2011 Annual Report

A Foundation Built on Service

Company Profile

Signature Bank, member FDIC, is a full-service commercial bank with 25 private client offices located throughout the New York metropolitan area. The Bank primarily serves privately owned businesses, their owners and senior managers. Signature Bank offers a broad range of business and personal banking products and services as well as investment, brokerage, asset management and insurance products and services through its subsidiary, Signature Securities Group Corporation, a licensed broker-dealer, investment adviser and member FINRA/SIPC.

Signature Bank's 25 New York-area Private Client Banking Offices

Manhattan

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
2 Penn Plaza

Brooklyn

26 Court Street
84 Broadway
6321 New Utrecht Avenue

Queens

36-36 33rd Street, Long Island City
78-27 37th Avenue, Jackson Heights
8936 Sutphin Boulevard, Jamaica

Bronx

421 Hunts Point Avenue

Staten Island

2066 Hylan Boulevard

Westchester

1C Quaker Ridge Road, New Rochelle
360 Hamilton Avenue, White Plains

Long Island

1225 Franklin Avenue, Garden City
279 Sunrise Highway, Rockville Centre
68 South Service Road, Melville
923 Broadway, Woodmere
40 Cuttermill Road, Great Neck
100 Jericho Quadrangle, Jericho

Since its founding, Signature Bank's service-based, relationship banking premise has been the hallmark of its success. In 2011, this unrelenting commitment to service led to the Bank's strengthened market position, strong financial results, expanding private client banking team network, increased recognition among third parties and heightened awareness as one of the nation's leading financial institutions.

Financial Highlights

(in thousands)

	2007	2008	2009	2010	2011
Total assets	$ 5,845,172	7,192,199	9,146,112	11,673,089	**14,666,120**
Total loans	2,025,578	3,470,542	4,376,098	5,244,664	**6,850,726**
Total deposits	4,511,890	5,387,886	7,222,546	9,441,227	**11,754,138**
Shareholders' equity	425,756	698,135	803,659	944,547	**1,408,116**
Net interest income after provision for loan losses	134,474	168,383	219,680	298,486	**407,911**
Non-interest income	8,746	27,645	34,632	42,648	**42,038**
Non-interest expense	99,062	123,820	149,885	164,896	**182,724**
Income before income taxes	44,158	72,208	104,427	176,238	**267,225**
Net income available to common shareholders	$ 27,279	42,969	50,523	102,051	**149,526**

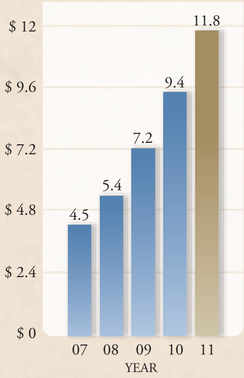
(Left to right) Joseph J. DePaolo, President and Chief Executive Officer and Scott A. Shay, Chairman of the Board

To our Shareholders

Service and safety are at the core of our culture. During 2011, the service commitment upon which Signature Bank was built led to another year of record results, solid financial performance and stability. During 2011, deposits grew 24.5 percent, loans expanded 30.6 percent, assets rose 25.6 percent, capital increased 49.1 percent and annual net income was up 46.5 percent.

When we built Signature Bank from the ground up, we had the opportunity to create a banking model centered on relationships and unrivaled service.

DEPOSITS
(in billions)



There is no denying that in the world of banking, most institutions look to distinguish themselves by tritely claiming they deliver stellar service. However, everyone knows actions speak louder than words. While many say they pride themselves on building relationships, few institutions really make good on this promise. The ability to offer incomparable service is a goal on which so many fail to deliver.

At Signature Bank, our actions have been clear since our inception. And, our pledge to provide unparalleled service has always been apparent to the thousands of clients we serve and the hundreds of bankers we call our colleagues.

THE SIGNATURE BANK SECRET TO SUCCESS

We do not view exceptional service as a trend or a fad. In fact, we never promote our service message in any advertising campaigns or plaster it across billboards. We simply view it as the hallmark of our business, the way relationship banking should be conducted.

The service platform we created 11 years ago involves the establishment of numerous private client banking teams, each of which serve as a single point of contact for our clients – primarily privately owned businesses, their owners and senior managers. We are completely focused on the relationships our teams forge with their clients. Furthermore, we are highly selective in the teams we bring on board and the clients to whom they cater.

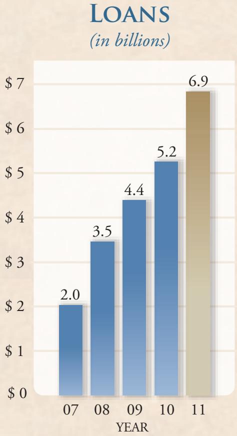
Signature Securities Group President and CEO William J. Maguire works on a client investment management proposal with JoAnn Rossano, Group Director and Senior Vice President, at the White Plains office.

We attract some of the metropolitan New York area's most seasoned bankers, many of whom have become frustrated with the bureaucracy and ever-changing environment found at the mega-banks which dominate today's banking landscape. This affords Signature Bank an opportunity to recruit veteran bankers and offer them a platform from which to manage their relationships. Our bankers are the "advertisement" for Signature Bank through their ability to garner deposits and extend loans.

During 2011, many negative events occurred, which continued to cloud the global economic landscape.

SOLID AS A ROCK

Signature Bank continues to outperform despite the challenging environment for the banking industry.



Throughout 2011, many circumstances further negatively impacted the global economy, including the tragic tsunami that hit Japan, the debt ceiling crisis, the U.S. debt downgrade by Standard & Poor's and the European sovereign debt crisis. All of these issues exacerbated economic uncertainty worldwide.

Nonetheless, Signature Bank's performance hit record levels once again. For the year ended December 31, 2011, net income reached a record $149.5 million, or $3.37 diluted earnings per share, an increase of 46.5 percent versus $102.1 million, or $2.46 diluted earnings per share, reported in 2010. The dramatic increase in net income during 2011 was mainly the result of an increase in net interest income, which was positively affected by both core deposit and loan growth.

In 2011, deposits rose a record $2.31 billion or 24.5 percent since 2010, reaching $11.75 billion. Core deposits (excluding short-term escrow and brokered deposits) grew a record $2.13 billion, or 24.2 percent. This true, organic growth was achieved without making any acquisitions. Signature Bank's loan portfolio expanded a record $1.61 billion to $6.85 billion at December 31, 2011, an increase of 30.6 percent. We continue to stay the course as it relates to our pragmatic approach of selectively lending to high-quality borrowers who share strong banking relationships with us.

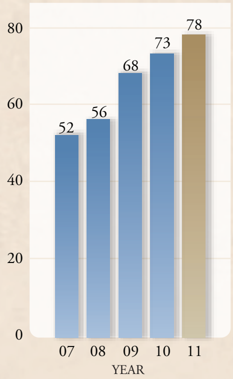
Signature Bank's capital position, the cornerstone of our model, was further strengthened this past year through strong earnings and another successful public offering in July 2011, where we raised

$253.3 million. At year-end 2011, tier 1 leverage, tier 1 risk-based and total risk-based capital ratios were 9.67 percent, 17.08 percent and 18.17 percent, respectively. Our strong risk-based capital ratios are reflective of the relatively low-risk profile of the Bank's sensibly managed balance sheet. Furthermore, the Bank's tangible common equity ratio remains strong at 9.60 percent.

It is the dedication of our Group Directors and private client banking teams that has led to the Bank's ability to achieve these significant growth levels in both deposits and loans.

Group Directors and Senior Vice Presidents Steven J. Tuchler (l.) and Steven N. Kocoris (r.) leave their offices at Signature Bank in Great Neck to head to a client meeting.

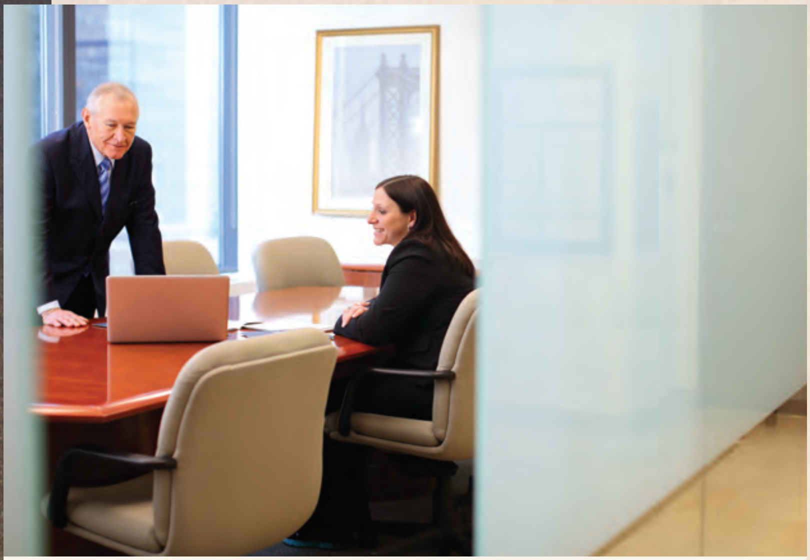
TEAMS



A TEAM EFFORT

Signature Bank has secured a sound reputation among veteran bankers eager to join our growing network. We have become a sought-after destination for experienced bankers seeking a platform from which to grow their business and fortify their client relationships. At Signature Bank, these professionals know their purpose here is to sustain and build relationships by offering their banking teams as the client's single point of contact for all their financial needs. The private client banking team is the source for whatever services may be relevant to a particular client.

The scope of services and levels of commitment to financial care that each of our private client banking teams bring to their clients could not be delivered without the strength and reach of our support and administrative services professionals. They make it possible for our teams to ensure they meet clients' daily needs.



John T. Myszko, Group Director and Senior Vice President, visits with Residential Lending Area Supervisor Dawn Lipiro, at his offices in the Bank's corporate headquarters where they address a pending client loan.

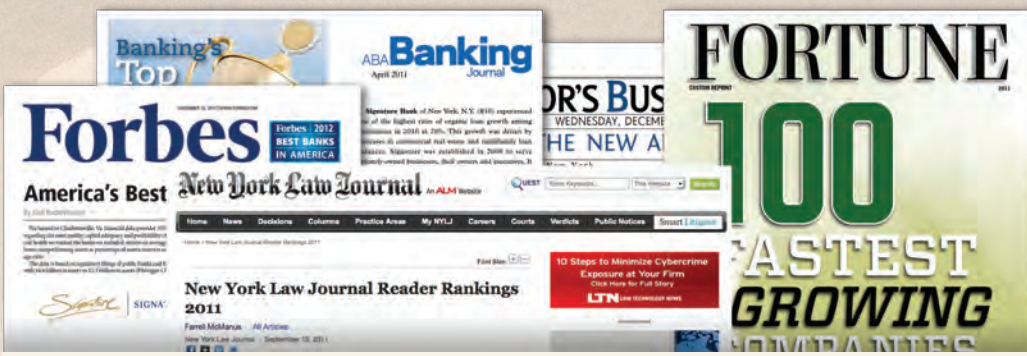
Signature Bank ended the year with 78 private client banking teams headed by 106 Group Directors, all of whom have welcomed the autonomy and enjoyed the opportunity to nurture client relationships. During 2011, seven teams joined and nine existing groups were expanded through the addition of various banking professionals.

We also introduced our 25th private client banking office, marking our ninth in Manhattan. It is important to note that we are not a retail bank; you won't find Signature Bank on every corner. Instead, we open offices – mainly on higher floors in larger buildings – in areas where our seasoned bankers have already established a stable, substantial client base.

RECOGNIZABLE RESULTS

As we continue to gain more traction in the banking marketplace, we are proud that, based on a third-party survey of our colleagues, we were named among *Crain's* 2011 Best Places to Work in NYC, where Signature Bank ranked 21 out of 50 and also was the only bank to rank on the 2011 annual list as well as in the past two years. This was truly an honor as *Crain's* selected the top 50 best places to work in New York City from among thousands of employers.

The commitment of our extremely productive, highly satisfied colleagues has contributed to a remarkable year of recognition for Signature Bank. Our ability to deliver stellar service, to keep depositor safety at the forefront of our banking philosophy, and demonstrate our unyielding capabilities in attracting the New York metro area's most talented professionals, has contributed to a continually advancing market leadership position.



Signature Bank's commitment to service and single-point-of-contact approach to forging lasting client relationships has reaped solid record financial results and led to significant third-party recognition.

In addition to being named by *Crain's* as one of the best places to work in New York City, the Bank's extraordinary 2011 financial performance earned it many other accolades last year, including:

- Receiving recognition as the fifth Best Bank in America on *Forbes* list of the top 100;
- Obtaining the number seven slot, its highest rank ever, in the *Crain's* New York Business ranking of New York's Fastest-growing Public Companies;
- Making an inaugural appearance on *Fortune's* list of 100 Fastest-growing companies, occupying the 69th position;
- Being named in both the Best Business Bank (ranked third) and Best Private Bank (ranked second) categories by the *New York Law Journal*, based on their annual reader opinion poll; and,
- Landing on *ABA Banking Journal's* list of Banking's Top Performers, securing the 10th spot because the Bank experienced a 20 percent gain in organic loan growth, one of the highest rates among institutions in 2010.

Group Director and Senior Vice President Paul A. Santamaria (l.), George M. Hoffman (c.), Funds Transfer Manager and Alyson L. Stone (r.), Vice President-Corporate Strategy and Assistant to the President, meet at the Bank's midtown Manhattan office on Madison Avenue and 38th Street, to discuss the electronic banking services offered by Signature Bank.

From their home base in the Melville, Long Island office, Eileen Dignam, Group Director and Vice President (l.), and Susan M. Duggan, Senior Lender and Vice President (c.) discuss new products with Training Specialist Allison Katz (r.).

BANKING ON NEW YORK

For more than a decade, Signature Bank has served clients across the metropolitan New York area, now with more than 100 Group Directors who call our 25 private client banking offices spanning the five boroughs (extending to Long Island and Westchester) home.

We have built a loyal client base by serving the New York area and dedicating ourselves to depositor safety and the delivery of unparalleled service. We have grown to a nearly $15 billion bank by staying focused on an area where we know our unsurpassed service is needed and appreciated, and our pledge to deliver is real and recognized.

We thank our devoted clients for their confidence in Signature Bank. Our commitment to you and meeting your needs is genuine.

We also want to take this opportunity to express our gratitude to all our colleagues for delivering on the service commitment we assure our clients; the Board of Directors, whose guidance has helped distinguish Signature Bank in a crowded banking marketplace; and, our investors for their valuable support.

Respectfully,

Scott A. Shay
Chairman of the Board

Joseph J. DePaolo
President and Chief Executive Officer

UNITED STATES
FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C. 20429

FORM 10 K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2011

Or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

FDIC Certificate Number 57053

SIGNATURE BANK

(Exact name of registrant as specified in its charter)

NEW YORK	**13-4149421**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
565 Fifth Avenue, New York, New York	**10017**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **(646) 822-1500**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $0.01 par value	NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act:

NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ☐Yes ☒ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. ☒ Yes ☐ No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10 K or any amendment to this Form 10 K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b 2 of the Exchange Act. (Check one):

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b 2 of the Exchange Act). ☐ Yes ☒ No

The aggregate market value of the voting stock held by non-affiliates of the registrant, based on the closing sales price of the registrant's Common Stock as quoted on the NASDAQ Global Select Market on June 30, 2011 was $2.30 billion.

As of February 27 2012, the Registrant had outstanding 46,182,040 shares of Common Stock.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement for Annual Meeting of Stockholders to be held April 25, 2012. (Part III)

SIGNATURE BANK
ANNUAL REPORT ON FORM 10-K
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011

INDEX

PRIVATE SECURITIES LITIGATION REFORM ACT SAFE HARBOR STATEMENT

This Annual Report on Form 10-K 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. You should not place undue reliance on those statements because they are subject to numerous risks and uncertainties relating to our operations and business environment, all of which are difficult to predict and many are beyond our control. Forward-looking statements include information concerning our possible or assumed future results of operations, including descriptions of our business strategy, expectations, beliefs, projections, anticipated events or trends, growth prospects, financial performance, and similar expressions concerning matters that are not historical facts. These statements often include words such as "may," "believe," "expect," "anticipate," "potential," "opportunity," "intend," "plan," "estimate," "could," "project," "seek," "should," "will," or "would," or the negative of these words and phrases or similar words and phrases.

All forward-looking statements may be impacted by a number of risks and uncertainties. These statements are based on assumptions that we have made in light of our experience in the industry as well as our perception of historical trends, current conditions, expected future developments and other factors we believe are appropriate under the circumstances including, without limitation, those related to:

- earnings growth;
- revenue growth;
- deposit growth, including short-term escrow deposits and off-balance sheet deposits;
- future acquisitions;
- performance, credit quality and liquidity of investments made by us, including our investments in certain mortgage-backed and similar securities;
- loan origination volume;
- the interest rate environment;
- non-interest income levels, including fees from product sales;
- credit performance on loans made by us;
- monetary and fiscal policies of the U.S. Government, including policies of the U.S. Treasury and the Board of Governors of the Federal Reserve System;
- our ability to maintain, generate and/or raise capital;
- changes in the regulatory environment and government intervention in the banking industry; including the impact of the Dodd-Frank Wall Street Reform and Consumer Protection Act;
- Federal Deposit Insurance Corporation insurance assessments;
- margins on sales or securitizations of loans;
- market share;
- expense levels;
- hiring of new private client banking teams;
- results from new business initiatives;
- other business operations and strategies; and
- impact of new accounting pronouncements.

As you read and consider forward-looking statements, you should understand that these statements are not guarantees of performance or results. They involve risks, uncertainties and assumptions and can change as a result of many possible events or factors, not all of which are known to us or in our control. Although we believe that these forward-looking statements are based on reasonable assumptions, beliefs and expectations, if a change occurs or our beliefs, assumptions or expectations were incorrect, our business, financial condition, liquidity or results of operations may vary materially from those expressed in our forward-looking statements. You should be aware that many factors could affect our actual financial results or results of operations and could cause actual results to differ materially from those in the forward-looking statements. See "Part I, Item 1A. – Risk Factors" for a discussion of the most significant risks that we face, including, without limitation, the following factors:

- disruption and volatility in global financial markets;
- difficult market conditions adversely affecting our industry;
- our inability to successfully implement our business strategy;
- our vulnerability to changes in interest rates;

- competition with many larger financial institutions which have substantially greater financial and other resources than we have;
- government intervention in the banking industry, new legislation and government regulation;
- illiquid market conditions and downgrades in credit ratings;
- continued adverse developments in the residential mortgage market;
- inability of U.S. agencies or U.S. government-sponsored enterprises to pay or to guarantee payments on their securities in which we invest;
- material risks involved in commercial lending;
- a downturn in the economy of the New York metropolitan area;
- under-collateralization of our loan portfolio due to a material decline in the value of real estate;
- risks associated with our loan portfolio growth;
- our failure to effectively manage our credit risk;
- lack of seasoning of our loan portfolio and mortgage loans underlying our investment portfolio;
- our allowance for loan losses may not be sufficient to absorb actual losses;
- our reliance on the Federal Home Loan Bank of New York for secondary and contingent liquidity sources;
- our dependence upon key personnel;
- our inability to acquire suitable client relationship groups or manage our growth;
- our charter documents and regulatory limitations may delay or prevent our acquisition by a third party;
- curtailment of government guaranteed loan programs could affect our SBA business;
- our extensive reliance on outsourcing to provide cost-effective operational support;
- system failures or breaches of our network security;
- decreases in trading volumes or prices;
- potential responsibility for environmental claims;
- our inability to raise additional funding needed for our operations;
- misconduct of employees or their failure to abide by regulatory requirements;
- fraudulent or negligent acts on the part of our clients or third parties;
- failure of our brokerage clients to meet their margin requirements;
- acts of war or terrorism;
- changes in the federal or state tax laws;
- changes in accounting standards or interpretation in new or existing standards;
- increases in FDIC insurance premiums; and
- regulatory net capital requirements that constrain our brokerage business.

See "Part I, Item 1A. – Risk Factors" for a full discussion of these risks.

You should keep in mind that any forward-looking statement made by us speaks only as of the date on which we make it. New risks and uncertainties come up from time to time, and it is impossible for us to predict these events or how they may affect us. We have no duty to, and do 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 document or elsewhere might not reflect actual results.

PART I

ITEM 1. BUSINESS

In this annual report filed on Form 10-K, except where the context otherwise requires, the “Bank,” the “Company,” “Signature,” “we,” “us,” and “our” refer to Signature Bank and its subsidiaries, including Signature Securities Group Corporation (“Signature Securities”).

Introduction

We are a New York-based full-service commercial bank with 25 private client offices located in the New York metropolitan area serving the needs of privately-owned business clients and their owners and senior managers. We offer a wide variety of business and personal banking products and services through the Bank as well as investment, brokerage, asset management and insurance products and services through our wholly-owned subsidiary, Signature Securities Group Corporation (“Signature Securities”), a licensed broker-dealer and investment adviser. Through Signature Securities, we also purchase, securitize and sell the guaranteed portions of U.S. Small Business Administration (“SBA”) loans. For financial information by segment, see Note 21 to the “Notes to Consolidated Financial Statements,” included elsewhere in this annual report on Form 10-K.

Signature Bank’s Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and all amendments to those reports, Proxy Statement for its Annual Meeting of Stockholders and Annual Report to Stockholders are made available, free of charge, on our website at *www.signatureny.com* as soon as reasonably practicable after such reports have been filed with or furnished to the Federal Deposit Insurance Corporation (“FDIC”). You may also obtain any materials that we file with the FDIC at the Federal Deposit Insurance Corporation’s offices located at 550 17th Street N.W., Washington, DC 20429. We do not file reports with the Securities and Exchange Commission.

Since commencing operations in May 2001, we have grown to $14.67 billion in assets, $11.75 billion in deposits, $6.85 billion in loans, $1.41 billion in equity capital and $1.67 billion in other assets under management as of December 31, 2011.

We intend to continue our growth and maintain our position as a premier relationship-based financial services organization in the New York metropolitan area. This growth will be guided by our Chairman and senior management team who have extensive experience developing, managing and growing financial service organizations. Our Chairman, Scott Shay, has been a Managing Director of Ranieri & Co. Inc. since its formation in 1988. Most of our senior management, including our President and Chief Executive Officer, Joseph DePaolo, and our Vice-Chairman, John Tamberlane, were formerly senior officers of Republic National Bank of New York, an institution that successfully employed a deposit gathering strategy and private client focus similar to ours.

Recent Highlights

Common Stock Offering

On July 11, 2011, we completed a public offering of 4,715,000 shares of our common stock. The net proceeds from this offering added approximately $253.3 million to our shareholders’ equity and will be used to support private client banking team growth, fund the opening of new offices and permit us to originate and retain loans of a size and type that will allow us to accommodate the needs of our targeted clients.

Dodd-Frank Act

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”), signed into law on July 21, 2010, makes extensive changes to the laws regulating financial services firms. The Dodd-Frank Act also requires significant rulemaking and mandates multiple studies that have resulted and are likely to continue to result in additional legislative and regulatory actions that will impact the operations of the Bank.

Under the Dodd-Frank Act, federal bank regulatory agencies are required to draft and implement enhanced supervision, examination and capital and liquidity standards for depository institutions and their holding companies. The capital provisions of the Dodd-Frank Act include, among other things, changes to capital, leverage limits and limitations on the use of hybrid capital instruments. The Dodd-Frank Act also imposes new restrictions on investments and other activities by depository institutions, particularly with respect to derivatives activities and proprietary trading. The Bank has not historically made significant investments in derivatives or engaged in proprietary trading. The Dodd-Frank Act also gives federal bank regulatory agencies, such as the Federal Reserve and the FDIC, additional latitude to monitor the systemic safety of the financial system and take responsive action, which could include imposing restrictions on the business activities of the Bank. In addition, the Dodd-Frank Act authorizes the federal regulators to impose various new assessments and fees, which could increase the Bank's operational costs. In February 2011, the FDIC approved a new regulation to implement provisions of the Dodd-Frank Act that require deposit insurance assessments to be calculated based on assets rather than the amount of domestic deposits held by insured institutions. Those regulations took effect on April 1, 2011 and are intended, among other things, to increase the aggregate share of assessments paid by institutions with assets of $10 billion or more.

All federal prohibitions on the ability of financial institutions to pay interest on demand deposit accounts were repealed as part of the Dodd-Frank Act. As a result, beginning on July 21, 2011, financial institutions could commence offering interest on demand deposits to compete for clients. As of December 31, 2011, $3.15 billion, or 26.8%, of our total deposits were held in non-interest bearing demand deposit accounts. Our interest expense will increase and our net interest margin will decrease if we have to offer higher rates of interest than we currently offer on demand deposits to attract additional clients or maintain current clients, which could have a material adverse effect on our business, financial condition and results of operations. Thus far, the change has not had a meaningful effect on our business.

The Dodd-Frank Act also established the new federal Consumer Financial Protection Bureau ("CFPB"). This agency will be responsible for interpreting and enforcing a broad range of consumer protection laws governing the provision of deposit accounts and the making of loans, including the regulation of mortgage lending and servicing. This includes laws such as the Equal Credit Opportunity Act, the Truth-in-Lending Act and the Truth in Savings Act. Additionally the CFPB will have the authority to take enforcement action against banks and other financial services companies that fail to satisfy the standards imposed by it. The Dodd-Frank Act also permits states to adopt stricter consumer protection laws and state attorneys general to enforce consumer protection rules issued by the CFPB. As a result of these aspects of the Dodd-Frank Act, the Bank will be operating in a consumer compliance environment that will be far less certain. Therefore, the Bank is likely to incur additional costs related to consumer protection compliance, including but not limited to potential costs associated with CFPB regulatory and enforcement actions and consumer-oriented litigation, which is likely to increase as a result of the consumer protection provisions of the Dodd-Frank Act.

At this time, it is difficult to predict the full extent to which the Dodd-Frank Act or the resulting regulations will impact the Bank's business. However, compliance with certain of these new laws and regulations could result in restraints on, and additional costs to, our business. It is also difficult to predict the impact the Dodd-Frank Act will have on our competitors and on the financial services industry as a whole. In addition to the recent legislative and regulatory initiatives described above, competitive and industry factors could also adversely impact our results, the cost of our operations, our financial condition and our liquidity.

Core Deposit Growth

From December 31, 2010 through December 31, 2011, our deposits grew $2.31 billion, or 24.5%, to $11.75 billion. Deposits at December 31, 2011 include $57.8 million of brokered deposits and approximately $774.0 million of short-term escrow deposits, which due to their nature and as expected, have been or will be released in early 2012. At year end 2010, deposits included $26.7 million of brokered deposits and approximately $619.4 million of short-term escrow deposits. Core deposits, which exclude brokered deposits and short-term escrow deposits, increased $2.13 billion, or 24.2%, for the year. This growth in our core deposits can be attributed to the addition of new private client banking groups, who assist us in growing our client base, and additional deposits by our current clients. We primarily focus our deposit gathering efforts in the greater New York metropolitan area market with money center banks, regional banks and community banks as our primary competitors. We distinguish ourselves from competitors by focusing on our target market: privately-owned businesses and their owners and senior managers. This niche approach, coupled with our relationship-banking model, provides our clients with a personalized service, which we believe gives us a competitive advantage. Our deposit mix has remained favorable, with non-interest-bearing and NOW deposits accounting for 32.3% of our total deposits and time deposits accounting for only 7.6% of our total deposits as of December 31, 2011. Our average cost for total deposits was 0.84% for the year ended December 31, 2011 and 0.76% for the three months ended December 31, 2011.

Escrow Deposits

At December 31, 2011 and 2010, approximately $774.0 million and $619.4 million, respectively, of short-term escrow deposits were included in the Bank's deposits. We have developed a core competency in catering to the needs of law firms, claims administrators, accounting firms, and title companies, which allows us to obtain from our clients short-term escrow deposits.

Strategic Hires

During 2011, we added seven new private client banking groups and 13 new banking group directors to increase our network of seasoned banking professionals. Our full-time equivalent number of employees grew from 660 to 720 during 2011.

Private Client Banking Groups and Offices

As of December 31, 2011, we had 78 private client banking groups and 106 banking group directors throughout the New York metropolitan area. With the on-going consolidation of financial institutions in our marketplace and market segmentation by our competitors, we continue to actively recruit experienced private client banking groups with established client relationships that fit our niche market of privately-owned businesses, their owners and their senior managers. Our typical group director joins us with 20 years of experience in financial services, a seasoned book of business and an established team of two to four additional professionals to assist with business development and client services. Each additional private client group brings client relationships that allow us to grow our core deposits as well as expand our lending opportunities. We are actively recruiting several additional private client banking groups that we believe will fit our strategy and enhance our franchise.

To facilitate our growth, we opened one additional private client office during 2011 located in Manhattan, New York. We currently operate 25 private client offices located in the New York metropolitan area. While our strategy does not call for us to have an expansive office presence, we will continue to add offices to meet the needs of the private client banking groups that we recruit.

Our Business Strategy

We intend to increase our presence as a premier relationship-based financial services organization serving the needs of privately-owned business clients, their owners and senior managers in the New York metropolitan area by continuing to:

Focus on our niche market of privately-owned businesses, their owners and their senior managers

We generally target closely held commercial clients with revenues of less than $50 million and fewer than 1,000 employees. Our business clients are representative of the New York metropolitan area economy and include real estate owners/operators, real estate management companies, law firms, accounting firms, entertainment business managers, medical professionals, retail establishments, money management firms and not-for-profit philanthropic organizations. We also target the owners and senior management of these businesses who typically have a net worth of between $500,000 and $20 million.

Provide our clients a wide array of high quality banking, brokerage and insurance products and services through our private client group structure and a seamless financial services solution

We offer a broad array of financial products and services with a seamless financial services solution through our private client group structure.

Most of our competitors that sell banking products as well as investment and insurance products do so based on a "silo" approach. In this approach, different sales people from different profit centers within the bank, brokerage firm or insurance company separately offer their particular products to the client. This approach creates client confusion as to who is servicing the relationship. Because no single relationship manager considers all of the needs of a client in the "silo" approach, some products and services may not be presented at all to the client. We market our banking, investment and insurance services seamlessly, thus avoiding the "silo" approach of many of our competitors in the New York metropolitan area. Our cash management, investment and insurance products and services are presented to clients by the private client group professional but provided or underwritten by others.

Our business is built around banking and investment private client groups. We believe that our ability to hire and retain top-performing relationship group directors is our major competitive advantage. Our group directors have primary responsibility for attracting client relationships and, on an on-going basis, through them and their groups, servicing those relationships. Our group directors are experienced financial service professionals who come from the following disciplines: private banking, middle market banking, high-end retail banking, investment and insurance and institutional brokerage. Our group directors each have their own private client team (typically two to four professionals) who assists the group director in business development and client service.

Recruit experienced, talented and motivated private client group directors who are top producers and who believe in our banking model

A key to our success in developing a relationship-based bank is our ability to recruit and retain experienced and motivated financial services professionals. We recruit group directors and private client groups who we believe are top performers. While recruitment channels differ and our recruitment efforts are largely opportunistic in nature, the continuing merger and acquisition activity in the New York financial services marketplace provides an opportunity to selectively target and recruit qualified groups. We believe the current market to be a favorable environment for locating and recruiting qualified private client groups. Our experience has been that such displacement and change leads select private client groups to smaller, less bureaucratic organizations.

Offer progressive incentive-based compensation that rewards private client groups for developing their business and retaining their clients

Our private client group variable compensation model adds to the foundation for our relationship-based banking discipline. A key part of our strategy for growing our business is the progressive incentive-based compensation that we employ to help us retain our group directors while ensuring that they continue to develop their business and retain their clients. Under our private client group variable compensation model, annual bonuses are paid to members of the client relationship team based upon the profit generated from their business. In order to mitigate the inherent risk in our incentive-based compensation model, we have in place an internal control structure that includes segregation of duties. For example, the underwriting and ultimate approval of any loan is performed by loan officers who are separate from the private client groups and report to our Chief Credit Officer.

Maintain a flat organization structure that allows our clients and group directors to interface with, and our group directors to report directly to, senior management

Another key element of our strategy is our organizational structure. We operate with a flat organizational and reporting structure, which allows our group directors to interface with, and report directly to, senior management. More importantly, it gives our clients direct access to senior management.

Develop and maintain operations support that is client-centric and service oriented

We have made a significant investment in our infrastructure, including our support staff. We have centralized many of our critical operations, such as finance, information technology, client services, cash management services, loan administration and human resources. Although we have centralized many of our operations, we have located some functions within the private client offices so they are closer to the group directors and our clients. For example, most of our private client offices have a senior lender on location, who is part of our credit group, to assist the private client groups with the lending process. In addition, most of our private client offices have an investment group director or group that provides brokerage and/or insurance services, as necessary. We believe that our existing infrastructure (physical and systems infrastructure, as well as people) can accommodate additional growth without substantial additional support area personnel or significant spending on technology and operations in the medium term.

Be committed to a sound risk management process while focusing on profitability

Risk management is an important element of our business. We evaluate the inherent risks that affect our business, including interest rate risk, credit risk, operational risk, regulatory risk, and reputation risk. We have a Director of Risk Management whose responsibility is the oversight of our risk management processes. Additionally, members of our senior management group have significant experience in risk management. In addition, they have extensive backgrounds in credit, operations, finance and auditing. We have put internal controls in place that help to mitigate the risks that affect our business. In addition, we have policies and procedures that further help mitigate risk and regulatory requirements that mandate that we evaluate, test and opine on the effectiveness of internal controls. No system of internal control or policies and procedures will ever totally eliminate risk, however, we believe that our risk management processes will help keep our risks to a manageable level.

Maintain an appropriate balance between cost control, incentive compensation and business expansion initiatives

We have established an internal approval process for capital and operating expenses. We maintain cost control practices and policies to increase efficiency of operations. A key expense for financial service companies is compensation. Controlling this expense is an important element in keeping overall expenses down. A member of senior management and our President and Chief Executive Officer must approve all new hires. Our group directors and their groups receive base salaries and benefits; however, a significant portion of their compensation is variable and based upon the profit generated from the business they create. This variable compensation model helps us control expenses as employees do not receive variable compensation unless revenue is generated. Virtually all expenditures (both current and capital) in excess of certain thresholds must be approved by a member of senior management, and are reviewed and approved by our Purchasing and Capital Expenditures Committee, which includes our Chief Operating Officer and our Chief Financial Officer.

We make extensive use of outsourcing to provide cost-effective operational support with service levels consistent with large-bank operations. We focus on our financial services business and have outsourced many of our key banking and brokerage systems to third-party providers. This has several advantages for an institution like ours, including the ability to cost-effectively utilize the latest technology to better serve, and stay focused on, the needs of our clients. Some of our key outsourcing partners include Fidelity Information Services and National Financial Services (the brokerage and investments systems division of Fidelity Investments). We maintain management oversight of these providers. Each of these providers was the subject of a due diligence investigation prior to their selection and continues to be reviewed on an on-going basis.

Historical Development

We were incorporated as a New York State-chartered bank in September 2000. On April 5, 2001, our date of inception, we received approval to commence operations from the New York State Banking Department (known as the New York State Department of Financial Services as of October 3, 2011). Since commencing operations on May 1, 2011, the following subsequent historical developments have occurred in relation to our ownership and capital structure:

- We completed our initial public offering in March 2004 and a follow-on offering in September 2004. Our common stock trades on the Nasdaq National Market under the symbol “SBNY.”
- In March 2005, Bank Hapoalim B.M. sold its controlling stake in us in a secondary offering. After the offering, Bank Hapoalim beneficially owned 5.7% of our common stock on a fully diluted basis. Bank Hapoalim no longer owns any shares of our stock.
- In September 2008, we completed a public offering of 5,400,000 shares of our common stock generating net proceeds of $148.1 million.
- In December 2008, we issued 120,000 shares of senior preferred stock (with an aggregate liquidation preference of $120.0 million) and a warrant to purchase 595,829 common shares to the U.S. Treasury in the Troubled Asset Relief Program Capital Purchase Program (the “TARP Capital Purchase Program”), for an aggregate purchase price of $120.0 million.
- In light of the restrictions of the American Recovery and Reinvestment Act of 2009, on March 31, 2009, we repurchased the 120,000 shares of preferred stock we issued to the U.S. Treasury for $120.0 million plus accrued and unpaid dividends of $767,000.
- In June 2009, we completed a public offering of 5,175,000 shares of our common stock generating net proceeds of $127.3 million.
- In March 2010, the U.S. Treasury sold, in a public offering, a warrant to purchase 595,829 shares of our common stock that was received from us in the TARP Capital Purchase Program.

- In July 2011, we completed a public offering of 4,715,000 shares of our common stock generating net proceeds of approximately $253.3 million.

Signature Securities

Signature Securities is a registered broker-dealer in securities under the Securities Exchange Act of 1934 (the "Exchange Act") and a member of the National Association of Securities Dealers, Inc. ("NASD"). It formally opened for full business operations on May 1, 2001.

Signature Securities provides our clients with comprehensive investment, brokerage, wealth management, and other non-banking financial products and services. Signature Securities delivers these products and services to its clients through experienced investment group directors, located in our private client offices, who work directly with our banking group directors to bring these services to clients.

Products and Services

We offer a wide variety of deposit, escrow deposit, credit, cash management, investment and insurance products and services to our clients. At December 31, 2011, we maintained approximately 78,000 deposit accounts, 6,900 investment accounts, 8,600 loan accounts and 14,300 client relationships.

Business Clients

We offer a full range of products and services oriented to the needs of our business clients, including:

- Deposit products such as non-interest-bearing checking accounts, money market accounts and time deposits;
- Escrow deposit services;
- Cash management services;
- Commercial loans and lines of credit for working capital and to finance internal growth, acquisitions and leveraged buyouts;
- Permanent real estate loans;
- Letters of credit;
- Investment products to help better manage idle cash balances, including money market mutual funds and short-term money market instruments;
- Business retirement accounts such as 401(k) plans; and
- Business insurance products, including group health and group life products.

Personal Clients

We offer a full range of products and services oriented to the needs of our high net worth personal clients, including:

- Interest-bearing and non-interest-bearing checking accounts, with optional features such as debit/ATM cards and overdraft protection and, for our top clients, rebates of certain charges, including ATM fees;
- Money market accounts and money market mutual funds;
- Time deposits;
- Personal loans, both secured and unsecured;
- Mortgages, home equity loans and credit card accounts;
- Investment and asset management services; and
- Personal insurance products, including health, life and disability.

Deposit Products

The market for deposits continues to be very competitive. We primarily focus our deposit gathering efforts in the greater New York metropolitan area with money center banks, regional banks and community banks as our primary competitors. We distinguish ourselves from competitors by focusing on our target market: privately-owned businesses and their owners and senior managers. This niche approach, coupled with our relationship-banking model, provides our clients with a personalized service, which we believe gives us a competitive advantage.

We offer a variety of deposit products to our clients at interest rates that are competitive with other banks. Our business deposit products include commercial checking accounts, money market accounts, escrow deposit accounts, lockbox accounts, cash concentration accounts and other cash management products. Our personal deposit products include checking accounts, money market accounts and certificates of deposit. We also allow our personal and business deposit clients to access their accounts, transfer funds, pay bills and perform other account functions over the internet and through ATM machines. At December 31, 2011, we maintained approximately 78,000 deposit accounts representing $11.70 billion in client deposits, excluding brokered deposits.

The following table presents the mix of our deposits and deposit products as of December 31, 2011 and 2010.

	December 31,			
	2011		2010	
(dollars in thousands)	**Amount**	**Percentage**	**Amount**	**Percentage**
Personal demand (1)	$ 331,268	2.82%	286,166	3.03%
Business demand (1)	2,817,168	23.97%	2,163,802	22.92%
Rent security	75,139	0.64%	47,062	0.50%
Personal NOW	37,094	0.32%	70,215	0.74%
Business NOW and interest-bearing demand	606,036	5.16%	630,336	6.68%
Personal money market	2,314,369	19.68%	1,654,597	17.53%
Business money market	4,677,424	39.79%	3,660,446	38.77%
Personal time deposits	492,060	4.19%	501,296	5.31%
Business time deposits	345,782	2.94%	400,641	4.24%
Brokered time deposits	57,798	0.49%	26,666	0.28%
Total	$ 11,754,138	100.00%	9,441,227	100.00%
Demand (1)	$ 3,148,436	26.79%	2,449,968	25.95%
NOW and interest-bearing demand	643,130	5.48%	700,551	7.42%
Money market	7,066,932	60.11%	5,362,105	56.80%
Time deposits	837,842	7.13%	901,937	9.55%
Brokered time deposits	57,798	0.49%	26,666	0.28%
Total	$ 11,754,138	100.00%	9,441,227	100.00%
Personal	$ 3,174,791	27.01%	2,512,274	26.61%
Business	8,521,549	72.50%	6,902,287	73.11%
Brokered time deposits	57,798	0.49%	26,666	0.28%
Total	$ 11,754,138	100.00%	9,441,227	100.00%

(1) Non-interest bearing.

Lending Activities

Our traditional commercial and industrial lending is generally limited to existing clients with whom we have or expect to have deposit and/or brokerage relationships in order to assist in monitoring and controlling credit risk. We target our lending to privately-owned businesses, their owners and senior managers, generally high net worth individuals who meet our credit standards. The credit standards are set by the Credit Committee of our Board of Directors (the “Credit Committee”) with the assistance of our Chief Credit Officer, who is charged with ensuring that credit standards are met by loans in our portfolio. In addition, we have a credit authorization policy under which no single individual is authorized to approve a loan regardless of dollar amount. Smaller loans may be approved by concurring authorized officers. Larger loans require the approval of the Credit Committee. Our largest loan category requires the approval of our Board of Directors. Our credit standards for commercial borrowers reference numerous criteria with respect to the borrower, including historical and projected financial information, the strength of management, acceptable collateral and associated advance rates, and market conditions and trends in the borrower’s industry. In addition, prospective loans are analyzed based on current industry concentrations in our loan portfolio to prevent an unacceptable concentration of loans in any particular industry. We believe our credit standards are similar to the standards generally employed by large nationwide banks in the markets we serve. We seek to differentiate ourselves from our competitors by focusing on and aggressively marketing to our core clients and accommodating, to the extent permitted by our credit standards, their individual needs. We generally limit unsecured lending for consumer loans to private banking clients who we believe demonstrate ample net worth, liquidity and repayment capacity.

We make loans that are appropriately collateralized under our credit standards. Approximately 97% of our funded loans are secured by collateral. Unsecured loans are typically made to individuals with substantial net worth.

Commercial and Industrial Loans

Our commercial and industrial (“C&I”) loan portfolio is comprised of lines of credit for working capital and term loans to finance equipment, company-owned real estate and other business assets, along with commercial overdrafts. Our lines of credit for working capital are generally renewed on an annual basis and our term loans generally have terms of two to five years. Our lines of credit and term loans typically have floating interest rates, and as of December 31, 2011, approximately 61% of our outstanding C&I loans were variable rate loans. C&I loans can be subject to risk factors unique to the business of each client. In order to mitigate these risks and better serve our clients, we seek to gain an understanding of the business of each client and the reliability of their cash flow, so that we can place appropriate value on collateral taken and structure the loan to maintain collateral values at appropriate levels. In analyzing credit risk, we generally focus on the business experience of our borrowers’ management. We prefer to lend to borrowers with an established track record of loan repayment and predictable growth and cash flow. We also rely on the experience of our bankers and their relationships with our clients to aid our understanding of the client and its business. Our lines of credit typically are limited to a percentage of the value of the assets securing the line. Lines of credit are generally reviewed annually and are typically supported by accounts receivable, inventory and equipment. Depending on the risk profile of the borrower, we may require periodic aging of receivables, as well as borrowing base certificates representing current levels of inventory, equipment, and accounts receivable. Our term loans are typically also secured by the assets of our clients’ businesses. Commercial borrowers are required to provide updated personal and corporate financial statements at least annually. At December 31, 2011, funded C&I loans totaled approximately 15% of our total funded loans. Loans extended to borrowers within the services industries include loans to finance working capital and equipment, as well as loans to finance investment and owner-occupied real estate.

The following table presents information regarding the distribution of our C&I loans among select industries in which we had the largest concentration of loans outstanding at December 31, 2011. “Other Industries” include a diverse range of industries, as determined by Sector Information Code (“SIC”), including service-oriented firms that provide introductions to new client relationships and private households.

Industry by SIC Designation

	December 31, 2011	
(dollars in thousands)	**Loan Amount**	**Percentage**
Taxi Medallions	$ 294,668	26.82%
Real Estate and Real Estate Management	201,761	18.36%
Wholesale Trade	97,195	8.85%
Manufacturing	55,456	5.05%
Special Trade Contractors	43,777	3.98%
Legal Services	43,277	3.94%
Retail Trade	37,300	3.39%
Financial Services	31,354	2.85%
Health Services	25,554	2.33%
Membership Organizations	24,283	2.21%
Professional Services	23,775	2.16%
Building and Construction Contractors	18,936	1.72%
Business Services	14,636	1.33%
Recreational Services	9,820	0.89%
Motion Pictures	7,981	0.73%
Educational Services	6,041	0.55%
Transportation Services	4,923	0.45%
Other Industries	158,068	14.39%
Total	$ 1,098,805	100.00%

Real Estate Loans

Our real estate loan portfolio includes loans secured by commercial and residential properties. We also provide temporary financing for commercial and residential property. Our permanent real estate loans generally have fixed terms of five years. We generally avoid longer term loans for commercial real estate held for investment. Our permanent real estate loans have both floating and fixed rates. Depending on the financial status of the borrower, we may require periodic appraisals of the property to verify the ongoing adequacy of the collateral. At December 31, 2011, funded real estate loans totaled approximately $5.74 billion, representing approximately 80% of our total funded loans.

The following table shows the distribution of our real estate loans as of December 31, 2011 by collateral type:

Loans Secured by Real Estate

	December 31, 2011	
(dollars in thousands)	**Loan Amount**	**Percentage**
Multi-family residential property	$ 3,003,428	52.30%
Commercial property	2,218,053	38.62%
1-4 family residential property	259,418	4.52%
Home equity lines of credit	198,375	3.45%
Construction and land	63,775	1.11%
Total	$ 5,743,049	100.00%

We occasionally make personal residential real estate loans. These loans consist of first and second mortgage loans for residential properties. These loans are typically made to high net worth individuals as part of our private client services. We generally do not retain long-term, fixed rate residential real estate loans in our portfolio due to interest rate and collateral risks and low levels of profitability. We do not consider personal residential real estate loans a core part of our business.

Substantially all of the collateral for our real estate loans is located within the New York metropolitan area. As a result, our financial condition and results of operations may be affected by changes in the economy and the real estate market of the New York metropolitan area. A prolonged period of economic recession or other adverse economic conditions in the New York metropolitan area, such as the one we are experiencing now, may result in an increase in nonpayment of loans, a decrease in collateral value, and an increase in our allowance for loan losses.

