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EDITED TRANSCRIPT

SBNY - Signature Bank at Morgan Stanley Financials Conference

EVENT DATE/TIME: JUNE 13, 2018 / 3:10PM GMT

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CONFERENCE CALL PARTICIPANTS

Kenneth Allen Zerbe *Morgan Stanley, Research Division - Executive Director*

PRESENTATION

Kenneth Allen Zerbe - *Morgan Stanley, Research Division - Executive Director*

All right. Good morning, everybody. I'm Ken Zerbe, the Midcap Banks analyst at Morgan Stanley. Want to go ahead and kick off our next session. Our next session is with Signature Bank. With us from Signature is Eric Howell, who is EVP of Corporate and Business Development; and John Tamberlane, who is Vice Chairman and Director. We're going to do a fireside chat format. But I guess, before we begin, we'll just have a couple of poll-in questions, if you don't mind. Get those up on the screen. First question, Signature's asset growth year-over-year in 2018 will most likely be? Pick your favorite range there, and you can start the countdown, if you would.

(Voting)

Eric Raymond Howell - *Signature Bank - EVP of Corporate & Business Development*

What's your vote?

Kenneth Allen Zerbe - *Morgan Stanley, Research Division - Executive Director*

Oh, so we're going to go lower end on that one, it seems. All right. Next question.

John Tamberlane - *Signature Bank - Co-Founder & Vice Chairman*

Bad answer.

Kenneth Allen Zerbe - *Morgan Stanley, Research Division - Executive Director*

Well, this is your audience to convince, otherwise, I think. My concern about the drag from Signature's commercial real estate and multifamily exposure is what?

(Voting)

Kenneth Allen Zerbe - *Morgan Stanley, Research Division - Executive Director*

I'm intentionally not reading the answers to encourage people come to our Morgan Stanley Financials Conference. All right. So looks like the vast majority is related to both loan growth and credit quality. Well, this is surprising, I guess, but I think it's so too. It's fair enough. Next question. Last question is, what's keeping you from getting more bullish on Signature today? It is certainly one of the cheapest names in my coverage universe.

(Voting)

Kenneth Allen Zerbe - *Morgan Stanley, Research Division - Executive Director*

Well, pretty split actually. So sensitivity, probably less than what I would've thought. CRE, a little bit. Balance sheet growth, again, seems to be a common theme. Thank you. While we jump right into it, Eric, do you want to say anything ahead of time? Or do you want to go right into Q&A?

Eric Raymond Howell - *Signature Bank - EVP of Corporate & Business Development*

Well, I'll give a quick update on the quarter. I mean, thus far, we've announced 2 teams, we hired a third team during the quarter. So I'm excited about that. Growth, thus far, we've had a solid quarter again in loans, CRE as well as Signature Financial and traditional C&I. Deposits, we've given up predicting because every time we make an announcement at conference, it seems like $500 million flows out the door the next day.

John Tamberlane - *Signature Bank - Co-Founder & Vice Chairman*

Vice versa.

Eric Raymond Howell - *Signature Bank - EVP of Corporate & Business Development*

Yes, vice versa, that's true. But continues to be choppy. We're down early on in the quarter. We're back up again, but it's pretty volatile for us because we don't have that retail deposit base and it's all commercial clients. So as we look out over the course of the year, we're very confident in our ability to grow deposits just on a quarterly basis. It is certainly up and down. So that's really the high-level NIM. I'm sure we're going to get into more details, but don't anticipate it to be any different than what we said coming off last quarter's call.

Kenneth Allen Zerbe - *Morgan Stanley, Research Division - Executive Director*

All right. And just to be clear, and not to pressure, I know you're not doing the deposit side, but you said down, was down and now is up a little bit this quarter?

Eric Raymond Howell - *Signature Bank - EVP of Corporate & Business Development*

It was down and now it's up.

