



Rating  
**Buy**

North America  
United States

Financial  
Banks

Company  
**Signature Bank**

Reuters  
SBNY.OQ

Bloomberg  
SBNY UW

Exchange  
NMS

Ticker  
SBNY

Date  
23 July 2018

Forecast Change

Price at 20 Jul 2018 (USD)	119.87
Price Target (USD)	139.00
52-week range (USD)	159.83 - 118.71

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## Reducing EPS/PT on Lower NIM/NII, Fee. Inc.; Dep. Gr. Key to Upside; Buy

Reit. Buy: PT -\$26 to \$139, core EPS to \$11.15/\$11.00 in FY18/19

We are reiterating our Buy rating on shares of SBNY, reducing our price target to \$139 from \$165, and cutting our FY18/19 core EPS by -\$0.28/-\$0.90 to \$11.15/\$11.00, with our revised ests. reflecting lower core NII (due substantially to a lower NIM), and modestly lower core fee inc., offset partially by lower core expenses, vs. our prior expectations. Please see our thesis and takeaways post the earnings call, our guidance summary on p. 2-4, revised model ests. p. 5-6, and EPS variance p. 7. For our 2Q18 trends analysis, please see our 2Q18 First Read note dated July 19.

### Where we stand on the stock

With shares continuing to trade at a much bigger discount vs. the group, we see a path to attractive relative upside from current levels, even given persistent NIM pressure through FY19 (which we model), but mgmt. has to execute on its high single digit expense gr. guidance and solid loan/deposit growth, and it has to get it right on the NIM outlook. Only with execution on these fronts can credibility on mgmt.'s expectations be restored and the stock experience outperformance from current levels. Longer-term, beyond the end of this rate hike cycle, we believe this stock will be one of the names to own, as the bank's earning asset yields could still continue to reprice higher, with little pressure on funding costs, while the NIM trends at other banks that are more asset sensitive could struggle with little-to-no upside to earning asset yields while liabilities costs continue to rise gradually (given the much larger pricing differential between some of their funding costs and market rates). With execution, we believe the material discount at which the shares trade vs. the group (~3x on FY19 P/E) will likely prove unsustainable over time, equating to share price outperformance. Furthermore, were mgmt. to indicate the banking environment is too challenging to sustain elevated growth rates, we continue to note that SBNY could receive pressure to partner up with a larger bank (through a sale), which could remove its CRE regulatory burdens and support aforementioned geographic expansion. We note that the longer shares languish at a material discount vs. the group, the more widespread and intense that pressure to sell could become.

### Our take post call (continued on p. 2)

#### Forecasts And Ratios

Year End Dec 31	2017A	2018E	2019E
1Q EPS	2.15	2.69A	2.65
2Q EPS	0.37	2.83A	2.72
3Q EPS	2.29	2.82	2.77
4Q EPS	2.07	2.81	2.86
FY EPS (USD)	6.85	11.15	11.00
OLD FY EPS (USD)	6.85	11.43	11.90
% Change	0.0%	-2.5%	-7.6%
P/E	20.4	10.7	10.9
Dividend yield (%)	0.0	0.9	1.9

Source: Deutsche Bank estimates, company data

#### Key changes

TP 165.00 to 139.00 ↓ -15.8%

Source: Deutsche Bank

#### Stock & option liquidity data

Market Cap (USD)	6,526.2
Shares outstanding (m)	54.4
Avg. daily volume ('000)	494,009

Source: Deutsche Bank

#### Valuation

Our \$139 price target is based on the average of a P/E of 12.6x our FY19E core EPS and a P/TBV of 1.69x our 2Q19 TBV/share est., both reflecting material discounts to the expected industry P/E and P/TBV one year, which factors in a weaker relative expected EPS trend in FY19 and in line expected ROTCE vs. the group, in the context of the liability sensitive nature of the balance sheet, which drives greater relative NIM/NII 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.



With two back-to-back reiterations of NIM guides in the middle of the third month of each of the last two quarters (1Q18/2Q18), followed by a NIM miss and guide down on the earnings reports, confidence is low that mgmt. is using conservative enough assumptions in its NIM outlooks, despite continued evidence of a challenging deposit pricing market. Mgmt. noted that the worse end of its revised NIM guidance range assumes that deposit growth is not robust enough to fund loan growth in 2H18, while the better end of the range assumes that deposit growth funds all expected loan growth. As we expect deposit growth could remain challenging, and model that deposit gr. will amount to less than half the dollar loan gr. in 2H18, we have opted to take a more conservative approach on NIM in our revised model. Our base case NIM ests. now reflect 23 bps of additional core NIM ex. PPI pressure from 2Q18 through 4Q19, with 7/6 bps of pressure in 3Q/4Q18, which equates to a 4Q18 NIM of 2.76%, and a 4Q19 NIM of 2.66%, with the latter decently below the trough NIM of the last rate hike cycle (2.73% in 1H05, when securities were ~70% of assets, and borrowings were actually near the 2Q18 concentration of 12.5% of assets).