Letters of Credit

We issue standby or performance letters of credit, and can service the international needs of our clients through correspondent banks. At December 31, 2011, our commitments under letters of credit totaled approximately $235.7 million.

Consumer Loans

Our personal loan portfolio consists of personal lines of credit and loans to acquire personal assets. Our personal lines of credit generally have terms of one year and our term loans usually have terms of three to five years. Our lines of credit typically have floating interest rates. If the financial situation of the client is sufficient, we will grant unsecured lines of credit. We also examine the personal liquidity of our individual borrowers, in some cases requiring agreements to maintain a minimum level of liquidity, to insure that the borrower has sufficient liquidity to repay the loan. Due to low levels of profitability, interest rate risks and collateral risks, we do not consider secured personal loans, such as automobile loans, a core part of our business. At December 31, 2011, our consumer loans totaled $11.8 million, representing less than 1% of our total funded loans.

Investment and Asset Management Products and Services

Investment and asset management products and services are provided through our subsidiary, Signature Securities. Signature Securities is a licensed broker-dealer and is a member of the NASD and the Securities Investor Protection Corporation ("SIPC"). Signature Securities is an introducing firm and, as such, clears its trades through National Financial Services, Inc., a wholly-owned subsidiary of Fidelity Investments. Signature Securities is also registered as an investment adviser in New York, New Jersey, Pennsylvania and Florida. Our investment group directors work with our clients to define objectives, goals and strategies for their investment portfolios, whether our clients are looking for a relationship based provider or are looking for assistance with a particular transaction.

We offer a wide array of asset management and investment products, including the ability to purchase and sell all types of individual securities such as equities, options, fixed income securities, mutual funds and annuities. We offer transactional, "cash management" type brokerage accounts with check writing and daily sweep capabilities. We offer our clients an asset management program whereby we work with our clients to tailor their asset allocation according to their risk profile and then invest the client's assets either directly with a select group of high quality money managers, no load mutual funds or a combination of both. We contract with a third party to perform investment manager due diligence for us on these money managers and mutual funds. We have entered into an agreement and strategic alliance with American Stock Transfer & Trust Company and utilize this firm to provide our corporate and personal clients with trust, custody and estate planning products and services. We offer no proprietary products or services. We do not perform and we do not provide our clients with our own branded investment research. Instead, we have contracted with a number of third-party research providers and are able to provide our clients with traditional Wall Street research from a number of sources.

We also offer retirement products such as individual retirement accounts ("IRAs") and administrative services for retirement vehicles such as pension, profit sharing, and 401(k) plans to our clients. These products are not proprietary products.

Signature Securities offers wealth management services to our high net worth personal clients. Together with our client and their other professional advisors, including attorneys and certified public accountants, we develop a sophisticated financial plan that can include estate planning, business succession planning, asset protection, investment management, family office advisory services, bill payment, art and collectible advisory services and concentrated stock services.

SBA Loans and Pools

We are an active participant in the SBA loan and SBA pool secondary market by purchasing, securitizing, and selling the guaranteed portions of SBA Section 7(a) loans. Most SBA Section 7(a) loans have adjustable rates and float at a spread to the prime rate and reset monthly or quarterly. SBA loans consist of a guaranteed portion of the loan and an un-guaranteed balance, which typically represents 10% of the original balance that is retained by the originating lender. The guaranteed portions of SBA loans are backed by the full faith and credit of the U.S. government and, therefore, have no credit risk and carry a 0% risk weight for capital purposes. At December 31, 2011, we had $392.0 million in SBA loans held for sale, representing approximately 5% of our total funded loans, compared to $382.2 million at December 31, 2010. The increased inventory has been used to fill increased client demand for this product.

Signature Securities acts as an agent and as a consultant to the Bank on the purchase, sale and assembly of SBA loans and pools. Signature Securities is one of the largest SBA pool assemblers in the United States. The primary business of the group is to be an active market maker in the SBA loan and pool secondary market by purchasing, securitizing and selling the government guaranteed portions of the SBA loans. Signature Bank is approved by the SBA as a pool assembler and is approved by the FDIC to engage in government securities dealer activities.

We purchase the guaranteed portion of SBA loans from various SBA lender clients. Once purchased, we typically warehouse the guaranteed loan for approximately 30 to 180 days. From this warehouse, we aggregate like SBA loans by similar characteristics into pools for securitization and sale to the secondary market. In order to meet the SBA's rate requirement, we may strip excess servicing from loans with different coupons to create a pool at a common rate. This has resulted in the creation of two assets: a par pool and excess servicing strips. Excess servicing represents the portion of the coupon stripped from a loan. At December 31, 2011, the carrying amount of our SBA excess servicing strip assets was $70.1 million.

Colson Services Corp. is the government appointed fiscal and transfer agent for the SBA's Secondary Market Program. As the designated servicer, it provides transaction processing, record keeping and loan servicing functions, including document review and custody, payment collection and disbursement, and data collection and exchange for us.

Insurance Services

We offer our business and private clients a wide array of individual and group insurance products, including health, life, disability and long-term care insurance products through our subsidiary, Signature Securities. We do not underwrite insurance policies. We only act as an agent in offering insurance products and services underwritten by insurers that we believe are the best for our clients in each category.

Competition

There is significant competition among commercial banking institutions in the New York metropolitan area. We compete with other bank holding companies, national and state-chartered commercial banks, savings and loan associations, consumer finance companies, credit unions, securities brokerage firms, insurance companies, mortgage banking companies, money market mutual funds, asset-based non-bank lenders, and other financial institutions. Many of these competitors have substantially greater financial resources, lending limits and larger office networks than we do and are able to offer a broader range of products and services than we can. Because we compete against larger institutions, our failure to compete effectively for deposit, loan, and other clients in our markets could cause us to lose market share, slow our growth rate and may have an adverse effect on our financial condition and results of operations.

The market for banking and brokerage services is extremely competitive and allows consumers to access financial products and compare interest rates and services from numerous financial institutions located across the United States. As a result, clients of all financial institutions, including those within our target market, are sensitive to competitive interest rate levels and services. Our future success in attracting and retaining client deposits depends, in part, on our ability to offer competitive rates and services. Our clients are particularly attracted to the level of personalized service we can provide. Our business could be impaired if our clients believe other banks provide better service or if they come to believe that higher rates are more important to them than better service.

Finally, over the past three years there has been significant government intervention in the banking industry, including equity investments, liquidity facilities and guarantees. These actions have changed and have the potential to change the competitive landscape significantly. For example, clients may view some of our competitors as “too big to fail” and such competitors may thereby benefit from an implicit U.S. government guarantee beyond those provided to all banks and their clients. In addition, some of these government programs have, or may have, the ability to give rise to new competitors. For instance, the FDIC has introduced a bidding process for institutions that have been or will be placed into receivership by federal or state regulators. This process is open to existing financial institutions, as well as groups without pre-existing operations. The impact of ongoing government intervention is difficult to predict and could adversely affect our competitive standing and profitability.

The New York Market

Substantially all of our business is located in the New York metropolitan area. We believe the New York metropolitan area economy presents an attractive opportunity to further grow an independent financial services company oriented to the needs of the New York metropolitan area economic marketplace. The New York Metropolitan Statistical Area (“MSA”) is, by far, the largest market in the United States for bank deposits. The MSA of New York, Long Island and Northern New Jersey is – with approximately $1.1 trillion in total deposits, as of June 30, 2011 – more than two and a half times larger than the second largest MSA in the U.S. (Philadelphia, Camden, Wilmington). The New York MSA is also home to the largest number of businesses with fewer than 500 employees in the nation. The economy of the New York metropolitan area has diversified substantially over the past several decades and includes a greater variety of industries such as services, technology and real estate. The New York metropolitan area financial services marketplace is served by many large, diverse financial services companies, including large, multi-national financial services companies, regional banks and brokerage firms, mid-size commercial banks and brokerage firms and mutual and stock savings banks.

As of December 31, 2011, we operated 25 private client offices located in the New York metropolitan area. These 25 offices housed a total of 78 private client banking groups. As part of the continuing development of our business strategy, we expect to open additional offices in 2012. We believe these private client offices will allow us to expand our current operations in the New York metropolitan area.

Information Technology and System Security

We rely on industry leading technology companies to deliver software, support and disaster recovery services. Our core banking application software (DDA, Savings, Compliance, General Ledger, Teller, and Internet Banking) is provided by Fidelity Information Services. Our core brokerage systems are provided by and run at our clearing firm, National Financial Services, a subsidiary of Fidelity Financial Services Corp. Our personnel connect to the system via both dedicated and Internet based connections to Fidelity Financial Services in Boston, Massachusetts.

Our information technology environment uses Fidelity Information Services' technology center in Little Rock, Arkansas. This technology center includes dedicated "lights out" computer raised-floor space, as well as designated office space for information technology support personnel. A combination of backup power generation, uninterruptible power systems and 24 hour a day monitoring of the facility perimeters, hardware, operating system software, network connectivity, and building environmental systems minimizes the risk of any serious outage or security breach.

Employees

As of December 31, 2011, we had 720 full-time equivalent employees, 437 of whom were officers. None of our employees is represented by a collective bargaining agreement. We consider our relations with our employees to be good.

Regulation and Supervision

As a state-chartered bank, the deposits of which are insured by the FDIC, we and our subsidiaries are subject to a comprehensive system of bank supervision administered by federal and state banking agencies. Because we are chartered under the laws of the State of New York, the New York State Department of Financial Services is our primary regulator. The FDIC is our primary federal banking regulator because we are not a member of the Federal Reserve System. These regulators oversee our compliance with applicable federal and New York laws and regulations governing our activities, operations, and business.

The primary purpose of the U.S. system of bank supervision is to ensure the safety and soundness of banks in order to protect depositors, the FDIC insurance fund, and the financial system generally. It is not primarily intended to protect the interest of shareholders. Thus, if we were to violate banking law and regulations, including engaging in unsafe or unsound practices, we could be subject to enforcement actions and other sanctions that could be detrimental to shareholders.

The federal government has recently implemented and announced programs designed to bolster the capital of U.S. banks. Some of these programs have, and any future programs may, impose additional rules and regulations on us, some of which may affect the way we conduct our business and/or limit our ability to compete effectively. See "Risk Factors – We are subject to significant government regulation."

Safety and Soundness Regulation

New York law governs our authority to engage in deposit-taking, lending, investing, and other activities. New York law also imposes restrictions intended to ensure our safety and soundness, including limitations on the amount of money we can lend to a single borrower (generally, 15% of capital; 25% if the loan is secured by certain types of collateral), prohibitions on engaging in activities such as investing in equity securities or non-financial commodities, and prohibitions on making loans secured by our own capital stock.

We are subject to comprehensive capital adequacy requirements intended to protect against losses that we may incur. FDIC regulations require that we maintain a minimum ratio of qualifying total capital to total risk-weighted assets (including off-balance sheet items) of 8.0%, at least one-half of which must be in the form of Tier 1 capital, and a ratio of Tier 1 capital to total risk-weighted assets of 4.0%. Tier 1 capital is generally defined as the sum of core capital elements less goodwill and certain other deductions. Core capital includes common shareholders' equity, non-cumulative perpetual preferred stock, and minority interests in equity accounts of consolidated subsidiaries. Supplementary capital, which qualifies as Tier 2 capital and counts towards total capital subject to certain limits, includes allowances for loan losses, perpetual preferred stock, subordinated debt, and certain hybrid instruments. At December 31, 2011, our total risk-based capital ratio was 18.17%, and our Tier 1 risk-based capital ratio was 17.08%.

We are also required to maintain a minimum leverage capital ratio - the ratio of Tier 1 capital (net of intangibles) to adjusted total assets. Banks that have received the highest rating of five categories used by regulators to rate banks and are not anticipating or experiencing any significant growth must maintain a leverage capital ratio of at least 3.0%. All other institutions must maintain a leverage capital ratio of 4.0%. At December 31, 2011, our leverage capital ratio was 9.67%.

In addition, payments of dividends on our common stock may be subject to the prior approval of the New York State Department of Financial Services, and the FDIC. Under New York law, we are prohibited from declaring a dividend so long as there is any impairment of our capital stock. In addition, we would be required to obtain the approval of the New York State Department of Financial Services if the total of all our dividends declared in any calendar year would exceed the total of our net profits for that year combined with retained net profits of the preceding two years, less any required transfer to surplus or a fund for the retirement of any preferred stock. We would also be required to obtain the approval of the FDIC prior to declaring a dividend if after paying the dividend we would be undercapitalized, significantly undercapitalized, or critically undercapitalized.

The federal banking regulators are currently working on significant revisions to the capital adequacy regulations to implement the new capital accord being drafted by the Basel Committee on Bank Supervision. We cannot at this time predict whether the new requirements will apply to us or the effect that they may have on our business. However, if the new capital adequacy regulations were to lower the capital requirements for large money center banks but not for smaller banks like Signature Bank, we could be put at a competitive disadvantage.

The federal banking agencies have also adopted guidelines establishing safety and soundness standards for all insured depository institutions. The safety and soundness guidelines relate to our internal controls, information systems, internal audit systems, loan underwriting and documentation, compensation, and interest rate exposure. The standards assist the federal banking agencies with early identification and resolution of problems at insured depository institutions. If we were to fail to meet these standards, the FDIC could require us to submit a compliance plan and take enforcement action if an acceptable compliance plan were not submitted.

Prompt Corrective Action and Enforcement Powers

We are also subject to FDIC regulations that apply to every FDIC-insured commercial bank and thrift institution a system of mandatory and discretionary supervisory actions, and which generally become more severe as the capital levels of an individual institution decline. The regulations establish five capital categories for purposes of determining our treatment under these prompt corrective action provisions.

We would be categorized as “well capitalized” under the regulations if (i) we have a total risk-based capital ratio of at least 10.0%; (ii) we have a Tier 1 risk-based capital ratio of at least 6.0%; (iii) we have a leverage capital ratio of at least 5.0%; and (iv) we are not subject to any written agreement, order, capital directive, or prompt corrective action directive issued by the FDIC to meet and maintain a specific capital level.

We would be categorized as “adequately capitalized” if (i) we have a total risk-based capital ratio of at least 8.0%; (ii) we have a Tier 1 risk-based capital ratio of at least 4.0%; and (iii) we have a leverage capital ratio of at least 4.0% (3.0% if we are rated in the highest supervisory category).

We would be categorized as “undercapitalized” if (i) we have a total risk-based capital ratio that is less than 8.0%; (ii) we have a Tier 1 risk-based capital ratio that is less than 4.0%; or (iii) we have a leverage capital ratio that is less than 4.0% (3.0% if we are rated in the highest supervisory category).

We would be categorized as “significantly undercapitalized” if (i) we have a total risk-based capital ratio that is less than 6.0%; (ii) we have a Tier 1 risk-based capital ratio that is less than 3.0%; or (iii) we have a leverage capital ratio that is less than 3.0%.

We would be categorized as “critically undercapitalized” and subject to provisions mandating appointment of a conservator or receiver if we have a ratio of “tangible equity” to total assets that is 2.0% or less. “Tangible equity” generally includes core capital plus cumulative perpetual preferred stock.

At December 31, 2011, our total risk-based capital ratio was 18.17%; our Tier 1 risk-based capital ratio was 17.08%; and our leverage capital ratio was 9.67%. Each of these ratios exceeds the minimum ratio established for a “well capitalized” institution.

In addition to measures taken under the prompt corrective action provisions, insured banks may be subject to potential actions by the federal regulators for unsafe or unsound practices in conducting their businesses or for violations of any law, rule, regulation or any condition imposed in writing by the agency or any written agreement with the agency. Enforcement actions may include the issuance of cease and desist orders, the imposition of civil money penalties, the issuance of directives to increase capital, formal and informal agreements, or removal and prohibition orders against "institution-affiliated" parties, and termination of insurance of deposits. The New York State Department of Financial Services also has broad powers to enforce compliance with New York laws and regulations. The New York State Department of Financial Services and/or the FDIC examine us periodically for safety and soundness and for compliance with applicable laws.

Other Regulatory Requirements

We are subject to certain requirements and reporting obligations under the Community Reinvestment Act ("CRA"). The CRA generally requires federal banking agencies to evaluate the record of a financial institution in meeting the credit needs of its local communities, including low- and moderate-income neighborhoods. The CRA further requires the agencies to take into account our record of meeting community credit needs when evaluating applications for, among other things, new branches or mergers. The performance standards and examination frequency of CRA evaluations differ depending on whether a bank falls into the small or large bank categories. The FDIC's most recent CRA examination concluded as of August 24, 2009 and the New York State Department of Financial Services' most recent examination concluded on December 31, 2008. Signature Bank was evaluated under the large bank standards. In measuring our compliance with these CRA obligations, the regulators rely on a performance-based evaluation system that bases our CRA rating on our actual lending service and investment performance. In connection with their assessments of CRA performance, the FDIC and NYSBD assign a rating of "outstanding," "satisfactory," "needs to improve," or "substantial noncompliance." Signature Bank received a "satisfactory" CRA Assessment Rating from both regulatory agencies.

Federal and state banking laws also require us to take steps to protect consumers. Bank regulatory agencies are increasingly focusing attention on compliance with consumer protection laws and regulations. These laws include disclosures regarding truth in lending, truth in savings, funds availability, privacy protection under the Gramm-Leach-Bliley Act of 1999, and prohibitions on discrimination in the provision of banking services. In addition, the newly-established CFPB will be responsible for interpreting and enforcing a broad range of consumer protection laws governing the provision of deposit accounts and the making of loans, including the regulation of mortgage lending and servicing. We have incurred and may in the future incur additional costs in complying with these requirements.

We must also comply with the anti-money laundering provisions of the Bank Secrecy Act, as amended by the USA PATRIOT Act, and implementing regulations issued by the FDIC and the U.S. Department of the Treasury. As a result, we must obtain and maintain certain records when opening accounts, monitor account activity for suspicious transactions, impose a heightened level of review on private banking accounts opened by non-U.S. persons and, when necessary, make certain reports to law enforcement or regulatory officials that are designed to assist in the detection and prevention of money laundering and terrorist financing activities. To this end, we are also required to maintain an anti-money laundering compliance program that includes policies, procedures, and internal controls; the appointment of an anti-money laundering compliance officer; an internal training program; and internal audits.

Under FDIC regulations, we are required to pay premiums to the Bank Insurance Fund to insure our deposit accounts. The FDIC utilizes a risk-based premium system in which an institution pays premiums for deposit insurance on the institution's average consolidated total assets minus average tangible equity. For large insured depository institutions, generally defined as those with at least $10 billion in total assets, the assessment rate schedules combine regulatory ratings and financial measures into two scorecards, one for most large insured depository institutions and another for highly complex insured depository institutions, to calculate assessment rates. A highly complex institution is generally defined as an insured depository institution with more than $50 billion in total assets that is controlled by a parent company with more than $500 billion in total assets. Under the assessment rate schedules, the total base assessment rates range from two and one-half to forty-five basis points.

We must maintain reserves on transaction accounts. The maintenance of reserves increases our cost of funds because reserves must generally be maintained in cash or non-interest-bearing balances maintained directly or indirectly with a Federal Reserve Bank.

The Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 regulates interstate banking activities by establishing a framework for nationwide interstate banking and branching. This interstate banking and branching authority generally permits a bank in one state to merge with a bank in another unless the state prohibits all out-of-state banks from doing so and permits a bank in one state to establish *de novo* branches in another state in which it does not maintain a branch, if that state expressly permits all out-of-state banks to establish branches.

The Gramm-Leach-Bliley Act of 1999 eliminated most of the barriers to affiliations among banks, securities firms, insurance companies, and other financial companies previously imposed under federal banking laws if certain criteria are satisfied. Certain subsidiaries of well-capitalized and well-managed banks may be treated as "financial subsidiaries," which are generally permitted to engage in activities that are financial in nature, including securities underwriting, dealing, and market making; sponsoring mutual funds and investment companies; and activities that the Federal Reserve has determined to be closely related to banking.

Signature Securities is registered as a broker-dealer with and subject to supervision by the SEC. The SEC is the federal agency primarily responsible for the regulation of broker-dealers. Signature Securities is also subject to regulation by one of the brokerage industry's self-regulatory organizations, the Financial Industry Regulatory Authority ("FINRA"). As a registered broker-dealer, Signature Securities is subject to the SEC's uniform net capital rule. The purpose of the net capital rule is to require broker-dealers to have at all times enough liquid assets to satisfy promptly the claims of clients if the broker-dealer goes out of business. If Signature Securities fails to maintain the required net capital, the SEC and NASD may impose regulatory sanctions including suspension or revocation of its broker-dealer license. A change in the net capital rules, the imposition of new rules, or any unusually large charge against Signature Securities' net capital could limit its operations. As a subsidiary of Signature Bank, Signature Securities is also subject to regulation and supervision by the New York State Department of Financial Services. Signature Securities currently is permitted to act as a broker and as a dealer in certain bank eligible securities.

Signature Securities is also subject to state insurance regulation. In July 2004, Signature Securities received approval from the New York State Banking Department and the New York State Department of Insurance (collectively known as the New York State Department of Financial Services as of October 3, 2011) to act as an agent in the sale of insurance products. Signature Securities' insurance activities are subject to extensive regulation under the laws of the various states where its clients are located. The applicable laws and regulations vary from state to state, and, in every state of the United States, an insurance broker or agent is required to have a license from that state. These licenses may be denied or revoked by the appropriate governmental agency for various reasons, including the violation of state regulations and conviction for crimes.

Change in Control

The approval of the New York State Banking Board is required before any person may acquire "control" of a banking institution, which includes Signature Bank and any company controlling Signature Bank. "Control" is defined as the possession, directly or indirectly, of the power to direct or cause the direction of management and policies of a banking institution through ownership of stock or otherwise and is presumed to exist if, among other things, any company owns, controls, or holds the power to vote 10% or more of the voting stock of a banking institution. As a result, any person or company that seeks to acquire 10% or more of our outstanding common stock must obtain prior regulatory approval.

In addition to the New York requirements, the Bank Holding Company Act prohibits a company from, directly or indirectly, acquiring 25% or more (5% if the acquirer is a bank holding company) of any class of our voting stock or obtaining the ability to control in any manner the election of a majority of our directors or otherwise directing the management or policies of our company without prior application to and the approval of the Federal Reserve. Moreover, under the Change in Bank Control Act, any individual who intends to acquire 10% or more of any class of our voting stock or otherwise obtain control over us could be required to provide prior notice to and obtain the non-objection of the FDIC.

ITEM 1A. RISK FACTORS

If any of the following risks actually occur, our business, financial condition or operating results could be materially adversely affected. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations. As a result, we cannot predict every risk factor, nor can we assess the impact of all of the risk factors on our businesses or to the extent to which any factor, or combination of factors, may impact our financial condition and results of operation.

Risks Relating to Our Business

Current disruption and volatility in global financial markets might continue and the federal government has and may continue to take measures to intervene.

Since late 2007, global financial markets have experienced periods of extraordinary disruption and volatility following adverse changes in the global economy and, in particular, the credit markets. The federal government has taken significant measures in response to these events, such as enactment of the Emergency Economic Stabilization Act of 2008 and other regulatory actions applicable to financial institutions. We cannot predict the federal government's responses to any further dislocation and instability and potential future government responses and changes in law or regulation, may affect our business, results of operations and financial conditions.

Recently, economic conditions in Europe have become increasingly uncertain, particularly with respect to the sovereign debt of certain countries within the European Union. Although we are not directly exposed to risk associated with European sovereign debt and are not materially exposed to risk associated with European non-sovereign debt, we do hold a material amount of corporate debt of U.S. financial institutions that have material exposure to European sovereign and non-sovereign debt. As such, further deterioration of the economic conditions in Europe could have a material adverse effect on the issuers of corporate debt that we hold. If such an effect were to negatively impact the ability of such issuers to pay their debts, it could have a material adverse effect on our results of operations and financial condition.

Difficult market conditions have adversely affected our industry.

Dramatic declines in the housing market over the past four years, together with falling home prices, increasing foreclosures, unemployment and under-employment, have negatively impacted the credit performance of mortgage loans and resulted in significant write-downs of asset values by financial institutions. The market for commercial loans (including commercial and industrial loans and loans secured by commercial real estate) and multi-family mortgage loans has also been adversely affected. A worsening of these conditions could exacerbate the adverse effects of these difficult market conditions on us. In particular, we may face the following risks in connection with these events:

- Commercial loans (including commercial and industrial loans and loans secured by commercial real estate) and multi-family mortgage loans constitute a substantial portion of our loan activity and loan portfolio. If the difficult market conditions that we have faced over the last four years continue, losses on such loans could increase significantly, which could adversely affect our financial condition and results of operations.
- Market developments may affect confidence levels and may cause declines in credit usage and adverse changes in payment patterns, causing increases in delinquencies and default rates, which we expect would impact our provision for loan losses.
- The process we use to estimate losses inherent in our credit exposure requires difficult, subjective, and complex judgments, including forecasts of economic conditions and how these economic predictions might impair the ability of our borrowers to repay their loans, which may no longer be capable of accurate estimation which may, in turn, impact the reliability of the process.

We may be unable to successfully implement our business strategy.

We intend to continue to pursue our strategy for growth. In order to execute this strategy successfully, we must, among other things:

- assess market conditions for growth;
- build our client base;

- maintain credit quality;
- properly manage risks, including operational risks, credit risks and interest rate risks;
- attract sufficient core deposits to fund our anticipated loan growth;
- identify and attract new banking group directors;
- identify and pursue suitable opportunities for opening new banking locations; and
- maintain sufficient capital to satisfy regulatory requirements.

Failure to manage our growth effectively could have a material adverse effect on our business, future prospects, financial condition or results of operations and could adversely affect our ability to successfully implement our growth strategy.

Our operations are significantly affected by interest rate levels and we are especially vulnerable to changes in interest rates.

We incur interest rate risk. Our income and cash flows and the value of our assets depend to a great extent on the difference between the interest rates we earn on interest-earning assets, such as loans and investment securities, and the interest rates we pay on interest-bearing liabilities such as deposits and borrowings. These rates are highly sensitive to many factors which are beyond our control, including general economic conditions and policies of various governmental and regulatory agencies, in particular, the Federal Reserve. Changes in monetary policy, including changes in interest rates, significantly influence the interest we earn on our loans and investment securities and the amount of interest we pay on deposits. In addition, such changes can significantly affect our ability to originate loans and obtain deposits and our costs in doing so.

If the rate of interest we pay on our deposits and other borrowings increases more than the rate of interest we earn on our loans and other investments, our net interest income and, therefore, our earnings could be materially adversely affected. Our earnings could also be materially adversely affected if the interest rates on our loans and other investments fall more quickly than those on our deposits and other borrowings. Furthermore, an increase in interest rates may negatively affect the market value of securities in our investment portfolio. Our fixed-rate securities, generally, are more negatively affected by these increases. A reduction in the market value of our portfolio will increase the unrealized loss position of our available-for-sale investments. Any of these events could materially adversely affect our results of operations or financial condition.

We compete with many larger financial institutions which have substantially greater financial and other resources than we have.

There is significant competition among commercial banking institutions in the New York metropolitan area. We compete with bank holding companies, national and state-chartered commercial banks, savings and loan associations, consumer finance companies, credit unions, securities brokerage firms, insurance companies, mortgage banking companies, money market mutual funds, asset-based non-bank lenders, and other financial institutions. Many of these competitors have substantially greater financial resources, lending limits and larger office networks than we do, and are able to offer a broader range of products and services than we can. Because we compete against larger institutions, our failure to compete effectively for deposit, loan and other clients in our markets could cause us to lose market share or slow our growth rate and could have a material adverse effect on our financial condition and results of operations.

The market for banking and brokerage services is extremely competitive and allows consumers to access financial products and compare interest rates and services from numerous financial institutions located across the United States. As a result, clients of all financial institutions, including those within our target market, are sensitive to competitive interest rate levels and services. Our future success in attracting and retaining client deposits depends, in part, on our ability to offer competitive rates and services. Our clients are particularly attracted to the level of personalized service we can provide. Our business could be impaired if our clients believe other banks provide better service or if they come to believe that higher rates are more important to them than better service.

In addition, the financial services industry is undergoing rapid technological changes, with frequent introductions of new technology-driven products and services. In addition to improving the ability to serve clients, the effective use of technology increases efficiency and enables financial institutions to reduce costs. In addition, these technological advancements have made it possible for non-financial institutions to offer products and services that have traditionally been offered by financial institutions. Our future success will depend, in part, upon our ability to address the needs of our clients by using technology, including the use of the Internet, to provide products and services that will satisfy client demands for convenience, as well as to create additional efficiencies in our operations. Because many of our competitors have substantially greater resources to invest in technological improvements than we do, these institutions could pose a significant competitive threat to us.

Government intervention in the banking industry has the potential to change the competitive landscape.

There has been significant government intervention in the banking industry recently, including equity investments, liquidity facilities and guarantees. Given the recent state of the global economy, it is possible that the government will take further steps to intervene in the banking industry. These actions have changed and have the potential to further change the competitive landscape significantly. For example, clients may view some of our competitors as being "too big to fail" and such competitors may thereby benefit from an implicit U.S. government guarantee beyond that provided to banks generally. Any such intervention could adversely affect our competitive standing and profitability.

In addition, certain government programs introduced during the economic crisis may give rise to new competitors. For instance, the FDIC has introduced a bidding process for institutions that have been or will be placed into receivership by federal or state regulators. This process is open to existing financial institutions, as well as groups without pre-existing operations. This program and others like it that exist now or that may be developed in the future could give rise to a significant number of new competitors, which could have a material adverse effect on our business and results of operations.

We are vulnerable to downgrades in credit ratings for securities within our investment portfolio.

Although over 97% of our portfolio of investment securities was rated investment grade as of December 31, 2011, we remain exposed to potential investment rating downgrades by credit rating agencies of the issuers and guarantors of securities in our investment portfolio. A significant volume of downgrades would negatively impact the fair value of our securities portfolio, resulting in a potential increase in the unrealized loss in our investment portfolio, which could negatively affect our earnings. Rating downgrades of securities below investment grade level and other events may result in impairment of such securities, requiring recognition of the credit component of the other-than-temporary impairment as a charge to current earnings.

We are vulnerable to illiquid market conditions, resulting in potential significant declines in the fair value of our investment portfolio.

In cases of illiquid or dislocated marketplaces, there may not be an available market for certain securities in our portfolio. For example, mortgage-related assets have experienced, and likely to continue to experience, periods of illiquidity, caused by, among other things, an absence of a willing buyer or an established market for these assets, or legal or contractual restrictions on sale. In addition, recent market conditions have created dislocations in the market for bank-collateralized pooled trust preferred securities and limited other securities in which we invest. Continued adverse market conditions, including continued bank failures, could result in a significant decline in the fair value of these securities. We have in the past, and depending on the probability of a near-term market recovery, may in the future be required to recognize the credit component of the additional other-than-temporary impairments as a charge to current earnings resulting from the decline in the fair value of these securities.

We primarily invest in mortgage-backed obligations and such obligations have been, and are likely to continue to be, impacted by market dislocations, declining home values and prepayment risk, which may lead to volatility in cash flow and market risk and declines in the value of our investment portfolio.

Our investment portfolio largely consists of mortgage-backed obligations primarily secured by pools of mortgages on single-family residences.

The value of mortgage-backed obligations in our investment portfolio may fluctuate for several reasons, including (i) delinquencies and defaults on the mortgages underlying such obligations, due in part to high unemployment rates, (ii) increases in interest rates resulting from expiration of the fixed rate portion of adjustable rate mortgages ("ARMs"), (iii) falling home prices, (iv) lack of a liquid market for such obligations, (v) uncertainties in respect of government-sponsored enterprises such as the Federal National Mortgage Association ("Fannie Mae") or the Federal Home Loan Mortgage Corporation ("Freddie Mac"), which guarantee such obligations, and (vi) the expiration of government stimulus initiatives. Home values have declined significantly over the last four years. Although home prices appear to have leveled off, if the value of homes were to further materially decline, the fair value of the mortgage-backed obligations in which we invest may also decline. Any such decline in the fair value of mortgage-backed obligations, or perceived market uncertainty about their fair value, could adversely affect our financial position and results of operations.

In addition, when we acquire a mortgage-backed security, we anticipate that the underlying mortgages will prepay at a projected rate, thereby generating an expected yield. Prepayment rates generally increase as interest rates fall and decrease when rates rise, but changes in prepayment rates are difficult to predict. In light of historically low interest rates, many of our mortgage-backed securities have a higher interest rate than prevailing market rates, resulting in a premium purchase price. In accordance with applicable accounting standards, we amortize the premium over the expected life of the mortgage-backed security. If the mortgage loans securing the mortgage-backed security prepay more rapidly than anticipated, we would have to amortize the premium on an accelerated basis, which would thereby adversely affect our profitability.

Continued adverse developments in the residential mortgage market may adversely affect the value of our investment portfolio.

Over the last four years, the residential mortgage market in the United States has experienced a variety of difficulties resulting from changed economic conditions, including increased unemployment rates, heightened defaults, credit losses and liquidity concerns. These disruptions have adversely affected the performance and fair value of many of the types of financial instruments in which we invest and may continue to do so. Many residential mortgage-backed securities have been downgraded by rating agencies over the past four years, and rating agencies may further downgrade these securities in the future if conditions do not improve. As a result of these difficulties and changed economic conditions, many companies operating in the mortgage sector have failed and others are facing serious operating and financial challenges. While the Federal Reserve has taken certain actions in an effort to ameliorate the current market conditions, its efforts may be ineffective. As a result of these factors, among others, the market for these securities may be adversely affected for a significant period of time.

Adverse conditions in the residential mortgage market have also negatively impacted other sectors in which the issuers of securities in which we invest operate, which has adversely affected, and may continue to adversely affect, the fair value of such securities, including private collateralized mortgage obligations and bank-collateralized pooled trust preferred securities, in our investment portfolio.

If the U.S. agencies or U.S. government-sponsored enterprises were unable to pay or to guarantee payments on their securities in which we invest, our results of operations would be adversely affected.

A large portion of our investment portfolio consists of mortgage-backed securities and collateralized mortgage obligations issued or guaranteed by Fannie Mae or Freddie Mac and debentures issued by the Federal Home Loan Banks, Fannie Mae, and Freddie Mac. Fannie Mae, Freddie Mac, and the Federal Home Loan Banks are U.S. government-sponsored enterprises but their guarantees and debt obligations are not backed by the full faith and credit of the United States.

The economic crisis, especially as it relates to the residential mortgage market, adversely affected the financial results and stock values of Fannie Mae and Freddie Mac and resulted in the value of the debt securities issued or guaranteed by Fannie Mae and Freddie Mac becoming unstable and relatively illiquid compared to prior periods. Fannie Mae and Freddie Mac have reported substantial losses in recent years and continue to experience significant difficulties stemming from recent market disruptions, including significant increases in credit-related expenses and credit losses. If Fannie Mae and Freddie Mac continue to suffer significant losses and their stock values continue to decline, investors may perceive these entities as financially unstable, which may decrease the liquidity of debt securities issued or guaranteed by them, further exacerbate declines in the fair value of such securities, threaten such entities' financial stability, and adversely affect their ability to honor their respective guarantees and debt obligations. Further, any actual or perceived financial challenges at either Fannie Mae or Freddie Mac could cause rating agencies to downgrade the corporate credit ratings of Fannie Mae or Freddie Mac. Moody's Investor Services ("Moody's") Bank Financial Strength Rating ("BFSR"), measures the likelihood that a financial institution will require financial assistance. In 2008, Fannie Mae's and Freddie Mac's BFSRs were downgraded substantially. While both the Federal Reserve and the federal regulator of Fannie Mae and Freddie Mac have taken actions to back the safety and soundness of these entities and to improve liquidity in the financial markets, there is still much concern in the marketplace about these entities. In July 2008, the U.S. Congress enacted a law granting the U.S. Treasury Department the authority to extend additional credit to Fannie Mae and Freddie Mac in order to prevent their failure and creating the Federal Housing Finance Agency to regulate the government-sponsored enterprises. On September 7, 2008, the U.S. Treasury Department announced that the U.S. government would place Fannie Mae and Freddie Mac into conservatorship, purchase senior preferred equity shares in each entity, establish a new secured lending credit facility available to both entities and purchase mortgage-backed securities of Fannie Mae and Freddie Mac. On August 8, 2011, Standard and Poor's downgraded the credit rating of Fannie Mae and Freddie Mac citing the downgrade of the federal government's

AAA status, and there is no guarantee that these entities will not suffer further downgrades and negative results in the future.

Should the U.S. government contain, reduce or eliminate support for the financial stability of Fannie Mae, Freddie Mac and the Federal Home Loan Banks, the ability for those entities to operate as independent entities is questionable. Any failure by Fannie Mae, Freddie Mac, or the Federal Home Loan Banks to honor their guarantees of mortgage-backed securities, debt or other obligations will have severe ramifications for the capital markets and financial industry. Any failure by Fannie Mae, Freddie Mac, or the Federal Home Loan Banks to pay principal or interest on their mortgage guarantee and debentures when due could also materially adversely affect our results of operations and financial condition.

In February 2011, the U.S. Treasury released a proposal to gradually dissolve Fannie Mae and Freddie Mac and reduce the government's involvement in the mortgage system. We are unable to predict whether this or another proposal will be adopted, and, if so, what the effect of such proposal may be.

There are material risks involved in commercial lending that could adversely affect our business.

Commercial loans represented approximately 90% of our total loan portfolio as of December 31, 2011 and primarily consist of loans to our privately-owned business clients. Our credit-rated commercial loans include commercial and industrial loans along with loans to commercial borrowers that are secured by real estate (commercial property, multi-family residential property, 1-4 family residential property, and construction and land). Commercial loans generally involve a higher degree of credit risk than residential mortgage loans due, in part, to their larger average size and less readily-marketable collateral. In addition, unlike residential mortgage loans, commercial loans generally depend on the cash flow of the borrower's business to service the debt. A significant portion of our commercial loans depend primarily on the liquidation of assets securing the loan for repayment, such as inventory and accounts receivable. These loans carry incrementally higher risk, because their repayment is often dependent solely on the financial performance of the borrower's business. Adverse economic conditions or other factors adversely affecting our target market segment may have a greater adverse effect on us than on other financial institutions that have a more diversified client base. Our business plan calls for continued efforts to increase our assets invested in commercial loans. For all of these reasons, increases in non-performing commercial loans could result in operating losses, impaired liquidity and the erosion of our capital, and could have a material adverse effect on our financial condition and results of operations. Credit market tightening could adversely affect our commercial borrowers through declines in their business activities and adversely impact their overall liquidity through the diminished availability of other borrowing sources or otherwise.

Our business and a large portion of our real estate collateral is concentrated in the New York metropolitan area and a downturn in the economy of the New York metropolitan area may adversely affect our business.

Substantially all of our business is located in the New York metropolitan area. In addition, as of December 31, 2011, substantially all of the real estate collateral for the loans in our portfolio was located within the New York metropolitan area. As a result, our financial condition and results of operations may be affected by changes in the economy and the real estate market of the New York metropolitan area. A prolonged period of economic recession or other adverse economic conditions in the New York metropolitan area, such as the one we are experiencing now, may result in an increase in nonpayment of loans, a decrease in collateral value, and an increase in our allowance for loan losses.

In addition, our geographic concentration in the New York metropolitan area heightens our exposure to future terrorist attacks, which may adversely affect our business and that of our clients and result in a material decrease in our revenues. Future terrorist attacks cannot be predicted, and their occurrence can be expected to further negatively affect the U.S. economy generally and specifically the regional market in which we operate.

If the value of real estate were to decline materially, a significant portion of our loan portfolio could become under-collateralized, which would have a material adverse effect on us.

As of December 31, 2011, approximately 80% of the collateral for the loans in our portfolio consisted of real estate. The market value of real estate, particularly real estate held for investment, can fluctuate significantly in a short period of time as a result of market conditions in the geographic area in which the real estate is located. If the value of the real estate serving as collateral for our loan portfolio were to decline materially, a portion of our loan portfolio could become under-collateralized. If the loans that are collateralized by real estate become troubled during a time when market conditions are declining or have declined, we may not be able to realize the value of the collateral that we anticipated at the time of originating the loan, which could have a material adverse effect on our provision for loan losses and our financial condition and results of operations.

As the size of our loan portfolio grows, the risks associated with our loan portfolio may be exacerbated.

As we grow our business and hire additional banking teams, the size of our loan portfolio grows, which can exacerbate the risks associated with that portfolio. Although we attempt to minimize our credit risk through certain procedures, including monitoring the concentration of our loans within specific industries, we cannot assure you that these procedures will remain as effective when the size of our loan portfolio increases. This may result in an increase in charge-offs or underperforming loans, which could adversely affect our business.

Our failure to effectively manage our credit risk could have a material adverse effect on our financial condition and results of operations.

There are risks inherent in making any loan, including repayment risks associated with, among other things, the period of time over which the loan may be repaid, changes in economic and industry conditions, dealings with individual borrowers and uncertainties as to the future value of collateral. Although we attempt to minimize our credit risk by monitoring the concentration of our loans within specific industries and through what we believe to be prudent loan application approval procedures, we cannot assure you that such monitoring and approval procedures will reduce these lending risks.

In addition, we are subject to credit risk in our investment portfolio. Our investments include debentures, mortgage-backed securities and collateralized mortgage obligations issued or guaranteed by U.S. government-sponsored enterprises, such as Fannie Mae, Freddie Mac and the Federal Home Loan Banks, as well as collateralized mortgage obligations, bank-collateralized pooled trust preferred securities and other debt securities issued by private issuers. The issuers of our trust preferred securities include several depositary institutions that have suffered significant losses since the onset of the economic crisis. We are exposed to credit risks associated with the issuers of the debt securities in which we invest. Further, with respect to the mortgage-backed securities in which we invest, we also are affected by the credit risk associated with the borrowers of the loans underlying these securities.

Lack of seasoning of our loan portfolio and mortgage loans underlying our investment portfolio may increase the risk of credit defaults in the future.

In general, loans do not begin to show signs of credit deterioration or default until they have been outstanding for some period of time, a process referred to as “seasoning.” As a result, a portfolio of older loans will usually behave more predictably than a newer portfolio. Because our loan portfolio is relatively new compared to the portfolio of many of our competitors, the current level of delinquencies and defaults may not be representative of the level that will prevail when the portfolio becomes more seasoned, which is likely to be somewhat higher than current levels.

Because over 91% of the loans in our loan portfolio were originated over the last four years, our loan portfolio does not provide a long-term history of loan losses for our management to consider in establishing our allowance for loan losses. We therefore also consider other financial institutions’ histories of loan losses and their allowance for loan losses, as well as our management’s estimates based on their experience in the banking industry, when determining our allowance for loan losses. There is no assurance that these considerations and our management’s judgment will result in an allowance for loan losses that will, at all times, be adequate for our business and operations.

In addition, the mortgage loans underlying certain mortgage-backed obligations in which we invest also may not begin to show signs of credit deterioration until they have been outstanding for some period of time. Because the mortgage loans underlying certain of the mortgage-backed obligations in our investment portfolio are relatively new, the level of delinquencies and defaults on such loans may increase in the future, thus adversely affecting the mortgage-backed obligations we hold.

Our allowance for loan losses may not be sufficient to absorb actual losses.

Experience in the banking industry indicates that a portion of our loans will become delinquent, and that some of these loans may be only partially repaid or may never be repaid at all. Despite our underwriting criteria, we experience losses for reasons beyond our control, including general economic conditions. A prolonged period of economic recession or other adverse economic conditions in the New York metropolitan area, such as the one we are experiencing now, may result in an increase in nonpayment of loans, a decrease in collateral value, and an increase in our allowance for loan losses. Although we believe that our allowance for loan losses is maintained at a level adequate to absorb any inherent losses in our loan portfolio, these estimates of loan losses are necessarily subjective and their accuracy depends on the outcome of future events, some of which are beyond our control. We may need to make significant and unanticipated increases in our loss allowances in the future, which would materially adversely affect our financial condition and results of operations.

In addition, bank regulators, as an integral part of their supervisory functions, periodically review our loan portfolio and related allowance for loan losses. These regulatory agencies may require us to increase our provision for loan losses or to recognize further loan charge-offs based upon their judgments, which may be different from ours. An increase in the allowance for loan losses required by these regulatory agencies could materially adversely affect our financial condition and results of operations.

We rely on the Federal Home Loan Bank of New York for secondary and contingent liquidity sources.

We utilize the Federal Home Loan Bank (or "FHLB") of New York for secondary and contingent sources of liquidity. Also, from time to time, we utilize this borrowing source to capitalize on market opportunities to fund investment and loan initiatives. Our FHLB borrowings were approximately $675.0 million at December 31, 2011. Because we rely on the FHLB for liquidity, if we were unable to borrow from the FHLB, we would need to find alternative sources of liquidity, which may be available only at a higher cost and on terms that do not match the structure of our liabilities as well as FHLB borrowings do.

As a member of the FHLB, we are required to purchase capital stock of the FHLB as partial collateral and to pledge marketable securities or loans for this borrowing. At December 31, 2011, we held $48.2 million of FHLB stock.

We are dependent upon key personnel.

Our success depends to a significant extent upon the performance of certain key executive officers and employees, the loss of any of whom could have a material adverse effect on our business. Our key executive officers and employees include our Chairman, Scott Shay, our President and Chief Executive Officer, Joseph DePaolo, and our Vice-Chairman, John Tamberlane. Although we have entered into agreements with Messrs. Shay and DePaolo, we have not entered into an agreement with Mr. Tamberlane and we generally do not have employment agreements with our key personnel. We adopted an equity incentive plan and a change of control plan for key personnel in connection with the consummation of our initial public offering. Even though we are party to these agreements and sponsor these plans, we cannot assure you that we will be successful in retaining any of our key executive officers and employees.

Our business is built around group directors, who are principally responsible for our client relationships. A principal component of our strategy is to increase market penetration by recruiting and retaining experienced group directors, their groups, loan officers and other management professionals. Competition for experienced personnel within the commercial banking, brokerage and insurance industries is strong and we may not be successful in attracting and retaining the personnel we require. We cannot assure you that our recruiting efforts will be successful or that they will enhance our business, results of operations or financial condition.

In addition, our group directors may leave us at any time for any reason. They are not under contractual restrictions to remain with us and would not be bound by non-competition agreements or non-solicitation agreements if they were to leave us. If even a small number of our key group directors were to leave, our business could be materially adversely affected. We cannot assure you that such losses of group directors or other professionals will not occur.

Our SBA division is also dependent upon relationships our SBA professionals have developed with clients from whom we purchase loans and upon relationships with investors in pooled securities. The loss of a key member of our SBA division team may lead to the loss of existing clients. We cannot assure you that we will be able to recruit qualified replacements with a comparable level of expertise and relationship base.

We may not be able to acquire suitable client relationship groups or manage our growth.

A principal component of our growth strategy is to increase market penetration and product diversification by recruiting group directors and their groups. However, we believe that there are a limited number of potential group directors and groups that will meet our development strategy and other recruiting criteria. As a result, we cannot assure you that we will identify potential group directors and groups that will contribute to our growth. Even if suitable candidates are identified, we cannot assure you that we will be successful in attracting them, as they may opt instead to join our competitors.

