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## Having Reached Profitability and Strategic Mass, Empire National Bank is Well Positioned for Future Growth as Long Island Experiences Economic Recovery

**Financial  
Regional – Northeast Banks  
(EMPK-OTC: BB)**

**Empire National Bank**

**1707 Veterans Highway, Suite 8  
Islandia, NY 11749  
Phone: 631-348-4444**



**Douglas C. Manditch  
Chairman and CEO**

**BIO:  
DOUGLAS C. MANDITCH**

Douglas C. Manditch serves as Chairman of the Board and Chief Executive Officer of Empire National Bank, he is also a founder of the bank which opened in February 2008. The bank's corporate offices and main banking branch is located at 1707 Veterans Highway, Islandia, New York. Shirley, the bank's first branch office, opened in April of 2008 and a

Port Jefferson Station location opened in January 2009.

A 45-year veteran of the banking industry, Manditch was one of the founders and served as President and Chief Executive Officer of Long Island Commercial Bank and Long Island Financial Corporation, from the formation period in 1987 until the company's purchase by New York Community Bancorp., Inc. in December 2005. Previously, he held senior management positions with National Bank of New York City, North Fork Bank and the First National Bank of Long Island. Manditch started his career at Security National Bank.

An active member of Long Island's philanthropic community, Manditch serves on the Board of the Thomas Hartman Foundation for Parkinson's Research and as Co-Chairman of the Honorary Board of the Suffolk County Coalition Against Domestic Violence. Recently appointed to the Corporate Board of Directors of the YMCA of Long Island, the Victims Information Bureau of Suffolk (VIBS) honored Manditch at its 2010 Spring Benefit. An Honorary Member of The Friends of Sagamore Hill, he sits on the Advisory Board of the Theodore Roosevelt Council of the Boy Scouts of America.

Manditch also served as a past Chairman of the New York Bankers Association, Long Island Division, a past State New York Chairman for the American Bankers Association, and a past Chairman of the Advancement for Commerce, Industry and Technology (ACIT). Mr. Manditch recently received the Theodore Roosevelt

Award from St. Charles Hospital for his volunteer efforts and was AHRC Suffolk's Honoree for its 48<sup>th</sup> Candlelight Ball. He was also recognized by the Child Care Council of Suffolk's at its 2009 "Champions of Children" luncheon. A former Trustee of Catholic Health Services Eastern Regional Board for Good Samaritan, St. Charles and St. Catherine of Siena Medical Center, he is also a past Trustee of The Long Island Museum of American Art, History & Carriages and was the honoree for the organization's 2010 Holiday Celebration. Manditch is also the honoree of Telecare's 2011 Golf Classic.

**Company Profile:**

Empire National Bank specializes in serving the financial needs of privately owned small and medium sized businesses, professionals, nonprofit organizations, real estate investors, and consumers. The Bank has three banking offices located in Islandia, Shirley and Port Jefferson Station. Our bankers take pride in understanding the needs of each and every customer so the bank can deliver the highest quality service with a sense of urgency.

**Interview conducted by:  
Lynn Fosse, Senior Editor  
CEOCFOinterviews.com**

**CEOCFO:** Mr. Manditch, what was your vision when you founded Empire National Bank and where are you today?

**Mr. Manditch:** Basically, I felt at the time, which was back in 2006, when we started this undertaking that we could use another community bank in the middle of Long Island. I had just sold a bank by the name of Long Is-

land Commercial Bank, which was owned by Long Island Financial Corp., to New York Community Bancorp. I had taken a position there for a short time and realized I did not really want to work for a large regional bank. The CEO was gracious enough not to include a non-compete clause in my contract, so I was able to start the charter process for Empire without much delay. There had been a number of community banks that disappeared due to consolidation, it seemed like it was the right time in 2006; everything still appeared sound in the economy. It took us until August of 2007 to start to raise the capital. We had put together a rather strong founders group of about thirty people, and we were able to raise \$37 million, locally in about sixty to seventy five days. We opened the bank on February 25, 2008. Obviously, at the end of 2007, there was an indication of some weak economic issues, for instance, there was a lack of credit being reported between banks and mortgage foreclosures and credit card losses were rising. However, the Dow Jones Industrials reached its peak at about 14,400 while we were in the middle of selling our capital, so as they say timing is everything and we completed the capital raise successfully. We had a large number of believers, I suppose the story about Long Island Commercial Bank, which I started in 1990, and the success of that bank helped to raise our capital.

