

AN INTRODUCTION TO



SIGNATURE BANK®

SBA Trading and Sales

2018

The Houston, Texas office of Signature Bank (the "Bank") is a Representative Office of the Bank and not a branch of the Bank. The Representative Office of the Bank does not engage in general banking transactions. The Bank is a U.S. Small Business Administration approved Loan Pool Assembler. The Representative Office of the Bank engages in the purchase and sale of SBA and USDA loans as well as the purchase and sale of SBA Pools.

Member
FDIC



Who We Are

Signature Bank's SBA Trading and Sales Group buys and sells Small Business Association and U.S. Department of Agriculture loans (B+I and FSA) and loan pools. The Group is headquartered in Signature Bank's Representative Office located in Houston, Texas. Since Signature Bank's inception in May 2001, the SBA Group has consistently ranked as one of the nation's top assemblers of SBA pools.

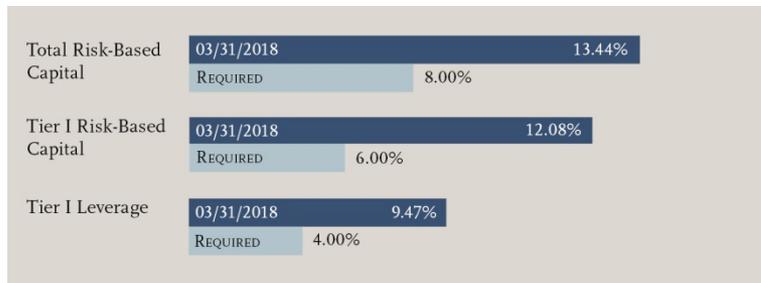
Signature Bank (NASDAQ:SBNY) is a full-service commercial bank with over \$44 billion in assets.



Consistent Growth & Performance



Exceptional Capital Ratios



■ Signature Bank Ratios
 ■ Required Ratios

Capital ratios are the primary indicator of financial strength and creditworthiness in the banking industry. Federal Deposit Insurance Corporation (FDIC) regulations state that banks with Total Risk-based Capital Ratios of 10% or greater and Leverage Ratios of 5% or greater are “well capitalized.”

A+ Deposit and Credit Ratings

Kroll Bond Rating Agency (KBRA) gives Signature Bank high ratings, based on several important characteristics of the Bank:

- A sustainable track record of strong earnings
- Peer-leading returns during the economic downturn
- Overall strong asset quality metrics
- Ongoing healthy liquidity and a strong core deposit base
- Exceptional capital ratios
- A highly experienced management team

Deposits	A+
Senior Unsecured Debt	A+
Subordinated Debt	A
Short-Term Deposits	K1
Short-Term Debt	K1

Issued on October 30, 2015, affirmed on October 16, 2017

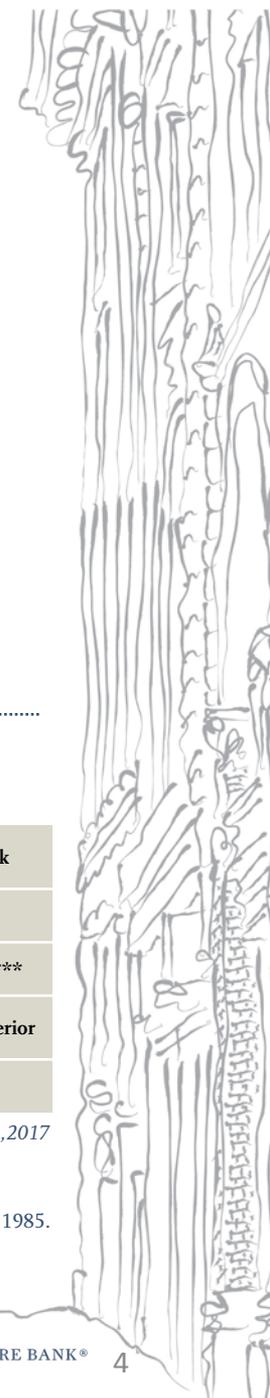
The Kroll Global Bank and Bank Holding Company Rating Methodology evaluates liquidity, asset quality, capital adequacy and earnings. The rating applies at the consolidated bank level.

