SIGNATURE BANK

2012 ANNUAL REPORT

COMPANY PROFILE

Signature Bank, member FDIC, is a full-service commercial bank with 26 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.

In addition, Signature Bank's wholly owned specialty finance subsidiary, Signature Financial, LLC, provides equipment finance and leasing as well as taxi medallion and transportation financing.

FINANCIAL HIGHLIGHTS

(in thousands)

	2008	2009	2010	2011	2012
Total assets	$ 7,192,199	9,146,112	11,673,089	14,666,120	**17,456,057**
Total loans	3,470,542	4,376,098	5,244,664	6,850,726	**9,771,770**
Total deposits	5,387,886	7,222,546	9,441,227	11,754,138	**14,082,652**
Shareholders' equity	698,135	803,659	944,547	1,408,116	**1,650,327**
Net interest income after provision for loan losses	168,383	219,680	298,486	407,911	**508,379**
Non-interest income	27,645	34,632	42,648	42,038	**36,239**
Non-interest expense	123,820	149,885	164,896	182,724	**218,243**
Income before income taxes	72,208	104,427	176,238	267,225	**326,375**
Net income available to common shareholders	$ 42,969	50,523	102,051	149,526	**185,483**

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

TO OUR SHAREHOLDERS

Signature Bank is the largest U.S. bank (and the only one in the top 100) to have registered five years of consecutive net income growth. The work and dedication of our colleagues led us to this remarkable achievement despite tumultuous financial conditions.

During 2012, the Bank once again set numerous records, including annual deposit and loan growth. Additionally, we continued to transform our balance sheet by focusing on core deposits, substantially increasing the loan portfolio and reducing securities as a percentage of our balance sheet.

Signature Bank delivered a solid year of prudent loan production across all our key lending areas, comprised of commercial real estate including multi-family loans (CRE), specialty finance, and commercial and industrial (C&I) loans.

The Bank's CRE business continued to distinguish itself in the marketplace throughout the year. Our team of veteran real estate banking professionals provided best-in-class service and expanded their lending activities, contributing to our record loan growth. Our new specialty finance unit, Signature Financial, which launched in early 2012, hit the ground running and in just three quarters grew more than $750 million in loans. The Bank's C&I lending also increased considerably for the first time in several years.

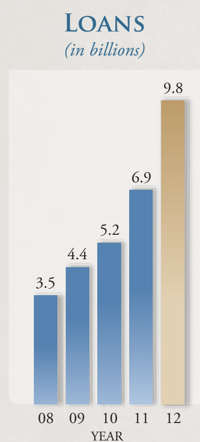
All these initiatives contributed to an important year, again based on Signature Bank's ability to execute on our disciplined business model and provide deposit clients a safe haven where they receive unrivaled and highly personalized service.

During 2012, Signature Bank achieved notable milestones, including:

- Reported its fifth consecutive year of record net income;
- Grew deposits a record 20 percent, or $2.33 billion, to $14.08 billion;
- Increased loans to record levels, ending the year at $9.77 billion, up 42.6 percent;
- Shifted the loan-to-asset mix from 46 percent at year-end 2011 to 55 percent, on top of $2.8 billion in balance sheet growth; and,
- Maintained stable and stellar credit quality as evidenced by the ratio of non-accrual loans to total loans of 0.28 percent.

DIVERSIFICATION LEADS TO TRANSFORMATION

The reshaping of our balance sheet through increased lending benefited the Bank in 2012, while somewhat mitigating the effect of the prolonged low-interest rate environment on net interest margin. With the addition of floating-rate C&I loans and shorter-duration specialty finance loans, we ended the year in a more flexible and improved asset liability position.



The transformation of our balance sheet can be attributed to several key factors that culminated during 2012. We continued to grow loans and maintain our high credit quality due to our proven business model of attracting experienced professionals who previously led their franchises at various financial institutions. These banking professionals typically join our institution as groups, which encompass our private client banking teams. They then serve as a single point of contact for meeting all of a client's needs. Our single-point-of-contact approach is among the keys to the Bank's success as the Group Directors who lead their teams do so autonomously and entrepreneurially. This philosophy, upon which our institution was built, has significantly differentiated Signature Bank in the marketplace, making us the bank of choice for many professionals seeking to escape the mega-bank culture and their silos.

To this end, the efforts of the seasoned CRE banking team we appointed in late 2007, that brought decades of expertise and relationships to the Bank, came to bear in 2012. The dedication of these outstanding professionals has fueled loan growth over the past five years, resulting in our $7.4 billion CRE position at the end of 2012.

Our philosophy and approach were the same when we set out to diversify our lending mix. In April 2012, we added a 55-person team to lead our newly formed specialty finance unit, Signature Financial. These colleagues specialize in equipment finance and leasing, transportation financing and taxi medallion financing. Signature Financial quickly contributed to the Bank's loan growth during 2012.

Our C&I lending also advanced, propelled by contributions from our existing teams, along with the hiring of a new team that now heads our newly opened Hauppauge, Long Island, N.Y. private client banking office.

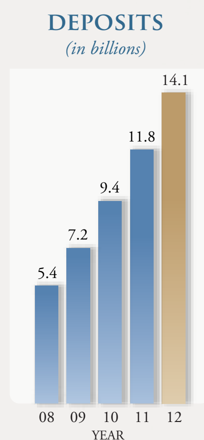
We continue to expand our network and attract appropriate private client banking teams. During 2012, four teams joined the Bank, bringing the total to 80 headed by 109 Group Directors. We now operate from 26 offices throughout the metropolitan New York area and continue to expand our footprint, based on the location of the banking professionals we hire. We only open Signature Bank offices in areas where these teams of professionals have forged key business relationships, affording them a new place to call home amid familiar surroundings and clients.

STRENGTH IN NUMBERS

Since our initial public offering in March 2004, Signature Bank has remained the top-performing U.S. bank, based on stock market performance and total return.

For the year ended December 31, 2012, net income reached a record $185.5 million, or $3.91 diluted earnings per share, an increase of $36 million, or 24 percent, when compared with $149.5 million, or $3.37 diluted earnings per share for 2011. The record net income for the year is mainly due to an increase in net interest income, which was fueled by both record core deposit and loan growth. These factors were partially offset by an increase in non-interest expenses, predominately from the hiring of new teams and the launch of Signature Financial.

DEPOSITS
(in billions)

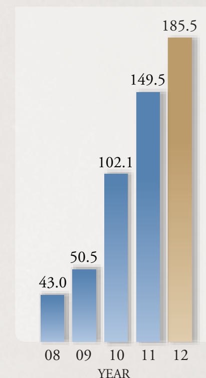


Deposits for 2012 increased a record $2.33 billion, or 19.8 percent, totaling $14.08 billion. Excluding short-term escrow and brokered deposits of $994.8 million at year-end 2012 and $831.8 million at year-end 2011, core deposits grew a record $2.17 billion, or 19.8 percent, for 2012.

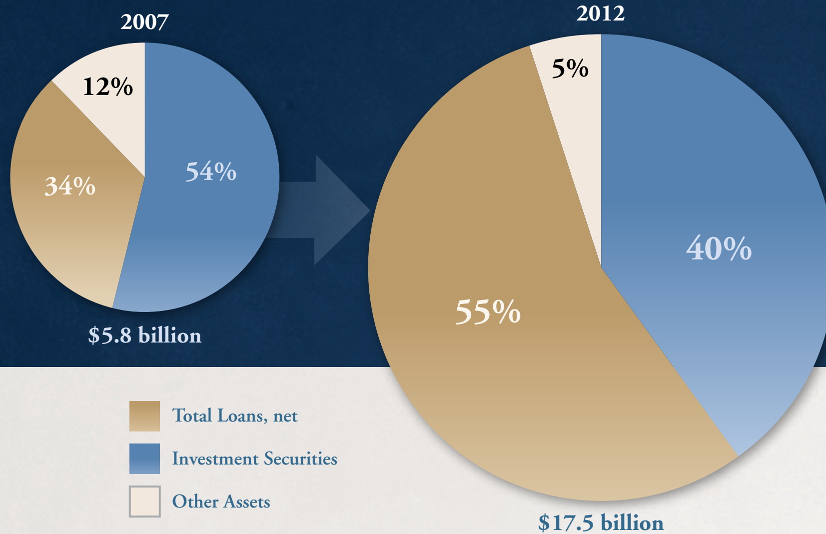
Loans also reached record levels, rising $2.92 billion, or 42.6 percent, for the year. At year end, loans were $9.77 billion versus $6.85 billion at December 31, 2011.

Our capital position is one of the strongest industrywide. At the close of 2012, tier 1 leverage, tier 1 risk-based and total risk-based capital ratios were approximately 9.51 percent, 15.32 percent and 16.35 percent, respectively. Our strong risk-based capital ratios reflect the relatively low risk profile of the Bank's balance sheet. Furthermore, the Bank's tangible common equity ratio remained strong at 9.45 percent.

NET INCOME
(in millions)



Our extraordinary record-setting results are becoming more noticed. In December 2012, *Forbes* ranked Signature Bank third on its annual "Best Banks in America" list. This marked Signature Bank's third consecutive appearance in the top 10 on this prestigious list. In July 2012, Signature Bank ranked fifth on *Bank Director* magazine's "2012 Bank Performance Scorecard" in the category of banks with assets ranging from $5 billion to $50 billion. And lastly, the *ABA Banking Journal's* April 2012 edition named Signature Bank fourth on its list of public banks and thrifts with total assets in excess of $10 billion. We are very proud of the strong financial performance our institution continues to achieve, and it has been rewarding to watch the Bank's position strengthen year-over-year in such prominent third-party rankings.



NEW YORK: THE LAND OF OPPORTUNITY

Since our inception, Signature Bank has made its mark throughout the metro New York area by catering to the increasing number of privately owned businesses found here and offering them unprecedented service and sleep-at-night safety.

As we look around the New York banking landscape, we are humbled by the many solid relationships our colleagues have forged and the business they have generated with commercial clients of varying scope, spanning a broad range of industries. We are proud that our growth is derived from supporting the business endeavors of our clients.

When we reflect on our performance during 2012, we simply cannot forget those affected by the devastation of Superstorm Sandy. It impacted so many in our own backyard, including employees, clients and the communities we serve. Our thoughts and prayers remain with them as they continue to rebuild and revitalize.

Looking ahead, we are committed to capitalizing on the many opportunities the New York area offers. Our constant pursuit to attract talented, established bankers will further enhance our deposit and lending capabilities.

Our growth and success stems from those all around us whose support and dedication have helped shape this institution. We thank all our devoted colleagues for their hard work, which sets Signature Bank apart in a geographic marketplace mostly dominated by too-big-to-fail mega-banks. We also extend gratitude to our clients for their loyalty and to our investors for their ongoing support. Lastly, we thank our Board of Directors for their foresight and guidance. Each of these stakeholders has fundamentally contributed to all that Signature Bank has accomplished in the past 12 years since our inception.

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, 2012

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, 2012 was $2.79 billion.

As of February 27 2012, the Registrant had outstanding 47,259,301 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, 2012

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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 such statements because they are subject to numerous risks and uncertainties relating to our operations and the business environment in which we operate, all of which are difficult to predict and many of which 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 industry experience 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;
- net interest margin;
- 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 and lease 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
- the 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 inability to successfully integrate new business lines into our existing operations;
- 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 mortgage loans underlying our investment portfolio;
- our allowance for loan and lease 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;
- severe weather;
- acts of war or terrorism;
- work stoppages, financial difficulties, fire, earthquakes, flooding or other natural disasters;
- 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 arise 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, and disclaim any obligation to, update or revise any industry information or 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") and Signature Financial, LLC ("Signature Financial").

Introduction

We are a New York-based full-service commercial bank with 26 private client offices located in the New York metropolitan area. The Bank's growing network of private client banking teams serves the needs of privately owned businesses, their owners and senior managers. The Bank operates Signature Financial, a specialty finance subsidiary focused on equipment finance and leasing, transportation financing and taxi medallion financing. The Bank also operates Signature Securities, a registered broker-dealer under the Securities Exchange Act of 1934 and a member of the National Association of Securities Dealers, Inc. ("NASD"). Signature Securities provides our clients with investment, brokerage, asset management and other non-banking financial products and services. Signature Securities delivers these products and services through investment group directors, located in our private client offices, who work directly with our banking group directors. Additionally, through Signature Securities, we also purchase, securitize and sell the guaranteed portions of U.S. Small Business Administration ("SBA") loans.

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.

Since commencing operations in May 2001, we have grown to $17.46 billion in assets, $14.08 billion in deposits, $9.77 billion in loans, $1.65 billion in equity capital and $1.74 billion in other assets under management as of December 31, 2012. We intend to continue our growth and maintain our position as a premier relationship-based financial services organization in the New York metropolitan area, guided by our Chairman and senior management team who have extensive experience developing, managing and growing financial service organizations.

Recent Highlights

Superstorm Sandy

During late October 2012, Superstorm Sandy struck the east coast of the United States causing extensive damage throughout our market area. Although the storm's impact to our infrastructure and the majority of our locations has been minimal, the damage may adversely affect the collateral securing some of our loans and the ability of our borrowers to repay their obligations to the Bank. In addition, the storm's impact could affect the ability of our depositors to maintain their deposits with us. Thus far, we have not experienced a material financial impact from the storm, however, we are continuing our assessment of both the short-term and potential long-term impacts of the storm, which could adversely affect our future financial condition and results of operations.

Signature Financial, LLC

During March 2012, the Bank established a new wholly-owned subsidiary, Signature Financial, a specialty finance company based in Melville, Long Island. Signature Financial is focused on equipment finance and leasing, transportation financing and taxi medallion financing, which, when combined with the Bank's current taxi medallion finance business, enhances our market position in this field.