In order to better assess the potential downside to our core EPS ests. in case the current guide is also not conservative enough, we ran a number of NIM scenarios through our model to determine the range of EPS impacts. We estimate that for our target multiple to equate to a price one-year out that provided for a stock price return of effectively breakeven on an absolute basis (a core EPS figure of roughly \$9.30), NIM ex. PPI would need to compress 10 bps per quarter through the end of 4Q19, or 60 bps in total, to 2.29%, materially lower than the prior cycle trough. However, we note this analysis may still be flawed, as expected ROTCE and EPS trends would be notably worse than expected in this kind of scenario, which could certainly garner an even bigger discount vs. what we have assumed in our target multiples. We note that core NIM ex. PPI has only compressed by this quarterly magnitude (-10 bps) or more in two quarters going back to 2005, and we also note that we are not predicting this magnitude of this quarterly compression for even our most liability sensitive banks at this time. We feel more comfortable with our new core EPS ests. in light of the continued deposit gr. challenges, but recognize that SBNY remains a show-me story on this front, with ultimate share price upside predicated on mgmt.'s ability to execute at least partially on the strong growth prospects it sees in the deposit arena. We note our deposit gr. ests. for 2H18 are below those of mgmt., who indicated that deposit gr. in 2H18 should more than exceed the escrow balance run-off (\$918M) of 2Q18. Absent the realization of these strong growth prospects, we would want/expect to see mgmt. establish a share buyback program, one that we think should be very robust. We argue that a large authorization provides mgmt. the chance to be opportunistic to return capital while supporting the shares, and signals that mgmt. sees value in the stock, as well as excess capital in the franchise. We note that the absence of such an authorization (one of notable size) undercuts mgmt.'s claim that this value in the shares should garner attention. SBNY's annual shareholders' meeting takes place in April 2019, timing that, in our minds, would be too far out for the appropriate timing of collecting the shareholder approval needed for its first buyback authorization. Mgmt. did not rule out more near-term timing than this on the earnings call, so we are hopeful that mgmt. will establish something more meaningful in 3Q18.

Regarding expenses, mgmt. solidified a bit more its expectation for high single digit expense gr. in FY19 post reg reform, as the bank can avoid spending to prepare for the LCR, prompting us to adjust our expense gr. ests. a bit more favorably in this revision, and we note our revised ests. reflect this range of gr. for both FY18/19.

On fee income, we carry a portion of the shortfall in 2Q18 forward to reflect continued elevated tax credit amortization expense going forward (per mgmt.). Regarding credit, medallion collateral pricing remains well above marked values in the portfolio, and other credit trends remain strong, so we expect provision to remain well contained.

#### Guidance

**NIM. 7/19:** Expect 3-6 bps of NIM pressure per quarter for next two quarters (assuming rate hike in September and a stable 10-year UST) and beyond that will be based on the Fed outlook for next year. The downward NIM guide revision is driven by the flattening of the yield curve and more than anticipated pressure on deposit costs. SBNY would hit 6 bps of pressure per quarter were dep. gr. to fall short of loan gr., and 3 bps of pressure assumes deposit gr.



funds all loan gr. for the next two quarters. Mgmt. noted the deposits pricing remain competitive in West coast markets but relatively cheaper vs. the NYC market. C&I mostly floating rate with new yields in low 5% range. Sig Fin. new yields in high-4% to low-5%. CRE mostly 5-yr fixed, new yields at 4.375%-4.5% (this is multifamily) for best credits. Mgmt. looking at swapping about \$2B of fixed rate loans into floating, beneficial for 2019 NIM, executed on \$250M so far. **6/13:** Reit. guidance of down 1-3 bps per quarter in FY18 (some investors were fearing a lower guide here), but four rate hikes this year could mean more NIM pressure. New multifamily ARMs yielding 4.375%-4.50%, CRE 25 bps higher (same level we noted in our Bank Notes dated 5/16/18), may add \$1B-\$3B of fixed-to-floating swaps later in FY18. **1Q:** Expect 1-3 bps of pressure per quarter in FY18. Mgmt. noted anticipating a June and Sept. rate hike, and possibly a Dec. one as well, with further pressure on margin if a Dec. hike occurs. Mgmt. guidance of 1-3 bps of NIM compression includes some replacement of higher cost borrowings. Roughly \$2B of deposits are tied to Fed funds or another market rate, and mgmt. is assuming asset/deposit growth of \$3B-\$5B in its NIM guidance. Mgmt. is expecting the 10-Yr. UST yield to be relatively stable vs. current levels (2.91%), and anticipates a flattening of the yield curve as the short-end of the curve increase. Mgmt. noted seeing deposit costs increase post the Mar. hike, and 3-4 institutions are pricing dep. rates very high. SBNY was pricing 5/1 multifamily ARMs at 4.25%, and 4.125% on an exception basis, but mgmt. noted competitors were pricing at sub-4%. Mgmt. expects dep. costs to be 10-20 bps cheaper on the west coast vs. NYC. Management indicated competitors were pricing dep. In the 150-170 bps range.