Strength vs. Competitors

	Signature Bank	Wells Fargo	Capital One	HSBC	Bank of America	Citibank	JP Morgan Chase	TD Bank
BAUER ¹	*****	****	****	****	****	****	****	****
VERIBANC ²	Green / ***	Green / *	Green / *	Green / *	Green / *	Green / *	Green / *	Green / ***
IDC FINANCIAL ³	260 / Superior	284 / Superior	212 / Superior	202 / Superior	281 / Superior	270 / Superior	258 / Superior	218 / Superior
WEISS ⁴	B+	B-	C+	C+	B-	B	B	C+

All ratings as of December 31, 2017

1. Bauer Financial provides ratings free of charge as a consumer service.
2. VERIBANC has been rating the safety and soundness of banks, savings and loan associations, credit unions, and bank holding companies since 1981.
3. IDC Financial Publishing, Inc. (IDC) has been using its unique CAMEL analysis to rate the safety and soundness of banks, savings institutions, and credit unions since 1985.
4. Weiss Ratings has been providing high quality advisory information for selecting or monitoring a financial services company or financial investment since 1987.



Nationally Recognized and Honored by Business Media



About the Small Business Administration (SBA)

The Small Business Administration, an agency of the Federal government, was created in 1953 to assist the needs of Small Business in the U.S. According to the SBA Office of Advocacy, a small business is defined as an independent business having fewer than 500 employees.

The SBA Today

The SBA has grown significantly in terms of total assistance provided and its array of programs have been tailored to encourage small enterprises in all areas. SBA's programs now include financial and federal contract procurement assistance, management assistance, and specialized outreach to women, minorities and armed forces veterans. SBA also provides loans to victims of natural disasters and specialized advice and assistance in international trade.



The Secondary Market for SBA Loans

- The secondary market for the guaranteed portions of SBA Loans was created in 1974.
- In 1984 the Secondary Market Improved Act provided for central registration and servicing of loans by a single fiscal and transfer agent (FTA). More importantly, the legislation allowed for pooling of SBA Loans.
- Colson Services Corp., based in New York, is the SBA-appointed FTA.
- Since the inception of the Act, over \$60 billion in SBA-guaranteed pools have been issued.
- SBA Pool issuance for 2017 was more than \$8.9 billion.
- SBA Pool Assemblers Must:
 - ▶ Meet minimum financial requirements.
 - ▶ Be in good standing with SBA
 - ▶ Be regulated by the agency or a financial regulatory institution.
 - ▶ Submit to governmental background checks.
 - ▶ Pay an application fee.