Core Deposit Growth

From December 31, 2011 through December 31, 2012, our deposits grew $2.33 billion, or 19.8%, to $14.08 billion. Deposits at December 31, 2012 include $108.5 million of brokered deposits and approximately $886.3 million of short-term escrow deposits, which due to their nature and as expected, have been or will be released in early 2013. At year end 2011, deposits included $57.8 million of brokered deposits and approximately $774.0 million of short-term escrow deposits. Core deposits, which exclude brokered deposits and short-term escrow deposits, increased $2.17 billion, or 19.8%, during 2012. 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, as well as additional deposits raised by our existing private client groups. 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 37.2% of our total deposits and time deposits accounting for only 6.7% of our total deposits as of December 31, 2012. Our average cost for total deposits was 0.64% for the year ended December 31, 2012 and 0.58% for the three months ended December 31, 2012.

Short-Term Escrow Deposits

At December 31, 2012 and 2011, approximately $886.3 million and $774.0 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 2012, we added four new private client banking groups and nine new banking group directors to increase our network of seasoned banking professionals. Additionally we hired over 50 professional employees during 2012 in connection with our formation of Signature Financial. Our full-time equivalent number of employees grew from 720 to 844 during 2012.

Private Client Banking Groups and Offices

As of December 31, 2012, we had 80 private client banking groups and 109 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 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.

To facilitate our growth, we opened one additional private client office during 2012 located in Hauppauge, New York. We currently operate 26 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 $200 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 such as Signature.

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. Although we have centralized many of our critical operations, such as finance, information technology, client services, cash

management services, loan administration and human resources, 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, 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, 2001, 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.

Products and Services

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;
- Equipment finance and leasing, transportation financing, and taxi medallion financing;
- 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, 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, 2012, we maintained approximately 84,500 deposit accounts representing $13.97 billion in client deposits, excluding brokered deposits.

The following table presents the composition of our deposit accounts as of December 31, 2012 and 2011:

	December 31,			
	2012		*2011*	
(dollars in thousands)	**Amount**	**Percentage**	**Amount**	**Percentage**
Personal demand deposit accounts (1)	$ 501,577	3.56%	331,268	2.82%
Business demand deposit accounts (1)	3,943,387	28.00%	2,817,168	23.97%
Rent security	90,766	0.64%	75,139	0.64%
Personal NOW	38,478	0.27%	37,094	0.32%
Business NOW	752,843	5.35%	606,036	5.16%
Personal money market accounts	2,747,746	19.52%	2,314,369	19.68%
Business money market accounts	5,061,632	35.94%	4,677,424	39.79%
Personal time deposits	473,442	3.36%	492,060	4.19%
Business time deposits	364,276	2.59%	345,782	2.94%
Brokered time deposits	108,505	0.77%	57,798	0.49%
Total	$ 14,082,652	100.00%	11,754,138	100.00%
Demand deposit accounts (1)	$ 4,444,964	31.56%	3,148,436	26.79%
NOW	791,321	5.62%	643,130	5.48%
Money market accounts	7,900,144	56.10%	7,066,932	60.11%
Time deposits	837,718	5.95%	837,842	7.13%
Brokered time deposits	108,505	0.77%	57,798	0.49%
Total	$ 14,082,652	100.00%	11,754,138	100.00%
Personal	$ 3,761,243	26.71%	3,174,791	27.01%
Business	10,212,904	72.52%	8,521,549	72.50%
Brokered time deposits	108,505	0.77%	57,798	0.49%
Total	$ 14,082,652	100.00%	11,754,138	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, 2012, approximately 52% 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, 2012, funded C&I loans totaled approximately 18% 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, 2012.

	December 31, 2012	
(dollars in thousands)	**Loan Amount**	**Percentage**
Taxi Medallions	$ 419,186	22.53%
Real Estate and Real Estate Management	199,382	10.71%
Transportation Services	181,858	9.77%
Wholesale Trade	122,725	6.60%
Manufacturing	121,615	6.54%
Building and Construction Contractors	84,133	4.52%
Professional Services	72,470	3.89%
Financial Services	64,721	3.48%
Special Trade Contractors	48,989	2.63%
Retail Trade	44,347	2.38%
Health Services	39,223	2.11%
Legal Services	32,791	1.76%
Business Services	27,657	1.49%
Membership Organizations	23,795	1.28%
Recreational Services	17,795	0.96%
Accomodation and Food Services	13,849	0.74%
Audio/Video Services	10,234	0.55%
Other Industries	336,096	18.06%
Total	$ 1,860,866	100.00%

The largest component of our C&I portfolio as of December 31, 2012, consists of loans to finance taxi medallions, which are the licenses required to operate taxicabs. We conduct this business in stable, well-regulated markets, such as New York City, where the supply of these medallions is limited. Accordingly, these loans have historically had strong credit performance. “Other Industries” include a diverse range of industries, including service-oriented firms that provide introductions to new client relationships and private households.

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, 2012, funded real estate loans totaled approximately $7.90 billion, representing approximately 78% of our total funded loans.

The following table shows the distribution of our real estate loans as of December 31, 2012 by collateral type:

	December 31, 2012	
(dollars in thousands)	**Loan Amount**	**Percentage**
Multi-family residential property	$ 4,380,453	55.46%
Commercial property	2,919,708	36.97%
1-4 family residential property	307,158	3.89%
Home equity lines of credit	190,782	2.42%
Construction and land	99,475	1.26%
Total	$ 7,897,576	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 may result in an increase in nonpayment of loans, a decrease in collateral value, and an increase in our allowance for loan and lease losses (“ALLL”).

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, 2012, our commitments under letters of credit totaled approximately $208.3 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, 2012, our consumer loans totaled $10.3 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 25% 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 minimal credit risk and carry a 0% risk weight for capital purposes. At December 31, 2012, we had $369.5 million in SBA loans held for sale, representing approximately 3.7% of our total funded loans, compared to $392.0 million at December 31, 2011.

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, 2012, the carrying amount of our SBA excess servicing strip assets was $72.3 million.

Colson Services Corp. is the third party 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 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 several 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 $1.2 trillion in total deposits, as of June 30, 2012 – 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.

As of December 31, 2012, we operated 26 private client offices located in the New York metropolitan area. These 26 offices housed a total of 80 private client banking groups. As part of the continuing development of our business strategy, we expect to open additional offices in 2013. 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 certain 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. For disaster recovery purposes, full redundancy of the Little Rock technology center is provided through a separate facility located in Jacksonville, Florida.

Employees

As of December 31, 2012, we had 844 full-time equivalent employees, 510 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

The following is a general summary of the material aspects of certain statutes and regulations applicable to Signature Bank and its subsidiaries. These summary descriptions are not complete, and you should refer to the full text of the statutes, regulations, and corresponding guidance for more information. These statutes and regulations are subject to change, and additional statutes, regulations, and corresponding guidance may be adopted. We are unable to predict these future changes or the effects, if any, that these changes could have on the business, revenues, and results of Signature Bank and its subsidiaries.

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, 2012, our total risk-based capital ratio was 16.35%, and our Tier 1 risk-based capital ratio was 15.32%.

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, 2012, our leverage capital ratio was 9.51%.

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 issued by the Basel Committee on Bank Supervision in December 2010 ("Basel III"). The federal banking regulators issued proposed capital adequacy regulations in June 2012 and expect the final rules to be implemented in 2013. The Basel III proposed rules would add a new minimum common equity Tier 1 capital to risk-weighted assets ratio of 4.5%, and increase the minimum Tier 1 capital to risk-weighted assets ratio requirement from 4.0% to 6.0%. The proposed rules would also implement a new capital conservation buffer of at least 2.5%, which would limit payment of capital distributions and certain discretionary bonus payments to executive officers and key risk takers if the Bank does not hold certain amounts of common equity Tier 1 capital in addition to those needed to meet minimum risk-based capital requirements. We are currently reviewing the proposals, and based on our strong capital levels, we believe that Signature Bank would meet all capital adequacy requirements under the proposed rules and we do not expect the new rules, as proposed, will have a material impact on our business. The final implementation of the Basel III-based capital adequacy regulations, however, could force Signature Bank to raise additional capital to meet the new regulatory standards

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, 2012, our total risk-based capital ratio was 16.35%; our Tier 1 risk-based capital ratio was 15.32%; and our leverage capital ratio was 9.51%. 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.

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. 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 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.

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, 2012, $4.44 billion, or 31.6%, 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 is responsible for interpreting and enforcing a broad range of consumer protection laws ("Federal Consumer Financial Laws") that govern 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, the Truth in Savings Act, the Home Mortgage Disclosure Act, the Real Estate Settlement Procedures Act, the Equal Credit Opportunity Act, and the Fair Credit Reporting Act. In 2012, the CFPB created an integrated disclosure in connection with mortgage origination that incorporates disclosure requirements under the Real Estate Settlement Procedures Act and the Truth-in-Lending Act. In accordance with deadlines set by the Dodd-Frank Act, the CFPB has issued final rules in January 2013 related to new mortgage servicing standards, and mortgage lending requirements that establishes a "qualified mortgage" which will fulfill the Dodd-Frank Act requirement that mortgages be provided to borrowers with an ability to repay. These and other CFPB regulations will increase the Bank's compliance expenses, and limit the terms under which the Bank can provide consumer financial products.

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. As an insured depository institution with total assets of more than $10 billion, the Bank is subject to CFPB supervision and examination of compliance with Federal Consumer Financial Laws. 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 examinations, 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.

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, 2010. 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 CFPB is 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. For further discussion on consumer protection and the role of the CFPB, see "- Dodd-Frank Act." 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 Deposit 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. 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 an assessment base of average consolidated total assets minus average tangible equity, 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.

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, as amended by Section 613 of the Dodd-Frank Act, regulates interstate banking activities by establishing a framework for nationwide interstate banking and branching. As amended, this interstate banking and branching authority generally permits a bank in one state to establish a *de novo* branch in another host state if state banks chartered in such host state would also be permitted to establish a branch in that state.

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.

Economic conditions in Europe remain 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.

Volatility in the housing market over the past several years, together with persistent 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. Fragile conditions could lead to a return of 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 several 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 and lease 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.

We may be unable to successfully integrate new business lines into our existing operations.

During 2012, we established Signature Financial, a specialty finance company focused on equipment finance and leasing, transportation financing and taxi medallion financing. Although we have expended substantial managerial, operating and financial resources during 2012 to integrate Signature Financial, we may be unable to successfully continue the integration of Signature Financial, and we may be unable to realize the expected revenue contributions. We will be required to employ and maintain qualified personnel, and as Signature Financial expands into new and existing markets, we may be required to install additional operational and control systems. Our failure to successfully manage the integration into our existing operations may adversely affect our future financial condition and results of operations.

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 or if they remain low relative to the rates 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. Competition with respect to the rates we pay on deposits relative to the rates we obtain on our loans and other investments may put pressure on our profitability. Our clients are also 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 96% of our portfolio of investment securities was rated investment grade as of December 31, 2012, 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 are 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 that we hold. 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) falling home prices, (iii) lack of a liquid market for such obligations, (iv) 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 (v) the expiration of government stimulus initiatives. Home values have declined significantly over the last several 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 several 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 several years, and rating agencies may further downgrade these securities in the future if conditions do not continue to 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 93% of our total loan portfolio as of December 31, 2012 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, 2012, 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 may result in an increase in nonpayment of loans, a decrease in collateral value, and an increase in our ALLL.

In addition, our geographic concentration in the New York metropolitan area heightens our exposure to future terrorist attacks or other disasters, which may adversely affect our business and that of our clients and result in a material decrease in our revenues. Future terrorist attacks or other disasters 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, 2012, approximately 78% 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 and lease 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 the mortgage loans underlying our investment portfolio may increase the risk of credit defaults in the future.

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 ALLL 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 may result in an increase in nonpayment of loans, a decrease in collateral value, and an increase in our ALLL. Although we believe that our ALLL 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 ALLL. These regulatory agencies may require us to increase our provision for loan and lease losses or to recognize further loan charge-offs based upon their judgments, which may be different from ours. An increase in the ALLL 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 $590.0 million at December 31, 2012. 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, 2012, we held $50.0 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 near 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 severe weather as well as acts of war or terrorism and other external events.

Our primary markets are located near coastal waters, which could generate naturally occurring severe weather that could have a significant impact on our business. In addition, New York City remains a central target for potential acts of war or terrorism against the United States and our operations and the operations of our vendors, suppliers and clients may be subject to disruption from a variety of causes, including work stoppages, financial difficulties, fire, earthquakes, flooding or other natural disasters. Such events could have a significant impact on our ability to conduct our business and could affect the ability of our borrowers to repay their loans, 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 and adverse consequences may also result with regard to the disruption in the operations of our vendors, suppliers and clients, which could have a material effect upon our business. 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.

Our business may be adversely impacted by Superstorm Sandy

During late October 2012, Superstorm Sandy made landfall on the east coast of the United States causing extensive damage throughout our market area. Although the storm's impact to our infrastructure and the majority of our locations has been minimal, the damage may adversely affect the collateral securing some of our loans and the ability of our borrowers to repay their obligations to the Bank. In addition, the storm's impact could affect the ability of our depositors to maintain their deposits with us. Thus far, we have not experienced a material financial impact from the storm, however, we are continuing our assessment of both the short-term and potential long-term impacts of the storm, which could have an adverse affect on our business, which, in turn, could have a material adverse effect on our future 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.

We depend upon the accuracy and completeness of information about clients.

In deciding whether to extend credit or enter into other transactions with clients, we may rely on information provided to us by clients, including financial statements and other financial information. We may also rely on representations of clients as to the accuracy and completeness of that information and, with respect to financial statements, on reports of independent auditors. For example, in deciding whether to extend credit to a business, we may assume that the client's audited financial statements conform with generally accepted accounting principles and present fairly, in all material respects, the financial condition, results of operations and cash flows of the customer, and we may also rely on the audit report covering those financial statements. Our financial condition and results of operations could be negatively impacted to the extent we rely on financial statements that do not comply with generally accepted accounting principles or that are materially misleading.

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.

FDIC insurance premiums fluctuate materially, which could negatively affect our profitability.

