

Metropolitan® Autumn 2013

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



Mark R. DeFazio
President and CEO

I have mentioned in previous newsletters that 2013 would be a year of tactical growth at Metropolitan National Bank. Now that the first half of the year is in our rearview mirror, I'm happy to report that we have accomplished most, if not all, of our strategic initiatives.

First, we are beginning to see real, tangible growth in the prepaid debit card space. Three new contracts that make us a national issuer in this business have been successfully executed — and all are expected to be up and running in September. The pipeline is full too. We are beginning to see some positive trends that I'll be able to report on in our winter newsletter. Please take a look at the article on Page 5 that describes how *The Nilson Report* ranks us, for the first time ever, as a top prepaid debit card issuer.

"The core business of the Bank continues to perform well, lending opportunities are plentiful..."

On the lending side of our business, two seasoned professionals with experience in our markets have filled vacancies on the commercial lending team. Both are coming from larger money center banks, which is a testament to our reputation. When lenders of this caliber see the value-added proposition of joining a smaller institution, one with the resources of a larger institution, and which allows them to take charge and make a difference in what they can contribute, we know we've been doing something right these past 14 years.

We've also restructured our capital in the second quarter of 2013. A number of new shareholders came in as a result of the restructuring, and they have been extremely productive in bringing in new business.

The core business of the Bank continues to perform well, lending opportunities are plentiful, and new management members we've brought on board over the past few quarters are transitioning well and making a productive difference.

While I see 2013 overall as a year of strategic transition, I view the rest of the year and into 2014 with cautious optimism. I expect interest rates to stay relatively low through 2014. After that, it's up to the Fed. Regardless of where one thinks the economy is, we are still several years away from understanding what the new normal is going to be as we come out of this long, deep recession.

The one thing economists, regulators and those working on the political side of the economy can agree on is that we seem to have clarity on what challenges are preventing a full-scale recovery. That's half the battle. Now it's a function of coming up with policy and regulation to support further recovery and deal with the tests ahead of us.

Metropolitan National Bank is fortunate to have a diversified, successful shareholder base. Any contributions they can make — in addition to their capital support — from a retail deposit perspective or introductions they can make for us, goes a long way to build the franchise value, which ultimately builds their equity stake in the company. Each of us plays a vital role in our success. Again, I thank you for your support and confidence in all of us here at Metropolitan National Bank and CashZone.

Mark R. DeFazio
President and CEO

Community Spirit Alive Throughout Metropolitan National Bank



Mary Beth Sweeney
*Executive
Vice President and
Chief Operating
Officer*

"Community and relationships are at the core of everything Metropolitan National Bank does," and the Bank continues to become more involved in all the communities we serve in our ongoing efforts to strengthen and deepen our client relationships.

"I'm excited to share a few recent examples of the Bank's community involvement and look forward to expanding our efforts; Laura Capra and her team have done a terrific job over the last few months. They are keeping busy!"

Park Avenue Banking Center

May 21, 2013 — The Judicial Title Insurance Agency presented at our Banking Center, "Ethics Issues in Real Estate Transactions," providing Continuing Legal Education (CLE) credits for attorneys.

May 25, 2013 — We participated in the Murray Hill Neighborhood Association Street Fair, meeting and interacting with local residents and businesses.

Broadway Banking Center

May 15, 2013 — We hosted more than 55 Manhattan Chamber of Commerce members at a business networking breakfast, complete with a business card raffle and Metropolitan National Bank giveaways, establishing numerous relationships.

May 24, 2013 — Art enthusiasts, about 40 in all, from as far away as New Orleans and Chicago, attended our first-ever "Art Gallery Night." Ten percent of the proceeds of art sold benefited the American Cancer Society. The event drew the attention of other artists who wish to be included in future Art Gallery Nights and introduced the Bank to new possible relationships.