Source: Bloomberg



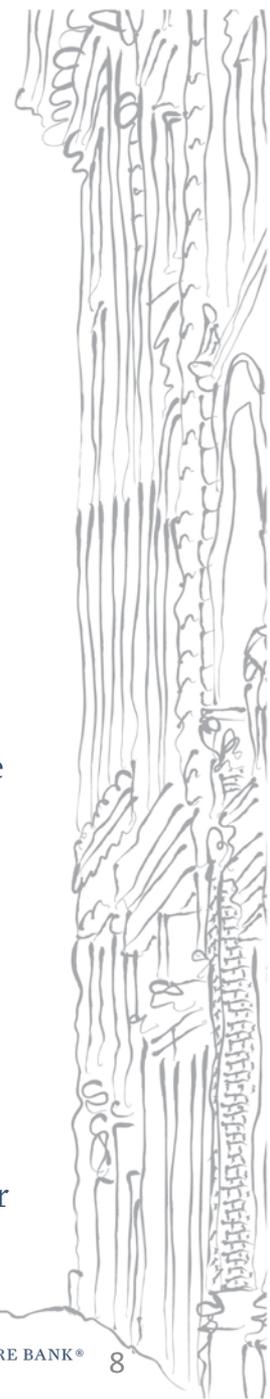
SBA Pool Investment Characteristics

■ Coupons

- ▶ Coupon Pool rates are tied to the Wall Street Journal Prime Rate and adjust monthly or quarterly.
- ▶ Variable-rate loans reset monthly on the first of each month or quarterly on the first of January, April, July and October. Coupons on these securities are usually quoted in the terms of their spread to the Prime Rate index rather than by current coupon.
- ▶ The maximum coupon allowable in the secondary market under present SBA regulation equals Prime plus 1.075%. Most SBA Pools do not have caps or floors on their rates, so investors should recognize the benefit of a fully adjustable coupon in the event of increases or decreases in interest rates over the life of the investment. SBA Pool owners earn a positive spread in relation to other short-term yields.

■ Maturities

The terms on new issues range from 7 to 25 years. Remaining maturities of less than seven years are available through investment in seasoned SBA Pools. SBA Loans must have similar terms and features in order to be pooled with one another. Thus certain maturities have become more or less standard for SBA Pools, i.e, 7-year, 10-year, 12-year, 15-year, 20-year and 25-year.



■ Payment Schedules

Almost all SBA Loans and Pools make monthly payments of principal and interest based on a level-debt service, or “mortgage-type” amortization schedule. This feature offers investors the advantage of being able to reinvest cash flows 12 times per year, thus creating a compounding effect. Like similar mortgage-backed securities, yields on SBA Pools are quoted on a “bond-equivalent” basis, which allows investors to compare this monthly paying security with other debt instruments that pay semi-annually. SBA Pools are not simply pass-through securities. While borrower payments are applied to the pool payments, some important differences exist between SBA Pool payment and the underlying cash flows on the loans. These differences include:

- ▶ Timely remittances of principal and interest are guaranteed on SBA Pools and are issued on the 25th of each month by the FTA.
- ▶ Payment schedules are re-amortized to accommodate coupon changes every time rates are adjusted.
- ▶ There is a pass-through delay of 84 days on variable-rate SBA Pools.
- ▶ Amortization schedules are based on the final maturities of SBA Pools and on the net-pool rate.

The features of the payment method for SBA Pools give investors the benefit of receiving precisely the correct amount of principal and interest to account for variable rates. Significantly, the payment schedule for SBA Pools precludes any possibility of negative amortization. All SBA Pools are fully amortized by their maturity dates.



Potential Advantages of Investing in SBA Pools

Interest Rate Sensitivity

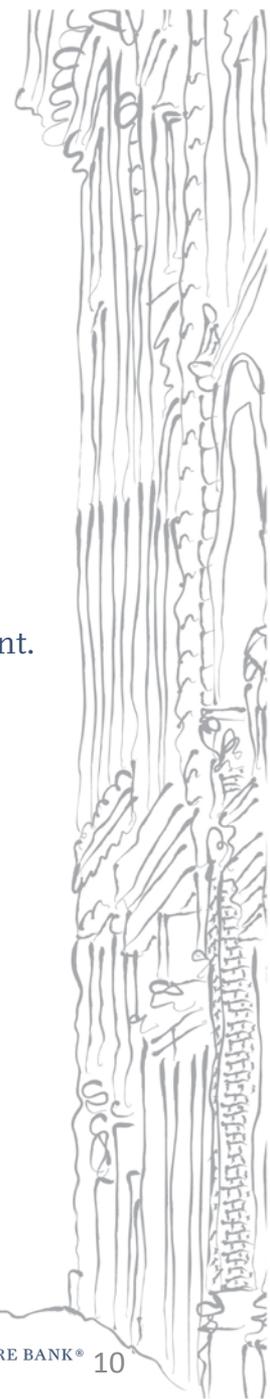
- Variable rate feature allows upside yield potential should rates rise and maintains spreads over other indices should rates fall; also allows institutions to maintain spread above their cost of funds.
- Pool rates are tied to the *Wall Street Journal* Prime Rate and adjust monthly or quarterly.
- Pools may be matched against short term re-pricing liabilities (deposits) for GAAP management.