QUESTIONS AND ANSWERS

Kenneth Allen Zerbe - *Morgan Stanley, Research Division - Executive Director*

Okay, just wanted to make sure. All right. So why don't we start off on the commercial real estate, just -- it's a broader environment. Obviously, this is probably the #1 topic that we get asked all the time. Come open into questions, what are you seeing right now in commercial real estate in New York City, specifically? What's the environment like?

Eric Raymond Howell - *Signature Bank - EVP of Corporate & Business Development*

The environment remains the same as it's been, I'd say, the last couple quarters as interest rates have risen. We've seen less purchase and sale activity, less cash-out refinance activity. But we certainly have ability to grow in that space. Yields are up a little bit over the last 1 month, 1.5 months. So we're now attracting loans at 4.375% to 4.5% in the multifamily space, and usually 0.25% above that in office and retail. Pipeline remains robust. We're really able to cherry-pick the clients that we want to do business with, like I said, competition has always been there. So really hasn't been much of a change. Credit quality, I was surprised by the polling. The credit quality is just not an issue. We're seeing vacancies really still at all-time lows. Cash flows remain strong there. We're keeping an eye on the retail book. We're not lending on Fifth Avenue in high-end retail. We've very limited exposure there. Most of our retail's in the outer boroughs where we're lending on strip centers where there is not one big anchor tenant. So it's well-diversified strip centers in the outer boroughs. The barbershops, pizza parlors, dry cleaners, don't go out of business, and we saw that through the great recession. So we have a lot of success there. We're sticking to our knitting and we feel pretty good about that space.

Kenneth Allen Zerbe - *Morgan Stanley, Research Division - Executive Director*

Well, I guess, help people sort of reconcile the 2 different pieces, right, because, again, I hear it all the time, most of our banks are worried about commercial real estate, both from a loan growth perspective, certainly they're tightening up on underwriting standards, I guess, it's the barbershops and the pizza places. But help people reconcile what -- like if the market is broadly concerned about commercial real estate credit quality, why can't you have losses at a barbershop or a pizza place or a bodega or something in the middle of Queens? I'm just trying to figure out how people not feel bad about credit?

Eric Raymond Howell - *Signature Bank - EVP of Corporate & Business Development*

Well, our -- from day 1, our focus is on doing business with the best people in that space, right. So a term that would be used forever now is, we bet on the jockey, not the horse, right. So we're dealing with great operators, who have been doing this for decades, who've been through many cycles, who know their business well and who have multiple properties. So if they get into issues in one property, they're going to have other properties they're going to -- that they are going to be able to divert cash flows from to help out those that are not performing well. And they have reputations. And that -- they need to maintain that reputation, right. If they ruin that, they're not going to get financing from a bank, again, right. So our focus is on the better players in New York and that's really helped us with our credit quality.

John Tamberlane - *Signature Bank - Co-Founder & Vice Chairman*

Retail is also the smallest CRE exposure that we have, and we've never lent more than 65% LTV. If you look at the average LTV, it's probably below 50%. And as Eric said, we're dealing with -- we wouldn't deal with just a new operator, it's got to be somebody who is experienced in dealing with multiple properties.

Kenneth Allen Zerbe - *Morgan Stanley, Research Division - Executive Director*

And just to be clear because there are some people who focus a lot more on the nitty-gritty details. How much of your portfolio is sort of at the -- sorry, the streets, not the avenues if -- as you'd like to phrase them. And how much is in the avenue?

Eric Raymond Howell - *Signature Bank - EVP of Corporate & Business Development*

It's the vast majority.

Kenneth Allen Zerbe - *Morgan Stanley, Research Division - Executive Director*

The vast majority is smaller stuff? Great. Okay. In terms of CRE pricing, I think I did hear you right, 4.75% to 4.5% on multifamily. When you think about -- put that in context of credit spreads because obviously with the tax change, we're not going to get into NIM quite yet, but when we think about the spreads on CRE, how the spreads changed versus 6 months ago?

Eric Raymond Howell - *Signature Bank - EVP of Corporate & Business Development*

They've certainly compressed as we've seen with most asset classes. So we continue to see compression there.