46th Street Banking Center

June 19, 2013 — We hosted a Diamond District Business Improvement Event: Safety and Security for Jewelers. The well-attended event offered local businesses, many of which have not had previous interactions with us, valuable presentations by the New York City Police Department, New York County District Attorney's Office and The Federal Bureau of Investigation.

Brooklyn Banking and Lending Center

August 14, 2013 — Several Bank officials visited Camp Simcha in Upstate New York and attended a fundraising dinner for Chai Lifeline that helps children living with serious illnesses or disabilities.

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Spotlight on Retail — Team Approach in Boro Park



Laura Capra
Senior Vice President
Retail Banking

All eyes are on the retail sales team at Metropolitan National Bank's 5-year-old Banking and Lending Center in Boro Park. "We have an experienced team with a civic commitment who offers high-end service, which will make a positive difference in the community," explains Laura Capra, Senior Vice President and Head of Retail Banking.

Laura said she is excited to introduce the team's newest member, Michael Tigri, who was brought on in June as a Market Sales Manager with 15 years of retail and business banking experience. He joins Sam Grossberger, Vice President, Relationship Manager, with nearly two decades of banking experience, who has been in that position since the Banking Center opened five years ago.

"I worked across the street and saw we were hiring," Sam says. "I started when we were building this center, and I've been able to see and contribute to the growth of the Bank."

Facilitating the Bank's growth is what attracted Michael, who has focused on helping families and small businesses at small and large institutions throughout New York City, to Metropolitan National Bank. "I'm looking forward to applying what I've learned over the years in service to the community of Boro Park."

Michael grew up in the business, but on the other side of the desk. "My dad ran a bakery in the city," he explains. "So I understand the small, family business mentality. I know where many of our clients are coming from and how challenging it can be to run a business. I learned very early on the importance of providing superior customer service to clients." Customer service is what sets Metropolitan National Bank apart from the dozens of banks in Boro Park, according to Sam. "We're able to offer the community a level of service that our competitors can't or won't," he explains. "We can't always compete on rates, but we are part of this community and understand our customers."

Michael concurs, adding, "We have the products and services that the bigger banks have, but we give a high-end level of service that helps us build relationships with our clients. If you analyze how you make your decisions, you'll come to realize that relationship is a major factor."

Michael and Sam's goal is to grow the Banking and Lending Center and even expand it throughout Brooklyn. "We're just shy of \$100 million in deposits here," Michael says. "I think we'll be able to achieve that milestone this quarter."

Being the newest member of the team, Michael's first task is to hit the streets. "Unlike Sam, who has been working here and even lives near the branch, I am new to this community. I need to introduce myself and begin to foster relationships, showing the community that we're here to support them."

He says he'll start by visiting the top current business customers, to deepen and strengthen those relationships. He and Sam are also identifying the centers of influence in the community.

"We have an experienced team with a civic commitment who offers high-end service."

In that spirit, Sam recently met with a number of accountants to introduce the Bank's Simcha savings product. "This product is designed to help people celebrate life's happiest events, such as Bar Mitzvahs, birthdays, engagements and weddings," Sam explains. "We hope to introduce Metropolitan National Bank to multiple generations of families by offering this product."

Laura adds, "We are confident that our Simcha savings product, as well as our superior service and our retail sales team approach in Boro Park, demonstrates our commitment to the families of this community."

Another way the team is showing its commitment is by getting involved in area not-for-profits, including Chai Lifeline, an organization that helps children living with serious illnesses or disabilities. The Boro Park team recently attended its fundraising dinner and had the opportunity to visit Chai Lifeline's Camp Simcha in August. "The children we met and stories we heard moved me to tears," Michael says. "What this organization does for children is remarkable. I'm looking forward to working with and helping this group."

Michael is also involved with the Brooklyn Chamber of Commerce and a local office of Neighborhood Housing Services, which helps low- and moderate-income residents with their housing needs. He also teaches financial literacy in New York schools.

Sam concludes, "We are part of this community, and it's how we are able to develop the relationships we have. It's why we are successful."



