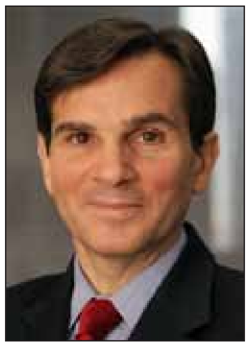
NY CITY

From $50 Million to $10 Billion

An Interview with Joseph J. DePaolo, President and Chief Executive Officer, Signature Bank



Joseph J. DePaolo

EDITORS' NOTE *Joseph DePaolo also serves on the boards of directors of Signature Bank and Signature Securities Group, a U.S. retail broker-dealer and wholly owned nonbank subsidiary of Signature Bank. Before this, he was a Managing Director of Republic National Bank of New York. He also served as the Chairman of Republic Financial Services and Chairman of the Republic Insurance Agency. Prior to joining Republic in 1988, DePaolo spent seven years at KPMG. Also a C.P.A., DePaolo earned a bachelor of business administration degree in accounting from Iona College in New York.*

COMPANY BRIEF *Signature Bank is a New York-based full-service commercial bank with 23 offices throughout the New York metropolitan area. Signature Bank (www.signatureny.com) is focused on serving the needs of privately owned business clients, their owners, and senior managers. The bank offers a wide range of business and personal banking products and services as well as investment, brokerage, wealth management, and insurance products and services through its subsidiary, Signature Securities Group Corporation, a licensed broker-dealer and investment advisor.*

How has the global economic crisis impacted Signature Bank's business and how has the bank remained strong in this environment?

It stems from our fundamental business plan, which is to build a bank for the depositors, and then lend to those depositors. If you always keep in mind that you're building a bank where clients always feel comfortable depositing funds, it is easier to survive in turbulent times.

From the day we first thought about putting Signature Bank together, our goal was always to keep high levels of capital so clients feel comfortable. Now, it's in vogue to talk about capital levels because of the crisis that's occurring in the world.

If high levels of capital are maintained, it doesn't over-leverage the institution. When you always keep in mind that clients are going to look at the safety of your institution, that fundamental helps you stick to the business plan of keeping the institution safe and not trying to squeeze every extra last basis point out of your investments, loans or yields.

For too-big-to-fail institutions in the New York area, with the new legislation, hopefully they won't fail if they have problems. But right now, the too-big-to-fail institutions, i.e. the multitrillion-dollar institutions, are what we compete against. The only way to compete against a too-big-to-fail entity is to make sure that your performance in great times is good and your performance in terrible times is also good.

The clients have to be comfortable with the consistency of the institution. If you wanted to teach a Banking 101 course about an institution without derivatives, without esoteric products, and with a very clean, simple balance sheet, you would look to our institution. That has really helped us. We don't want to get into a situation where we're ever taking too much risk.

How challenging is it to get your voice heard in such a competitive landscape, and is there an effective understanding that you are an alternative to those large banks?

I don't believe there is sufficient knowledge out there of Signature Bank. But it is exciting that we went from $50 million to $10 billion with no acquisitions and no advertising, leaving so much more that we can still do.

The reason we don't advertise is because the type of clients we target are clients that will never join an institution because of some advertisement they see.

Our clientele is not the mass market. So we don't do radio, television, or print. We essentially hire experienced private client banking teams and ask them to develop their business. We haven't spent a dollar of advertising and yet we have grown to $10 billion. We know there is much more business out there to be had. The New York metropolitan area is our oyster.

How do you balance offering access via technology with making sure you don't lose the human touch you're known for?

We have to have the same technology available for our clients that the major institutions have. But when they pick up the phone and call us, they don't call an 800-number that leaves them waiting in a queue or choosing from menus. The difference is that they get a live banker on our end.

Is your target market all privately owned businesses or is it more specific?

It's primarily privately owned businesses. It can range from a business that generates several million in revenue to one that generates several hundred million. It might be a law firm, an accounting firm, an architectural firm, or a manufacturer. There are more businesses in the New York area that employ less than 500 people, which are usually privately owned, than there is anywhere else in the country, by far.

As the company has grown, has it been important to maintain that entrepreneurial feel, and is it more challenging as you get to a certain size?

It becomes somewhat challenging, but the structure we set up is built on the team structure, so the business comes in through our more than 70 teams who are entrepreneurial in spirit and also in the way they conduct their business. They come into Signature Bank with zero deposits, zero loans, and no revenue in teams of three to five. They pay occupancy expense because they're occupying one of our 23 offices, they have salary and benefit expenses, and they have to go from a loss position to generating profits in order to receive a bonus. If you continue to keep that structure, in which they get a piece of the action, that helps maintain an entrepreneurial environment.

As you develop more teams, you want to make sure you control risk. But controlling the risk is part of the entrepreneurialism; you want to make sure that you don't give a loan or generate a piece of business that is going to come back and bite you because that will affect your individual team P&L.

We went from five people to 650, so the bank is a big creator of jobs.

When you think back to those early days, if someone told you that some 10 years later you would be talking about the type of growth you've had, would you have believed them?

I have always focused on one year at a time, because in the business that we're in, you can't get too far ahead of yourself.

It was not until we surpassed $10 billion in total assets at the end of June that I started thinking about $11 billion. Our investors appreciate the fact that we think one year at a time – it's a cautious and conservative approach. ●