

# CRAIN'S

NEW YORK BUSINESS

CRAINSNEWYORK.COM | OCTOBER 6, 2020 | **CRAIN**

## With bank branches quickly disappearing, City National plants its flag

BY AARON ELSTEIN

If the banking world were a dance floor, most everyone on it would be shuffling to a mournful dirge. City National Bank, however, is ready to put on its boogie shoes.

The Los Angeles-based institution just opened its third branch in Manhattan this year. The new location across from Hudson Yards measures 8,000 square feet and features a 70-foot-wide LED screen, space for 40 to attend events and, at least for now, Plexiglas shields between bankers and customers.

“We are investing for beyond the pandemic, for sure,” City National President Rich Raffetto said.

It’s an investment few banks are making these days. Indeed, branches are closing across the city at an alarming pace never seen before.

Banks have closed or have asked permission to close 140 branches across the five boroughs this year, according to data filed with the Office of the Comptroller of the Currency. They have opened or are seeking to open 10.

Branches have been gradually disappearing in the past few years as more customers learn the joys of tracking their money online. Covid-19 has greatly accelerated the trend. In a report last week the brokerage Keefe Bruyette & Woods estimated that up to 30% of the nation’s 75,000 bank branches could disappear.

“Two quarters doesn’t make a trend, but 32 announcements do,” KBW analyst Michael Perito said, referring to the number of banks nationally that have disclosed branch closings in the past six months. Each bank could close dozens of branches or more eventually.

Banks are closing branches because their earnings are under severe pressure.

Not only do they face a wave of defaults from tapped-out small businesses and unemployed borrowers, but the Federal Reserve’s decision to cut interest rates to zero has hurt banks’ profits by squeezing net interest margin, which is the difference between what they pay for deposits and the amount charged for loans.

Under such circumstances, branches have become a luxury some banks can no longer afford.

Manhattan-based Amalgamated Bank plans to close six of its 11 branches in the New York area. New Jersey-based ConnectOne Bancorp plans to close nearly a third of its 37 branches this year.

“The pressures put on the financial ecosystem to invest in tech and shift operational strategy due to client behavior have increased dramatically,” ConnectOne Chief Executive Frank Sorrentino said in a statement.

PNC, a Pennsylvania-based lender with a big presence in New Jersey, said it likely would close 160 branches this year—twice its prior estimate—and shut an



City National's new Hudson Yards branch.

additional 120 next year. That would reduce its branch network by 12%.

Consumers might not miss the branches, but landlords certainly will because banks often are anchor tenants in office towers and shopping centers.

Some large banks, which have more diverse revenue streams, say they plan to retain large branch footprints and even expand them.

Last year JPMorgan Chase began expanding into markets such as Boston, Philadelphia and Charlotte, N.C., and a spokeswoman said the move is still on. Bank of America said earlier this year that it would expand its branch network in New York City and across the country.

In many ways the trends in banking mirror those in the rest of retail, where small businesses can no longer survive in the age of Amazon.

City National, which is owned by Royal Bank of Canada, aims to be among the survivors. In addition to New York, the lender is expanding in Washington, D.C., and Atlanta. Even in this age of digital banking, for some there is simply no substitute for having a presence at street level—even if few people are walking the streets these days.

“Branches are a billboard for us,” said Raffetto, the bank’s president. “We want to be there digitally and physically for our clients.”

**CITY NATIONAL BANK**  
AN RBC COMPANY

