

Branching out

Metropolitan Commercial looks toward Long Island

By **CLAUDE SOLNIK**

Long Island-based banks have long set their sights on the Big Apple, seeing New York City as a kind of next frontier. It looks like it's a two-way highway.

Manhattan-based Metropolitan Commercial Bank has just opened its fifth branch and first outside of New York City, in Great Neck.

The 5,200-square-foot location, its biggest, is staffed by veteran bankers who have, in some cases, worked in Great Neck for at least a decade. The bank plans to grow on Long Island, possibly acquiring another bank as it looks to Long Island as a key market.

"Long Island's interesting in many ways. It's a bedroom community with a solid middle class that I think a small bank with service and attention appeals to," CEO Mark DeFazio said. "There's also a significant amount of business activity."

Long Island banks have long expanded into New York City, taking on big and small banks in the Big Apple.

North Fork Bancorp became a major presence in New York City. More recently, Astoria Bank expanded into Manhattan — and opened a new branch in Long Island City. Bridgehampton Bancorp obtained a Manhattan branch as part of its acquisition of Great Neck-based Community National Bank.

And Riverhead-based Suffolk Bancorp, parent of Suffolk County National Bank, opened a branch in Long Island City.

But banks in New York City also have been seeking to expand outside of the Big Apple in hopes of finding a new source of deposits and borrowers.

"Entities domiciled in the city do go out to the suburbs," said Arthur Loomis, president of Latham, N.Y.-based bank consulting firm Loomis & Co. "And they pick their suburbs carefully."

Manhattan-based Signature Bank opened in Melville, while banks out of state headed for Long Island.

Bridgeport, Conn.-based People's United acquired Bank of Smithtown and New Jersey-based Valley Bancorp bought State Bancorp. Westbury-based New York Community Bancorp is acquiring Lake Success-based Astoria Bank, as it expands operations in Long Island and New York City.

"We have a lot of business clients who live and work in the area. We feel this is an opportunity to expand those relationships," said Laura Capra, Metropolitan Commercial vice president and director of retail banking. "We feel there's an underserved market here where local banks could miss oppor-

tunities."

DeFazio believes a medley of mergers has made Long Island more attractive, as local banks become part of larger institutions.

"When a bank merges, there's a promise that the transition will go smoothly," he said. "We talk to customers subject to those transactions and they're not pleased. The level of service is different."

Metropolitan Commercial already has done some lending on Long Island, where it sees real estate as a particularly promising market.

"We do a fair amount of business on Long Island," DeFazio continued. "We have clients who reside on Long Island and have offices in New York or own businesses on Long Island. We're very familiar with the business community on Long Island."

Capra called the Great Neck location a "statement branch" in Nassau County because of its considerable size.

Metropolitan's status as a private company also could let it invest in growing Long Island operations, even if it takes time to ramp up deposits.

"It gives them some ability to look at things with a longer term view instead of how fast they can generate a return," Loomis said. "If you do a de novo operation in any new market, initially the branch won't pay for itself."

Metropolitan Commercial isn't looking to start from scratch, but hired some bankers with a track record.

Capra said Metropolitan Commercial "hired a team of local bankers who have been in the marketplace for 20-plus years and have been servicing the business community."

George Lotto, who formerly managed Citibank's Great Neck branch, runs Metropolitan Commercial's new branch. Two tellers from Citibank's Great Neck branch also came on board.

"This is a client-centric environment," Lotto said. "I believe the big banks are moving more toward the digital front. This will give me the opportunity to spend more time with the clientele."

DeFazio, who worked at Israel Discount Bank for more than 13 years, running its real estate group, says "real estate's very important" to the bank and its lending.

He at Israel Discount and now at Metropolitan Commercial has done a lot of lending to borrowers who are Jewish as well as with a wide range of other backgrounds.

"We have been very successful working with a large number of Jewish Americans and will continue to do that," DeFazio said. "We are focused on successful entrepre-



Photo by Bob Giglione

MARK DEFAZIO: The Metropolitan Commercial Bank chief sees Long Island as a promising market.

neurs."

DeFazio said Metropolitan Commercial's "expansion will probably come through acquisition as opposed to de novo."

Metropolitan Commercial could go public by acquiring a publicly traded bank or seek to acquire a privately owned institution.

"That's a creative solution," Loomis said of taking over a publicly traded firm. "Many bankers don't even think about that. If you acquire a bank that's already public, you can take their shell. Everybody swaps their stock for new shares in a new publicly traded entity."

While being private affords freedom and eliminates the need to comply with a growing number of regulations, going public has benefits.

"They may have shareholders who want greater liquidity, who want to sell shares periodically," Loomis said.

He added that members of Metropolitan Commercial's "board are able to write checks for millions of dollars," making takeovers easier.

"It's not a chump-change group," Loomis said. "They do have girth with the ability to raise capital around the board room table and close to the board room."

Smaller privately owned community banks on Long Island include Garden City-based Hanover Community Bank with \$225 million in assets and Islandia-based Gold Coast Bank with \$325 million in assets.

Islandia-based Empire National Bank with about \$576 million in assets is a publicly traded bank that has focused on growing rather than selling.

"The standard here is, 'Can I generate more value being independent or selling?'" Loomis continued. "Most people are on the side of, 'I can generate more value to my shareholders by remaining independent.' That's the justification for remaining independent."

Metropolitan Commercial launched in 1999, chaired by Edward Abramson, a partner at Herrick Feinstein who died in 2001. David Gavrin, an investment banker, is chairman today.

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