Signature Bank Reports 2012 First Quarter Results

- ***Net Income for the 2012 First Quarter Reached a Record $42.4 Million, or $0.90 Diluted Earnings Per Share, An Increase of $7.8 Million, or 22.5 Percent, from $34.6 Million, or $0.82 Diluted Earnings Per Share, Reported in the 2011 First Quarter. 2011 First Quarter Net Income Included a $5.3 Million Pre-Tax Gain on Sale of an SBA Interest-Only Strip Security. Excluding the Tax-Effected Gain on Sale of the SBA Interest-Only Strip Security, 2011 First Quarter Net Income was $31.6 Million, or $0.75 Diluted Earnings Per Share***
- ***Deposits in the First Quarter Grew a Record $749.8 Million to $12.5 Billion, Including Growth of $147.6 Million in Short-Term Escrow Deposits; Deposits Have Grown $2.31 Billion, or 22.7 Percent, Since the End of the 2011 First Quarter***
- ***Average Deposits Increased $578.4 Million, or 5.0 Percent, in the 2012 First Quarter***
- ***Loans Increased a Record $512.4 Million, or 7.5 Percent, to $7.36 Billion for the 2012 First Quarter***
- ***Non-Accrual Loans Decreased to $35.5 Million, or 0.48 Percent of Total Loans, at March 31, 2012, Versus $42.2 Million, or 0.62 Percent, at the End of the 2011 Fourth Quarter and $39.0 Million, or 0.69 Percent, at the End of the 2011 First Quarter***
- ***Net Interest Margin Decreased Five Basis Points to 3.50 Percent, Compared with 3.55 Percent for the 2011 Fourth Quarter and 3.59 Percent for the 2011 First Quarter***
- ***Core Net Interest Margin Excluding Loan Prepayment Penalty Income Decreased Two Basis Points to 3.44 Percent, Compared with 3.46 Percent for the 2011 Fourth Quarter***
- ***Tier 1 Leverage, Tier 1 Risk-Based and Total Risk-Based Capital Ratios were 9.62 Percent, 16.86 Percent and 17.96 Percent, Respectively, at March 31, 2012. Signature Bank Remains Significantly Above FDIC "Well Capitalized" Standards. Tangible Common Equity Ratio was 9.58 Percent***
- ***Signature Financial Launched Operations During First Quarter, Marking the Bank's Entry Into the Specialty Finance Arena***
- ***Two Private Client Banking Teams Joined During the 2012 First Quarter***

NEW YORK--(BUSINESS WIRE)-- Signature Bank (Nasdaq: SBNY), a New York-based full-service commercial bank, today announced results for its first quarter ended March 31, 2012.

Net income for the 2012 first quarter reached a record $42.4 million, or $0.90 diluted earnings per share, versus $34.6 million, or $0.82 diluted earnings per share, for the 2011 first quarter. The record net income for the 2012 first quarter, versus the comparable quarter last year, is primarily due to an increase in net interest income, fueled by record deposit growth and record loan growth. These factors were partially offset by a decrease in non-interest income primarily from the 2011 gain on sale of an SBA interest-only strip security and an increase in non-interest expense.

Net interest income for the 2012 first quarter reached $126.8 million, up $23.1 million, or 22.3 percent, when compared with the 2011 first quarter. This increase is primarily due to growth in average interest-earning assets. Total assets reached $15.28 billion at March 31, 2012, an increase of $2.9 billion, or 23.4 percent, from $12.38 billion at March 31, 2011. Average assets for the 2012 first quarter reached $14.85 billion, an increase of $2.82 billion, or 23.5 percent, compared with the 2011 first quarter.

Deposits for the 2012 first quarter rose a record $749.8 million, or 6.4 percent, to $12.5 billion at March 31, 2012. When compared with deposits at March 31, 2011, overall deposit growth for the last twelve months was 22.7 percent, or $2.31 billion. Excluding short-term escrow deposits of $921.6 million and brokered deposits of $47.7 million at the end of the 2012 first quarter and $774.0 million and $57.8 million, respectively, at year-end 2011, core deposits increased a record $612.3 million for the quarter. Average deposits for the 2012 first quarter reached $12.25 billion, an increase of $578.4 million, or 5.0 percent.