The FDIC insures deposits at FDIC insured financial institutions, including Signature Bank. The FDIC charges the insured financial institutions premiums to maintain the Deposit Insurance Fund at a certain level. During 2008 and 2009, there were higher levels of bank failures, which dramatically increased resolution costs of the FDIC and depleted the deposit insurance fund. The FDIC collected a special assessment in 2009 to replenish the Deposit Insurance Fund and also required a prepayment of an estimated amount of future deposit insurance premiums.

In accordance with the Dodd-Frank Act, the FDIC adopted new rules that redefined how deposit insurance assessments are calculated. The new rate schedule and other revisions to the assessment rules became effective April 1, 2011, and had the effect of reducing the assessment that we would otherwise pay. 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 changes. However, the FDIC's rules could be subject to future changes, especially if there are additional bank or financial institution failures or the government or FDIC develop new regulatory goals with respect to the banking sector. 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.

It remains difficult to predict the full 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.

The recent repeal of federal prohibitions on the payment of interest on demand deposits could increase our interest expense.

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 beginning on July 21, 2011. As a result, some financial institutions have commenced offering interest on demand deposits to compete for clients. We do not yet know what interest rates other institutions may offer as market interest rates increase. Our interest expense will increase and our net interest margin will decrease if we begin offering interest on demand deposits to attract new customers or maintain current customers, which could have a material adverse effect on our business, financial condition and results of operations.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our principal executive offices are located at 565 Fifth Avenue, New York, New York, 10017, in space leased by the Bank. In addition, we conduct our business at the following locations in facilities that are leased for various terms and rates. Many of the lease contracts include modest annual escalation agreements.

Location	Number of Offices
Private Client Offices	
Manhattan	9
Long Island	7
Queens	3
Brooklyn	3
Westchester	2
Bronx	1
Staten Island	1
Private Client Accomodation Offices	
Manhattan	1
Brooklyn	1
Bank and Brokerage Operations Centers	
Manhattan	2
SBA & Institutional Trading Center	
Houston, TX	1
Signature Financial Sales Offices	
Littleton, CO	1
Milton, GA	1
Norwell, MA	1
Prairie, MN	1
Redmond, WA	1
Seattle, WA	1
Total Locations	37

For additional information on our lease commitments, see Note 18 to our Consolidated Financial Statements.

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. MINE SAFETY DISCLOSURES

None.

PART II

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

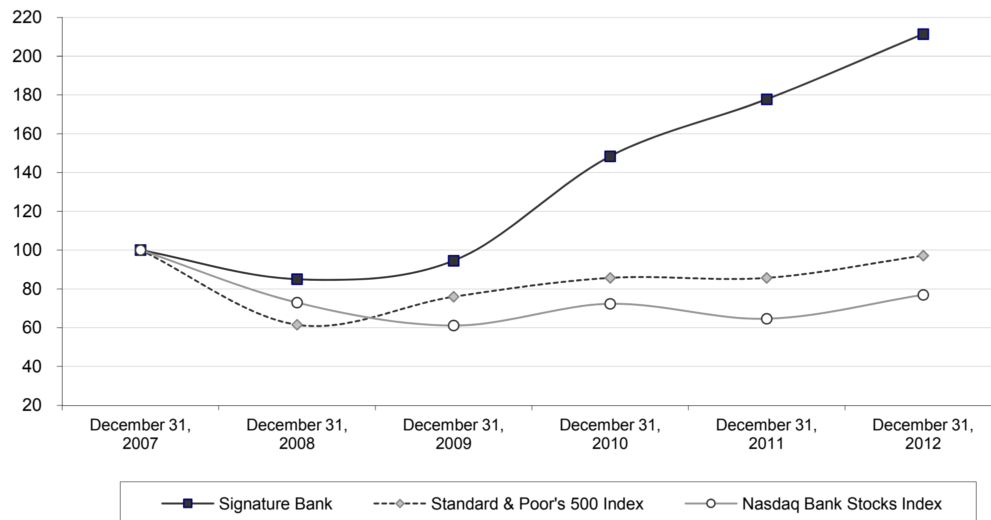
Our common stock is listed on the NASDAQ Global Select Market under the symbol "SBNY." As of December 31, 2012, 47,230,266 shares of our common stock were issued and outstanding. The following table lists, on a quarterly basis, the range of high and low intra-day sale prices per share of our common stock in U.S. dollars:

	Common Stock	
	High	**Low**
2012		
Fourth quarter	$ 72.80	65.57
Third quarter	69.28	57.79
Second quarter	66.90	57.40
First quarter	65.98	56.76
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

On December 31, 2012, the last reported sale price of our common stock was $71.34 and there were 19 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, 2007. The performance of our common stock reflected below is not indicative of our future performance.

	December 31,					
Company Name/Index	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
Signature Bank	$ 100.00	85.01	94.52	148.33	177.75	211.38
Standard & Poor's 500 Index	100.00	61.51	75.94	85.65	85.65	97.13
Nasdaq Bank Stocks Index	100.00	72.91	61.09	72.27	64.59	76.89

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 near 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)	**2012**	**2011**	**2010**	**2009**	**2008**
SELECTED OPERATING DATA					
Interest income	$ 660,556	580,516	466,530	386,135	323,464
Interest expense	110,750	120,729	121,672	123,740	128,193
Net interest income	549,806	459,787	344,858	262,395	195,271
Provision for loan and lease losses	41,427	51,876	46,372	42,715	26,888
Net interest income after provision for loan and lease losses	508,379	407,911	298,486	219,680	168,383
Non-interest income:					
Non-interest income excluding net impairment losses on securities recognized in earnings	39,312	44,127	56,824	35,954	44,188
Net impairment losses on securities recognized in earnings (1)	(3,073)	(2,089)	(14,176)	(1,322)	(16,543)
Total non-interest income	36,239	42,038	42,648	34,632	27,645
Non-interest expense	218,243	182,724	164,896	149,885	123,820
Income before taxes	326,375	267,225	176,238	104,427	72,208
Income tax expense	140,892	117,699	74,187	41,701	28,849
Net income	185,483	149,526	102,051	62,726	43,359
Dividends on preferred stock and related discount accretion	-	-	-	12,203	390
Net income available to common shareholders	$ 185,483	149,526	102,051	50,523	42,969
PER COMMON SHARE DATA					
Earnings per share - basic (2)	$ 3.98	3.43	2.49	1.32	1.37
Earnings per share - diluted (2)	$ 3.91	3.37	2.46	1.30	1.35
BALANCE SHEET DATA					
Total assets	$ 17,456,057	14,666,120	11,673,089	9,146,112	7,192,199
Securities available-for-sale	6,130,356	6,512,855	5,249,286	3,837,583	2,906,059
Securities held-to-maturity	739,835	556,044	447,896	295,984	236,531
Loans held for sale	369,468	392,025	382,463	293,207	217,680
Loans, net of allowance for loan and lease losses	9,664,337	6,764,564	5,177,268	4,320,978	3,433,555
Allowance for loan and lease losses	107,433	86,162	67,396	55,120	36,987
Deposits	14,082,652	11,754,138	9,441,227	7,222,546	5,387,886
Borrowings	1,585,000	1,425,800	1,222,200	1,008,900	1,049,900
Shareholders' equity	1,650,327	1,408,116	944,547	803,659	698,135

(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, 2012, 2011, 2010, and 2009 other-than-temporary impairment losses of $8.5 million, $10.2 million, $24.4 million, and $22.4 million ($4.9 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)	At or for the years ended December 31, 2012	2011	2010	2009	2008
OTHER DATA					
Assets under management	$ 1,741,054	$ 1,674,206	$ 1,856,653	$ 1,911,811	$ 2,716,556
Average interest-earning assets	$ 15,556,626	$ 12,889,784	$ 10,000,270	$ 7,692,249	$ 6,016,680
Full-time employee equivalents	844	720	660	614	553
Private client offices	26	25	24	23	22
SELECTED FINANCIAL RATIOS					
Performance Ratios:					
Return on average assets	1.17%	1.14%	0.99%	0.79%	0.68%
Return on average shareholders' equity	12.13%	12.71%	11.67%	8.35%	7.72%
Return on average common shareholders' equity	12.13%	12.71%	11.67%	7.26%	8.56%
Yield on average interest-earning assets	4.25%	4.50%	4.67%	5.02%	5.38%
Average rate on deposits and borrowings	0.78%	1.01%	1.30%	1.71%	2.20%
Net interest margin	3.53%	3.57%	3.45%	3.41%	3.25%
Efficiency ratio (1)	37.24%	36.41%	42.55%	50.46%	55.55%
Efficiency ratio excluding net impairment losses on securities recognized in earnings (1) (2)	37.05%	36.26%	41.05%	50.24%	51.71%
Efficiency ratio excluding net gains on sales of securities and net impairment losses on securities recognized in earnings (1) (2)	37.48%	37.33%	43.82%	51.74%	53.57%
Asset Quality Ratios:					
Net charge-offs to average loans	0.25%	0.55%	0.73%	0.64%	0.30%
ALLL to total loans	1.10%	1.26%	1.29%	1.26%	1.07%
ALLL to non-accrual loans	395.12%	204.09%	197.45%	118.27%	116.00%
Non-accrual loans to total loans	0.28%	0.62%	0.65%	1.07%	0.92%
Non-performing assets to total assets	0.19%	0.33%	0.34%	0.61%	0.46%
Capital and Liquidity Ratios:					
Tier 1 Leverage Capital Ratio	9.51%	9.67%	8.62%	9.39%	10.61%
Tier 1 Risk-Based Capital Ratio	15.32%	17.08%	14.21%	13.57%	17.00%
Total Risk-Based Capital Ratio	16.35%	18.17%	15.21%	14.47%	17.83%
Average equity to average assets	9.64%	8.94%	8.47%	9.40%	8.81%
Average tangible equity to average assets	9.64%	8.94%	8.47%	9.40%	8.81%
Per common share data:					
Number of weighted average common shares outstanding	46,633	43,622	40,923	38,306	31,390
Book value per common share	$ 34.94	$ 30.49	$ 22.84	$ 19.79	$ 16.71

(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, 2012, 2011, 2010, and 2009 other-than-temporary impairment losses of $8.5 million, $10.2 million, $24.4 million, and $22.4 million ($4.9 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 $17.46 billion in assets, $14.08 billion in deposits, $9.77 billion in loans, $1.65 billion in equity capital and $1.74 billion in other assets under management as of December 31, 2012.

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 our low efficiency ratio of 37.2% for the year ended December 31, 2012.

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 350 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 ALLL in future periods, and the inability to collect on outstanding loans could result in increased loan losses. In addition, the valuation and management's projected cash flows for certain securities in our investment portfolio could be negatively impacted by deteriorating collateral performance and illiquidity or dislocation in marketplaces resulting in significantly depressed market prices thus leading to further impairments.

Allowance for Loan and Lease Losses

We consider our policies related to the ALLL losses as critical to our financial statement presentation. The ALLL is established through a provision for loan and lease losses charged to current earnings. The ALLL 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 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 ALLL 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 95.5% of our total loan portfolio, excluding loans held for sale, as of December 31, 2012. 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 by 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 ALLL 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. Non-rated loans comprise 4.5% of our total loan portfolio, excluding loans held for sale, as of December 31, 2012.

We consider all non-accrual loans to be impaired loans, and the related specific allowances for 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 a provision for 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 ALLL. These regulatory agencies may require us to increase our provision for loan and lease losses or to recognize further loan charge-offs based upon their judgments, which may be different from ours. An increase in the ALLL 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 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. Early adoption is prohibited. We adopted the applicable requirements for ASU 2011-03 on January 1, 2012 with no material impact to 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 adopted the applicable requirements for ASU 2011-04 on January 1, 2012 and have provided the related disclosures as required.

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, with deferral of presenting the reclassification adjustments based on ASU 2011-12, Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05. We adopted these requirements on January 1, 2012 and have provided the related disclosures as required.

Results of Operations

The following is a discussion and analysis of our results of operations for the year ended December 31, 2012 compared to the year ended December 31, 2011 and for the year ended December 31, 2011 compared to the year ended December 31, 2010.

Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

Net Income

Net income for the year ended December 31, 2012 was $185.5 million, or $3.91 diluted earnings per share, compared to $149.5 million, or $3.37 diluted earnings per share, for year ended December 31, 2011.

The return on average shareholders' equity for the year ended December 31, 2012 was 12.1% compared to 12.7% for the year ended December 31, 2011. The return on average assets was 1.17% for the year ended December 31, 2012 compared to 1.14% for the year ended December 31, 2011.

