



MetropolitanQ108

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



Mark R. DeFazio
President and CEO

Metropolitan National Bank had an excellent first quarter, despite continuing ambiguous news from the world of banking and finance. Growth in our real estate portfolio began again in earnest at the end of 2007, and has continued throughout the first quarter at a pace we have not experienced for several years. Supporting this portfolio has been satisfying, corresponding growth in retail deposits, both from our banking centers and from online sources. And other exciting new developments throughout the bank have us feeling that 2008 could be a banner year for Metropolitan National Bank, notwithstanding the mixed outlook for the overall economy, and continuing issues in the banking and financial service sectors generally.

It is important to note that our optimism for 2008 is based on a distinction between the traditional commercial banking business, and the broader financial services industry. The public at large, and high net worth individuals and real estate entrepreneurs in particular, have begun to realize that many large institutions that today call themselves banks are, in fact, anything but. These institutions may have started life as banks, but became, in due course, investment houses, mortgage brokers or wholesale sub-prime auto lenders. We believe that this understanding will deepen as the year progresses, and will greatly benefit Metropolitan National Bank's core businesses.

You might ask, what does it mean to be a "real" commercial bank today? By both necessity and design, Metropolitan National Bank has always focused relentlessly on two critical aspects of our commercial banking business: maintaining diverse and economical sources of funding, and doing everything in our power to guarantee the quality of our earning assets. We believe it is critical to be part of the community we do business in, and to know the people we do business with personally, especially those who borrow money from us. We invest the time to understand their needs, their capabilities, and their businesses. And only then do we make the decision to invest in them. It is not a business model that can be replicated with databases or FICO scores alone, but it is the business model that has always made sense to Metropolitan National Bank.

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Metropolitan National Bank Reaches Major Milestone: \$500 million in Assets



Michael Lowengrub
Executive
Vice President and
Chief Financial
Officer

With relatively tight credit markets actually working to our advantage, Metropolitan National Bank achieved a major milestone during the first quarter, reaching \$500 million in assets. "This milestone is a testament to Metropolitan National Bank's ability to manage through what has been a very difficult environment, by maintaining the most watchful eye, every day, on credit quality and underwriting standards," says Michael Lowengrub, Metropolitan National Bank's Executive Vice President and Chief Financial Officer.

"Many mid-size banks have become *de facto* investment managers in response to today's challenging environment. Not Metropolitan National Bank. Metropolitan National Bank is, and is committed to remaining, first and foremost, a lending institution," Lowengrub continued. "This makes our accomplishing this milestone, at this moment in time, all the more significant. With the Federal Reserve dropping the Fed Funds rate 325 basis points with unprecedented speed, we faced a great deal of

"This milestone is a testament to Metropolitan National Bank's ability to manage through what has been a very difficult environment."

pricing pressure from both existing and potential borrowers. But in the end, existing clients have stayed with us, in some cases

increasing their borrowing, and new clients are being attracted to us, because they know that we remain fundamentally committed to the business of making loans, and they can count on us to still be here tomorrow, regardless of the temporary ups or downs of the overall credit markets."

Lowengrub shares President and CEO Mark DeFazio's conservatively optimistic outlook for 2008.

"Our discipline in banking basics has carried us through what for many other financial institutions has been a terribly disruptive period. At this point, we have no reason to curtail our lending businesses in any meaningful way. As we continue to grow, we will continue to build on our legacy of sound underwriting standards and solid service to the local community and businesses. And by following that course, we are going to slowly but surely continue to grow into one of the most important local banking institutions in New York."

**\$500 million
in assets**

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

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The arena in which we have departed the most from the traditional commercial banking model is our retail financial services subsidiary CashZone®. The unbanked and under-banked, who are the customer base for CashZone, operate in a market where it is commonplace to pay simple fees in exchange for basic financial services like cashing paychecks or paying bills. At Metropolitan National Bank, we do everything we can to avoid imposing fees on our depositors and borrowers; at CashZone, the entire business model depends on charging

"Exciting new developments...have us feeling that 2008 could be a banner year for Metropolitan National Bank."

fees. (This, by the way, is what potentially makes CashZone such a good fit for a traditional commercial bank, like Metropolitan National Bank; CashZone provides a vector for diversifying the bank's income sources, which are otherwise highly sensitive to changes in interest rates.) CashZone is at the same time a true innovator within its retail financial services sector, because CashZone ties its fees to actual bank-like services, by way of the CashZone Prepaid Visa® Card, that have the potential to improve the long-term financial health of the unbanked, rather than just charging them for facilitating a necessary service. And the fees we do charge CashZone Visa cardmembers have been purposely constructed to be comparable to or, in most instances, less expensive, than maintaining a low-balance checking account, while still moving large number of consumers out of cash-only lifestyles with limited potential for entering the financial mainstream, or building assets and credit.