Left to right: Sam Grossberger, Laura Capra, Michael Tigri and Rabbi Levi Katlowitz, Director of Community Development, Chai Lifeline.

Operations Seeks Greater Efficiencies

To Support Growth



Barry Zabell
First Vice President
Operations

Growth throughout the organization has Barry Zabell, First Vice President and Head of Operations, looking to enhance efficiencies in Metropolitan National Bank's Operations department and elsewhere.

"Our continued expansion as a third-party prepaid debit card issuer is one of the largest initiatives enterprise-wide," Barry explains. "It's a burgeoning market in which we are well positioned. Operations continues to ramp up to accommodate this success, and we plan to be increasingly involved as time goes on. Scalability of this, as well as other services and deliverables, is critical."

"To be successful requires a significant team effort, and I'm pleased by what we've been able to do so far."

Barry's Operations area has automated formerly manual processes associated with third-party prepaid card program ACH activity and is looking to expand this into other areas. "It's an undertaking that requires input from many areas of the Bank — technical, financial, operational," Barry says. "To be successful requires a significant team effort, and I'm pleased by what we've been able to do so far."

Fighting Fraud

"Fraud is an ongoing concern for all financial institutions, and we are enhancing our own efforts to limit debit card fraud as well as educating our customers on what measures they may take to reduce their risk in various channels." In the area of check fraud prevention, the Bank offers Positive Pay, an online service that compares customers' checks-issued records with details of checks presented for payment. Anything that does not match is flagged for the customer when they log in online each morning. This provides customers with an opportunity to review the transaction and make a decision regarding the payment of the check. Barry indicated that Positive Pay is gaining interest from customers. "With Positive Pay, everyone benefits — except the criminals," Barry states.

For debit cardholders, the Bank has introduced a sophisticated, algorithmic transaction-monitoring engine that analyzes card usage in order to detect unusual or suspicious activity. "Transactions that score above a predefined risk score are referred to our customers to determine if they had authorized them," adds Barry. By way of customer awareness and education, the Bank has several relevant videos available within its Online Educational Center and frequently provides informative mailings to its clients.

"When I started out in banking, one of my primary concerns was that someone would try to replicate the imprint of our check protectograph machine. It's a whole new ballgame in the 21st century and not everyone plays by the rules," Barry cautions.

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Metropolitan National Bank Moves Up

On The Nilson Report's Rankings



Al Botta
Senior Vice President
Metropolitan
National Bank/
CashZone

Metropolitan National Bank has established itself as a leading issuer in the prepaid card business, evidenced by its meteoric rise in the industry's *The Nilson Report's* ranking of the 50 largest U.S. bank and credit union issuers of general-purpose-type prepaid cards.

At the close of 2010, Metropolitan National Bank was not included in *The Nilson Report's* rankings, but by the end of 2011 it was ranked 38th. By the close of 2012, with purchase volume exceeding \$28 million, the Bank was ranked 33rd.

Al Botta, Senior Vice President, Metropolitan National Bank/CashZone, expects a surge in purchase volume on Metropolitan National Bank/CashZone prepaid cards with the recent launch of FirstView Financial's prepaid card. "I expect us to become one of the top 25 issuers in the United States, and to quickly move into the top 20 once we execute the programs we have signed up so far," Al explains.

The published ranking is just one more accolade for Metropolitan National Bank and its growing prepaid card business.

"Clearly, we have built the business to scale seamlessly," explains Al. "We should be able to sign up and launch many more programs, and make a jump into the top 10 within two years."

Al notes that executing with our conservative and thoughtful strategy is key to Metropolitan National Bank's and CashZone's successes.

"We should be able to sign up and launch many more programs and make a jump into the top 10 within two years."