Even if we are successful in attracting these group directors and groups, we cannot assure you that they will be successful in bringing additional clients and business to us. Furthermore, the addition of new groups involves several risks including risks relating to the quality of the book of business that may be contributed, adverse personnel relations and loss of clients because of a change of institutional identity. In addition, the process of integrating new groups could divert management time and resources from attention to existing clients. We cannot assure you that we will be able to successfully integrate any new group that we may acquire or that any new group that we acquire will enhance our business, results of operations, cash flows or financial condition.

Provisions in our charter documents may delay or prevent our acquisition by a third party.

Our restated Certificate of Organization (as amended) and By-laws contain provisions that may make it more difficult for a third party to acquire control of us without the approval of our Board of Directors. For example, our Certificate of Organization authorizes our Board of Directors to determine the rights, preferences, privileges and restrictions of unissued series of common stock and preferred stock, without any vote or action by our stockholders. As a result, our Board of Directors can authorize and issue shares of preferred stock with voting or conversion rights that could adversely affect the voting or other rights of holders of our common stock. Additionally, our By-laws contain provisions that separate our Board of Directors into three separate classes with staggered terms of office and provisions that restrict the ability of shareholders to take action without a meeting. These provisions could delay, prevent or deter a merger, acquisition, tender offer, proxy contest or other transaction that might otherwise result in our stockholders receiving a premium over the market price for their common stock.

There are substantial regulatory limitations on changes of control.

Federal law prohibits a company or a group of persons deemed to be “acting in concert” from, directly or indirectly, acquiring 25% or more (5% if the acquirer is a bank holding company) of any class of our voting stock or obtaining the ability to control in any manner the election of a majority of our directors or otherwise to direct the management or policies of our company without prior application to and the approval of the Board of Governors of the Federal Reserve System. Moreover, any individual who acquires 10% or more of our voting stock or otherwise obtains control over Signature Bank would be required to notify, and could be required to obtain the non-objection of, the FDIC. Finally, any person acquiring 10% or more of our voting stock would be required to obtain approval of the New York State Department of Financial Services. Accordingly, prospective investors need to be aware of and comply with these requirements, if applicable, in connection with any purchase of shares of our common stock. This may effectively reduce the number of investors who might be interested in investing in our stock and also limits the ability of investors to purchase us or cause a change in control.

Curtailment of government guaranteed loan programs could affect our SBA business.

Our SBA business relies on the purchasing, pooling and selling of government guaranteed loans, in particular those guaranteed by the SBA. From time to time, the government agencies that guarantee these loans reach their internal limits and cease to guarantee loans for a period of time. In addition, these agencies may change their rules for loans or Congress may adopt legislation that would have the effect of discontinuing or changing the programs. If changes occur, the volumes of loans that qualify for government guarantees could decline. Lower volumes of origination of government guaranteed loans may reduce the profitability of our SBA business.

We rely extensively on outsourcing to provide cost-effective operational support.

We make extensive use of outsourcing to provide cost-effective operational support with service levels consistent with large bank operations, including key banking, brokerage and insurance systems. For example, under the clearing agreement Signature Securities has entered into with National Financial Services (a Fidelity Investments company), National Financial Services processes all securities transactions for the account of Signature Securities and the accounts of its clients. Services of the clearing firm include billing and credit extension and control, receipt, custody and delivery of securities. Signature Securities is dependent on the ability of its clearing firm to process securities transactions in an orderly fashion. In addition, Fidelity Information Services provides us with all our core banking applications. Our outsourcing agreements can generally be terminated by either party upon notice. The termination of some of our outsourcing agreements, including the agreements with National Financial Services and Fidelity Information Services, could result in a disruption of service that could have a material adverse effect on our financial condition and results of operations.

System failures or breaches of our network security could subject us to increased operating costs as well as litigation and other liabilities.

The computer systems and network infrastructure we use could be vulnerable to unforeseen problems. Our operations are dependent upon our ability to protect our computer equipment against damage from fire, power loss, telecommunications failure or other similar catastrophic events. Any damage or failure that causes an interruption in our operations could have a material adverse effect on our financial condition and results of operations. In addition, our operations are dependent upon our ability to protect our computer systems and network infrastructure against damage from physical break-ins, security breaches, hackers, viruses and other malware and other disruptive problems. Such computer break-ins, whether physical or electronic, and other disruptions could jeopardize the security of information stored in and transmitted through our computer systems and network infrastructure, which may result in significant liability to us and deter potential clients. Although we, with the help of third-party service providers, have and intend to continue to implement security technology and establish operational procedures to prevent such damage, there can be no assurance that these security measures will be successful. In addition, advances in computer capabilities, new discoveries in the field of cryptography or other developments could result in a compromise or breach of the algorithms we and our third-party service providers use to protect client transaction data. A failure of such security measures could have a material adverse effect on our financial condition and results of operations.

Although we carry specific "cyber" insurance coverage, which would apply in the event of various breach scenarios, the amount of coverage may not be adequate in any particular case. In addition, cyber threat scenarios are inherently difficult to predict and can take many forms, some of which may not be covered under our cyber insurance coverage. Furthermore, the occurrence of a cyber threat scenario could cause interruptions in our operations, which could in turn have a material adverse effect on our financial condition and results of operations.

Decreases in trading volumes or prices could harm the business and profitability of Signature Securities.

Declines in the volume of securities trading and in market liquidity generally result in lower revenues from our brokerage and related activities. The profitability of our Signature Securities business would be adversely affected by a decline in revenues because a significant portion of its costs are fixed. For these reasons, decreases in trading volume or securities prices could have a material adverse effect on our business, financial condition and results of operations.

We have not historically paid, and do not presently intend to pay, cash dividends. Furthermore, our ability to pay cash dividends is restricted.

We have not paid any cash dividends on our common stock to date and do not intend to pay cash dividends on our common stock in the foreseeable future. We intend to retain earnings to finance operations and the expansion of our business. Therefore, any return on your investment in our common stock must come from an increase in its market price.

In addition, payments of dividends will be subject to the prior approval by the FDIC if, after having paid a dividend, we would be undercapitalized, significantly undercapitalized or critically undercapitalized, and by the New York State Department of Financial Services under certain conditions. Our ability to pay dividends will also depend upon the amount of cash available to us from our subsidiaries. Restrictions on our subsidiaries' ability to make dividends or advances to us will tend to limit our ability to pay dividends to our shareholders.

We may be responsible for environmental claims.

There is a risk that hazardous or toxic waste could be found on the properties that secure our loans. In such event, we could be held responsible for the cost of cleaning up or removing such waste, and such cost could significantly exceed the value of the underlying properties and adversely affect our profitability. Additionally, even if we are not held responsible for these cleanup and removal costs, the value of the collateralized property could be significantly lower than originally projected, thus adversely affecting the value of our security interest. Although we have policies and procedures that require us to perform environmental due diligence prior to accepting a property as collateral and an environmental review before initiating any foreclosure action on real property, there can be no assurance that this will be sufficient to protect us from all potential environmental liabilities associated with collateralized properties.

We may not be able to raise the additional funding needed for our operations.

If we are unable to generate profits and cash flow on a consistent basis, we may need to arrange for additional financing to support our business. Although we have completed a number of successful capital raising transactions, including the July 2011 public offering of 4,715,000 shares of our common stock, we cannot assure you that, if needed or desired, we would be able to obtain additional capital or financing on commercially reasonable terms or at all, especially in light of current capital and credit market conditions. Our failure to obtain sufficient capital or financing could have a material adverse effect on our growth, on our ability to compete effectively and on our financial condition and results of operations.

The misconduct of employees or their failure to abide by regulatory requirements are difficult to detect and deter.

Employee misconduct could subject us to financial losses or regulatory sanctions and seriously harm our reputation. It is not always possible to deter employee misconduct, and the precautions we take to prevent and detect this activity may not be effective in all cases. Misconduct by our employees could include hiding unauthorized activities from us, improper or unauthorized activities on behalf of clients or improper use of confidential information.

Employee errors in recording or executing transactions for clients could cause us to enter into transactions that clients may disavow and refuse to settle. These transactions expose us to risks of loss, which can be material, until we detect the errors in question and unwind or reverse the transactions. As with any unsettled transaction, adverse movements in the prices of the securities involved in these transactions before we unwind or reverse them can increase these risks.

All of our securities professionals are required by law to be licensed with our subsidiary, Signature Securities, a licensed securities broker-dealer. Under these requirements, these securities professionals are subject to our supervision in the area of compliance with federal and applicable state securities laws, rules and regulations, as well as the rules and regulations of self-regulatory organizations such as FINRA. The violation of any regulatory requirements by us or our securities professionals could jeopardize Signature Securities' broker-dealer license or other licenses and could subject us to liability to clients.

We are subject to losses resulting from fraudulent or negligent acts on the part of our clients or other third parties.

We rely heavily upon information supplied by our clients and by third parties, including the information included in loan applications, property appraisals, title information, and employment and income documentation, in deciding which loans we will originate, as well as the terms of those loans. If any of the information upon which we rely is misrepresented, either fraudulently or inadvertently, and the misrepresentation is not detected prior to loan funding, the value of the loan may be significantly lower than we had expected, or we may fund a loan that we would not have funded or on terms that we would not have extended. Whether a misrepresentation is made by the loan applicant, a mortgage broker, or another third party, we generally bear the risk of loss associated with the misrepresentation. A loan subject to a material misrepresentation is typically unable to be sold or subject to repurchase if sold prior to the detection of the misrepresentation. The sources of the misrepresentation are often difficult to locate and it is often difficult to recover any of the monetary losses we have suffered. Although we maintain a system of internal controls to mitigate against such occurrences and maintain insurance coverage for such risks that are insurable, we cannot assure you that we have detected or will detect all misrepresented information in our loan originations operations.

The failure of our brokerage clients to meet their margin requirements may cause us to incur significant liabilities.

The brokerage business of Signature Securities, by its nature, is subject to risks related to potential defaults by our clients in paying for securities they have agreed to purchase and for securities they have agreed to sell and deliver. National Financial Services provides clearing services to our brokerage business, including the confirmation, receipt, execution, settlement, and delivery functions involved in securities transactions, as well as the safekeeping of clients' securities and assets and certain client record keeping, data processing, and reporting functions. National Financial Services makes margin loans to our clients to purchase securities with funds they borrow from National Financial Services. We must indemnify National Financial Services for, among other things, any loss or expense incurred due to defaults by our clients in failing to repay margin loans or to maintain adequate collateral for those loans. We are subject to risks inherent in extending margin credit, especially during periods of rapidly declining markets.

Our business may be adversely impacted by acts of war or terrorism.

Acts of war or terrorism could have a significant impact on our ability to conduct our business. Such events could affect the ability of our borrowers to repay their loans, could impair the value of the collateral securing our loans, and could cause significant property damage, thus increasing our expenses and/or reducing our revenues. In addition, such events could affect the ability of our depositors to maintain their deposits with us. Although we have established disaster recovery policies and procedures, the occurrence of any such event could have a material adverse effect on our business which, in turn, could have a material adverse effect on our financial condition and results of operations.

Changes in the federal or state tax laws may negatively impact our financial performance.

We are subject to changes in tax law that could increase the effective tax rate payable to the state or federal government. These law changes may be retroactive to previous periods and as a result could negatively affect our current and future financial performance.

Changes in accounting standards or interpretation in new or existing standards could materially affect our financial results.

From time to time the Financial Accounting Standards Board ("FASB") and the SEC change accounting regulations and reporting standards that govern our preparation of financial statements. In addition, the FASB, SEC, bank regulators and the outside independent auditors may revise their previous interpretations regarding existing accounting regulations and the application of these accounting standards. These revisions in their interpretations are out of our control and may have a material impact on our financial statements

Risks Related to Our Industry

We are subject to regulatory capital requirements.

As a state-chartered bank, we are subject to various regulatory capital requirements administered by state and federal regulatory agencies. Failure to meet minimum capital requirements can initiate certain mandatory—and possible additional discretionary—actions by regulators that, if undertaken, could have a direct material adverse effect on our financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, we must meet specific capital guidelines that involve quantitative measures of our assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. Our capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings and other factors. We are required by FDIC regulations to maintain a minimum ratio of qualifying total capital to total risk-weighted assets (including off-balance sheet items) of 8.0%, at least one-half of which must be in the form of Tier 1 capital, and a ratio of Tier 1 capital to total risk-weighted assets of 4.0%. We are also required to maintain a minimum leverage capital ratio—the ratio of Tier 1 capital (net of intangibles) to adjusted total assets. Banks that have received the highest rating of five categories used by regulators to rate banks and are not anticipating or experiencing any significant growth must maintain a leverage capital ratio of at least 3.0%. All other institutions must maintain a minimum leverage capital ratio of 4.0%.

In addition, we are subject to the provisions of the Federal Deposit Insurance Corporation Improvement Act of 1991, which imposes a number of mandatory supervisory measures. Among other matters, this Act established five capital categories ranging from "well capitalized" to "critically under capitalized." Such classifications are used by regulatory agencies to determine a bank's deposit insurance premium and the approval of applications authorizing institutions to increase their asset size or otherwise expand their business activities or acquire other institutions.

To be categorized as "well capitalized" under the Act and, thus, subject to the fewest restrictions, a bank must have a leverage capital ratio of at least 5.0%, a Tier 1 risk-based capital ratio of at least 6.0%, and a total risk-based capital ratio of at least 10.0%, and must not be subject to any written agreement, order, capital directive or prompt corrective action directive issued by the FDIC to meet and maintain a specific capital level. These capital requirements may limit asset growth opportunities and restrict our ability to increase earnings.

Our failure to comply with our minimum capital requirements would have a material adverse effect on our financial condition and results of operations.

Increases in FDIC insurance premiums may affect our earnings.

The significant number of bank failures over the past four years has increased resolution costs of the FDIC and caused a significant decrease in the FDIC's deposit insurance fund. In addition, the FDIC instituted two temporary programs to further insure customer deposits at FDIC-member banks, including fully insuring non-interest bearing transactional accounts.

Our FDIC deposit insurance assessment rate for 2008 was five basis points. Effective January 1, 2009, the FDIC increased assessment rates and, as a result, our initial base assessment rate for 2009 was raised by seven basis points to 12 basis points resulting in additional FDIC insurance assessments of $5.9 million and $4.3 million for the years ended December 31, 2010 and 2009, respectively. In addition, effective April 1, 2009, the FDIC further modified its risk-based assessment system resulting in higher assessment rates for riskier institutions, which did not have a material impact on our assessment. During 2011, the FDIC established a new assessment rate schedule, as further discussed below.

The FDIC also established the Temporary Liquidity Guarantee Program, which includes a Transaction Account Guarantee Program to temporarily provide a full guarantee above the existing $250,000 deposit insurance limit for funds held at participating FDIC-insured depository institutions in non-interest-bearing transaction accounts and certain NOW accounts. Coverage became effective on October 14, 2008 and was extended through December 31, 2010. As a participant in the Transaction Account Guarantee Program, our related assessments for the years ended December 31, 2010 and 2009 totaled $2.2 million and $1.1 million, respectively. The Dodd-Frank Act provides all banks with new or additional deposit insurance coverage, including unlimited FDIC insurance coverage for non-interest-bearing transaction checking accounts through December 31, 2012. This coverage took effect on December 31, 2010.

During the fourth quarter of 2009, the FDIC adopted a rule that required FDIC-insured depository institutions to prepay their quarterly risk-based assessments for the fourth quarter of 2009, and for all of 2010, 2011, and 2012, on December 30, 2009. Our total prepaid assessment was $31.4 million, which we recorded as a prepaid expense (asset) as of December 31, 2009.

In accordance with the Dodd-Frank Act, on February 7, 2011, the FDIC adopted a final rule that redefined the assessment base for deposit insurance assessments as average consolidated total assets minus average tangible equity, rather than average deposits. The final rule also established a new assessment rate schedule, as well as alternative rate schedules, that become effective when the insurance fund's reserve ratio reaches certain levels. The final rule also makes conforming changes to the unsecured debt and brokered deposit adjustments to assessment rates, eliminates the secured liability adjustment and creates a new assessment rate adjustment for unsecured debt held that is issued by another insured depository institution. The new rate schedule and other revisions to the assessment rules became effective April 1, 2011. Our base FDIC assessment for the year ended December 31, 2011 decreased $1.9 million when compared to 2010, largely due to the new assessment rules.

For large insured depository institutions, generally defined as those with at least $10 billion in total assets, the final rule also eliminates risk categories and the use of long-term debt issuer ratings when calculating the initial base assessment rates and combines regulatory ratings and financial measures into two scorecards, one for most large insured depository institutions and another for highly complex insured depository institutions, to calculate assessment rates. A highly complex institution is generally defined as an insured depository institution with more than $50 billion in total assets that is controlled by a parent company with more than $500 billion in total assets. Under the new assessment rate schedule, effective April 1, 2011, the initial base assessment rate for large and highly complex insured depository institutions range from five to thirty-five basis points, and total base assessment rates, after applying all the unsecured debt and brokered deposit adjustments, range from two and one-half to forty-five basis points. As the new assessment rules currently stand, we expect the rules will have a continued positive impact on our future FDIC deposit insurance assessment fees compared to the assessment rules in effect prior to the recent changes.

If there are additional bank or financial institution failures or the government or FDIC develop new programs to stimulate the economy and restore investor confidence, we may be required to pay even higher FDIC premiums than the recently increased levels. Any increase in assessment fees could have a materially adverse effect on our results of operations and financial condition.

We are subject to significant government regulation.

We operate in a highly regulated environment and are subject to supervision and regulation by a number of governmental regulatory agencies, including, among others, the FDIC, the New York State Department of Financial Services, the Federal Reserve, the New York State Insurance Department, and FINRA. Regulations adopted by these agencies, which are generally intended to provide protection for depositors and clients rather than shareholders, govern a comprehensive range of matters relating to ownership and control of our shares, our acquisition of other companies and businesses, the activities in which we are permitted to engage, maintenance of adequate capital levels, and other aspects of our operations. These regulatory agencies possess broad authority to prevent or remedy unsafe or unsound practices or violations of law. For example, bank regulators view certain types of clients as "high risk" clients under the Bank Secrecy Act, and other laws and regulations, and require enhanced due diligence and enhanced monitoring with respect to such clients. While we believe that we adequately perform such enhanced due diligence and monitoring with respect to our clients that fall within this category, if the regulators believe that our efforts are not adequate or that we have failed to identify suspicious transactions in such accounts, they could bring an enforcement action against us, which could result in bad publicity, fines and other penalties, and could have a material adverse effect on our business. In addition, laws and regulations enacted over the last several years have had, and are expected to continue to have, a significant impact on the financial services industry. Some of these laws and regulations, including the Dodd-Frank Act, the Sarbanes-Oxley Act of 2002 and the USA PATRIOT Act of 2001, have increased and may in the future further increase our costs of doing business, particularly personnel and technology expenses necessary to maintain compliance with the expanded regulatory requirements. Future legislation and government policy could adversely affect the banking industry as a whole, including our results of operations.

The securities markets and the brokerage industry in which Signature Securities operates are also highly regulated. Signature Securities is subject to regulation as a securities broker and investment adviser, and many of the regulations applicable to Signature Securities may have the effect of limiting its activities, including activities that might be profitable. Signature Securities is registered with and subject to supervision by the SEC and FINRA and is also subject to state insurance regulation. As a subsidiary of Signature Bank, Signature Securities is also subject to regulation and supervision by the New York State Department of Financial Services. The securities industry has been subject to several fundamental regulatory changes, including changes in the rules of self-regulatory organizations such as the NYSE and FINRA. In the future, the industry may become subject to new regulations or changes in the interpretation or enforcement of existing regulations. We cannot predict the extent to which any future regulatory changes may adversely affect our business.

In addition, we are subject to periodic examination by the FDIC, the New York State Department of Financial Services, the SEC, self-regulatory organizations, and various state authorities. Our banking operations, sales practice operations, trading operations, record-keeping, supervisory procedures, and financial position may be reviewed during such examinations to determine if they comply with the rules and regulations designed to protect clients and protect the solvency of banks and broker-dealers. Examinations may result in the issuance of a letter to us noting perceived deficiencies and requesting us to take corrective action. Deficiencies could lead to further investigation and the possible institution of administrative proceedings, which may result in the issuance of an order imposing sanctions upon us and/or our personnel, including our investment professionals. Sanctions against us may include a censure, cease and desist order, monetary penalties, or an order suspending us for a period of time from conducting certain or all of our operations. Sanctions against individuals may include a censure, cease and desist order, monetary penalties, or an order restricting the individual's activities or suspending the individual from association with us. In egregious cases, either we, our personnel, or both, could be expelled from a self-regulatory organization or barred from the banking industry or the securities industry.

The Dodd-Frank Act may affect our results of operations, financial condition or liquidity.

The Dodd-Frank Act, signed into law on July 21, 2010, makes extensive changes to the laws regulating financial services firms. The Dodd-Frank Act also requires significant rulemaking and mandates multiple studies which could result in additional legislative or regulatory action.

Under the Dodd-Frank Act, federal banking regulatory agencies are required to draft and implement enhanced supervision, examination and capital standards for depository institutions and their holding companies. The enhanced requirements include, among other things, changes to capital, leverage and liquidity standards and numerous other requirements. For example, the Dodd-Frank Act (i) requires the establishment of minimum leverage and risk-based capital requirements for insured depository institutions such as us, (ii) places restrictions on investment and other activities by depository institutions, including significant increases in the regulation of mortgage lending and servicing, (iii) provides for a new risk-based approach to financial services regulation giving federal bank regulatory agencies new authority to monitor the systemic safety of the financial system and (iv) authorizes various new assessments and fees. The Dodd-Frank Act also establishes a new federal Consumer Financial Protection Bureau with broad authority and permits states to adopt stricter consumer protection laws and enforce consumer protection rules issued by the Consumer Financial Protection Bureau.

At this time, it is difficult to predict the extent to which the Dodd-Frank Act or the resulting regulations will impact our business. However, compliance with these new laws and regulations will likely result in additional costs to our business. It is also difficult to predict the impact of the Dodd-Frank Act on our competitors and on the financial services industry as a whole. Competitive and industry factors could also adversely impact our results of operations, financial condition or liquidity.

The financial services industry may be subject to new legislation.

The regulatory environment in which we operate is constantly undergoing change. Legislation is pending before Congress that would further increase regulation of the financial services industry and impose restrictions on the ability of firms within the industry to conduct business consistent with historical practices, including aspects such as compensation, consumer protection regulations and mortgage regulation, among others. Federal and state regulatory agencies also propose and adopt changes to their regulations or change the manner in which existing regulations are applied. We cannot predict the substance or impact of pending or future legislation or regulation, or the application thereof, and any such future regulation can adversely affect our business.

Regulatory net capital requirements significantly affect and often constrain our brokerage business.

The SEC, FINRA, and various other regulatory bodies in the United States have rules with respect to net capital requirements for broker-dealers that affect Signature Securities. These rules require that at least a substantial portion of a broker-dealer's assets be kept in cash or highly liquid investments. Signature Securities must comply with these net capital requirements, which limit operations that require intensive use of capital, such as trading activities. These rules could also restrict our ability to withdraw capital from our broker-dealer subsidiary, even in circumstances where this subsidiary has more than the minimum amount of required capital. This, in turn, could limit our ability to pay dividends, implement our business strategies and pay interest on and repay the principal of our debt. A change in these rules, or the imposition of new rules, affecting the scope, coverage, calculation, or amount of net capital requirements could have material adverse effects. Significant operating losses or any unusually large charge against net capital could also have a material negative impact on our business.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We conduct business in 25 full-service private client offices, one SBA location and three operations centers. All current offices are leased with term expirations ranging from 2014 to 2024. Lease terms and rates vary by property. Many of the lease contracts include modest annual escalation agreements.

Our offices and lease expiration dates are described below:

Location	Type	Expiration
26 Court Street Brooklyn, NY 11242	Private Client Office	2014
279 Sunrise Highway Rockville Centre, NY 11570	Private Client Office	2014
923 Broadway Woodmere, NY 11598	Private Client Office	2014
300 Park Avenue New York, NY 10022	Private Client Office	2015
71 Broadway New York, NY 10006	Private Client Office	2015
360 Hamilton Plaza White Plains, NY 10601	Private Client Office	2015
36-36 33rd Street Long Island City, NY 11102	Private Client Office	2015
200 Park Avenue South New York, NY 10003	Private Client Office	2015
1020 Madison Avenue New York, NY 10021	Private Client Office	2015
950 Third Avenue New York, NY 10022	Private Client Office	2016
78-27 37th Avenue Jackson Heights, NY 11372	Private Client Office	2016
1177 Avenue of the Americas New York, NY 10019	Bank Operations Center	2016
1C Quaker Ridge Road New Rochelle, NY 10804	Private Client Office	2016
9 Greenway Plaza Houston, TX 77046	SBA & Institutional Trading Center (Signature Securities office)	2017
1225 Franklin Avenue Garden City, NY 11530	Private Client Office	2017

Location	Type	Expiration
40 Cuttermill Road Great Neck, NY 11021	Private Client Office	2017
6321 New Utrecht Avenue Brooklyn, NY 10004	Private Client Office	2017
111 Broadway New York, NY 10006	Private Client Accommodation Office	2017
261 Madison Avenue New York, NY 10016	Private Client Office	2015 & 2018
68 South Service Road Melville, NY 11747	Private Client Office	2018
100 Jericho Quadrangle Jericho, NY 11753	Private Client Office	2018
50 West 57th Street New York, NY 10019	Private Client Office	2019
29 West 38th Street New York, NY 10018	Bank and Brokerage Operations Center	2020
89-36 Sutphin Boulevard Jamaica, NY 11435	Private Client Office	2020
84 Broadway Brooklyn, NY 11242	Private Client Office	2021
565 Fifth Avenue New York, NY 10017	Executive Offices, Bank Administration Center and Private Client Office	2021
421 Hunts Point Avenue Bronx, NY 10474	Private Client Office	2021
2 Pennsylvania Plaza New York, NY 10121	Private Client Office	2021
2066 Hylan Blvd. Staten Island, NY 10306	Private Client Office	2024

ITEM 3. LEGAL PROCEEDINGS

We are subject to various pending and threatened legal actions relating to the conduct of our normal business activities. In the opinion of management, the ultimate aggregate liability, if any, arising out of any such pending or threatened legal actions will not be material to our Consolidated Financial Statements.

ITEM 4. (Removed and Reserved)

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

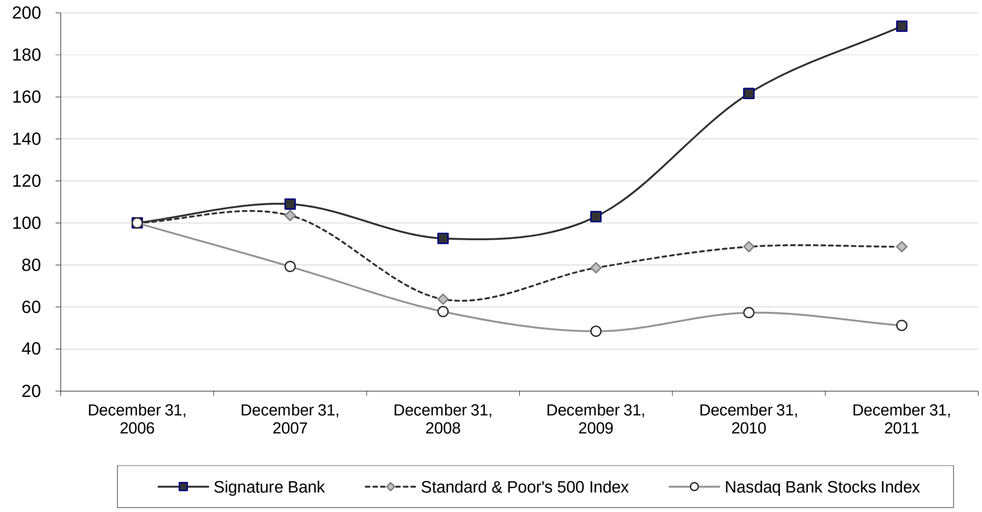
Our common stock is listed on the NASDAQ Global Select Market under the symbol "SBNY." As of December 31, 2011, 46,181,900 shares of our common stock were issued and outstanding. The following table lists, on a quarterly basis, the range of high and low intra-day sale prices per share of our common stock in U.S. dollars:

	Common Stock	
	High	**Low**
2011		
Fourth quarter	$ 61.98	44.07
Third quarter	61.54	45.39
Second quarter	58.66	53.02
First quarter	56.99	47.23
2010		
Fourth quarter	$ 51.71	38.19
Third quarter	40.50	36.01
Second quarter	43.12	35.85
First quarter	39.20	31.01

On December 31, 2011, the last reported sale price of our common stock was $59.99 and there were 20 holders of record of our common stock, including record holders on behalf of an indeterminate number of beneficial holders.

Performance Graph

The following graph compares the performance of our common stock with the performance of the Standard & Poor's 500 Index and the Nasdaq Bank Stocks Index:



The performance period reflected below assumes that $100 was invested in our common stock and each of the indexes listed below on December 31, 2006. The performance of our common stock reflected below is not indicative of our future performance.

	December 31,					
Company Name/Index	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Signature Bank	$ 100.00	108.94	92.61	102.97	161.59	193.64
Standard & Poor's 500 Index	100.00	103.53	63.69	78.62	88.67	88.67
Nasdaq Bank Stocks Index	100.00	79.26	57.79	48.42	57.29	51.19

The Performance Graph does not constitute soliciting material and should not be deemed filed or incorporated by reference into any Signature Bank filing under the Securities Exchange Act of 1934, except to the extent we specifically incorporate the Performance Graph therein by reference.

DIVIDEND POLICY

We have never declared or paid any cash dividends on our common stock. For the foreseeable future, we intend to retain any earnings to finance our operations and the expansion of our business and we do not anticipate paying any cash dividends on our common stock. Any future determination to pay dividends will be at the discretion of our Board of Directors and will be dependent upon then existing conditions, including our financial condition and results of operations, capital requirements, contractual restrictions, business prospects and other factors that the Board of Directors considers relevant.

In addition, payments of dividends may be subject to the prior approval of the New York State Department of Financial Services and the FDIC. Under New York law, we are prohibited from declaring a dividend so long as there is any impairment of our capital stock. In addition, we would be required to obtain the approval of the New York State Department of Financial Services if the total of all our dividends declared in any calendar year would exceed the total of our net profits for that year combined with retained net profits of the preceding two years, less any required transfer to surplus or a fund for the retirement of any preferred stock. We would also be required to obtain the approval of the FDIC prior to declaring a dividend if after paying the dividend we would be undercapitalized, significantly undercapitalized or critically undercapitalized. Our ability to pay dividends also depends upon the amount of cash available to us from our subsidiaries. Restrictions on our subsidiaries' ability to make dividends and advances to us will tend to limit our ability to pay dividends to our shareholders.

ITEM 6. SELECTED FINANCIAL DATA

The information set forth below should be read in conjunction with our Consolidated Financial Statements and related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations," each of which is included elsewhere in this Annual Report on Form 10-K.

	At or for the years ended December 31,				
(dollars in thousands, except per share amounts)	**2011**	**2010**	**2009**	**2008**	**2007**
SELECTED OPERATING DATA					
Interest income	$ 580,516	466,530	386,135	323,464	301,605
Interest expense	120,729	121,672	123,740	128,193	154,815
Net interest income	459,787	344,858	262,395	195,271	146,790
Provision for loan losses	51,876	46,372	42,715	26,888	12,316
Net interest income after provision for loan losses	407,911	298,486	219,680	168,383	134,474
Non-interest income:					
Non-interest income excluding net other-than-temporary impairment of securities recognized in earnings	44,127	56,824	35,954	44,188	30,150
Net other-than-temporary impairment of securities recognized in earnings (1)	(2,089)	(14,176)	(1,322)	(16,543)	(21,404)
Total non-interest income	42,038	42,648	34,632	27,645	8,746
Non-interest expense	182,724	164,896	149,885	123,820	99,062
Income before taxes	267,225	176,238	104,427	72,208	44,158
Income tax expense	117,699	74,187	41,701	28,849	16,879
Net income	149,526	102,051	62,726	43,359	27,279
Dividends on preferred stock and related discount accretion	-	-	12,203	390	-
Net income available to common shareholders	$ 149,526	102,051	50,523	42,969	27,279
PER COMMON SHARE DATA					
Earnings per share - basic (2)	$ 3.43	2.49	1.32	1.37	0.92
Earnings per share - diluted (2)	$ 3.37	2.46	1.30	1.35	0.91
BALANCE SHEET DATA					
Total assets	$ 14,666,120	11,673,089	9,146,112	7,192,199	5,845,172
Securities available-for-sale	6,512,855	5,249,286	3,837,583	2,906,059	2,805,711
Securities held-to-maturity	556,044	447,896	295,984	236,531	339,441
Loans held for sale	392,025	382,463	293,207	217,680	172,367
Loans, net of allowance for loan losses	6,764,564	5,177,268	4,320,978	3,433,555	2,007,342
Allowance for loan losses	86,162	67,396	55,120	36,987	18,236
Deposits	11,754,138	9,441,227	7,222,546	5,387,886	4,511,890
Borrowings	1,425,800	1,222,200	1,008,900	1,049,900	816,932
Shareholders' equity	1,408,116	944,547	803,659	698,135	425,756

(1) On April 1, 2009, we adopted new accounting requirements related to other-than-temporary impairment of debt securities. As a result of this change in accounting, for the years ended December 31, 2011, 2010 and 2009 other-than-temporary impairment losses of $10.2 million, $24.4 million and $22.4 million ($5.7 million, $13.7 million and $12.5 million, net of tax), respectively, were recognized in other comprehensive income rather than in net income. Refer to Note 4 to our Consolidated Financial Statements for further discussion.

(2) The year ended December 31, 2009 includes the negative effect of the $10.2 million deemed dividend associated with the difference between the redemption payment and the carrying value of the preferred stock repurchased from the United States Department of the Treasury. Refer to Note 20 to our Consolidated Financial Statements for further discussion.

(Continued on the next page)

(dollars in thousands, except per share amounts)	2011	2010	2009	2008	2007
	At or for the years ended December 31,				
OTHER DATA					
Assets under management	$ 1,674,206	$ 1,856,653	$ 1,911,811	$ 2,716,556	$ 2,849,541
Average interest-earning assets	$ 12,889,784	$ 10,000,270	$ 7,692,249	$ 6,016,680	$ 5,119,208
Full-time employee equivalents	720	660	614	553	501
Private client offices	25	24	23	22	20
SELECTED FINANCIAL RATIOS					
Performance Ratios:					
Return on average assets	1.14%	0.99%	0.79%	0.68%	0.50%
Return on average shareholders' equity	12.71%	11.67%	8.35%	7.72%	6.67%
Return on average common shareholders' equity	12.71%	11.67%	7.26%	8.56%	6.67%
Yield on average interest-earning assets	4.50%	4.67%	5.02%	5.38%	5.89%
Average rate on deposits and borrowings	1.01%	1.30%	1.71%	2.20%	3.12%
Net interest margin	3.57%	3.45%	3.41%	3.25%	2.87%
Efficiency ratio (1)	36.41%	42.55%	50.46%	55.55%	63.69%
Efficiency ratio excluding net other-than-temporary impairment of securities recognized in earnings (1) (2)	36.26%	41.05%	50.24%	51.71%	55.99%
Efficiency ratio excluding net gains on sales of securities and net impairment losses on securities recognized in earnings (1) (2)	37.33%	43.82%	51.74%	53.57%	56.88%
Asset Quality Ratios:					
Net charge-offs to average loans	0.55%	0.73%	0.64%	0.30%	0.44%
Allowance for loan losses to total loans	1.26%	1.29%	1.26%	1.07%	0.90%
Allowance for loans losses to non-accrual loans	204.09%	197.45%	118.27%	116.00%	98.26%
Non-accrual loans to total loans	0.62%	0.65%	1.07%	0.92%	0.92%
Non-performing assets to total assets	0.33%	0.34%	0.61%	0.46%	0.32%
Capital and Liquidity Ratios:					
Tier 1 Leverage Capital Ratio	9.67%	8.62%	9.39%	10.61%	7.75%
Tier 1 Risk-Based Capital Ratio	17.08%	14.21%	13.57%	17.00%	14.82%
Total Risk-Based Capital Ratio	18.17%	15.21%	14.47%	17.83%	15.43%
Average equity to average assets	8.94%	8.47%	9.40%	8.81%	7.55%
Average tangible equity to average assets	8.94%	8.47%	9.40%	8.81%	7.55%
Per common share data:					
Number of weighted average common shares outstanding	43,622	40,923	38,306	31,390	29,672
Book value per common share	$ 30.49	$ 22.84	$ 19.79	$ 16.71	$ 14.34

(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.

(2) On April 1, 2009, we adopted new accounting requirements related to other-than-temporary impairment of debt securities. As a result of this change in accounting, for the years ended December 31, 2011, 2010 and 2009 other-than-temporary impairment losses of $10.2 million, $24.4 million and $22.4 million ($5.7 million, $13.7 million and $12.5 million, net of tax), respectively, were recognized in other comprehensive income rather than in net income. Refer to Note 4 to our Consolidated Financial Statements for further discussion.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion in conjunction with "Selected Financial Data" and our Consolidated Financial Statements and related notes, each of which is included elsewhere in this Annual Report on Form 10-K. Some of the statements in the following discussion are forward-looking statements. See "Cautionary Note Regarding Forward-Looking Statements."

Overview

We have grown to $14.67 billion in assets, $11.75 billion in deposits, $6.85 billion in loans, $1.41 billion in equity capital and $1.67 billion in other assets under management as of December 31, 2011.

We believe the growth in our profitability is based on several key factors, including:

- the significant growth of our interest-earning asset base each year;
- our ability to maintain and grow core deposits, a key funding source, which has resulted in increased net interest income from 2001 onward; and
- our ability to control non-interest expense, which has contributed to a substantial improvement of our efficiency ratio to 36.4% for the year ended December 31, 2011, our lowest efficiency ratio since we opened the Bank.

An important aspect of our growth strategy is the ability to provide personalized, high quality service and to effectively manage a large number of client relationships throughout the New York metropolitan area. Since the commencement of our operations, we have successfully recruited and retained more than 330 experienced private client group professionals. We believe that our existing operations infrastructure will allow us to grow our business over the next few years both geographically within the New York metropolitan area and with respect to the size and number of client relationships without substantial additional capital expenditures.

Critical Accounting Policies

We follow financial accounting and reporting policies that are in accordance with U.S. generally accepted accounting principles ("GAAP"). Some of these significant accounting policies require management to make difficult, subjective or complex judgments. The policies noted below, however, are deemed to be our "critical accounting policies" under the definition given to this term by the Securities and Exchange Commission ("SEC") - those policies that are most important to the presentation of a company's financial condition and results of operations and require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

The judgments used by management in applying the critical accounting policies may be affected by a further and prolonged deterioration in the economic environment, which may result in changes to future financial results. Specifically, subsequent evaluations of the loan portfolio, in light of the factors then prevailing, may result in significant changes in the allowance for loan losses in future periods, and the inability to collect on outstanding loans could result in increased loan losses. In addition, the valuation of and management's projected cash flows for certain securities in our investment portfolio could be negatively impacted by illiquidity or dislocation in marketplaces resulting in significantly depressed market prices thus leading to further impairments.

Allowance for Loan Losses

We consider our policies related to the allowance for loan losses as critical to our financial statement presentation. The allowance for loan losses is established through a provision for loan losses charged to current earnings. The allowance for loan losses is maintained at a level estimated by management to absorb probable losses inherent in the loan portfolio and is based on management's continuing evaluation of the portfolio, the related risk characteristics, and the overall economic conditions affecting the loan portfolio. This estimation is inherently subjective as it requires measures that are susceptible to significant revision as more information becomes available.

Our methodology to determine the allowance for loan losses includes segmenting the loan portfolio into various components and applying various loss factors to estimate the amount of probable losses. The largest segment of our loan portfolio is comprised of credit-rated commercial loans, comprising 93.6% of our total loan portfolio, excluding loans held for sale, as of December 31, 2011. Our credit-rated commercial loans include commercial and industrial loans along with loans to commercial borrowers that are secured by real estate (commercial property, multi-family residential property, 1-4 family residential property, and construction and land). For each loan within this segment, a credit rating is assigned based on a review of specific risk factors including (i) historical and projected financial results of the borrower, (ii) market conditions of the borrower's industry that may affect the borrower's future financial performance, (iii) business experience of the borrower's management, (iv) nature of the underlying collateral, if any, and (v) borrower's history of payment performance.

When assigning a credit rating to a loan, we use an internal nine-level rating system in which a rating of one carries the lowest level of credit risk and is used for borrowers exhibiting the strongest financial condition. Loans rated one through six are deemed to be acceptable quality and are considered "Pass." Loans that are deemed to be of questionable quality are rated seven (special mention). Loans with adverse classifications (substandard or doubtful) are rated eight or nine, respectively. A loan is considered substandard if it is inadequately protected by the current net worth and paying capacity of the borrower, or of the collateral pledged. Substandard loans are characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected. Loans classified as doubtful have all of the weaknesses inherent in those classified substandard with the added characteristic that the weaknesses present make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

The outstanding amounts of credit-rated commercial loans are aggregated by credit rating, and we estimate the allowance for losses for each credit rating using loss factors based on historical loss experience and qualitative adjustments reflecting the current economic conditions and outlook for housing, employment, manufacturing, and consumer spending. The economic adjustments reflect the imprecision that is inherent in the estimates of probable loan losses, and are intended to ensure adequacy of the overall allowance amount. The loss factors assigned to each credit rating are adjusted based on management's judgment, along with certain qualitative factors such as the trend and severity of problem loans that can cause the estimation of inherent losses to differ from historical experience. Any change to an individual credit rating affects the amount of the related allowance.

Our internal review process results in the periodic review of assigned credit ratings to reflect changes in specific risk factors. Commercial lines of credit are generally issued with terms of one year, and upon annual renewal our lenders perform a full review of the specific risk factors to assess the appropriateness of the assigned credit ratings. Furthermore, loans classified as special mention, substandard or doubtful are placed on our internal watch list, and our lenders perform a credit rating review on a quarterly basis (special mention loans) or monthly basis (substandard and doubtful loans). In addition, our Risk Management function, which reports directly to the Risk Committee of our Board of Directors, performs periodic credit reviews that provide an independent evaluation of the assigned credit ratings. These reviews generally cover, in aggregate, between 40-50% of the commercial loan portfolio, including all commercial loans over $500,000 with adverse credit ratings, on an annual basis. Additionally, our Risk Management function focuses its reviews on those loans with higher-risk attributes, such as lines of credit with higher utilization percentages and loan facilities with delinquencies.

Our methodology to determine the allowance for loan losses for the non-rated segments of our loan portfolio is based on historical loss experience and qualitative factors. Non-rated loans generally include commercial loans with outstanding principal balances below $100,000, overdrafts, residential mortgages, and consumer loans. The outstanding amounts of loans in each of these segments are aggregated, and we apply percentages based on historical losses and qualitative factors by segment to estimate the required allowance for loan losses. Non-rated loans comprise 6.4% of our total loan portfolio, excluding loans held for sale, as of December 31, 2011.

We consider all non-accrual loans to be impaired loans, and the related specific allowances for loan losses are determined on an individual (non-homogeneous) basis. Factors contributing to the determination of specific allowances on impaired loans include the creditworthiness of the borrower and, more specifically, changes in the expected future receipt of principal and interest payments or, for collateral-dependent loans, the value of pledged collateral. For impaired loans in excess of $300,000, a specific allowance is recorded when the carrying amount of the loan exceeds the discounted estimated cash flows using the loan's initial effective interest rate or, for collateral-dependent loans, the fair value of collateral. For smaller impaired loans, in the absence of other factors affecting the collectability of the loan, we generally determine the amount of specific allowance using estimated loss percentages based on the amount of time the loan has been delinquent.

For economic reasons and to maximize the recovery of loans, we may work with borrowers experiencing financial difficulties, and will consider modifications to a borrower's existing loan terms and conditions that we would not otherwise consider, commonly referred to as troubled debt restructurings ("TDRs"). We record an impairment loss associated with TDRs, if any, based on the present value of expected future cash flows discounted at the original loan's effective interest rate or, if the loan is collateral dependent, based on the fair value of the collateral less costs to sell. At the time of restructuring, we determine whether a TDR loan should accrue interest based on the accrual status of the loan immediately prior to modification. A non-accrual TDR loan will be returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured. Additionally, there should be a sustained period of repayment performance (generally a period of six months) by the borrower in accordance with the modified contractual terms. In years after the year of restructuring, the loan is not reported as a TDR loan if it was restructured at a market interest rate and it is performing in accordance with its modified terms. Other TDRs are reported as such for as long as the loan remains outstanding.

In addition, bank regulators, as an integral part of their supervisory functions, periodically review our loan portfolio and related allowance for loan losses. These regulatory agencies may require us to increase our provision for loan losses or to recognize further loan charge-offs based upon their judgments, which may be different from ours. An increase in the allowance for loan losses required by these regulatory agencies could materially adversely affect our financial condition and results of operations.

Impairment of Investment Securities

We consider our policies related to the evaluation of investments for other-than-temporary impairment to be critical to our financial statement presentation. We regularly evaluate our securities to identify declines in fair value that are considered other-than-temporary. Our evaluation of securities for impairments is a quantitative and qualitative process, which is subject to risks and uncertainties. If the amortized cost of an investment exceeds its fair value, we evaluate, among other factors, general market conditions, the duration and extent to which the fair value is less than amortized cost, the probability of a near-term recovery in value, whether we intend to sell the security and whether it is more likely than not that we will be required to sell the security before full recovery of our investment or maturity. We also consider specific adverse conditions related to the financial health, projected cash flow and business outlook for the investee, including industry and sector performance, operational and financing cash flow factors and rating agency actions. Once a decline in fair value is determined to be other-than-temporary, for equity securities, an impairment charge is recorded through current earnings based upon the estimated fair value of the security at time of impairment and a new cost basis in the investment is established. For debt investment securities deemed to be other-than-temporarily impaired on or after April 1, 2009, the investment is written down to fair value with the estimated credit loss charged to current earnings and the noncredit-related impairment loss charged to other comprehensive income. Prior to April 1, 2009, the full amount of other-than-temporary impairment on debt securities was charged to current earnings. We changed our accounting policy beginning April 1, 2009 in order to adopt new accounting requirements issued by the Financial Accounting Standards Board ("FASB"). If market, industry and/or investee conditions deteriorate, we may incur future impairments.

Securities, other than securitized financial assets that are in an unrealized loss position, are reviewed at least quarterly to determine if an other-than-temporary impairment is present based on certain quantitative and qualitative factors. The primary factors considered in evaluating whether a decline in value for these securities is other-than-temporary include: (a) the length of time and extent to which the fair value has been less than cost or amortized cost and the expected recovery period of the security, (b) the financial condition, credit rating, and future prospects of the issuer, (c) whether the debtor is current on contractually-obligated interest and principal payments, and (d) whether we intend to sell or whether we will be required to sell these instruments before recovery of their cost basis.