**Credit. 7/19:** Core portfolio performing very well. **6/13:** Taxi medallions are pricing >\$200K, vs. SBNY's \$159.5K mark. **1Q:** Mgmt. indicated provision exp. ex. taxi would most likely be in high single digit range per quarter with \$10M on the higher side of the range. Office portfolio is comprised of solid class B buildings. Multifamily remains the only irrationally priced piece. NYC medallion loans have been marked down to \$160K, Chicago medallions to \$27K. Total remaining taxi medallion loan exposure is ~\$149M, with total exposure including repossessed medallions of \$159.5M.

**Fee income. 1Q:** Mgmt. indicated losses in the other income line would continue to be elevated from the low income housing investment losses. **12/5:** Cash management and the FX business are two areas of focus.

**Expenses. 7/19:** Mgmt. guided to high single digit expense gr. for FY18 and FY19. **6/13:** Reit. 8%-10% expense gr. for FY18, likely a good rate for 2019 and beyond ex. large team hires. SBNY continues to build out tech infrastructure, added a third team in 2Q18, and is also hiring in Sig. Fin. **4Q:** Bank is close to a ceiling on the loan-to-deposit ratio in 4Q17 (98%).

**Teams. 7/19:** During 2Q18, SBNY added two teams, one in NY and one in SF, and added 2 more teams in SF in 3Q so far (one on 7/18 and one within the last two weeks), bringing the total to 3 teams in NYC and 3 teams in San Fran hired this year, and the pipeline remains active in both NY and SF.

**Tax rate.** Expects 25% effective tax rate going forward (vs. 27% expected in 1Q18).

**Loan gr. 7/19:** Reit. guidance of \$3B-\$5B of asset gr. **6/13:** Solid loan gr./pipeline in 2Q18, reflecting CRE, Sig. Fin., and traditional C&I; tax reform has boosted Sig. Fin. activity, client sentiment. **1Q:** Mgmt. expects good gr. in 2Q18 for both traditional C&I and SBNY Financial, pipeline robust. 1Q18 loan gr. largely CRE/multifamily. C&I line utilization rates were high in 4Q17 before dipping in 1Q18. NYC market not slowing, expects opportunities on the west coast, in both SF and LA, given the market disarray with large banks and the potential to pick up quality teams as M&A activity picks up. Mgmt. reiterated guidance of \$3B-\$5B of asset gr., with loans contributing ~75% of the overall asset growth, and expect about 2/3rd of that loan gr. will come from CRE/multifamily and rest from C&I.

**Securities. 1Q:** Mgmt. expects to be able to grow securities in the coming quarters, current duration is 3.8 yrs.

**Deposit gr. 7/19:** Expect deposit inflows to exceed the \$918M in lost escrow deposits in 2Q18. QTD avg. deposits are much higher than the avg. for 2Q18. Expect deposit gr. to fully fund the loan gr. in 2H18. Would like to maintain loan/deposit ratio in 90%-95% range, if required could go up to 100% but would prefer mid-90%. Mgmt. noted having \$2B-\$3B of escrow deposits remaining post the \$918M run-off in 2Q18. Mgmt. optimistic about potential of block chain tech in gathering deposits in the future, focusing on institutional



money space and not retail. **6/13:** Dep. down early in 2Q18, now up; mgmt. is still positive on deposit gr. for FY18. **1Q:** Focused on dep. gr., esp. DDA, reiterated its guidance of \$3B-\$5B of asset/deposit gr.

**Capital. 7/19:** Buyback is in consideration, subject to shareholder approval, did not rule out 3Q18, but did not commit to any timing. Mgmt. wanted to start with the dividend and see how strong the gr. would be near-term prior to a buyback. **6/13:** SBNY's binding constraint is the total capital ratio, and mgmt. does not expect that to dip much below 12%.