Safety

- SBA pools carry the Full Faith and Credit guarantee of the U.S. Government.
- Unconditional guarantee of timely payment of principal and interest.
- Zero percent risk-based capital for insured financial institutions.

Actively Traded in the Secondary Market

- Continuing growth of SBA loan originations provides additional liquidity.
- Maturities range from 5 to 25 years to meet the needs of various investors.
- Pools are DTC eligible.
- Market size is approximately \$50 billion.
- Numerous dealers are active participants in the SBA market.



Characteristics of SBA Pools

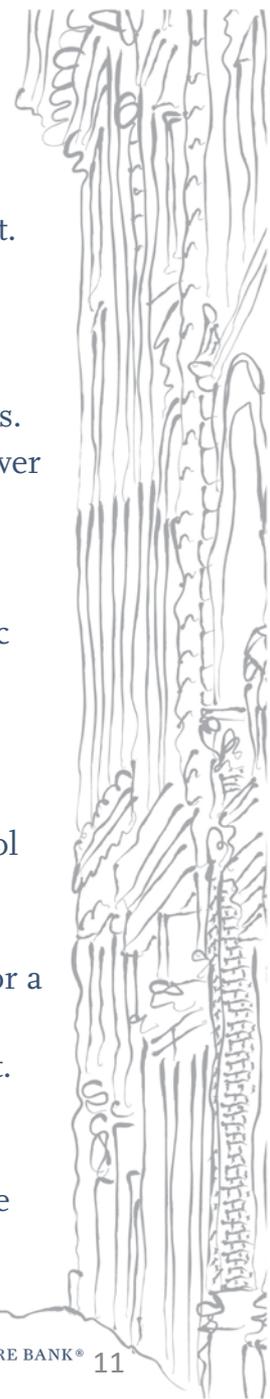
- Guaranteed status ensures strict underwriting guidelines, therefore lowering the risk of default.
- Diversification is derived from numerous SBA loans.
- Adjustable rate feature reduces the incentive to refinance, therefore reducing prepayment risk.
- Most pools have no periodic caps and usually no lifetime caps.
- The Prime Rate historically increases quicker and decreases slower than other benchmark rates.
- Prepayment penalties offer protection from prepayment risk (any prepayment paid by a borrower is paid to the SBA as a “subsidy recoupment fee”).

Regulatory Considerations

SBA pools are generally treated as investments and may be used as pledgeable collateral for Public Funds, Federal Reserve and Treasury Tax and Loan Accounts – check with your regulator for specifics.

The SBA Pooling Process

- Financial institution originates a new SBA loan and sells the guaranteed portion to an SBA pool assembler.
- The pool assembler combines several SBA loans of similar characteristics into a pool.
- By “stripping away” a portion of the coupon from each loan, the assembler may sell the pool for a lower dollar price.
- Resulting security maintains the same Full Faith and Credit guarantee of the U.S. Government.
- Each investor in a SBA pool owns an interest in a diverse group of SBA loans.
- Each month, the lender (originator) remits the pro-rata share of the principal and interest payment from the guaranteed portion of the loan to the Fiscal and Transfer Agent (FTA) for the Small Business Administration.
- FTA then forwards the applicable payment to the SBA pool investor.