In performing our other-than-temporary impairment analysis for securitized financial assets with contractual cash flows (asset-backed securities, collateralized debt obligations, commercial mortgage-backed securities and mortgage-backed securities), we estimate future cash flows for each security based upon our best estimate of future delinquencies, estimated defaults, loss severity, and prepayments. We review the estimated cash flows to determine whether we expect to receive all originally expected cash flows. Projected credit losses are compared to the current level of credit enhancement to assess whether the security is expected to incur losses in any future period and therefore would be deemed other-than-temporarily impaired.

New Accounting Standards

In July 2010, the FASB issued ASU 2010-20, which amends ASC Topic 310 (Receivables) to require significant new disclosures about the credit quality of financing receivables and the allowance for credit losses. The objective of the new disclosures is to improve financial statement users' understanding of (1) the nature of an entity's credit risk associated with its financing receivables, and (2) the entity's assessment of that risk in estimating its allowance for credit losses, as well as changes in the allowance and the reasons for those changes. The disclosures are to be presented at the level of disaggregation that management uses when assessing and monitoring the portfolio's risk and performance (by portfolio segment). The required disclosures include, among other things, a rollforward of the allowance for credit losses by portfolio segment, as well as information about credit quality indicators and modified, impaired, non-accrual, and past due loans. The disclosures related to period-end information (e.g., credit-quality information and the ending financing receivables balance segregated by impairment method) are required in all interim and annual reporting periods ending on or after December 15, 2010 (December 31, 2010 for the Bank). Disclosures of activity that occurs during a reporting period (e.g., the rollforward of the allowance for credit losses by portfolio segment) will be required in interim or annual periods beginning on or after December 15, 2010; disclosures of activity related to TDRs are anticipated to be required in interim or annual periods ending after June 15, 2011 based on ASU 2011-01, Deferral of the Effective Date of Disclosures about Troubled Debt Restructurings in Update No. 2010-20. We adopted the applicable requirements for the period-ended December 31, 2010 and have provided the related disclosures as required.

In April 2011, the FASB issued ASU 2011-03, Reconsideration of Effective Control for Repurchase Agreements, which amends the provisions of ASC Topic 860 (Transfers and Servicing) related to whether or not the transferor has maintained effective control over the transferred assets that affects the determination of whether the transaction is accounted for as a sale or a secured borrowing. In the assessment of effective control, ASU 2011-03 removed the criterion that requires transferors to have the ability to repurchase or redeem the financial assets on substantially the agreed terms, even in the event of default by the transferee. Other criteria applicable to the assessment of effective control have not been changed. This guidance is effective for prospective periods beginning on or after December 15, 2011, or January 1, 2012 for the Bank. Early adoption is prohibited. We do not expect the adoption of ASU 2011-03 to have a material impact on our Consolidated Financial Statements.

In May 2011, the FASB issued ASU 2011-04, Fair Value Measurement: Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs, which expands existing disclosure requirements found in ASC Topic 820 (Fair Value Measurement and Disclosures). This ASU is the result of efforts to converge GAAP and International Financial Reporting Standards ("IFRSs"), and provides guidance on how fair value should be measured and disclosed. This guidance is effective for interim and annual periods beginning after December 15, 2011. Early adoption is prohibited. We do not expect the adoption of ASU 2011-04 to have a material impact on our Consolidated Financial Statements.

In June 2011, the FASB issued ASU 2011-05, Presentation of Comprehensive Income, which amends ASC Topic 220 (Comprehensive Income). The new guidance requires entities to report components of comprehensive income in either (1) a single financial statement, where total net income and its components, total other comprehensive income (OCI) and its components, and total comprehensive income are presented in a continuous format, or (2) in two consecutive financial statements, where net income is reported in one statement, immediately followed by a statement presenting OCI and its components and a total for comprehensive income. The earnings per share computation is not affected by the new guidance. This guidance is effective for annual and interim periods beginning after December 15, 2011 and should be applied retrospectively. Early adoption is permitted. We do not expect the adoption of ASU 2011-05 to have a material impact on our Consolidated Financial Statements.

Lines of Business

We operate two principal lines of business, the Bank and Signature Securities. The Bank offers a wide variety of business and personal banking products and services. Signature Securities offers investment, brokerage, asset management and insurance products and services.

Management's approach to evaluating the operating performance of each line of business recognizes that these business lines both serve our target market, and a key part of our business strategy is seamless integration of banking and brokerage services for the client. Certain synergies and operational overlap exist between the two lines, where feasible and as allowed within regulatory guidelines. The development of our business and the value of overall client relationships to us, as a whole, are also considered.

We measure and report results for both the banking and broker-dealer lines of business. The following table presents certain information regarding our reportable segments:

	At or for the years ended December 31,		
(in thousands)	**2011**	**2010**	**2009**
The Bank			
Interest income	$ 580,449	466,512	386,113
Interest expense	120,728	121,671	123,739
Non-interest income	33,786	34,579	28,104
Non-interest expense (1)	227,878	205,442	186,616
Income tax expense	116,976	75,946	41,649
Net income	$ 148,653	98,032	62,213
Total assets	$ 14,659,603	11,667,286	9,145,760
Signature Securities			
Interest income	$ 67	18	22
Interest expense	1	1	1
Non-interest income (2)	8,252	8,069	6,528
Fee income from the Bank	8,112	8,019	5,392
Non-interest expense	14,834	13,845	11,376
Income tax (benefit) expense	723	(1,759)	52
Net income	$ 873	4,019	513
Total assets	$ 11,885	10,005	4,996

(1) For purposes of this disclosure, non-interest expense includes the provision for loan losses of $51.9 million, $46.4 million and $42.7 million for the years ended December 31, 2011, 2010 and 2009, respectively.

(2) Includes fee and other income from external clients.

Signature Securities' assets predominantly consist of cash and short-term investments to support its operational needs. Signature Securities' assets under management were $1.30 billion, as of December 31, 2011, and represented fixed income securities, equity securities, money market mutual funds, mutual funds and other assets of its clients. See Note 21 to our audited Consolidated Financial Statements for further information regarding our lines of business.

Results of Operations

The following is a discussion and analysis of our results of operations for the year ended December 31, 2011 compared to the year ended December 31, 2010 and for the year ended December 31, 2010 compared to the year ended December 31, 2009.

Year Ended December 31, 2011 Compared to Year Ended December 31, 2010

Net Income

Net income for the year ended December 31, 2011 was $149.5 million, or $3.37 diluted earnings per share, compared to $102.1 million, or $2.46 diluted earnings per share, for year ended December 31, 2010. Net income for the years ended December 31, 2011 and 2010 includes net other-than-temporary impairment losses on securities totaling $2.1 million and $14.2 million, respectively. Excluding the after tax effect of the net other-than-temporary impairment losses on securities, net income for 2011 was $150.7 million, or $3.39 diluted earnings per share, compared to $110.0 million or $2.65 diluted earnings per share for 2010.

The return on average shareholders' equity for the year ended December 31, 2011 was 12.7% compared to 11.7% for the year ended December 31, 2010. The return on average assets was 1.14% for the year ended December 31, 2011 compared to 0.99% for the year ended December 31, 2010.

	Years ended December 31,	
(in thousands)	**2011**	**2010**
Interest income	$ 580,516	466,530
Interest expense	120,729	121,672
Net interest income	459,787	344,858
Provision for loan losses	51,876	46,372
Non-interest income:		
Non-interest income excluding other-than-temporary impairment of securities recognized in earnings	44,127	56,824
Net other-than-temporary impairment of securities recognized in earnings	(2,089)	(14,176)
Total non-interest income	42,038	42,648
Non-interest expense	182,724	164,896
Income tax expense	117,699	74,187
Net income	149,526	102,051

Net Interest Income

Net interest income is the difference between interest earned on assets and interest incurred on liabilities. The following table presents an analysis of net interest income by each major category of interest-earning assets and interest-bearing liabilities for the years ended December 31, 2011 and 2010:

	Years ended December 31,					
	2011			*2010*		
(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	$ 119,393	355	0.30%	194,864	519	0.27%
Investment securities	6,455,877	242,994	3.76%	4,875,482	197,093	4.04%
Commercial loans and commercial mortgages (1) (2)	5,674,616	310,044	5.46%	4,319,014	241,885	5.60%
Residential mortgages (1) (2)	179,987	8,326	4.63%	182,995	9,336	5.10%
Consumer loans (1) (2)	198,264	15,025	7.58%	194,407	13,677	7.04%
Loans held for sale	261,647	3,772	1.44%	233,508	4,020	1.72%
Total interest-earning assets	12,889,784	580,516	4.50%	10,000,270	466,530	4.67%
Non-interest-earning assets	273,106			315,051		
Total assets	$ 13,162,890			10,315,321		
INTEREST-BEARING LIABILITIES						
Interest-bearing deposits						
NOW and interest-bearing demand	632,804	3,269	0.52%	724,458	4,014	0.55%
Money market	6,611,992	71,557	1.08%	4,816,609	65,279	1.36%
Time deposits	916,992	16,274	1.77%	892,186	18,670	2.09%
Non-interest-bearing demand deposits	2,702,236	-	-	2,020,265	-	-
Total deposits	10,864,024	91,100	0.84%	8,453,518	87,963	1.04%
Borrowings	1,073,430	29,629	2.76%	913,199	33,709	3.69%
Total deposits and borrowings	11,937,454	120,729	1.01%	9,366,717	121,672	1.30%
Other non-interest-bearing liabilities and shareholders' equity	1,225,436			948,604		
Total liabilities and shareholders' equity	$ 13,162,890			10,315,321		
OTHER DATA						
Net interest income / interest rate spread		459,787	3.49%		344,858	3.37%
Net interest margin			3.57%			3.45%
Ratio of average interest-earning assets to average interest-bearing liabilities			107.98%			106.76%

(1) Non-accrual loans are included in average loan balances.

(2) Loan interest income includes net accretion of deferred fees and costs of approximately $4.6 million and $3.3 million for the years ended December 31, 2011 and 2010, respectively.

Interest income and interest expense are affected both by changes in the volume of interest-earning assets and interest-bearing liabilities and by changes in yields and interest rates. The table below analyzes the impact of changes in volume (changes in average outstanding balances multiplied by the prior period's rate) and changes in interest rate (changes in interest rates multiplied by the current period's average balance). Changes that are caused by a combination of interest rate and volume changes are allocated proportionately to both changes in volume and changes in interest rate. For purposes of calculating the changes in our net interest income, the effect of non-performing assets is included in the change due to rate.

	Year ended December 31, 2011 vs. 2010		
(in thousands)	**Change Due to Rate**	**Change Due to Volume**	**Total Change**
INTEREST INCOME			
Short-term investments	$ 37	(201)	(164)
Investment securities	(17,987)	63,888	45,901
Commercial loans and commercial mortgages	(7,761)	75,920	68,159
Residential mortgages	(857)	(153)	(1,010)
Consumer loans	1,077	271	1,348
Loans held for sale	(732)	484	(248)
Total interest income	(26,223)	140,209	113,986
INTEREST EXPENSE			
NOW accounts	(237)	(508)	(745)
Money market accounts	(18,055)	24,333	6,278
Time deposits	(2,915)	519	(2,396)
Total deposits	(21,207)	24,344	3,137
Borrowings	(9,995)	5,915	(4,080)
Total interest expense	(31,202)	30,259	(943)
Net interest income	$ 4,979	109,950	114,929

Net interest income for the year ended December 31, 2011 was $459.8 million, an increase of $114.9 million, or 33.3%, over the year ended December 31, 2010. The increase in net interest income over the twelve month period was largely driven by increases in average earning assets and average deposits of $2.89 billion and $2.41 billion, respectively, as well as an increase in net interest margin of 12 basis points to 3.57% primarily due to lower rates paid on deposits.

Total investment securities averaged $6.46 billion for the year ended December 31, 2011, compared to $4.88 billion for the year ended December 31, 2010. The overall yield on the securities portfolio for the year ended December 31, 2011 was 3.76%, down 28 basis points from the previous year. The decline in yield was predominantly due to the reinvestment of principal pay-downs from higher-yielding securities in a low interest rate environment. Our portfolio primarily consists of high quality and highly-rated mortgage-backed securities, commercial mortgage-backed securities, and collateralized mortgage obligations issued by government agencies, government-sponsored enterprises, and private issuers. We mitigate extension risk through our overall strategy of purchasing relatively stable duration securities that, by their nature, have lower yields. At December 31, 2011, the baseline average duration of our investment securities portfolio was approximately 3.13 years, compared to 2.84 years at December 31, 2010.

Total commercial loans and commercial mortgages averaged $5.67 billion for the year ended December 31, 2011, an increase of $1.36 billion or 31.4% over the year ended December 31, 2010. The average yield on this portfolio decreased 14 basis points to 5.46% when compared to the year ended December 31, 2010. The decrease in average yield reflects the impact of the low prevailing interest rate environment on recent loan originations. This decrease, however, was partially offset by a $8.3 million increase in prepayment penalty income, which added eight basis points to the yield of our commercial loans and commercial mortgages portfolio. Our commercial real estate loans (including multi-family loans) normally have a term of ten years, with a fixed rate of interest in years one through five and a rate that either adjusts annually or is fixed for the five years that follow. Loans that prepay in the first five years generate prepayment penalties ranging from five percentage points to one percentage point of the then-current loan balance, depending on the remaining term of the loan. If a loan is still outstanding in the sixth year and the borrower selects the fixed rate option, the prepayment penalties typically reset to a range of five points to one point over years six through ten. During 2011, the low prevailing interest rate environment, coupled with borrowers' expectation of higher rates in future periods, contributed to the increase in prepayment activity. It is difficult to predict the level of prepayment activity in future periods as it depends on market conditions, real estate values, the actual or perceived direction of market interest rates and the contractual repricing and maturity dates of commercial real estate loans.

We are an active participant in the SBA loan and SBA pool secondary market by purchasing, securitizing, and selling the guaranteed portions of SBA loans, most of which have adjustable rates and float at a spread to the prime rate. Once purchased, we typically warehouse the guaranteed loan for approximately 30 to 180 days and classify them as loans held for sale. From this warehouse we aggregate like SBA loans by similar characteristics into pools for securitization to the secondary market. The timing of the purchase and sale of such loan pools drives the quarter-to-quarter fluctuations in average balances of loans held for sale, which averaged $261.6 million and $233.2 million for the years ended December 31, 2011 and 2010, respectively. The increased inventory has been used to fill increased client demand for this product.

Average total deposits and borrowings grew $2.57 billion, or 27.4%, to $11.94 billion during the year ended December 31, 2011 from $9.37 billion for the year ended December 31, 2010. Overall cost of funding was 1.01% during 2011, decreasing 29 basis points from 1.30% in 2010.

For the year ended December 31, 2011, average non-interest-bearing demand deposits were $2.70 billion as compared to $2.02 billion for the year ended December 31, 2010, an increase of $682.0 million, or 33.8%. Non-interest-bearing demand deposits continue to comprise a significant component of our deposit mix, representing 26.8% of all deposits at December 31, 2011. Additionally, average NOW and interest-bearing checking and money market accounts totaled $7.24 billion for the year ended December 31, 2011, an increase of $1.70 billion, or 30.7%, over the year ended December 31, 2010. Core deposits have provided us with a source of stable, low cost funding, which has positively affected our net interest margin and income. Additionally, short-term escrow deposits have provided us with low cost funding and have assisted in net interest margin expansion. As a result of lower short-term interest rates as well as a continued decrease in competitive pricing, our funding cost for money market accounts decreased to 1.08% for the year ended December 31, 2010 compared to 1.36% for the prior year. Our funding cost for NOW accounts decreased to 0.52% for the year ended December 31, 2011 compared to 0.55% for the prior year.

Average time deposits, which are relatively short-term in nature and totaled $917.0 million for the year ended December 31, 2011, carried an average cost of 1.77% in 2011, down 32 basis points from 2.09% in 2010. Time deposits are offered to supplement our core deposit operations for existing or new client relationships, and are not marketed through retail channels.

For the year ended December 31, 2011, average total borrowings were $1.07 billion compared to $913.2 million for the previous year, an increase of $160.2 million, or 17.5%. The average cost of total borrowings was 2.76% and 3.69% for the years ended December 31, 2011 and 2010, respectively. At December 31, 2011, total borrowings represent approximately 10.8% of all funding compared to 11.5% at December 31, 2010. The decrease in the average cost of borrowings reflects the replacement of matured borrowings with lower cost short-term borrowing positions.

Provision and Allowance for Loan Losses

Our allowance for loan losses increased $18.8 million to $86.2 million at December 31, 2011 from $67.4 million at December 31, 2010. The provision for loan losses was $51.9 million for the year ended December 31, 2011 compared to $46.4 million for the prior year, an increase of $5.5 million, or 11.9%. The increases in the provision and allowance for loan losses were primarily driven by growth in the loan portfolio and provisions to recognize the continued effect of the weak economic environment on our portfolio.

The following table allocates the allowance for loan losses based on our judgment of inherent losses in each respective lending area according to our methodology for allocating reserves.

	December 31,					
	2011			*2010*		
(dollars in thousands)	**Loan Amount**	**Allowance Amount**	**Allowance as a % of Loan Amount**	**Loan Amount**	**Allowance Amount**	**Allowance as a % of Loan Amount**
Mortgage loans:						
Multi-family residential property	$ 3,003,428	25,160	0.84%	1,716,248	7,401	0.43%
Commercial property	2,218,053	23,844	1.07%	1,799,162	14,521	0.81%
1-4 family residential property	259,418	3,096	1.19%	266,011	3,352	1.26%
Home equity lines of credit	198,375	818	0.41%	192,027	831	0.43%
Construction and land	63,775	4,836	7.58%	115,195	2,386	2.07%
Other loans:						
Commercial and industrial loans	1,098,805	27,622	2.51%	1,146,110	37,545	3.28%
Consumer loans	11,837	786	6.64%	13,086	1,360	10.39%
Total	$ 6,853,691	86,162	1.26%	5,247,839	67,396	1.29%

In determining the allowance for loan losses, management considers the imprecision inherent in the process of estimating credit losses. A portion of the allowance is based on management's review of factors affecting the determination of probable losses inherent in the portfolio that are not necessarily captured by the application of historical loss experience factors, such as the current regional economic environment.

Commercial loans (including commercial and industrial loans along with loans to commercial borrowers that are secured real estate) constitute a substantial portion of our loan activity and loan portfolio. Substantially all of the real estate collateral for the loans in our portfolio is located within the New York metropolitan area. As a result, our financial condition and results of operations may be affected by changes in the economy and the real estate market of the New York metropolitan area. A prolonged period of economic recession or other adverse economic conditions in the New York metropolitan area, such as the one we are experiencing now, may result in an increase in nonpayment of loans, a decrease in collateral value, and an increase in our allowance for loan losses.

For additional information about the provision and allowance for loan losses, see the related discussions of asset quality later in this report.

Non-Interest Income

For the year ended December 31, 2011, non-interest income was $42.0 million, a decrease of $610,000, or 1.4%, when compared with 2010.

Net gains on sales of securities totaled $14.4 million for the year ended December 31, 2011, a decrease of $11.0 million when compared to the prior year. During the first quarter of 2010, with the Federal Reserve's announcement that it would end the easing program on March 31, 2010, together with overall tight credit spreads, the Bank subsequently set out to capitalize on gains in its securities portfolio with the expectation of more advantageous reinvestment opportunities.

During 2011, we recognized through earnings net other-than-temporary impairment losses on securities totaling $2.1 million, compared to $14.2 million of net other-than-temporary impairment losses on securities recognized through earnings during 2010. During 2011, ten securities were determined to be other-than-temporarily impaired, including seven private collateralized mortgage obligations, one collateralized debt obligation, and two securities classified as other. During 2010, fifteen securities were determined to be other-than-temporarily impaired, including six bank-collateralized pooled trust preferred securities, five private collateralized mortgage obligations, and four collateralized debt obligations. The securities were determined to be other-than-temporarily impaired based on the extent and duration of the decline in fair value below amortized cost, giving consideration to market liquidity, the uncertainty of a near-term recovery in value and the decline in expected cash flows. For further discussion of our other-than-temporary impairment losses, see Note 4 to our Consolidated Financial Statements.

Non-Interest Expense

Non-interest expense increased $17.8 million, or 10.8%, to $182.7 million for the year ended December 31, 2011 from $164.9 million for the year ended December 31, 2010. This increase was primarily driven by a $14.8 million increase in salaries and benefits mostly attributable to the addition of seven private client banking teams and other personnel during the year, combined with a $1.4 million increase in occupancy and equipment primarily resulting from additional private client offices and expanded operation centers. The increase also reflects a $638,000 increase in other general and administrative expenses, reflecting increased expenses due to additional client activity, which were partially offset by a reduction in FDIC deposit insurance assessment fees.

For the year-ended December 31, 2011, our FDIC deposit insurance assessment totaled $9.5 million compared, to $13.5 million for 2010. This decrease reflects a reduction of $2.2 million due to the elimination of assessments charged for participation in the Transaction Account Guarantee Program, which was in effect through December 31, 2010. In addition, our base FDIC assessment for the year ended December 31, 2011 decreased $1.9 million when compared to 2010, largely due to new assessment rules (as further discussed below).

In accordance with the Dodd-Frank Act, on February 7, 2011, the FDIC adopted a final rule that redefined the assessment base for deposit insurance assessments as average consolidated total assets minus average tangible equity, rather than average deposits. The final rule also established a new assessment rate schedule, as well as alternative rate schedules, that become effective when the insurance fund's reserve ratio reaches certain levels. The final rule also makes conforming changes to the unsecured debt and brokered deposit adjustments to assessment rates, eliminates the secured liability adjustment and creates a new assessment rate adjustment for unsecured debt held that is issued by another insured depository institution. The new rate schedule and other revisions to the assessment rules became effective April 1, 2011.

For large insured depository institutions, generally defined as those with at least $10 billion in total assets, the final rule also eliminates risk categories and the use of long-term debt issuer ratings when calculating the initial base assessment rates and combines regulatory ratings and financial measures into two scorecards, one for most large insured depository institutions and another for highly complex insured depository institutions, to calculate assessment rates. A highly complex institution is generally defined as an insured depository institution with more than $50 billion in total assets that is controlled by a parent company with more than $500 billion in total assets. Under the new assessment rate schedule, effective April 1, 2011, the initial base assessment rate for large and highly complex insured depository institutions range from five to thirty-five basis points, and total base assessment rates, after applying all the unsecured debt and brokered deposit adjustments, range from two and one-half to forty-five basis points. As the new assessment rules currently stand, we expect the rules will have a continued positive impact on our future FDIC deposit insurance assessment fees compared to the assessment rules in effect prior to the recent changes.

Stock-Based Compensation

We recognize compensation expense in our statement of operations for all stock-based compensation awards over the requisite service period with a corresponding credit to equity, specifically additional paid-in capital. Compensation expense is measured based on grant date fair value and is included in salaries and benefits (non-interest expense).

As of December 31, 2011, there was $22.8 million of total unrecognized compensation cost related to unvested restricted shares that is expected to be recognized over a weighted-average period of 3.76 years. During the years ended December 31, 2011 and 2010, we recognized compensation expense of $8.5 million and $9.3 million, respectively, for restricted shares. Included in compensation expense for the year ended December 31, 2010 was $1.6 million from the December 13, 2010 accelerated vesting of 214,330 restricted shares originally scheduled to vest on March 22, 2011. No restricted shares vested during the year ended December 31, 2011. The total fair value of restricted shares that vested during the year ended December 31, 2010 was $16.7 million.

Income Taxes

We recognized income tax expenses for the years ended December 31, 2011 and 2010 of $117.7 million and $74.2 million, respectively. The components of income tax expense for the years ended December 31, 2011 and 2010 are reflected in the following table:

	Years ended December 31,		
(in thousands)		**2011**	**2010**
Current expense	$	128,831	87,276
Deferred income tax benefit		(11,132)	(13,089)
Total income tax expense	$	117,699	74,187

The increase in current income tax expense was primarily driven by an increase in our pre-tax income, combined with the elimination of tax benefits received on income from our real estate investment trust (“REIT”) subsidiary. In April 2007, the State of New York enacted tax legislation that included, for companies with average assets in excess of $8 billion, a four-year phase out of the tax benefit received on income from REIT subsidiaries. Since our average assets are in excess of $8 billion, the income tax benefit on income from our REIT subsidiary was completely eliminated beginning January 1, 2011. Accordingly, our effective tax rate for the year ended December 31, 2011 increased to 44.0%, compared to 42.1% for the prior year.

Year Ended December 31, 2010 Compared to Year Ended December 31, 2009

Net Income

Net income available to common shareholders for the year ended December 31, 2010 was $102.1 million, or $2.46 diluted earnings per share, compared to $50.5 million, or $1.30 diluted earnings per share, for the year ended December 31, 2009. The Bank recorded a $10.2 million non-cash accelerated deemed dividend in the first quarter of 2009 to account for the difference between the redemption payment and the carrying value of the preferred stock repurchased from the U.S. Treasury. The difference between net income and net income available to common shareholders in 2009 is attributable to the recognition of the $10.2 million non-cash accelerated deemed dividend, combined with the previously scheduled preferred dividend of $1.5 million and the accretion of $454,000 of the discount, resulting in a total dividend and related costs of $12.2 million during the first quarter and full year 2009. Excluding the effect of the non-cash accelerated deemed dividend of $10.2 million, net income available to common shareholders for the year ended December 31, 2009 was $60.8 million or $1.57 diluted earnings per share.

Net income for the years ended December 31, 2010 and 2009 includes net other-than-temporary impairment losses on securities totaling $14.2 million and $1.3 million, respectively. Excluding the after tax effect of the net other-than-temporary impairment losses on securities, net income for 2010 was $110.0 million, or $2.65 diluted earnings per share, compared to $63.5 million or $1.64 diluted earnings per share for 2009.

The return on average shareholders' equity for the year ended December 31, 2010 was 11.7% compared to 8.35% for the year ended December 31, 2009. The return on average assets was 0.99% for the year ended December 31, 2010 compared to 0.79% for the year ended December 31, 2009.

	Years ended December 31,		
(in thousands)		**2010**	**2009**
Interest income	$	466,530	386,135
Interest expense		121,672	123,740
Net interest income		344,858	262,395
Provision for loan losses		46,372	42,715
Non-interest income:			
Non-interest income excluding other-than-temporary impairment of securities recognized in earnings		56,824	35,954
Net other-than-temporary impairment of securities recognized in earnings		(14,176)	(1,322)
Total non-interest income		42,648	34,632
Non-interest expense		164,896	149,885
Income tax expense		74,187	41,701
Net income	$	102,051	62,726
Dividends on preferred stock and related adjustments		-	12,203
Net income available to common shareholders	$	102,051	50,523

Net Interest Income

Net interest income is the difference between interest earned on assets and interest incurred on liabilities. The following table presents an analysis of net interest income by each major category of interest-earning assets and interest-bearing liabilities for the years ended December 31, 2010 and 2009:

	Years ended December 31,					
	2010			*2009*		
(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	$ 194,864	519	0.27%	136,350	260	0.19%
Investment securities	4,875,482	197,093	4.04%	3,567,812	169,732	4.76%
Commercial loans and commercial mortgages (1) (2) (3)	4,319,014	241,886	5.60%	3,496,846	192,445	5.50%
Residential mortgages (1) (2)	182,995	9,336	5.10%	180,789	9,819	5.43%
Consumer loans (1) (2)	194,407	13,677	7.04%	164,004	11,214	6.84%
Loans held for sale	233,508	4,020	1.72%	146,448	2,786	1.90%
Total interest-earning assets	10,000,270	466,531	4.67%	7,692,249	386,256	5.02%
Non-interest-earning assets	315,051			296,305		
Total assets	$ 10,315,321			7,988,554		
INTEREST-BEARING LIABILITIES						
Interest-bearing deposits						
NOW and interest-bearing demand	724,458	4,014	0.55%	594,455	4,924	0.83%
Money market	4,816,609	65,279	1.36%	3,187,039	59,122	1.86%
Time deposits	892,186	18,670	2.09%	840,529	21,352	2.54%
Non-interest-bearing demand deposits	2,020,265	-	-	1,668,753	-	-
Total deposits	8,453,518	87,963	1.04%	6,290,776	85,398	1.36%
Borrowings	913,199	33,709	3.69%	944,144	38,342	4.06%
Total deposits and borrowings	9,366,717	121,672	1.30%	7,234,920	123,740	1.71%
Other non-interest-bearing liabilities and shareholders' equity	948,604			753,634		
Total liabilities and shareholders' equity	$ 10,315,321			7,988,554		
OTHER DATA						
Tax-equivalent basis						
Net interest income / interest rate spread		344,859	3.37%		262,516	3.31%
Net interest margin			3.45%			3.41%
Tax-equivalent adjustment / effect						
Net interest income / interest rate spread		(1)	(0.00)%		(121)	(0.00)%
Net interest margin			(0.00)%			(0.00)%
As reported						
Net interest income / interest rate spread		344,858	3.37%		262,395	3.31%
Net interest margin			3.45%			3.41%
Ratio of average interest-earning assets to average interest-bearing liabilities			106.76%			106.32%

(1) Non-accrual loans are included in average loan balances.

(2) Loan interest income includes net accretion of deferred fees and costs of approximately $3.3 million and $3.1 million for the years ended December 31, 2010 and 2009, respectively.

(3) Includes interest income on certain tax-exempt assets presented on a tax-equivalent basis using a 35 percent federal tax rate.

Interest income and interest expense are affected both by changes in the volume of interest-earning assets and interest-bearing liabilities and by changes in yields and interest rates. The table below analyzes the impact of changes in volume (changes in average outstanding balances multiplied by the prior period's rate) and changes in interest rate (changes in interest rates multiplied by the current period's average balance). Changes that are caused by a combination of interest rate and volume changes are allocated proportionately to both changes in volume and changes in interest rate. For purposes of calculating the changes in our net interest income, non-performing assets are included in the appropriate balance and shown as a change due to rate.

	Year ended December 31, 2010 vs. 2009		
(in thousands)	**Change Due to Rate**	**Change Due to Volume**	**Total Change**
INTEREST INCOME			
Short-term investments	$ 147	112	259
Investment securities	(34,849)	62,210	27,361
Commercial loans and commercial mortgages	4,194	45,247	49,441
Residential mortgages	(603)	120	(483)
Consumer loans	384	2,079	2,463
Loans held for sale	(422)	1,656	1,234
Total interest income	(31,149)	111,424	80,275
INTEREST EXPENSE			
NOW accounts	(1,987)	1,077	(910)
Money market accounts	(24,073)	30,230	6,157
Time deposits	(3,994)	1,312	(2,682)
Total deposits	(30,054)	32,619	2,565
Borrowings	(3,376)	(1,257)	(4,633)
Total interest expense	(33,430)	31,362	(2,068)
Net interest income	$ 2,281	80,062	82,343

Net interest income for the year ended December 31, 2010 was $344.9 million, an increase of $82.5 million, or 31.4%, over the year ended December 31, 2009. The increase in net interest income over the twelve month period was largely driven by increases in average earning assets and average deposits of $2.31 billion and $2.16 billion, respectively, as well as an increase in net interest margin on a tax-equivalent basis of four basis points to 3.45% primarily due to lower rates paid on deposits.

Total average investment securities for the year ended December 31, 2010 were $4.88 billion compared to $3.57 billion for the year ended December 31, 2009. The overall yield on the securities portfolio for the year ended December 31, 2010 was 4.04%, down 72 basis points from the comparable period a year ago. The decline in yield was predominantly due to the reinvestment of principal pay-downs from higher-yielding securities in a low interest rate environment. Additionally, yields were negatively affected by increased premium amortization associated with principal reductions due to Freddie Mac's repurchase of delinquent underlying mortgages in securities issued by them. Our portfolio primarily consists of high quality and highly-rated mortgage-backed securities, commercial mortgage-backed securities, and collateralized mortgage obligations issued by government agencies, government-sponsored enterprises, and private issuers. We mitigate extension risk through our overall strategy of purchasing relatively short duration securities that, by their nature, have lower yields. At December 31, 2010, the baseline average duration of our investment securities portfolio was approximately 2.84 years, compared to 2.25 years at December 31, 2009.

Total commercial loans and commercial mortgages averaged $4.32 billion for the year ended December 31, 2010, an increase of $822.2 million or 23.5% over the year ended December 31, 2009. The average yield on this portfolio increased to 5.60%, up ten basis points from the prior year. The increase in average yield is primarily due to wider credit spreads and less competitive pricing pressures brought on by reduced lending competition. In order to assist in monitoring and controlling credit risk, we primarily lend to existing clients of our Bank with whom we have or expect to have deposit and/or brokerage relationships. We target our lending to privately-owned businesses, their owners and senior managers who are generally high net worth individuals who meet our credit standards.

We are an active participant in the SBA loan and SBA pool secondary market by purchasing, securitizing, and selling the guaranteed portions of SBA loans, most of which have adjustable rates and float at a spread to the prime rate. Once purchased, we typically warehouse the guaranteed loan for approximately 30 to 180 days and classify them as loans held for sale. From this warehouse we aggregate like SBA loans by similar characteristics into pools for securitization to the secondary market. The timing of the purchase and sale of such loan pools drives the quarter-to-quarter fluctuations in average balances of loans held for sale, which averaged $233.2 million and $146.1 million for the years ended December 31, 2010 and 2009, respectively. The increased inventory has been used to fill increased client demand for this product.

Average total deposits and borrowings grew $2.13 billion, or 29.5%, to $9.37 billion during the year ended December 31, 2010 from $7.23 billion for the year ended December 31, 2009. Overall cost of funding was 1.30% during 2010, decreasing 41 basis points from 1.71% in 2009.

For the year ended December 31, 2010, average non-interest-bearing demand deposits were $2.02 billion as compared to $1.67 billion for the year ended December 31, 2009, an increase of $351.5 million, or 21.1%. Non-interest-bearing demand deposits continue to comprise a significant component of our deposit mix, representing 25.9% of all deposits at December 31, 2010. Additionally, average NOW and interest-bearing checking and money market accounts totaled $5.54 billion for the year ended December 31, 2010, an increase of $1.76 billion, or 46.5%, over the year ended December 31, 2009. Core deposits have provided us with a source of stable, low cost funding, which has positively affected our net interest margin and income. Additionally, short-term escrow deposits have provided us with low cost funding and have assisted in net interest margin expansion. As a result of lower short-term interest rates as well as a significant decrease in competitive pricing, our funding cost for NOW accounts decreased to 0.55% for the year ended December 31, 2010 compared to 0.83% for the prior year, and our funding cost for money market accounts decreased to 1.36% for the year ended December 31, 2010 compared to 1.86% for the prior year.

Average time deposits, which are relatively short-term in nature and totaled $892.2 million for the year ended December 31, 2010, carried an average cost of 2.09% in 2010, down 45 basis points from 2.54% in 2009. Time deposits are offered to supplement our core deposit operations for existing or new client relationships, and are not marketed through retail channels.

For the year ended December 31, 2010, average total borrowings were $913.2 million compared to $944.1 million for the previous year, a decrease of $30.9 million or 3.3%. The average cost of total borrowings was 3.69% and 4.06% for the years ended December 31, 2010 and 2009, respectively. At December 31, 2010, total borrowings represent approximately 11.5% of all funding compared to 12.3% at December 31, 2009. The decrease in average borrowings was driven by the increase in average deposits, while the decrease in the average cost of borrowings reflects the replacement of matured borrowings with lower cost short-term borrowing positions.

Provision and Allowance for Loan Losses

Our allowance for loan losses increased $12.3 million to $67.4 million at December 31, 2010 from $55.1 million at December 31, 2009. This increase was primarily driven by growth in the loan portfolio and an increase in charge-offs, along with provisions for the continued effect of the weak economic environment on our portfolio.

The following table allocates the allowance for loan losses based on our judgment of inherent losses in each respective lending area according to our methodology for allocating reserves.

	December 31,					
	2010			*2009*		
(dollars in thousands)	**Loan Amount**	**Allowance Amount**	**Allowance as a % of Loan Amount**	**Loan Amount**	**Allowance Amount**	**Allowance as a % of Loan Amount**
Mortgage loans:						
Multi-family residential property	$ 1,716,248	7,401	0.43%	1,153,610	5,088	0.44%
Commercial property	1,799,162	14,521	0.81%	1,492,877	10,778	0.72%
1-4 family residential property	266,011	3,352	1.26%	260,986	1,576	0.60%
Home equity lines of credit	192,027	831	0.43%	170,891	631	0.37%
Construction and land	115,195	2,386	2.07%	178,740	4,027	2.25%
Other loans:						
Commercial and industrial loans	1,146,110	37,545	3.28%	1,107,850	32,279	2.91%
Consumer loans	13,086	1,360	10.39%	14,208	741	5.22%
Total	$ 5,247,839	67,396	1.29%	4,379,162	55,120	1.26%

The provision for loan losses was $46.4 million for the year ended December 31, 2010 compared to $42.7 million for the prior year, an increase of $3.7 million, or 8.6%. The increase was predominantly driven by loan portfolio growth, an increase in charge-offs during 2010 and an increase in provisions to recognize the continued effect of the weak economic environment on our portfolio.

In determining the allowance for loan losses, management considers the imprecision inherent in the process of estimating credit losses. A portion of the allowance is based on management's review of factors affecting the determination of probable losses inherent in the portfolio that are not necessarily captured by the application of historical loss experience factors, such as the current regional economic environment.

Commercial loans (including commercial and industrial loans along with loans to commercial borrowers that are secured real estate) constitute a substantial portion of our loan activity and loan portfolio. Substantially all of the real estate collateral for the loans in our portfolio is located within the New York metropolitan area. As a result, our financial condition and results of operations may be affected by changes in the economy and the real estate market of the New York metropolitan area. A prolonged period of economic recession or other adverse economic conditions in the New York metropolitan area, such as the one we are experiencing now, may result in an increase in nonpayment of loans, a decrease in collateral value, and an increase in our allowance for loan losses.

Non-Interest Income

For the year ended December 31, 2010, non-interest income was $42.6 million, an increase of $8.0 million, or 23.1%, when compared with 2009. The increase for the year was predominantly due to increases in net gains on sales of securities and loans as well as trading income, which were partially offset by the recognition of net other-than-temporary impairment losses.

Net gains on sales of securities totaled $25.4 million for the year ended December 31, 2010, an increase of $16.7 million when compared to the prior year. Due to the prolonged low interest rate environment and narrower credit spreads, fair values of the bank's securities portfolio improved in 2010. The increase in gains on sales of securities was predominantly due to the sale of securities whose average life shortened due to the increased mortgage loan buyback activity of the Federal National Mortgage Association ("FNMA") and the Federal Home Loan Mortgage Corporation ("FHLMC").

For the year ended December 31, 2010, net gains on sales of loans totaled $6.1 million, compared to $3.6 million for 2009. The increase in gains on sales of loans is predominantly due to an increase in client demand for SBA loan and pool products driven by stabilization in this marketplace from government interaction as part of the Small Business Jobs Act of 2010.

Trading income totaled $124,000 for the year ended December 31, 2010, compared to a trading loss of $1.0

million for 2009. The increase in trading income was predominantly driven by increases in the fair values of credit default swaps used to economically hedge debt securities. During the year ended December 31, 2010, we recorded unrealized mark-to-market gains on credit default swaps totaling $423,000, respectively, compared to unrealized mark-to-market losses of $417,000 recorded during the prior year.

During 2010, we recognized through earnings net other-than-temporary impairment losses on securities totaling $14.2 million, compared to $1.3 million of net other-than-temporary impairment losses on securities recognized through earnings during 2009. During 2010, fifteen securities were determined to be other-than-temporarily impaired, including six bank-collateralized pooled trust preferred securities, five private collateralized mortgage obligations, and four collateralized debt obligations. During 2009, ten securities were determined to be other-than-temporarily impaired, including three bank-collateralized pooled trust preferred securities and seven private collateralized mortgage obligations. The securities were determined to be other-than-temporarily impaired based on the extent and duration of the decline in fair value below amortized cost, giving consideration to market liquidity, the uncertainty of a near-term recovery in value and the decline in expected cash flows. For further discussion of our other-than-temporary impairment losses, see Note 4 to our Consolidated Financial Statements.

Additionally, non-interest income for 2010 was also impacted by a decrease in commissions, which decreased $509,000 to $9.1 million when compared to the prior year. The decrease in commissions was predominantly driven by a decrease in commissions that we earn on off-balance sheet money market funds. Given the prolonged low interest rate environment, commissions on off-balance sheet money market funds have been reduced and, for some funds, eliminated in order to maintain positive yields on those funds. Should the low interest rate environment continue for an extended period of time, we may experience a further decline in our commission income.

Non-Interest Expense

Non-interest expense increased $15.0 million, or 10.0%, to $164.9 million for the year ended December 31, 2010 from $149.9 million for the year ended December 31, 2009. This increase was primarily driven by a $12.9 million increase in salaries and benefits mostly attributable to the addition of five private client banking teams and other personnel during the year. Also included in 2010 salaries and benefits expense was $1.6 million from the December 13, 2010 accelerated vesting of 214,330 restricted shares originally scheduled to vest on March 22, 2011. The accelerated vesting, which was approved by the Compensation Committee of the Bank's Board of Directors, was determined to be in the best interest of the Bank and its employees due to the potential expiration at the end of 2010 of the lower personal income tax rates enacted during the Bush Administration. Additionally, other general and administrative expenses increased $1.3 million, reflecting increased expenses due to additional client activity and additional FDIC deposit insurance assessment fees (as further described below), which were partially offset by the one-time $3.5 million FDIC special assessment fee recorded in the second quarter of 2009.

For the year-ended December 31, 2010, our base FDIC deposit insurance assessment totaled $11.3 million, an increase of $3.1 million when compared to the prior year as a result of our increased level of deposits. In addition, effective January 1, 2010, the FDIC increased the assessment rates for participation in the Transaction Account Guarantee Program, which provides a full guarantee above the existing $250,000 deposit insurance limit for funds held at participating FDIC-insured depository institutions in non-interest-bearing transaction accounts and certain NOW accounts. As a participant in this program, the increased assessment rate combined with increased deposits resulted in an additional expense of $1.1 million for the year-ended December 31, 2010, when compared to prior year. The Transaction Account Guarantee Program was in effect through December 31, 2010, after which date the Dodd-Frank Act provides all banks with new or additional coverage, including unlimited FDIC insurance coverage for noninterest-bearing transaction checking accounts and interest on lawyer transaction accounts through December 31, 2012.

In accordance with the Dodd-Frank Act, on February 7, 2011, the FDIC adopted a final rule that redefines the assessment base for deposit insurance assessments as average consolidated total assets minus average tangible equity, rather than on deposit bases, and adopts a new assessment rate schedule, as well as alternative rate schedules that become effective when the reserve ratio reaches certain levels. The final rule also makes conforming changes to the unsecured debt and brokered deposit adjustments to assessment rates, eliminates the secured liability adjustment and creates a new assessment rate adjustment for unsecured debt held that is issued by another insured depository institution. The new rate schedule and other revisions to the assessment rules become effective April 1, 2011 and will be used to calculate our June 30, 2011 invoices for assessments due September 30, 2011.

For large insured depository institutions, generally defined as those with at least $10 billion in total assets, the final rule also eliminates risk categories and the use of long-term debt issuer ratings when calculating the initial base assessment rates and combines regulatory ratings and financial measures into two scorecards, one for most large insured depository institutions and another for highly complex insured depository institutions, to calculate assessment rates. A highly complex institution is generally defined as an insured depository institution with more than $50 billion in total assets that is controlled by a parent company with more than $500 billion in total assets. Each scorecard would have two components - a performance score and loss severity score, which will be combined and converted to an initial assessment rate. The FDIC will have the ability to adjust a large or highly complex insured depository institution's total score by a maximum of 15 points up or down based upon significant risk factors that are not captured by the scorecard. Under the new assessment rate schedule, effective April 1, 2011, the initial base assessment rate for large and highly complex insured depository institutions will range from five to thirty-five basis points, and total base assessment rates, after applying all the unsecured debt and brokered deposit adjustments, will range from two and one-half to forty-five basis points. While the impact of the new assessment rules is not yet determinable, we do not expect the rules will have a material impact on our FDIC deposit insurance assessment fees.

Stock-Based Compensation

We recognize compensation expense in our statement of operations for all stock-based compensation awards over the requisite service period with a corresponding credit to equity, specifically additional paid-in capital. Compensation expense is measured based on grant date fair value and is included in salaries and benefits (non-interest expense).

As of December 31, 2010, there was $15.8 million of total unrecognized compensation cost related to unvested restricted shares that is expected to be recognized over a weighted-average period of 5.30 years. During the years ended December 31, 2010 and 2009, we recognized compensation expense of $9.3 million and $5.5 million, respectively, for restricted shares. Included in compensation expense for the year ended December 31, 2010 was $1.6 million from the December 13, 2010 accelerated vesting of 214,330 restricted shares originally scheduled to vest on March 22, 2011. The total fair value of restricted shares that vested during the years ended December 31, 2010 and 2009 was $16.7 million and $3.6 million, respectively.

Income Taxes

We recognized income tax expenses for the years ended December 31, 2010 and 2009 of $74.2 million and $41.7 million, respectively. The components of income tax expense for the years ended December 31, 2010 and 2009 are reflected in the following table:

	Years ended December 31,	
(in thousands)	**2010**	**2009**
Current expense	$ 87,276	50,161
Deferred income tax benefit	(13,089)	(8,460)
Total income tax expense	$ 74,187	41,701

The increase in current income tax expense was primarily driven by an increase in our pre-tax income, combined with reduced tax benefits received on income from our real estate investment trust ("REIT") subsidiary. In April 2007, the State of New York enacted tax legislation that included, for companies with average assets in excess of $8 billion, a four-year phase out of the tax benefit received on income from REIT subsidiaries. Our average assets for 2010 exceeded $8 billion, and as a result, the income tax benefit we receive on income from our REIT subsidiary was limited beginning with the first quarter of 2010. Accordingly, our effective tax rate for the year ended December 31, 2010 increased to 42.1%, compared to 39.9% for the prior year. In 2011, we will receive no tax benefits from our REIT subsidiary, and as a result, we expect our effective tax rate will increase to approximately 43%.

Financial Condition

Securities Portfolio

Securities in our investment portfolio are designated as either held-to-maturity ("HTM") or available-for-sale ("AFS") based upon various factors, including asset/liability management strategies, liquidity and profitability objectives and regulatory requirements. HTM securities are carried at cost and adjusted for amortization of premiums or accretion of discounts. AFS securities may be sold prior to maturity, based upon asset/liability management decisions and are carried at fair value. Unrealized gains or losses on AFS securities are recorded in accumulated other comprehensive income (loss), net of tax, in shareholders' equity. Other-than-temporary impairment losses on AFS and HTM debt securities attributable to credit losses are recorded in current earnings, while losses attributable to noncredit factors are recorded in accumulated other comprehensive income. Amortization of premiums and accretion of discounts on mortgage-backed securities are periodically adjusted for estimated prepayments.