"We started the year off on a solid note with record deposit growth, record loan growth and record earnings driven by the strong performance of our existing teams. Moreover, we've provided another avenue for future expansion with the launch of our specialty finance subsidiary — Signature Financial — and the hiring of one of Long Island's most respected C&I-focused, middle market teams," remarked Joseph J. DePaolo, President and Chief Executive Officer.

"Our ability to consistently attract high-quality professionals, as we have done in the past and continued this quarter, is a tribute to the sound banking model we have established at Signature Bank. We look forward to the contributions of these new teams, as well as the further success of our existing teams," DePaolo said.

Scott A. Shay, Chairman of the Board, added: "This is an exciting time for Signature Bank. We implemented several initiatives this quarter to diversify our revenue streams and broaden our asset deployment. First, we strategically entered the specialty finance and leasing business with the appointment of one of the most highly respected management teams in their industry. Secondly, we added a well-regarded private client banking team, which further enhances our prospects for floating rate commercial and industrial loan growth. We are privileged to have these teams join us, which speaks volumes to Signature Bank's emergence as the bank of choice for the most talented bankers in New York that want a platform from which to provide the best in service to their clients."

Capital

The Bank's Tier 1 leverage, Tier 1 risk-based, and total risk-based capital ratios were approximately 9.62 percent, 16.86 percent and 17.96 percent, respectively, as of March 31, 2012. Each of these ratios is well in excess of regulatory requirements. The Bank's strong risk-based capital ratios reflect the relatively low risk profile of the Bank's balance sheet. The Bank's tangible common equity ratio remains strong at 9.58 percent. The Bank defines tangible common equity ratio as the ratio of tangible common equity to adjusted tangible assets and calculates this ratio by dividing total consolidated common shareholders' equity by consolidated total assets.

Net Interest Income

Net interest income for the 2012 first quarter was $126.8 million, an increase of $23.1 million, or 22.3 percent, versus the same period last year, primarily due to growth in average interest-earning assets. Average interest-earning assets of $14.58 billion for the 2012 first quarter represent an increase of $2.86 billion, or 24.4 percent, from the 2011 first quarter. Yield on interest-earning assets for the 2012 first quarter decreased 30 basis points, to 4.30 percent, compared with the 2011 first quarter. This decrease was primarily attributable to lower prevailing interest rates.

Average cost of deposits and average cost of funds for the first quarter of 2012 decreased by 19 and 21 basis points, respectively, versus the 2011 first quarter to 0.72 percent and 0.87 percent. These decreases were predominantly due to lower prevailing interest rates.

Net interest margin for the 2012 first quarter was 3.50 percent versus 3.59 percent reported in the same period a year ago. On a linked quarter basis, net interest margin decreased 5 basis points. The linked quarter decrease was primarily due to a decline of $940,000 in loan prepayment penalty income.

Provision for Loan Losses

The Bank's provision for loan losses for the first quarter of 2012 was $10.7 million, a decrease of $1.7 million, or 13.5 percent, compared with the 2011 first quarter. The decrease was largely due to a decrease in charge-offs.

Net charge-offs for the 2012 first quarter were $5.0 million, or 0.29 percent of average loans on an annualized basis, versus $11.9 million, or 0.71 percent, for the 2011 fourth quarter and $6.5 million, or 0.49 percent, for the 2011 first quarter.

Non-Interest Income and Non-Interest Expense

Non-interest income for the 2012 first quarter was $9.1 million, down $6.0 million when compared with $15.1 million reported in the 2011 first quarter. The decrease was driven by a $5.3 million gain on sale of an SBA interest-only strip security in the 2011 first quarter.

Non-interest expense for the first quarter of 2012 was $50.4 million, an increase of $5.7 million, or 12.7 percent, versus $44.7 million reported in the 2011 first quarter. The increase was primarily a result of the addition of new private client banking teams.