Current SBA Pool Characteristics

	Regular Prime/LIBOR Pools	WAC Pools
Index	Coupon rate adjusts monthly or quarterly based on Wall Street Journal Prime Rate	Coupon rate adjusts monthly or quarterly based on Wall Street Journal Prime Rate
Coupon Rate	Index + The Margin	Coupon rate set at the weighted average net interest rate of all loans in the pool.
Max Difference in Gross Coupon Rate	2%	2%
Max Difference in Net Coupon Rate	n/a	75 basis points
Max Maturity Difference	6%	6%
Min Number of Loans	4	10
Min Dollar Size	\$1,000,000	\$1,000,000
Individual Loan Limit	25% of the entire original pool	10% of the entire original pool
Maturity Date	The 25 th of the month following the longest loan maturity	The 25 th of the month following the longest loan maturity
Interests	Purchased in minimum denominations of \$25,000 with additional increments of \$5,000 Only one tail piece per pool	Purchased in minimum denominations of \$25,000 with additional increments of \$5,000 Only one tail piece per pool

Notes:

- 1) WAC on pool certificates will reset monthly based on the balance on the pool's underlying loans, which will be affected by principal repayments, and/or defaults in the underlying loans.
- 2) No stripped loans allowed in WAC pools.

This information is for informational purposes only and is not intended as an offer to sell or a solicitation of an offer to buy any security. Although this information has been obtained from sources Signature Bank believes to be reliable (some of which are third parties), Signature Bank does not guarantee that it is accurate or complete, and should not be relied upon as such.

