

# Metropolitan Q2 08

## *From the* **President's Desk...**



**Mark R. DeFazio**  
President and CEO

Even while we find ourselves enforcing the most rigorous underwriting standards and credit approval processes in our history, Metropolitan National Bank enjoyed continued, stable growth during the first half of 2008, in an environment that has proven precarious for so many of our competitors. I am very happy to be able to report that Metropolitan National Bank exceeded our expectations for asset growth in the second quarter of 2008, and remains extremely well positioned for the future, further proof that our consistent focus on asset quality and risk management over the years has stood us in good stead.

Some banks have had to face major write-downs. Others have had to seriously re-assess the quality of the assets they have on their books. This presents Metropolitan National Bank with an unprecedented market opportunity, that everyone at Metropolitan National Bank has been working very hard to capitalize on. The results of their efforts are plain to see: Metropolitan National Bank's loan portfolio grew by 16% during the first half of 2008, and we believe we can continue that pace of growth for the balance of the year without in any way compromising asset quality. I also believe that by year-end 2009 the U.S. economy and the finance and banking industry will be well on their way

to a general recovery and we should expect to see a return to Metropolitan National Bank's historical levels of earnings and profit growth.

Metropolitan National Bank's participation in the CDARS® (Certificate of Deposit Account Registry Service) program has been one of the true highlights of the 2008 so far. A mediocre investment climate combined with media coverage of difficulties at some high profile banking institutions have increased demand for FDIC insurance on large deposits. Through the CDARS program, Metropolitan National Bank depositors can get FDIC insurance on deposit amounts up to \$50 million, with the ease and

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### Metropolitan Q208

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convenience of a single deposit account.\* Metropolitan National Bank is one of the few banks in the New York region that is part of the CDARS network, which is made up of some 2,000 institutions nationally. When a client needs to make an insured deposit in excess of the normal FDIC-insured limit of \$100,000, CDARS structures the deposit across as many participating institutions as necessary, and places reciprocating insured deposits at Metropolitan National Bank. From an accounting and paperwork

Also continuing to make an important contribution to Metropolitan National Bank's continuing success in these difficult times is our retail financial services subsidiary, CashZone®. CashZone's contribution to the bank's revenues and earnings – principally in the form of service fees – has been significant over the years, and we believe it will perform even better as we expand CashZone's innovative retail financial services for the unbanked and underbanked into new, regional markets.

**“Metropolitan National Bank exceeded our expectations for asset growth in the second quarter of 2008.”**

standpoint, the deposit functions like it was a single deposit account. So for investors looking for a temporary safe haven in the current “cash is king” investment climate, or for institutional or trust managers who for fiduciary reasons must document that the funds they are holding are insured, a CDARS account can be both economical and efficient. Metropolitan National Bank's participation in the CDARS program has been one of our most successful undertakings to date with respect to increasing the overall size of our deposit base without unrealistically inflating CD interest rates.

Finally, we are pleased to report that our fourth banking center in New York City – and our first outside of Manhattan – will open in September in Boro Park, Brooklyn. Metropolitan National Bank has many long-standing clients who live and work in the Boro Park area, so our reputation should precede us into the neighborhood. We also believe the neighborhood is poorly served by the banks already there. Many banks in the area are either too small to fully service the unique needs of this entrepreneurial community, or are too big to provide the kind of “private banking” attention the typical Boro Park customer deserves. We fully anticipate that the Boro Park banking center will be financially and demographically a great fit for Metropolitan National Bank, and we expect by this time next year we will be able to talk about the greater-than-expected contribution this new banking center is making to the Metropolitan National Bank franchise.

**Mark R. DeFazio**  
*President and CEO*  
*Metropolitan National Bank*

\*Funds may be submitted for placement through CDARS only after a depositor enters into a CDARS Deposit Placement Agreement with Metropolitan National Bank. The agreement contains important information and conditions regarding the placement of funds by Metropolitan National Bank. Please read the agreement carefully before signing it.

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For more information or to schedule an appointment:

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*Senior Vice President*  
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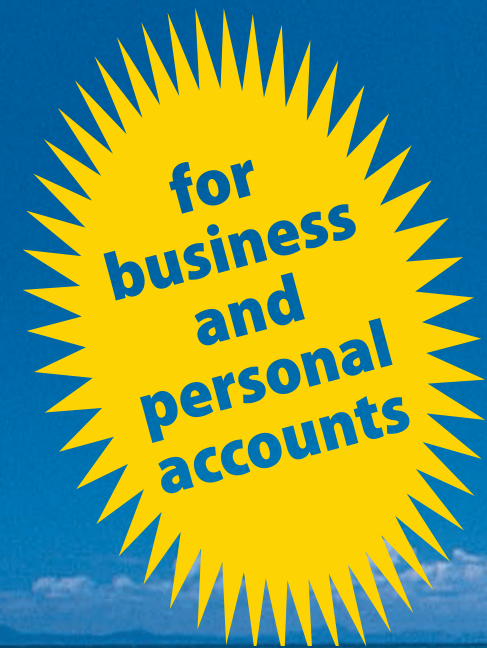
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CD (Certificate of Deposit) Annual Percentage Yield ("APY") is subject to change without notice. Minimum deposit of \$2,500 required. Fees or penalties may reduce earnings. There is a penalty fee for early withdrawal.

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## Scott Lublin to Head Commercial Real Estate Lending Unit



**Scott Lublin**  
Senior Vice President  
Commercial Real Estate

Scott Lublin has joined Metropolitan National Bank Senior Vice President, Commercial Real Estate. Mr. Lublin was a group manager in the structured real estate finance group of M&T Bank where he worked for nearly 20 years. "I liked what I did and I liked my colleagues at M&T, but I was attracted to Metropolitan National Bank by its growing reputation and the entrepreneurial spirit I found there. I believe I can make a real contribution to the growth of Metropolitan National Bank going forward," he says.