Kenneth Allen Zerbe - *Morgan Stanley, Research Division - Executive Director*

Got you. And is retail the best from a yield perspective, the best or the highest yield category?

Eric Raymond Howell - *Signature Bank - EVP of Corporate & Business Development*

I'd say retail and office, a little bit higher yielding.

Kenneth Allen Zerbe - *Morgan Stanley, Research Division - Executive Director*

Okay. Any comments on other terms that you compete more aggressively with or who are more aggressive when competing with you?

Eric Raymond Howell - *Signature Bank - EVP of Corporate & Business Development*

I mean, we don't do that. We don't like to talk about other competitors. But most -- there are some big competitors in the marketplace that are acting rationally. So it's fine. There is always irrational players in the market. I think a lot of the noise that you're hearing from other institutions were those banks that were approaching the 300% mark that quite frankly didn't have the portfolio management practices or the risk management practices in place, the stress testing, all of things that we've been doing for a long period of time. And the regulators quite frankly shut them down because of that, right. And instead of just saying, "Oh, well, the regulators want us to improve what we're doing." They kind of said, "Oh, well, it's really CRE, and it's not -- we're worried about the credit quality there, and we're backing away." I think if you talk to all the well-established CRE lenders in New York, they're going to get a similar story to what we're telling you is that CRE credit quality is fine.

Kenneth Allen Zerbe - *Morgan Stanley, Research Division - Executive Director*

And you said you hired 2 new teams, recently. Have you had any team departures?

Eric Raymond Howell - *Signature Bank - EVP of Corporate & Business Development*

We very rarely have team departures. I think, if you look at the 200 private client group directors that we've hired over the years, we've had 7 leave in 17 years that we didn't want to have leave for varying reasons. So our retention rate is really high. We've had a number of group directors retire. And when they do so, we either handover the book to one of their partners that they -- that's currently on their team or we merge them with an existing team or sometimes, we'll promote someone who's at -- on an existing team that really is worthy of running a team to take over that book of business. But most of the group directors that leave the bank are for retirement. And then we've had a few that haven't worked out over the years and that's okay, that happens.

Kenneth Allen Zerbe - *Morgan Stanley, Research Division - Executive Director*

All right. Let's switch over to your West Coast market, obviously a new and growing and developing market there. Can you just talk about like how conditions differ, like when we think about the real estate market in New York, I get it. But if you go West Coast, probably it's really different. We love to know what those differences are. And how you're approaching it?

Eric Raymond Howell - *Signature Bank - EVP of Corporate & Business Development*

Well, I mean, quite frankly, we really have no plans to do commercial real estate lending on the West Coast. We think it's important to -- especially in the commercial real estate, where we need to have deep knowledge in that space. I suppose if we found a banker or banking team that truly knew that space and had a long-standing reputation, we would consider it. But our primary focus on the West Coast is to gather deposits, right, and really to make C&I loans to those deposit clients. It's really, if you think back to Signature Bank before October of 2007, before we hired that large CRE team, that's really what we were. While we were a deposit generator, we lent in the C&I space to go -- to get deposits. That's what we're all about, that's what we look to replicate on the West Coast.

Kenneth Allen Zerbe - *Morgan Stanley, Research Division - Executive Director*

Got you. And how -- I guess, how rapidly would you like to build out the West Coast, I mean, in terms of (inaudible) milestones over the next 12 months, the next 18, 36 months. How big could that team or that deposit be?

Eric Raymond Howell - *Signature Bank - EVP of Corporate & Business Development*

Our model is very opportunistic, as you know, right. It's hard to say how many teams are going to pop up. I can tell you right now, I was out there last week, met with 5 teams last Tuesday, all from 5 different institutions. I think that marketplace is ready for a differentiated model like Signature's. It was very exciting to talk to them. They hadn't seen a model really where we make the bankers partners in the institution. They don't have anything like that at all 5 of these institutions. So it was refreshing to see. Hopefully, we'll have several teams on board by the time that we announce our next, which would be great. And then we'll see where it goes from there.