Signature 2017 SBA Pool Production

Pool Number	Cusip	Issuer	Issue Date	Maturity	Original Pool Size	Loan Count	Coupon	Reset	Index	+/- Spread	Pool Type
SBA509942	83164MBK4	SIGNATURE BANK	1/1/2017	1/25/2042	29,010,421.37	31	1.750	QUARTRLY	PRIME	-2.75	STANDARD
SBA509944	83164MBM0	SIGNATURE BANK	1/1/2017	1/25/2042	108,833,986.79	50	1.950	QUARTRLY	PRIME	-2.55	STANDARD
SBA522354	83165AZT4	SIGNATURE BANK	1/1/2017	10/25/2029	34,059,104.85	146	5.585	QUARTRLY	PRIME	1.085	WAC
SBA522355	83165AZU1	SIGNATURE BANK	1/1/2017	1/25/2042	26,940,369.51	54	5.302	QUARTRLY	PRIME	0.802	WAC
SBA522362	83165AZ31	SIGNATURE BANK	2/1/2017	6/25/2042	20,930,861.42	36	5.318	QUARTRLY	PRIME	0.818	WAC
SBA522363	83165AZ49	SIGNATURE BANK	2/1/2017	6/25/2042	28,924,831.20	38	5.311	QUARTRLY	PRIME	0.811	WAC
SBA509968	83164MCD9	SIGNATURE BANK	3/1/2017	3/25/2042	27,265,981.23	29	1.750	QUARTRLY	PRIME	-2.75	STANDARD
SBA509971	83164MCG2	SIGNATURE BANK	3/1/2017	2/25/2042	20,014,675.02	30	2.700	QUARTRLY	PRIME	-1.8	STANDARD
SBA509972	83164MCH0	SIGNATURE BANK	3/1/2017	3/25/2042	39,766,552.42	50	5.350	QUARTRLY	PRIME	0.85	STANDARD
SBA509974	83164MCK3	SIGNATURE BANK	3/1/2017	7/25/2042	60,615,443.90	56	1.950	QUARTRLY	PRIME	-2.55	STANDARD
SBA509975	83164MCL1	SIGNATURE BANK	3/1/2017	10/25/2041	20,096,173.06	12	2.000	QUARTRLY	PRIME	-2.5	STANDARD
SBA509978	83164MCP2	SIGNATURE BANK	3/1/2017	3/25/2042	59,800,326.19	49	1.950	QUARTRLY	PRIME	-2.55	STANDARD
SBA522376	83165A2H6	SIGNATURE BANK	3/1/2017	9/25/2028	39,768,417.30	112	5.274	QUARTRLY	PRIME	0.774	WAC
SBA522379	83165A2L7	SIGNATURE BANK	3/1/2017	11/25/2029	17,693,284.53	111	5.691	QUARTRLY	PRIME	1.191	WAC
SBA522380	83165A2M5	SIGNATURE BANK	3/1/2017	4/25/2042	35,519,473.70	53	4.971	QUARTRLY	PRIME	0.471	WAC
SBA509984	83164MCV9	SIGNATURE BANK	4/1/2017	3/25/2043	66,199,348.89	52	1.950	QUARTRLY	PRIME	-2.55	STANDARD
SBA509985	83164MCW7	SIGNATURE BANK	4/1/2017	1/25/2042	20,088,849.41	31	2.700	QUARTRLY	PRIME	-1.8	STANDARD
SBA522391	83165A2Y9	SIGNATURE BANK	4/1/2017	5/25/2042	29,623,245.04	37	5.339	QUARTRLY	PRIME	0.839	WAC
SBA509993	83164MC64	SIGNATURE BANK	5/1/2017	5/25/2042	23,449,291.97	29	1.750	QUARTRLY	PRIME	-2.75	STANDARD
SBA509999	83164MDC0	SIGNATURE BANK	5/1/2017	8/25/2042	44,727,013.83	46	1.950	QUARTRLY	PRIME	-2.55	STANDARD
SBA510000	83164MDD8	SIGNATURE BANK	5/1/2017	5/25/2042	28,635,742.44	42	5.079	QUARTRLY	PRIME	0.579	STANDARD
SBA522402	83165A3K8	SIGNATURE BANK	5/1/2017	5/25/2042	24,484,332.37	31	5.343	QUARTRLY	PRIME	0.843	WAC
SBA522414	83165A3X0	SIGNATURE BANK	6/1/2017	10/25/2042	34,217,633.61	46	5.278	QUARTRLY	PRIME	0.778	WAC
SBA510022	83164MD30	SIGNATURE BANK	7/1/2017	7/25/2042	28,274,362.22	25	1.750	QUARTRLY	PRIME	-2.75	STANDARD
SBA510023	83164MD48	SIGNATURE BANK	7/1/2017	6/25/2030	17,481,265.75	20	4.375	QUARTRLY	PRIME	-0.125	STANDARD
SBA510028	83164MD97	SIGNATURE BANK	7/1/2017	7/25/2042	45,336,991.58	57	3.875	QUARTRLY	PRIME	-0.625	STANDARD
SBA522423	83165A4G6	SIGNATURE BANK	7/1/2017	12/25/2028	27,915,270.00	82	5.310	QUARTRLY	PRIME	0.81	WAC
SBA522425	83165A4J0	SIGNATURE BANK	7/1/2017	6/25/2029	31,120,183.63	132	5.594	QUARTRLY	PRIME	1.094	WAC
SBA510046	83164MET2	SIGNATURE BANK	8/1/2017	8/25/2042	53,969,690.82	23	1.950	QUARTRLY	PRIME	-2.55	STANDARD
SBA510047	83164MEU9	SIGNATURE BANK	8/1/2017	9/25/2042	20,460,851.79	30	4.329	QUARTRLY	PRIME	-0.171	STANDARD
SBA522427	83165A4L5	SIGNATURE BANK	8/1/2017	12/25/2042	23,582,491.65	36	5.377	QUARTRLY	PRIME	0.877	WAC
SBA510056	83164ME54	SIGNATURE BANK	9/1/2017	8/25/2042	22,480,429.32	35	5.329	QUARTRLY	PRIME	0.829	STANDARD
SBA510087	83164MF46	SIGNATURE BANK	10/1/2017	10/25/2042	55,686,631.57	31	1.925	QUARTRLY	PRIME	-2.575	STANDARD
SBA510088	83164MF53	SIGNATURE BANK	10/1/2017	1/25/2028	77,140,405.53	400	5.579	QUARTRLY	PRIME	1.079	STANDARD
SBA510091	83164MF87	SIGNATURE BANK	10/1/2017	10/25/2042	25,405,311.69	30	5.000	QUARTRLY	PRIME	0.5	STANDARD
SBA522451	83165A5L4	SIGNATURE BANK	10/1/2017	10/25/2042	32,888,539.78	30	4.692	QUARTRLY	PRIME	0.192	WAC
SBA510100	83164MGH6	SIGNATURE BANK	11/1/2017	10/25/2042	27,755,745.17	31	1.750	QUARTRLY	PRIME	-2.75	STANDARD
SBA510102	83164MGK9	SIGNATURE BANK	11/1/2017	9/25/2042	27,772,166.45	30	3.829	QUARTRLY	PRIME	-0.671	STANDARD
SBA510103	83164MGL7	SIGNATURE BANK	11/1/2017	7/25/2043	31,066,657.39	40	4.829	QUARTRLY	PRIME	0.329	STANDARD
SBA510111	83164MGU7	SIGNATURE BANK	12/1/2017	12/25/2042	10,047,805.00	8	1.850	QUARTRLY	PRIME	-2.65	STANDARD
SBA510113	83164MGW3	SIGNATURE BANK	12/1/2017	2/25/2043	40,484,728.37	18	1.850	QUARTRLY	PRIME	-2.65	STANDARD
SBA522464	83165A5Z3	SIGNATURE BANK	12/1/2017	2/25/2028	115,289,392.24	363	5.286	QUARTRLY	PRIME	0.786	WAC