Mark R. DeFazio, President and CEO, calls Mr. Lublin a "recognized expert in the field of commercial real estate lending. Scott is well known and well liked among his peers in the banking industry, and maintains strong relationships with the numerous clients he has served over the years. Scott rolled up his sleeves and got to work his first day at Metropolitan National Bank, and has already lined up some important new transactions."

Mr. Lublin's experience includes all types of cash flow and non-cash flow deals across all real estate product types, including retail, industrial, office and multi-family, and he has been involved in several sizable mezzanine financings. "Clients are less concerned these days with rates," he believes. "What's important to them is completing a deal as quickly as possible, and that's where Metropolitan Bank has always had an edge on the competition. We can typically go from application to closing in two weeks if we have to, even with some of the most complex deals. In most cases," Mr. Lublin continued, "a borrower is willing to accept a reasonable rate differential, knowing that a loan will close on deadline, because delays in closings can end up costing a borrower a lot more."

Within days of assuming his new position at Metropolitan National Bank, Mr. Lublin began introducing new clients to the bank, including the principals of a large mezzanine fund that makes real estate loans and then sells off senior pieces to banks. "These transactions can often take up to six weeks to close at other institutions, but they came in with a deal, and in less than a week, we had agreed to terms and scheduled the closing for a week later."

Mr. Lublin says that although the commercial real estate industry is having its share of trouble, he believes that "you can always make good loans in bad times if you focus on the value of the deal and are confident in the sponsor's qualifications." He adds that New York is "particularly resilient compared to other U.S. markets for a variety of reasons. The city's international standing attracts foreign investors in any environment, particularly now that the dollar is weak and prices are softening. Additionally, New York is home to more than its fair share of knowledgeable investors, who have substantial cash reserves and are long term holders of properties, who have more of a tendency to see

**"I was attracted to Metropolitan National Bank by its growing reputation and the entrepreneurial spirit I found there."**

today's environment as an opportunity to find good bargains. Finally, of course, New York City's standing as a premiere tourist destination helps support the city's economic infrastructure in both good times and bad. All told, I think the near-term prospects for Metropolitan National Bank's commercial real estate lending business in the New York City area is quite strong."

# *Metropolitan National Bank CFO Michael Lowengrub* **Projects Improving Conditions for Economy and Banks**



**Michael Lowengrub**  
Chief Financial Officer

**M**etropolitan National Bank CFO Michael Lowengrub suggests that “lingering economic concerns will continue to impact bank earnings, in general, and Metropolitan National Bank, in the near term. But we are reasonably certain that conditions will begin to improve within the next 12 months. Our focus at Metropolitan National Bank, in the meantime, is on maintaining a high quality portfolio of loans in all our lines of business, because when the recovery does come, the strength of our portfolios will help take the bank to the next level.”

Mr. Lowengrub reports that while commercial real estate lending is still the engine that most drives asset growth at Metropolitan National Bank, the bank has also quietly had success in achieving its goal of building a portfolio of jumbo residential mortgages “with asset quality at least on par with the loans in our commercial portfolio.” Mr. Lowengrub attributes the bank’s ability to attract high quality jumbo loans in part to its reputation for paying close attention to client needs, particularly when it comes to details like scheduling closings.

He also points out that “there are also fewer lenders in this segment of the residential mortgage business today, which allows us to be very selective in vetting borrowers in order to ensure credit quality, and meet the bank’s scrupulous underwriting standards.”

As of June 30th Metropolitan National Bank had \$37 million in loans in its jumbo residential mortgage portfolio, up \$16 million, or more than 80%, from the beginning of the year. “Our expectation,” Mr. Lowengrub says, “is we will do at least another \$16 million in jumbo originations during the second half of the year.”

“On the commercial real estate side, the New York metro area continues to remain relatively strong, and that has allowed us to originate about \$43 million in net new commercial real estate loans in the first six months of 2008,” Mr. Lowengrub says. “In addition, we have a very robust loan pipeline and we anticipate that we should do a goodly amount of business in the second half as well.”

For all these reasons, Mr. Lowengrub is optimistic about the medium-term prospects for the industry, and for Metropolitan National Bank in particular. “In short, I think there is good reason to anticipate some real improvement in overall economic conditions in the next twelve months, as well as some easing up of the long-term factors that have been depressing interest rate margins for several years running. Couple this good macroeconomic news with Metropolitan National Bank’s strengths and growing reputation as an established commercial banking institution in New York, and I think we have good reason to expect solid results for the bank over the next few quarters.”

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# Bank Notes

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## **Congratulations**

Metropolitan National Bank continues to grow.  
New hires this quarter were:

### **Scott Lublin**

*Senior Vice President  
Commercial Real Estate Lending*

### **Claudia Aviles**

*Customer Service Representative  
99 Park Avenue Banking Center*

### **Gail Newbold**

*Receptionist  
Corporate Headquarters*

The following Metropolitan National Bank employees were recently promoted:

### **Jo-Annie Ortiz**

*Assistant Vice President  
Online Banking*

### **Luis Negrón**

*Customer Service Representative  
16 West 46th Street Banking Center*

### **Thomas Moore**

*Vice President, Team Leader  
Commercial Real Estate*

### **Thomas Mulhall**

*Vice President, Team Leader  
Commercial Real Estate*

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New York, NY 10016  
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#### **Manhattan Banking Centers**

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#### **Brooklyn Banking Center**

5101 13th Avenue  
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