John Tamberlane - *Signature Bank - Co-Founder & Vice Chairman*

It's very difficult to upthrust or predict, especially in a new market. Every time, we predicted growth when we started Signature Bank in New York, we beat it. It's really going to depend on what kind of defense the banks we hire from put up, how close the relationships are between the bankers and the clients that -- we have a couple of advantages. First, we do have a client base on the West Coast already because they have businesses on both coasts. So now we're going to be able to do some of that business. The other advantage we have in California is, we're a $40-something billion bank today. When we started in New York, we were starting at 0. So that's one big obstacle that's out of the way. So it's difficult for us to predict, but we're very optimistic.

Kenneth Allen Zerbe - *Morgan Stanley, Research Division - Executive Director*

All right. Staying on the balance sheet growth side, I want to talk about those non-CRE and Signature Financial and C&I because, obviously, the expectation for growth by us little surprised by the market responses. Where are you seeing -- so let's talk about the C&I piece, where are you seeing the best opportunity for growth? How is the market? Are you seeing like meaningful pickup in Signature Financial given tax reform because I know it takes a little while for it to happen?

Eric Raymond Howell - *Signature Bank - EVP of Corporate & Business Development*

So let's start with Signature Financial. I mean, certainly, tax reform has helped. Clients seem pretty excited out there to grow their businesses again. Typically, the fourth quarter is our strongest quarter where everyone wants to put equipment into use in that quarter to get a full year's depreciation for tax purposes that leads to a slow first quarter, right. So we're seeing a pick back up in the second quarter, have a nice growth there. We actually are anticipating a good couple weeks to end the quarter with growth. But there's lots of opportunities in that space for us. We continue to hire salespeople around the country. We're looking to broaden the types of equipment that we'll lend on. We're looking to add more expertise on the underwriting side. But we really expect that, that's going to be a nice avenue of growth for us moving forward. If we look at traditional C&I lending, we made a number of changes in the past year to really address that. Our Chief Credit Officer retired, that gave us the opportunity to really take a fresh look at that space and what we're doing there. And we effectively bifurcated the position of Chief Credit Officer into a Chief Lending Officer and a Chief Credit Officer. And we've made a number of changes as to how we deliver our service to the bankers really, right, because that's our job to cater and underwrite to those bankers' needs. So we've gone from a more regional approach, so we can better direct those underwriters to where the needs are. So we have 3 or 4 groups now within our region to help there. We've taken the small business loans and kind of centralized that. As we would have underwriters literally going from underwriting a $100 million facility to underwriting a $500,000 facility. It was really distracting, I mean what they're doing. So we've centralized the underwriting of smaller loans. We also brought in a gentleman, who is out there working specifically with the teams that we have that really don't have a lot of credit experience. That's helping them to field calls and go through some of the opportunities that come their way. So that's all helped us to better deliver on the C&I front.

Kenneth Allen Zerbe - *Morgan Stanley, Research Division - Executive Director*

I guess, one of the concerns and again it's reflected in the polling questions, but one of the concerns that we've seen is slowing CRE in general, right, because the New York market has dramatically slowed. I'm just trying to make sure we're all aware, if we have a slowing broader market, right, and your loan growth has definitely slowed versus where it was a year or 2 years ago, what does the market have wrong about your opportunity for loan growth because they're seeing the slowness in your actual results, should that pick up? What is the market missing there?

John Tamberlane - *Signature Bank - Co-Founder & Vice Chairman*

Well, we're managing that loan growth down, okay. We don't want the CRE concentration that we currently have. We're increasing Signature Financial. We're increasing the C&I. And we've been using pricing to control the CRE growth. I mean, it's a huge market. And even though there aren't purchases and sales happening to a large degree, refinancings are still occurring every day. So we have an ability, though, to manage it, and we're -- I will say that this is the first time in a long time that we're able to get the pricing even at a higher level than the market without having to go down for an occasional deal that we feel we have to do for one of our clients. So it's -- we're controlling the growth, and we're getting the pricing we want. We'd like higher, of course, but we're getting at least a level that we like.