At December 31, 2011, our total securities portfolio was $7.07 billion compared to $5.70 billion at December 31, 2010. Our portfolio primarily consists of mortgage-backed securities ("MBSs") and collateralized mortgage obligations ("CMOs") issued by U.S. Government agencies ($862.0 million), government-sponsored enterprises ($4.49 billion), and private issuers ($803.9 million). Overall, our securities portfolio had a weighted average duration of 3.13 years and a weighted average life of 4.68 years as of December 31, 2011. As of December 31, 2011, 84.9% of our securities portfolio had a AAA credit rating and 94.3% had a credit rating of A or better. In addition, 97.3% of our securities portfolio was rated investment grade or better at December 31, 2011, compared to 96.6% at December 31, 2010. Also, at December 31, 2011, we did not hold sovereign debt of Greece or other Euro-zone countries currently experiencing financial difficulty. For further discussion of our investment securities and the related determination of fair value, see Notes 3 and 4 to our Consolidated Financial Statements.

The agency MBS portfolio primarily consists of adjustable rate hybrid securities, fixed rate balloon, and seasoned 15-year structures. The agency CMO portion of our portfolio primarily consists of short duration planned amortization and sequential structures, collateralized by conforming first lien residential mortgages. The private CMO portfolio consists of prime borrowers with seasoned underlying mortgages and supportive credit enhancement. The weighted average age of the underlying collateral is approximately 89 months with a weighted average loan to value ratio of approximately 57% of original appraised values. The weighted average FICO score of the borrowers was approximately 722 at origination of the loan. The Private CMO sector is diversified with an average holding of $2.3 million per issue. Our asset-backed portfolio primarily consists of intermediate term fixed rate AAA and floating rate AA/A rated credit card, auto and home equity collateralized securities and collateralized debt obligations.

At December 31, 2011, the net unrealized gain on AFS securities, net of tax effect, was $29.8 million as reflected in accumulated other comprehensive income, compared to a net unrealized loss of $18.4 million at December 31, 2010. The fair value of our AFS securities is affected by several factors including, credit spreads, interest rate environment, unemployment rates, delinquencies and defaults on the mortgages underlying such obligations, changes in interest rates resulting from expiration of the fixed rate portion of adjustable rate mortgages ("ARMs"), changing home prices, market liquidity for such obligations, and uncertainties in respect of government-sponsored enterprises such as Fannie Mae and Freddie Mac, which guarantee many of the debt securities we own. The estimated effect of possible changes in interest rates on our earnings and equity is discussed in "Item 7A. Quantitative and Qualitative Disclosures About Market Risk."

We continue to closely monitor these securities and, other than those securities for which we have previously recorded other-than-temporary impairment losses, we believe the declines in fair value are temporary. We have no intent to sell these securities and we believe it is not more likely than not that we will be required to sell these investments before recovery of their amortized cost basis. In the event these securities demonstrate an adverse change in expected cash flows and we no longer expect to recover the amortized cost basis, we would recognize additional other-than-temporary impairment losses through earnings.

The following table summarizes the components of our AFS and HTM securities portfolios at the dates indicated:

	December 31,					
	2011		2010		2009	
(in thousands)	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
AVAILABLE-FOR-SALE						
Residential mortgage-backed securities:						
U.S. Government Agency	$ 36,437	38,649	24,764	25,538	39,392	40,467
Government-sponsored enterprises	1,103,380	1,141,619	1,048,591	1,065,450	848,967	875,552
Collateralized mortgage obligations:						
U.S. Government Agency	681,869	697,542	642,741	646,627	126,064	127,326
Government-sponsored enterprises	2,902,349	2,968,904	2,060,430	2,084,165	1,508,496	1,532,955
Private	818,904	792,514	825,674	797,478	833,446	778,702
Other debt securities:						
Commercial mortgage-backed securities	315,573	322,026	191,293	191,063	151,492	151,838
Single issuer trust preferred & corporate debt securities	345,324	336,623	207,363	203,416	97,772	88,874
Pooled trust preferred securities	28,216	7,116	28,608	4,562	32,502	11,149
Collateralized debt obligations	6,487	2,757	6,992	4,874	15,854	9,858
Other	204,002	189,506	228,949	210,946	233,389	206,577
Equity securities (1)	15,708	15,599	15,475	15,167	14,757	14,285
Total available-for-sale	$ 6,458,249	6,512,855	5,280,880	5,249,286	3,902,131	3,837,583
HELD-TO-MATURITY						
Residential mortgage-backed securities:						
U.S. Government Agency	$ 3,286	3,431	3,796	3,920	4,954	5,015
Government-sponsored enterprises	20,013	20,859	9,465	9,998	12,657	13,159
Collateralized mortgage obligations:						
U.S. Government Agency	122,560	128,185	83,858	85,958	25,706	25,732
Government-sponsored enterprises	358,859	375,661	279,497	286,176	169,806	174,024
Private	11,419	7,972	12,838	10,358	14,213	11,315
Other debt securities:						
Commercial mortgage-backed securities	358	359	12,495	12,495	17,419	17,326
Collateralized debt obligations	5,309	2,710	6,342	3,688	8,137	7,947
Other	34,240	32,803	39,605	37,722	43,092	36,090
Total held-to-maturity	$ 556,044	571,980	447,896	450,315	295,984	290,608

(1) Equity securities represent Community Reinvestment Act ("CRA") qualifying closed-end bond fund investments.

The following table presents the credit rating distribution of our securities portfolio at December 31, 2011:

Credit Rating	**Percentage of Portfolio**
AAA	84.93%
AA	2.64%
A	6.75%
BBB	2.99%
Below BBB	2.69%
Total	100.00%

The following table provides the estimated change in fair value of our debt securities for various interest rate shocks at December 31, 2011:

Interest Rate Shock	Estimated Fair Value Change
+100 basis points	(0.34%)
+200 basis points	(3.77%)
+300 basis points	(8.24%)

The following table presents the contractual maturity distribution and the weighted average yields of our combined available-for-sale and held-to-maturity securities portfolio as of December 31, 2011. Due to prepayments of collateral underlying the securities, actual maturity may differ from contractual maturity.

(dollars in thousands)	Amortized Cost	Fair Value	Average Yield
Less than one year			
Collateralized mortgage obligations	$ 661	667	3.90%
Other securities (1)	87,344	95,191	15.57%
Total	$ 88,005	95,858	15.48%
One year to less than five years			
Mortgage-backed securities	$ 1,782	1,873	5.00%
Collateralized mortgage obligations	8,209	8,636	5.05%
Other securities	29,087	29,854	3.59%
Total	$ 39,078	40,363	3.96%
Five years to less than 10 years			
Mortgage-backed securities	$ 13,746	14,806	4.47%
Collateralized mortgage obligations	150,202	153,055	3.99%
Other securities	237,440	232,172	4.55%
Total	$ 401,388	400,033	4.34%
10 years and longer			
Mortgage-backed securities	$ 1,147,588	1,187,879	3.39%
Collateralized mortgage obligations	4,736,888	4,808,420	3.42%
Other securities	585,638	536,683	3.69%
Total	$ 6,470,114	6,532,982	3.44%
All maturities			
Mortgage-backed securities	$ 1,163,116	1,204,558	3.40%
Collateralized mortgage obligations	4,895,960	4,970,778	3.44%
Other securities	939,509	893,900	5.01%
Total	$ 6,998,585	7,069,236	3.64%

(1) Excludes equity securities, which do not have maturities.

Loan Portfolio

The following table presents information regarding the composition of our loan portfolio, including loans held for sale, as of the dates indicated:

	December 31,									
	2011		2010		2009		2008		2007	
(dollars in thousands)	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Mortgage loans:										
Multi-family residential property	$ 3,003,428	41.68%	1,716,248	30.68%	1,153,610	24.78%	721,166	19.59%	135,834	6.20%
Commercial property	2,218,053	30.78%	1,799,162	32.16%	1,492,877	32.06%	1,156,315	31.40%	441,759	20.16%
1-4 family residential property	259,418	3.60%	266,011	4.76%	260,986	5.61%	245,892	6.68%	209,489	9.56%
Home equity lines of credit	198,375	2.75%	192,027	3.43%	170,891	3.67%	129,202	3.51%	90,023	4.11%
Construction and land	63,775	0.88%	115,195	2.06%	178,740	3.84%	168,890	4.59%	116,040	5.30%
Other loans:										
Commercial and industrial	1,098,805	15.24%	1,146,110	20.49%	1,107,850	23.79%	1,033,119	28.06%	1,008,655	46.03%
Commercial - SBA guaranteed portion	354,060	4.91%	346,454	6.19%	276,802	5.95%	208,977	5.68%	165,613	7.56%
Consumer	11,837	0.16%	13,086	0.23%	14,208	0.31%	18,504	0.50%	23,984	1.09%
Sub-total / Total	7,207,751	100.00%	5,594,293	100.00%	4,655,964	100.00%	3,682,065	100.00%	2,191,397	100.00%
Premiums, deferred fees and costs	35,000		32,834		13,341		6,157		6,548	
Total	$ 7,242,751		5,627,127		4,669,305		3,688,222		2,197,945	

Total loans increased by $1.62 billion, or 28.7%, to $7.24 billion at December 31, 2011, from $5.63 billion at December 31, 2010. Our total loan-to-deposit ratio, excluding loans held for sale, increased to 58.3% at December 31, 2011from 55.6% at December 31, 2010. We continue to predominantly restrict lending to existing clients in our market area with whom we have or expect to have deposit and/or brokerage relationships to assist us in monitoring and controlling credit risk.

As of December 31, 2011, substantially all of the real estate collateral for the loans in our portfolio was located within the New York metropolitan area. As a result, our financial condition and results of operations may be affected by changes in the economy and the real estate market of the New York metropolitan area. A prolonged period of economic recession or other adverse economic conditions in the New York metropolitan area, such as the one we are experiencing now, may result in an increase in nonpayment of loans, a decrease in collateral value, and an increase in our allowance for loan losses.

We only securitize the U.S. government guaranteed portion of SBA loans, and we have not securitized any of our loans secured by real estate. As a result, we have not made any representations to, and do not have obligations to, third-party purchasers regarding these loans.

At December 31, 2011, loans fully secured by cash and marketable securities represented 1.6% of outstanding loan balances. The SBA portfolio, consisting only of the guaranteed portion of the SBA loans, represented 4.8% of outstanding loan balances. Our fully unsecured loan portfolio represented 3.1% of our total outstanding loan portfolio at December 31, 2011. We generally limit unsecured lending for consumer loans to private clients who we believe possess ample net worth, liquidity and repayment capacity. The remainder of our loans is secured by real estate, company assets, personal assets and other forms of collateral.

In order to assist us in managing credit quality, management views the loan portfolio by various segments and classes of loans. For commercial loans, we assign individual credit ratings ranging from 1 (lowest risk) to 9 (highest risk) as an indicator of credit quality. These ratings are based on specific risk factors including (i) historical and projected financial results of the borrower, (ii) market conditions of the borrower's industry that may affect the borrower's future financial performance, (iii) business experience of the borrower's management, (iv) nature of the underlying collateral, if any, and (v) borrower's history of payment performance.

The following table summarizes the recorded investment of our portfolio of commercial loans by credit rating as of the dates indicated:

(in thousands)	*pass* Rating 1-4	*pass* Rating 5-6	*special mention* Rating 7	*substandard* Rating 8	*doubtful* Rating 9	Non-rated	Total
December 31, 2011							
Commercial loans secured by real estate:							
Multi-family residential property	$ 2,436,175	512,767	32,838	19,573	-	-	3,001,353
Commercial property	1,393,854	755,644	26,140	39,876	2,500	39	2,218,053
1-4 family residential property	37,121	40,905	6,800	1,269	-	-	86,095
Construction and land	5,166	43,250	597	14,762	-	-	63,775
Commercial and industrial loans	441,753	540,329	20,576	34,807	7,707	53,633	1,098,805
Total commercial loans	$ 4,314,069	1,892,895	86,951	110,287	10,207	53,672	6,468,081
December 31, 2010							
Commercial loans secured by real estate:							
Multi-family residential property	$ 1,282,318	429,789	1,593	369	-	-	1,714,069
Commercial property	1,041,618	709,110	34,918	11,746	-	-	1,797,392
1-4 family residential property	25,956	47,767	476	7,852	-	-	82,051
Construction and land	463	102,939	3,988	7,805	-	-	115,195
Commercial and industrial loans	410,587	604,184	25,525	39,690	9,201	56,923	1,146,110
Total commercial loans	$ 2,760,942	1,893,789	66,500	67,462	9,201	56,923	4,854,817

For consumer loans, including residential mortgages and home equity lines of credit, we consider the borrower's payment history and current payment performance as lead indicators of credit quality. A consumer loan is considered non-performing generally when it becomes 90 days delinquent based on contractual terms, at which time the accrual of interest income is discontinued. In the case of residential mortgages and home equity lines of credit, exceptions may be made if the loan has sufficient collateral value, based on a current appraisal, and is in process of collection.

The following table summarizes the recorded investment of our portfolio of consumer loans by performance status as of the dates indicated:

(in thousands)	Performing	Nonperforming	Total
December 31, 2011			
Residential mortgages	$ 172,792	2,606	175,398
Home equity lines of credit	198,026	349	198,375
Other consumer loans	11,501	336	11,837
Total consumer loans	$ 382,319	3,291	385,610
December 31, 2010			
Residential mortgages	$ 187,909	-	187,909
Home equity lines of credit	191,576	451	192,027
Other consumer loans	12,567	519	13,086
Total consumer loans	$ 392,052	970	393,022

The following table presents commercial and industrial loans and construction and land loans at fixed and variable rates, by maturity for the periods indicated:

	As of December 31, 2011			
(in thousands)	**Within One Year**	**One to Five Years**	**After Five Years**	**Total**
Loan Type				
Commercial and Industrial	$ 616,804	473,596	8,405	1,098,805
Construction and Land	56,655	6,209	911	63,775
Total	$ 673,459	479,805	9,316	1,162,580
Loans at fixed interest rates		333,657	9,316	
Loans at variable interest rates		146,148	-	
Total		479,805	9,316	

Asset Quality

Non-performing Assets

Non-performing assets include non-accrual loans and investment securities and other real estate owned. Loans are generally placed on non-accrual status upon becoming 90 days past due as to interest or principal. Single family property loans are considered for non-accrual status after becoming three payments past due as to interest or principal. We generally do not place loans on non-accrual status if there is sufficient collateral value, based on a current appraisal, and the loan is in process of collection. Consumer loans that are not secured by real estate, however, are generally placed on non-accrual status when deemed uncollectible; such loans are generally charged off when they reach 180 days past due.

At the time a loan is placed on non-accrual status, the accrued but uncollected interest receivable is reversed and accounted for on a cash basis or cost recovery basis, until qualifying for return to accrual status. Management's classification of a loan as non-accrual does not necessarily indicate that the principal of the loan is uncollectible in whole or in part.

The following table summarizes our non-performing assets, accruing loans that were 90 days past due as to principal or interest, and certain asset quality indicators as of the dates indicated:

	December 31,				
(dollars in thousands)	**2011**	**2010**	**2009**	**2008**	**2007**
Non-accrual assets:					
Loans	$ 40,432	31,155	46,606	31,885	18,559
Troubled debt restructured loans	1,786	2,979	-	-	-
Investment securities, at fair value	5,772	4,445	8,216	975	-
Other real estate owned	566	1,667	700	-	-
Total non-performing assets	$ 48,556	40,246	55,522	32,860	18,559
Accruing troubled debt restructured loans	$ 44,685	8,530	-	-	-
Accruing loans past due 90 days or more:					
Loans	$ 9,000	15,740	12,494	1,902	2,001
Loans held for sale	$ 1,307	1,778	3,883	4,183	1,990
Asset Quality Ratios:					
Total non-accrual loans to total loans	0.62%	0.65%	1.07%	0.92%	0.92%
Total non-performing assets to total assets	0.33%	0.34%	0.61%	0.46%	0.32%
Allowance for loan losses to non-accrual loans	204.09%	197.45%	118.27%	116.00%	98.26%
Allowance for loan losses to total loans	1.26%	1.29%	1.26%	1.07%	0.90%
Quarterly net charge-offs to average loans (annualized)	0.71%	1.16%	0.61%	0.32%	0.47%

The following table summarizes the delinquency and accrual status of our loan portfolio, excluding loans held for sale, as of the dates indicated:

(in thousands)	Past Due 30-89 Days	Past Due 90+ Days	Total Past Due	Current	Total Loans	Accruing Loans Past Due 90+ Days	Non-accruing Loans
December 31, 2011							
Commercial loans							
Loans secured by real estate:							
Multi-family residential property	$ 34,780	369	35,149	2,966,204	3,001,353	-	369
Commercial property	3,589	14,608	18,197	2,199,856	2,218,053	699	13,909
1-4 family residential property	6,755	-	6,755	79,340	86,095	-	-
Construction and land	-	4,762	4,762	59,013	63,775	-	4,762
Commercial and industrial loans	8,100	23,271	31,371	1,067,434	1,098,805	3,384	19,887
Consumer loans							
Residential mortgages	1,547	5,797	7,344	168,054	175,398	3,191	2,606
Home equity lines of credit	1,635	2,075	3,710	194,665	198,375	1,726	349
Consumer loans	62	336	398	11,439	11,837	-	336
Total	$ 56,468	51,218	107,686	6,746,005	6,853,691	9,000	42,218
December 31, 2010							
Commercial loans							
Loans secured by real estate:							
Multi-family residential property	$ 15,149	3,169	18,318	1,695,751	1,714,069	2,800	369
Commercial property	15,797	6,901	22,698	1,774,694	1,797,392	2,190	4,711
1-4 family residential property	6,226	830	7,056	74,995	82,051	830	-
Construction and land	-	6,571	6,571	108,624	115,195	-	6,571
Commercial and industrial loans	13,635	24,953	38,588	1,107,522	1,146,110	3,440	21,513
Consumer loans							
Residential mortgages	5,868	4,602	10,470	177,174	187,644	4,602	-
Home equity lines of credit	156	2,302	2,458	189,569	192,027	1,851	451
Consumer loans	240	546	786	12,300	13,086	27	519
Total	$ 57,071	49,874	106,945	5,140,629	5,247,574	15,740	34,134

Significant non-accrual loans at December 31, 2011, consisted of four commercial real estate loans totaling $12.5 million, five commercial and industrial loans totaling $10.2 million, two construction loans totaling $4.8 million, and one residential mortgage for $1.4 million. Each of these non-accrual loans is being actively managed by the Bank, and the allowance for loan losses includes a specific allocation for each of them.

If all non-accrual loans outstanding at December 31, 2011, 2010, and 2009 had been performing in accordance with their original terms, we would have recorded interest income, with respect to such loans, of approximately $4.2 million, $4.1 million, and $3.8 million for the years then ended, respectively. This compares to actual payments recorded as interest income realized, with respect to such loans, of $363,000, $765,000, and $603,000 for the years ended December 31, 2011, 2010, and 2009, respectively.

Non-accrual investment securities at December 31, 2011 and 2010 consisted of eight bank-collateralized pooled trust preferred securities and one collateralized debt obligation, which were classified as non-performing because of a deferral of their interest payments. At December 31, 2011 and 2010, the fair value of our non-accrual pooled trust preferred securities totaled $4.5 million and $3.0 million, respectively, and the fair value of our non-accrual collateralized debt obligation was $1.3 million and $1.5 million, respectively. Non-accrual investment securities at December 31, 2009, consisted of six bank-collateralized pooled trust preferred securities with fair value totaling $6.3 million, which were classified as non-performing given their deferral of interest payments, and one Lehman Brothers senior debenture with a fair value of $1.9 million classified as non-performing based on the issuer's default. The non-accrual investment securities at December 31, 2008 consisted solely of the Lehman Brothers senior debenture.

Accruing loans past due 90 days or more, which are not included in the non-performing category, are presented in the above tables. At December 31, 2011, accruing loans past due 90 days or more include $3.8 million of 1-4 family real estate loans that are well secured and in process of collection and a $1.9 million C&I loan that was paid in full during January 2012. At December 31, 2010, accruing loans past due 90 days or more include matured performing loans in the normal process of renewal ($519,000) and real estate loans that are well secured and in process of collection ($3.7 million of 1-4 family, $2.8 million of multi-family, and $1.4 million of commercial real estate). Accruing loans held for sale at December 31, 2011 and 2010 are comprised of U.S. Government guaranteed SBA loans.

For economic reasons and to maximize the recovery of loans, we may work with borrowers experiencing financial difficulties, and will consider modifications to a borrower's existing loan terms and conditions that we would not otherwise consider, commonly referred to as troubled debt restructurings ("TDRs"). Our TDR loans consist of those loans where we modify the contractual terms of the loan, such as (i) a deferral of the loan's principal amortization through either interest-only or reduced principal payments, (ii) a reduction in the loan's contractual interest rate or (iii) an extension of loan's contractual term.

At the time of restructuring, we determine whether a TDR loan should accrue interest based on the accrual status of the loan immediately prior to modification. A non-accrual TDR loan will be returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured. Additionally, there should be a sustained period of repayment performance (generally a period of six months) by the borrower in accordance with the modified contractual terms.

In years after the year of restructuring, the loan is not reported as a TDR loan if it was restructured at a market interest rate and it is performing in accordance with its modified terms. For further discussion of our TDR loans and the related financial effects, see Note 8 to our Consolidated Financial Statements.

Allowance for Loan Losses

The allowance for loan losses is maintained at a level estimated by management to absorb probable losses inherent in the loan portfolio and is based on management's continuing evaluation of the portfolio, the related risk characteristics, and the overall economic conditions affecting the loan portfolio. The estimation is inherently subjective as it requires measurements that are susceptible to significant revision as more information becomes available. At December 31, 2011, 2010, and 2009, our allowance for loan losses totaled $86.2 million, $67.4 million, and $55.1 million, respectively, which represents 1.26%, 1.29%, and 1.26% of total loans (excluding loans held for sale) at December 31, 2011, 2010, and 2009, respectively.

The provision for loan losses is a charge to earnings to maintain the allowance for loan losses at a level consistent with management's assessment of the loan portfolio in light of current economic conditions and market trends. For the years ended December 31, 2011, 2010, and 2009, we recorded provisions of $51.9 million, $46.4 million, and $42.7 million, respectively. These provisions were made to reflect management's assessment of the inherent and specific risk of loan losses relative to the growth of the portfolio.

Our methodology to determine the allowance for loan losses includes segmenting the loan portfolio into various components and applying various loss factors to estimate the amount of probable losses. The largest segment of our loan portfolio is comprised of credit-rated commercial loans, comprising 93.6% of our total loan portfolio, excluding loans held for sale, as of December 31, 2011. Our credit-rated commercial loans include commercial and industrial loans along with loans to commercial borrowers that are secured by real estate (commercial property, multi-family residential property, 1-4 family residential property, and construction and land). For each loan within this segment, a credit rating is assigned based on a review of specific risk factors including (i) historical and projected financial results of the borrower, (ii) market conditions of the borrower's industry that may affect the borrower's future financial performance, (iii) business experience of the borrower's management, (iv) nature of the underlying collateral, if any, and (v) borrower's history of payment performance.

When assigning a credit rating to a loan, we use an internal nine-level rating system in which a rating of one carries the lowest level of credit risk and is used for borrowers exhibiting the strongest financial condition. Loans rated one through six are deemed to be acceptable quality and are considered "Pass." Loans that are deemed to be of questionable quality are rated seven (special mention). Loans with adverse classifications (substandard or doubtful) are rated eight or nine, respectively. A loan is considered substandard if it is inadequately protected by the current net worth and paying capacity of the borrower, or of the collateral pledged. Substandard loans are characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected. Loans classified as doubtful have all of the weaknesses inherent in those classified substandard with the added characteristic that the weaknesses present make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

The outstanding amounts of credit-rated commercial loans are aggregated by credit rating, and we estimate the allowance for losses for each credit rating using loss factors based on historical loss experience and qualitative adjustments reflecting the current economic conditions and outlook for housing, employment, manufacturing, and consumer spending. The economic adjustments reflect the imprecision that is inherent in the estimates of probable loan losses, and are intended to ensure adequacy of the overall allowance amount. The loss factors assigned to each credit rating are adjusted based on management's judgment, along with certain qualitative factors such as the trend and severity of problem loans that can cause the estimation of inherent losses to differ from historical experience. Any change to an individual credit rating affects the amount of the related allowance.

Our internal review process results in the periodic review of assigned credit ratings to reflect changes in specific risk factors. Commercial lines of credit are generally issued with terms of one year, and upon annual renewal our lenders perform a full review of the specific risk factors to assess the appropriateness of the assigned credit ratings. Furthermore, loans classified as special mention, substandard, or doubtful are placed on our internal watch list and our lenders perform a credit rating review on a quarterly basis (special mention loans) or monthly basis (substandard and doubtful loans). In addition, our Risk Management function, which reports directly to the Risk Committee of our Board of Directors, performs periodic credit reviews that provide an independent evaluation of the assigned credit ratings. These reviews generally cover, in aggregate, between 40-50% of the commercial loan portfolio, including all commercial loans over $500,000 with adverse credit ratings on an annual basis. Additionally, our Risk Management function focuses its reviews on those loans with higher-risk attributes, such as lines of credit with higher utilization percentages and loan facilities with delinquencies.

Our methodology to determine the allowance for loan losses for the non-rated segments of our loan portfolio is based on historical loss experience and qualitative factors. Non-rated loans generally include commercial loans with outstanding principal balances below $100,000, commercial overdrafts, residential mortgages, and consumer loans. The outstanding amounts of loans in each of these segments are aggregated, and we apply percentages based on historical losses and qualitative factors by segment to estimate the required allowance for loan losses. Non-rated loans comprise 6.4% of our total loan portfolio as of December 31, 2011.

We consider all non-accrual loans to be impaired loans, and the related specific allowances for loan losses are determined on an individual (non-homogeneous) basis. Factors contributing to the determination of specific allowances on impaired loans include the creditworthiness of the borrower and, more specifically, changes in the expected future receipt of principal and interest payments and/or in the value of pledged collateral. For impaired loans in excess of $300,000, a specific allowance is recorded when the carrying amount of the loan exceeds the discounted estimated cash flows using the loan's initial effective interest rate or, for collateral-dependent loans, the fair value of collateral. For smaller impaired loans, in the absence of other factors affecting the collectability of the loan, we generally determine the amount of specific allowance using estimated loss percentages based on the amount of time the loan has been delinquent.

The methodology used in the periodic review of reserve adequacy, which is performed at least quarterly, is designed to be responsive to changes in portfolio credit quality and inherent credit losses. The changes are reflected in both the pooled formula reserve and in specific reserves as the collectability of larger classified loans is regularly recalculated with new information as it becomes available. As our portfolio matures, historical loss ratios are closely monitored. Currently, the review of reserve adequacy is performed by our senior management, assessed by a credit review function, and presented to our Board of Directors for their review and consideration on a quarterly basis.

The following table presents our allowance for loan losses and outstanding loan balances by segment of our loan portfolio, based on the methodology followed in determining the allowance for loan losses:

(in thousands)	Credit-rated commercial loans	Non-rated Commercial loans	Non-rated Residential mortgages	Non-rated Consumer loans	Total
As of December 31, 2011					
Allowance for loan losses:					
Individually evaluated for impairment	$ 4,651	991	291	168	6,101
Collectively evaluated for impairment	74,202	3,963	1,278	618	80,061
Recorded investment in loans:					
Individually evaluated for impairment	56,216	2,190	4,817	336	63,559
Collectively evaluated for impairment	6,358,193	51,482	368,956	11,501	6,790,132
As of December 31, 2010					
Allowance for loan losses:					
Individually evaluated for impairment	$ 8,011	1,445	130	256	9,842
Collectively evaluated for impairment	48,201	6,907	1,342	1,104	57,554
Recorded investment in loans:					
Individually evaluated for impairment	30,249	2,915	451	519	34,134
Collectively evaluated for impairment	4,767,645	54,008	379,485	12,567	5,213,705

The following table allocates our allowance for loan losses to the respective portfolio categories:

	December 31,									
	2011		*2010*		*2009*		*2008*		*2007*	
(dollars in thousands)	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Mortgage Loans:										
Commercial property	$ 23,844	27.67%	14,521	21.55%	10,778	19.55%	8,689	23.49%	3,347	18.35%
Multi-family residential property	25,160	29.20%	7,401	10.98%	5,088	9.23%	4,136	11.18%	873	4.79%
Construction and land	4,836	5.61%	2,386	3.54%	4,027	7.31%	2,116	5.72%	851	4.67%
1-4 family residential property	3,096	3.59%	3,352	4.97%	1,576	2.86%	828	2.24%	447	2.45%
Home equity lines of credit	818	0.95%	831	1.23%	631	1.14%	194	0.52%	117	0.64%
Other loans:										
Commercial and industrial	27,622	32.06%	37,545	55.71%	32,279	58.57%	20,668	55.89%	12,335	67.64%
Consumer	786	0.91%	1,360	2.02%	741	1.34%	356	0.96%	266	1.46%
Total	$ 86,162	100.00%	67,396	100.00%	55,120	100.00%	36,987	100.00%	18,236	100.00%

Summary of Loan Loss Experience

The table below presents the changes in the allowance for loan losses for the years indicated:

(in thousands)		Years ended December 31, 2011	2010	2009	2008	2007
Beginning balance - Allowance for loan losses	$	67,396	55,120	36,987	18,236	13,829
Charge-offs and recoveries:						
Loans charged-off		35,393	35,583	25,451	8,377	7,973
Recoveries of loans previously charged off		2,283	1,487	869	240	64
Net charge-offs		33,110	34,096	24,582	8,137	7,909
Provision for loan losses		51,876	46,372	42,715	26,888	12,316
Ending balance - Allowance for loan losses	$	86,162	67,396	55,120	36,987	18,236

The table below presents a summary by loan portfolio segment of our allowance for loan losses, loan loss experience, and provision for loan losses for the periods indicated:

(in thousands)		Credit-rated commercial loans	Non-rated Commercial loans	Non-rated Residential mortgages	Non-rated Consumer loans	Total
For the year ended December 31, 2011						
Balance at beginning of year	$	56,212	8,352	1,472	1,360	67,396
Provision for loan losses		51,635	(429)	447	223	51,876
Loans charged off		(29,502)	(4,467)	(350)	(1,074)	(35,393)
Recoveries of loans previously charged off		508	1,498	-	277	2,283
Balance at end of year	$	78,853	4,954	1,569	786	86,162
For the year ended December 31, 2010						
Balance at beginning of year	$	50,141	3,024	1,216	739	55,120
Provision for loan losses		34,101	10,525	688	1,058	46,372
Loans charged off		(28,070)	(6,369)	(644)	(500)	(35,583)
Recoveries of loans previously charged off		40	1,172	212	63	1,487
Balance at end of year	$	56,212	8,352	1,472	1,360	67,396

Our net charge-offs during 2011 decreased to $33.1 million compared to $34.1 million for the prior year. Significant charge-offs for the year ended December 31, 2011 consisted of nine commercial and industrial relationships totaling $21.1 million, one commercial real estate loan in the amount of $4.0 million, and one construction loan in the amount of $616,000. The remainder of the 2011 charge-offs were primarily comprised of small business and overdraft line of credit relationships, for which the individual charge-off amount did not exceed $500,000.

Deferred Tax Asset/Liability

At December 31, 2011, after considering all available positive and negative evidence, management concluded that a valuation allowance for deferred tax assets was not necessary because it is more likely than not that these tax benefits will be fully realized. We will continue to monitor the need for a valuation allowance going forward; however, we do not expect to need one based upon projected profitability and taxable income in the carry-back period. Net deferred tax assets are included in other assets in our Consolidated Statements of Financial Condition.

The following table presents the components of the net deferred tax asset at December 31, 2011 and 2010:

(in thousands)	*December 31,* 2011	2010
DEFERRED TAX ASSETS		
Allowance for loan losses	$ 38,034	29,642
Depreciation	1,388	992
Unearned compensation - restricted shares	4,987	1,232
Non-accrual interest	2,617	2,026
Write-down for other-than-temporary impairment of securities	17,393	19,930
Other	2,357	1,943
Total deferred tax assets recognized in earnings	66,776	55,765
Net unrealized losses on securities available-for-sale	-	14,456
Total deferred tax assets	66,776	70,221
DEFERRED TAX LIABILITIES		
Prepaid expenses	241	368
Other	6	-
Total deferred tax liabilities recognized in earnings	247	368
Net unrealized gains on securities available-for-sale	23,542	-
Total deferred tax liabilities	23,789	368
Net deferred tax asset	$ 42,987	69,853

Deferred tax assets arise from expected future tax benefits attributable to temporary differences and carry-forwards. Deferred tax liabilities arise from expected future tax expense attributable to temporary differences. Temporary differences are defined as differences between the tax basis of an asset or liability and its reported amount in the financial statements that will result in taxable or deductible amounts in future years. Carry-forwards are defined as deductions or credits that cannot be currently utilized for tax purposes that may be carried forward to reduce taxable income or taxes payable in a future year.

Deposits

At December 31, 2011, we maintained approximately 78,000 deposit accounts, compared to approximately 70,000 accounts at December 31, 2010. Excluding brokered deposits, total deposits at December 31, 2011 and 2010 were $11.70 billion and $9.41 billion, respectively.

Included in deposits at December 31, 2011 and 2010 were approximately $774.0 million and $619.4 million, respectively, of short-term escrow deposits. We have developed a core competency in catering to the needs of law firms, accounting firms, claims administrators and title companies, which allows us to obtain from our clients short-term escrow deposits. The majority of short-term escrows outstanding at December 31, 2011, due to their nature, are expected to be released during the first quarter of 2012. Excluding the short-term escrow deposits and brokered deposits, our total core deposits increased approximately $2.13 billion during 2011 as a result of the addition of new private client groups, who assist us in growing our client base, and additional deposits by our current clients.

The following table presents the composition of our deposits and deposit products as of the dates indicated:

	December 31,			
	2011		2010	
(dollars in thousands)	Amount	Percentage	Amount	Percentage
Personal demand (1)	$ 331,268	2.82%	286,166	3.03%
Business demand (1)	2,817,168	23.97%	2,163,802	22.92%
Rent security	75,139	0.64%	47,062	0.50%
Personal NOW	37,094	0.32%	70,215	0.74%
Business NOW and interest-bearing demand	606,036	5.16%	630,336	6.68%
Personal money market	2,314,369	19.68%	1,654,597	17.53%
Business money market	4,677,424	39.79%	3,660,446	38.77%
Personal time deposits	492,060	4.19%	501,296	5.31%
Business time deposits	345,782	2.94%	400,641	4.24%
Brokered time deposits	57,798	0.49%	26,666	0.28%
Total	$ 11,754,138	100.00%	9,441,227	100.00%
Demand (1)	$ 3,148,436	26.79%	2,449,968	25.95%
NOW and interest-bearing demand	643,130	5.48%	700,551	7.42%
Money market	7,066,932	60.11%	5,362,105	56.80%
Time deposits	837,842	7.13%	901,937	9.55%
Brokered time deposits	57,798	0.49%	26,666	0.28%
Total	$ 11,754,138	100.00%	9,441,227	100.00%
Personal	$ 3,174,791	27.01%	2,512,274	26.61%
Business	8,521,549	72.50%	6,902,287	73.11%
Brokered time deposits	57,798	0.49%	26,666	0.28%
Total	$ 11,754,138	100.00%	9,441,227	100.00%

(1) Non-interest bearing.

The following table presents our average deposits and average interest rates accrued for the periods indicated:

	Years ended December 31,			
	2011		2010	
(dollars in thousands)	Average Balance	Average Rate	Average Balance	Average Rate
NOW and interest-bearing demand	$ 632,804	0.52%	724,458	0.55%
Money market	6,611,992	1.08%	4,816,609	1.36%
Time deposits	871,929	1.81%	873,259	2.11%
Brokered time deposits	45,063	1.07%	18,927	1.47%
Non-interest-bearing demand deposits	2,702,236	-	2,020,265	-
Total deposits	$ 10,864,024	0.84%	$ 8,453,518	1.04%

The following table presents time deposits of $100,000 or more by their maturity as of December 31, 2011:

(dollars in thousands)	December 31, 2011
Three months or less	$ 177,625
Over three months through six months	69,901
Over six months through one year	156,380
Over one year	290,471
Total	$ 694,377

Borrowings

The following table presents information regarding our borrowings:

	At or for the year ended December 31,					
	2011		*2010*		*2009*	
(dollars in thousands)	**Amount**	**Weighted Average Rate**	**Amount**	**Weighted Average Rate**	**Amount**	**Weighted Average Rate**
Federal Home Loan Bank advances	$ 675,000	0.92%	558,000	1.64%	305,000	3.42%
Repurchase agreements	695,000	3.23%	540,000	3.68%	627,000	4.08%
Federal funds purchased	55,800	0.17%	118,000	0.18%	70,000	0.07%
Other short-term borrowings			6,200	0.00%	6,900	0.00%
Total borrowings	$ 1,425,800	2.02%	1,222,200	2.39%	1,008,900	3.58%
Maximum total outstanding at any month-end	$ 1,425,800		1,222,200		1,166,129	
Average balance	$ 1,073,430		913,199		944,144	
Average rate		2.76%		3.69%		4.06%

At December 31, 2011, our borrowings were $1.43 billion, or 10.8% of our funding liabilities, compared to $1.22 billion, or 11.5% of our funding liabilities, at December 31, 2010. These borrowings are collateralized by our mortgage-backed and collateralized mortgage obligation securities. We also hold $30.4 million in Federal Home Loan Bank of New York ("FHLB") capital stock as required collateral for our outstanding borrowing position with the FHLB. Based on our financial condition, our asset size, the available capacity under our repurchase agreement lines and with the FHLB, and the amount of securities available for pledging, we estimate our available consolidated borrowing capacity to be approximately $3.33 billion as of December 31, 2011.

The following table shows the maturity or re-pricing of our borrowings at December 31, 2011.

Maturity or repricing period *(in thousands)*

3 months or less	3 - 12 months	1 - 3 years	Over 3 years	Total
$ 590,800	175,000	275,000	385,000	1,425,800

Fair Value of Financial Instruments

Our AFS securities, which represent $6.51 billion of our total assets at December 31, 2011, are carried at fair value. Held-for-sale loans totaling $392.0 million at December 31, 2011, are carried at the lower of cost or fair value.

U.S. GAAP establishes a three-level fair value hierarchy that prioritizes techniques used to measure the fair value of assets and liabilities, based on the transparency and reliability of inputs to valuation methodologies. An instrument's categorization within the hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Therefore, for assets classified in Levels 1 and 2 of the hierarchy where inputs are principally based on observable market data, there is less judgment applied in arriving at a fair value measurement. For instruments classified within Level 3 of the hierarchy, judgments are more significant.

Where available, fair value of AFS securities is based upon valuations obtained from third-party pricing sources. In order to ensure the fair valuations obtained are appropriate, we typically compare data from two or more independent third-party pricing sources. If there is a large price discrepancy between the two pricing sources for an individual security, we utilize industry market spread data to assist in determining the most appropriate valuation.

The valuations provided by the pricing services are derived from quoted market prices or using matrix pricing. Matrix pricing is a valuation technique consistent with the market approach of determining fair value. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets. Matrix pricing is a mathematical technique used principally to value debt securities without relying exclusively on quoted prices of specific securities, but rather on the securities' relationship to other benchmark quoted securities. Most of our securities portfolio is priced using this method, and such securities are classified as Level 2.

Securities are classified within Level 3 of the valuation hierarchy in cases where there is limited activity or less transparency around inputs to the valuation. In these cases, we determine fair value based upon in-depth analysis of the cash flow structure and credit analysis for each position. Relative market spreads are utilized to discount the cash flow to determine current market values, as well as analysis of relative coverage ratios, credit enhancements, and collateral characteristics.

Our held-for-sale loans predominantly consist of variable rate SBA loans, which are fully guaranteed by the U.S. Government. Accordingly, the cost of these loans typically approximates fair value. We validate the fair value of these loans through our active market participation in the SBA secondary market, where we are one of the top market makers in the industry.

We believe our valuation methods are appropriate and consistent with other market participants; however, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. For further discussion of the determination of fair value, see Note 3 to our Consolidated Financial Statements.

Contractual Obligations

The following table presents our significant contractual obligations as of December 31, 2011:

	Payments due by period				
(in thousands)	**Less than 1 year**	**1 - 3 years**	**3 - 5 years**	**More than 5 years**	**Total**
Information technology contract	$ 3,656	7,763	6,981	-	18,400
Borrowings	765,800	275,000	235,000	150,000	1,425,800
Operating leases	12,825	26,053	20,049	22,210	81,137
Total contractual cash obligations	$ 782,281	308,816	262,030	172,210	1,525,337

Off-Balance Sheet Arrangements

In the normal course of business, we have various outstanding commitments and contingent liabilities that are not reflected in the accompanying Consolidated Financial Statements.

We enter into transactions that involve financial instruments with off-balance sheet risks in the ordinary course of business to meet the financing needs of our clients. Such financial instruments include commitments to extend credit, standby letters of credit, and unused balances under confirmed letters of credit, all of which are primarily variable rate. Such instruments involve, to varying degrees, elements of credit and interest rate risk.

Our exposure to credit loss in the event of nonperformance by the other party with regard to financial instruments is represented by the contractual notional amount of those instruments. Financial instrument transactions are subject to our normal credit policies and approvals, financial controls and risk limiting and monitoring procedures. We generally require collateral or other security to support financial instruments with credit risk.

A summary of commitments and contingent liabilities is as follows:

(in thousands)	*December 31,* 2011	2010
Unused commitments to extend credit	$ 436,006	512,410
Financial standby letters of credit	220,667	199,846
Commercial and similar letters of credit	15,036	11,663
Other	942	770
Total	$ 672,651	724,689

Commitments to extend credit consist of agreements having fixed expiration or other termination clauses and may require payment of a fee. Total commitment amounts may not necessarily represent future cash requirements. We evaluate each client's creditworthiness on a case-by-case basis. Upon the extension of credit, we will obtain collateral, if necessary, based on our credit evaluation of the counterparty. Collateral held varies but may include deposits held in financial institutions, commercial properties, residential properties, accounts receivable, property, plant and equipment and inventory. At December 31, 2011, our reserve for losses on unused commitments to extend credit amounted to $596,000 and is included in accrued expenses and other liabilities in our Consolidated Statements of Financial Condition.

We recognize a liability at the inception of the guarantee that is equivalent to the fee received from the guarantor. This liability is amortized over the life of the guarantee on a straight-line basis. At December 31, 2011 and 2010, we had deferred revenue for commitment fees paid for the issuance of standby letters of credit in the amounts of $742,000 and $678,000, respectively.

Standby letters of credit are conditional commitments issued by us to guarantee the performance of a client's obligation to a third party. Standby letters of credit are primarily used to support clients' business trade transactions and may require payment of a fee. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to clients. We had reserves for credit losses on standby letters of credit totaling $444,000 and $471,000 at December 31, 2011 and 2010, respectively.

At December 31, 2011 and 2010, we had commitments to sell residential mortgage loans and the U.S. government-guaranteed portion of SBA loans of $8.9 million and $4.1 million, respectively.

Capital Resources

As a New York state-chartered bank, we are required to maintain minimum levels of regulatory capital. These standards generally are as stringent as the comparable capital requirements imposed on national banks. The FDIC is also authorized to impose capital requirements in excess of these standards on individual banks on a case-by-case basis.

We are required by FDIC regulations to maintain a minimum ratio of qualifying total capital to total risk-weighted assets (including off-balance sheet items) of 8%, at least one-half of which must be in the form of Tier 1 capital, and a ratio of Tier 1 capital to total risk-weighted assets of 4%. Tier 1 capital is generally defined as the sum of core capital elements less goodwill and certain other deductions. Core capital includes common shareholders' equity, non-cumulative perpetual preferred stock and minority interests in equity accounts of consolidated subsidiaries. Supplementary capital, which qualifies as Tier 2 capital and counts towards total capital subject to certain limits, includes allowances for loan losses, perpetual preferred stock, subordinated debt and certain hybrid instruments.

We are also required to maintain a certain leverage capital ratio - the ratio of Tier 1 capital (net of intangibles) to adjusted total assets. Banks that have received the highest rating of five categories used by regulators to rate banks and are not anticipating or experiencing any significant growth must maintain a leverage capital ratio of at least 3.0%. All other institutions must maintain a minimum leverage capital ratio of 4.0%.

For an institution to be considered “well capitalized” by the FDIC, it must maintain a minimum leverage capital ratio of 5.0% and a minimum risk-based capital ratio of 10.0%, of which at least 6.0% must be Tier 1 capital.

The actual capital amounts and ratios presented in the following table demonstrate that we are “well capitalized” under the capital adequacy guidelines outlined above:

	Actual		*Required for Capital Adequacy Purposes*		*Required to be Well Capitalized*	
(dollars in thousands)	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
As of December 31, 2011:						
Total capital (to risk-weighted assets)	$ 1,465,422	18.17%	645,350	8.00%	806,688	10.00%
Tier 1 capital (to risk-weighted assets)	1,378,219	17.08%	322,675	4.00%	484,013	6.00%
Tier 1 leverage capital (to average assets)	1,378,219	9.67%	570,201	4.00%	712,752	5.00%
As of December 31, 2010:						
Total capital (to risk-weighted assets)	$ 1,030,517	15.21%	541,981	8.00%	677,476	10.00%
Tier 1 capital (to risk-weighted assets)	962,650	14.21%	270,991	4.00%	406,486	6.00%
Tier 1 leverage capital (to average assets)	962,650	8.62%	446,782	4.00%	558,477	5.00%

Liquidity

Liquidity is the measurement of our ability to meet our cash needs. Our objective in managing liquidity is to maintain our ability to meet loan commitments and deposit withdrawals, purchase investments and pay other liabilities in accordance with their terms, without an adverse impact on our current or future earnings. Our liquidity management is guided by policies developed and monitored by our asset/liability management committee and approved by our Board of Directors. The asset/liability management committee consists of, among others, our Chairman, President and Chief Executive Officer, Vice-Chairman, Chief Operating Officer, Chief Financial Officer and Treasurer. These policies take into account the marketability of assets, the source and stability of deposits, our wholesale borrowing capacity and the amount of our loan commitments. For the years ended December 31, 2011, 2010 and 2009, our primary source of liquidity has been core deposit growth.

Additionally, we have borrowing sources available to supplement deposit flows. These borrowing sources include the FHLB and securities sold under repurchase agreements. We also have access to the brokered deposit market, through which we have numerous alternatives and significant capacity, if needed.

