



Signature Bank's Representative Office located in Houston, Texas, buys and sells SBA loans and pools to help meet the financial objectives of institutions nationwide. The Trading Group is:

- An assembler of SBA pools for sale to institutional investors
- An active purchaser of SBA Loans
- Committed to client service
- Dedicated to quick turnaround time for settlements of SBA loans

## 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 or the SBA Libor Base Rate and adjust monthly or quarterly
- Pools may be matched against short term repricing liabilities (deposits) for GAAP management

### 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

### 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

## About Signature Bank

Signature Bank is a New-York based commercial-bank (Nasdaq: SBNY). Signature Bank is one of the top 1% of commercial banks in the country ranked by asset size. The bank regularly maintains capital ratios and tier one risk ratios well above industry standards.

### Unique Characteristics of SBA Pools

- Guaranteed status ensures strict underwriting guidelines, therefore lowering the risk of default
- Diversification is derived from numerous SBA loans
- Most pools have no periodic caps and usually no lifetime caps
- Prime Rate and the One Month LIBOR Rate historically increase quicker and decrease 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

### Signature Bank SBA Trading and Sales

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Signature Bank's Houston, Texas, office is a Representative Office, and not a branch of the Bank. The Representative Office does not engage in general banking transactions.

## 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

## SBA Pool Characteristics

	Regular Prime/LIBOR Pools	WAC Pools
<b>Index</b>	Coupon rate adjusts monthly or quarterly based on <i>Wall Street Journal</i> Prime Rate or One Month LIBOR + 3.00 = LIBOR BASE RATE	Coupon rate adjusts monthly or quarterly based on <i>Wall Street Journal</i> Prime Rate or One Month LIBOR + 3.00 = LIBOR BASE RATE
<b>Coupon Rate</b>	Index + The Margin	Coupon rate set at the weighted average net interest rate of all loans in the pool
<b>Maximum Difference in Gross Coupon Rate</b>	2%	2%
<b>Maximum Difference in Net Coupon Rate</b>	n/a	75 basis points
<b>Maximum Maturity Difference</b>	6%	6%
<b>Minimum Number of Loans</b>	4	10
<b>Minimum Dollar Size</b>	\$1,000,000	\$1,000,000
<b>Individual Loan Limit</b>	25% of the entire original pool	10% of the entire original pool
<b>Maturity Date</b>	The 25th of the month following the longest loan maturity	The 25th of the month following the longest loan maturity
<b>Interests</b>	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 of the pool's underlying loans, which will be affected by principal repayments, prepayments, and/or defaults in the underlying loans
2. No stripped loans allowed in WAC pools