The Bank's efficiency ratio improved to 37.1 percent for the 2012 first quarter versus 37.6 percent for the comparable period last year. Excluding the gain on sale of the SBA interest-only strip security in the 2011 first quarter, the efficiency ratio was 39.4 percent. The improvement was primarily due to growth in net interest income coupled with expense containment.

Loans

Loans, excluding loans held for sale, grew a record $512.4 million, or 7.5 percent, during the first quarter of 2012 to $7.36 billion, compared with $6.85 billion at December 31, 2011. At March 31, 2012, loans accounted for 48.2 percent of total assets, versus 46.7 percent at the end of the 2011 fourth quarter and 45.6 percent at the end of 2011 first quarter. Average loans, excluding loans held for sale, reached $7.06 billion in the 2012 first quarter, growing $406.9 million, or 6.1 percent, from the 2011 fourth quarter and $1.64 billion, or 30.2 percent, from the 2011 first quarter. The increase in loans for the quarter was primarily driven by growth in commercial real estate and multi-family loans underwritten within the Bank's stringent standards.

At March 31, 2012, non-accrual loans were $35.5 million, representing 0.48 percent of total loans and 0.23 percent of total assets, compared with non-accrual loans of $42.2 million, or 0.62 percent of total loans, at December 31, 2011 and $39.0 million, or 0.69 percent of total loans, at March 31, 2011. At March 31, 2012, the ratio of allowance for loan losses to total loans was 1.25 percent, versus 1.26 percent at December 31, 2011 and 1.30 percent at March 31, 2011. Additionally, the ratio of allowance for loan losses to non-accrual loans, or the coverage ratio, was 259 percent for the 2012 first quarter versus 204 percent for the fourth quarter of 2011 and 188 percent for the 2011 first quarter.

Conference Call

Signature Bank's management will host a conference call to review results of the 2012 first quarter on Tuesday, April 24, 2012, at 10:00 AM ET. All participants should dial 480-629-9722 at least ten minutes prior to the start of the call.

To hear a live web simulcast or to listen to the archived web cast following completion of the call, please visit the Bank's web site at www.signatureny.com, click on the "Investor Relations" tab, then select "Company News," followed by "Conference Calls," to access the link to the call. To listen to a telephone replay of the conference call, please dial 303-590-3030 and enter reservation identification number 4531460. The replay will be available from approximately 12:00 PM ET on Tuesday, April 24, 2012 through 11:59 PM ET on Friday, April 27, 2012.

About Signature Bank

Signature Bank, member FDIC, is a New York-based full-service commercial bank with 25 private client offices throughout the New York metropolitan area. The Bank's growing network of private client banking teams serves the needs of privately owned businesses, their owners and senior managers. Signature Bank offers a wide variety of business and personal banking products and services. The Bank operates Signature Financial, LLC, a specialty finance subsidiary focused on equipment finance and leasing, transportation financing and taxi medallion financing. Investment, brokerage, asset management and insurance products and services are offered through the Bank's subsidiary, Signature Securities Group Corporation, a licensed broker-dealer, investment adviser and member FINRA/SIPC.

Signature Bank's 25 offices are located: In Manhattan (9) - 261 Madison Avenue; 300 Park Avenue; 71 Broadway; 565 Fifth Avenue; 950 Third Avenue; 200 Park Avenue South; 1020 Madison Avenue; 50 West 57th Street and 2 Penn Plaza. Brooklyn (3) - 26 Court Street; 84 Broadway and 6321 New Utrecht Avenue. Westchester (2) - 1C Quaker Ridge Road, New Rochelle and 360 Hamilton Avenue, White Plains. Long Island (6) - 1225 Franklin Avenue, Garden City; 279 Sunrise Highway, Rockville Centre; 68 South Service Road, Melville; 923 Broadway, Woodmere; 40 Cuttermill Road, Great Neck and 100 Jericho Quadrangle, Jericho. Queens (3) - 36-36 33rd Street, Long Island City; 78-27 37th Avenue, Jackson Heights and 8936 Sutphin Blvd., Jamaica. Bronx (1) - 421 Hunts Point Avenue, Bronx. Staten Island (1) - 2066 Hylan Blvd.

For more information, please visit www.signatureny.com.

