



Rating
Buy

North America
United States

Financial
Banks

Company
Signature Bank

Reuters
SBNY.OQ

Bloomberg
SBNY UW

Exchange
NMS

Ticker
SBNY

Date
19 July 2018

Results

Price at 18 Jul 2018 (USD)	125.28
Price Target (USD)	165.00
52-week range (USD)	159.83 - 118.92

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2Q18 First Read: EPS In Line (Above Cons.), Loan Gr./Exp.(+), NIM(-)

2Q18 Core/Diluted EPS of \$2.83/\$2.83, vs. DB/FactSet cons. of \$2.83/\$2.80

The positives of stronger-than-expected core loan gr. and lower-than-expected provision and core exp. were generally offset by yet another NIM miss (despite the reiteration of the down 1-3 bps guidance range in mid-June), driving an in line EPS result vs. our est. (which was \$0.03/sh above cons.). The NIM miss reflected the more challenged dep. gr. backdrop, and could mean another guide down on NIM as it did after the 1Q18 NIM miss, although 2H dep. gr. should be better. As promised, SBNY announced a capital action, establishing a dividend of \$2.24/sh ann. (1.8% yield, 19% payout vs. our ests.). However, there was no mention of a buyback, likely a disappointment for some.

2Q18 Results: Call today at 10:00 AM ET, (866) 359-8135, ID: #6364689

SBNY reported 2Q18 core/diluted EPS of \$2.83/\$2.83, in line with our DB EPS, and \$0.03/sh above FactSet cons. EPS, with the in line result vs. our figure reflecting a lower core provision (+\$0.02/sh) and lower core exp. (+\$0.045/sh), offset by lower core NII ex. PPI (-\$0.045/sh), and lower core fee inc. (-\$0.03/sh). Non-core: (1) \$357K sec. gains. Please see our EPS variance (p. 2).

Positive/Neutral

Loans HFI gr. +2.7%/+\$900.3M (vs. our +2.4% est.), primarily reflecting healthy C&I, specialty finance, CRE, and multifamily loan gr.

EOP earning asset gr. +2.3% (vs. our +2.1%), avg. +2.1% (vs. our +1.8%), reflected stronger avg. loan HFS gr., modestly stronger avg. loan HFI gr. (+2.2% vs. our +2.1%), and in line avg. securities.

Non-interest exp. (ex. taxi). -0.7% (vs. our +2.1%), primarily reflecting lower other exp., partially offset by higher comp. We expect mgmt. to guide to high single digit exp. gr. in FY18 as well as FY19, given SBNY's release from needing to prepare for LCR compliance, likely a source of downward pressure for FY19 cons. expense ests.

Credit. Credit remained solid ex. taxi: nonaccruals +1 bp to 0.07% of loans, NCOs were modest at \$3M, provision of \$7.9M beat our \$9.6M est. Overall, nonaccruals -6.3% (-\$10.6M to \$158M), reserve ratio -1 bp to 0.62%.

Negative

Deposit gr. +0.5%/ \$176M (vs. our +1.7%/ \$601M), DDA +0.2% (vs. our flat est.), avg. dep. gr. +0.7% (vs. our +3.0%), avg. DDA gr. +2.0% (vs. our +2.4%).

Core NIM (ex-PPI). -6 bps to 2.89% (vs. our 2.92% est.). PPI added 5 bps to NIM, in line with our est. The cost of borrowings was higher (+23 bps vs. our +13 bps), and this higher cost, along with the higher avg. bal. (thanks to weaker dep. gr. trends), drove the bulk of the core NIM miss, which was only partially offset by a higher securities yield (+12 bps vs. our +6 bps); the core loan yield was generally in line (+5 bps to 3.95% ex. PPI).

Core non-int. inc. -22% (vs. our +7%), reflecting lower other inc. (which incl. much higher tax credit amort. than expected), and weaker loan sale gains vs. our ests., partially offset by stronger fee and service charges.