Credit availability at the FHLB is based on our financial condition, our asset size, and the amount of collateral we hold at the FHLB. At December 31, 2011, our FHLB borrowings included $675.0 million in advances with an average rate of 0.92% that mature by September 1, 2017.

Also, we have repurchase agreement lines with several leading financial institutions totaling $1.98 billion. At December 31, 2011, we had $695.0 million of securities sold under repurchase agreements to five of these institutions.

Based on our financial condition, our asset size, the available capacity under our repurchase agreement lines and with the FHLB, and the amount of securities available for pledging, we estimate our available consolidated capacity for additional borrowings to be approximately $3.33 billion at December 31, 2011.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is defined as the sensitivity of income, fair values and capital to changes in interest rates, foreign currency exchange rates, commodity prices and other relevant market prices and rates. The primary risk to which we are exposed is interest rate movement inherent in our lending, investment management, deposit taking and borrowing activities. Substantially all of our interest rate risk arises from these activities, which are entered into for purposes other than trading.

The principal objective of asset/liability management is to manage the sensitivity of net income to changes in interest rates. Asset/liability management is governed by policies approved by our Board of Directors. Our Board of Directors has delegated the day-to-day oversight of this function to our asset/liability management committee. Senior management and our Board of Directors, on an ongoing basis, review our overall interest rate risk position and strategies.

Interest Rate Risk Management

Our asset/liability management committee seeks to manage our interest rate risk by structuring our balance sheet to maximize net interest income while maintaining an acceptable level of risk exposure to changes in market interest rates. The achievement of this goal requires a balance among liquidity, interest rate risk, and profitability considerations. The committee meets regularly to review the sensitivity of assets and liabilities to interest rate changes, deposit rates and trends, the book and market values of assets and liabilities, unrealized gains and losses, purchase and sales activities, and the maturities of investments and borrowings.

We use various asset/liability strategies to manage and control the interest rate sensitivity of our assets and liabilities. These strategies include pricing of loans and deposit products, adjusting the terms of loans and borrowings and managing the deployment of our securities and short-term assets to manage the mismatches in interest rate re-pricing.

To effectively measure and manage interest rate risk, we use simulation analysis to determine the impact on net interest income under various interest rate scenarios. Based on these simulations, we quantify interest rate risk and develop and implement appropriate strategies. At December 31, 2011, we used a simulation model to analyze net interest income sensitivity to a parallel and sustained shift in interest rates derived from the current treasury and LIBOR yield curves, in which the base market interest rate forecast was increased by 100, 200, and 300 basis points. Given the current low interest rate environment, including the Federal Funds rate and other short-term interest rates, we did not analyze net interest income sensitivity to a downward market interest rate forecast.

The following table indicates the sensitivity of projected annualized net interest income to the interest rate movements described above at December 31, 2011:

(dollars in thousands)	**Adjusted Net Interest Income**	**Percentage Change from Base**
Interest Rate Scenario:		
Up 300 basis points	$ 475,681	(0.73)
Up 200 basis points	493,848	3.06
Up 100 basis points	505,790	5.55
Base	479,191	-

We also use a simulation model to measure the impact that market interest rate changes will have on the net present value of assets and liabilities, which is defined as market value of equity. At December 31, 2011, we used a simulation model to analyze the market value of equity sensitivity to a parallel and sustained shift in interest rates derived from the current treasury and LIBOR yield curves. For rising interest rate scenarios, the base market interest rate forecast was increased by 100, 200, and 300 basis points. Given the current low interest rate environment, including the Federal Funds rate and other short-term interest rates, we did not analyze the market value of equity sensitivity to a downward market interest rate forecast.

The following table indicates the sensitivity of market value of equity at December 31, 2011 to the interest rate movements described above (base case market value of equity is $1.78 billion):

(dollars in thousands)		**Sensitivity**	**Percentage Change from Base**
Interest Rate Scenario:			
Up 300 basis points	$	(336,250)	(18.87)
Up 200 basis points		(68,263)	(3.83)
Up 100 basis points		95,555	5.36
Base		-	-

The market value of equity sensitivity analysis assumes an immediate parallel shift in interest rates and yield curves. The computation of prospective effects of hypothetical interest rate changes is based on numerous assumptions, including relative levels of interest rates, asset prepayments, deposit decay and changes in re-pricing levels of deposits to general market rates, and should not be relied upon as indicative of actual results. Further, the computations do not take into account any actions that we may undertake in response to future changes in interest rates.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

For our Consolidated Financial Statements, see index on page F-1.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

The Company’s management, with the participation of the Company’s principal executive officer and principal financial officer, has evaluated the effectiveness of the Company’s disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the ‘‘Exchange Act’’)) as of the end of the period covered by this report. Based on such evaluation, the Company’s Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Company’s disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act, including this report, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms and that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company’s management, including the Company’s principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding the required disclosure.

a) Management's Report on Internal Control over Financial Reporting

The management of Signature Bank (the "Company") is responsible for establishing and maintaining effective internal control over financial reporting. Our system of internal control is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's consolidated financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles.

Internal control over financial reporting includes procedures that pertain to the maintenance of records that, in reasonable detail, accurately reflect transactions and dispositions of assets; provide reasonable assurances that transactions are recorded to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures are made only in accordance with the authorization of management and the Board of Directors; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on our consolidated financial statements.

All internal control systems, no matter how well designed, have inherent limitations, including the possibility of human error and the circumvention of controls. Furthermore, because of changes in conditions, the effectiveness of internal control may vary over time. Accordingly, internal control over financial reporting may not prevent or detect misstatements on a timely basis. Since these limitations are known features of the financial reporting process, however, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

As of December 31, 2011, management evaluated the effectiveness of internal control over financial reporting based on the framework in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, management believes that the Company's internal control over financial reporting as of December 31, 2011 is effective using these criteria.

The Company's internal control over financial reporting as of December 31, 2011 has been audited by KPMG LLP, the independent registered public accounting firm that has also audited the Company's consolidated financial statements as of and for the year ended December 31, 2011. The report of KPMG LLP on the effectiveness of the Company's internal control over financial reporting is included below.

b) Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Signature Bank and subsidiaries:

We have audited the internal control over financial reporting of Signature Bank and subsidiaries (Signature Bank) as of December 31, 2011, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Signature Bank's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Signature Bank's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Signature Bank and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statements of financial condition of Signature Bank and subsidiaries as of December 31, 2011 and 2010, and the related consolidated statements of operations, changes in shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2011, and our report dated February 29, 2012 expressed an unqualified opinion on those consolidated financial statements.

(signed) KPMG LLP

New York, New York
February 29, 2012

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Incorporated by reference to Signature Bank's Proxy Statement for the Annual Meeting of Stockholders to be held April 25, 2012.

ITEM 11. EXECUTIVE COMPENSATION

Incorporated by reference to Signature Bank's Proxy Statement for the Annual Meeting of Stockholders to be held April 25, 2012.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Incorporated by reference to Signature Bank's Proxy Statement for the Annual Meeting of Stockholders to be held April 25, 2012.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Incorporated by reference to Signature Bank's Proxy Statement for the Annual Meeting of Stockholders to be held April 25, 2012.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Incorporated by reference to Signature Bank's Proxy Statement for the Annual Meeting of Stockholders to be held April 25, 2012.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

A. Financial Statements and Financial Statement Schedules

(1) The Consolidated Financial Statements of the Registrant are listed and filed as part of this report on pages F-1 to F-48. The Index to the Consolidated Financial Statements appears on page F-1.

(2) Financial Statement Schedules: All schedule information is included in the notes to the Audited Consolidated Financial Statements or is omitted because it is either not required or not applicable.

B. Exhibit Listing

Exhibit No.	Exhibit
3.1	Restated Organization Certificate. (Incorporated by reference to Signature Bank's Quarterly Report on Form 10-Q for the period ended June 30, 2005.)
3.2	Certificate of Amendment, dated December 5, 2008, to the Bank's Restated Organization Certificate with respect to Signature Bank's Fixed Rate Non-Cumulative Perpetual Preferred Stock, Series A, par value $0.01 per share. (Incorporated by reference to Signature Bank's Current Report on Form 8-K filed on December 17, 2008.)
3.3	Amended and Restated By-laws of the Registrant. (Incorporated by reference to Signature Bank's Current Report on Form 8-K filed on October 17, 2007.)
4.1	Specimen Common Stock Certificate. (Incorporated by reference to Signature Bank's Registration Statement on Form 10 or amendments thereto, filed with the Federal Deposit Insurance Corporation on March 17, 2004.)
4.2	Specimen Warrant (Incorporated herein by reference to Exhibit 4.2 of the Bank's Form 8-A filed on March 10, 2010.)
10.1	Signature Bank Amended and Restated 2004 Long-Term Incentive Plan. (Incorporated by reference from Appendix A to the 2008 Definitive Proxy Statement on Schedule 14A, filed with the Federal Deposit Insurance Corporation on March 19, 2008.)
10.2	Amended and Restated Signature Bank Change of Control Plan. (Incorporated by reference to Signature Bank's Current Report on Form 8-K, filed with the Federal Deposit Insurance Corporation on September 19, 2007.)
10.3	Outsourcing Agreement, dated January 1, 2004, by and between Bank Hapoalim, Signature Bank and Signature Securities. (Incorporated by reference to Signature Bank's Registration Statement on Form 10 or amendments thereto, filed with the Federal Deposit Insurance Corporation on March 17, 2004.)
10.4	Networking Agreement, effective as of April 18, 2001, between Signature Securities and Signature Bank. (Incorporated by reference to Signature Bank's Registration Statement on Form 10 or amendments thereto, filed with the Federal Deposit Insurance Corporation on March 17, 2004.)
10.5	Signature Securities Group Corporation Customer Agreement, effective as of May 31, 2003, between Bank Hapoalim and Signature Securities. (Incorporated by reference to Signature Bank's Registration Statement on Form 10 or amendments thereto, filed with the Federal Deposit Insurance Corporation on March 17, 2004.)
10.6	Signature Securities Group Corporation Customer Agreement, dated April 25, 2003, between Bank Hapoalim and Signature Securities. (Incorporated by reference to Signature Bank's Registration Statement on Form 10 or amendments thereto, filed with the Federal Deposit Insurance Corporation on March 17, 2004.)
10.7	Brokerage and Consulting Agreement, dated August 6, 2001, by and between Signature Bank and Signature Securities. (Incorporated by reference to Signature Bank's Registration Statement on Form 10 or amendments thereto, filed with the Federal Deposit Insurance Corporation on March 17, 2004.)

Exhibit No.	Exhibit
10.10	Lease for 1225 Franklin Avenue, dated April 5, 2002, between Franklin Avenue Plaza LLC and Signature Bank. (Incorporated by reference to Signature Bank's Registration Statement on Form 10 or amendments thereto, filed with the Federal Deposit Insurance Corporation on March 17, 2004.)
10.11	Sublease for 1177 Avenue of the Americas, dated as of April 4, 2001, by and between Bank Hapoalim and Signature Bank. (Incorporated by reference to Signature Bank's Registration Statement on Form 10 or amendments thereto, filed with the Federal Deposit Insurance Corporation on March 17, 2004.)
10.13	Employment Agreement, dated March 22, 2004, between Signature Bank and Joseph J. DePaolo. (Incorporated by reference to Signature Bank's Registration Statement on Form 10 or amendments thereto, filed with the Federal Deposit Insurance Corporation on March 17, 2004.)
10.14	Master Agreement for the provision of Hardware Software and/or Services, dated as of September 9, 2005, between Fidelity Information Services, Inc. and Signature Bank. (Incorporated by reference to Signature Bank's Quarterly Report on Form 10-Q for the period ended September 30, 2005.)
10.15	Warrant Agreement, dated March 10, 2010, between Signature Bank and American Stock Transfer & Trust Company, LLC, as warrant agent (Incorporated herein by reference to Exhibit 4.1 of the Bank's Form 8-A filed on March 10, 2010.)
14.1	Code of Ethics (Incorporated by reference from Signature Bank's 2004 Form 10-K, filed with the Federal Deposit Insurance Corporation on March 16, 2005.)
21.1	Subsidiaries of Signature Bank.
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SIGNATURE BANK

By: /s/ JOSEPH J. DEPAOLO
Joseph J. DePaolo
President, Chief Executive Officer and Director

Date: February 29, 2012

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on February 29, 2012 by the following persons on behalf of the registrant in the capacities indicated.

Signature	Title
/s/ SCOTT A. SHAY (Scott A. Shay)	Chairman of the Board of Directors
/s/ JOHN TAMBERLANE (John Tamberlane)	Vice Chairman, Director
/s/ ERIC R. HOWELL (Eric R. Howell)	Executive Vice President and Chief Financial Officer (Principal Accounting and Financial Officer)
/s/ KATHRYN A. BYRNE (Kathryn A. Byrne)	Director
/s/ ALFONSE M. D'AMATO (Alfonse M. D'Amato)	Director
/s/ ALFRED B. DELBELLO (Alfred B. DelBello)	Director
/s/ YACOV LEVY (Yacov Levy)	Director
/s/ JEFFREY W. MESHEL (Jeffrey W. Meshel)	Director
/s/ IVANKA TRUMP (Ivanka Trump)	Director

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Signature Bank:

We have audited the accompanying consolidated statements of financial condition of Signature Bank and subsidiaries (Signature Bank) as of December 31, 2011 and 2010, and the related consolidated statements of operations, changes in shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2011. These consolidated financial statements are the responsibility of Signature Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Signature Bank and subsidiaries as of December 31, 2011 and 2010, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2011, in conformity with U.S. generally accepted accounting principles.

As discussed in note 4 to the consolidated financial statements, Signature Bank changed its method of evaluating other-than-temporary impairments of debt securities due to the adoption of new accounting requirements issued by the FASB, as of April 1, 2009.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Signature Bank's internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 29, 2012 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

(signed) KPMG LLP

New York, New York
February 29, 2012

SIGNATURE BANK
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(dollars in thousands, except per share amounts)	*December 31,* 2011	2010
ASSETS		
Cash and due from banks	$ 34,083	31,558
Short-term investments	6,071	14,741
Total cash and cash equivalents	40,154	46,299
Securities available-for-sale (pledged $2,672,093 and $1,553,412 at December 31, 2011 and 2010)	6,512,855	5,249,286
Securities held-to-maturity (fair value $571,980 and $450,315 at December 31, 2011 and 2010; pledged $352,865 and $337,453 at December 31, 2011 and 2010)	556,044	447,896
Federal Home Loan Bank stock	48,152	38,439
Loans held for sale	392,025	382,463
Loans, net	6,764,564	5,177,268
Premises and equipment, net	30,574	29,385
Accrued interest and dividends receivable	60,533	53,211
Other assets	261,219	248,842
Total assets	$ 14,666,120	11,673,089
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits		
Non-interest-bearing	3,148,436	2,449,968
Interest-bearing	8,605,702	6,991,259
Total deposits	11,754,138	9,441,227
Federal funds purchased and securities sold under agreements to repurchase	750,800	658,000
Federal Home Loan Bank advances	675,000	558,000
Other short-term borrowings	-	6,200
Accrued expenses and other liabilities	78,066	65,115
Total liabilities	13,258,004	10,728,542
Shareholders' equity		
Preferred stock, par value $.01 per share; 61,000,000 shares authorized; none issued at December 31, 2011 and 2010	-	-
Common stock, par value $.01 per share; 64,000,000 shares authorized; 46,181,890 and 41,347,540 shares issued and outstanding at December 31, 2011 and December 31, 2010	462	413
Additional paid-in capital	954,833	689,035
Retained earnings	423,032	273,511
Net unrealized gains (losses) on securities available-for-sale, net of tax	29,789	(18,412)
Total shareholders' equity	1,408,116	944,547
Total liabilities and shareholders' equity	$ 14,666,120	11,673,089

See accompanying notes to Consolidated Financial Statements.

SIGNATURE BANK
CONSOLIDATED STATEMENTS OF OPERATIONS

(dollars in thousands, except per share amounts)	*Years ended December 31,* 2011	2010	2009
INTEREST AND DIVIDEND INCOME			
Loans held for sale	$ 3,772	4,020	2,786
Loans, net	333,395	264,898	213,357
Securities available-for-sale	223,129	180,543	157,228
Securities held-to-maturity	18,403	15,254	11,401
Other short-term investments	1,817	1,815	1,363
Total interest income	580,516	466,530	386,135
INTEREST EXPENSE			
Deposits	91,100	87,963	85,398
Federal funds purchased and securities sold under agreements to repurchase	22,324	24,010	27,921
Federal Home Loan Bank advances	7,305	9,698	10,420
Other short-term borrowings	-	1	1
Total interest expense	120,729	121,672	123,740
Net interest income before provision for loan losses	459,787	344,858	262,395
Provision for loan losses	51,876	46,372	42,715
Net interest income after provision for loan losses	407,911	298,486	219,680
NON-INTEREST INCOME			
Commissions	9,058	9,063	9,572
Fees and service charges	15,022	14,119	13,280
Net gains on sales of securities	14,387	25,367	8,683
Net gains on sales of loans	4,054	6,054	3,648
Other-than-temporary impairment losses on securities:	(12,272)	(38,613)	(23,719)
Portion of loss recognized in other comprehensive income (before taxes)	10,183	24,437	22,397
Net impairment losses on securities recognized in earnings	(2,089)	(14,176)	(1,322)
Net trading income (loss)	319	124	(1,009)
Other income	1,287	2,097	1,780
Total non-interest income	42,038	42,648	34,632
NON-INTEREST EXPENSE			
Salaries and benefits	114,537	99,728	86,836
Occupancy and equipment	16,303	14,861	14,042
Other general and administrative	51,884	50,307	49,007
Total non-interest expense	182,724	164,896	149,885
Income before income taxes	267,225	176,238	104,427
Income tax expense	117,699	74,187	41,701
Net income	149,526	102,051	62,726
Dividends on preferred stock and related discount accretion (1)	-	-	12,203
Net income available to common shareholders	$ 149,526	102,051	50,523
PER COMMON SHARE DATA			
Earnings per share – basic (1)	$ 3.43	2.49	1.32
Earnings per share – diluted (1)	$ 3.37	2.46	1.30

(1) The year ended December 31, 2009 includes the negative effect of the $10.2 million deemed dividend associated with the difference between the redemption payment and the carrying value of the preferred stock repurchased from the United States Department of the Treasury. See note 20 for further discussion.

See accompanying notes to Consolidated Financial Statements.

SIGNATURE BANK
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(in thousands)		Preferred stock	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Total shareholders' equity
Balance at December 31, 2008	$	109,314	352	534,458	116,707	(62,696)	698,135
Cumulative effect of change in accounting for securities impairment, net of tax of $3,594		-	-	-	4,539	(4,539)	-
Redemption of preferred stock (TARP)		(120,000)	-	(95)	-	-	(120,095)
Deemed dividend on preferred stock (TARP)		10,232	-	-	(10,232)	-	-
Dividends on preferred stock (TARP)		-	-	-	(1,817)	-	(1,817)
Accretion of discount on preferred stock (TARP)		454	-	-	(454)	-	-
Common stock issued		-	52	127,278	-	-	127,330
Stock options activity, net		-	-	1,465	-	-	1,465
Restricted stock activity, net		-	2	5,335		-	5,337
Other		-	-	-	(5)	-	(5)
Comprehensive income, net of tax:							
Net income		-	-	-	62,726	-	62,726
Net change in unrealized gains and losses on securities, net of tax of $(37,527)		-	-	-	-	47,153	47,153
Reclassification adjustment for net gains on sales of securities included in net income, net of tax of $3,848						(4,835)	(4,835)
Other-than-temporary losses on securities related to noncredit factors, net of tax of $9,926		-	-	-	-	(12,471)	(12,471)
Reclassification adjustment for other-than-temporary losses on securities related to credit factors included in net income, net of tax of $(586)		-	-	-	-	736	736
Total comprehensive income, net of tax							93,309
Balance at December 31, 2009	$	-	406	668,441	171,464	(36,652)	803,659
Stock options activity, net		-	3	9,420	-	-	9,423
Restricted stock activity, net		-	4	11,489	-	-	11,493
Warrant auction costs (TARP)		-	-	(315)	-	-	(315)
Other		-	-	-	(4)	-	(4)
Comprehensive income, net of tax:							
Net income		-	-	-	102,051	-	102,051
Net change in unrealized gains and losses on securities, net of tax of $(29,990)		-	-	-	-	38,198	38,198
Reclassification adjustment for net gains on sales of securities included in net income, net of tax of $11,157		-	-	-	-	(14,210)	(14,210)
Other-than-temporary losses on securities related to noncredit factors, net of tax of $10,748		-	-	-	-	(13,689)	(13,689)
Reclassification adjustment for other-than-temporary losses on securities related to credit factors included in net income, net of tax of $(6,235)		-	-	-	-	7,941	7,941
Total comprehensive income, net of tax							120,291
Balance at December 31, 2010	$	-	413	689,035	273,511	(18,412)	944,547
Common stock issued		-	47	253,300	-	-	253,347
Stock options activity, net		-	2	4,002	-	-	4,004
Restricted stock activity, net		-	-	8,496	-	-	8,496
Other		-	-	-	(5)	-	(5)
Comprehensive income, net of tax:							
Net income		-	-	-	149,526	-	149,526
Net change in unrealized gains and losses on securities, net of tax of $(48,013)		-	-	-	-	60,757	60,757
Reclassification adjustment for net gains on sales of securities included in net income, net of tax of $6,351		-	-	-	-	(8,036)	(8,036)
Other-than-temporary losses on securities related to noncredit factors, net of tax of $4,496		-	-	-	-	(5,687)	(5,687)
Reclassification adjustment for other-than-temporary losses on securities related to credit factors included in net income, net of tax of $(922)		-	-	-	-	1,167	1,167
Total comprehensive income, net of tax							197,727
Balance at December 31, 2011	$	-	462	954,833	423,032	29,789	1,408,116

See accompanying notes to Consolidated Financial Statements.

SIGNATURE BANK
CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)	*Years ended December 31,* 2011	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 149,526	102,051	62,726
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	6,111	5,783	5,395
Provision for loan losses	51,876	46,372	42,715
Net impairment losses on securities recognized in earnings	2,089	14,176	1,322
Net amortization/accretion of premium/(discount)	90,712	73,856	36,318
Stock-based compensation expense	8,496	9,332	5,455
Net gains on sales of securities and loans	(18,441)	(31,421)	(12,331)
Purchases and originations of loans held for sale	(1,023,633)	(806,819)	(803,775)
Proceeds from sales and principal repayments of loans held for sale	947,198	762,835	636,980
Net increase in accrued interest and dividends receivable	(7,322)	(10,018)	(6,867)
Deferred income tax benefit	(11,132)	(13,089)	(8,460)
Net increase in other assets	(39,243)	(59,357)	(12,612)
Net increase (decrease) in accrued expenses and other liabilities	12,951	(45,892)	54,729
Net cash provided by operating activities	169,188	47,809	1,595
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of securities available-for-sale ("AFS")	(2,791,800)	(3,554,431)	(2,112,128)
Proceeds from sales of securities AFS	480,399	778,286	378,442
Maturities, redemptions, calls and principal repayments on securities AFS	1,130,447	1,299,273	923,609
Purchases of securities held-to-maturity ("HTM")	(166,843)	(192,601)	(119,465)
Maturities, redemptions, calls and principal repayments on securities HTM	54,792	36,929	59,227
Net purchases of Federal Home Loan Bank stock	(9,713)	(14,533)	(5,495)
Net increase in loans	(1,639,172)	(902,662)	(930,138)
Net purchases of premises and equipment	(7,300)	(3,366)	(3,976)
Net cash used in investing activities	(2,949,190)	(2,553,105)	(1,809,924)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net increase in non-interest-bearing deposits	698,468	480,234	406,327
Net increase in interest-bearing deposits	1,614,443	1,738,447	1,428,333
Net increase in secured short-term borrowings	103,600	335,300	9,000
Proceeds from the issuance of long-term borrowings	250,000	105,000	95,000
Repayment of long-term borrowings	(150,000)	(227,000)	(145,000)
Tax benefit from stock-based compensation	2,118	5,967	403
Issuance of common stock and exercise of options	255,233	5,617	128,274
Warrant auction costs (TARP)	-	(315)	-
Redemption of preferred stock (TARP)	-	-	(120,095)
Dividends paid on preferred stock (TARP)	-	-	(1,817)
Other	(5)	(4)	(4)
Net cash provided by financing activities	2,773,857	2,443,246	1,800,421
Net decrease in cash and cash equivalents	(6,145)	(62,050)	(7,908)
Cash and cash equivalents at beginning of year	46,299	108,349	116,257
Cash and cash equivalents at end of year	$ 40,154	46,299	108,349
Supplemental disclosures of cash flow information:			
Interest paid during the year	$ 120,995	122,817	125,100
Income taxes paid during the year	126,550	85,125	47,326
Non-cash investing activities:			
Transfer of loans to other real estate owned, at fair value	-	1,101	700

See accompanying notes to Consolidated Financial Statements.

SIGNATURE BANK

Notes to Consolidated Financial Statements

(1) Organization

Signature Bank and subsidiaries ("we," "us" or the "Bank") is a New York State chartered bank. On April 5, 2001, the Bank received its charter from the New York State Banking Department (known as the New York State Department of Financial Services as of October 3, 2011). The Bank commenced business on May 1, 2001.

Signature Securities Group Corporation ("SSG" or "Signature Securities"), a wholly-owned subsidiary of Signature Bank, was incorporated on May 26, 2000 in the State of New York and is a registered broker and dealer in securities under the Securities Exchange Act of 1934 and a member of the National Association of Securities Dealers, Inc.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation and Consolidation

The accompanying consolidated financial statements of the Bank have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") and practices within the banking industry. In the opinion of management, these financial statements have been prepared to reflect all adjustments necessary to present fairly the financial position and results of operations as of the dates and for the periods shown. All significant intercompany accounts and transactions have been eliminated in consolidation.

(b) General Accounting Policy

The accompanying Consolidated Financial Statements are presented on the accrual basis of accounting.

(c) Management's Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

The most significant estimates include the adequacy of the allowance for loan losses, valuation of securities, and the evaluation of other-than-temporary impairment of securities. Current market conditions increase the risk and complexity of the judgments involved in these estimates.

(d) Cash and Cash Equivalents

For the purpose of presentation in the Consolidated Statements of Cash Flows, we have defined cash and cash equivalents to include cash and due from banks and short-term investments with original maturities of 90 days or less. Short-term investments consist of Federal funds sold, interest-bearing deposits with banks and money market mutual funds.

Cash and cash equivalents at December 31, 2011 consisted of cash and due from banks of $34.1 million, interest-bearing deposits with banks of $2.4 million and money market mutual funds of $3.7 million. Cash and cash equivalents at December 31, 2010 consisted of cash and due from banks of $31.6 million, interest-bearing deposits with banks of $7.8 million and money market mutual funds of $6.9 million.

We are required by the Federal Reserve System to maintain non-interest bearing cash reserves equal to a percentage of certain deposits. The reserve requirement amounted to $85.8 million and $68.3 million for the periods that included December 31, 2011 and 2010, respectively.

(e) Securities Available-for-Sale and Securities Held-to-Maturity

The designation of a security as available-for-sale ("AFS") is made at the time of acquisition. The AFS classification includes debt and equity securities that are carried at estimated fair value. Unrealized gains or losses on securities available-for-sale are included as a separate component of shareholders' equity, net of tax effect. Amortization of premiums and accretion of discounts are recognized using the level yield method. Realized gains and losses on sales of securities are computed using the specific identification method and are reported in non-interest income.

The designation of a security as held-to-maturity ("HTM") is made at the time of acquisition. Securities that we have the positive intent and ability to hold to maturity are classified as HTM and carried at amortized cost. Amortization of premiums and accretion of discounts are recognized using the level yield method.

One of the significant estimates related to securities is the evaluation of securities for other-than-temporary impairment. We regularly evaluate our securities to identify declines in fair value that are considered other-than-temporary. Our evaluation of securities for impairments is a quantitative and qualitative process, which is subject to risks and uncertainties. If the amortized cost of an investment exceeds its fair value, we evaluate, among other factors, general market conditions, the duration and extent to which the fair value is less than amortized cost, the probability of a near-term recovery in value, whether we intend to sell the security and whether it is more likely than not that we will be required to sell the security before full recovery of our investment or maturity. We also consider specific adverse conditions related to the financial health, projected cash flow and business outlook for the investee, including industry and sector performance, operational and financing cash flow factors and rating agency actions. Once a decline in fair value is determined to be other-than-temporary, for equity securities, an impairment charge is recorded through current earnings based upon the estimated fair value of the security at time of impairment and a new cost basis in the investment is established. For debt investment securities deemed to be other-than-temporarily impaired on or after April 1, 2009, the investment is written down to fair value with the estimated credit loss charged to current earnings and the noncredit-related impairment loss charged to other comprehensive income. Prior to April 1, 2009, the full amount of other-than-temporary impairment on debt securities was charged to current earnings. We changed our accounting policy beginning April 1, 2009 in order to adopt new accounting requirements issued by the Financial Accounting Standards Board ("FASB"). If market, industry and/or investee conditions deteriorate, we may incur future impairments.

Securities, other than securitized financial assets that are in an unrealized loss position, are reviewed at least quarterly to determine if an other-than-temporary impairment is present based on certain quantitative and qualitative factors. The primary factors considered in evaluating whether a decline in value for these securities is other-than-temporary include: (a) the length of time and extent to which the fair value has been less than cost or amortized cost and the expected recovery period of the security, (b) the financial condition, credit rating, and future prospects of the issuer, (c) whether the debtor is current on contractually-obligated interest and principal payments, and (d) whether we intend to sell or whether we will be required to sell these instruments before recovery of their cost basis.

In performing our other-than-temporary impairment analysis for securitized financial assets with contractual cash flows (asset-backed securities, collateralized debt obligations, commercial mortgage-backed securities and mortgage-backed securities), we estimate future cash flows for each security based upon our best estimate of future delinquencies, estimated defaults, loss severity, and prepayments. We review the estimated cash flows to determine whether we expect to receive all originally expected cash flows. Projected credit losses are compared to the current level of credit enhancement to assess whether the security is expected to incur losses in any future period and therefore would be deemed other-than-temporarily impaired.

Equity securities, including FHLB stock, that are not quoted on an exchange and not considered to be readily marketable are recorded at cost, less impairment (if any).

(f) Loans Held for Sale

Loans originated and held for sale in the secondary market are carried at the lower of cost or estimated fair value in the aggregate. Net unrealized losses, if any, are recognized through a valuation allowance by charges to current earnings. Gains or losses resulting from sales of loans held for sale, net of unamortized deferred fees and costs, are recognized at the time of sale and are included in net gains on sales of loans on the Consolidated Statements of Operations.

(g) Loans, Net

Loans are carried at the principal amount outstanding, less unearned discounts, net of deferred loan origination fees and costs and the allowance for loan losses. Unearned income and net deferred loan fees and costs are accreted into interest income over the loan term on a basis that approximates the level yield method.

The accrual of interest income is generally discontinued at the time a loan becomes 90 days delinquent based on contractual terms. In the case of commercial loans, residential mortgages, and home equity lines of credit, exceptions may be made if the loan has sufficient collateral value, based on a current appraisal, and is in process of collection. In all cases, loans are placed on non-accrual status or charged-off at an earlier date if collection of principal or interest is considered doubtful.

Once a loan is placed on non-accrual status, our accounting policies are applied consistently, regardless of loan type. All interest previously accrued but not collected for loans that are placed on non-accrual status is reversed against interest income. Payments received on non-accrual loans are applied against the outstanding loan principal. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Impaired loans include non-accrual loans and troubled debt restructured loans. Loans classified as troubled debt restructurings include those loans where a borrower experiences financial difficulty and the Bank makes certain concessionary modifications to contractual terms, such as a reduction of the stated interest rate or face amount of the loan, a reduction of accrued interest, or an extension of the maturity date(s) at a stated interest rate lower than the current market rate for a new loan with similar risk.

(h) Allowance for Loan Losses

The allowance for loan losses is established through a provision for loan losses charged to current earnings. The allowance for loan losses is maintained at a level estimated by management to absorb probable losses inherent in the loan portfolio and is based on management’s continuing evaluation of the portfolio, the related risk characteristics, and the overall economic conditions affecting the loan portfolio. This estimation is inherently subjective as it requires measures that are susceptible to significant revision as more information becomes available.

Our methodology to determine the allowance for loan losses includes segmenting the loan portfolio into various components and applying various loss factors to estimate the amount of probable losses. The largest segment of our loan portfolio is comprised of credit-rated commercial loans, comprising 93.6% of our total loan portfolio, excluding loans held for sale, as of December 31, 2011. Our credit-rated commercial loans include commercial and industrial loans along with loans to commercial borrowers that are secured by real estate (commercial property, multi-family residential property, 1-4 family residential property, and construction and land). For each loan within this segment, a credit rating is assigned based on a review of specific risk factors including (i) historical and projected financial results of the borrower, (ii) market conditions of the borrower’s industry that may affect the borrower’s future financial performance, (iii) business experience of the borrower’s management, (iv) nature of the underlying collateral, if any, and (v) borrower’s history of payment performance.

When assigning a credit rating to a loan, we use an internal nine-level rating system in which a rating of one carries the lowest level of credit risk and is used for borrowers exhibiting the strongest financial condition. Loans rated one through six are deemed to be acceptable quality and are considered “Pass.” Loans that are deemed to be of questionable quality are rated seven (special mention). Loans with adverse classifications (substandard or doubtful) are rated eight or nine, respectively. A loan is considered substandard if it is inadequately protected by the current net worth and paying capacity of the borrower, or of the collateral pledged. Substandard loans are characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected.

Loans classified as doubtful have all of the weaknesses inherent in those classified substandard with the added characteristic that the weaknesses present make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

The outstanding amounts of credit-rated commercial loans are aggregated by credit rating, and we estimate the allowance for losses for each credit rating using loss factors based on historical loss experience and qualitative adjustments reflecting the current economic conditions and outlook for housing, employment, manufacturing, and consumer spending. The economic adjustments reflect the imprecision that is inherent in the estimates of probable loan losses, and are intended to ensure adequacy of the overall allowance amount. The loss factors assigned to each credit rating are adjusted based on management's judgment, along with certain qualitative factors such as the trend and severity of problem loans that can cause the estimation of inherent losses to differ from historical experience. Any change to an individual credit rating affects the amount of the related allowance.

Our internal review process results in the periodic review of assigned credit ratings to reflect changes in specific risk factors. Commercial lines of credit are generally issued with terms of one year, and upon annual renewal our lenders perform a full review of the specific risk factors to assess the appropriateness of the assigned credit ratings. Furthermore, loans classified as special mention, substandard or doubtful are placed on our internal watch list, and our lenders perform a credit rating review on a quarterly basis (special mention loans) or monthly basis (substandard and doubtful loans). In addition, our Risk Management function, which reports directly to the Risk Committee of our Board of Directors, performs periodic credit reviews that provide an independent evaluation of the assigned credit ratings. These reviews generally cover, in aggregate, between 40-50% of the commercial loan portfolio, including all commercial loans over $500,000 with adverse credit ratings, on an annual basis. Additionally, our Risk Management function focuses its reviews on those loans with higher-risk attributes, such as lines of credit with higher utilization percentages and loan facilities with delinquencies.

Our methodology to determine the allowance for loan losses for the non-rated segments of our loan portfolio is based on historical loss experience and qualitative factors. Non-rated loans generally include commercial loans with outstanding principal balances below $100,000, overdrafts, residential mortgages, and consumer loans. The outstanding amounts of loans in each of these segments are aggregated, and we apply percentages based on historical losses and qualitative factors by segment to estimate the required allowance for loan losses. Non-rated loans comprise 6.4% of our total loan portfolio, excluding loans held for sale, as of December 31, 2011.

We consider all non-accrual loans to be impaired loans, and the related specific allowances for loan losses are determined on an individual (non-homogeneous) basis. Factors contributing to the determination of specific allowances on impaired loans include the creditworthiness of the borrower and, more specifically, changes in the expected future receipt of principal and interest payments or, for collateral-dependent loans, the value of pledged collateral. For impaired loans in excess of $300,000, a specific allowance is recorded when the carrying amount of the loan exceeds the discounted estimated cash flows using the loan's initial effective interest rate or, for collateral-dependent loans, the fair value of collateral. For smaller impaired loans, in the absence of other factors affecting the collectability of the loan, we generally determine the amount of specific allowance using estimated loss percentages based on the amount of time the loan has been delinquent.

For economic reasons and to maximize the recovery of loans, we may work with borrowers experiencing financial difficulties, and will consider modifications to a borrower's existing loan terms and conditions that we would not otherwise consider, commonly referred to as troubled debt restructurings ("TDRs"). We record an impairment loss associated with TDRs, if any, based on the present value of expected future cash flows discounted at the original loan's effective interest rate or, if the loan is collateral dependent, based on the fair value of the collateral less costs to sell. At the time of restructuring, we determine whether a TDR loan should accrue interest based on the accrual status of the loan immediately prior to modification. A non-accrual TDR loan will be returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured. Additionally, there should be a sustained period of repayment performance (generally a period of six months) by the borrower in accordance with the modified contractual terms. In years after the year of restructuring, the loan is not reported as a TDR loan if it was restructured at a market interest rate and it is performing in accordance with its modified terms. Other TDRs are reported as such for as long as the loan remains outstanding.

In addition, bank regulators, as an integral part of their supervisory functions, periodically review our loan portfolio and related allowance for loan losses. These regulatory agencies may require us to increase our provision for loan losses or to recognize further loan charge-offs based upon their judgments, which may be different from ours.

An increase in the allowance for loan losses required by these regulatory agencies could materially adversely affect our financial condition and results of operations.

(i) Charge-off of Uncollectible Loans

Loan losses are charged-off in the period the loans, or a portion thereof, are deemed uncollectible. For collateral dependent risk-rated commercial loans, charge-offs are recorded no later than when the Bank takes possession of collateral, and charge-offs are generally measured as the excess of the loan carrying value over the estimated fair value of the collateral, net of selling costs. Fair value is estimated based on credible, verifiable indicators of value such as appraisals, evaluations, documented discussions with brokers, or recent sales or market listings of comparable properties. In the case of other loan segments, including non-rated commercial loans, consumer loans, and residential mortgages, charge-offs are generally recorded when a loan reaches 180 days of delinquency unless there are extenuating circumstances that can be clearly evidenced. Such circumstances include loans that are well secured and in process of collection along with loans undergoing extensive restructuring/settlement discussions with the borrower.

(j) Loan Origination and Commitment Fees

Loan origination and commitment fees are deferred and amortized into interest income on a basis that approximates the level yield method. Net commitment fees on revolving lines of credit are recognized in interest income on the straight-line method over the period the revolving line is active. Any fees that are unamortized at the time a loan is paid off or a commitment is closed are recognized into income immediately.

(k) Securitizations

The Bank purchases, securitizes and sells the government-guaranteed portions of U.S. Small Business Administration (“SBA”) loans. When the Bank securitizes SBA loans, we may retain interest-only strips, which are generally considered residual interests in the securitized assets. These SBA interest-only strips are accounted for and classified as AFS securities. Gains and losses upon sale of the securitized SBA loans depend, in part, on our allocation of the previous carrying amount of the loans to the retained interests. Previous carrying amounts are allocated in proportion to the relative fair values of the loans sold and interests retained. The Bank uses an internal valuation process to determine the fair value of its SBA interest-only strip securities.

The excess of cash flows expected to be received over the amortized cost of the retained interests is recognized as interest income using the effective yield method. If the fair value of the retained interest has declined below its carrying amount and there has been an adverse change in estimated cash flows of the underlying loans, then the decline in fair value is considered to be other-than-temporary and the retained interest is written down to fair value with a corresponding charge to earnings.

(l) Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation and amortization. Depreciation of furniture, fixtures, and equipment is computed by the straight-line method over the estimated useful lives of the related assets. Furniture and fixtures are normally amortized over seven years and equipment; computer hardware and computer software are normally amortized over five years. Amortization of leasehold improvements is computed by the straight-line method over their estimated useful lives or the terms of the leases, whichever is shorter.

(m) Bank-owned Life Insurance

The Bank has purchased life insurance policies on certain employees. These Bank-owned life insurance ("BOLI") policies are carried at the amount that could be realized under our BOLI policies as of the date of the Consolidated Statements of Financial Condition and are included in other assets. Increases in the carrying value are recorded as "Other Income" in the Consolidated Statements of Operations and insurance proceeds received are generally recorded as a reduction of the carrying value. The carrying value consists of cash surrender value of $61.8 million at December 31, 2011, and $60.4 million at December 31, 2010, and deferred acquisition costs of $435,000 at December 31, 2011, and $560,000 at December 31, 2010. Our investment in BOLI generated income of $1.9 million, $2.1 million, and $1.8 million for the years ended December 31, 2011, 2010, and 2009, respectively.

(n) Other Real Estate Owned

Other real estate ("ORE") owned represents real estate acquired through foreclosure on loans secured by real estate and is carried at the lower of cost or fair value, less estimated selling costs. ORE is included in other assets. As of December 31, 2011 and 2010, our ORE totaled $566,000 and $1.7 million, respectively. Any write-downs at the date of foreclosure are charged to the allowance for loan losses. Expenses incurred to maintain ORE, unrealized losses resulting from write-downs after the date of foreclosure, and realized gains and losses upon sale of the properties are included in other non-interest expense and other non-interest income, as appropriate.

(o) Securities Sold Under Agreements to Repurchase

When we maintain effective control over the underlying securities, securities sold under agreements to repurchase are accounted for as financings (rather than as sales) and the obligations to repurchase securities sold are reflected as liabilities in the Consolidated Statements of Financial Condition at the amounts at which the securities will be subsequently repurchased. All of our agreements have been accounted for as financings through December 31, 2011. The dollar amount of securities underlying the agreements remains in the asset accounts, although the securities underlying the agreements are delivered to the counterparties who arranged the transactions. In certain instances, the counterparties may have sold, loaned, or disposed of the securities to other parties in the normal course of their operations, and have agreed to resell to us substantially similar securities at the maturity of the agreements.

(p) Income Taxes

Signature Bank files consolidated Federal and combined New York State and New York City income tax returns with its subsidiaries, with the exception of Signature Preferred Capital, Inc. which files separately as a real estate investment trust. Additionally, SSG files other state and local returns on a separate basis.

Income tax expense consists of current and deferred income tax expense (benefit). Deferred income tax expense (benefit) is determined by recognizing deferred tax assets and liabilities for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and certain unused carry-forward deductions and credits. The realization of deferred tax assets is assessed and if necessary, a valuation allowance is provided to reduce the asset to the amount that will more likely than not be realized. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the year in which those temporary differences are expected to be recovered or settled and carry-forward deductions and credits are expected to be utilized. The effect on deferred tax assets and liabilities of a change in tax laws or rates is recognized in income tax expense in the period that includes the enactment date of the change.

(q) Stock-Based Compensation

We recognize compensation expense in our Consolidated Statement of Operations for all stock-based compensation awards over the requisite service period with a corresponding credit to equity, specifically additional paid-in capital. Compensation expense is measured based on grant date fair value and is included in salaries and benefits (non-interest expense). The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model. The fair value of restricted stock grants is measured based on the market price of the shares at the date of grant.

(r) Earnings Per Common Share

Basic earnings per common share is computed by dividing net income available to common shareholders by the weighted-average common shares outstanding during the year.

Diluted earnings per common share is computed using the same method as basic earnings per share, but includes the potential dilutive effect of stock options outstanding and the unvested portions of restricted stock awards. The dilutive effect is calculated using the treasury stock method.

(s) Segment Reporting

Public companies are required to report certain financial information about operating segments for which such information is available and utilized by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Specific information to be reported for individual operating segments includes a measure of segment profit and loss, certain specific revenue and expense items and segment assets. As presented in Note 21, we have identified two operating segments, the Bank and Signature Securities.

(t) Derivatives

The Bank accounts for interest rate cap derivatives on the Consolidated Statements of Financial Condition at their respective fair values. As of December 31, 2011, the Bank had no derivatives designated in any hedging relationship that qualify for hedge accounting. Changes in the fair value of derivatives are recognized as trading income (loss) in the Consolidated Statements of Operations.

(u) New Accounting Standards

In July 2010, the FASB issued Accounting Standards Update 2010-20, which amends ASC Topic 310 (Receivables) to require significant new disclosures about the credit quality of financing receivables and the allowance for credit losses. The objective of the new disclosures is to improve financial statement users' understanding of (1) the nature of an entity's credit risk associated with its financing receivables, and (2) the entity's assessment of that risk in estimating its allowance for credit losses, as well as changes in the allowance and the reasons for those changes. The disclosures are to be presented at the level of disaggregation that management uses when assessing and monitoring the portfolio's risk and performance (by portfolio segment). The required disclosures include, among other things, a rollforward of the allowance for credit losses by portfolio segment, as well as information about credit quality indicators and modified, impaired, non-accrual, and past due loans. The disclosures related to period-end information (e.g., credit-quality information and the ending financing receivables balance segregated by impairment method) are required in all interim and annual reporting periods ending on or after December 15, 2010 (December 31, 2010 for the Bank). Disclosures of activity that occurs during a reporting period (e.g., the rollforward of the allowance for credit losses by portfolio segment) will be required in interim or annual periods beginning on or after December 15, 2010; disclosures of activity related to TDRs are anticipated to be required in interim or annual periods ending after June 15, 2011 based on ASU 2011-01, Deferral of the Effective Date of Disclosures about Troubled Debt Restructurings in Update No. 2010-20. We adopted the applicable requirements for the period-ended December 31, 2010 and have provided the related disclosures as required

In April 2011, the FASB issued ASU 2011-03, Reconsideration of Effective Control for Repurchase Agreements, which amends the provisions of ASC Topic 860 (Transfers and Servicing) related to whether or not the transferor has maintained effective control over the transferred assets that affects the determination of whether the transaction is accounted for as a sale or a secured borrowing. In the assessment of effective control, ASU 2011-03 removed the criterion that requires transferors to have the ability to repurchase or redeem the financial assets on substantially the agreed terms, even in the event of default by the transferee. Other criteria applicable to the assessment of effective control have not been changed. This guidance is effective for prospective periods beginning on or after December 15, 2011, or January 1, 2012 for the Bank. Early adoption is prohibited. We do not expect the adoption of ASU 2011-03 to have a material impact on our Consolidated Financial Statements.

In May 2011, the FASB issued ASU 2011-04, Fair Value Measurement: Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs, which expands existing disclosure requirements found in ASC Topic 820 (Fair Value Measurement and Disclosures). This ASU is the result of efforts to converge GAAP and International Financial Reporting Standards ("IFRSs"), and provides guidance on how fair value should be measured and disclosed. This guidance is effective for interim and annual periods beginning after December 15, 2011. Early adoption is prohibited. We do not expect the adoption of ASU 2011-04 to have a material impact on our Consolidated Financial Statements.