When we applied for the bank charter we included in the application a request for the approval of our first branch, which is located in the Hamlet of Shirley, and I was able to secure my staff from the bank that I previously sold. Then I was able to attract a branch manager from the Port Jefferson Station area, from a bank known as Capital One, who had been in that area for over twenty years. I was lucky in getting her to join our bank and we opened the Port Jefferson Station branch the next year. Therefore, we have the three branches. We were very fortunate in 2009 to build the bank's loan portfolio very quickly. We did a lot of lending; I

guess we approved \$170 or \$180 million in loans, and we booked about \$150 million of the approved loans. Unfortunately, the rules by the Bank Regulators changed to a large degree because of the losses that were occurring in the financial services industry. The Regulators came down on us regarding our growth because it had exceeded the business plan that we had submitted. In actuality, it did exceed it, but only by about 15% of what we had planned when we amended our business plan for the third branch. We have been successful in meeting our plan as we attained profitability in our 9<sup>th</sup> Quarter of operation, which was March 31 of 2010, as we predicted. We have been profitable for five consecutive quarters now. We made \$1,945 million last year, most of that from security gains by taking advantage of the interest rate market

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**CEOCFO:** Empire is the ‘next generation bank’ what do you mean by that and what is different at Empire National Bank?

**Mr. Manditch:** Our menu of electronic products is fairly vast. I recognized the future need for electronic products a number of years ago when they were introduced in our market. While all bankers talk about personal service and Empire does provide excellent personal service and we enjoy that reputation in the market place, there are many people that really do not care to come to the bank under any circumstances. To them, service is the most up-to-date electronic products that we can provide, and that is a tall order. I was very concerned when we opened the bank about how quick things were going to change

and how expensive it was going to be to keep up. We are now finding out how fast things change. We have already made a decision to change our electronic product provider for Bill Pay and Electronic Banking. That will start later this year and it will be completed by next year. I try to get through to our staff that it does not really matter that you provide service the way you would like to have it provided. You need to be alert and you need to provide service the way each individual customer is looking for service to be provided. Some people love to come to the bank everyday, but that is becoming fewer and fewer. We have about one hundred remote deposit capture units out for customers that do not come to the bank, and we are looking into mobile banking. We are doing everything to try to keep as state-of-the-art as we can. At

some point in time, some of the hardware and software may become too expensive to stay state-of-the-art and we may not have a large enough customer base to justify those expenses. For the time being we can and we are in initial stages of upgrading, but the basic premise to the “next generation bank” is providing the service the customer wants

whether it be personal, electronic, or however.

**CEOCFO:** How do you break down between consumer and commercial and would you like to see the mix changing?

**Mr. Manditch:** Primarily we cater to small and mid-sized privately owned companies. We do not really market to the consumer base out there. We are about \$340 million in assets, so I do not think that a bank our size with our limited resources, can do everything for everybody. In fact, we concentrate on small to mid-sized privately owned business, but that said, our customer base is about 50/50. We have as many consumer customers as we have commercial customers. A lot of that is because we have business with the owners, the managers, and some of the employees of the different companies that we finance. Still in our two branches, Shirley and

Port Jeff, they are in more consumer areas, so we are able to attract some consumer deposits from those areas. We have done very well out in those two branches. We have about \$45 million in deposits, all core deposits in each branch, which I think is good for a branch that is just about three years old and another one that is two years old. So we have been growing our core business significantly. Our plan going forward branch wise is to find locations like Islandia, in the center of the island, and then find secondary locations north and south of there, as we get larger we will look to do something smaller than we have in Shirley, and Port Jeff. They are about five thousand square foot full-service branches, and we will have smaller branch models, somewhere in the fifteen hundred to two thousand square foot size. We will expand to Nassau County, we will expand to the border of Nassau/Suffolk Counties, and then from there we will go north and south. When we start to fill in the holes between branches along the north and south shores, we will use smaller model locations. That is what the long-term plan is.

