environmentally sustainable affordable housing projects, affordable housing, affordable housing loans, small business loans, and social services.

Conclusions About Performance

Summary

Overall, the bank's CRA performance is Satisfactory.

The bank made an adequate level of qualified investments and CD loans in relation to its capacity and opportunities. The bank demonstrated adequate responsiveness to credit and CD needs of the New York-Jersey City-White Plains, NY-NJ MSA, which includes affordable housing and economic development. We considered the investment opportunities with direct benefit within the AA and the bank's capacity to address those needs.

- The bank demonstrates adequate levels of CD lending and qualified investment activities. Current period investments, grants, and prior period investments totaled \$3.90 million. The bank originated five CD loans totaling \$8.93 million.
- The bank demonstrates occasional use of innovative or complex CD loans and qualified investments.
- The bank demonstrates adequate responsiveness to credit and CD needs in its AA, primarily to affordable housing needs. Investments included Mortgage-Backed Securities (MBS), Small Business Investment Companies (SBICs), and other types of investments.

Qualified Investments

Qualified investments totaled \$3.90 million with current period investments of \$1.0 million, qualified grants of \$126 thousand, and outstanding prior period investments of \$2.78 million. All qualified investments were made in and primarily benefitted the bank's AA. These investments consisted of MBS and SBICs totaling \$1.05 million and \$2.72 million, respectively.

Modern provided qualified grants totaling approximately \$126 thousand to four qualified CD organizations. The grants benefitted underserved communities and LMI families in the AA. These grants supported affordable housing, economic development, and community services. The qualified organizations supported children in need, affordable housing for LMI families, and education for LMI students within the bank's AA.

The bank also has outstanding investments totaling \$2.78 million from prior periods. The OCC considered the ongoing impact from investments made during and prior to the current evaluation period. The majority of these investments support the provision of affordable housing through MBS and SBICs, totaling \$855 thousand and \$1.92 million, respectively.

The following table summarizes the bank's investments, grants, and unfunded commitments inside the AA:

Table 3: Qualified Investment Activity

	Benefits AA**
Originated Investments	\$999,500
Originated Grants	\$126,000
Prior-Period Investments that Remain Outstanding	\$2,779,050
Total Qualified Investments	\$3,904,550
Unfunded Commitments*	\$0

* “Unfunded Commitments” means legally binding investment commitments that are tracked and recorded by the bank’s financial reporting system. ** Investments included in the Benefits AA column are located in the AA or in the broader statewide or regional area that includes the AA.

The following table measures the level of total qualified investment activity in terms of average allocated tier 1 capital and average total income over the evaluation period:

Table 4: Qualified Investment Percentages

	Benefits AA (%)*
Total Investments/Average Tier 1 Capital	4.74%
Total Investments/Average Total Income	9.36%
Total Investments/Average Pass-Through Receivables	0%

* Investments included in the Benefits AA column are located in the AA or in the broader statewide or regional area

The following includes a description of some of the most significant qualified investments:

- A \$300,000 investment in an SBIC that supports regional small businesses, which includes small businesses in the AA.
- A \$199,500 investment in an MBS in an LMI area in the AA.
- A \$48,000 donation to a community service organization that targets LMI children and families. The organization provides early childhood programs, leadership education, and career programs to their community within the bank’s AA.

CD Lending

During the evaluation period, Modern originated five qualifying CD loans totaling \$8.93 million. All CD loans provide affordable housing units to LMI individuals and families within the bank’s AA.

The following includes a description for some of the CD loans originated during the evaluation period:

- A \$3.55 million mortgage to finance a 15-unit multifamily property, which is located in a moderate-income CT. Ten of the 15 residential units are deemed affordable housing with monthly rents below median market rental rates.

- A \$3.7 million loan to finance the purchase of three multifamily properties and one mixed-use property in LMI CTs. Fifteen of the 23 residential units are deemed affordable housing with monthly rents below median market rental rates.

Table 5: CD Lending Percentages

	Benefits AA (%)*
Total CD Lending/Average Tier 1 Capital	10.85%
Total CD Lending/Average Total Income	21.41%
Total CD Lending/Average Pass-Through Receivables	0%

** CD loans included in the Benefits AA column are located in the AA or in the broader statewide or regional area that includes the AA.*

CD Services

Modern demonstrates no CD service activity as employees did not complete service hours during the scope period.

Appendix A: Summary of MMSA and State Ratings

RATINGS Modern Bank, National Association	
Overall Bank:	Overall Bank Rating
Modern Bank, National Association	Satisfactory
State/MMSA Name	State/MMSA Rating
New York-Jersey City-White Plains, NY-NJ MSA	Satisfactory

Appendix B: Definitions and Common Abbreviations

The following terms and abbreviations may be used in this performance evaluation, including the CRA tables. 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 the same company directly or indirectly controls both companies. For example, a bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Aggregate Lending (Aggt.): The number of loans originated and purchased by all reporting lenders (HMDA or CRA) in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the assessment area.

Census Tract (CT): A small, relatively permanent statistical subdivision of a county delineated by a local committee of census data users for the purpose of presenting data. Census tracts nest within counties, and their boundaries normally follow visible features, but may follow legal geography boundaries and other non-visible features in some instances, Census tracts ideally contain about 4,000 people and 1,600 housing units.

Combined Statistical Area (CSA): A geographic entity consisting of two or more adjacent Core Based Statistical Areas with employment interchange measures of at least 15. An employment interchange measure is a measure of ties between two adjacent entities. The employment interchange measure is the sum of the percentage of workers living in the smaller entity who work in the larger entity and the percentage of employment in the smaller entity that is accounted for by workers who reside in the larger entity.

Community Development (CD): 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; or activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas.

Community Reinvestment Act (CRA): the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its entire community, including LMI areas, 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.

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into ‘male householder’ (a family with a male householder and no wife present) or ‘female householder’ (a family with a female householder and no husband present).

Full-Scope Review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

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

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn), the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

Home Mortgage Loans: A closed-end mortgage loan or an open-end line of credit as these terms are defined under §1003.2 of this title, and that is not an excluded transaction under §1003.3(c)(1) through (10) and (13) of this title.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited-Scope Review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-Income Individual: Individual income that is less than 50 percent of the area median income.

Low Income Geography: A census tract with a median family income that is less than 50 percent.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the assessment area.

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. The median is the point at which half of the families have income above, and half below, a range of incomes. 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, and half below, a range of incomes.

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.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose CD.

Rating Area: A rated area is a state or multi-state metropolitan statistical area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan statistical area, the institution will receive a rating for the multi-state metropolitan statistical area.

Small Loan(s) to Business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have

original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

Small Loan(s) to Farm(s): A loan included in ‘loans to small farms’ as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Tier 1 Capital: The total of common shareholders’ equity, perpetual preferred shareholders’ equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Upper-Income: Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.