Kenneth Allen Zerbe - *Morgan Stanley, Research Division - Executive Director*

And last question on balance sheet growth. Just -- since you're in the Reg FD approved form, did you want to quantify the loan growth that you're seeing this quarter?

Eric Raymond Howell - *Signature Bank - EVP of Corporate & Business Development*

No. Not this quarter, but it's robust.

Kenneth Allen Zerbe - *Morgan Stanley, Research Division - Executive Director*

Perfect. All right. Let's move on to expenses. You don't have to prepare to be a SIFI, which should be fantastic. Can you just talk about that, what does that mean from your expense growth standpoint?

Eric Raymond Howell - *Signature Bank - EVP of Corporate & Business Development*

All right. So we talked about how our expenses would be up or between 10% and 14% if we had to prepare for the $50 billion mark. Now that, that's effectively gone away, we anticipate we'll be in an 8% to 10% expense growth for this year. Obviously, CCAR that we're building towards that, that goes away. LCR, questionably it's a Fed rule that technically doesn't apply to us, but the FDIC did apply to First Republic, but only when they cross the $50 billion. So the $50 billion is moved. So hopefully, that will follow suit on that. Living will, and our preparation for that goes away. So we feel that -- and we've done so much work around liquidity already that I think we're going to be in good graces with our regulators. Certainly, with Crapo passing and we've change in tone at the top of all the regulatory agencies. So we really think that we're going to be able to slow down the expense growth to about 8% to 10% range. We are kind of -- we continue to build out our infrastructure, right. So we're putting in a new loan system, a new front-end loan approval system, a new foreign exchange system and a new client on-boarding system. So we've got some build-out to do there that's keeping our expenses elevated in that 8% to 10% range. We'd love nothing more than tell you that we hired 20 teams, right, and we're back to the 10% to 14%. So let's hope that, that happens, but ex any huge team hires, we should be in that 8% to 10% band. And then we should take it about from there on an annual basis.

Kenneth Allen Zerbe - *Morgan Stanley, Research Division - Executive Director*

Sorry, the 8% to 10% in 2019?

Eric Raymond Howell - *Signature Bank - EVP of Corporate & Business Development*

2019, even 2020, it should continue to tick down as we grow the larger base.

Kenneth Allen Zerbe - *Morgan Stanley, Research Division - Executive Director*

The new loan systems and all the spending you're already doing.

Eric Raymond Howell - *Signature Bank - EVP of Corporate & Business Development*

That's right.

Kenneth Allen Zerbe - *Morgan Stanley, Research Division - Executive Director*

Is there any holes or projects like, specifically from a tech side that you might need to invest in the future that you're not doing it yet?

Eric Raymond Howell - *Signature Bank - EVP of Corporate & Business Development*

I think we're investing in most of the areas that we need to. So I think we're pretty well covered. We're looking at a new payments platform now, so that will be another area that we invest in. We're constantly going to be investing in cash management and treasury management services. We have to get better at that every day in order to keep up with the mega banks that we compete against, but that's been a focus of ours from day 1.

Kenneth Allen Zerbe - *Morgan Stanley, Research Division - Executive Director*

All right. Looking at NIM, obviously, it's been bit of a headwind for you guys. Is -- you are pushing into C&I, you are presumably reducing liability and sensitivity. How fast can that change? How fast you want that to change?

Eric Raymond Howell - *Signature Bank - EVP of Corporate & Business Development*

It's going to take a little time, right. I don't think, we certainly don't want to take on undue credit risk to make that change, right. So to us, the NIM is a temporary matter, right. Credit, that's a permanent issue, right. So we want to be smart about the credit risk, but as long as the Fed is increasing, if they're going to increase 4 times a year, we're going to see NIM pressure. If they increase 2 times a year, it's going to slow down. If not, we might even see a pickup in NIM at that point. That's going to stop, I think, most people think that they're eventually going to get to a certain level where they're going to stop, right. Once that happens, your asset size catches up. If we see rates go back down, our NIM continues to increase. So to us, the NIM is a temporary issue. So we're always going to focus on credit a little bit more.

