SIGNATURE BANK

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GETTING A LARGER PIECE OF THE PIE

Joseph DePaolo is president and chief executive officer of Signature Bank.

Joseph DePaolo is president and chief executive officer of the bank he co-founded in 2001, New York-based Signature Bank. The $15.9-billion asset, publicly traded commercial bank caters to privately owned businesses and high-net-worth individuals in the New York metropolitan area, and it has been grabbing market share from the big banks in an extremely competitive market. DePaolo talked with *Bank Director* magazine Managing Editor Naomi Snyder about the bank's unique business model and about what keeps him up at night.

BD: You were ranked fifth in our 2012 Bank Performance Scorecard for mid-sized banks, those with assets from $5 billion to $50 billion. Why does your bank perform so well?

DEPAOLO: We operate in a market that includes every too-big-to-fail bank. They are multi-trillion dollar institutions. We target the most underserved market— privately owned businesses—that keep substantial deposits in excess of what's covered by FDIC [Federal Deposit Insurance Corp.] insurance. Not only do these businesses want superior service, they want to know the institution is safe and sound. It is not just a matter of having the proper level of capital, but having more capital than what is required. The past decade, when banks were getting into the residential mortgage market and making esoteric loans, we stayed away from that. Previously, I was employed at Republic National Bank, which was taken over by HSBC Group in 1999. Our philosophy there, and here at Signature Bank, is to build the bank for the depositor. We think, 'Take care of the depositor first and then lend to those depositors.' Many banks tend to focus on the lending first.

BD: I've read that you don't accept walk-in traffic. Is that true? How do you turn people away graciously?

DEPAOLO: We do accept walk-in traffic. However, we rarely get it. Most of our offices are not at street level. When someone walks into our offices, we can certainly open an account. It's just very rare. We do not advertise—no radio, no TV and no print. Our locations are such that they wouldn't attract walk-in traffic. We are not a mass market retail bank. Our clients are not selecting a bank because they walked by and saw a retail location or because they read an ad that said, 'We'll give you $25 if you open an account.' We are very different. We believe service trumps convenience.

BD: Haven't those customers been hurt by the economy?

DEPAOLO: The pie is not getting bigger, but we are getting a larger piece of an existing pie. We have 80 or so teams of professionals who have joined us from other banks. We had Republic National Bank teams when we first started. Then European American Bank was acquired by Citibank, and that allowed us to attract bankers from European American Bank because they didn't want to stay. Our bankers are responsible for bringing over the business and we support them operationally and administratively. It is a team-based, single-point-of-contact approach. The client doesn't feel they are getting bumped around to six or seven different parts of the bank every time they need a different service or type of loan. One of our bankers said when he worked at Fleet [Financial], he cringed when one of his clients wanted to deal with another part of the bank. He was not allowed to be part of it. The other part of the bank wouldn't look at his client's overall profitability for the bank, just their own part of the bank, so the client wouldn't always be treated well. At Signature Bank, the team controls the entire client experience.

BD: How is the increase in regulations impacting your bank?

DEPAOLO: It's very important to keep abreast of the rapidly changing rules. It requires significant management attention. For example, we are required to do stress testing, which probably costs several hundreds of thousands of dollars per year. Unlike the mega banks, fortunately, our model is straightforward and is as simple as it gets.

Basel III will require us to maintain a higher level of capital than previously necessary. It will affect Signature Bank less than the mega-banks. We just aren't absolutely sure yet how it will affect us.

BD: Whom are you voting for in November?

DEPAOLO: I'd rather not answer. We don't have a Political Action Committee and I tell people to make their own decisions and donations personally. I never get into those conversations with my clients because I feel I'm here to help them with their banking.

BD: What keeps you up at night, regarding the bank, not your personal life?

DEPAOLO: The impending regulations are of concern. Like all banks, there will be added cost.