Figure 1: Signature Bank (SBNY) - Income Statement, Dollars in Thousands

	FY16	2Q17	FY17	1Q18	2Q18	3Q18	4Q18	FY18	FY19
	Act.	6/30/17 Act.	Act.	3/31/18 Act.	6/30/18 Act.	9/30/18 Est.	12/31/18 Est.	Est.	Est.
<b>Reported Net Interest Income</b>	\$1,147,241	\$307,240	\$1,237,585	\$318,146	\$321,012	\$324,894	\$325,044	\$1,289,097	\$1,318,977
Non-Core Net Interest Income	-1,800	-50	-50	0	0	0	0	0	0
<b>Core Net Interest Income</b>	<b>1,149,041</b>	<b>307,290</b>	<b>1,237,635</b>	<b>318,146</b>	<b>321,012</b>	<b>324,894</b>	<b>325,044</b>	<b>1,289,097</b>	<b>1,318,977</b>
<b>Q/Q %</b>	<b>17.6%</b>	<b>1.8%</b>	<b>7.7%</b>	<b>-0.5%</b>	<b>0.9%</b>	<b>1.2%</b>	<b>0.0%</b>	<b>4.2%</b>	<b>2.3%</b>
Provision Expense	155,775	187,590	263,297	140,762	7,970	7,877	9,473	166,082	37,689
<b>Reported Non-Interest Income</b>	42,751	9,550	36,041	7,202	5,615	6,009	6,019	24,845	24,609
Non-Core Non-Interest Income	7,284	1,598	3,329	425	357	0	0	782	0
<b>Core Non-Interest Income</b>	<b>35,467</b>	<b>7,952</b>	<b>32,712</b>	<b>6,777</b>	<b>5,258</b>	<b>6,009</b>	<b>6,019</b>	<b>24,063</b>	<b>24,609</b>
<b>Q/Q %</b>	<b>-3.8%</b>	<b>-13.4%</b>	<b>-7.8%</b>	<b>-13.4%</b>	<b>-22.4%</b>	<b>14.3%</b>	<b>0.2%</b>	<b>-26.4%</b>	<b>2.3%</b>
Commissions	11,473	3,051	12,298	3,175	3,280	3,313	3,346	13,114	13,722
Fees and Service Charges	21,846	6,067	23,558	6,642	7,152	7,160	7,100	28,054	28,084
Net Gains on Sales of Loans	6,751	1,956	9,218	2,018	1,183	1,893	1,931	7,024	8,231
Net Gains/(Losses) on Sales of Securities	7,710	1,679	3,963	441	357	0	0	798	0
OTTI	-426	-81	-634	-16	0	0	0	-16	0
Net Trading Income	0	0	0	0	0	0	0	0	0
Other Income	-4,603	-3,122	-12,362	-5,058	-6,357	-6,357	-6,357	-24,129	-25,428
<b>Total Revenue</b>	<b>1,189,992</b>	<b>316,790</b>	<b>1,273,626</b>	<b>325,348</b>	<b>326,627</b>	<b>330,903</b>	<b>331,064</b>	<b>1,313,942</b>	<b>1,343,586</b>
Non-Core Revenue	5,484	1,548	3,279	425	357	0	0	782	0
<b>Core Revenue</b>	<b>1,184,508</b>	<b>315,242</b>	<b>1,270,347</b>	<b>324,923</b>	<b>326,270</b>	<b>330,903</b>	<b>331,064</b>	<b>1,313,160</b>	<b>1,343,586</b>
<b>Q/Q %</b>	<b>16.8%</b>	<b>1.4%</b>	<b>7.2%</b>	<b>-0.8%</b>	<b>0.4%</b>	<b>1.4%</b>	<b>0.0%</b>	<b>3.4%</b>	<b>2.3%</b>
<b>Reported Non-Interest Expense</b>	376,770	116,273	435,064	137,332	112,593	117,493	116,966	484,383	499,146
Non-Core Non-Interest Expense	0	11,500	11,500	24,000	0	0	0	24,000	0
<b>Core Non-Interest Expense</b>	<b>376,770</b>	<b>104,773</b>	<b>423,564</b>	<b>113,332</b>	<b>112,593</b>	<b>117,493</b>	<b>116,966</b>	<b>460,383</b>	<b>499,146</b>
<b>Q/Q %</b>	<b>10.4%</b>	<b>1.5%</b>	<b>12.4%</b>	<b>3.1%</b>	<b>-0.7%</b>	<b>4.4%</b>	<b>-0.4%</b>	<b>8.7%</b>	<b>8.4%</b>