	Years ended December 31,	
(in thousands)	**2012**	**2011**
Interest income	$ 660,556	580,516
Interest expense	110,750	120,729
Net interest income	549,806	459,787
Provision for loan and lease losses	41,427	51,876
Non-interest income:		
Non-interest income excluding net impairment losses on securities recognized in earnings	39,312	44,127
Net impairment losses on securities recognized in earnings	(3,073)	(2,089)
Total non-interest income	36,239	42,038
Non-interest expense	218,243	182,724
Income tax expense	140,892	117,699
Net income	$ 185,483	149,526

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, 2012 and 2011:

	Years ended December 31,					
	2012			*2011*		
(dollars in thousands)	**Average Balance**	**Interest Income/ Expense**	**Average Yield/ Rate**	**Average Balance**	**Interest Income/ Expense**	**Average Yield/ Rate**
INTEREST-EARNING ASSETS						
Short-term investments	$ 100,289	338	0.34%	119,393	355	0.30%
Investment securities	7,114,310	238,873	3.36%	6,455,877	242,994	3.76%
Commercial loans mortgages and leases (1) (2)	7,699,659	402,019	5.22%	5,664,412	316,856	5.59%
Residential mortgages and consumer loans (1) (2)	384,659	15,818	4.11%	388,455	16,539	4.26%
Loans held for sale	257,709	3,508	1.36%	261,647	3,772	1.44%
Total interest-earning assets	15,556,626	660,556	4.25%	12,889,784	580,516	4.50%
Non-interest-earning assets	299,368			273,106		
Total assets	$ 15,855,994			13,162,890		
INTEREST-BEARING LIABILITIES						
Interest-bearing deposits						
NOW and interest-bearing demand	705,604	3,145	0.45%	632,804	3,269	0.52%
Money market	7,874,582	66,696	0.85%	6,611,992	71,557	1.08%
Time deposits	925,267	14,322	1.55%	916,992	16,274	1.77%
Non-interest-bearing demand deposits	3,569,645	-	-	2,702,236	-	-
Total deposits	13,075,098	84,163	0.64%	10,864,024	91,100	0.84%
Borrowings	1,161,784	26,587	2.29%	1,073,430	29,629	2.76%
Total deposits and borrowings	14,236,882	110,750	0.78%	11,937,454	120,729	1.01%
Other non-interest-bearing liabilities and shareholders' equity	1,619,112			1,225,436		
Total liabilities and shareholders' equity	$ 15,855,994			13,162,890		
OTHER DATA						
Net interest income / interest rate spread		549,806	3.47%		459,787	3.49%
Net interest margin			3.53%			3.57%
Ratio of average interest-earning assets to average interest-bearing liabilities			109.27%			107.98%

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

(2) Loan interest income includes net accretion of deferred fees and costs of approximately $4.2million and $4.6 million for the years ended December 31, 2012 and 2011, 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, 2012 vs. 2011		
(in thousands)	**Change Due to Rate**	**Change Due to Volume**	**Total Change**
INTEREST INCOME			
Short-term investments	$ 40	(57)	(17)
Investment securities	(28,904)	24,783	(4,121)
Commercial loans, mortgages and leases	(28,685)	113,848	85,163
Residential mortgages and consumer loans	(559)	(162)	(721)
Loans held for sale	(207)	(57)	(264)
Total interest income	(58,315)	138,355	80,040
INTEREST EXPENSE			
Interest-bearing deposits			
NOW and interest-bearing demand	(500)	376	(124)
Money market	(18,525)	13,664	(4,861)
Time deposits	(2,099)	147	(1,952)
Total	(21,124)	14,187	(6,937)
Borrowings	(5,481)	2,439	(3,042)
Total interest expense	(26,605)	16,626	(9,979)
Net interest income	$ (31,710)	121,729	90,019

Net interest income for the year ended December 31, 2012 was $549.8 million, an increase of $90.0 million, or 19.6%, over the year ended December 31, 2011. The increase in net interest income over the twelve month period was largely driven by increases in average earning assets and average deposits of $2.67 billion and $2.21 billion, respectively. Net interest margin for the year ended December 31, 2012 decreased to 3.53%, compared to 3.57% for the previous year, primarily due to the continued effect of the prolonged low interest rate environment.

Total investment securities averaged $7.11 billion for the year ended December 31, 2012, compared to $6.46 billion for the year ended December 31, 2011. The overall yield on the securities portfolio for the year ended December 31, 2012 was 3.36%, down 40 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 the current 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, 2012, the baseline average duration of our investment securities portfolio was approximately 2.75 years, compared to 3.13 years at December 31, 2011.

Total commercial loans, mortgages and leases averaged $7.70 billion for the year ended December 31, 2012, an increase of $2.04 billion or 35.9% over the year ended December 31, 2011. The average yield on this portfolio decreased 37 basis points to 5.22% when compared to the year ended December 31, 2011. 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 $10.8 million increase in prepayment penalty income, which added 27 basis points to the yield of our commercial loans, mortgages and leases 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 2012, 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 $257.7 million and $261.6 million for the years ended December 31, 2012 and 2011, respectively.

Average total deposits and borrowings grew $2.30 billion, or 19.3%, to $14.24 billion during the year ended December 31, 2012 from $11.94 billion for the year ended December 31, 2011. Overall cost of funding was 0.78% during 2012, decreasing 23 basis points from 1.01% in 2011.

For the year ended December 31, 2012, average non-interest-bearing demand deposits were $3.57 billion as compared to $2.70 billion for the year ended December 31, 2011, an increase of $867.4 million, or 32.1%. Non-interest-bearing demand deposits continue to comprise a significant component of our deposit mix, representing 31.6% of all deposits at December 31, 2012. Additionally, average NOW and interest-bearing checking and money market accounts totaled $8.58 billion for the year ended December 31, 2012, an increase of $1.36 billion, or 18.4%, over the year ended December 31, 2011. 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. As a result of lower short-term interest rates as well as a continued decrease due to easing of competitors, our funding cost for money market accounts and NOW accounts decreased to 0.85% and 0.45%, respectively, for the year ended December 31, 2012 compared to 1.08% and 0.52%, respectively, for the prior year.

Average time deposits, which are relatively short-term in nature, totaled $925.3 million for the year ended December 31, 2012 and carried an average cost of 1.55% in 2012, down 23 basis points from 1.77% in 2011. 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, 2012, average total borrowings were $1.16 billion compared to $1.07 billion for the previous year, an increase of $88.4 million, or 8.2%. The average cost of total borrowings was 2.29% and 2.76% for the years ended December 31, 2012 and 2011, respectively. At December 31, 2012, total borrowings represent approximately 10.1% of all funding compared to 10.8% at December 31, 2011. 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 and Lease Losses

Our ALLL increased $21.2 million to $107.4 million at December 31, 2012 from $86.2 million at December 31, 2011, primarily as a result of our loan growth during 2012. The provision for loan and lease losses was $41.4 million for the year ended December 31, 2012 compared to $51.9 million for the prior year, a decrease of $10.4 million, or 20.1%. The decrease in the provision was primarily driven by a reduction in the level of charge-offs and stabilized levels of non-accrual loans, partially offset by growth in the loan portfolio.

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

	December 31,					
	2012			*2011*		
(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	$ 4,380,453	31,292	0.71%	3,003,428	25,160	0.84%
Commercial property	2,919,708	38,292	1.31%	2,218,053	23,844	1.07%
1-4 family residential property	307,158	4,794	1.56%	259,418	3,096	1.19%
Home equity lines of credit	190,782	1,099	0.58%	198,375	818	0.41%
Construction and land	99,475	1,127	1.13%	63,775	4,836	7.58%
Other loans:						
Commercial and industrial loans	1,860,866	30,176	1.62%	1,098,805	27,622	2.51%
Consumer loans	10,291	653	6.35%	11,837	786	6.64%
Total	$ 9,768,733	107,433	1.10%	6,853,691	86,162	1.26%

In determining the ALLL, 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 by real estate) constitute a significant 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 may result in an increase in nonpayment of loans, a decrease in collateral value, and an increase in our ALLL. In addition, during late October 2012, Superstorm Sandy struck the east coast of the United States causing extensive damage throughout our market area, which may adversely affect the collateral securing some of our loans and the ability of our borrowers to repay their obligations to the Bank. Thus far, we have not experienced a material financial impact from the storm, however, we are continuing our assessment of both the short-term and potential long-term impacts of the storm, which could adversely affect our future financial condition and results of operations.

For additional information about the provision and ALLL, see the related discussions of asset quality later in this report.

Non-Interest Income

For the year ended December 31, 2012, non-interest income was $36.2 million, a decrease of $5.8 million, or 13.8%, when compared with 2011. The decrease in non-interest income was driven by an increase in net other-than-temporary impairment losses on securities recognized through earnings and reductions in the amounts of net gains on sales of securities and other income, which were partially offset by an increase in net gains on sales of loans.

During 2012, we recognized through earnings net other-than-temporary impairment losses on securities totaling $3.1 million, compared to $2.1 million during the prior year. During 2012, 11 securities were determined to be other-than-temporarily impaired, including ten private collateralized mortgage obligations and one collateralized debt obligation. 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. For further discussion of our other-than-temporary impairment losses, see Note 4 to our Consolidated Financial Statements.

Net gains on sales of securities totaled $6.9 million for the year ended December 31, 2012, a decrease of $7.5 million when compared to the prior year. The decrease in net gains on sales of securities was driven by a $5.3 million gain on sale of SBA interest-only securities reported in the first quarter of 2011.

Other income totaled $(1.3 million) for the year ended December 31, 2012, a decrease of $2.6 million when compared to the prior year. The decrease was due to a scheduled amortization of low income housing tax credit investments totaling $3.1 million recorded during 2012, the offset to which was related to low income housing tax credits that helped to reduce our effective tax rate.

During the year ended December 31, 2012, net gains on sales of loans totaled $9.3 million, compared to $4.1 million recorded during the prior year. The increase in net gains on sales of loans was primarily due to an increase in client demand for SBA loan and pool products.

Non-Interest Expense

Non-interest expense increased $35.5 million, or 19.4%, to $218.2 million for the year ended December 31, 2012 from $182.7 million for the year ended December 31, 2011. This increase was primarily driven by a $32.2 million increase in salaries and benefits mostly attributable to the addition of four private client banking teams and the hiring of employees for our newly-formed subsidiary, Signature Financial. The increase also reflects a $991,000 increase in occupancy and equipment expenses, resulting from the expansion of existing offices, along with a $2.4 million increase in other general and administrative expenses, reflecting increased expenses due to additional client activity.

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).

As of December 31, 2012, there was $28.3 million of total unrecognized compensation cost related to unvested restricted shares that is expected to be recognized over a weighted-average period of 3.99 years. During the years ended December 31, 2012 and 2011, we recognized compensation expense of $17.6 million and $8.5 million, respectively, for restricted shares. Included in compensation expense for the year ended December 31, 2012 was $3.2 million from the December 10, 2012 accelerated vesting of 276,016 restricted shares originally scheduled to vest on March 22, 2013. The total fair value of restricted shares that vested during the year ended December 31, 2012 was $34.1 million. No restricted shares vested during the year ended December 31, 2011.

Income Taxes

We recognized income tax expenses for the years ended December 31, 2012 and 2011 of $140.9 million and $117.7 million, respectively. The components of income tax expense for the years ended December 31, 2012 and 2011 are reflected in the following table:

	Years ended December 31,	
(in thousands)	**2012**	**2011**
Current expense	$ 149,949	128,831
Deferred income tax benefit	(9,057)	(11,132)
Total income tax expense	$ 140,892	117,699

The increase in current income tax expense was primarily driven by an increase in our pre-tax income, which was partially offset by benefits from low income housing tax credits recognized during the twelve months ended December 31, 2012, totaling $4.8 million. Accordingly, our effective tax rate for the year ended December 31, 2012 decreased to 43.2%, compared to 44.0% for the prior year as a result of the low income housing tax credits recognized.

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 and lease losses	51,876	46,372
Non-interest income:		
Non-interest income excluding net impairment losses on securities recognized in earnings	44,127	56,824
Net impairment losses on 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)	**Balance**	**Income/**	**Yield/**	**Balance**	**Income/**	**Yield/**
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 mortgages and leases (1) (2)	5,664,412	316,856	5.59%	4,310,822	246,810	5.73%
Residential mortgages and consumer loans (1) (2)	388,455	16,539	4.26%	385,594	18,088	4.69%
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, mortgages and leases	(7,452)	77,498	70,046
Residential mortgages and consumer loans	(1,683)	134	(1,549)
Loans held for sale	(732)	484	(248)
Total interest income	(27,817)	141,803	113,986
INTEREST EXPENSE			
Interest-bearing deposits			
NOW and interest-bearing demand	(237)	(508)	(745)
Money market	(18,055)	24,333	6,278
Time deposits	(2,915)	519	(2,396)
Total	(21,207)	24,344	3,137
Borrowings	(9,995)	5,915	(4,080)
Total interest expense	(31,202)	30,259	(943)
Net interest income	$ 3,385	111,544	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 and Lease Losses

Our ALLL 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 ALLL 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 ALLL 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 ALLL, 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 by 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 may result in an increase in nonpayment of loans, a decrease in collateral value, and an increase in our ALLL.

For additional information about the provision and ALLL, 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.

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, 2012, our total securities portfolio was $6.87 billion compared to $7.07 billion at December 31, 2011. Our portfolio primarily consists of mortgage-backed securities ("MBSs") and collateralized mortgage obligations ("CMOs") issued by U.S. Government agencies ($766.5 million), government-sponsored enterprises ($4.33 billion) and private issuers ($703.8 million). Overall, our securities portfolio had a weighted average duration of 2.75 years and a weighted average life of 3.82 years as of December 31, 2012. 81.9% of our securities portfolio had a AAA credit rating, and 92.4% had a credit rating of A or better as of December 31, 2012. In addition, 96.2% of our securities portfolio was rated investment grade or better at December 31, 2012, compared to 97.3% at December 31, 2011. Also, at December 31, 2012, 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 102 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 720 at origination of the loan. The Private CMO sector is diversified with an average holding of $1.9 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, 2012, the net unrealized gain on AFS securities, net of tax effect, was $43.8 million as reflected in accumulated other comprehensive income, compared to a net unrealized loss of $29.8 million at December 31, 2011. 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 the securities in our investment portfolio, and other than those securities for which we have 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 or if we change our intent to hold these securities, 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,					
	2012		2011		2010	
(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	$ 32,456	34,315	36,437	38,649	24,764	25,538
Government-sponsored enterprises	844,503	878,385	1,103,380	1,141,619	1,048,591	1,065,450
Collateralized mortgage obligations:						
U.S. Government Agency	576,709	586,825	681,869	697,542	642,741	646,627
Government-sponsored enterprises	2,872,130	2,900,066	2,902,349	2,968,904	2,060,430	2,084,165
Private	696,593	694,986	818,904	792,514	825,674	797,478
Other debt securities:						
Commercial mortgage-backed securities	373,750	392,637	315,573	322,026	191,293	191,063
Single issuer trust preferred & corporate debt securities	418,918	426,855	345,324	336,623	207,363	203,416
Pooled trust preferred securities	27,863	8,601	28,216	7,116	28,608	4,562
Collateralized debt obligations	5,282	2,952	6,487	2,757	6,992	4,874
Other	186,478	188,539	204,002	189,506	228,949	210,946
Equity securities (1)	16,290	16,195	15,708	15,599	15,475	15,167
Total available-for-sale	$ 6,050,972	6,130,356	6,458,249	6,512,855	5,280,880	5,249,286
HELD-TO-MATURITY						
Residential mortgage-backed securities:						
U.S. Government Agency	$ 3,010	3,156	3,286	3,431	3,796	3,920
Government-sponsored enterprises	67,904	68,648	20,013	20,859	9,465	9,998
Collateralized mortgage obligations:						
U.S. Government Agency	142,358	148,130	122,560	128,185	83,858	85,958
Government-sponsored enterprises	485,918	498,277	358,859	375,661	279,497	286,176
Private	8,852	7,192	11,419	7,972	12,838	10,358
Other debt securities:						
Commercial mortgage-backed securities	-	-	358	359	12,495	12,495
Collateralized debt obligations	4,739	2,739	5,309	2,710	6,342	3,688
Other	27,054	27,327	34,240	32,803	39,605	37,722
Total held-to-maturity	$ 739,835	755,469	556,044	571,980	447,896	450,315