Forecasts And Ratios

Year End Dec 31	2017A	2018E	2019E
FY EPS (USD)	6.85	11.43	11.90
P/E	20.4	11.0	10.5

Source: Deutsche Bank estimates, company data

*EPS ests. do not reflect 2Q18 earnings report. Our model will be updated following the earnings call.

Stock & option liquidity data

Market Cap (USD)	6,803.9
Shares outstanding (m)	54.3
Avg. daily volume ('000)	200,739

Source: Deutsche Bank

Valuation

Our \$165 price target is based on the average of a P/E of 13.9x our FY19E core EPS and a P/TBV of 1.95x our 2Q19 TBV/share est., both reflecting discounts to the expected industry P/E and P/TBV one year, appropriate given slower expected EPS gr. in FY19 and in line expected ROTCE vs. the group, in the context of the liability sensitive nature of the balance sheet with further rate hikes likely, which increases NIM/growth uncertainty.

Risks

Downside risks: (1) a deceleration in growth, (2) loss of key teams, (3) a more material slowdown in the CRE/multifamily market in NYC, which could spark even greater concerns about the pace of loan gr., (4) and more aggressive deposit repricing than expected and/or a deceleration in deposit growth, which could curtail earning asset growth and/or adversely impact NIM.



Figure 1: Signature Bank (SBNY) - EPS Variance, Dollars in Thousands

	Actuals			DB Estimates (Gray)			Cons. Ests.			% Change	
	2Q17	1Q18	2Q18	2Q18 E	Actual	EPS	2Q18	Source	# of	Q/Q	Y/Y
	6/30/17	3/31/18	6/30/18	6/30/18 E	Diff vs.	Impact	6/30/18		Ests.		
	Act.	Act.	Act.	DB Est.	DB Est.		Cons. Est.				
Diluted EPS*	\$0.26	\$0.63	\$2.83	\$2.83	\$0.00	\$0.000	\$2.80	F	20	\$2.20	\$2.57
Core EPS	\$0.37	\$2.69	\$2.83	\$2.83	\$0.00	\$0.000				\$0.14	\$2.46
Reported Net Interest Income	307,240	318,146	321,012	324,148	-3,136	-\$0.043	326,451	B	14	0.9%	4.5%
Non-Core Net Interest Income	-50	0	0	0	0	\$0.000					
Core Net Interest Income	307,290	318,146	321,012	324,148	-3,136	-\$0.043				0.9%	4.5%
Q/Q %	1.8%	-0.5%	0.9%	1.9%							
Reported NIM	3.11%	3.01%	2.94%	2.98%	-0.04%	-\$0.058	2.98%	F	14	-0.07%	-0.17%
Avg. Earning Assets	39,747	43,010	43,893	43,770	123	\$0.012	43,909	F	12	2.1%	10.4%
Provision Expense	187,590	140,762	7,970	9,554	-1,584	\$0.022	10,388	F	15	-94.3%	-95.8%
NPA/Assets	1.04%	0.45%	0.41%	0.00%			NA			-0.03%	-0.62%
NCOs/Avg. Loans	3.04%	1.56%	0.04%	0.02%			0.06%	S	9	-1.52%	-3.00%
Reserve/Loans HFI	0.60%	0.63%	0.62%	0.64%	-0.01%	\$0.000				0.00%	0.02%
Reported Non-Interest Income	9,550	7,202	5,615	7,268	-1,653	-\$0.023	7,385	F	15	-22.0%	-41.2%
Non-Core Non-Interest Income	1,598	425	357	0	357	\$0.005					
Core Non-Interest Income	7,952	6,777	5,258	7,268	-2,010	-\$0.028				-22.4%	-33.9%
Q/Q %	-13.4%	-13.4%	-22.4%	7.3%							
Non-Interest Inc. (Select Items)											