Please note: All data shown above is supplied for informational purposes only and is not intended as an offer to buy and sell SBA Pools.



Potential Advantages of Investing in SBA Interest-Only Strips

- For the sophisticated institutional investor, a diversified package of SBA Interest Only Strips (IOs) can offer a significant yield for a fixed-income portfolio. An SBA IO is a stream of interest payments which has been created by stripping from a diversified pool of 100% government guaranteed SBA loans. The coupon has been stripped from individual loans to enhance their marketability to buyers of SBA pools.
- SBA loans usually carry high coupons (e.g. Prime+1.00% to 2.75%); carving off a portion of their interest subsequently allows the SBA pools to trade near par, rather than at a premium price. The resulting SBA IOs are called Confirmations of Originator Fees (COOFs).
- Ownership in a SBA IO is evidenced by a physical certificate, again referred to as a COOF, which is registered in the holder's name. An investor who owns multiple IOs receives one check per month with a breakdown of amounts related to each item. SBA IOs are transferable by the holder.
- The purchase of an entire package of SBA IOs or COOFs represents premium paid on purchased interest and is not guaranteed by the SBA, its fiscal and transfer agent, or the United States Government. The interest however, is guaranteed by the United States Government so long as the underlying loans remain outstanding.
- SBA IOs are not a liquid investment and your intention should be to hold to maturity. No assurance can be made of a ready market for IOs. The speed at which the underlying loans prepay may fluctuate. Prepayment speed has a significant impact on the yield and average life of the investment. A well diversified SBA IO portfolio with large outstanding principal balances, geographic and industrial diversification may reduce some of the risk associated with this type of product. SBA IOs are considered high risk investments and may not be suitable for your institution. It should not be bought for capital gain purposes; its marketability may be weak.



Investing in SBA and USDA Loans

The Small Business Administration (SBA) and the Rural Development Program of the United States Department of Agriculture (USDA) are federal agencies whose common goal is to help small domestic businesses. The SBA and USDA loan guarantee programs enable eligible businesses to obtain affordable loans for working capital and purchases of machinery, equipment, and real estate. Many SBA and USDA lenders have found tremendous benefits in retaining these loans in their portfolios as part of an effective asset/liability management program. If their loan demand decreases, these lenders often purchase SBA and USDA loans in the secondary market. Some institutions, in fact, limit their origination activity and choose to manage their balance sheets by simply buying loans. The secondary market for these government guaranteed products has grown dramatically over the past few years and should continue to grow as more institutions understand their benefits.