(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, 2012:

Credit Rating	Percentage of Portfolio
AAA	81.92%
AA	3.37%
A	7.12%
BBB	3.76%
Below BBB	3.83%
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, 2012:

Interest Rate Shock	Estimated Fair Value Change
+100 basis points	(0.47%)
+200 basis points	(3.91%)
+300 basis points	(8.47%)

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, 2012. 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			
Mortgage-backed securities	$ 528	550	4.42%
Collateralized mortgage obligations	14	14	1.56%
Other securities (1)	-	-	0.00%
Total	$ 542	564	4.35%
One year to less than five years			
Mortgage-backed securities	$ 2,152	2,312	5.46%
Collateralized mortgage obligations	10,089	10,455	5.53%
Other securities	100,050	105,031	3.94%
Total	$ 112,291	117,798	4.11%
Five years to less than 10 years			
Mortgage-backed securities	$ 7,462	8,026	4.69%
Collateralized mortgage obligations	97,314	100,346	3.95%
Other securities	252,922	257,399	4.76%
Total	$ 357,698	365,771	4.54%
10 years and longer			
Mortgage-backed securities	$ 937,731	973,616	3.08%
Collateralized mortgage obligations	4,675,143	4,724,661	2.92%
Other securities	691,112	687,220	4.95%
Total	$ 6,303,986	6,385,497	3.17%
All maturities			
Mortgage-backed securities	$ 947,873	984,504	3.10%
Collateralized mortgage obligations	4,782,560	4,835,476	2.95%
Other securities	1,044,084	1,049,650	4.81%
Total	$ 6,774,517	6,869,630	3.26%

(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,									
	2012		2011		2010		2009		2008	
(dollars in thousands)	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Mortgage loans:										
Multi-family residential property	$ 4,380,453	43.38%	$ 3,003,428	41.68%	1,716,248	30.68%	1,153,610	24.78%	721,166	19.59%
Commercial property	2,919,708	28.90%	2,218,053	30.78%	1,799,162	32.16%	1,492,877	32.06%	1,156,315	31.40%
1-4 family residential property	307,158	3.04%	259,418	3.60%	266,011	4.76%	260,986	5.61%	245,892	6.68%
Home equity lines of credit	190,782	1.89%	198,375	2.75%	192,027	3.43%	170,891	3.67%	129,202	3.51%
Construction and land	99,475	0.98%	63,775	0.88%	115,195	2.06%	178,740	3.84%	168,890	4.59%
Other loans:										
Commercial and industrial	1,860,866	18.42%	1,098,805	15.24%	1,146,110	20.49%	1,107,850	23.79%	1,033,119	28.06%
Commercial - SBA guaranteed portion	332,430	3.29%	354,060	4.91%	346,454	6.19%	276,802	5.95%	208,977	5.68%
Consumer	10,291	0.10%	11,837	0.16%	13,086	0.23%	14,208	0.31%	18,504	0.50%
Sub-total / Total	10,101,163	100.00%	7,207,751	100.00%	5,594,293	100.00%	4,655,964	100.00%	3,682,065	100.00%
Premiums, deferred fees and costs	40,075		35,000		32,834		13,341		6,157	
Total	$ 10,141,238		$ 7,242,751		5,627,127		4,669,305		3,688,222	

Total loans increased by $2.90 billion, or 40%, to $10.14 billion at December 31, 2012, from $7.24 billion at December 31, 2011. Our total loan-to-deposit ratio, excluding loans held for sale, increased to 69.4% at December 31, 2012 from 58.3% at December 31, 2011.

As of December 31, 2012, 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 currently experiencing, may result in an increase in nonpayment of loans, a decrease in collateral value, and an increase in our ALLL**.** In addition, during late October 2012, Superstorm Sandy struck the east coast of the United States causing extensive damage throughout our market area, which may adversely affect the collateral securing some of our loans and the future ability of our borrowers to repay their obligations to the Bank.

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 any such loans.

At December 31, 2012, loans fully secured by cash and marketable securities represented 1.2% of outstanding loan balances. The SBA portfolio, consisting only of the guaranteed portion of the SBA loans, represented 3.2% of outstanding loan balances. Our fully unsecured loan portfolio represented 2.9% of our total outstanding loan portfolio at December 31, 2012. 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 in managing credit quality, we view the Bank's 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) the 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 1-6	*special mention* Rating 7	*substandard* Rating 8	*doubtful* Rating 9	Non-rated	Total
December 31, 2012						
Commercial loans secured by real estate:						
Multi-family residential property	$ 4,359,957	9,154	9,476	-	-	4,378,587
Commercial property	2,861,078	20,661	37,969	-	-	2,919,708
1-4 family residential property	109,144	767	12,010	400	34	122,355
Construction and land	96,746	-	2,729	-	-	99,475
Commercial and industrial loans	1,769,505	9,114	27,599	7,723	46,925	1,860,866
Total commercial loans	$ 9,196,430	39,696	89,783	8,123	46,959	9,380,991
December 31, 2011						
Commercial loans secured by real estate:						
Multi-family residential property	$ 2,948,942	32,838	19,573	-	-	3,001,353
Commercial property	2,149,498	26,140	39,876	2,500	39	2,218,053
1-4 family residential property	78,026	6,800	1,269	-	-	86,095
Construction and land	48,416	597	14,762	-	-	63,775
Commercial and industrial loans	982,082	20,576	34,807	7,707	53,633	1,098,805
Total commercial loans	$ 6,206,964	86,951	110,287	10,207	53,672	6,468,081

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. 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, 2012			
Residential mortgages	$ 182,862	3,807	186,669
Home equity lines of credit	189,990	792	190,782
Other consumer loans	9,951	340	10,291
Total consumer loans	$ 382,803	4,939	387,742
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

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, 2012			
(in thousands)	**Within One Year**	**One to Five Years**	**After Five Years**	**Total**
Loan Type				
Commercial and industrial	$ 754,979	942,340	163,547	1,860,866
Construction and land	29,417	70,058	-	99,475
Total	$ 784,396	1,012,398	163,547	1,960,341
Loans at fixed interest rates		637,461	161,541	
Loans at variable interest rates		374,937	2,006	
Total		1,012,398	163,547	

Asset Quality

Non-performing Assets

Non-performing assets include non-accrual loans and investment securities as well as other real estate owned. Loans are generally placed on non-accrual status upon becoming 90 days past due, or three months delinquent for single family property loans, based on contractual terms. In the case of commercial loans and loans secured by real estate, exceptions may be made if the loan has sufficient collateral value, based on a current appraisal, and 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, troubled debt restructured loans, 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)	**2012**	**2011**	**2010**	**2009**	**2008**
Non-accrual assets:					
Loans	$ 24,001	40,432	31,155	46,606	31,885
Troubled debt restructured loans	3,189	1,786	2,979	-	-
Investment securities, at fair value	5,927	5,772	4,445	8,216	975
Other real estate owned	-	566	1,667	700	-
Total non-performing assets	$ 33,117	48,556	40,246	55,522	32,860
Accruing troubled debt restructured loans	$ 52,554	44,685	8,530	-	-
Accruing loans past due 90 days or more:					
Loans	$ 27,176	9,000	15,740	12,494	1,902
Loans held for sale	$ 1,579	1,307	1,778	3,883	4,183
Asset Quality Ratios:					
Total non-accrual loans to total loans	0.28%	0.62%	0.65%	1.07%	0.92%
Total non-performing assets to total assets	0.19%	0.33%	0.34%	0.61%	0.46%
ALLL to non-accrual loans	395.12%	204.09%	197.45%	118.27%	116.00%
ALLL to total loans	1.10%	1.26%	1.29%	1.26%	1.07%
Quarterly net charge-offs to average loans (annualized)	0.0025	0.0071	0.0116	0.0061	0.0032

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, 2012							
Commercial loans							
Loans secured by real estate:							
Multi-family residential property	$ 8,504	-	8,504	4,370,083	4,378,587	-	-
Commercial property	15,740	11,596	27,336	2,892,372	2,919,708	8,767	2,829
1-4 family residential property	2,769	13,787	16,556	105,799	122,355	8,049	5,738
Construction and land	-	2,729	2,729	96,746	99,475	-	2,729
Commercial and industrial loans	18,260	14,254	32,514	1,828,352	1,860,866	3,299	10,955
Consumer loans							
Residential mortgages	2,704	7,940	10,644	176,025	186,669	4,133	3,807
Home equity lines of credit	676	3,720	4,396	186,386	190,782	2,928	792
Consumer loans	61	340	401	9,890	10,291	-	340
Total	$ 48,714	54,366	103,080	9,665,653	9,768,733	27,176	27,190
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

Significant non-accrual loans at December 31, 2012 consisted of three commercial and industrial loans totaling $6.5 million, one commercial real estate loan for $2.2 million, and three residential mortgages totaling $8.2 million ($6.7 million 1-4 family and $1.5 million multi-family). Each of these non-accrual loans is being actively managed by the Bank, and the ALLL includes a specific allocation for each of them.

If all non-accrual loans outstanding at December 31, 2012, 2011, and 2010 had been performing in accordance with their original terms, we would have recorded interest income, with respect to such loans, of approximately $2.2 million, $4.2 million, and $4.1 million for the years then ended, respectively. This compares to actual payments recorded as interest income realized, with respect to such loans, of $282,000, $363,000, and $765,000 for the years ended December 31, 2012, 2011, and 2010, respectively.

Non-accrual investment securities at December 31, 2012, 2011, and 2010 consisted of bank-collateralized pooled trust preferred securities and one collateralized debt obligation. These securities were classified as non-performing because of a deferral of their interest payments. At December 31, 2012, 2011, and 2010, the fair value of our non-accrual pooled trust preferred securities totaled $4.6 million, $4.5 million, and $3.0 million, respectively. The fair value of our non-accrual collateralized debt obligation was $1.3 million at December 31, 2012 and 2011 and $1.5 million at December 31, 2010.

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, 2012, accruing loans past due 90 days or more include matured performing loans in the normal process of renewal ($878,000) and loans that are well secured and in process of collection ($16.2 million of commercial loans secured by real estate, $6.6 million of residential mortgages, and $2.6 million of commercial and industrial loans). At December 31, 2011, accruing loans past due 90 days or more include $3.8 million of residential mortgages that are well secured and in process of collection and a $1.9 million commercial

loan that was paid in full during January 2012. Accruing loans held for sale past due 90 days or more at December 31, 2012 and December 31, 2011 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 the 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 and Lease Losses

The ALLL 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, 2012, 2011, and 2010, our ALLL totaled $107.4 million, $86.2 million, and $67.4 million, respectively, which represents 1.10%, 1.26%, and 1.29% of total loans and leases (excluding loans held for sale), respectively.

The provision for loan and lease losses is a charge to earnings to maintain the ALLL 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, 2012, 2011, and 2010, we recorded provisions of $41.4 million, $51.9 million, and $46.4 million, respectively. These provisions were made to reflect management's assessment of the inherent and specific risk of loan and lease losses relative to the growth of the portfolio.

Our methodology to determine the ALLL 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 95.5% of our total loan portfolio, excluding loans held for sale, as of December, 2012. 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 by 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 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 ALLL 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. Non-rated loans comprise 4.5% of our total loan portfolio, excluding loans held for sale, as of December 31, 2012.