CashZone is, even as this edition of *Metropolitan* goes to press, embarking on an exciting new venture that will move its unbanked and under-banked customers and members closer to the financial mainstream than has ever been possible or practical before. With the launch of its CashZone Prepaid Visa Card-based Check2Card program, CashZone members will be able to convert their paychecks, and select government checks, to an instant credit on their CashZone Visas, free of charge, at retailers throughout the New York metropolitan area. I believe strongly that this eliminates one of the last major consumer barriers to broad acceptance of our CashZone Visa card in the unbanked and under-banked market. With even moderate success, revenue from the CashZone Visa Check2Card program could bring millions of dollars of non-interest income a year to the bank, while providing an economical and vital service to this otherwise under-served community.

Many other exciting events – opening our fourth banking center, and our first outside Manhattan, in Boro Park, Brooklyn; increasing momentum in our commercial real estate portfolio; and our growing reputation on the Internet for excellent retail banking services, to name a few – lead us to look forward with quiet optimism to the rest of 2008. I have every reason to believe this is going to be a momentous year for Metropolitan National Bank.

Mark R. DeFazio
President and CEO

A New Banking Center And a New Website



James Mooney
Executive
Vice President and
Chief Administrative
Officer

Executive Vice President and Chief Administrative Officer James Mooney is certainly having a busy year. In addition to a host of other initiatives, he is overseeing the opening of Metropolitan National Bank's fourth banking center, in Boro Park, Brooklyn, as well as the redesign of the bank's main website.

"All of our banking centers have been tremendously successful in becoming self-sustaining businesses, attracting more than their fair share of deposits and loans," Mooney says. "And we expect our new Boro Park banking center will be even more so. Boro Park is a uniquely thriving neighborhood, and in response, we are going to empower the new banking center there with its own, free-standing commercial and real estate lending

capabilities. We think that is what this important 'outer-boro' neighborhood really needs in a local banking institution."

And while the Boro Park banking center will not officially open its doors until the third quarter, efforts are already aggres-

substantial commercial banking relationships Metropolitan National Bank already enjoys with businesses in this community. At the end of the day, I really believe this is going to be our most successful banking center opening to date."

"I really believe this is going to be our most successful banking center opening to date."

sively underway to launch Metropolitan National Bank in the community. "We are not waiting for the build-out to be complete to begin establishing client relationships in the neighborhood," Mooney points out. "A pre-opening business development team is already hard at work soliciting new deposits and loans, and to build on some of the

Meanwhile, the forthcoming Metropolitan National Bank website overhaul has also become a major priority for Mooney. "The Internet has become an excellent client acquisition tool for us," he says, "allowing us to broaden our footprint without having to physically expand across state lines." Metropolitan National Bank's website redesign team took special care to improve the usability and visual appeal of the new site. "While our existing website was already helping us make Metropolitan National Bank a truly national presence, the new site reorganizes and expands our offerings to include, among other features, our upgraded Business Online Banking with ACH and optional remote deposit capture, which is of particular interest to our larger commercial clients."



CashZone Ready to Roll Out Check2Card Program



Michael Cicero
Senior Vice President
Retail Financial
Services

Continuing with its efforts to reach the largest possible market of unbanked and under-banked Americans, and help them take their first steps toward the financial mainstream, CashZone is ready to roll out a revolutionary new service, its CashZone Prepaid Visa Card Check2Card program.

"This is a whole new experience for us," says Michael Cicero, Senior Vice President for Retail Financial Services. "The Check2Card program eliminates one of the major sticking points for potential CashZone Visa card service customers, by eliminating from the equation the cost of cashing their paychecks at local

bill payment fees, while enjoying all the security and convenience of using a Visa debit card instead of cash for their day to day expenses and activities."

The planning and logistics for CashZone's Check2Card program are complete, and Cicero is confident that the program will be up and running in the marketplace by some time during the third quarter of this year. "We're going to be seeing real results for the Check2Card program by the end of the year, and I'm optimistic that it's going to prove a real boon for both CashZone and Metropolitan National Bank."

"We are genuinely committed to a business model that serves a real social good."

check cashers. No one else serving this customer base has used a similar business model before, so we are being very cautious, and learning as we go."

"We are genuinely committed here," Cicero continued, "for the first time, to a business model that serves a real social good. That is to say, while the program will return a healthy profit when we attain our sales goals, CashZone Visa cardholders who join the program will save hundreds of dollars a year in check cashing and



Bank Notes

Congratulations

Metropolitan National Bank continues to grow.

New hires this quarter were:

Jo Anne Vlaun

Vice President, Credit Manager

Peter McCue

First Vice President, Team Leader, Commercial Real Estate

Juan Zayas

Electronic Banking & Operations Support Specialist

The following Metropolitan National Bank employees were recently promoted:

Michael Lowengrub

Executive Vice President, Chief Financial Officer

Nick Rosenberg

Senior Vice President, Chief Technology Officer

Lawrence List

First Vice President, Director Human Resources

People are on the move at Metropolitan National Bank. The following transferred from CashZone to Metropolitan National Bank this quarter

Hector Pena

Vice President, Marketing

Jennifer Greek

Junior Accountant



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**personal service
global perspective**