This press release and oral statements made from time to time by our representatives contain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 that are subject to risks and uncertainties. Forward-looking statements include information concerning our future results, interest rates and the interest rate environment, loan and deposit growth, loan performance, operations, new private client team hires, new office openings and business strategy. These statements often include words such as "may," "believe," "expect," "anticipate," "intend," "plan," "estimate" or other similar expressions. As you consider forward-looking statements, you should understand that these statements are not guarantees of performance or results. They involve risks, uncertainties and assumptions that could cause actual results to differ materially from those in the forward-looking statements. These factors include but are not limited to: (i) prevailing economic conditions; (ii) changes in interest rates, loan demand, real estate values and competition, any of which can materially affect origination levels and gain on sale results in our business, as well as other aspects of our financial performance, including earnings on interest-bearing assets; (iii) the level of defaults, losses and prepayments on loans made by us, whether held in portfolio or sold in the whole loan secondary markets, which can materially affect charge-off levels and required credit loss reserve levels; (iv) changes in the banking and other financial services regulatory environment and (v) competition for qualified personnel and desirable office locations. Additional risks are described in our quarterly and annual reports filed with the FDIC. You should keep in mind that any forward-looking statements made by Signature Bank speak only as of the date on which they were made. New risks and uncertainties come up from time to time, and we cannot predict these events or how they may affect the Bank. Signature Bank has no duty to, and does not intend to, update or revise the forward-looking statements after the date on which they are made. In light of these risks and uncertainties, you should keep in mind that any forward-looking statement made in this release or elsewhere might not reflect actual results.

SIGNATURE BANK
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

(dollars in thousands, except per share amounts)	Three months ended March 31, 2012	2011
INTEREST AND DIVIDEND INCOME		
Loans held for sale	$ 778	968
Loans, net	92,294	75,022
Securities available-for-sale	57,349	52,212
Securities held-to-maturity	4,792	4,333
Other short-term investments	487	533
Total interest income	155,700	133,068
INTEREST EXPENSE		
Deposits	21,889	21,917
Federal funds purchased and securities sold under agreements to repurchase	5,852	5,185
Federal Home Loan Bank advances	1,156	2,293
Total interest expense	28,897	29,395
Net interest income before provision for loan losses	126,803	103,673
Provision for loan losses	10,664	12,322
Net interest income after provision for loan losses	116,139	91,351
NON-INTEREST INCOME		
Commissions	2,369	2,315
Fees and service charges	3,706	3,949
Net gains on sales of securities	1,432	7,877
Net gains on sales of loans	1,421	1,333
Other-than-temporary impairment losses on securities:		
Total impairment losses on securities	(5,214)	(4,010)
Portion of loss recognized in other comprehensive income (before taxes)	4,500	3,284
Net impairment losses on securities recognized in earnings	(714)	(726)
Net trading (loss) income	(20)	43
Other income	920	276
Total non-interest income	9,114	15,067
NON-INTEREST EXPENSE		
Salaries and benefits	33,024	26,192
Occupancy and equipment	4,386	3,789
Other general and administrative	12,941	14,689
Total non-interest expense	50,351	44,670
Income before income taxes	74,902	61,748
Income tax expense	32,533	27,164
Net income	$ 42,369	34,584
PER COMMON SHARE DATA		
Earnings per share — basic	$ 0.92	0.84
Earnings per share — diluted	$ 0.90	0.82

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CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(dollars in thousands, except per share amounts)	March 31, 2012 (unaudited)	December 31, 2011
ASSETS		
Cash and due from banks	$ 55,039	34,083
Short-term investments	3,907	6,071
Total cash and cash equivalents	58,946	40,154
Securities available-for-sale (pledged $2,508,589 at March 31, 2012		