We consider all non-accrual loans to be impaired loans, and the related specific allowances 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 ALLL and outstanding loan balances by segment of our loan portfolio, based on the methodology followed in determining the ALLL:

(in thousands)	Credit-rated commercial loans	Non-rated Commercial loans	Non-rated Residential mortgages	Non-rated Consumer loans	Total
As of December 31, 2012					
ALLL:					
Individually evaluated for impairment	$ 6,803	654	269	154	7,880
Collectively evaluated for impairment	93,289	3,615	2,150	499	99,553
Recorded investment in loans:					
Individually evaluated for impairment	71,918	1,389	6,097	340	79,744
Collectively evaluated for impairment	9,262,114	45,570	371,354	9,951	9,688,989
As of December 31, 2011					
ALLL:					
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

The following table allocates our ALLL to the respective portfolio categories:

	December 31,									
	2012		*2011*		*2010*		*2009*		*2008*	
(dollars in thousands)	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Mortgage Loans:										
Multi-family residential property	$ 31,292	29.13%	25,160	29.20%	7,401	10.98%	5,088	9.23%	4,136	11.18%
Commercial property	38,292	35.64%	23,844	27.67%	14,521	21.55%	10,778	19.55%	8,689	23.49%
1-4 family residential property	4,794	4.46%	3,096	3.59%	3,352	4.97%	1,576	2.86%	828	2.24%
Home equity lines of credit	1,099	1.02%	818	0.95%	831	1.23%	631	1.14%	194	0.52%
Construction and land	1,127	1.05%	4,836	5.61%	2,386	3.54%	4,027	7.31%	2,116	5.72%
Other loans:										
Commercial and industrial	30,176	28.09%	27,622	32.06%	37,545	55.71%	32,279	58.57%	20,668	55.89%
Consumer	653	0.61%	786	0.91%	1,360	2.02%	741	1.34%	356	0.96%
Total	$ 107,433	100.00%	86,162	100.00%	67,396	100.00%	55,120	100.00%	36,987	100.00%

Summary of Loan Loss Experience

The following table presents the changes in the ALLL for the years indicated:

(in thousands)	Years ended December 31, 2012	2011	2010	2009	2008
Beginning balance - ALLL	$ 86,162	67,396	55,120	36,987	18,236
Charge-offs and recoveries:					
Loans charged-off	22,156	35,393	35,583	25,451	8,377
Recoveries of loans previously charged off	2,000	2,283	1,487	869	240
Net charge-offs	20,156	33,110	34,096	24,582	8,137
Provision for loan losses	41,427	51,876	46,372	42,715	26,888
Ending balance - ALLL	$ 107,433	86,162	67,396	55,120	36,987

The following table presents a summary by loan portfolio segment of our ALLL, loan loss experience, and provision for loan and lease 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, 2012					
Beginning balance - ALLL	$ 78,853	4,954	1,569	786	86,162
Provision for loan and lease losses	39,634	214	1,481	98	41,427
Loans charged off	(18,657)	(2,439)	(635)	(425)	(22,156)
Recoveries of loans previously charged off	262	1,540	4	194	2,000
Ending balance - ALLL	$ 100,092	4,269	2,419	653	107,433
For the year ended December 31, 2011					
Beginning balance - ALLL	$ 56,212	8,352	1,472	1,360	67,396
Provision for loan and lease 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
Ending balance - ALLL	$ 78,853	4,954	1,569	786	86,162

Our net charge-offs during 2012 decreased to $20.2 million compared to $33.1 million for the prior year. Significant charge-offs during 2012 consisted of five commercial and industrial loans totaling $6.9 million, three commercial real estate loans totaling $7.7 million, and one residential loan for $877,000. The remainder of 2012 charge-offs were primarily comprised of small business and overdraft line of credit relationships, for which the individual charge-off did not exceed $500,000.

Deferred Tax Asset/Liability

At December 31, 2012, 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. While we will continue to monitor the need for a valuation allowance going forward, we do not expect a valuation allowance will be required 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, 2012 and 2011:

(in thousands)	December 31, 2012	December 31, 2011
DEFERRED TAX ASSETS		
Allowance for loan losses	$ 47,154	38,034
Depreciation	-	1,388
Unearned compensation - restricted shares	2,103	4,987
Non-accrual interest	1,455	2,617
Write-down for other-than-temporary impairment of securities	18,643	17,393
Other	8,782	2,357
Total deferred tax assets recognized in earnings	78,137	66,776
Net unrealized losses on securities available-for-sale	-	-
Total deferred tax assets	78,137	66,776
DEFERRED TAX LIABILITIES		
Depreciation	138	-
Prepaid expenses	660	241
Other	1,753	6
Total deferred tax liabilities recognized in earnings	2,551	247
Net unrealized gains on securities available-for-sale	34,284	23,542
Total deferred tax liabilities	36,835	23,789
Net deferred tax asset	$ 41,302	42,987

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, 2012, we maintained approximately 84,500 deposit accounts, compared to approximately 78,000 accounts at December 31, 2011. Excluding brokered deposits, total deposits at December 31, 2012 and 2011 were $13.97 billion and $11.70 billion, respectively.

Included in deposits at December 31, 2012 and 2011 were approximately $886.3 million and $774.0 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, 2012, due to their nature, are expected to be released during the first quarter of 2013. Excluding the short-term escrow deposits and brokered CDs, our total core deposits increased approximately $2.17 billion during 2012 as a result of the addition of new private client groups, as well as additional deposits raised by our existing private client groups.

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

	December 31,			
	2012		2011	
(dollars in thousands)	Amount	Percentage	Amount	Percentage
Personal demand deposit accounts (1)	$ 501,577	3.56%	331,268	2.82%
Business demand deposit accounts (1)	3,943,387	28.00%	2,817,168	23.97%
Rent security	90,766	0.64%	75,139	0.64%
Personal NOW	38,478	0.27%	37,094	0.32%
Business NOW	752,843	5.35%	606,036	5.16%
Personal money market accounts	2,747,746	19.52%	2,314,369	19.68%
Business money market accounts	5,061,632	35.94%	4,677,424	39.79%
Personal time deposits	473,442	3.36%	492,060	4.19%
Business time deposits	364,276	2.59%	345,782	2.94%
Brokered time deposits	108,505	0.77%	57,798	0.49%
Total	$ 14,082,652	100.00%	11,754,138	100.00%
Demand deposit accounts (1)	$ 4,444,964	31.56%	3,148,436	26.79%
NOW	791,321	5.62%	643,130	5.48%
Money market accounts	7,900,144	56.10%	7,066,932	60.11%
Time deposits	837,718	5.95%	837,842	7.13%
Brokered time deposits	108,505	0.77%	57,798	0.49%
Total	$ 14,082,652	100.00%	11,754,138	100.00%
Personal	$ 3,761,243	26.71%	3,174,791	27.01%
Business	10,212,904	72.52%	8,521,549	72.50%
Brokered time deposits	108,505	0.77%	57,798	0.49%
Total	$ 14,082,652	100.00%	11,754,138	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,			
	2012		2011	
(dollars in thousands)	Average Balance	Average Rate	Average Balance	Average Rate
NOW and interest-bearing demand	$ 705,604	0.45%	632,804	0.52%
Money market	7,874,582	0.85%	6,611,992	1.08%
Time deposits	849,121	1.64%	871,929	1.81%
Brokered time deposits	76,146	0.55%	45,063	1.07%
Non-interest-bearing demand deposits	3,569,645	-	2,702,236	-
Total deposits	$ 13,075,098	0.64%	$ 10,864,024	0.84%

The following table presents time deposits of $100,000 or more by their maturity as of December 31, 2012:

(dollars in thousands)	December 31, 2012
Three months or less	$ 160,780
Over three months through six months	92,241
Over six months through one year	222,540
Over one year	226,253
Total	$ 701,814

Borrowings

The following table presents information regarding our borrowings:

	At or for the year ended December 31,					
	2012		*2011*		*2010*	
(dollars in thousands)	**Amount**	**Weighted Average Rate**	**Amount**	**Weighted Average Rate**	**Amount**	**Weighted Average Rate**
Federal Home Loan Bank advances	$ 590,000	0.88%	675,000	0.92%	558,000	1.64%
Repurchase agreements	645,000	2.86%	695,000	3.23%	540,000	3.68%
Federal funds purchased	350,000	0.33%	55,800	0.17%	118,000	0.18%
Other short-term borrowings	-	0.00%	-	0.00%	6,200	0.00%
Total borrowings	$ 1,585,000	1.57%	1,425,800	2.02%	1,222,200	2.39%
Maximum total outstanding at any month-end	$ 1,585,000		1,425,800		1,222,200	
Average balance	$ 1,161,784		1,073,430		913,199	
Average rate		2.29%		2.76%		3.69%

At December 31, 2012, our borrowings were $1.59 billion, or 10.1% of our funding liabilities, compared to $1.43 billion, or 10.8% of our funding liabilities, at December 31, 2011. These borrowings are collateralized by our mortgage-backed and collateralized mortgage obligation securities. We also hold $26.6 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 our FHLB line, and the amount of securities available for pledging, we estimate our current available consolidated borrowing capacity to be approximately $3.10 billion at December 31, 2012.

The following table shows the maturity or re-pricing of our borrowings at December 31, 2012.

Maturity or repricing period *(in thousands)*

3 months or less	3 - 12 months	1 - 3 years	Over 3 years	Total
$ 840,000	515,000	230,000	-	1,585,000

Fair Value of Financial Instruments

Our AFS securities, which represent $6.13 billion of our total assets at December 31, 2012, are carried at fair value. Held-for-sale loans totaling $739.8 million at December 31, 2012, 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, the 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. SBA interest-only trip securities, pooled trust preferred securities, and private CMOs are all included in the Level 3 fair value hierarchy.

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, 2012:

	Payments due by period				
(in thousands)	**Less than 1 year**	**1 - 3 years**	**3 - 5 years**	**More than 5 years**	**Total**
Information technology contract	$ 3,336	6,786	2,416	-	12,538
Borrowings	840,000	515,000	230,000	-	1,585,000
Operating leases	13,530	25,224	16,522	21,981	77,257
Total contractual cash obligations	$ 856,866	547,010	248,938	21,981	1,674,795

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:

	December 31,	
(in thousands)	**2012**	**2011**
Unused commitments to extend credit	$ 445,444	436,006
Financial standby letters of credit	184,181	220,667
Commercial and similar letters of credit	24,094	15,036
Other	1,021	942
Total	$ 654,740	672,651

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, 2012 and 2011, our reserves for losses on unused commitments to extend credit totaled $575,000 and $596,000, respectively, and are 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, 2012 and 2011, we had deferred revenue for commitment fees paid for the issuance of standby letters of credit in the amounts of $676,000 and $742,000, 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 $106,000 and $444,000 at December 31, 2012 and 2011, respectively.

At December 31, 2012 and 2011, we had commitments to sell residential mortgage loans and the U.S. government-guaranteed portion of SBA loans of $8.7 million and $8.9 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 minimum 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 and lease 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, 2012:						
Total capital (to risk-weighted assets)	$ 1,714,519	16.35%	838,788	8.00%	1,048,484	10.00%
Tier 1 capital (to risk-weighted assets)	1,606,405	15.32%	419,394	4.00%	629,091	6.00%
Tier 1 leverage capital (to average assets)	1,606,405	9.51%	675,639	4.00%	844,549	5.00%
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%

Basel III Proposal

The federal banking regulators are currently working on significant revisions to the capital adequacy regulations to implement the new capital accord issued by the Basel Committee on Bank Supervision in December 2010 ("Basel III"). The federal banking regulators issued proposed capital adequacy regulations in June 2012 and expect the final rules to be implemented in 2013. The Basel III proposed rules would add a new minimum common equity Tier 1 capital to risk-weighted assets ratio of 4.5%, and increase the minimum Tier 1 capital to risk-weighted assets ratio requirement from 4.0% to 6.0%. The proposed rules would also implement a new capital conservation buffer of at least 2.5%, which would limit payment of capital distributions and certain discretionary bonus payments to executive officers and key risk takers if the Bank does not hold certain amounts of common equity Tier 1 capital in addition to those needed to meet minimum risk-based capital requirements.

We are currently reviewing the proposals, and based on our strong capital levels, we believe that Signature Bank would meet all capital adequacy requirements under the proposed rules and we do not expect the new rules, as proposed, will have a material impact on our business. The final implementation of the Basel III-based capital adequacy regulations, however, could force Signature Bank to raise additional capital to meet the new regulatory standards.

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, 2012, 2011 and 2010, our primary source of liquidity has been core deposit growth.

Additionally, we have borrowing sources available to supplement deposit flows, including the FHLB and repurchase agreement lines with other financial institutions. 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, 2012, our FHLB borrowings included $590.0 million in advances with an average rate of 0.88% that mature by September 2017.

We also have repurchase agreement lines with several leading financial institutions totaling $2.23 billion. At December 31, 2012, we had $645.0 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 our FHLB line, and the amount of securities available for pledging, we estimate our current available consolidated capacity for additional borrowings to be approximately $3.10 billion at December 31, 2012.

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 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, 2012, 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, 300 and 400 basis points. Given the exceptionally 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, 2012:

(dollars in thousands)	Adjusted Net Interest Income	Percentage Change from Base
Interest Rate Scenario:		
Up 400 basis points	$ 549,689	(4.85)
Up 300 basis points	563,714	(2.42)
Up 200 basis points	579,720	0.35
Up 100 basis points	588,683	1.90
Base	577,719	-

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, 2012, 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, 300 and 400 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, 2012 to the interest rate movements described above (base case market value of equity is $2.37 billion):

(dollars in thousands)	Sensitivity	Percentage Change from Base
Interest Rate Scenario:		
Up 400 basis points	$ (539,247)	(22.76)
Up 300 basis points	(208,980)	(8.82)
Up 200 basis points	18,760	0.79
Up 100 basis points	125,578	5.30
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, 2012, 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, 2012 is effective using these criteria.

The Company's internal control over financial reporting as of December 31, 2012 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, 2012. 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 (the Company) as of December 31, 2012, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company'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 Company'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, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, 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, 2012 and 2011, and the related consolidated statements of operations, statement of comprehensive income, changes in shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2012, and our report dated March 1, 2013 expressed an unqualified opinion on those consolidated financial statements.

(signed) KPMG LLP

New York, New York
March 1, 2013

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 24, 2013.

ITEM 11. EXECUTIVE COMPENSATION

Incorporated by reference to Signature Bank's Proxy Statement for the Annual Meeting of Stockholders to be held April 24, 2013.

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 24, 2013.

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 24, 2013.

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 24, 2013.

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-46. 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.)
10.4	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.)
10.7	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.)
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.)