Salaries and Benefits	246,405	68,358	273,240	73,163	75,720	78,370	76,411	303,664	332,537
Occupancy and Equipment	29,140	7,985	32,140	8,199	8,335	8,668	8,842	34,044	36,533
Data processing	20,343	5,464	22,622	6,287	6,291	6,354	6,417	25,349	26,979
Professional Fees	9,671	2,667	12,021	3,276	3,503	3,538	3,573	13,890	14,765
Amortization Expense	0	0	0	0	0	0	0	0	0
FDIC Premiums	21,266	6,839	26,995	6,988	7,447	7,586	7,762	29,783	32,565
Other Expense	49,945	24,960	68,046	39,419	11,297	12,976	13,960	77,652	55,767
<b>Pre-Tax Pre-Provision (PTPP)</b>	<b>813,222</b>	<b>200,517</b>	<b>838,562</b>	<b>188,016</b>	<b>214,034</b>	<b>213,410</b>	<b>214,098</b>	<b>829,558</b>	<b>844,439</b>
Total Net Non-Core Revenue/(Expense)	5,484	-9,952	-8,221	-23,575	357	0	0	-23,218	0
<b>Core PTPP</b>	<b>807,738</b>	<b>210,469</b>	<b>846,783</b>	<b>211,591</b>	<b>213,677</b>	<b>213,410</b>	<b>214,098</b>	<b>852,776</b>	<b>844,439</b>
<b>Q/Q %</b>	<b>20.1%</b>	<b>1.3%</b>	<b>4.8%</b>	<b>-2.8%</b>	<b>1.0%</b>	<b>-0.1%</b>	<b>0.3%</b>	<b>0.7%</b>	<b>-1.0%</b>
Income/(Loss) Before Income Taxes	657,447	12,927	575,265	47,254	206,064	205,534	204,625	663,476	806,750
<b>Reported Income Tax Expense</b>	261,123	-1,030	188,055	12,782	51,479	51,383	51,156	166,801	201,688
Non-Core Income Tax Expense	0	0	-19,300	0	0	0	0	0	0
<b>Core Income Tax Expense</b>	<b>261,123</b>	<b>-1,030</b>	<b>207,355</b>	<b>12,782</b>	<b>51,479</b>	<b>51,383</b>	<b>51,156</b>	<b>166,801</b>	<b>201,688</b>
Effective Tax Rate	39.7%	-8.0%	32.7%	27.0%	25.0%	25.0%	25.0%	25.1%	25.0%
Preferred Dividends	0	0	0	0	0	0	0	0	0
Net Income Available to Common	396,324	13,957	387,210	34,472	154,585	154,150	153,469	496,676	605,063
<b>Core Net Income Available to Common</b>	<b>393,034</b>	<b>19,928</b>	<b>372,832</b>	<b>146,544</b>	<b>154,324</b>	<b>154,150</b>	<b>153,469</b>	<b>608,487</b>	<b>605,063</b>
<b>Avg. Diluted Shares Outstanding</b>	<b>53,811</b>	<b>54,290</b>	<b>54,418</b>	<b>54,395</b>	<b>54,599</b>	<b>54,614</b>	<b>54,640</b>	<b>54,562</b>	<b>55,006</b>
Diluted EPS	\$7.38	\$0.26	\$7.12	\$0.63	\$2.83	\$2.82	\$2.81	\$9.10	\$11.00
<b>Core EPS</b>	<b>\$7.32</b>	<b>\$0.37</b>	<b>\$6.85</b>	<b>\$2.69</b>	<b>\$2.83</b>	<b>\$2.82</b>	<b>\$2.81</b>	<b>\$11.15</b>	<b>\$11.00</b>
<b>Q/Q %</b>	<b>0.7%</b>	<b>-82.9%</b>	<b>-6.4%</b>	<b>30.2%</b>	<b>4.9%</b>	<b>-0.1%</b>	<b>-0.5%</b>	<b>62.8%</b>	<b>-1.4%</b>
Core EPS - No Additional Rate Hikes	\$7.32	\$0.37	\$6.87	\$2.69	\$2.83	\$2.93	\$3.00	\$11.46	\$12.80
<b>Q/Q %</b>	<b>0.7%</b>	<b>-82.9%</b>	<b>-6.1%</b>	<b>30.2%</b>	<b>4.9%</b>	<b>3.8%</b>	<b>2.4%</b>	<b>66.8%</b>	<b>11.7%</b>