Kenneth Allen Zerbe - *Morgan Stanley, Research Division - Executive Director*

I think your last guidance was NIM would be down 1 to 3 basis points per quarter through 2019 given where rates were back and you provided that. Given where rates are today, does that 1 to 3 basis points per quarter compression still hold?

Eric Raymond Howell - *Signature Bank - EVP of Corporate & Business Development*

Yes.

Kenneth Allen Zerbe - *Morgan Stanley, Research Division - Executive Director*

And is there anything that you would consider doing like on the swap side or the hedging side of the portfolio where you're just not financially worth?

Eric Raymond Howell - *Signature Bank - EVP of Corporate & Business Development*

Yes, we actually. We've looked at putting a swap on a couple of -- about 1 year or 1.5 years ago. It didn't make a lot of sense then. Now it actually makes a little bit more sense. So we are right now analyzing swap market, and there is a potential that we'll put on, let's say, $1 billion to $3 billion swap fixed to floating.

Kenneth Allen Zerbe - *Morgan Stanley, Research Division - Executive Director*

This year? Or this quarter?

Eric Raymond Howell - *Signature Bank - EVP of Corporate & Business Development*

This year. It'll take a little while to put a lot on. So this year.

Kenneth Allen Zerbe - *Morgan Stanley, Research Division - Executive Director*

Looking at capital, I guess, you have mentioned capital returns, maybe starting off though, like what's the right level that Signature want? Where should you be given your business mix?

Eric Raymond Howell - *Signature Bank - EVP of Corporate & Business Development*

We really haven't publicly stated that. I'm not so sure we're prepared to do that now. But we have an abundance of capital. So -- and we're generating quite a bit of capital every quarter, certainly enough to support our growth. So we will look to return capital. We'll announce it coming off the quarterly earnings. It'll be either a dividend or a buyback or both, but we do anticipate returning capital.

Kenneth Allen Zerbe - *Morgan Stanley, Research Division - Executive Director*

And just to be clear though, if you'd like, just -- I agree having an abundance of capital is -- you've been such a growth story for so many years, and I don't know if that necessarily changes, but we are seeing growth slowing. So as we think about capital return, are we really moving, I mean, is it a fundamental shift from a growth company to a -- we're actually doing a real buyback and a real dividend? Or is it going to be more of a, I must say, token, but a smaller amount of capital return because you're still a growth company. How should we think about that?

Eric Raymond Howell - *Signature Bank - EVP of Corporate & Business Development*

I think it's more the latter, Ken, right. We are a growth company. We have a lot of avenues for growth. We're very excited about our deposit opportunities, extremely excited about what's going on in the West Coast. So we need the capital for growth. And so I think we're going to dip our toes in the water, token dividend, buyback program and then take it from there.

Kenneth Allen Zerbe - *Morgan Stanley, Research Division - Executive Director*

Okay. And from a regulatory standpoint, is there any need for you to hold more capital versus a traditional normal mid-cap bank?

Eric Raymond Howell - *Signature Bank - EVP of Corporate & Business Development*

No. The regulators have not asked us to or said anything about us having to maintain any higher level of capital than anyone else.

Kenneth Allen Zerbe - *Morgan Stanley, Research Division - Executive Director*

Switching to taxi, if I can.

Eric Raymond Howell - *Signature Bank - EVP of Corporate & Business Development*

Sure.

Kenneth Allen Zerbe - *Morgan Stanley, Research Division - Executive Director*

I know it's always the fun issue. I guess I would certainly agree it's almost behind you, you've about $149 million of loans left, but for all intents and purposes, I'm essentially writing it off close to 0 in my model going forward, and...

Eric Raymond Howell - *Signature Bank - EVP of Corporate & Business Development*

I don't blame you.