Commissions	3,051	3,175	3,280	3,239	42	\$0.001				3.3%	7.5%
Fees and Service Charges	6,067	6,642	7,152	6,707	445	\$0.006				7.7%	17.9%
Net Gains on Sales of Loans	1,956	2,018	1,183	2,381	-1,198	-\$0.016				-41.4%	-39.5%
Net Gains/(Losses) on Sales of Securities	1,679	441	357	0	357	\$0.005				-19.0%	-78.7%
OTTI	-81	-16	0	0	0	\$0.000				-100.0%	-100.0%
Other Income	-3,122	-5,058	-6,357	-5,058	-1,299	-\$0.018				25.7%	103.6%
Total Revenue	316,790	325,348	326,627	331,416	-4,789	-\$0.066	333,095	F	14	0.4%	3.1%
Non-Core Revenue	1,548	425	357	0	357	\$0.005					
Core Revenue	315,242	324,923	326,270	331,416	-5,146	-\$0.071				0.4%	3.5%
Q/Q %	1.4%	-0.8%	0.4%	2.0%							
Reported Non-Interest Expense	116,273	137,332	112,593	115,721	-3,128	\$0.043	118,335	F	15	-18.0%	-3.2%
Non-Core Non-Interest Expense	11,500	24,000	0	0	0	\$0.000					
Core Non-Interest Expense	104,773	113,332	112,593	115,721	-3,128	\$0.043				-0.7%	7.5%
Q/Q %	1.5%	3.1%	-0.7%	2.1%							
Core Efficiency Ratio	33.2%	34.9%	34.5%	34.9%			35.3%	F	12	-0.4%	1.3%
Non-Interest Exp. (Select Items)											
Salaries and Benefits	68,358	73,163	75,720	74,626	1,094	-\$0.015				3.5%	10.8%
Occupancy and Equipment	7,985	8,199	8,335	8,527	-192	\$0.003				1.7%	4.4%
Data processing	5,464	6,287	6,291	6,413	-122	\$0.002				0.1%	15.1%
Professional Fees	2,667	3,276	3,503	3,309	194	-\$0.003				6.9%	31.3%
FDIC Premiums	6,839	6,988	7,447	7,273	174	-\$0.002				6.6%	8.9%
Other Expense	24,960	39,419	11,297	15,573	-4,276	\$0.059				-71.3%	-54.7%
Pre-Tax Pre-Provision (PTPP)	200,517	188,016	214,034	215,695	-1,661	-\$0.023				13.8%	6.7%
Total Net Non-Core Revenue/(Expense)	-9,952	-23,575	357	0	357	-\$0.005					
Core PTPP	210,469	211,591	213,677	215,695	-2,018	\$0.028				1.0%	1.5%
Q/Q %	1.3%	-2.8%	1.0%	1.9%							
Income/(Loss) Before Income Taxes	12,927	47,254	206,064	206,141	-77	-\$0.001	204,935	F	15	336.1%	1494.1%
Reported Income Tax Expense	-1,030	12,782	51,479	51,535			52,067	F	13		
Non-Core Income Tax Expense	0	0	0								
Core Income Tax Expense	-1,030	12,782	51,479	51,535							
Effective Tax Rate	-8.0%	27.0%	25.0%	25.0%							
Core Effective Tax Rate	-8.0%	27.0%	25.0%	25.0%	-0.02%	\$0.001	25.3%	S	8		
Preferred Dividends	0	0	0	0	0	\$0.000				NA	NA
Net Income Available to Common	13,957	34,472	154,585	154,606	-21	\$0.000	152,500	B	16	348.4%	1007.6%
Core Net Income Avail. to Common	19,928	146,544	154,324	154,606	-281	-\$0.005				5.3%	674.4%
Avg. Diluted Shares Outstanding	54,290	54,395	54,599	54,594	5	\$0.000	54,559	S	10	204	309

Source: Deutsche Bank Research, Company reports, Consensus ests: S=S&P Global, F=FactSet, B=Bloomberg. # of est. reflects the source with the highest # of ests. for 2Q18.