Source: Deutsche Bank, Company Reports/Conference Calls





Figure 2: Signature Bank (SBNY) - Key Performance Metrics, Dollars in Millions (Unless Otherwise Noted)

	FY16	2Q17	FY17	1Q18	2Q18	3Q18	4Q18	FY18	FY19
	Act.	6/30/17 Act.	Act.	3/31/18 Act.	6/30/18 Act.	9/30/18 Est.	12/31/18 Est.	Est.	Est.
<b>Capital</b>									
TBV/Share	\$66.15	\$69.07	\$73.33	\$72.29	\$74.93	\$76.88	\$78.84	\$78.84	\$86.09
TBV/Share Q/Q %	18.8%	0.9%	10.9%	-1.4%	3.7%	2.6%	2.5%	7.5%	9.2%
TBV/Share Y/Y %	18.8%	6.1%	10.9%	5.6%	8.5%	7.5%	7.5%	7.5%	9.2%
TCE Ratio	9.3%	9.3%	9.4%	9.0%	9.2%	9.2%	9.3%	9.3%	9.4%
Common Equity Tier 1 Ratio	11.9%	11.7%	12.0%	12.1%	12.1%	12.2%	12.1%	12.1%	12.2%
Tier 1 Leverage Ratio	9.6%	9.5%	9.7%	9.5%	9.6%	9.7%	9.8%	9.8%	10.0%
Tier 1 Capital Ratio	11.9%	11.7%	12.0%	12.1%	12.1%	12.2%	12.1%	12.1%	12.2%
Total Capital Ratio	13.5%	13.0%	13.3%	13.5%	13.4%	13.5%	13.4%	13.4%	13.4%
Dividends Per Share	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.56	\$0.56	\$1.12	\$2.24
Dividend Payout Ratio (On Core EPS)	0.0%	0.0%	0.0%	0.0%	0.0%	19.8%	19.9%	10.0%	20.4%
<b>Profitability</b>									
Core ROTCE	11.50%	2.12%	9.73%	15.00%	15.24%	14.55%	14.12%	14.72%	13.20%
Core ROCE	11.50%	2.12%	9.73%	15.00%	15.24%	14.55%	14.12%	14.72%	13.20%
Core ROE	11.50%	2.12%	9.73%	3.50%	15.24%	14.55%	14.12%	12.00%	13.20%
Core ROTA	1.08%	0.20%	0.92%	0.31%	1.38%	1.35%	1.32%	1.10%	1.24%
Core ROA	1.08%	0.20%	0.92%	0.31%	1.38%	1.35%	1.32%	1.10%	1.24%
Core PTPP/Avg. Tang. Assets	2.22%	2.09%	2.08%	1.94%	1.92%	1.87%	1.84%	1.89%	1.73%
Core PTPP/Avg. Loans HFI	3.05%	2.79%	2.77%	2.57%	2.54%	2.47%	2.41%	2.50%	2.24%
Core Efficiency Ratio	31.8%	33.2%	33.3%	34.9%	34.5%	35.5%	35.3%	35.1%	37.2%
Core G&A/Avg. Tang. Asset Ratio	1.03%	1.04%	1.04%	1.04%	1.01%	1.03%	1.00%	1.02%	1.02%
<b>Net Interest Margin</b>									
Core NIM	3.20%	3.11%	3.09%	3.01%	2.94%	2.88%	2.82%	2.91%	2.75%
Core NIM (Ex. PPI)	3.11%	3.04%	3.03%	2.95%	2.89%	2.82%	2.76%	2.86%	2.69%
Reported NIM	3.19%	3.11%	3.09%	3.01%	2.94%	2.88%	2.82%	2.91%	2.75%
Core Loan Yield	3.94%	3.89%	3.91%	3.98%	4.03%	4.11%	4.17%	4.08%	4.36%
Cost of Deposits	0.41%	0.49%	0.52%	0.65%	0.76%	0.90%	1.03%	0.84%	1.32%
<b>Credit</b>									
NPAs+90DD/Loans+OREO	0.81%	1.40%	1.11%	0.60%	0.56%	0.57%	0.58%	0.58%	0.62%
NPAs+90DD \$	234,619	427,123	362,194	198,008	192,226	200,335	209,945	209,945	247,387
NPAs+90DD Q/Q %	190.29%	39.18%	54.38%	-45.33%	-2.92%	4.22%	4.80%	-42.04%	17.83%
NCOs/Avg. Loans	0.52%	3.04%	0.92%	1.56%	0.04%	0.02%	0.02%	0.40%	0.03%
NCOs Q/Q %	861.3%	2396.2%	104.5%	230.6%	-97.7%	-39.0%	12.3%	-51.9%	-92.9%
Reserve/Loans HFI	0.74%	0.60%	0.60%	0.63%	0.62%	0.63%	0.63%	0.63%	0.64%
Reserve Release/(Build) EPS Impact	\$0.27	\$0.49	\$0.45	-\$0.12	\$0.01	-\$0.01	-\$0.01	-\$0.13	-\$0.06
Provision/NCOs	1.13x	0.82x	0.94x	1.10x	2.66x	4.31x	4.61x	1.23x	3.90x
Provision/Avg. Loans	0.59%	2.49%	0.86%	1.71%	0.09%	0.09%	0.11%	0.49%	0.10%
Reserve/NPAs+90DD	91.0%	42.7%	54.1%	105.2%	111.0%	109.5%	108.0%	108.0%	103.0%
<b>Balance Sheet Growth</b>									
Loans HFI Q/Q % - Organic	22.1%	1.2%	12.3%	1.9%	2.7%	2.4%	3.0%	10.4%	10.3%
Loans HFS Q/Q %	22.6%	18.0%	-22.7%	24.9%	23.1%	0.0%	0.0%	53.8%	0.0%
<b>Total Loans Q/Q %</b>	22.1%	1.4%	11.6%	2.2%	3.0%	2.4%	2.9%	11.0%	10.1%
Avg. Total Loans Q/Q %	27.5%	1.5%	14.7%	4.1%	2.6%	2.6%	2.7%	12.5%	10.2%
Deposits Q/Q % - Organic	19.0%	0.7%	5.0%	4.1%	0.5%	1.3%	1.1%	7.2%	7.3%
Core Deposits Q/Q % - Organic	18.7%	0.9%	4.3%	5.1%	0.5%	1.3%	1.2%	8.3%	7.3%
DDA Q/Q % - Organic	23.2%	2.8%	8.4%	3.8%	0.2%	0.0%	0.0%	4.0%	-1.0%
Avg. Total Deposits Q/Q %	17.6%	2.2%	11.5%	0.6%	0.7%	2.6%	1.1%	5.4%	6.4%
<b>Balance Sheet (Dollars in Millions)</b>									
Assets	\$39,048	\$40,719	\$43,118	\$44,436	\$45,215	\$46,064	\$47,143	\$47,143	\$51,078
Earning Assets	38,148	39,690	42,268	43,034	44,030	44,941	46,083	46,083	50,162
Interest-Earning Cash	39	42	45	43	43	43	43	43	43
Securities	8,506	8,935	9,178	9,203	9,174	9,266	9,359	9,359	9,739
Total Loans	29,603	30,713	33,045	33,787	34,812	35,632	36,681	36,681	40,380
Loans - HFI	29,043	30,386	32,613	33,247	34,148	34,967	36,016	36,016	39,715
Loans - HFS	560	327	432	540	665	665	665	665	665
Non-Int. Earning Assets	900	1,029	850	1,402	1,186	1,123	1,060	1,060	916
Liabilities	35,435	36,921	39,086	40,434	41,068	41,807	42,775	42,775	46,270
Deposits	31,861	33,169	33,440	34,818	34,994	35,435	35,839	35,839	38,468
Core Deposits	30,328	31,545	31,640	33,256	33,432	33,873	34,277	34,277	36,777
Time Deposits	1,533	1,624	1,800	1,562	1,562	1,562	1,562	1,562	1,691
Borrowings	3,200	3,568	5,242	5,258	5,638	5,934	6,494	6,494	7,354
Other Liabilities	374	184	404	359	436	438	442	442	448
Equity	3,612	3,797	4,032	4,001	4,148	4,258	4,368	4,368	4,808
TCE	3,612	3,797	4,032	4,001	4,148	4,258	4,368	4,368	4,808