and $2,672,093 at December 31, 2011)	6,609,053	6,512,855
Securities held-to-maturity (fair value $580,579 at March 31, 2012 and $571,980 at December 31, 2011; pledged $364,817 at March 31, 2012 and $352,865 at December 31, 2011)	565,743	556,044
Federal Home Loan Bank stock	31,502	48,152
Loans held for sale	376,336	392,025
Loans, net	7,271,327	6,764,564
Premises and equipment, net	30,987	30,574
Accrued interest and dividends receivable	62,456	60,533
Other assets	274,017	261,219
Total assets	$ 15,280,367	14,666,120
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits		
Non-interest-bearing	3,330,030	3,148,436
Interest-bearing	9,173,892	8,605,702
Total deposits	12,503,922	11,754,138
Federal funds purchased and securities sold under agreements to repurchase	876,175	750,800
Federal Home Loan Bank advances	305,000	675,000
Accrued expenses and other liabilities	131,578	78,066
Total liabilities	13,816,675	13,258,004
Shareholders' equity		
Preferred stock, par value $.01 per share; 61,000,000 shares authorized; none issued at March 31, 2012 and December 31, 2011		
Common stock, par value $.01 per share; 64,000,000 shares authorized;	-	-
46,412,611 and 46,181,890 shares issued and outstanding at March 31, 2012 and December 31, 2011	464	462
Additional paid-in capital	959,874	954,833
Retained earnings	465,401	423,032
Net unrealized gains on securities available-for-sale, net of tax	37,953	29,789
Total shareholders' equity	1,463,692	1,408,116
Total liabilities and shareholders' equity	$ 15,280,367	14,666,120

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FINANCIAL SUMMARY, CAPITAL RATIOS, ASSET QUALITY
(unaudited)

	Three months ended		
(dollars in thousands, except ratios and per share amounts)	**March 31, 2012**	**December 31, 2011**	**March 31, 2011**
PER COMMON SHARE			
Net income - basic	$ 0.92	$ 0.87	$ 0.84
Net income - diluted	$ 0.90	$ 0.85	$ 0.82
Average shares outstanding - basic	46,205	46,179	41,349
Average shares outstanding - diluted	47,051	47,025	42,070
Book value	$ 31.54	$ 30.49	$ 24.01
SELECTED FINANCIAL DATA			
Return on average total assets	1.15%	1.11%	1.17%
Return on average shareholders' equity	11.87%	11.44%	14.48%
Efficiency ratio (1)	37.05%	35.39%	37.62%
Efficiency ratio excluding net gains on sales of securities and net impairment losses on securities recognized in earnings (1)	37.24%	35.63%	40.03%
Yield on interest-earning assets	4.30%	4.38%	4.60%

Cost of deposits and borrowings	0.87%	0.91%	1.08%
Net interest margin	3.50%	3.55%	3.59%

(1) The efficiency ratio is calculated by dividing non-interest expense by the sum of net interest income before provision for loan losses and non-interest income.

	March 31, 2012	**December 31, 2011**	**March 31, 2011**
CAPITAL RATIOS			
Tangible common equity (2)	9.58%	9.60%	8.02%
Tier 1 leverage	9.62%	9.67%	8.29%
Tier 1 risk-based	16.86%	17.08%	13.87%
Total risk-based	17.96%	18.17%	14.91%
ASSET QUALITY			
Non-accrual loans	$ 35,492	$ 42,218	$ 38,981
Allowance for loan losses	$ 91,786	$ 86,162	$ 73,211
Allowance for loan losses to non-accrual loans	258.61%	204.09%	187.81%
Allowance for loan losses to total loans	1.25%	1.26%	1.30%
Non-accrual loans to total loans	0.48%	0.62%	0.69%
Quarterly net charge-offs to average loans (annualized)	0.29%	0.71%	0.49%

(2) We define tangible common equity as the ratio of tangible common equity to adjusted tangible assets (the "TCE ratio") and calculate this ratio by dividing total consolidated common shareholders' equity by consolidated total assets (we had no intangible assets at any of the dates presented above). Tangible common equity is considered to be a non-GAAP financial measure and should be considered in addition to, not as a substitute for or superior to, financial measures determined in accordance with GAAP. The TCE ratio is a metric used by management to evaluate the adequacy of our capital levels. In addition to tangible common equity, management uses other metrics, such as Tier 1 capital related ratios, to evaluate capital levels.