Loan Characteristics

Principal and interest on most SBA and USDA loans is paid out on a monthly basis. SBA and USDA loans carry the “Full Faith and Credit” guarantee of the U.S. Government as to payment of principal and interest. With this guarantee, they offer credit quality similar to that of U.S. Treasury securities.



The rates of most SBA and USDA loans reset on a monthly or quarterly basis and are tied to *Wall Street Journal* Prime Rate. The variable rate protects originators and purchasers from changes in the economy that impact interest rates and also allows the institutions to earn a spread over their associated cost of funds. Variable rate SBA and USDA loans are typically compared to short-term investments for yield purposes and may offer stable values as interest rates fluctuate. The yields on variable rate SBA and USDA loans are generally attractive compared to those of 30-90 day Treasury bills and closely resemble current market conditions.

SBA and USDA loans with unusual reset dates, seasonal payment schedules, or coupon caps may earn higher yields than traditional SBA and USDA loans. Their less active secondary market results in greater market risk.

Regulatory Agency Considerations

The associated risk based capital percentages will vary depending on the particular regulatory agency. Under the Office of the Comptroller of the Currency (OCC), SBA and USDA loans fall into the “0” percent category. The “Full Faith and Credit” status of the SBA and USDA loans allows them to be pledged as collateral for Treasury, Tax, and Loan accounts (TT&L) as well as discounted at the Federal Reserve. Many municipalities will accept these government guaranteed loans for pledging purposes. In most cases, SBA and USDA loans that are purchased by depository institutions and originated within the purchaser’s lending area should qualify for credit under the Community Reinvestment Act.



Potential Advantages of Selling SBA Loans

- SBA Loans can be sold at premium prices.
 - ▶ SBA lending department may become a company profit center.
 - ▶ Potential to realize profits on sale of originated loans.
 - ▶ Strong investor demand for SBA loans and pools.
 - ▶ “Full Faith and Credit” guarantee of the U.S. Government.
- Increased liquidity.
 - ▶ Loans can be sold into the secondary market.
 - ▶ Sale proceeds can be used to originate new SBA loans.
 - ▶ More funds are available to meet loan demand.
 - ▶ Government guarantee ensures marketability of loans.
- Potentially create or increase your servicing portfolio.
 - ▶ A minimum 100 bps servicing fee must be retained for each SBA loan sold.
 - ▶ Rapidly build up or “leverage” into a large servicing portfolio.
 - ▶ Prepayment penalties and increased fees offer lenders protection from prepayment risk.



- Maintain relationships with your clients
 - ▶ Premiums received from sales allow the lender to reduce some or all of borrower's origination fees.
 - ▶ Originating lender continues to service client loans.

- Other lending considerations
 - ▶ SBA lenders can apply and may qualify for Certified or Preferred lending programs
 - ▶ Certified lenders are guaranteed a three-day turnaround on their applications.
 - ▶ Preferred lenders have unilateral authority to approve loan applications.

- The SBA Loan Sale Process
 - ▶ A financial institution originates a new SBA loan and sells the guaranteed portion (which can be up to 90% of the total gross loan amount) into the secondary market.
 - ▶ The lender must retain a minimum servicing fee of 100 bps from each loan sold
 - ▶ Sale of the guaranteed portion of the loan is documented in SBA Form 1086, "Secondary Participation Guarantee and Certification Agreement." A certified copy of the note, SBA Form 147, must be attached.
 - ▶ Each month, the lender remits the pro-rata share of the principal and interest payment on the guaranteed portion of the loan to the Fiscal and Transfer Agent (FTA) for the Small Business Administration.
 - ▶ The FTA forwards the applicable portion of the payment to the investor.

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