Source: Deutsche Bank, Company Reports/Conference Calls



Figure 3: 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. DB Est.	Impact	6/30/18 Cons. Est.				
Diluted EPS*	\$0.26	\$0.63	\$2.83	\$2.83	\$0.00	\$0.000	\$2.80	F	20	\$2.20	\$2.57
<b>Core EPS</b>	<b>\$0.37</b>	<b>\$2.69</b>	<b>\$2.83</b>	<b>\$2.83</b>	<b>\$0.00</b>	<b>\$0.000</b>				<b>\$0.14</b>	<b>\$2.46</b>
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					
<b>Core Net Interest Income</b>	<b>307,290</b>	<b>318,146</b>	<b>321,012</b>	<b>324,148</b>	<b>-3,136</b>	<b>-\$0.043</b>				<b>0.9%</b>	<b>4.5%</b>
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					
<b>Core Non-Interest Income</b>	<b>7,952</b>	<b>6,777</b>	<b>5,258</b>	<b>7,268</b>	<b>-2,010</b>	<b>-\$0.028</b>				<b>-22.4%</b>	<b>-33.9%</b>
Q/Q %	-13.4%	-13.4%	-22.4%	7.3%							
<b>Non-Interest Inc. (Select Items)</b>											
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					
<b>Core Revenue</b>	<b>315,242</b>	<b>324,923</b>	<b>326,270</b>	<b>331,416</b>	<b>-5,146</b>	<b>-\$0.071</b>				<b>0.4%</b>	<b>3.5%</b>
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					
<b>Core Non-Interest Expense</b>	<b>104,773</b>	<b>113,332</b>	<b>112,593</b>	<b>115,721</b>	<b>-3,128</b>	<b>\$0.043</b>				<b>-0.7%</b>	<b>7.5%</b>
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%
<b>Non-Interest Exp. (Select Items)</b>											
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					
<b>Core PTPP</b>	<b>210,469</b>	<b>211,591</b>	<b>213,677</b>	<b>215,695</b>	<b>-2,018</b>	<b>\$0.028</b>				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								
<b>Core Income Tax Expense</b>	<b>-1,030</b>	<b>12,782</b>	<b>51,479</b>	<b>51,535</b>							
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%
<b>Core Net Income Avail. to Common</b>	<b>19,928</b>	<b>146,544</b>	<b>154,324</b>	<b>154,606</b>	<b>-281</b>	<b>-\$0.005</b>				<b>5.3%</b>	<b>674.4%</b>
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