**CEOCFO:** Empire National Bank has a wide geographic area; would that be based on finding a particular person to run the branch?

**Mr. Manditch:** Yes, you can find sites, but finding managers are very difficult. Therefore, it is subject to finding the right manager and the right location. As you can imagine Long Island is extremely competitive. Not only do we deal with the Chases, the Citibanks, and the Capitol Ones, but I am sure that Wells Fargo is going to be out here in a big way. We also have New York Community Bank, we have Astoria Federal Savings and other regional banks along with two handfuls of commercial community banks now that are out here, and they are most competitive. However, we do not really get much business from the other community banks. We get most of our business from the people that are dissatisfied with the bigger banks, but our business is finding people one by one and winning them over. We obtain many referrals from our customers who are very pleased with how we perform for

them. We were able to recapture a lot of our business from the old Long Island Commercial Bank when we opened and of course, that was a big help. I have to tell you that competition is huge and now we have a couple of very big credit unions, Bethpage Federal Credit Union, and Teachers Federal Credit Union that are multi-billion dollar organizations and they do not hesitate in competing.

**CEOCFO:** Do Credit Unions work with business customers?

**Mr. Manditch:** They do not do as much as they would like to and I do not believe that they necessarily have the management to do that, but they are trying to position themselves to do that. We did lose one bank, the Bank of Smithtown, which was a hundred year old institution that was purchased by Peoples United of Connecticut, so we will have to see how they come on the Island and what kind of expansion they have, but they have about thirty branches from the acquisition of the Bank of Smithtown. So we have a lot of competition. Chase is opening all over. I think Chase must have adopted the Walgreens model of having more branches in every community than everybody else. They are just opening branches all over the place.

**CEOCFO:** How is the economy in your area doing today compared to the rest of the country?

**Mr. Manditch:** I think we have been pretty fortunate, we did experience a huge amount of real estate appreciation on the commercial side but also on the residential side, that is still facing adjustments, I don't believe that either the commercial side or the residential side has hit bottom yet. My hope is that the government will stay out of it and continue to stay out of it at this point and let the bottom find itself, but right now home values are not increasing; they are still adjusting. The home building industry for the most part is non-existent and I would say to you cautiously that any significant home building industry on Long Island is at least five years away. Then of course there are not huge tracts of land to build homes on. It is difficult. I speak to our customers and I speak to people who are not our cus-

tomers when I am at different events, and they tell me that revenues are not growing much or at all in a lot of cases. Companies who have existed through this have had to cut workforce, have had to cut costs across the board, and they are not replenishing their workforce at this time. I like to say that there has not been a trickle-down effect from the big companies to the small companies. That is just not happening. So I would say that Long Island for the most part is stagnant. The thing that I think has been extremely good for Long Island is that it appears that Manhattan has recovered moderately, not necessarily real estate value wise, but economically, so they are stagnant, which makes us stagnant. As long as we do not face another recession too soon, we will probably get out of this somewhat unscathed, compared to parts of the country that were devastated.

**CEOCFO:** Do your customers come to you for advice; do they see Empire as a trusted advisor?

**Mr. Manditch:** We have that kind of relationship with many of our customers, whether it be me or our president or our chief credit officer. I think they come in and they like to discuss what their plans are. We do have a couple of niche businesses that have not been affected by the economy and that is great to see. I find that customers do need guidance in a lot of ways. Loan demand is still weak, the companies that are actually credit worthy for the most part are really not borrowing because they are not expanding, they are not doing capital expansion, and they are not hiring people. They are waiting to see where this economy goes, because they certainly are concerned. I cannot say that most people have a smiley face around here; that is not true. Stagnation I think is probably the best way to define where we are in this recovery. Again, it was fortunate that Long Island did not have the heavy construction development going on in either home building or commercial construction. Because it is such a developed area, we do not have those kinds of issues anymore. We did back in the 1980's and the 1970's, but right now when development booms, it is not anywhere near as devastating as

in Florida, or southern California, Arizona, Georgia, those were very badly hit as you know.

