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THE NEW AMERICA

SIGNATURE BANK *New York, New York*

Focus On Small Business Keeps New York Bank Competitive

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INVESTOR'S BUSINESS DAILY

New York is the kind of city where your eyes gravitate upward, to the towering skyscrapers that dominate the skyline and house huge corporations from around the globe.

Look closer to the ground, however, and you will see that the Big Apple is also home to thousands of small businesses, from hardware stores and barbershops to diners and delis.

It's easy to overlook these businesses when you think of New York's commercial landscape, which so often centers on corporate behemoths.

But small businesses comprise a large and lucrative market for commercial banks in New York — so lucrative that you'll see all kinds of firms angling for a piece of it, including the city's megabanks.

One of the leading players in this market, **Signature Bank**^{SBNY}, has shown a knack for standing toe-to-toe with the big boys and coming out on top.

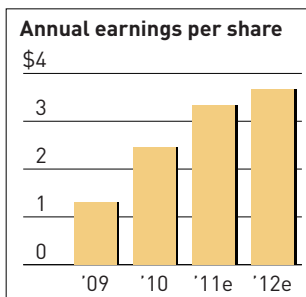
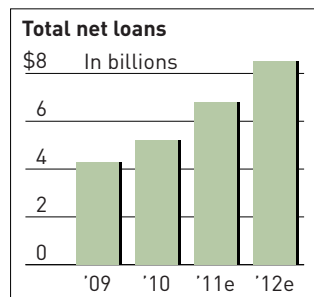
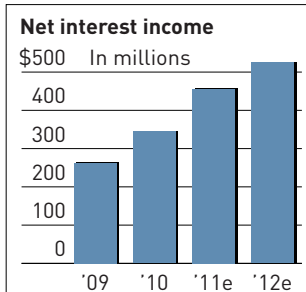
New York State Of Mind

Signature provides business and personal banking products and services in and around New York City. It offers the usual lineup of checking accounts, money-market accounts, credit and debit cards, loans and insurance products.

The company mainly targets small businesses, with a focus on low-cost core deposits. It competes against megabanks, such as **JPMorgan Chase**^{JPM}, **Citigroup**^C, **HSBC Holdings**^{HBC} and **Bank of**

Growing In Gotham

Signature Bank has seen steady growth through the years serving small businesses in metro New York. The bank operates by having a single banker handle all of a customer's need, whether it's a mortgage, a credit line or a checking account. It doesn't accept traffic off the street.



Sources: Company reports, JPMorgan, Thomson Reuters

America^{BAC} as well as regional outfits like **Valley National Bancorp**^{VLY} and **New York Community Bancorp**^{NYB}.

Most of those banks are struggling to find their financial footing in the wake of a years-long recession and financial crisis.

Signature isn't one of them, however. It pumps out double-digit revenue and profit growth with mind-numbing regularity, no matter the economy or industry outlook.

There's no magic formula to Signature's success, analysts say. The company simply offers better customer service than its peers.

"It really is about customer relationships," said Bob Ramsey, an analyst at FBR Capital Markets. "At Signature, the banker is in charge of the entire relationship. He handles everything."

That's not the case at most larger banks, he says.

"With a megabank, you might have one guy handling money-market accounts, another guy handling the mortgage, another handling the revolving credit line," Ramsey said. "Big banks try to emphasize the bank itself. Signature focuses on the banker. That tends to work better for small-business customers because they don't have to deal with 10 points of contact."

In a September interview with IBD, Signature Chief Executive Joseph DePaolo said his bank's client list ranges from businesses with as few as four employees and \$250,000 in annual revenue to those with 400 employees and annual sales totaling several hundred million dollars.

The company focuses on commercial banking servic-

Signature Bank signatureny.com

Ticker	SBNY
Share price	Near 58
12-month sales	\$595 mil
5-year profit growth rate	21%

IBD SmartSelect Corporate Ratings

Composite Rating	95
Earnings Per Share	96
Relative Price Strength	87
Industry Group Rank	81
Sales+Profit Margins+ROE	A
Accumulation/Distribution	B+

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es rather than retail banking services.

"We don't offer services to someone who walks in off the street. That's mass-market banking," DePaolo said.

DePaolo was an executive at Republic Bank until it was taken over by HSBC in 2001. That's when he and other Republic bankers decided to found Signature. Since then, much of its staff has come from other banks in the New York area.

In 2007, Signature hired a number of lenders away from North Fork Bank after it was acquired by **Capital One Financial**^{COF}.

"That and other hirings brought over bankers with long-established relationships to customers in New York," Ramsey said. "Signature's hiring strategy has really helped provide fuel for future growth."

Signature has grown annual revenue in double digits every year since going public in 2004. Earnings have risen in double digits four of the last six years. Only once has the bottom line declined. That's no mean feat, considering the ups and downs of the economy and financial industry.

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The company's financial returns have been particularly robust the last couple of years. It has grown revenue at least 16% and earnings at least 26% the past nine quarters.

Last quarter Signature posted revenue of \$157.6 million, a gain of 20% from the prior year. Earnings grew 26% to 83 cents a share, topping Wall Street views by 3 cents. It was the company's 10th straight earnings beat.

"The source of the beat

was (split) between core expenses and provision expenses coming in modestly below projections," JPMorgan analyst Steven Alexopoulos noted in a report.

Deposits for the third quarter rose 2.9% to \$11.19 billion. Net interest income gained 32% to \$117.9 million. Loans, excluding loans held for sale, grew 5.5% to \$6.44 billion. The increase in loans was driven by growth in commercial real estate and multifamily loans, Signature said in a statement.

Best-In-Class Loans

Meanwhile, the company earns high marks for the quality of its loans. "Credit quality remains best in class, although the company continues to build the reserve in light of economic conditions," Alexopoulos noted.

While the uncertain economy and weak lending environment have dampened business at most banks, these factors might have actually helped Signature, watchers say.

"The weak overall environment has created a negative view of big banks, which has made it easier for Signature to hire teams away from big banks," Ramsey said. "It has also made it easier for Signature to get clients who don't want to work with the big banks."

Still, analysts expect Signature's long run of double-digit earnings growth to come to an end beginning next year. Analysts polled by Thomson Reuters see the bottom line growing 17% this quarter, 5% next quarter and 3% the quarter after that.