Metropolitan National Bank

Staying Ahead of Changing Regulations



Jennifer McKay
Vice President,
Senior Compliance
Officer, Deputy Director
of Compliance

With most, if not all, of the post-9/11 and post-banking crisis regulatory rules and new reporting requirements rolled out, Metropolitan National Bank's Compliance department is keeping busy interpreting those new regulations and ensuring the Bank and CashZone have the systems in place to comply with them.

"One of the major changes we had to accommodate this past quarter was the Financial Crimes Enforcement Network (FinCEN) no longer accepting paper submissions of suspicious activity and currency transaction reports," explains Jennifer McKay, Vice President, Senior Compliance Officer, Deputy Director of Compliance. "As of April 1, only electronic copies of these reports would be accepted, so we have ensured that the systems were in place to do that."

"Everyone in the department regularly attends compliance seminars to keep current on new regulations and changes to existing regulations."

Jennifer, a Certified AntiMoney Laundering Specialist, and her team monitor all transactions for the Bank and CashZone, ensuring both comply with the Anti-Money Laundering Act (AML), the Bank Secrecy Act (BSA) and the Patriot Act, all put into place to help protect our country from terrorist activity.

With the Bank becoming an issuer and manager for third-party prepaid credit card programs, Compliance's responsibilities have increased. "Like other areas of the organization, much of our focus these days is to support the growth of not just the Bank, but CashZone as well."

Jennifer highlights the depth of experience in the Compliance department — Grisel Arias Kaplan as Senior Vice President and Compliance Director, and Tracy-Ann George, Vice President, Senior Compliance Officer, Deputy Director of Compliance. "Both bring a wealth of knowledge and experience to the team."

Jennifer says everyone in the department regularly attends compliance seminars to keep current on new regulations and changes to existing regulations. "The ever-changing regulations are a significant challenge," Jennifer says. "Most of our efforts are directed toward ensuring the Bank has the policies, procedures and controls in place to comply with them."

She concludes, "We are ready and excited for the challenges as the Bank grows and experiences success in offering new products and services."

For Human Resources' Lawrence List,

Banking is a People Business



Lawrence List
First Vice President,
Director Human
Resources

With 30 years of human resources experience, Lawrence List, First Vice President, Director Human Resources, understands a thing or two about people.

A seven-year veteran of Metropolitan National Bank, Larry knows everyone in the organization. "I hear from some people that I'm 'involved in everything,' and I respond that this is a people business. I get involved with what people do here!"

While the Bank has taken a couple of shifts along the way from the three original employees, to the 75 who were here when he joined, to the now 95 on the Bank side and about 140 people enterprise-wide, one thing has remained constant. "Everyone here is close to the business," he explains. "It's a flat organization. People focus on their work; there's little bureaucracy. We can get things done by simply meeting each other in the hall."

"We can get things done by simply meeting each other in the hall."

With the focus on growing the business, Larry admits there are more meetings than there were before. "These are growing pains," he explains. "But that's a part of a successful business. Growing pains are good."

Larry started his career in "personnel" (as it was called back then) in retailing but moved into the banking world, eventually working for big money center banks and foreign banks in New York. After a short stint in the high-tech world, he wanted to return to banking and came to Metropolitan National Bank. "I like working here," Larry adds. "It's a pleasant work environment."

Bank Culture Breeds Success

Larry explains why Metropolitan National Bank has been successful, even through the banking crisis. "We are a real commercial bank. We have a good reputation; I hear it from recruiters all the time. We are successful because we are relationship bankers, and the message we give our people is that you have to know your customers. We're selling personal service, and everyone's job is to know our customers, anticipate their needs, and deliver a product or service that will help them be successful."

Key to that success is hiring the right people in the first place. "Fit is very important to us," explains Larry. "I interview every candidate who comes in. I want to get a sense if someone is going to belong here. Can they work on a team, be supportive and collegial? We don't have a place to hide people if they don't fit."