In June 2011, the FASB issued ASU 2011-05, Presentation of Comprehensive Income, which amends ASC Topic 220 (Comprehensive Income). The new guidance requires entities to report components of comprehensive income in either (1) a single financial statement, where total net income and its components, total other comprehensive income (OCI) and its components, and total comprehensive income are presented in a continuous format, or (2) in two consecutive financial statements, where net income is reported in one statement, immediately followed by a statement presenting OCI and its components and a total for comprehensive income. The earnings per share computation is not affected by the new guidance. This guidance is effective for annual and interim periods beginning after December 15, 2011 and should be applied retrospectively. Early adoption is permitted. We do not expect the adoption of ASU 2011-05 to have a material impact on our Consolidated Financial Statements.

(3) Fair Value Measurements

The Bank uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. Fair value measurements are recorded on a recurring basis for certain assets and liabilities when fair value is the measure for accounting purposes, such as investment securities classified as available-for-sale and derivatives. Certain other assets and liabilities are measured at fair value on a non-recurring basis and are subject to fair value adjustments in certain circumstances, such as when there is evidence of impairment.

U.S. GAAP establishes a three-level fair value hierarchy that prioritizes techniques used to measure the fair value of assets and liabilities, based on the transparency and reliability of inputs to valuation methodologies. The three levels are defined as follows:

- Level 1 – Valuations are based on quoted prices in active markets for identical assets or liabilities. Accordingly, valuation of these assets and liabilities does not entail a significant degree of judgment. Examples include most U.S. Government securities and exchange-traded equity securities.
- Level 2 – Valuations are based on either quoted prices in markets that are not considered to be active or significant inputs to the methodology that are observable, either directly or indirectly. Examples include U.S. Agency securities, municipal bonds, corporate bonds, certain residential and commercial mortgage-backed securities, deposits, and most structured notes.
- Level 3 – Valuations are based on inputs to the methodology that are unobservable and significant to the fair value measurement. These inputs reflect management's own judgments about the assumptions that market participants would use in pricing the assets and liabilities. Examples include certain commercial loans, certain residential and commercial mortgage-backed securities, private equity investments, and complex over-the-counter derivatives.

Valuation Methodology

The Bank has an established and well documented process for determining fair values. The Bank uses quoted market prices, when available, to determine fair value and classifies such items as Level 1. In many cases, the Bank utilizes valuation techniques, such as matrix pricing, to determine fair value, in which case the items are classified as Level 2. Fair value estimates may also be based upon internally-developed valuation techniques that use current market-based inputs such as discount rates, credit spreads, default and delinquency rates, and prepayment speeds. Items valued using internal valuation techniques are classified according to the lowest level input that is significant to the valuation, and are typically classified as Level 3.

We utilize independent third-party pricing sources to value most of our investment securities. Two independent third-party pricing sources are employed to value positions and validate market values. If there is a large price discrepancy between the two pricing services for an individual security, we utilize industry market spread data to assist in determining the most appropriate fair value. In addition, the third-party pricing sources have an established challenge process in place for all security valuations, which facilitates identification and resolution of potentially erroneous prices. We believe that the prices received from our pricing sources are representative of prices that would be received to sell the assets at the measurement date (exit prices) and are classified appropriately in the hierarchy.

The valuations provided by the pricing services are derived from quoted market prices or using matrix pricing. Matrix pricing is a valuation technique consistent with the market approach of determining fair value. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets. Matrix pricing is a mathematical technique used principally to value debt securities without relying exclusively on quoted prices of specific securities, but rather on the securities' relationship to other benchmark quoted securities. Most of our securities portfolio is priced using this method, and such securities are classified as Level 2.

Securities are classified within Level 3 of the valuation hierarchy in cases where there is limited activity or less transparency around inputs to the valuation. In these cases, the valuations are determined based upon an analysis of the cash flow structure and credit analysis for each position. Relative market spreads are utilized to discount the cash flow to determine current market values, as well as analysis of relative coverage ratios, credit enhancements, and collateral characteristics.

Markets for Small Business Administration ("SBA") interest-only strip securities are relatively inactive, with limited observable secondary market transactions. Our SBA interest-only strip securities are classified as other debt securities available-for-sale and reported at fair value, with changes in fair value recognized in accumulated other comprehensive income or loss. The securities are valued using Level 3 inputs and had fair values of $70.1 million at December 31, 2011 and $90.7 million at December 31, 2010. The decrease in fair value of the SBA interest-only strip securities is attributed to the sale of a portion of our portfolio during the first and second quarters, resulting in realized gains of $5.3 million and $2.1 million, respectively. The securities sold in the first and second quarters had an amortized cost of $44.5 million and $16.0 million, and a fair value of $47.6 million and $15.2 million at December 31, 2010 and March 31, 2011, respectively. Since the cash flows of the SBA interest-only strip securities are guaranteed by the U.S. Government, there is limited credit risk involved in the cash flows. Therefore, the primary assumptions built into the pricing model to generate the projected cash flows used to compute the fair values of the SBA interest-only strip securities are the discount yield and prepayment speeds. The Bank determined the inputs to the discounted cash flow model based on historical performance and information provided by brokers.

Our derivatives, at December 31, 2011, consisted of interest rate caps. At December 31, 2010, our derivatives included interest rate caps and credit default swaps. The fair value of our interest rate caps is provided by a third party and validated using third party inputs such as LIBOR, Swap and Treasury curves. The fair value of our credit default swaps is determined by using externally-developed pricing models based on market observable inputs. The fair values of our derivatives are classified as Level 2 measurements.

Financial Instruments Measured at Fair Value on a Recurring Basis

The following tables present the assets and liabilities carried at fair value as of December 31, 2011 and 2010, classified according to the three-level valuation hierarchy:

(in thousands)		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Carrying Value
December 31, 2011					
ASSETS					
Securities available-for-sale:					
Residential mortgage-backed securities:					
U.S. Government Agency	$	-	38,649	-	38,649
Government-sponsored enterprises		-	1,141,619	-	1,141,619
Collateralized mortgage obligations:					
U.S. Government Agency		-	697,542	-	697,542
Government-sponsored enterprises		-	2,968,904	-	2,968,904
Private		-	786,670	5,844	792,514
Other debt securities:					
Commercial mortgage-backed securities		-	322,026	-	322,026
Single issuer trust preferred & corporate debt securities		-	336,623	-	336,623
Pooled trust preferred securities		-	-	7,116	7,116
Collateralized debt obligations		-	-	2,757	2,757
Other		-	119,415	70,091	189,506
Equity securities (1)		-	14,356	1,243	15,599
Total securities available-for-sale		-	6,425,804	87,051	6,512,855
Derivatives (interest rate caps)		-	9	-	9
Total assets	$	-	6,425,813	87,051	6,512,864
LIABILITIES					
Derivatives (interest rate caps)	$	-	10	-	10
Total liabilities	$	-	10	-	10
December 31, 2010					
ASSETS					
Securities available-for-sale:					
Residential mortgage-backed securities:					
U.S. Government Agency	$	-	25,538	-	25,538
Government-sponsored enterprises		-	1,065,450	-	1,065,450
Collateralized mortgage obligations:					
U.S. Government Agency		-	646,627	-	646,627
Government-sponsored enterprises		-	2,084,165	-	2,084,165
Private		-	791,803	5,675	797,478
Other debt securities:					
Commercial mortgage-backed securities		-	191,063	-	191,063
Single issuer trust preferred & corporate debt securities		-	203,416	-	203,416
Pooled trust preferred securities		-	-	4,562	4,562
Collateralized debt obligations		-	-	4,874	4,874
Other		-	120,296	90,650	210,946
Equity securities (1)		-	15,167	-	15,167
Total securities available-for-sale		-	5,143,525	105,761	5,249,286
Derivatives (interest rate caps)		-	55	-	55
Total assets	$	-	5,143,580	105,761	5,249,341
LIABILITIES					
Derivatives (interest rate caps and credit default swaps)	$	-	78	-	78
Total liabilities	$	-	78	-	78

(1) Equity securities represent Community Reinvestment Act (“CRA”) qualifying closed-end bond fund investments.

Changes in Level 3 Fair Value Measurements

We recognize transfers between levels of the valuation hierarchy at the end of reporting periods. The following table presents information for recurring assets classified by the Bank within Level 3 of the valuation hierarchy for the years ended December 31, 2011, 2010 and 2009:

	Securities Available-for-sale		
(in thousands)	2011	2010	2009
Beginning balance	$ 105,761	123,445	126,936
Transfers into Level 3	1,384	-	102,341
Transfers out of Level 3	-	(3,332)	(79,965)
Total gains or (losses) (realized/unrealized):			
Included in earnings	7,433	(12,192)	(702)
Included in other comprehensive income	40,452	(2,160)	(25,165)
Sales	(67,979)	-	-
Ending balance	$ 87,051	105,761	123,445

Assets Measured at Fair Value on a Non-recurring Basis

Certain assets are measured at fair value on a non-recurring basis. These assets are not measured at fair value on an on-going basis but are subject to fair value adjustments only in certain circumstances, such as when there is an impairment or when an adjustment is required to reduce the carrying value to the lower of cost or fair value. These assets may include collateral-dependent impaired loans, securities HTM that are other-than-temporarily impaired, loans held-for-sale, other real estate owned, and certain long-lived assets.

The following tables present the assets measured at fair value on a non-recurring basis as of December 31, 2011 and 2010, classified according to the three-level valuation hierarchy:

(in thousands)	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Carrying Value
December 31, 2011				
Held-to-maturity securities:				
Collateralized mortgage obligations - Private	$ -	6,346	-	6,346
Other debt securities - CDO	-	-	2,710	2,710
Collateral-dependent impaired loans:				
Commercial property	-	-	13,012	13,012
Construction and land	-	-	4,929	4,929
Commercial and industrial	-	-	9,392	9,392
Other real estate owned	-	-	566	566
Total assets	$ -	6,346	30,609	36,955
December 31, 2010				
Held-to-maturity securities:				
Collateralized mortgage obligations - Private	$ -	7,287	-	7,287
Other debt securities - CDO	-	-	3,687	3,687
Collateral-dependent impaired loans:				
Commercial property	-	-	4,247	4,247
Construction and land	-	-	6,730	6,730
Commercial and industrial	-	-	8,379	8,379
Other real estate owned	-	-	1,667	1,667
Total assets	$ -	7,287	24,710	31,997

HTM securities for which other-than-temporary impairment losses were recognized during the current period are reflected in the above table at their fair values based on the valuation methodology for investment securities, as previously described. In accordance with FASB requirements, when debt securities are determined to be other-than-temporarily impaired and management believes it is not more likely than not that we will be required to sell the security before recovery of its amortized cost, the investment is written down through current earnings for the impairment related to the estimated credit loss, while the noncredit related impairment loss is recognized in other comprehensive income. During the year ended December 31, 2011, we recognized other-than-temporary impairment totaling $1.7 million on one HTM debt security, for which we recognized the credit component ($503,000) in earnings and the noncredit component ($1.2 million) in other comprehensive income. During the year ended December 31, 2010, we recognized other-than-temporary impairment totaling $3.5 million on one HTM debt security with a carrying value of $3.9 million, for which we recognized the credit component of $1.5 million in earnings and the noncredit component of $1.9 million in other comprehensive income. In 2009, we recognized a $180,000 other-than-temporary impairment loss in earnings on an HTM debt security with a carrying value of $9.8 million.

Collateral-dependent impaired loans are reported at the fair value of the underlying collateral, which is determined based on individual appraisals that may be discounted by management for unobservable factors resulting from its knowledge of the property. Fair value adjustments for collateral-dependent impaired loans are recorded through a specific allocation of the allowance for loan losses. During the years ended December 31, 2011, 2010 and 2009 we recorded fair value adjustments totaling $24.5 million, $13.7 million and $11.5 million, respectively, on collateral-dependent impaired loans.

Other real estate owned represents real estate acquired as a result of foreclosure and is carried at the lower of cost or fair value, less estimated selling costs. Fair value is determined through current appraisals, and fair value adjustments are reported through a valuation allowance against the asset. During the years ended December 31, 2011 and 2010, we recorded fair value adjustments of $476,000 and $134,000, respectively, on other real estate owned (none during the year ended December 31, 2009).

Other Fair Value Disclosures

The preparation of financial statements in accordance with U.S. GAAP requires disclosure of the fair value of financial assets and liabilities, including those items that are not measured and reported at fair value on a recurring or non-recurring basis. The methodologies for estimating the fair value of financial assets and liabilities that are measured at fair value on a recurring or non-recurring basis are discussed above. The methodologies for estimating the fair value of other items, which are carried on the Consolidated Statements of Financial Condition at cost or amortized cost, are discussed below.

Fair value estimates for our financial instruments are made at a specific point in time, based on relevant market information and information about the financial instrument. Fair value estimates are not necessarily representative of our total enterprise value. Fair value estimates, methods and assumptions are set forth below.

The carrying amounts for cash and cash equivalents are reasonable estimates of fair value.

The redemption (par) value of Federal Home Loan Bank stock is a reasonable estimate of fair value.

Our loans held for sale consist of the government-guaranteed portion of SBA-loans. The fair value of our loans held for sale approximates cost, as these loans have adjustable rates and are backed by the full faith and credit of the U.S. Government.

The estimated fair value of our loans, net, was based on the discounted value of contractual cash flows using interest rates that approximated those offered for loans with similar maturities and collateral requirements to borrowers of comparable credit worthiness. Since this method of estimating fair value is based on a comparison to current market rates for similar loans, it does not fully incorporate an exit-value approach to estimating fair value, which would also consider adjustments for other factors such as liquidity and credit quality. The fair value estimate could be affected significantly by these other factors.

Deposits are mostly non-interest-bearing or NOW and money market deposits that bear floating interest rates that are re-priced based on market considerations and the Bank's strategy. Therefore, the carrying value equals fair value. The carrying and fair values do not include the intangible fair value of core deposit relationships, which comprise a significant portion of our deposit base. Management believes that the Bank's core deposit relationships represent a relatively stable, low-cost source of funding that has a substantial intangible value separate from the deposit balances. Time deposits, 58.5% of which mature within one year, had a carrying value of $895.6 million and an estimated fair value of $909.5 million at December 31, 2011. The estimated fair value is based on the discounted value of contractual cash flows using interest rates that approximated those offered for time deposits with similar maturities and terms.

The estimated fair value of borrowings is based on the discounted value of contractual cash flows using interest rates that approximate those offered for borrowings with similar maturities and collateral requirements.

The following table summarizes the carrying amounts and estimated fair values of our financial assets and liabilities:

	December 31, 2011		*December 31, 2010*	
(in thousands)	**Carrying Amount**	**Estimated Fair Value**	**Carrying Amount**	**Estimated Fair Value**
Financial assets				
Cash and cash equivalents	$ 40,154	40,154	46,299	46,299
Securities available-for-sale	6,512,855	6,512,855	5,249,286	5,249,286
Securities held-to-maturity	556,044	571,980	447,896	450,315
Federal Home Loan Bank stock	48,152	48,152	38,439	38,439
Loans held for sale	392,025	392,025	382,463	382,463
Loans, net (1)	6,764,564	6,877,829	5,177,268	5,246,039
Derivatives	9	9	55	55
Total financial assets	$ 14,313,803	14,443,004	11,341,706	11,412,896
Financial liabilities				
Deposits (2)	11,754,138	11,768,043	9,441,227	9,446,165
Repurchase agreements	695,000	737,455	540,000	572,925
Federal funds purchased	55,800	55,800	118,000	118,000
Federal Home Loan Bank advances	675,000	681,428	558,000	568,484
Other short-term borrowings	-	-	6,200	6,199
Derivatives	10	10	78	78
Total financial liabilities	$ 13,179,948	13,242,736	10,663,505	10,711,851

(1) The fair values of loans do not include adjustments other than those related to market interest rates, such as adjustments for liquidity and credit quality.

(2) The carrying and fair values of deposits do not include the intangible fair value of core deposit relationships.

(4) Securities

We generally invest in U.S. Government agency obligations, securities guaranteed by U.S. Government-sponsored enterprises, and other investment grade securities. The fair value of these investments fluctuates based on several factors, including general interest rate changes. For collateralized mortgage obligations and certain other debt securities, fair value fluctuates based on credit quality, changes in credit spreads, and the degree of market liquidity, among other factors.

The following table summarizes the components of our securities portfolios as of the dates indicated:

(in thousands)		December 31, 2011 Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	2010 Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
AVAILABLE-FOR-SALE									
Residential mortgage-backed securities:									
U.S. Government Agency	$	36,437	2,212	-	38,649	24,764	779	(5)	25,538
Government-sponsored enterprises		1,103,380	38,278	(39)	1,141,619	1,048,591	19,946	(3,087)	1,065,450
Collateralized mortgage obligations:									
U.S. Government Agency		681,869	20,177	(4,504)	697,542	642,741	9,236	(5,350)	646,627
Government-sponsored enterprises		2,902,349	86,281	(19,726)	2,968,904	2,060,430	40,037	(16,302)	2,084,165
Private		818,904	11,208	(37,598)	792,514	825,674	8,421	(36,617)	797,478
Other debt securities:									
Commercial mortgage-backed securities		315,573	7,329	(876)	322,026	191,293	1,650	(1,880)	191,063
Single issuer trust preferred & corporate debt securities		345,324	3,076	(11,777)	336,623	207,363	981	(4,928)	203,416
Pooled trust preferred securities		28,216	-	(21,100)	7,116	28,608	-	(24,046)	4,562
Collateralized debt obligations		6,487	-	(3,730)	2,757	6,992	-	(2,118)	4,874
Other		204,002	7,938	(22,434)	189,506	228,949	3,443	(21,446)	210,946
Equity securities (1)		15,708	166	(275)	15,599	15,475	-	(308)	15,167
Total available-for-sale	$	6,458,249	176,665	(122,059)	6,512,855	5,280,880	84,493	(116,087)	5,249,286
HELD-TO-MATURITY									
Residential mortgage-backed securities:									
U.S. Government Agency	$	3,286	145	-	3,431	3,796	124	-	3,920
Government-sponsored enterprises		20,013	846	-	20,859	9,465	533	-	9,998
Collateralized mortgage obligations:									
U.S. Government Agency		122,560	5,647	(22)	128,185	83,858	2,534	(434)	85,958
Government-sponsored enterprises		358,859	16,808	(6)	375,661	279,497	8,881	(2,202)	286,176
Private		11,419	4	(3,451)	7,972	12,838	46	(2,526)	10,358
Other debt securities:									
Commercial mortgage-backed securities		358	1	-	359	12,495	26	(26)	12,495
Collateralized debt obligations		5,309	-	(2,599)	2,710	6,342	-	(2,654)	3,688
Other		34,240	762	(2,199)	32,803	39,605	889	(2,772)	37,722
Total held-to-maturity	$	556,044	24,213	(8,277)	571,980	447,896	13,033	(10,614)	450,315

(1) Equity securities represent Community Reinvestment Act ("CRA") qualifying closed-end bond fund investments.

Gross realized gains on sales of AFS securities for the years ended December 31, 2011, 2010 and 2009 were $14.6 million, $25.4 million, and $8.9 million, respectively. Gross realized losses on sales of AFS securities for the years ended December 31, 2011, 2010 and 2009 were $185,000, $40,000 and $244,000, respectively.

We use securities as collateral for debtor-in-possession deposit accounts in excess of FDIC insurance, clients' treasury tax and loan deposits, public deposits, securities sold under agreements to repurchase and advances from the Federal Home Loan Bank of New York. At December 31, 2011 and 2010, the total amount of collateral we were required to pledge was $2.99 billion and $1.72 billion, respectively. In order to readily facilitate future borrowing needs, we typically pledge securities in excess of our required collateral obligation. If necessary, the excess collateral can be returned. At December 31, 2011, our total pledged securities had a fair value of $3.66 billion and a carrying value of $3.64 billion. At December 31, 2010, our total pledged securities had a fair value of $3.62 billion and a carrying value of $3.59 billion.

Trade date security purchases totaling $6.4 million were included in accrued expenses and other liabilities at December 31, 2010. We had no trade date security purchases at December 31, 2011.

During the year-ended December 31, 2011, we recognized other-than-temporary impairment losses totaling $12.3 million on ten debt securities that we do not intend to sell and for which it is not more likely than not that we will be required to sell the security prior to recovery. We recognized the credit component of the other-than-temporary impairment in earnings ($2.1 million) and the noncredit component in other comprehensive income ($10.2 million).

During the years ended December 31, 2011, 2010, and 2009, we recorded other-than-temporary impairment on debt securities as follows:

		Available-for-sale				Held-to-maturity		
(in thousands)		Collateralized Debt Obligations	Pooled Trust Preferred Securities	Private CMOs	Other	Collateralized Debt Obligations	Private CMOs	Total
December 31, 2011								
Total other-than-temporary impairment losses	$	-	-	(9,328)	(1,226)	(1,718)	-	(12,272)
Less: Portion of loss recognized in OCI (1)		-	-	7,968	1,000	1,215	-	10,183
Net impairment losses recognized in earnings (2)	$	-	-	(1,360)	(226)	(503)	-	(2,089)
December 31, 2010								
Total other-than-temporary impairment losses	$	(8,743)	(19,586)	(6,830)	-	(3,454)	-	(38,613)
Less: Portion of loss recognized in OCI (1)		80	16,269	6,178	-	1,910	-	24,437
Net impairment losses recognized in earnings (2)	$	(8,663)	(3,317)	(652)	-	(1,544)	-	(14,176)
December 31, 2009								
Total other-than-temporary impairment losses	$	-	(9,931)	(10,973)	-	-	(2,815)	(23,719)
Less: Portion of loss recognized in OCI (1)		-	9,229	10,533	-	-	2,635	22,397
Net impairment losses recognized in earnings (2)	$	-	(702)	(440)	-	-	(180)	(1,322)

(1) Represents the noncredit component impact of the other-than-temporary impairment on debt securities.

(2) Represents the credit component impact of the other-than-temporary impairment on debt securities.

The following table presents a rollforward of activity related to the credit component of other-than-temporary impairments recognized in pre-tax earnings on debt securities for which a portion of the impairment was recognized in other comprehensive income at period-end:

(in thousands)		
Year ended December 31, 2011		
Cumulative credit component of other-than-temporary impairment losses at beginning of period	$	43,267
Additions for the credit component on debt securities for which other-than-temporary impairment was not previously recognized		1,286
Additions for the credit component on debt securities for which other-than-temporary impairment was previously recognized		803
Cumulative credit component of other-than-temporary impairment losses at end of period	$	45,356
Year ended December 31, 2010		
Cumulative credit component of other-than-temporary impairment losses at beginning of period	$	29,091
Additions for the credit component on debt securities for which other-than-temporary impairment was not previously recognized		233
Additions for the credit component on debt securities for which other-than-temporary impairment was previously recognized		13,943
Cumulative credit component of other-than-temporary impairment losses at end of period	$	43,267
Year ended December 31, 2009		
Credit component of all prior other-than-temporary impairment not reclassified to OCI in conjunction with the cumulative effect transition adjustment as of April 1, 2009 (1)	$	27,769
Activity after April 1, 2009:		
Additions for the credit component on debt securities for which other-than-temporary impairment was not previously recognized		1,322
Cumulative credit component of other-than-temporary impairment losses at end of period	$	29,091

(1) As of April 1, 2009, we had securities with $35.9 million of other-than-temporary impairment previously recognized in earnings, of which $27.8 million represented the credit component and $8.1 million represented the noncredit componentthat was reclassified back to OCI through a cumulative-effect type adjustment ($4.5 million, net of tax effect).

For the periods ended December 31, 2011, 2010, and 2009, our securities for which other-than-temporary impairment has been recorded, where a portion of the loss was specifically related to credit, consisted of collateralized debt obligations ("CDOs"), private collateralized mortgage obligations ("CMOs"), pooled trust preferred securities, and certain securities classified as other debt securities. When estimating the portion of loss attributable to credit, we use a discounted cash flow model that considers credit enhancement and structural protection. The estimation of cash flow incorporates numerous assumptions including default rates, severity estimates, recovery rates, prepayment speeds and structural enhancement characteristics. Assumptions will vary based upon the specific underlying characteristics and collateral profiles of the underlying securities. Specifically, assumptions will be determined based upon collateral vintage, borrower characteristic, geographical data and payment performance. Market data and third-party inputs are utilized to validate assumptions. Subsequent assessments may result in additional estimated credit losses on previously impaired securities. These additional estimated credit losses are recorded as reclassifications from the portion of other-than-temporary impairment previously recognized in other comprehensive income to earnings in the period of such assessments.

In our evaluation of CDOs and CMOs for other-than-temporary impairment, we evaluated the collateral performance and structural credit enhancements for each security. During the year ended December 31, 2011, seven CMOs classified as AFS were deemed to have other-than-temporary impairment totaling $9.3 million, of which $1.4 million was due to estimated credit losses and charged to earnings, and $7.9 million was recognized in other comprehensive income. Additionally, one CDO classified as HTM was deemed to have other-than-temporary impairment totaling $1.7 million, of which $503,000 was due to estimated credit losses and charged to earnings, and $1.2 million was recognized in other comprehensive income. During 2010, three CDOs and five CMOs classified as AFS were deemed to have other-than-temporary impairment totaling $8.7 million and $6.8 million, respectively, of which $8.7 million and $652,000 was due to estimated credit loss and was charged to earnings, respectively, and $80,000 and $6.2 million was recognized in other comprehensive income, respectively. Additionally, one CDO classified as HTM was deemed to have other-than-temporarily impaired totaling $3.5 million, of which $1.6 million was due to estimated credit loss and was charged to earnings and $1.9 million was recognized in other comprehensive income. Six CMOs classified as AFS were deemed to have other-than-temporary impairment during 2009, of approximately $11.0 million, of which $400,000 was due to estimated credit losses and charged to earnings, and $10.5 million was recognized in other comprehensive income.

In our evaluation of bank-collateralized pooled trust preferred securities for other-than-temporary impairment, we considered various annual default scenarios. Additionally, the collateral was reviewed to determine if additional bank issuers should be assumed to be an immediate default or would cure (resume paying interest) based on Fitch credit scoring, TARP participation, ratio of non-performing assets to tangible common equity and loan loss reserves, capital levels, and FDIC quarterly trends. Based on this review, we assumed that certain bank issuers on our watch list will default and others will cure in the future. Utilizing our assumptions, we then discounted the cash flows to assess the amount of credit loss. During the year ended December 31, 2010, six bank-collateralized pooled trust preferred securities classified as AFS were deemed to have other-than-temporary impairment totaling $19.6 million, of which $3.3 million was due to estimated credit loss and was charged to earnings, and $16.3 million was recognized in other comprehensive income. During the year ended December 31, 2009, three bank-collateralized pooled trust preferred securities classified as AFS were deemed to have other-than-temporary impairment totaling $11.1 million, of which $702,000 was due to estimated credit losses and charged to earnings, and $10.4 million was recognized in other comprehensive income. We did not recognize any other-than-temporary impairment on our pooled trust preferred securities during 2011.

In our evaluation of other debt securities for other-than-temporary impairment, we reviewed the collateral performance and market considerations and assumptions in conjunction with any credit enhancements for each security. During the year ended December 31, 2011, two AFS securities classified within other debt securities was deemed to have other-than-temporary impairment totaling $1.2 million, of which $225,000 was due to estimated credit loss and charged to earnings and $1 million was recognized in other comprehensive income. We did not recognize any other-than-temporary impairment within other debt securities during 2010 or 2009.

The following table presents information regarding AFS securities, categorized by type of security and length of time that individual securities have been in a continuous unrealized loss position at the dates indicated. Unrealized losses on other-than-temporarily impaired securities include noncredit impairments recorded in other comprehensive income.

	Less than 12 months		*12 months or longer*		*Total*	
(in thousands)	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
December 31, 2011						
Temporarily-impaired securities						
Residential mortgage-backed securities:						
Government-sponsored enterprises	$ 27,416	(34)	182	(5)	27,598	(39)
Collateralized mortgage obligations:						
U.S. Government Agency	165,195	(4,391)	13,321	(113)	178,516	(4,504)
Government-sponsored enterprises	555,067	(15,081)	26,984	(4,645)	582,051	(19,726)
Private	143,216	(4,028)	107,134	(17,329)	250,350	(21,357)
Other debt securities:						
Commercial mortgage-backed securities	40,697	(535)	19,798	(341)	60,495	(876)
Single issuer trust preferred & corporate debt securities	140,568	(3,686)	60,490	(8,091)	201,058	(11,777)
Pooled trust preferred securities	-	-	2,627	(4,008)	2,627	(4,008)
Other	36,005	(509)	61,028	(9,680)	97,033	(10,189)
Equity securities (1)	-	-	8,581	(275)	8,581	(275)
Total temporarily-impaired securities	1,108,164	(28,264)	300,145	(44,487)	1,408,309	(72,751)
Other-than-temporarily impaired securities						
Collateralized mortgage obligations - private	3,847	(1,651)	29,897	(14,590)	33,744	(16,241)
Other debt securities:						
Pooled trust preferred securities	-	-	4,489	(17,092)	4,489	(17,092)
Collateralized debt obligations	-	-	2,757	(3,730)	2,757	(3,730)
Other	-	-	9,833	(12,245)	9,833	(12,245)
Total other-than-temporarily impaired securities	3,847	(1,651)	46,976	(47,657)	50,823	(49,308)
Total temporarily-impaired and other-than-temporarily impaired securities	$ 1,112,011	(29,915)	347,121	(92,144)	1,459,132	(122,059)
December 31, 2010						
Temporarily-impaired securities						
Residential mortgage-backed securities:						
U.S. Government Agency	$ 3,420	(4)	79	(1)	3,499	(5)
Government-sponsored enterprises	248,698	(3,087)	51	-	248,749	(3,087)
Collateralized mortgage obligations:						
U.S. Government Agency	269,934	(5,184)	15,247	(166)	285,181	(5,350)
Government-sponsored enterprises	478,160	(16,172)	20,363	(130)	498,523	(16,302)
Private	203,558	(3,991)	147,661	(28,100)	351,219	(32,091)
Other debt securities:						
Commercial mortgage-backed securities	99,906	(1,572)	8,889	(308)	108,795	(1,880)
Single issuer trust preferred & corporate debt securities	91,964	(2,542)	51,051	(2,386)	143,015	(4,928)
Pooled trust preferred securities	-	-	1,607	(5,045)	1,607	(5,045)
Other	61,454	(4,085)	27,884	(8,228)	89,338	(12,313)
Equity securities (1)	6,757	(51)	8,260	(257)	15,017	(308)
Total temporarily-impaired securities	1,463,851	(36,688)	281,092	(44,621)	1,744,943	(81,309)
Other-than-temporarily impaired securities						
Collateralized mortgage obligations - private	-	-	29,374	(4,526)	29,374	(4,526)
Other debt securities:						
Pooled trust preferred securities	-	-	2,955	(19,001)	2,955	(19,001)
Collateralized debt obligations	-	-	4,874	(2,118)	4,874	(2,118)
Other	-	-	12,017	(9,133)	12,017	(9,133)
Total other-than-temporarily impaired securities	-	-	49,220	(34,778)	49,220	(34,778)
Total temporarily-impaired and other-than-temporarily impaired securities	$ 1,463,851	(36,688)	330,312	(79,399)	1,794,163	(116,087)

(1) Equity securities represent Community Reinvestment Act (“CRA”) qualifying closed-end bond fund investments.

The following table presents information regarding HTM securities, categorized by type of security and length of time that individual securities have been in a continuous unrealized loss position at the dates indicated. Unrealized losses on other-than-temporarily impaired securities include noncredit impairments recorded in other comprehensive income.

	Less than 12 months		*12 months or longer*		*Total*	
(in thousands)	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
December 31, 2011						
Temporarily-impaired securities						
Collateralized mortgage obligations:						
U.S. Government Agency	$ 16,946	(22)	-	-	16,946	(22)
Government-sponsored enterprises	4,051	(6)	-	-	4,051	(6)
Other debt securities:						
Other	-	-	21,978	(2,199)	21,978	(2,199)
Total temporarily-impaired securities	20,997	(28)	21,978	(2,199)	42,975	(2,227)
Other-than-temporarily impaired securities						
Collateralized mortgage obligations - private	-	-	6,346	(3,451)	6,346	(3,451)
Collateralized debt obligations	-	-	2,710	(2,599)	2,710	(2,599)
Total other-than-temporarily impaired securities	-	-	9,056	(6,050)	9,056	(6,050)
Total temporarily-impaired and other-than-temporarily impaired securities	$ 20,997	(28)	31,034	(8,249)	52,031	(8,277)
December 31, 2010						
Temporarily-impaired securities						
Collateralized mortgage obligations:						
U.S. Government Agency	$ 16,686	(434)	-	-	16,686	(434)
Government-sponsored enterprises	51,545	(2,202)	-	-	51,545	(2,202)
Other debt securities:						
Commercial mortgage-backed securities	3,160	(1)	4,098	(25)	7,258	(26)
Other	-	-	26,753	(2,772)	26,753	(2,772)
Total temporarily-impaired securities	71,391	(2,637)	30,851	(2,797)	102,242	(5,434)
Other-than-temporarily impaired securities						
Collateralized mortgage obligations - private	-	-	7,287	(2,526)	7,287	(2,526)
Collateralized debt obligations	1,467	(996)	2,221	(1,658)	3,688	(2,654)
Total other-than-temporarily impaired securities	1,467	(996)	9,508	(4,184)	10,975	(5,180)
Total temporarily-impaired and other-than-temporarily impaired securities	$ 72,858	(3,633)	40,359	(6,981)	113,217	(10,614)

The contractual maturities of investments in AFS and HTM debt securities are summarized in the following table. Expected maturities will differ from contractual maturities since borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	December 31, 2011		
(in thousands)	Amortized Cost		Fair Value
AVAILABLE-FOR-SALE			
Due in one year or less	$	88,005	95,858
Due after one year through five years		24,993	25,181
Due after five years through ten years		373,815	370,988
Due after ten years		5,955,728	6,005,229
Total available-for-sale debt securities	$	6,442,541	6,497,256
HELD-TO-MATURITY			
Due after one year through five years	$	14,085	15,182
Due after five years through ten years		27,573	29,045
Due after ten years		514,386	527,753
Total held-to-maturity debt securities	$	556,044	571,980

The unrealized losses in our securities portfolio are primarily due to the prevailing interest rate environment, wider credit spreads on securities, and reduced levels of liquidity in the mortgage and credit markets. Sharp declines in residential home values, increased unemployment, a slowdown in consumer spending, and contraction in the credit markets, among other factors, led to decreased market liquidity for certain assets, increased credit risk for certain securities in our portfolio, and the corresponding widening of credit spreads.

In performing our other-than-temporary impairment analysis for private CMOs and other debt securities, which had a total temporary unrealized loss position of $50.4 million at December 31, 2011, we estimated future cash flows for each security based upon our best estimate of future delinquencies, estimated defaults, loss severity, and prepayments. We reviewed the estimated cash flows to determine whether we expect to receive all originally scheduled cash flows. Projected credit losses were compared to the current level of credit enhancement to assess whether the security is expected to incur losses in any future period and therefore would be deemed other-than-temporarily impaired at December 31, 2011. Based on our review, we have determined that the estimated future cash flows were not less than amortized cost; therefore, the decline in fair value of these securities is attributable to a substantial widening of interest rate spreads across market sectors related to the continued illiquidity and uncertainty of the securities markets. Since we have no intent to sell and we believe it is not more likely than not that we will be required to sell these investments before recovery of their amortized cost basis, we do not consider these securities to be other-than-temporarily impaired as of December 31, 2011.

Continued deterioration in general market conditions could have a negative effect on the projected cash flows and ultimate recoverability of our securities. If a security is deemed to be other-than-temporarily impaired, we are required to write down the security to fair value. Losses on securities that become other-than-temporarily impaired (where we do not intend to sell the security and it is not more likely than not that we will be required to sell the security prior to recovery of the security's amortized cost) are bifurcated with the credit portion of the loss recognized in earnings and the noncredit loss portion of the impairment recognized in other comprehensive income, net of tax. The private CMOs and other debt securities, with total unrealized losses of $21.4 million and $29.0 million, respectively, at December 31, 2011, are the securities in our portfolio that are the most exposed to impairment losses.

It is reasonably possible that the underlying collateral of these securities may perform at a level below our current expectations, which may result in adverse changes in cash flows for these securities and potential other-than-temporary impairment losses in the future. Events that may cause material declines in fair values for these securities include, but are not limited to, the deterioration of credit metrics, higher default levels, further illiquidity, or increased levels of losses in underlying collateral.

(5) Federal Home Loan Bank Stock

As a member of the Federal Home Loan Bank ("FHLB") of New York, Signature Bank is required to maintain a specified minimum investment in the FHLB's Class B capital stock. The minimum stock investment requirement is the sum of the membership stock purchase requirement, determined on an annual basis at the end of each calendar year, and the activity-based stock purchase requirement, determined on a daily basis.

At December 31, 2011 and 2010, Signature Bank was in compliance with the FHLB's minimum investment requirement with stock investments of $48.2 million and $38.4 million, respectively, carried at cost on the Consolidated Statements of Financial Condition. Collateral pledged for outstanding FHLB borrowings at December 31, 2011 and 2010 included $30.4 million and $25.1 million, respectively, of FHLB capital stock.

In performing our other-than-temporary impairment analysis of FHLB stock, we evaluated, among other things, (i) the FHLB's earnings performance, including the significance of any decline in net assets of the FHLB as compared to the regulatory capital amount of the FHLB, (ii) the commitment by the FHLB to make dividend payments, and (iii) the liquidity position of the FHLB. We do not consider this security to be other-than-temporarily impaired at December 31, 2011.

(6) Loans Held for Sale

Loans held for sale at December 31, 2011 and 2010 were $392.0 million and $382.5 million, respectively. Gains on sales associated with the securitization of pooled loans and sale of mortgage loans for the years ended December 31, 2011, 2010 and 2009 amounted to $4.1 million, $6.1 million and $3.6 million, respectively.

We are an active participant in the SBA loan and SBA pool secondary market by purchasing, securitizing, and selling the guaranteed portions of SBA loans. Most SBA loans have adjustable rates and float at a spread over prime and reset monthly or quarterly. The guaranteed portions of SBA loans are backed by the full faith and credit of the U.S. Government and therefore carry a 0% risk weight for regulatory capital purposes.

We utilize the services of SSG to act as agent for and consultant to the Bank on the purchase, assembly, and sale of SBA loans and pools.

We warehouse loans for generally up to 180 days until there are sufficient loans with similar characteristics to securitize the pool. We may strip excess servicing from loans with different coupons to create a pool at a common rate. This process results in the creation of two assets: a par pool, which is sold to accredited investors, and an interest-only strip, which we retain as an available-for-sale security. The interest-only strip represents the portion of the coupon stripped from a loan.

(7) Loans, Net

The following table summarizes our loan portfolio as of the dates indicated:

(in thousands)	December 31, 2011	December 31, 2010
Mortgage loans:		
Multi-family residential property	$ 3,003,428	1,716,248
Commercial property	2,218,053	1,799,162
1-4 family residential property	259,418	265,746
Home equity lines of credit	198,375	192,027
Construction and land	63,775	115,195
Total mortgage loans	5,743,049	4,088,378
Other loans:		
Commercial and industrial	1,098,805	1,146,110
Consumer	11,837	13,086
Total other loans	1,110,642	1,159,196
Less:		
Net deferred fees and costs	(2,965)	(2,910)
Allowance for loan losses	(86,162)	(67,396)
Net loans	$ 6,764,564	5,177,268

As of December 31, 2011 and 2010, commercial and industrial loans include overdrafts of commercial deposit accounts totaling $27.9 million and $28.1 million, respectively, and other consumer loans include overdrafts of personal deposit accounts totaling $2.5 million and $3.1 million, respectively.

In order to assist us in managing credit quality, management views the loan portfolio by various segments and classes of loans. For commercial loans, we assign individual credit ratings ranging from 1 (lowest risk) to 9 (highest risk) as an indicator of credit quality. These ratings are based on specific risk factors including (i) historical and projected financial results of the borrower, (ii) market conditions of the borrower's industry that may affect the borrower's future financial performance, (iii) business experience of the borrower's management, (iv) nature of the underlying collateral, if any, and (v) borrower's history of payment performance. Non-rated loans generally include commercial loans with outstanding principal balances below $100,000, commercial overdrafts, residential mortgages, and consumer loans.

The following table summarizes the recorded investment of our portfolio of commercial loans by credit rating as of the dates indicated:

(in thousands)	*pass* Rating 1-4	*pass* Rating 5-6	*special mention* Rating 7	*substandard* Rating 8	*doubtful* Rating 9	Non-rated	Total
December 31, 2011							
Commercial loans secured by real estate:							
Multi-family residential property	$ 2,436,175	512,767	32,838	19,573	-	-	3,001,353
Commercial property	1,393,854	755,644	26,140	39,876	2,500	39	2,218,053
1-4 family residential property	37,121	40,905	6,800	1,269	-	-	86,095
Construction and land	5,166	43,250	597	14,762	-	-	63,775
Commercial and industrial loans	441,753	540,329	20,576	34,807	7,707	53,633	1,098,805
Total commercial loans	$ 4,314,069	1,892,895	86,951	110,287	10,207	53,672	6,468,081
December 31, 2010							
Commercial loans secured by real estate:							
Multi-family residential property	$ 1,282,318	429,789	1,593	369	-	-	1,714,069
Commercial property	1,041,618	709,110	34,918	11,746	-	-	1,797,392
1-4 family residential property	25,956	47,767	476	7,852	-	-	82,051
Construction and land	463	102,939	3,988	7,805	-	-	115,195
Commercial and industrial loans	410,587	604,184	25,525	39,690	9,201	56,923	1,146,110
Total commercial loans	$ 2,760,942	1,893,789	66,500	67,462	9,201	56,923	4,854,817

For consumer loans, including residential mortgages and home equity lines of credit, we consider the borrower's payment history and current payment performance as lead indicators of credit quality. A consumer loan is considered non-performing generally when it becomes 90 days delinquent based on contractual terms, at which time the accrual of interest income is discontinued. In the case of residential mortgages and home equity lines of credit, exceptions are made if the loan has sufficient collateral value, based on a current appraisal, and is in process of collection.

The following table summarizes the recorded investment of our portfolio of consumer loans by performance status as of the dates indicated:

(in thousands)	Performing	Nonperforming	Total
December 31, 2011			
Residential mortgages	$ 172,792	2,606	175,398
Home equity lines of credit	198,026	349	198,375
Other consumer loans	11,501	336	11,837
Total consumer loans	$ 382,319	3,291	385,610
December 31, 2010			
Residential mortgages	$ 187,909	-	187,909
Home equity lines of credit	191,576	451	192,027
Other consumer loans	12,567	519	13,086
Total consumer loans	$ 392,052	970	393,022

Loans to related parties include loans to directors and their related companies and our executive officers. Such loans are made in the ordinary course of business on substantially the same terms as loans to other individuals and businesses of comparable risks. Related party loans were $6.1 million and $809,000 at December 31, 2011 and 2010, respectively, and all related party loans are current as to payments.

The following table summarizes the delinquency and accrual status of our loan portfolio, excluding loans held for sale, as of the dates indicated:

(in thousands)	Past Due 30-89 Days	Past Due 90+ Days	Total Past Due	Current	Total Loans	Accruing Loans Past Due 90+ Days	Non-accruing Loans
December 31, 2011							
Commercial loans							
Loans secured by real estate:							
Multi-family residential property	$ 34,780	369	35,149	2,966,204	3,001,353	-	369
Commercial property	3,589	14,608	18,197	2,199,856	2,218,053	699	13,909
1-4 family residential property	6,755	-	6,755	79,340	86,095	-	-
Construction and land	-	4,762	4,762	59,013	63,775	-	4,762
Commercial and industrial loans	8,100	23,271	31,371	1,067,434	1,098,805	3,384	19,887
Consumer loans							
Residential mortgages	1,547	5,797	7,344	168,054	175,398	3,191	2,606
Home equity lines of credit	1,635	2,075	3,710	194,665	198,375	1,726	349
Consumer loans	62	336	398	11,439	11,837	-	336
Total	$ 56,468	51,218	107,686	6,746,005	6,853,691	9,000	42,218
December 31, 2010							
Commercial loans							
Loans secured by real estate:							
Multi-family residential property	$ 15,149	3,169	18,318	1,695,751	1,714,069	2,800	369
Commercial property	15,797	6,901	22,698	1,774,694	1,797,392	2,190	4,711
1-4 family residential property	6,226	830	7,056	74,995	82,051	830	-
Construction and land	-	6,571	6,571	108,624	115,195	-	6,571
Commercial and industrial loans	13,635	24,953	38,588	1,107,522	1,146,110	3,440	21,513
Consumer loans							
Residential mortgages	5,868	4,602	10,470	177,174	187,644	4,602	-
Home equity lines of credit	156	2,302	2,458	189,569	192,027	1,851	451
Consumer loans	240	546	786	12,300	13,086	27	519
Total	$ 57,071	49,874	106,945	5,140,629	5,247,574	15,740	34,134

Non-accrual loans at December 31, 2011 and 2010 totaled $42.2 million and $34.1 million, respectively. If all non-accrual loans outstanding at December 31, 2011, 2010, and 2009 had been performing in accordance with their original terms, we would have recorded interest income with respect to such loans of approximately $4.2 million, $4.1 million, and $3.8 million for the years then ended, respectively. This compares to actual payments recorded as interest income realized with respect to such loans of $363,000, $765,000, and $603,000 for the years ended December 31, 2011, 2010, and 2009, respectively. As of December 31, 2011, there were no commitments to lend additional funds on non-accrual loans.

Accruing loans past due 90 days or more at December 31, 2011 and 2010, totaled $9.0 million and $15.7 million, respectively, excluding loans held for sale. At December 31, 2011, accruing loans past due 90 days or more include $3.8 million of 1-4 family real estate loans that are well secured and in process of collection and a $1.9 million commercial loan that was paid in full during January 2012. At December 31, 2010, accruing loans past due 90 days or more include matured performing loans in the normal process of renewal ($519,000) and real estate loans that are well secured and in process of collection ($3.7 million of 1-4 family, $2.8 million of multi-family, and $1.4 million of commercial real estate).

Commercial loans (including commercial and industrial loans along with loans to commercial borrowers that are secured by real estate) constitute a substantial portion of our loan portfolio. Substantially all of the real estate collateral for the loans in our portfolio is located within the New York metropolitan area. As a result, our financial condition and results of operations may be affected by changes in the economy and the real estate market of the New York metropolitan area. A prolonged period of economic recession or other adverse economic conditions in the New York metropolitan area, such as the one we are experiencing now, may result in an increase in nonpayment of loans, a decrease in collateral value, and an increase in our allowance for loan losses.