Kenneth Allen Zerbe - *Morgan Stanley, Research Division - Executive Director*

Fair enough. So I guess, the question is, is there any reason why that's wrong? Or I mean it's gone down so much, I'm trying figure out is there any value (inaudible) at this point?

Eric Raymond Howell - *Signature Bank - EVP of Corporate & Business Development*

Yes. I mean, there's -- the taxis are making money.

Kenneth Allen Zerbe - *Morgan Stanley, Research Division - Executive Director*

They are?

Eric Raymond Howell - *Signature Bank - EVP of Corporate & Business Development*

They really are. And out of the $150,000, $160,000 market that we wrote them down to, we're having a lot of success in refinancing these drivers at much higher levels. We're selling north of $200,000 at a very regular basis now. But the cash flows are very supportive to these guys at those levels. And they're going to continue to make money, right. So it's -- we just -- we don't see it going away. And we think that the level that we took it down to is protective and we should be fine at this point.

Kenneth Allen Zerbe - *Morgan Stanley, Research Division - Executive Director*

All right. Do you consider -- will you consider at some point just selling it, just getting rid of it because it is pretty material at this point?

Eric Raymond Howell - *Signature Bank - EVP of Corporate & Business Development*

At an appropriate level, we'll be happy to sell.

Kenneth Allen Zerbe - *Morgan Stanley, Research Division - Executive Director*

Great. Is there any questions, I just want to make sure people have the opportunity to ask questions in the audience, if there are any questions? All right. Maybe just one last one just in terms of deposit growth. I understand it varies tremendously, I get that. But it's been such a key focus -- or your deposit growth has been such a positive for many, many years, I guess, given the teams and how you hire the deposit gathering teams. Should we read in to anything that this quarter's growth is a little bit weaker, like any reason why this quarter's growth might be a little bit weaker?

Eric Raymond Howell - *Signature Bank - EVP of Corporate & Business Development*

Ken, we can have $1 billion of growth in the next 2 weeks, and we can have $1 billion of outflow, but we have a lot of deposit opportunities. And like I said, if you look over the course of the year, we're going to have solid deposit growth. But on a quarterly basis, it's just way too hard for us to predict.

John Tamberlane - *Signature Bank - Co-Founder & Vice Chairman*

We keep onboarding quality clients every day. And that's really the key for us. And you can see that in the growth of our non-interest-bearing deposits, which tend to be more stable and grow quarter to quarter. It's the large money market accounts that fluctuate and are hard to predict.

Kenneth Allen Zerbe - *Morgan Stanley, Research Division - Executive Director*

And are you seeing any pricing, well, I shouldn't say any. I know the pricing environment is very challenging for your deposit base. Has that changed in any meaningful way because we're hearing all the banks are talking about deposit base is increasing. And you guys are probably a little more in the higher end. We would love to hear what you're seeing there?

Eric Raymond Howell - *Signature Bank - EVP of Corporate & Business Development*

I mean, I would say, it's in line with what our expectations were. We figured the first couple of moves, no one would move. And then the third would be harder, and the fourth would be harder. I wouldn't say the last move was meaningfully more difficult than the prior, right. So the move happened in March. April was a difficult month for repricing everybody. And then it slows down, right. May is a little bit easier. June, now, not a problem. We're going to hike again. We're going to see that happen again, right. So if we get to the point where the hikes are 2 or 3 times a year, we're going to fine on the margin. And if they come 4 times a year, it's going to put a little pressure on us. Like you said, it's all -- that's all temporary, right. The key is onboard core deposit clients, make smart loans, the margin is going to take care of itself over time.

Kenneth Allen Zerbe - *Morgan Stanley, Research Division - Executive Director*

Perfect. All right. Eric, John, I want to say thank you very much for being here. I appreciate it.

Eric Raymond Howell - *Signature Bank - EVP of Corporate & Business Development*

Thank you.

John Tamberlane - *Signature Bank - Co-Founder & Vice Chairman*

Thank you.

Kenneth Allen Zerbe - *Morgan Stanley, Research Division - Executive Director*

Thanks a lot.