The growth of the Bank adds to Larry's challenges. "In the past year, we've experienced very rapid change with a number of new people in new functions at higher levels. Because we're not a training ground, we hire people who are 'fully formed.' So we hire tellers, operations people, lenders, and administrative support staff who bring their talent and experience to our business. It helps us move forward."

Another challenge for Larry is the constant change in the world of banking. "I need to keep ahead of the frequent regulatory changes, financial services industry 'environment' changes, plus changes within the Bank to keep our culture intact. This is hard to do as we get bigger, but that's part of our job in Human Resources. We are here to help people stay focused on their jobs, reinforce our culture, and ensure employees continue to enjoy working here as we grow."

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Preparing for Growth,

Corporate Controller Seeks Efficiencies



Matthew Dowd
Vice President
Controller

Nearly one year ago when Matthew Dowd was considering his next career move, he happened upon the job description for Metropolitan National Bank's Corporate Controller. Matt's idea of his "perfect job" and the Bank's position matched, and he says he's glad to have landed here after stints at larger banks and credit unions.

"I came into this enterprise, this position, during some significant management changes," Matt explains. "And I think Mark DeFazio and his team did a great job of blending Metropolitan National Bank's existing management with those of us who are new. It's clear there is one agenda, and people cooperate, mixing the history and culture of the Bank with new, different perspectives."

As Corporate Controller, Matt and his department, consisting of three other professional accountants, are responsible for the internal financial statements, all regulatory filings and the overall control environment of the Bank's assets.

It's a role that has changed significantly since he got into the business in 1998. "The world really changed after the financial crisis and the financial scandals early in the new millennium," Matt says. "The focus of the regulators is much more intense, forcing us to be more efficient as we dedicate more time and resources to the reporting and controlling functions."

Matt adds that the CashZone business is key in this post-financial-crisis meltdown environment. "Every bank is challenged by compressed margins, and I don't think it's going to go back to the way it was," Matt explains. "CashZone and its focus on the prepaid card programs give us an opportunity to increase non-interest income in this new world."

Regulations, Technology, Expenses

Currently, Matt is reviewing how the recently passed Basel Accord regulations affect the Bank. "These relate to capital ratios, and the Bank and holding company are in a strong capital position," Matt explains. "But we need to make sure that if there's any action we need to take to comply with the new rules, we will do it."

How the organization spends its money is another area on which Matt focuses. "Not a day goes by without the mention of expense controls, especially in this environment of tightening margins," says Matt. "We spend what we need to, and we try to be really smart about it."

Matt is looking forward to executing on the growth plans that have been in the works over the past year and a half. "There's a lot of firepower here," Matt explains. "Especially for the size bank we are, there's a tremendous amount of experience and knowledge." Adding that he sounds like his old basketball coach, Matt says, "Mark has built his team, he's developed the plans. Now it's time to see the results. Execution is the key now."

"We spend what we need to, and we try to be really smart about it."

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speak with one of our
relationship specialists.

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Laura Capra, Senior Vice President at 212 659-0606 or
eMail to Relationships@MetropolitanBankNY.com

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Notes

Congratulations

Metropolitan National Bank continues to grow.

New Hires

David Caceres

*Vice President, Credit Officer
Metropolitan National Bank*

Evelyn Faria-Waldman

*Vice President, Legal/Operations Risk Officer
Metropolitan National Bank*

John Koenigsberg

*Senior Vice President, New Business Development Officer
Metropolitan National Bank*

Matthew McNeill

*Vice President, Commercial Lending Officer
Metropolitan National Bank*

Steven Stowers

*Vice President, Commercial Real Estate Lending
Metropolitan National Bank*

Michael Tigri

*Vice President, Market Sales Manager
Brooklyn Banking and Lending Center
Metropolitan National Bank*

Promotions

Yazmin Espinet

*From Senior Operations Specialist to
Assistant Vice President – Operations
Metropolitan National Bank*

Zachary Bennett

*From Assistant Vice President, Commercial Real Estate Analyst to
Vice President, Commercial Real Estate Loan Officer
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