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NET INTEREST MARGIN ANALYSIS
(unaudited)

	Three months ended March 31, 2012			*Three months ended March 31, 2011*		
(dollars in thousands)	**Average Balance**	**Interest Income/ Expense**	**Average Yield/ Rate**	**Average Balance**	**Interest Income/ Expense**	**Average Yield/ Rate**
INTEREST-EARNING ASSETS						
Short-term investments	$ 91,049	75	0.33%	65,529	46	0.28%
Investment securities	7,158,136	62,553	3.50%	5,961,281	57,032	3.83%
Commercial loans and commercial mortgages	6,689,168	86,702	5.21%	5,039,144	69,463	5.59%
Residential mortgages	170,414	1,875	4.40%	186,376	2,186	4.69%
Consumer loans	200,569	3,717	7.45%	196,224	3,373	6.97%
Loans held for sale	265,929	778	1.18%	271,180	968	1.45%
Total interest-earning assets	14,575,265	155,700	4.30%	11,719,734	133,068	4.60%
Non-interest-earning assets	271,225			302,269		
Total assets	$14,846,490			12,022,003		
INTEREST-BEARING LIABILITIES						
Interest-bearing deposits						
NOW and interest-bearing demand	658,742	776	0.47%	675,457	836	0.50%
Money market	7,497,906	17,445	0.94%	5,769,563	16,939	1.19%
Time deposits	891,494	3,668	1.65%	925,330	4,142	1.82%
Non-interest-bearing demand deposits	3,198,843	-	-	2,437,952	-	-

Total deposits	12,246,985	21,889	0.72%	9,808,302	21,917	0.91%
Borrowings	1,107,780	7,008	2.54%	1,205,706	7,478	2.52%
Total deposits and borrowings	13,354,765	28,897	0.87%	11,014,008	29,395	1.08%
Other non-interest-bearing liabilities and shareholders' equity	1,491,725			1,007,995		
Total liabilities and shareholders' equity	$14,846,490			12,022,003		
OTHER DATA						
Net interest income / interest rate spread		126,803	3.43%		103,673	3.52%
Net interest margin			3.50%			3.59%
Ratio of average interest-earning assets to average interest-bearing liabilities			109.14%			106.41%

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NON-GAAP FINANCIAL MEASURES
(unaudited)

Management believes that the presentation of certain non-GAAP financial measures assists investors when comparing results period-to-period in a more consistent manner and provides a better measure of Signature Bank's results. These non-GAAP measures include the Bank's (i) tangible common equity ratio, (ii) net income and diluted earnings per share excluding the afer-tax effect of gains from the sales of SBA interest-only strip securities and (iii) core net interest margin excluding loan prepayment penalty income. These non-GAAP measures should not be considered a substitute for GAAP-basis measures and results. We strongly encourage investors to review our consolidated financial statements in their entirety and not to rely on any single financial measure. Because non-GAAP financial measures are not standardized, it may not be possible to compare these financial measures with other companies' non-GAAP financial measures having the same or similar names.

The following table presents a reconciliation of net income and diluted earnings per share (as reported) to net income and diluted earnings per share excluding the after-tax effect of gains from the sales of SBA interest-only strip securities:

		Three months ended March 31,	
(dollars in thousands, except per share amounts)		**2012**	**2011**
Net income (as reported)	$	42,369	34,584
Gains on sales of SBA interest-only strip securities		(39)	(5,291)
Tax effect		17	2,327
Net income - excluding after-tax effect of gains on sales of SBA interest-only strip securities	$	42,347	31,620
Diluted earnings per share (as reported)	$	0.90	0.82
Gains on sales of SBA interest-only strip securities		-	(0.13)
Tax effect		-	0.06
Diluted earnings per share - excluding after-tax effect of gains on sales of SBA interest-only strip securities	$	0.90	0.75

The following table reconciles net interest margin (as reported) to core net interest margin excluding loan prepayment penalty income:

	Three months ended March 31,	
	2012	**2011**
Net interest margin (as reported)	3.50%	3.59%
Margin contribution from loan prepayment penalty income	(0.06)%	(0.08)%
Core net interest margin - excluding loan prepayment penalty income	3.44%	3.51%

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Source: Signature Bank