Exhibit No.	Exhibit
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: March 1, 2013

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on March 1, 2013 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

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Consolidated Statements of Operations for the years ended December 31, 2012, 2011, and 2010 . . . . F-4

Consolidated Statements of Comprehensive Income for the years ended December 31, 2012, 2011, and 2010 . . . . F-5

Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 2012, 2011, and 2010 . . . . F-6

Consolidated Statements of Cash Flows for the years ended December 31, 2012, 2011, and 2010 . . . . . . F-7

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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 (the Company) as of December 31, 2012 and 2011, and the related consolidated statements of operations, statement of comprehensive income, changes in shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2012. These consolidated financial statements are the responsibility of the Company'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, 2012 and 2011, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2012, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2012, 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 March 1, 2013 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

(signed) KPMG LLP

New York, New York
March 1, 2013

SIGNATURE BANK
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(dollars in thousands, except per share amounts)	*December 31,* 2012	2011
ASSETS		
Cash and due from banks	$ 86,186	34,083
Short-term investments	7,779	6,071
Total cash and cash equivalents	93,965	40,154
Securities available-for-sale (pledged $2,467,409 and $2,672,093 at December 31, 2012 and 2011)	6,130,356	6,512,855
Securities held-to-maturity (fair value $755,469 and $571,980 at December 31, 2012 and 2011; pledged $543,351 and $352,865 at December 31, 2012 and 2011)	739,835	556,044
Federal Home Loan Bank stock	50,012	48,152
Loans held for sale	369,468	392,025
Loans and leases, net	9,664,337	6,764,564
Premises and equipment, net	32,192	30,574
Accrued interest and dividends receivable	64,367	60,533
Other assets	311,525	261,219
Total assets	$ 17,456,057	14,666,120
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits		
Non-interest-bearing	4,444,964	3,148,436
Interest-bearing	9,637,688	8,605,702
Total deposits	14,082,652	11,754,138
Federal funds purchased and securities sold under agreements to repurchase	995,000	750,800
Federal Home Loan Bank advances	590,000	675,000
Accrued expenses and other liabilities	138,078	78,066
Total liabilities	15,805,730	13,258,004
Shareholders' equity		
Preferred stock, par value $.01 per share; 61,000,000 shares authorized; none issued at December 31, 2012 and 2011	-	-
Common stock, par value $.01 per share; 64,000,000 shares authorized; 47,230,266 and 46,181,890 shares issued and outstanding at December 31, 2012 and 2011	472	462
Additional paid-in capital	997,517	954,833
Retained earnings	608,511	423,032
Net unrealized gains on securities available-for-sale, net of tax	43,827	29,789
Total shareholders' equity	1,650,327	1,408,116
Total liabilities and shareholders' equity	$ 17,456,057	14,666,120

See accompanying notes to Consolidated Financial Statements.

SIGNATURE BANK
CONSOLIDATED STATEMENTS OF OPERATIONS

(dollars in thousands, except per share amounts)	*Years ended December 31,* 2012	2011	2010
INTEREST AND DIVIDEND INCOME			
Loans held for sale	$ 3,508	3,772	4,020
Loans and leases, net	417,837	333,395	264,898
Securities available-for-sale	216,974	223,129	180,543
Securities held-to-maturity	20,158	18,403	15,254
Other short-term investments	2,079	1,817	1,815
Total interest income	660,556	580,516	466,530
INTEREST EXPENSE			
Deposits	84,163	91,100	87,963
Federal funds purchased and securities sold under agreements to repurchase	22,132	22,324	24,010
Federal Home Loan Bank advances	4,455	7,305	9,698
Other short-term borrowings	-	-	1
Total interest expense	110,750	120,729	121,672
Net interest income before provision for loan and lease losses	549,806	459,787	344,858
Provision for loan and lease losses	41,427	51,876	46,372
Net interest income after provision for loan and lease losses	508,379	407,911	298,486
NON-INTEREST INCOME			
Commissions	8,210	9,058	9,063
Fees and service charges	15,503	15,022	14,119
Net gains on sales of securities	6,887	14,387	25,367
Net gains on sales of loans	9,273	4,054	6,054
Total impairment losses on securities	(11,593)	(12,272)	(38,613)
Portion recognized in other comprehensive income (before taxes)	8,520	10,183	24,437
Net impairment losses on securities recognized in earnings	(3,073)	(2,089)	(14,176)
Net trading income	759	319	124
Other (loss) income	(1,320)	1,287	2,097
Total non-interest income	36,239	42,038	42,648
NON-INTEREST EXPENSE			
Salaries and benefits	146,696	114,537	99,728
Occupancy and equipment	17,294	16,303	14,861
Other general and administrative	54,253	51,884	50,307
Total non-interest expense	218,243	182,724	164,896
Income before income taxes	326,375	267,225	176,238
Income tax expense	140,892	117,699	74,187
Net income	$ 185,483	149,526	102,051
PER COMMON SHARE DATA			
Earnings per share – basic	$ 3.98	3.43	2.49
Earnings per share – diluted	$ 3.91	3.37	2.46

See accompanying notes to Consolidated Financial Statements.

SIGNATURE BANK
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	At or for the years ended December 31,		
(in thousands)	**2012**	**2011**	**2010**
Net income	$ 185,483	149,526	102,051
Other comprehensive income, net of tax:			
Net change in unrealized gains and losses on securities	36,980	108,770	68,188
Tax effect	(15,905)	(48,013)	(29,990)
Net of tax	21,075	60,757	38,198
Reclassification adjustment for net gains on sales of securities included in net income	(6,887)	(14,387)	(25,367)
Tax effect	2,953	6,351	11,157
Net of tax	(3,934)	(8,036)	(14,210)
Other-than-temporary impairment on securities related to noncredit factors	(8,520)	(10,183)	(24,437)
Tax effect	3,666	4,496	10,748
Net of tax	(4,854)	(5,687)	(13,689)
Reclassification adjustment for other-than-temporary impairment on securities related to credit factors included in net income	3,073	2,089	14,176
Tax effect	(1,322)	(922)	(6,235)
Net of tax	1,751	1,167	7,941
Total other comprehensive income, net of tax	14,038	48,201	18,240
Comprehensive income, net of tax	$ 199,521	197,727	120,291

See accompanying notes to Consolidated Financial Statements.

SIGNATURE BANK
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(in thousands)	Common stock		Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Total shareholders' equity
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)
Net income		-	-	102,051	-	102,051
Other comprehensive income, net of tax		-	-	-	18,240	18,240
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)
Net income		-	-	149,526	-	149,526
Other comprehensive income, net of tax		-	-	-	48,201	48,201
Balance at December 31, 2011	$	462	954,833	423,032	29,789	1,408,116
Common stock issued		-	45	-	-	45
Stock options activity, net		5	20,672	-	-	20,677
Restricted stock activity, net		5	21,967	-	-	21,972
Other		-	-	(4)	-	(4)
Net income		-	-	185,483	-	185,483
Other comprehensive income, net of tax		-	-	-	14,038	14,038
Balance at December 31, 2012	$	472	997,517	608,511	43,827	1,650,327

See accompanying notes to Consolidated Financial Statements.

SIGNATURE BANK
CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)	*Years ended December 31,* 2012	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 185,483	149,526	102,051
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	6,931	6,111	5,783
Provision for loan and leases losses	41,427	51,876	46,372
Net impairment losses on securities recognized in earnings	3,073	2,089	14,176
Net amortization/accretion of premium/(discount)	118,175	90,712	73,856
Stock-based compensation expense	17,609	8,496	9,332
Net gains on sales of securities and loans	(16,160)	(18,441)	(31,421)
Purchases and originations of loans held for sale	(1,035,761)	(1,023,633)	(806,819)
Proceeds from sales and principal repayments of loans held for sale	1,065,038	947,198	762,835
Net increase in accrued interest and dividends receivable	(3,834)	(7,322)	(10,018)
Deferred income tax benefit	(9,057)	(11,132)	(13,089)
Net increase in other assets	(51,990)	(39,243)	(59,357)
Net increase (decrease) in accrued expenses and other liabilities	60,012	12,951	(45,892)
Net cash provided by operating activities	380,946	169,188	47,809
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of securities available-for-sale ("AFS")	(1,636,034)	(2,791,800)	(3,554,431)
Proceeds from sales of securities AFS	391,301	480,399	778,286
Maturities, redemptions, calls and principal repayments on securities AFS	1,546,005	1,130,447	1,299,273
Purchases of securities held-to-maturity ("HTM")	(305,866)	(166,843)	(192,601)
Maturities, redemptions, calls and principal repayments on securities HTM	116,266	54,792	36,929
Net purchases of Federal Home Loan Bank stock	(1,860)	(9,713)	(14,533)
Net increase in loans and leases	(2,941,193)	(1,639,172)	(902,662)
Net purchases of premises and equipment	(8,549)	(7,300)	(3,366)
Net cash used in investing activities	(2,839,930)	(2,949,190)	(2,553,105)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net increase in non-interest-bearing deposits	1,296,528	698,468	480,234
Net increase in interest-bearing deposits	1,031,986	1,614,443	1,738,447
Net (decrease) increase in secured short-term borrowings	(85,800)	103,600	335,300
Proceeds from the issuance of long-term borrowings	450,000	250,000	105,000
Repayment of long-term borrowings	(205,000)	(150,000)	(227,000)
Tax benefit from stock-based compensation	15,839	2,118	5,967
Issuance of common stock and exercise of options	9,246	255,233	5,617
Warrant auction costs (TARP)	-	-	(315)
Other	(4)	(5)	(4)
Net cash provided by financing activities	2,512,795	2,773,857	2,443,246
Net decrease in cash and cash equivalents	53,811	(6,145)	(62,050)
Cash and cash equivalents at beginning of year	40,154	46,299	108,349
Cash and cash equivalents at end of year	$ 93,965	40,154	46,299
Supplemental disclosures of cash flow information:			
Interest paid during the year	$ 111,676	120,995	122,817
Income taxes paid during the year	133,376	126,550	85,125
Non-cash investing activities:			
Transfer of loans to other real estate owned, at fair value	-	-	1,101

See accompanying notes to Consolidated Financial Statements.

SIGNATURE BANK

Notes to Consolidated Financial Statements

(1) Organization

Signature Bank (the "Bank" and together with its subsidiaries, the "Company," "we," or "us") is a New York State chartered bank. On April 5, 2001, the Bank received its charter from the New York State Banking Department (now known as the New York State Department of Financial Services) and commenced business on May 1, 2001. The Bank currently operates 26 private client offices located in the New York metropolitan area, from which private client banking teams serve the needs of privately owned businesses, their owners and senior managers.

The Bank operates Signature Financial, a specialty finance subsidiary focused on equipment finance and leasing, transportation financing and taxi medallion financing. The Bank also operates Signature Securities ("SSG"), a licensed broker-dealer and investment advisor offering investment, brokerage, asset management and insurance products and services.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation and Consolidation

The accompanying Consolidated Financial Statements 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 and lease losses ("ALLL" or the "allowance"), 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, 2012 consisted of cash and due from banks of $86.2 million, interest-bearing deposits with banks of $2.1 million and money market mutual funds of $5.7 million. 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.

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 $131.1 million and $85.8 million for the periods that included December 31, 2012 and 2011, 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, 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. 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 and Leases, Net

Loans are carried at the principal amount outstanding, less unearned discounts, net of deferred loan origination fees and costs and the ALLL. 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 and Lease Losses

The ALLL is established through a provision for loan and lease losses charged to current earnings. The ALLL 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 measurements that are susceptible to significant revision as more information becomes available.

Our methodology to determine the ALLL 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 95.5% of our total loan portfolio, excluding loans held for sale, as of December 31, 2012. 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 by 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 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 ALLL 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. Non-rated loans comprise 4.5% of our total loan portfolio, excluding loans held for sale, as of December 31, 2012.

We consider all non-accrual loans to be impaired loans, and the related specific allowances 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 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 a provision for 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.

In addition, bank regulators, as an integral part of their supervisory functions, periodically review our loan portfolio and related ALLL. These regulatory agencies may require us to increase our provision for loan and lease losses or to recognize further loan charge-offs based upon their judgments, which may be different from ours. An increase in the ALLL 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 generally recorded when the collateral value is less than

the carrying value and in all cases no later than when we take possession of collateral. 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 $61.9 million at December 31, 2012, and $61.8 million at December 31, 2011, and deferred acquisition costs of $311,000 at December 31, 2012, and $435,000 at December 31, 2011. Our investment in BOLI generated income of $2.4 million, $1.9 million, and $2.1 million for the years ended December 31, 2012, 2011, and 2010, 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, our ORE totaled $566,000; we did not own ORE as of December 31, 2012. Any write-downs at the date of foreclosure are charged to the ALLL. 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, 2012. 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).

(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) New Accounting Standards

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. Early adoption is prohibited. We adopted the applicable requirements for ASU 2011-03 on January 1, 2012 with no material impact to 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 adopted the applicable requirements for ASU 2011-04 on January 1, 2012 and have provided the related disclosures as required.

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, with deferral of presenting the reclassification adjustments based on ASU 2011-12, Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05. We adopted these requirements on January 1, 2012 and have provided the related disclosures as required.

(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. Government 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. Small Business Administration ("SBA") interest-only strip securities, pooled trust preferred securities, and private collateralized mortgage obligations ("CMOs") are all included in the Level 3 fair value hierarchy.

Markets for 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 AFS 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 $72.3 million at December 31, 2012 and $70.1 million at December 31, 2011. 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 assumption built into the pricing model to generate the projected cash flows used to compute the fair values of the SBA interest-only strip securities is the discount yield. If the discount yield were to change by 100 basis points, the fair values of our SBA interest-only strip securities would increase or decrease accordingly by approximately 25%. The Bank determined the inputs to the discounted cash flow model based on historical performance and information provided by brokers.

Our pooled trust preferred securities are classified as AFS and had fair values of $8.6 million at December 31, 2012 and $7.1 million at December 31, 2011. Due to a relatively inactive market for pooled trust preferred securities with limited observable secondary market transactions, the fair values of these securities are determined using a discounted cash flow analysis. Unobservable inputs are used in the discounted cash flow model, the most significant of which is the market risk premium. If this assumption were to change by 300 basis points, the fair values of our Level 3 pooled trust preferred securities would increase or decrease accordingly by approximately 25%.

Level 3 private CMOs classified as AFS had fair values of $6.7 million at December 31, 2012 and $5.8 million at December 31, 2011. The fair values for these securities are determined based upon a discounted cash flow model, with the market risk premium as the most significant unobservable input. If this assumption were to change by 300 basis points, the fair values of our Level 3 private CMOs would increase or decrease accordingly by approximately 40%.

Our derivatives at December 31, 2011, consisted of interest rate caps. The fair values of our interest rate caps are provided by a third party and validated using third party inputs such as LIBOR, Swap and Treasury curves, and are classified as Level 2 measurements. We did not have any derivative positions at December 31, 2012.