(8) Allowance for Loan Losses

Changes in the allowance for loan losses for the years ended December 31, 2011, 2010 and 2009 are as follows:

(in thousands)	*December 31,* 2011	2010	2009
Balance at beginning of year	$ 67,396	55,120	36,987
Provision for loan losses	51,876	46,372	42,715
Loans charged off	(35,393)	(35,583)	(25,451)
Recoveries of loans previously charged off	2,283	1,487	869
Balance at end of year	$ 86,162	67,396	55,120

The table below presents a summary by loan portfolio segment of our allowance for loan losses, loan loss experience, and provision for loan losses for the periods indicated:

		Non-rated			
(in thousands)	Credit-rated commercial loans	Commercial loans	Residential mortgages	Consumer loans	Total
For the year ended December 31, 2011					
Balance at beginning of year	$ 56,212	8,352	1,472	1,360	67,396
Provision for loan losses	51,635	(429)	447	223	51,876
Loans charged off	(29,502)	(4,467)	(350)	(1,074)	(35,393)
Recoveries of loans previously charged off	508	1,498	-	277	2,283
Balance at end of year	$ 78,853	4,954	1,569	786	86,162
For the year ended December 31, 2010					
Balance at beginning of year	$ 50,141	3,024	1,216	739	55,120
Provision for loan losses	34,101	10,525	688	1,058	46,372
Loans charged off	(28,070)	(6,369)	(644)	(500)	(35,583)
Recoveries of loans previously charged off	40	1,172	212	63	1,487
Balance at end of year	$ 56,212	8,352	1,472	1,360	67,396

The following table presents our allowance for loan losses and outstanding loan balances by loan portfolio segment, based on the methodology followed in determining the allowance for loan losses:

		Non-rated			
(in thousands)	Credit-rated commercial loans	Commercial loans	Residential mortgages	Consumer loans	Total
As of December 31, 2011					
Allowance for loan losses:					
Individually evaluated for impairment	$ 4,651	991	291	168	6,101
Collectively evaluated for impairment	74,202	3,963	1,278	618	80,061
Recorded investment in loans:					
Individually evaluated for impairment	56,216	2,190	4,817	336	63,559
Collectively evaluated for impairment	6,358,193	51,482	368,956	11,501	6,790,132
As of December 31, 2010					
Allowance for loan losses:					
Individually evaluated for impairment	$ 8,011	1,445	130	256	9,842
Collectively evaluated for impairment	48,201	6,907	1,342	1,104	57,554
Recorded investment in loans:					
Individually evaluated for impairment	30,249	2,915	451	519	34,134
Collectively evaluated for impairment	4,767,645	54,008	379,485	12,567	5,213,705

In determining whether a loan is impaired, we review the payment performance and, for all loan classes, we consider a loan to be impaired once it is placed on non-accrual status. In addition, if a loan is restructured as troubled debt ("TDR") at a market rate at the TDR date, we consider the loan as impaired during the year of restructuring. If that loan is performing in accordance with the modified terms, we do not consider the loan as impaired in subsequent years. Other TDRs are reported as such for as long as the loan remains outstanding.

The following table summarizes the recorded investment, unpaid principal balance, and related allowance for our impaired loans as of the dates indicated:

	December 31, 2011			*December 31, 2010*		
(in thousands)	**Recorded Investment**	**Unpaid Principal Balance**	**Related Allowance**	**Recorded Investment**	**Unpaid Principal Balance**	**Related Allowance**
With no related allowance recorded:						
Commercial loans secured by real estate:						
Commercial property	$ 32,062	32,062	-	2,511	2,511	-
Construction and land	3,191	3,191	-	3,750	3,750	-
Multi-family residential property	1,590	1,590	-	369	369	-
1-4 family residential property	1,269	1,269	-	-	-	-
Commercial and industrial loans	24,645	24,645	-	8,545	8,545	-
Residential mortgages	4,203	4,203	-	1,200	1,200	-
Home equity lines of credit	-	-	-	-	-	-
Other consumer loans	-	-	-	-	-	-
With an allowance recorded:						
Commercial loans secured by real estate:						
Commercial property	2,639	2,639	208	2,200	2,200	164
Construction and land	2,821	2,821	202	2,821	2,821	210
Multi-family residential property	-	-	-	-	-	-
1-4 family residential property	-	-	-	-	-	-
Commercial and industrial loans	13,531	13,531	5,232	20,298	20,298	9,082
Residential mortgages	267	267	67	-	-	-
Home equity lines of credit	349	349	224	451	451	130
Other consumer loans	336	336	168	519	519	256
Total:						
Commercial loans secured by real estate	43,572	43,572	410	11,651	11,651	374
Commercial and industrial loans	38,176	38,176	5,232	28,843	28,843	9,082
Residential mortgages	4,470	4,470	67	1,200	1,200	-
Home equity lines of credit	349	349	224	451	451	130
Other consumer loans	336	336	168	519	519	256
Total impaired loans	**$ 86,903**	**86,903**	**6,101**	**42,664**	**42,664**	**9,842**

The following table summarizes the average recorded investment of impaired loans and interest income recognized on impaired loans for the periods indicated:

	Years ended December 31,			
	2011		2010	
(in thousands)	**Average Recorded Investment**	**Interest Income Recognized**	**Average Recorded Investment**	**Interest Income Recognized**
With no related allowance recorded:				
Commercial loans secured by real estate:				
Commercial property	$ 8,446	490	502	-
Construction and land	2,031	26	750	-
Multi-family residential property	857	9	74	-
1-4 family residential property	254	13	-	-
Commercial and industrial loans	11,257	326	3,423	138
Residential mortgages	2,366	23	240	-
Home equity lines of credit	-	-	-	-
Other consumer loans	-	-	-	-
With an allowance recorded:				
Commercial loans secured by real estate:				
Commercial property	7,850	-	6,108	-
Construction and land	4,131	-	9,495	-
Multi-family residential property	-	-	755	-
1-4 family residential property	58	-	50	-
Commercial and industrial loans	19,915	5	21,763	88
Residential mortgages	53	-	-	-
Home equity lines of credit	444	-	561	-
Other consumer loans	470	-	406	-
Total:				
Commercial loans secured by real estate	23,627	538	17,734	-
Commercial and industrial loans	31,172	331	25,186	226
Residential mortgages	2,419	23	240	-
Home equity lines of credit	444	-	561	-
Other consumer loans	470	-	406	-
Total	**$ 58,132**	**892**	**44,127**	**226**

For economic reasons and to maximize the recovery of loans, we may work with borrowers experiencing financial difficulties, and will consider modifications to a borrower's existing loan terms and conditions that we would not otherwise consider, commonly referred to as TDR loans. Our TDR loans consist of those loans where we modify the contractual terms of the loan, such as (i) a deferral of the loan's principal amortization through either interest-only or reduced principal payments, (ii) a reduction in the loan's contractual interest rate or (iii) an extension of the loan's contractual term.

During the years ended December 31, 2011 and 2010, we recorded TDR loans as follows:

	December 31, 2011			*December 31, 2010*		
(dollars in thousands)	**Number of Loans**	**Pre-Modification Balance**	**Post-Modification Balance**	**Number of Loans**	**Pre-Modification Balance**	**Post-Modification Balance**
Commercial loans secured by real estate:						
Commercial property	9	$ 20,803	20,792	-	-	-
Multi-family residential property	1	1,221	1,221	-	-	-
Construction and land	1	1,231	1,250	-	-	-
Commercial and industrial loans	22	21,452	20,075	7	9,851	10,309
Residential mortgages	6	1,744	1,933	1	1,200	1,200
Total	39	$ 46,451	45,271	8	11,051	11,509

There were no TDR loans recorded during the year ended December 31, 2009.

The following table summarizes how the TDR loans recorded during 2011 were modified:

(in thousands)	Deferred Principal Amortization with Rate Reduction	Deferred Principal Amortization	Term Extension	Rate Reduction	Total
December 31, 2011					
Commercial loans secured by real estate:					
Commercial property	$ 7,400	828	12,564	-	20,792
1-4 family residential property	-	1,533	400	-	1,933
Construction and land	-	-	1,250	-	1,250
Multi-family residential property	1,221	-	-	-	1,221
Commercial and industrial loans	454	2,315	17,140	166	20,075
Total	$ 9,075	4,676	31,354	-	45,271

Our impaired loans at December 31, 2011 and 2010 include TDR loans totaling $46.5 million and $11.5 million, respectively.

During the year of restructuring, we consider a TDR loan as impaired. In subsequent years, we do not consider the loan as impaired if it was restructured at a market rate and continues to perform in accordance with its modified terms. Other TDR loans are reported as such for as long as the loan remains outstanding. For all loans classified as a TDR, we record an impairment loss, if any, based on the present value of expected future cash flows discounted at the original loan's effective interest rate, or, if the loan is collateral dependent, based on the fair value of the collateral less costs to sell.

We had four TDR loans for which there was a payment default during the year ended December 31, 2011, including two commercial and industrial loans totaling $350,000 and two residential mortgages totaling $1.4 million, one of which ($1.2 million) was restructured during 2010 and continues to be reported as a TDR loan as a result of its non-performance.

For the years ended December 31, 2011 and 2010, we recorded interest income on impaired loans during the period of impairment totaling $892,000 and $226,000, respectively; no interest income was recorded on impaired loans during the period of impairment for the year ended December 31, 2009. If all impaired loans had been performing in accordance with their original terms, we would have recorded interest income, with respect to such loans, of approximately $5.1 million, $4.3 million, and $3.8 million for the years ended December 31, 2011, 2010, and 2009, respectively. Average impaired loans for the years ended December 31, 2011, 2010 and 2009 totaled $58.1 million, $44.1 million, and $44.5 million, respectively.

(9) Premises and Equipment

Premises and equipment are summarized as follows as of the dates indicated:

(in thousands)	*December 31,* 2011	2010
Leasehold improvements	$ 41,154	36,617
Furniture, fixtures and equipment	21,360	18,597
	62,514	55,214
Less accumulated depreciation and amortization	(31,940)	(25,829)
Premises and equipment, net	$ 30,574	29,385

Depreciation and amortization expense amounted to $6.1 million, $5.8 million and $5.4 million for the years ended December 31, 2011, 2010 and 2009, respectively.

(10) Deposits

The types of deposits are summarized as follows as of the dates indicated:

(in thousands)	*December 31,* 2011	2010
Non-interest-bearing demand	$ 3,148,436	2,449,968
NOW and interest-bearing demand	643,130	700,551
Money market	7,066,932	5,362,105
Time deposits	837,842	901,937
Brokered time deposits	57,798	26,666
Total deposits	$ 11,754,138	9,441,227

The aggregate amounts of time deposits in denominations of $100,000 or more at December 31, 2011 and 2010 were $694.4 million and $765.1 million, respectively. The related interest expense on these types of deposits for the years ended December 31, 2011 and 2010 amounted to $13.6 million and $15.8 million, respectively.

At December 31, 2011, the scheduled maturities of time deposits are as follows:

(in thousands)	**December 31, 2011**
2012	$ 523,901
2013	183,614
2014	72,635
2015	67,465
2016	48,025
Total time deposits	$ 895,640

At December 31, 2011 and 2010, we had approximately $42.2 million and $13.4 million, respectively, in deposits held by our directors and their related interests.

(11) Incentive Savings Plan

We have a 401(k) program under which employees may make personal contributions of up to 60% of their pretax earnings by means of payroll deductions. We match 100% of the first 3% of compensation contributed to the plan and 50% of the next 4% of compensation contributed. Our contributions, included in salaries and benefits expense, were $3.8 million, $2.4 million and $2.1 million, respectively, for the years ended December 31, 2011, 2010 and 2009. In addition, the Bank made a 2010 profit-sharing contribution to the 401(k) program on behalf of eligible employees, resulting in an expense of $1.1 million (or 2% of compensation paid to eligible employee participants) recorded during the year ended December 31, 2010.

(12) Federal Funds Purchased and Securities Sold Under Agreements to Repurchase

The following is a summary of Federal funds purchased and securities sold under agreements to repurchase at or for the years ended:

	December 31,	
(dollars in thousands)	**2011**	**2010**
Federal Funds Purchased		
Year-end balance	$ 55,800	$ 118,000
Maximum amount outstanding at any month-end	$ 133,350	$ 170,000
Average outstanding balance	$ 74,570	$ 38,735
Weighted-average interest rate paid	0.18%	0.22%
Weighted-average interest rate at year-end	0.17%	0.18%
Securities Sold Under Agreements to Repurchase		
Year-end balance	$ 695,000	$ 540,000
Maximum amount outstanding at any month-end	$ 695,000	$ 627,000
Average outstanding balance	$ 645,027	$ 595,759
Weighted-average interest rate paid	3.44%	4.02%
Weighted-average interest rate at year-end	3.23%	3.68%

During the years ended December 31, 2011, 2010, and 2009, interest expense recorded on Federal funds purchased and securities sold under agreements to repurchase totaled $22.3 million, $24.0 million, and $27.9 million, respectively.

At December 31, 2011, securities with a fair value of $804.7 million and a carrying value of $802.2 million were pledged to meet our collateral requirement of $729.6 million on repurchase agreements. At December 31, 2010, securities with a fair value of $621.7 million and a carrying value of $620.0 million were pledged to meet our collateral requirement of $567.0 million on repurchase agreements.

The Federal funds purchased at December 31, 2011 were overnight transactions, while the securities sold under repurchase agreements at December 31, 2011 have contractual maturities as follows:

(in thousands)		Amount
2012	$	150,000
2013		50,000
2014		145,000
2015		205,000
2016		20,000
2017		125,000
Total advances	$	695,000

(13) Federal Home Loan Bank Advances

As a member of the FHLB of New York, we are required to acquire and hold shares of capital stock in the FHLB in an amount at least equal to 1% of the aggregate principal amount of our unpaid residential mortgage loans and similar obligations at the beginning of each year, 4.5% of our borrowings from the Federal Home Loan Bank, or 0.3% of assets, whichever is greater. As of December 31, 2011, we were in compliance with this requirement.

The following is a summary of Federal Home Loan Bank ("FHLB") advances at or for the years ended:

	December 31,			
(dollars in thousands)		2011		2010
Year-end balance	$	675,000	$	558,000
Maximum amount outstanding at any month-end	$	675,000	$	558,000
Average outstanding balance	$	347,567	$	273,474
Weighted-average interest rate paid		2.10%		3.55%
Weighted-average interest rate at year-end		0.92%		1.64%

During the years ended December 31, 2011, 2010, and 2009, interest expense recorded on FHLB advances totaled $7.3 million, $9.7 million, and $10.4 million, respectively.

At December 31, 2011, securities with a fair value and carrying value of $1.17 billion were available to meet our collateral requirement of $708.8 million on FHLB advances. At December 31, 2010, securities with a fair value and carrying value of $1.59 billion were available to meet our collateral requirement of $257.3 million on FHLB advances.

FHLB advances at December 31, 2011 have contractual maturities as follows:

(in thousands)		Amount
2012	$	560,000
2013		65,000
2014		15,000
2015		-
2016		10,000
2017		25,000
Total advances	$	675,000

Certain of the long-term FHLB advances are callable by the issuer for redemption prior to their scheduled maturity date. Advances reported in the table above include $95.0 million in advances that are callable in 2012, which have interest rates ranging from 2.85% to 4.59% and a weighted average interest rate of 4.03%.

(14) Other Short-Term Borrowings

The following table summarizes our Federal Reserve Treasury Tax and Loan borrowings at or for the years ended:

	December 31,			
(dollars in thousands)		**2011**		**2010**
Year-end balance	$	-	$	6,200
Maximum amount outstanding at any month-end	$	7,200	$	14,717
Average outstanding balance	$	6,266	$	5,231
Weighted-average interest rate paid		0.00%		0.01%
Weighted-average interest rate at year-end		0.00%		0.00%

(15) Income Taxes

The following table presents the components of income tax expense for the periods indicated:

	Years ended December 31,			
(in thousands)		**2011**	**2010**	**2009**
FEDERAL				
Current expense	$	86,403	62,238	39,043
Deferred income tax benefit		(5,969)	(7,684)	(5,974)
Total	$	80,434	54,554	33,069
STATE AND LOCAL				
Current expense	$	42,428	25,038	11,118
Deferred income tax benefit		(5,163)	(5,405)	(2,486)
Total	$	37,265	19,633	8,632
TOTAL				
Current expense	$	128,831	87,276	50,161
Deferred income tax benefit		(11,132)	(13,089)	(8,460)
Total	$	117,699	74,187	41,701

Management has concluded that a valuation allowance for deferred tax assets is not necessary at December 31, 2011 based on the Bank's historical and anticipated future pre-tax earnings. We will continue to monitor the need for a valuation allowance in future periods. Net deferred tax assets are reflected in other assets in the Consolidated Statements of Financial Condition.

The following table presents the components of our net deferred tax asset as of the dates indicated:

(in thousands)		*December 31,* 2011	2010
DEFERRED TAX ASSETS			
Allowance for loan losses	$	38,034	29,642
Depreciation		1,388	992
Unearned compensation - restricted shares		4,987	1,232
Non-accrual interest		2,617	2,026
Write-down for other-than-temporary impairment of securities		17,393	19,930
Other		2,357	1,943
Total deferred tax assets recognized in earnings		66,776	55,765
Net unrealized losses on securities available-for-sale		-	14,456
Total deferred tax assets		66,776	70,221
DEFERRED TAX LIABILITIES			
Prepaid expenses		241	368
Other		6	-
Total deferred tax liabilities recognized in earnings		247	368
Net unrealized gains on securities available-for-sale		23,542	-
Total deferred tax liabilities		23,789	368
Net deferred tax asset	$	42,987	69,853

In April 2007, the State of New York enacted tax legislation that included, for companies with average assets in excess of $8 billion, a four-year phase out of the tax benefit received on income from REIT subsidiaries. Since our average assets are in excess of $8 billion, the income tax benefit on income from our REIT subsidiary was completely eliminated beginning January 1, 2011. Accordingly, our effective tax rate for the year ended December 31, 2011 increased to 44.0%, compared to 42.1% for the prior year.

The following table presents a reconciliation of statutory federal income tax expense to combined effective income tax expense for the periods indicated:

	Years ended December 31,					
	2011		*2010*		*2009*	
(in thousands)	**Expense (Benefit)**	**Rate**	**Expense (Benefit)**	**Rate**	**Expense (Benefit)**	**Rate**
Statutory federal income tax expense	$ 93,529	35%	61,683	35%	36,546	35%
State and local income taxes, net of federal income tax benefit	24,222	9%	12,761	7%	5,611	6%
Tax exempt income	(443)	*	(731)	*	(674)	(1%)
Other items, net	391	*	474	*	218	*
Effective income tax expense	$ 117,699	44%	74,187	42%	41,701	40%

* - Less than 1%.

We have not recognized any liabilities for unrecognized tax benefits related to uncertain tax positions. Our policy is to recognize interest and penalties on income taxes in income tax expense. We remain subject to examination for income tax returns for the years ending after December 31, 2007.

(16) Equity Incentive Plan

We have an equity incentive plan designed to assist us in attracting, retaining and motivating officers, employees, directors and/or consultants and to provide us and our subsidiaries and affiliates with a stock plan providing incentives directly related to increases in our shareholder value. Activity related to the equity incentive plan for the years ended December 31, 2011 and 2010 is summarized as follows:

	Years ended December 31,	
	2011	**2010**
Shares available for future awards at beginning of the year	1,461,118	1,359,560
Options		
Granted	-	-
Forfeited or expired	-	500
Shares sold to cover minimum tax withholding and/or option price upon exercise	73,301	233,554
Restricted stock		
Granted	(290,849)	(277,663)
Forfeited	3,668	3,838
Shares sold to cover minimum tax withholding upon vesting	-	141,329
Shares available for future awards at end of the year	1,247,238	1,461,118

Stock Options

As of December 31, 2011, all outstanding options were fully vested and exercisable. Accordingly, no additional compensation cost will be expensed for these options. During the years ended December 31, 2011 and 2010, we recognized no compensation expense for stock options. All options granted under the equity incentive plan expire ten years from the date of grant. At the time of grant, all options vested in whole or in part over three years from the date of issuance.

The following table summarizes information regarding the stock option component of the 2004 equity incentive plan for the years ended December 31, 2011 and 2010:

	Years ended December 31,			
	2011		*2010*	
	Shares Underlying Options	**Weighted Average Exercise Price**	**Shares Underlying Options**	**Weighted Average Exercise Price**
Outstanding at beginning of the year	723,750	$ 17.27	1,070,500	$ 16.93
Granted	-	-	-	-
Exercised	(119,350)	15.79	(346,250)	16.22
Forfeited or expired	-	-	(500)	15.50
Outstanding at end of the year	604,400	$ 17.57	723,750	$ 17.27

The total intrinsic values of options exercised during the years ended December 31, 2011 and 2010 were $4.8 million and $8.7 million, respectively, and the cash received from those exercises was $1.9 million and $5.6 million. Available authorized common shares are issued for stock options exercised.

The following is a summary of outstanding and exercisable stock options as of December 31, 2011:

Exercise Price	At December 31, 2011	Weighted Average Remaining Contractual Life
$ 15.50	487,000	2.22 years
24.98	1,750	3.80 years
26.11	108,500	3.22 years
26.87	7,000	3.55 years
28.97	150	3.89 years
	604,400	2.42 years

As of December 31, 2011, the intrinsic value of options outstanding and exercisable was $25.6 million.

Restricted Stock

The following table summarizes information regarding the restricted stock component of the 2004 equity incentive plan for the years ended December 31, 2011 and 2010:

	Years ended December 31,			
	2011		*2010*	
	Shares	**Weighted Average Grant Price**	**Shares**	**Weighted Average Grant Price**
Outstanding at beginning of the year	619,300	$ 29.89	727,208	$ 27.22
Granted	290,849	53.98	277,663	38.22
Vested	-	-	(381,733)	30.81
Forfeited	(3,668)	48.11	(3,838)	34.47
Outstanding at end of the year	906,481	$ 37.55	619,300	$ 29.89

As of December 31, 2011, there was $22.8 million of total unrecognized compensation cost related to unvested restricted shares that is expected to be recognized over a weighted-average period of 3.76 years. During the years ended December 31, 2011, 2010, and 2009, we recognized compensation expense of $8.5 million, $9.3 million, and $5.5 million, respectively, for restricted shares. Included in compensation expense for the year ended December 31, 2010 was $1.6 million from the December 13, 2010 accelerated vesting of 214,330 restricted shares originally scheduled to vest on March 22, 2011. No restricted shares vested during the year ended December 31, 2011. The total fair value of restricted shares that vested during the year ended December 31, 2010 was $16.7 million.

(17) Earnings Per Share

The following table shows the computation of basic and diluted earnings per common and common equivalent share for the years ended December 31, 2011, 2010 and 2009:

	Years ended December 31,			
(in thousands, except per share amounts)		**2011**	**2010**	**2009**
Net income available to common shareholders	$	149,526	102,051	50,523
Common and common equivalent shares:				
Weighted average common shares outstanding		43,622	40,923	38,306
Weighted average common equivalent shares		796	635	421
Weighted average common and common equivalent shares		44,418	41,558	38,727
Basic earnings per share	$	3.43	2.49	1.32
Diluted earnings per share	$	3.37	2.46	1.30

For the year ended December 31, 2009, outstanding options and warrants to purchase approximately 597,000 shares of the Bank's common stock at a weighted average price of $30.21 were excluded from the computation of diluted earnings per share because the exercise price exceeded the average market price of the Company's common shares. The outstanding options and warrants were primarily comprised of the 595,829 ten-year warrant issued to the U.S. Treasury with a strike price of $30.21. There were no options or warrants excluded from the computation of diluted earnings per share for the years ended December 31, 2011 and 2010.

(18) Commitments and Contingent Liabilities

In the normal course of business, we have various outstanding commitments and contingent liabilities that are not reflected in the accompanying Consolidated Financial Statements.

(a) Lease Commitments

We have entered into noncancelable operating lease agreements for premises and equipment with expiration dates through the year 2024. Our premises are used principally for private client offices and administrative operations.

Rental expense for our premises for the years ended December 31, 2011, 2010, and 2009 amounted to $13.3 million, $12.1 million and $11.5 million, respectively.

The required minimum rental payments under the terms of the noncancelable leases at December 31, 2011 are summarized as follows:

(in thousands)		**December 31, 2011**
2012	$	12,825
2013		13,164
2014		12,889
2015		11,542
2016		8,507
Thereafter		22,210
Total	$	81,137

(b) Information Technology Services Contract

On September 9, 2005, we entered into a Master Agreement for the Provision of Hardware, Software and/or Services (the "Agreement") with Fidelity Information Services, Inc. ("Fidelity"). Under the terms of the agreement, Fidelity provides us with hardware, software and account processing services related to our core banking applications. Particularly, Fidelity is providing us with enterprise banking services, core data processing services and managed operations services. Additionally, Fidelity also provides us with implementation and training services for the software and hardware provided under the Agreement.

We began making monthly payments on July 1, 2006, and during the years ended December 31, 2011, 2010, and 2009, we incurred contractual costs of $3.5 million, $3.4 million, and $3.2 million, respectively. During 2010, the original 84 month contractual term was extended by 38 months, and the Agreement now terminates in August 2016. We have the right to terminate the Agreement upon a change of control of us, or a failure by Fidelity to meet the terms of the Agreement, subject to certain penalties.

The required payments under the terms of the Agreement at December 31, 2011 are as follows:

(in thousands)	**December 31, 2011**
2012	$ 3,656
2013	3,804
2014	3,959
2015	4,121
2016	2,860
Thereafter	-
Total	$ 18,400

(c) Financial Instruments with Off-Balance Sheet Risks

In the normal course of business, we have various outstanding commitments and contingent liabilities that are not reflected in the accompanying Consolidated Financial Statements.

We enter into transactions that involve financial instruments with off-balance sheet risks in the ordinary course of business to meet the financing needs of our clients. Such financial instruments include commitments to extend credit, standby letters of credit, and unused balances under confirmed letters of credit, all of which are primarily variable rate. Such instruments involve, to varying degrees, elements of credit and interest rate risk.

Our exposure to credit loss in the event of nonperformance by the other party with regard to financial instruments is represented by the contractual notional amount of those instruments. Financial instrument transactions are subject to our normal credit policies and approvals, financial controls and risk limiting and monitoring procedures. We generally require collateral or other security to support financial instruments with credit risk.

A summary of our commitments and contingent liabilities is as follows:

	December 31,	
(in thousands)	**2011**	**2010**
Unused commitments to extend credit	$ 436,006	512,410
Financial standby letters of credit	220,667	199,846
Commercial and similar letters of credit	15,036	11,663
Other	942	770
Total	$ 672,651	724,689

Commitments to extend credit consist of agreements having fixed expiration or other termination clauses and may require payment of a fee. Total commitment amounts may not necessarily represent future cash requirements. We evaluate each client's creditworthiness on a case-by-case basis. Upon the extension of credit, we will obtain collateral, if necessary, based on our credit evaluation of the counterparty. Collateral held varies but may include deposits held in financial institutions, commercial properties, residential properties, accounts receivable, property, plant and equipment and inventory. At December 31, 2011, our reserve for losses on unused commitments to extend credit amounted to $596,000 and is included in accrued expenses and other liabilities in our Consolidated Statements of Financial Condition.

We recognize a liability at the inception of the guarantee that is equivalent to the fee received from the guarantor. This liability is amortized to income over the term of the guarantee on a straight-line basis. At December 31, 2011 and December 31, 2010, we had deferred revenue for commitment fees paid for the issuance of standby letters of credit in the amounts of $742,000 and $678,000, respectively.

Standby letters of credit are conditional commitments issued by us to guarantee the performance of our clients' obligations to third parties. Standby letters of credit are primarily used to support clients' business trade transactions and may require payment of a fee. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to clients. We had reserves for credit losses on standby letters of credit totaling $444,000 and $471,000 at December 31, 2011 and 2010, respectively. During the years ended December 31, 2011 and 2010, there were no charge-offs recorded on standby letters of credit and provisions for losses totaling $(26,000) and $146,000, respectively, were reported in other general and administrative expenses in our Consolidated Statements of Operations.

At December 31, 2011 and 2010, we had commitments to sell residential mortgage loans and SBA loans of $8.9 million and $4.1 million, respectively. Related fair values were insignificant at December 31, 2010 and 2009.

(d) Litigation

In the normal course of business, the Bank has been named as a defendant in various legal actions. In the opinion of management, after reviewing such claims with legal counsel, resolution of these matters will not have a material adverse impact on our financial condition, results of operations or liquidity.

(19) Regulatory Matters

We are subject to various regulatory capital requirements administered by state and Federal regulatory agencies. Failure to meet minimum capital requirements can initiate certain mandatory—and possible additional discretionary—actions by regulators that, if undertaken, could have a direct material adverse effect on our financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, we must meet specific capital guidelines that involve quantitative measures of our assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. Our capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

In addition, we are subject to the provisions of the Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA") which imposes a number of mandatory supervisory measures. Among other matters, FDICIA established five capital categories ranging from "well capitalized" to "critically undercapitalized." Such classifications are used by regulatory agencies to determine a bank's deposit insurance premium, approval of applications authorizing institutions to increase their asset size or otherwise expand business activities or acquire other institutions. Under the provisions of FDICIA, a "well capitalized" bank must maintain minimum leverage, Tier 1 and Total Capital ratios of 5%, 6% and 10%, respectively.

Quantitative measures established by regulation to ensure capital adequacy require us to maintain minimum amounts and ratios of total and Tier I capital to risk-weighted assets (as defined), and of Tier I capital (as defined) to average assets (as defined). As of December 31, 2011 and 2010, we met all capital adequacy requirements to which we were subject.

The most recent notification from the Federal Deposit Insurance Corporation categorized us as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, we must maintain minimum total risk-based, Tier I risk-based, and Tier I leverage ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed the Bank's category.

Our actual capital amounts and ratios are presented in the table below.

	Actual		*Required for Capital Adequacy Purposes*		*Required to be Well Capitalized*	
(dollars in thousands)	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
As of December 31, 2011:						
Total capital (to risk-weighted assets)	$ 1,465,422	18.17%	645,350	8.00%	806,688	10.00%
Tier 1 capital (to risk-weighted assets)	1,378,219	17.08%	322,675	4.00%	484,013	6.00%
Tier 1 leverage capital (to average assets)	1,378,219	9.67%	570,201	4.00%	712,752	5.00%
As of December 31, 2010:						
Total capital (to risk-weighted assets)	$ 1,030,517	15.21%	541,981	8.00%	677,476	10.00%
Tier 1 capital (to risk-weighted assets)	962,650	14.21%	270,991	4.00%	406,486	6.00%
Tier 1 leverage capital (to average assets)	962,650	8.62%	446,782	4.00%	558,477	5.00%

A depository institution, under federal law, is prohibited from paying a dividend if such dividend would cause the depository institution to be "undercapitalized" as determined by federal bank regulatory agencies. The relevant federal regulatory agencies and the state regulatory agency, the New York State Department of Financial Services, also have the authority to prohibit a bank from engaging in what, in the opinion of such regulatory body, constitutes an unsafe or unsound practice in conducting its business. We would require the approval of the Superintendent of the New York State Department of Financial Services if the dividends we declared in any calendar year were to exceed net profit for that year combined with retained net profits of the preceding two calendar years, less any required transfer to paid-in capital. The term "net profit" is defined as the remainder of all earnings from current operations plus actual recoveries on loan and investment and other assets, after deducting from the total thereof all current operating expenses, actual losses, if any, and all federal and local taxes. The payment of dividends could, depending upon our financial condition, be deemed to constitute such an unsafe or unsound practice.

(20) Issuances of Preferred Stock and Warrant

On December 12, 2008, we completed the issuance of 120,000 shares senior preferred stock (with an aggregate liquidation preference of $120.0 million) and a warrant to purchase 595,829 common shares to the U.S. Treasury through the Troubled Asset Relief Program Capital Purchase Program (the "TARP Offering"). We began to use the proceeds from the TARP Offering to fund our continued loan growth, and we believe our active lending to credit-worthy borrowers during our participation in the program supported the U.S. Treasury's stated goal of increasing the flow of credit to both consumers and businesses.

On February 17, 2009, the American Recovery and Reinvestment Act of 2009 (the "Recovery Act") was enacted. The Recovery Act included limitations and other provisions that have affected the manner in which participants in the TARP Capital Purchase Program conduct their business. In light of the restrictions of the Recovery Act, on March 31, 2009, we repurchased the preferred stock we issued to the U.S. Treasury for $120.0 million (the aggregate liquidation preference of such preferred stock) plus accrued and unpaid dividends of $767,000. We believe exiting the program was in our best interest, and we remain significantly above "well capitalized" as defined for regulatory purposes. On March 12, 2010, the U.S. Treasury sold the ten-year warrant to purchase up to 595,829 shares of our common stock that was issued in connection with the TARP Offering. We did not repurchase any portion of the warrant auctioned by the U.S. Treasury.

The following table provides reconciliations of net interest income, non-interest income, non-interest expense, net income, and total assets for reportable segments to the Consolidated Financial Statement totals:

(in thousands)		**2011**	**2010**	**2009**
Net interest income:				
Bank	$	459,721	344,841	

(22) Accumulated Other Comprehensive Income (Loss)

The following table presents changes in the accumulated other comprehensive income (loss) for the periods indicated:

	At or for the years ended December 31,		
(in thousands)	**2011**	**2010**	**2009**
Accumulated other comprehensive income (loss) at beginning of the year, net of tax	$ (18,412)	(36,652)	(62,696)
Cumulative effect of change in accounting for securities impairment	-	-	(8,133)
Tax effect	-	-	3,594
Net of tax	-	-	(4,539)
Net change in unrealized gains and losses on securities	108,770	68,188	84,680
Tax effect	(48,013)	(29,990)	(37,527)
Net of tax	60,757	38,198	47,153
Reclassification adjustment for net gains on sales of securities included in net income	(14,387)	(25,367)	(8,683)
Tax effect	6,351	11,157	3,848
Net of tax	(8,036)	(14,210)	(4,835)
Other-than-temporary losses on securities related to noncredit factors	(10,183)	(24,437)	(22,397)
Tax effect	4,496	10,748	9,926
Net of tax	(5,687)	(13,689)	(12,471)
Reclassification adjustment for other-than-temporary losses on securities related to credit factors included in net income	2,089	14,176	1,322
Tax effect	(922)	(6,235)	(586)
Net of tax	1,167	7,941	736
Accumulated other comprehensive income (loss) at end of the year, net of tax	$ 29,789	(18,412)	(36,652)

(23) Quarterly Data (unaudited)

(dollars in thousands, except per share amounts)		March 31	June 30	September 30	December 31
2011 QUARTER					
Interest income	$	133,068	143,834	148,819	154,795
Interest expense		29,396	30,846	30,959	29,528
Net interest income		103,672	112,988	117,860	125,267
Provision for loan losses		12,322	12,851	12,122	14,581
Net interest income after provision for loan losses		91,350	100,137	105,738	110,686
Non-interest income		15,067	10,248	8,821	7,902
Other-than-temporary impairment losses on securities		(726)	(806)	(216)	(341)
Non-interest income excluding other-than-temporary impairment losses on securities		15,793	11,054	9,037	8,243
Non-interest expense		44,669	45,220	45,704	47,131
Income before taxes		61,748	65,165	68,855	71,457
Income tax expense		27,164	28,548	30,505	31,482
Net income	$	34,584	36,617	38,350	39,975
Basic earnings per common share	$	0.84	0.89	0.84	0.87
Diluted earnings per common share	$	0.82	0.87	0.83	0.85
2010 QUARTER					
Interest income	$	108,780	112,477	120,131	125,142
Interest expense		30,023	31,387	31,026	29,236
Net interest income		78,757.00	81,090	89,105	95,906
Provision for loan losses		11,233	11,128	10,433	13,578
Net interest income after provision for loan losses		67,524.00	69,962	78,672	82,328
Non-interest income		11,127.00	10,259	11,257	10,005
Other-than-temporary impairment losses on securities		(9,505)	(1,919)	(2,093)	(659)
Non-interest income excluding other-than-temporary impairment losses on securities		20,632	12,178	13,350	10,664
Non-interest expense		39,744.00	41,715	42,463	40,974
Income before taxes		38,907.00	38,506	47,466	51,359
Income tax expense		16,813.00	16,237	20,104	21,033
Net income	$	22,094	22,269	27,362	30,326
Basic earnings per common share	$	0.54	0.54	0.67	0.74
Diluted earnings per common share	$	0.54	0.54	0.66	0.72

(This page has been left blank intentionally.)

Exhibit Index

Exhibit No.	Exhibit
3.1	Restated Organization Certificate. (Incorporated by reference to Signature Bank's Quarterly Report on Form 10-Q for the period ended June 30, 2005.)
3.2	Certificate of Amendment, dated December 5, 2008, to the Bank's Restated Organization Certificate with respect to Signature Bank's Fixed Rate Non-Cumulative Perpetual Preferred Stock, Series A, par value $0.01 per share. (Incorporated by reference to Signature Bank's Current Report on Form 8-K filed on December 17, 2008.)
3.3	Amended and Restated By-laws of the Registrant. (Incorporated by reference to Signature Bank's Current Report on Form 8-K filed on October 17, 2007.)
4.1	Specimen Common Stock Certificate. (Incorporated by reference to Signature Bank's Registration Statement on Form 10 or amendments thereto, filed with the Federal Deposit Insurance Corporation on March 17, 2004.)
4.2	Specimen Warrant (Incorporated herein by reference to Exhibit 4.2 of the Bank's Form 8-A filed on March 10, 2010.)
10.1	Signature Bank Amended and Restated 2004 Long-Term Incentive Plan. (Incorporated by reference from Appendix A to the 2008 Definitive Proxy Statement on Schedule 14A, filed with the Federal Deposit Insurance Corporation on March 19, 2008.)
10.2	Amended and Restated Signature Bank Change of Control Plan. (Incorporated by reference to Signature Bank's Current Report on Form 8-K, filed with the Federal Deposit Insurance Corporation on September 19, 2007.)
10.3	Outsourcing Agreement, dated January 1, 2004, by and between Bank Hapoalim, Signature Bank and Signature Securities. (Incorporated by reference to Signature Bank's Registration Statement on Form 10 or amendments thereto, filed with the Federal Deposit Insurance Corporation on March 17, 2004.)
10.4	Networking Agreement, effective as of April 18, 2001, between Signature Securities and Signature Bank. (Incorporated by reference to Signature Bank's Registration Statement on Form 10 or amendments thereto, filed with the Federal Deposit Insurance Corporation on March 17, 2004.)
10.5	Signature Securities Group Corporation Customer Agreement, effective as of May 31, 2003, between Bank Hapoalim and Signature Securities. (Incorporated by reference to Signature Bank's Registration Statement on Form 10 or amendments thereto, filed with the Federal Deposit Insurance Corporation on March 17, 2004.)
10.6	Signature Securities Group Corporation Customer Agreement, dated April 25, 2003, between Bank Hapoalim and Signature Securities. (Incorporated by reference to Signature Bank's Registration Statement on Form 10 or amendments thereto, filed with the Federal Deposit Insurance Corporation on March 17, 2004.)
10.7	Brokerage and Consulting Agreement, dated August 6, 2001, by and between Signature Bank and Signature Securities. (Incorporated by reference to Signature Bank's Registration Statement on Form 10 or amendments thereto, filed with the Federal Deposit Insurance Corporation on March 17, 2004.)
10.10	Lease for 1225 Franklin Avenue, dated April 5, 2002, between Franklin Avenue Plaza LLC and Signature Bank. (Incorporated by reference to Signature Bank's Registration Statement on Form 10 or amendments thereto, filed with the Federal Deposit Insurance Corporation on March 17, 2004.)
10.11	Sublease for 1177 Avenue of the Americas, dated as of April 4, 2001, by and between Bank Hapoalim and Signature Bank. (Incorporated by reference to Signature Bank's Registration Statement on Form 10 or amendments thereto, filed with the Federal Deposit Insurance Corporation on March 17, 2004.)

Exhibit No.	Exhibit
10.13	Employment Agreement, dated March 22, 2004, between Signature Bank and Joseph J. DePaolo. (Incorporated by reference to Signature Bank's Registration Statement on Form 10 or amendments thereto, filed with the Federal Deposit Insurance Corporation on March 17, 2004.)
10.14	Master Agreement for the provision of Hardware Software and/or Services, dated as of September 9, 2005, between Fidelity Information Services, Inc. and Signature Bank. (Incorporated by reference to Signature Bank's Quarterly Report on Form 10-Q for the period ended September 30, 2005.)
10.15	Warrant Agreement, dated March 10, 2010, between Signature Bank and American Stock Transfer & Trust Company, LLC, as warrant agent (Incorporated herein by reference to Exhibit 4.1 of the Bank's Form 8-A filed on March 10, 2010.)
14.1	Code of Ethics (Incorporated by reference from Signature Bank's 2004 Form 10-K, filed with the Federal Deposit Insurance Corporation on March 16, 2005.)
21.1	Subsidiaries of Signature Bank.
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

EXHIBIT 21.1

SIGNATURE BANK

LIST OF SUBSIDIARIES AS OF FEBRUARY 29, 2012

(all subsidiaries are 100% owned by Signature Bank, except as indicated)

Subsidiary	**State or Jurisdiction Under Which Organized**
Signature Securities Group Corporation	New York
Signature Preferred Capital, Inc. (1)	New York

(1) Signature Bank owns 100% of Signature Preferred Capital, Inc. ("SPC") common shares and 88% of SPC preferred shares issued and outstanding as of February 29, 2012.

EXHIBIT 31.1

CERTIFICATION

I, Joseph J. DePaolo, certify that:

1. I have reviewed this annual report on Form 10-K of Signature Bank for the fiscal year ended December 31, 2011;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the Examining Committee of the registrant's Board of Directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 29, 2012

/s/ JOSEPH J. DEPAOLO

Joseph J. DePaolo
President, Chief Executive Officer and Director

EXHIBIT 31.2

CERTIFICATION

I, Eric R. Howell, certify that:

1. I have reviewed this annual report on Form 10-K of Signature Bank for the fiscal year ended December 31, 2011;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the Examining Committee of the registrant's Board of Directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 29, 2012

/s/ ERIC R. HOWELL

Eric R. Howell
Executive Vice President and Chief Financial Officer

EXHIBIT 32.1

Certification
Pursuant to 18 U.S.C. Section 1350
As Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of Signature Bank, a New York bank (the "Company"), does hereby certify, to the best of such officer's knowledge, that:

The Annual Report on Form 10-K for the year ended December 31, 2011 (the "Form 10-K") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 29, 2012

/s/ JOSEPH J. DEPAOLO
Joseph J. DePaolo
President, Chief Executive Officer and Director

Dated: February 29, 2012

/s/ ERIC R. HOWELL
Eric R. Howell
Executive Vice President and Chief Financial Officer

The foregoing certification is being furnished solely pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code) and is not being filed as part of the Form 10-K or as a separate disclosure document.

(This page has been left blank intentionally.)

Corporate Information

Board of Directors

Scott A. Shay
Chairman of the Board
Signature Bank

Kathryn A. Byrne, CPA
Partner
WeiserMazars LLP

Alfonse M. D'Amato
Managing Director
Park Strategies, LLC
Former U.S. Senator

Alfred B. DelBello
Partner
DelBello Donnellan Weingarten
Wise & Wiederkehr, LLP
Former New York State
Lieutenant Governor

Joseph J. DePaolo
President & Chief Executive Officer
Signature Bank

Yacov Levy
Managing Partner
KerenTwo, LLC

Jeffrey W. Meshel
President
Paradigm Capital Corp.

John Tamberlane
Vice Chairman
Signature Bank

Ivanka M. Trump
Executive Vice President,
Development & Acquisitions
The Trump Organization
President, Ivanka Trump Collection

Senior Management

Scott A. Shay
Chairman of the Board of Directors

Joseph J. DePaolo
President & Chief Executive Officer

John Tamberlane
Vice Chairman

Mark T. Sigona
Executive Vice President &
Chief Operating Officer

Michael J. Merlo
Executive Vice President &
Chief Credit Officer

Eric R. Howell
Executive Vice President &
Chief Financial Officer

Peter S. Quinlan
Executive Vice President & Treasurer

Michael Sharkey
Senior Vice President &
Chief Technology Officer

Advisory Board

Stanley Kreitman
Director, Medallion Financial Corp.
Director, KSW Corp.
Chairman of the Board,
CCA Industries, Inc.
Trustee,
North Shore LIJ Health System, Inc.

Lewis S. Ranieri
Founder & Managing Partner
Hyperion Partners & Ranieri Partners

John P. Sullivan
Managing Director
CapGen Financial

Locations

Manhattan
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
2 Penn Plaza
111 Broadway
(Accommodation Office)

Brooklyn
26 Court Street
84 Broadway
6321 New Utrecht Avenue

Queens
36-36 33rd Street, Long Island City
78-27 37th Avenue, Jackson Heights
8936 Sutphin Boulevard, Jamaica

Bronx
421 Hunts Point Avenue

Staten Island
2066 Hylan Boulevard

Westchester
1C Quaker Ridge Road, New Rochelle
360 Hamilton Avenue, White Plains

Long Island
1225 Franklin Avenue, Garden City
279 Sunrise Highway, Rockville Centre
68 South Service Road, Melville
923 Broadway, Woodmere
40 Cuttermill Road, Great Neck
100 Jericho Quadrangle, Jericho

Signature Securities Group
Institutional Trading
(Services limited to institutional clients)
9 Greenway Plaza, Houston, TX 77046

Stockholder Information

Signature Bank
565 Fifth Avenue
New York, NY 10017
646-822-1500
866-SIG-LINE (866-744-5463)
www.signatureny.com

Counsel
Paul, Weiss, Rifkind, Wharton & Garrison LLP
1285 Avenue of the Americas
New York, NY 10019
212-373-3000

Independent Auditors
KPMG LLP
345 Park Avenue
New York, NY 10154-0102
212-758-9700

Stock Transfer Agent & Registrar
American Stock Transfer
59 Maiden Lane
New York, NY 10038
212-936-5100

Stock Trading Information
The Bank's common stock is traded on the NASDAQ National Market under the symbol SBNY.

Annual Meeting
The annual meeting of stockholders will be held on Wednesday, April 25, 2012, 9:30 AM at:

The Roosevelt Hotel
45 East 45th Street
New York, NY 10017
212-661-9600

Form 10-K
A copy of Signature Bank's Annual Report on Form 10-K filed with the FDIC is available without charge by download from www.signatureny.com, or by written request to:

Signature Bank
Attention: Investor Relations
565 Fifth Avenue
New York, NY 10017

Certain statements in this Annual Report that are not historical facts constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 (the "Reform Act"). Such forward-looking statements are based on the Bank's current expectations, speak only as of the date on which they are made and are susceptible to a number of risks, uncertainties and other factors. The Bank's actual results, performance and achievements may differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. For those statements, the Bank claims the protection of the safe harbor for forward-looking statements contained in the Reform Act. See "Private Securities Litigation Reform Act Safe Harbor Statement" and "Part I, Item 1A. Business–Risk Factors," appearing in the Bank's Annual Report on Form 10-K for the fiscal year ended December 31, 2011, included herein.

SIGNATURE BANK

565 Fifth Avenue

New York, NY 10017

866-SIG-LINE (866-744-5463)

www.signatureny.com