\*Other information available upon request

### Disclosure checklist

Company	Ticker	Recent price*	Disclosure
Signature Bank	SBNY.OO	119.87 (USD) 20 Jul 18	2,6,9

Prices are current as of the end of the previous trading session unless otherwise indicated and are sourced from local exchanges via Reuters, Bloomberg and other vendors. Other information is sourced from Deutsche Bank, subject companies, and other sources. For disclosures pertaining to recommendations or estimates made on securities other than the primary subject of this research, please see the most recently published company report or visit our global disclosure look-up page on our website at <https://research.db.com/Research/Disclosures/CompanySearch>. Aside from within this report, important conflict disclosures can also be found at <https://research.db.com/Research/Topics/Equities?topicId=RB0002> under the "Disclosures Lookup" and "Legal" tabs. Investors are strongly encouraged to review this information before investing.

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### Analyst Certification

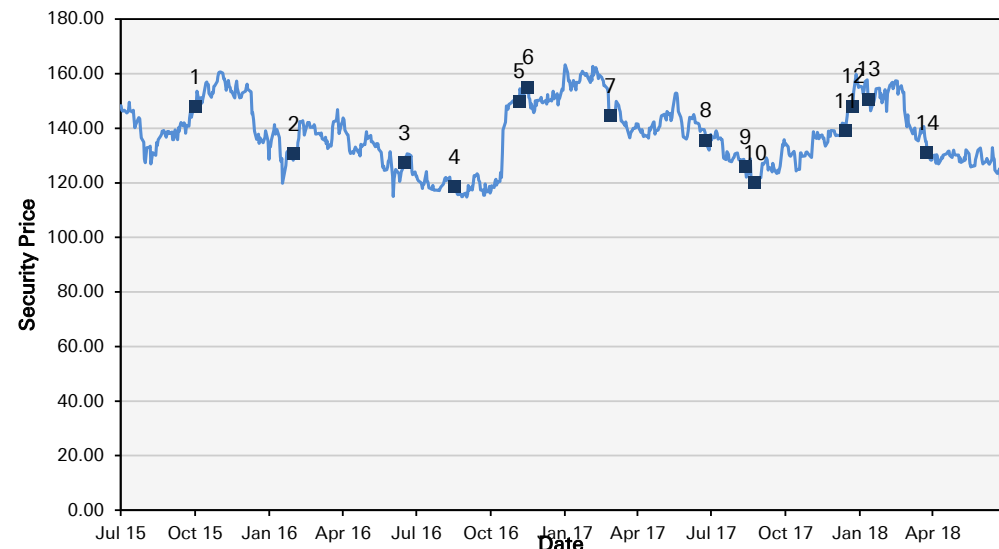
The views expressed in this report accurately reflect the personal views of the undersigned lead analyst(s) about the subject issuer and the securities of the issuer. In addition, the undersigned lead analyst(s) has not and will not receive any compensation for providing a specific recommendation or view in this report. Dave Rochester





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

(as of 7/20/2018)



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

\*\*Analyst is no longer at Deutsche Bank

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

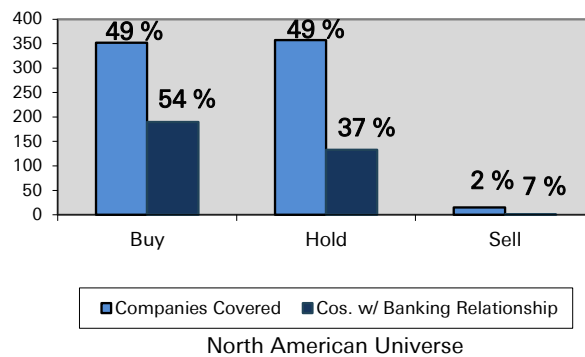
**Buy:** Based on a current 12- month view of total share-holder return (TSR = percentage change in share price from current price to projected target price plus projected dividend yield ) , we recommend that investors buy the stock.

**Sell:** Based on a current 12-month view of total share-holder return, we recommend that investors sell the stock

**Hold:** We take a neutral view on the stock 12-months out and, based on this time horizon, do not recommend either a Buy or Sell.

Newly issued research recommendations and target prices supersede previously published research.

Equity rating dispersion and banking relationships





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