Appendix 1

Important Disclosures

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Disclosure checklist

Company	Ticker	Recent price*	Disclosure
Signature Bank	SBNY.OQ	125.28 (USD) 18 Jul 18	2,6,9

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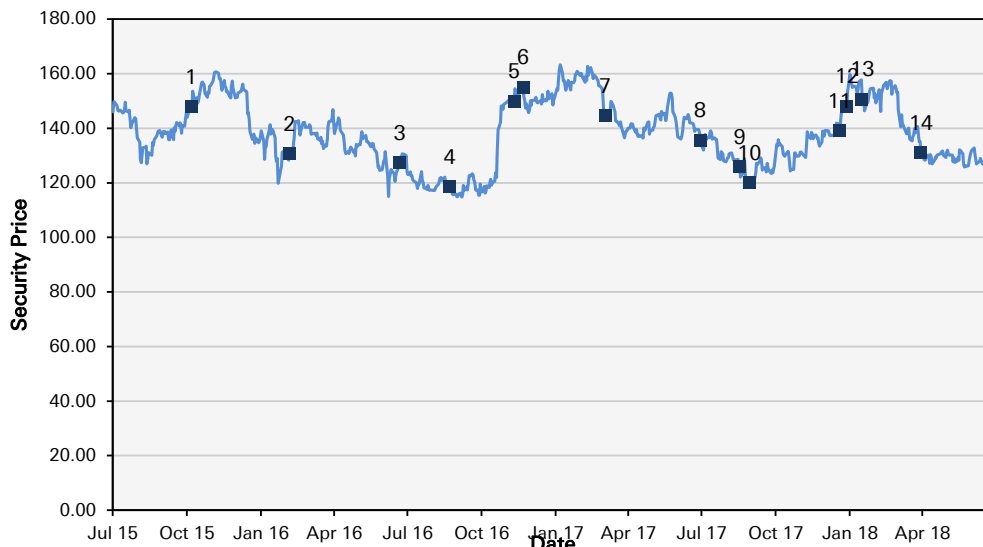
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Historical recommendations and target price: Signature Bank (SBNY.OQ)

(as of 7/18/2018)



Previous Recommendations

- Strong Buy
- Buy
- Market Perform
- Underperform
- Not Rated
- Suspended Rating

Current Recommendations

- Buy
- Hold
- Sell
- Not Rated
- Suspended Rating

*New Recommendation Structure as of September 9,2002

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1.	10/27/2015:	Buy, Target Price Change USD168.00	Jeffrey Rand, CFA	8.	07/20/2017:	Buy, Target Price Change USD162.00	Dave Rochester
2.	02/26/2016:	Buy, Target Price Change USD170.00	Swati Mittal**	9.	09/07/2017:	Buy, Target Price Change USD157.00	Dave Rochester
3.	07/12/2016:	Buy, Target Price Change USD160.00	Dave Rochester	10.	09/19/2017:	Buy, Target Price Change USD147.00	Dave Rochester
4.	09/12/2016:	Buy, Target Price Change USD153.00	Dave Rochester	11.	01/09/2018:	Buy, Target Price Change USD162.00	Dave Rochester
5.	12/01/2016:	Buy, Target Price Change USD171.00	Dave Rochester	12.	01/18/2018:	Buy, Target Price Change USD170.00	Dave Rochester
6.	12/12/2016:	Buy, Target Price Change USD181.00	Dave Rochester	13.	02/06/2018:	Buy, Target Price Change USD175.00	Dave Rochester
7.	03/24/2017:	Buy, Target Price Change USD178.00	Dave Rochester	14.	04/20/2018:	Buy, Target Price Change USD165.00	Dave Rochester

Equity rating key

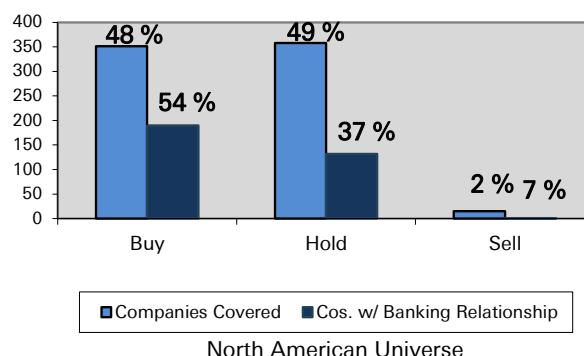
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