**CEOCFO:** With people being a little skeptical of banks these days, has being a new bank helped you?

**Mr. Manditch:** I do not know that the general public does not trust smaller institutions. I would say that the general public does not necessarily trust big institutions. However, millions of people bank with Chase, Citi, so while they may not trust them, they trust them to keep their money. There is a certain element of people that want to deal with local businesses and for the most part those are the people that become our customers; not just ours, but all of the community banks in the area. I think that they appreciate being able to come in and talk to me or to our president or our senior management. That is the same in the other community banks. It is a mindset of people wanting to know that they can talk to somebody at a higher level when they cannot get that satisfaction at the bigger banks; even if you are significantly wealthy, it is very hard to get any kind of real satisfaction out of the bigger banks. Frankly, there are certain things we should be ashamed of ourselves in this industry. Not the community banks so much, but the nonsense that went on with credit cards; I think that is something we should be ashamed of ourselves for doing. What has happened with the residential mortgages, that catastrophe; there is blame for everybody, not just the banks, but the congress and everybody else. They allowed this stuff to happen, meaning the congress. They conveniently decided to blame the regulators, which without a crystal ball they would not have

known what was going on. You cannot control greed and what went on with the securitizations, credit default swaps and all the rest was anything but transparent. Nobody really understood what was going on, except very few who made a lot of money on it. My opinion has not changed since 2008. The big financial companies still need to be broken up. A modern version of Glass Steagall needs to be enforced. I do not think commercial banks should own investment banks and vice versa, and they should not own insurance companies. I guess I am just an old hound, but I do not see that they have resolved 'to big to fail'. If Citi or Chase got in trouble again, 'to big to fail' may be defined that the shareholders lose their money, but it is still going to be tax payer money that bails it out in order to avoid any real systemic risk to the overall economy that we have. So 'to big to fail' has not been resolved and I think everybody knows that to a certain degree. Therefore, there is a lot of work to be done, I think the Dodd/Frank bill misses the point. We are waiting for 140 or 170 regulations to be written, and banks like ours had nothing whatsoever to do with what happened. It is kind of crazy and it hurts us the most because we have less in resources and we are expected to comply just like everybody else.

**CEOCFO:** Empire had a substantial increase in earnings this quarter, why should investors take notice of Empire National Bank?

**Mr. Manditch:** We have finally reached the strategic mass that can carry our overhead and we are happy with that. Last year we were profitable and we were able to increase our loan-loss reserve to basically please

the regulators with what their expectations were. We were able to do that and still remain profitable. This first quarter was a very good quarter for us, we made \$390 thousand, and we expect to be profitable for the full year, all core profitability, no security gains. We are planning to do a capital raise a little later in the year, later this quarter or the first part of the 3<sup>rd</sup> Quarter. We are planning to do that so that we can continue with our growth strategy, which has been stymied somewhat since 2009 because of the concerns of the regulators with our initial growth. We hope to raise as much as \$20 million and with that, we should be able to open one or two new branches and in the next couple of years to take advantage of the market that is out there. We certainly believe that we can obtain more market share with a bigger footprint. We will continue the plan that we formed when the enterprise was founded three years ago. I would suggest that we expect that we will continue profitability, and that we will have much better returns and efficiencies; making sure that we keep ourselves in a "safe and sound" condition as we go forward. So I think that the general market on Long Island, the economics, will come back and it is a wealthy area. I look forward to the opportunities that the small and mid-sized business men and women will eventually see. Right now with the stagnation where it is, it gives us a little time to digest where we have been and where we are going, adjust where we are internally and operationally as I mentioned with upgrading our electronics. Therefore, we are in a very good place to see our business model grow, and grow in a profitable way.

