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A Team Approach to Growth in the Big Apple

By: *Emily McCormick* | OCTOBER 18TH, 2013

Joseph DePaolo, president & CEO of Manhattan-based Signature Bank, a $19.7-billion asset financial institution, has what he calls a healthy paranoia when it comes to competition. In part, this paranoia extends to something all banks worry over these days—competition for clients. **But potentially losing the strength of the teams his bank has managed to build is what really keeps him up at night.**

"You hire colleagues that are wanted by others,'' says DePaolo. "Because if they're not, then you didn't hire the right people," says DePaolo.

He's right to worry—to hear him tell it, Signature Bank's team-based approach has driven a lot of the bank's growth, from a mere $50 million in assets at its founding in 2001 to close to $20 billion today. But the management and board of Signature Bank possess an exceptional ability to recruit and retain great teams that bring a good book of business with them to the bank—and keep it.

Signature Bank has a "very unique model and in conjunction with that, they're executing the model in one of the strongest markets on the East coast and maybe in fact the country," says Joe Fenech, managing director in equity research at investment banking firm Sandler O'Neill + Partners L.P. "They established a strategy several years ago, where the middle market wasn't being served all that well, which is hard to believe in an area like Manhattan," he says. **Signature was able to take advantage of dislocation in the industry to attract strong, experienced teams from big banks.** Many members of top management worked with DePaolo at Republic National Bank, which was sold to HSBC in 1999. Signature Bank continues to add on, acquiring seven new teams in the first half of 2013 from big banks like Citibank and HSBC.

While some banks have seen growth through acquisition, "we've done it organically by hiring the best people, clearly taking advantage of acquisitions that have occurred" in the industry, says DePaolo.

Signature's teams are responsible for bringing in new business and keeping it. "The day you bring in a client, it's your client. Twelve years later, if the client is still here, you participate in the revenue," says DePaolo. "That's something that simply doesn't happen at other institutions." **Since many institutions pass the client on from the originating banker to another team that services the relationship, he says that these bankers don't have a financial stake in client retention.** Signature Bank focuses on client retention, and makes it worthwhile for its teams. "We've created an environment [in which bankers are] treated as professionals, paid for how well they do, compensated very well because we don't have advertising, we don't have marketing promotions, what we have is the teams going out and developing that business and getting a piece of the action," explains DePaolo.

"[Talent] retention is phenomenal," he says.

Signature Bank's performance in 2012 was fueled by 42.6 percent loan growth and 20 percent growth in core deposits. It ranked fifth on *Bank Director* magazine's 2013 Bank Performance Scorecard among mid-sized banks, defined as those with $5 billion and $50 billion in assets. The ranking is based on profitability, asset quality and capital strength.

Commercial real estate lending is an important piece of Signature Bank's loan portfolio, growing to $8.3 billion as of the second quarter. DePaolo credits much of this growth to the 2007 hire of a team focused on commercial real estate from North Fork Bank, which is now part of McLean, Virginia-based Capital One Financial Corp.

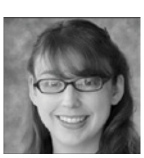
Fenech says that another driver of recent growth for Signature Bank has come with the addition of a specialty finance team in April 2012 comprised of 50 members, many of them poached from Capital One's financing and leasing subsidiary. This team is the foundation for Signature Financial, LLC, a specialty finance company based in Melville, New York. "That really opened up a new door for them in terms of opportunities for growth," says Fenech.

While strong growth in lending brought on by high performing teams is a key part of Signature's success, DePaolo says Signature Bank has "always been an institution that thinks about deposits first." Deposits grew 20 percent in 2012, to $14.1 billion, and as of June 30, 2013, each Signature team averaged $175.7 million in deposits, according to SNL Financial.

"Anybody can do a loan, but not everybody can bring in a deposit," says DePaolo. "When you're building the bank for the depositor, you run the bank in a very different way in terms of risk." **He credits the bank's five consecutive years of record earnings to this focus on deposits, which he says the bank has been able to grow despite competitive pressures from multi-trillion dollar competitors in the New York City market.** Core deposits fund loan growth, and he says Signature must show depositors that the bank will "keep high capital levels and that [the] risk profile will be fairly transparent." Depositors must be able to sleep well at night, despite keeping their money at a bank that is relatively small for its market.

With the teams Signature Bank has in place, DePaolo expects 2014 to bring more of the same steady growth. Signature had planned for the addition of four new teams of employees in 2013; they exceeded this goal and hired seven instead, most recently adding an asset-based lending team in September. DePaolo says there is room for more growth, and sees opportunities to bring on more teams, perhaps even before the close of 2013.

Tags: Growth, Signature Bank, Team Building



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