



Old-Fashioned Banking with Modern Technology

An Interview with Jeffrey B. Lane, Chief Executive Officer, and Leslie E. Bains, Vice Chairman, Modern Bank and Modern Asset Management

EDITORS' NOTES Before joining Modern Bank, Jeffrey Lane was Chairman and Chief Executive Officer of Bear Stearns Asset Management. Previously, he was a Vice Chairman of Lehman Brothers, a member of the Office of the Chairman, Cochairman of Lehman Brothers Asset Management and Alternatives Division, and Chairman of Neuberger Berman Inc. (NBI), as well as a member of NBI's Executive Management Committee. He joined Neuberger Berman, LLC in July 1998 as a Principal and Chief Administrative Officer. Before this, Lane was with Travelers Group as Vice Chairman, and he also served as Vice Chairman of the company's Smith Barney subsidiary. Prior to his affiliation with Travelers Group, Lane spent his career, since 1969, with Shearson Lehman Brothers and its predecessor firms. Lane is a graduate of New York University and holds an MBA from the Columbia University Graduate School of Business.

A graduate of American University in Washington, DC, Leslie Bains held executive posts with JPMorgan Chase and Citibank before moving to Republic National Bank, where she was Executive Vice President responsible for private banking and investments. She was then appointed Senior Executive Vice President of HSBC North America, becoming a member of the Senior Management Committee and the highest-ranking woman. In 2003, Bains became President of AFS Intercultural Programs, one of the world's largest nonprofit, community-based volunteer organizations. In 2005, she joined Raycliff Capital, a private equity firm, and was appointed to her current position in January 2006.

COMPANY BRIEF Modern Bank (www.modernbank.com) was founded in 2006 by a group of investors and a management team whose vision was to create a boutique private bank focused solely on private banking and designed to meet the needs of a select group of high-net-worth individuals. Modern Bank's seasoned team of private bankers, enriched by decades of experience at major financial institutions, is dedicated to meeting the individual financial needs of each client. They design customized solutions and offer investment alternatives that match each client's financial priorities and personal risk-reward profile.

Are you happy with Modern Bank's current level of recognition in the market?



Jeffrey B. Lane



Leslie E. Bains

Lane: We're pleased about what Modern Bank stands for and the fact that our clients have a solid experience with us. We're dealing with people who are already wealthy. They are not coming to us to be made wealthy; they are coming to us so that they can get peace of mind and at the very least keep pace with inflation. That's the kind of service that we offer and is resonating more and more in our marketplace.

Who are your target customers?

Bains: Our target customers are individuals with liquidity in excess of \$10 million. It is the fastest-growing market in the United States, and our business has grown tremendously over the past two and a half years.

Lane: We started with \$150 million and recently crossed the \$500 million mark, which is quite significant. It's a testament to the quality of the product we provide. The next step is \$1 billion.

How does the firm differentiate itself from other players in this very competitive market?

Lane: Before the bank was founded, the management here did a study for which they interviewed 50 people who had ongoing relationships with some of our competitors – 49 of them were dissatisfied. For the most part, if you call your private bank today, you get a telephone answering machine, which gives you a series of instructions to follow. The trick is trying to speak to a human being. Here, you speak to a person. If you want to borrow money, you get a response within a couple of days. We have courier service for currencies. It's old-fashioned banking with modern technology.

Bains: If you look at the market landscape over the past year, you will notice there has been continued consolidation in the industry.

As a result of that consolidation, there continues to be disarray and weak service. In this environment, our firm can differentiate itself by offering consistently reliable, high-quality, personalized service.

As your client base grows, will you be able to maintain that personal touch?

Bains: We're determined to do that, and we will add additional private bankers in order to keep up the high level of service. In the asset management area, because of the expertise of our professionals, we avoided all of the pitfalls of leveraged securities and auction rate notes. So our clients have been very pleased with their investment results in these turbulent times. We have protected them on the downside. Seven out of our nine managers have exceeded the benchmarks for the first six months of 2008, and almost all of them are in the plus column.

In addition, we have a unique program called the CDARS Program. We can insure deposits up to \$50 million with FDIC insurance, and we do that by participating in a consortium of banks. The client deals only with us and we are able to set the rate. This banking service is growing substantially for us as individuals become more concerned about the safety and security of their current bank and money market accounts.

How much of an impact does technology have on the way you operate?

Bains: Wherever our clients are in the world, they are able to reach us, and they are able to access their funds. The fact that we have one office in New York and one office in Los Angeles is immaterial.

Lane: And because we are a high-net-worth bank, we don't nickel-and-dime our clients. Our clients are wealthy and have substantial relationships with us. We don't charge them to use ATMs and other services like other banks do.

Will there be opportunities for Modern Bank overseas, as well as locally?

Lane: Yes. We would like to be able to take care of our clients wherever in the world they are, and through ATMs, we can do that. But there are certain locations in which we would like to have a physical presence. In the United States, beyond New York and California, Florida would make sense for us. And, as we move overseas, the U.K. would be an interesting location, as well as somewhere in the Middle East. ●