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, 2012 and 2011, 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, 2012					
ASSETS					
Securities available-for-sale:					
Residential mortgage-backed securities:					
U.S. Government Agency	$	-	34,315	-	34,315
Government-sponsored enterprises		-	878,385	-	878,385
Collateralized mortgage obligations:					
U.S. Government Agency		-	586,825	-	586,825
Government-sponsored enterprises		-	2,900,066	-	2,900,066
Private		-	688,257	6,729	694,986
Other debt securities:					
Commercial mortgage-backed securities		-	392,637	-	392,637
Single issuer trust preferred & corporate debt securities		-	426,855	-	426,855
Pooled trust preferred securities		-	-	8,601	8,601
Collateralized debt obligations		-	-	2,952	2,952
Other		-	116,274	72,265	188,539
Equity securities (1)		-	14,941	1,254	16,195
Total securities available-for-sale		-	6,038,555	91,801	6,130,356
Total assets	$	-	6,038,555	91,801	6,130,356
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 and credit default swaps)	$	-	10	-	10
Total liabilities	$	-	10	-	10

(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. There were no transfers of assets between Level 1 and Level 2 for the years ended December 31, 2012, 2011 and 2010.

Additionally, the following table presents information for AFS securities measured at fair value on a recurring basis and classified by the Bank within Level 3 of the valuation hierarchy for the periods indicated:

	Years ended December 31,		
(in thousands)	2012	2011	2010
Beginning balance	$ 87,051	105,761	123,445
Transfers into Level 3	-	1,384	-
Transfers out of Level 3	-	-	(3,332)
Total gains or (losses) (realized/unrealized):			
Included in earnings	2,590	7,433	(12,192)
Included in other comprehensive income	12,307	40,452	(2,160)
Sales	(10,147)	(67,979)	-
Ending balance	$ 91,801	87,051	105,761

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 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, HTM securities 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, 2012 and 2011, 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, 2012				
Held-to-maturity securities:				
Other debt securities - Collateralized debt obligations	$ -	-	-	-
Collateral-dependent impaired loans:				
Commercial property	-	-	5,225	5,225
1-4 family residential property	-	-	6,426	6,426
Home equity lines of credit	-	-	607	607
Construction and land	-	-	2,760	2,760
Commercial and industrial	-	-	9,401	9,401
Other real estate owned	-	-	-	-
Total assets	$ -	-	24,419	24,419
December 31, 2011				
Held-to-maturity securities:				
Other debt securities - Collateralized debt obligations	-	-	2,033	2,033
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	$ -	-	29,932	29,932

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. We did not recognize other-than-temporary losses on any HTM securities during the year ended December 31, 2012. 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. In 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 ($1.5 million) in earnings and the noncredit component ($1.9 million) in other comprehensive income.

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 ALLL. During the years ended December 31, 2012, 2011 and 2010 we recorded fair value adjustments totaling $16.2 million, $24.5 million and $13.7 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. There were no fair value adjustments on other real estate owned during the year ended December 31, 2012. 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.

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.

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 and leases, 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, 68.1% of which mature within one year, had a carrying value of $946.2 million and an estimated fair value of $957.0 million at December 31, 2012. 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:

		Estimated Fair Value Measurements			
(in thousands)	**Carrying Amount**	**Total**	**Quoted Prices in Active Markets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
December 31, 2012					
FINANCIAL ASSETS					
Cash and cash equivalents	$ 93,965	93,965	93,965	-	-
Securities available-for-sale	6,130,356	6,130,356	-	6,038,555	91,801
Securities held-to-maturity	739,835	755,469	-	752,729	2,740
Federal Home Loan Bank stock	50,012	50,012	-	50,012	-
Loans held for sale	369,468	369,468	-	369,468	-
Loans and leases, net (1)	9,664,337	9,833,931	-	-	9,833,931
Total financial assets	$ 17,047,973	17,233,201	93,965	7,210,764	9,928,472
FINANCIAL LIABILITIES					
Deposits (2)	$ 14,082,652	14,093,384	-	14,093,384	-
Repurchase agreements	645,000	680,500	-	680,500	-
Federal funds purchased	350,000	350,000	-	350,000	-
Federal Home Loan Bank advances	590,000	595,235	-	595,235	-
Total financial liabilities	$ 15,667,652	15,719,119	-	15,719,119	-
December 31, 2011					
FINANCIAL ASSETS					
Cash and cash equivalents	$ 40,154	40,154	40,154	-	-
Securities available-for-sale	6,512,855	6,512,855	-	6,425,804	87,051
Securities held-to-maturity	556,044	571,980	-	569,270	2,710
Federal Home Loan Bank stock	48,152	48,152	-	48,152	-
Loans held for sale	392,025	392,025	-	392,025	-
Loans and leases, net (1)	6,764,564	6,877,829	-	-	6,877,829
Derivatives	9	9	-	9	-
Total financial assets	$ 14,313,803	14,443,004	40,154	7,435,260	6,967,590
FINANCIAL LIABILITIES					
Deposits (2)	$ 11,754,138	11,768,043	-	11,768,043	-
Repurchase agreements	695,000	737,455	-	737,455	-
Federal funds purchased	55,800	55,800	-	55,800	-
Federal Home Loan Bank advances	675,000	681,428	-	681,428	-
Derivatives	10	10	-	10	-
Total financial liabilities	$ 13,179,948	13,242,736	-	13,242,736	-

(1) The fair values of loans and leases include only adjustments related to market interest rates.

(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:

	December 31,							
	2012				2011			
(in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
AVAILABLE-FOR-SALE								
Residential mortgage-backed securities:								
U.S. Government Agency	$ 32,456	1,861	(2)	34,315	36,437	2,212	-	38,649
Government-sponsored enterprises	844,503	34,454	(572)	878,385	1,103,380	38,278	(39)	1,141,619
Collateralized mortgage obligations:								
U.S. Government Agency	576,709	19,002	(8,886)	586,825	681,869	20,177	(4,504)	697,542
Government-sponsored enterprises	2,872,130	62,654	(34,718)	2,900,066	2,902,349	86,281	(19,726)	2,968,904
Private	696,593	15,232	(16,839)	694,986	818,904	11,208	(37,598)	792,514
Other debt securities:								
Commercial mortgage-backed securities	373,750	19,105	(218)	392,637	315,573	7,329	(876)	322,026
Single issuer trust preferred & corporate debt securities	418,918	14,604	(6,667)	426,855	345,324	3,076	(11,777)	336,623
Pooled trust preferred securities	27,863	-	(19,262)	8,601	28,216	-	(21,100)	7,116
Collateralized debt obligations	5,282	-	(2,330)	2,952	6,487	-	(3,730)	2,757
Other	186,478	14,005	(11,944)	188,539	204,002	7,938	(22,434)	189,506
Equity securities (1)	16,290	216	(311)	16,195	15,708	166	(275)	15,599
Total available-for-sale	$ 6,050,972	181,133	(101,749)	6,130,356	6,458,249	176,665	(122,059)	6,512,855
HELD-TO-MATURITY								
Residential mortgage-backed securities:								
U.S. Government Agency	$ 3,010	146	-	3,156	3,286	145	-	3,431
Government-sponsored enterprises	67,904	1,004	(260)	68,648	20,013	846	-	20,859
Collateralized mortgage obligations:								
U.S. Government Agency	142,358	5,876	(104)	148,130	122,560	5,647	(22)	128,185
Government-sponsored enterprises	485,918	14,623	(2,264)	498,277	358,859	16,808	(6)	375,661
Private	8,852	1	(1,661)	7,192	11,419	4	(3,451)	7,972
Other debt securities:								
Commercial mortgage-backed securities	-	-	-	-	358	1	-	359
Collateralized debt obligations	4,739	-	(2,000)	2,739	5,309	-	(2,599)	2,710
Other	27,054	417	(144)	27,327	34,240	762	(2,199)	32,803
Total held-to-maturity	$ 739,835	22,067	(6,433)	755,469	556,044	24,213	(8,277)	571,980

(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, 2012, 2011 and 2010 were $9.3 million, $14.6 million, and $25.4 million, respectively. Gross realized losses on sales of AFS securities for the years ended December 31, 2012, 2011 and 2010 were $2.4 million, $185,000 and $40,000, respectively.

We use securities as collateral for debtor-in-possession deposit accounts in excess of FDIC insurance limits, 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, 2012 and 2011, the total amount of collateral we were required to pledge was $2.87 billion and $2.99 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, 2012, our total pledged securities had a fair value of $4.00 billion and a carrying value of $3.98 billion. At December 31, 2011, our total pledged securities had a fair value of $3.66 billion and a carrying value of $3.64 billion.

During the year-ended December 31, 2012, we recognized other-than-temporary impairment losses totaling $11.6 million on 11 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 ($3.1 million) and the noncredit component in other comprehensive income ($8.5 million).

During the years ended December 31, 2012, 2011, and 2010, we recorded other-than-temporary impairment on debt securities as follows:

(in thousands)	Available-for-sale: Collateralized Debt Obligations	Available-for-sale: Pooled Trust Preferred Securities	Available-for-sale: Private CMOs	Available-for-sale: Other	Held-to-maturity: Collateralized Debt Obligations	Total
December 31, 2012						
Total other-than-temporary impairment losses	$ (3,312)	-	(8,281)	-	-	(11,593)
Less: Portion of loss recognized in OCI (1)	2,567	-	5,953	-	-	8,520
Net impairment losses recognized in earnings (2)	$ (745)	-	(2,328)	-	-	(3,073)
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)

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

(2) Represents the credit component 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 held at period-end for which a portion of the impairment was recognized in other comprehensive income at period-end:

(in thousands)	
Year ended December 31, 2012	
Cumulative credit component of other-than-temporary impairment losses at beginning of period	$ 39,402
Additions for the credit component on debt securities for which other-than-temporary impairment was not previously recognized	519
Additions for the credit component on debt securities for which other-than-temporary impairment was previously recognized	2,554
Cumulative credit component of other-than-temporary impairment losses at end of period	$ 42,475
Year ended December 31, 2011	
Cumulative credit component of other-than-temporary impairment losses at beginning of period	$ 37,313
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	$ 39,402
Year ended December 31, 2010	
Cumulative credit component of other-than-temporary impairment losses at beginning of period	$ 31,137
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
Reduction for realized losses on debt securities sold	(8,000)
Cumulative credit component of other-than-temporary impairment losses at end of period	$ 37,313

For the periods ended December 31, 2012, 2011, and 2010, our securities for which other-than-temporary impairment has been recorded, where a portion of the loss was specifically related to credit, consisted primarily of collateralized debt obligations ("CDOs") and private CMOs. 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 are determined based upon collateral vintage, borrower characteristics, 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, 2012, ten CMOs classified as AFS were deemed to have other-than-temporary impairment totaling $8.3 million, of which $2.3 million was due to estimated credit losses and charged to earnings, and $6.0 million was recognized in other comprehensive income. Additionally, one CDO classified as AFS was deemed to have other-than-temporary impairment totaling $3.3 million, of which $745,000 was due to estimated credit losses and charged to earnings, and $2.6 million was recognized in other comprehensive income. 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, during 2011, 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, during 2010, 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.

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, 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. We did not recognize any other-than-temporary impairment on our pooled trust preferred securities during 2012 or 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 $1.0 million was recognized in other comprehensive income. We did not recognize any other-than-temporary impairment within other debt securities during 2012 or 2010.

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, 2012						
Temporarily-impaired securities						
Residential mortgage-backed securities:						
U.S. Government Agency	$ 3,827	(2)	-	-	3,827	(2)
Government-sponsored enterprises	38,027	(570)	113	(2)	38,140	(572)
Collateralized mortgage obligations:						
U.S. Government Agency	80,744	(3,715)	35,345	(5,171)	116,089	(8,886)
Government-sponsored enterprises	794,133	(19,999)	187,425	(14,719)	981,558	(34,718)
Private	24,573	(489)	97,651	(5,406)	122,224	(5,895)
Other debt securities:						
Commercial mortgage-backed securities	24,351	(152)	4,988	(66)	29,339	(218)
Single issuer trust preferred & corporate debt securities	102,006	(3,115)	80,250	(3,552)	182,256	(6,667)
Pooled trust preferred securities	-	-	3,276	(3,358)	3,276	(3,358)
Other	21,567	(291)	41,428	(4,269)	62,995	(4,560)
Equity securities (1)	-	-	8,851	(311)	8,851	(311)
Total temporarily-impaired securities	1,089,228	(28,333)	459,327	(36,854)	1,548,555	(65,187)
Other-than-temporarily impaired securities						
Collateralized mortgage obligations - private	5,683	(666)	36,138	(10,278)	41,821	(10,944)
Other debt securities:						
Pooled trust preferred securities	-	-	5,325	(15,904)	5,325	(15,904)
Collateralized debt obligations	-	-	2,951	(2,330)	2,951	(2,330)
Other	-	-	13,802	(7,384)	13,802	(7,384)
Total other-than-temporarily impaired securities	5,683	(666)	58,216	(35,896)	63,899	(36,562)
Total temporarily-impaired and other-than-temporarily impaired securities	$ 1,094,911	(28,999)	517,543	(72,750)	1,612,454	(101,749)
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)

(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, 2012						
Temporarily-impaired securities						
Mortgage-backed securities:						
Government-sponsored enterprises	$ 25,401	(260)	-	-	25,401	(260)
Collateralized mortgage obligations:						
U.S. Government Agency	8,004	(104)	-	-	8,004	(104)
Government-sponsored enterprises	106,984	(2,264)	-	-	106,984	(2,264)
Other debt securities:						
Other	-	-	7,321	(144)	7,321	(144)
Total temporarily-impaired securities	140,389	(2,628)	7,321	(144)	147,710	(2,772)
Other-than-temporarily impaired securities						
Collateralized mortgage obligations - private	-	-	6,631	(1,661)	6,631	(1,661)
Collateralized debt obligations	-	-	2,740	(2,000)	2,740	(2,000)
Total other-than-temporarily impaired securities	-	-	9,371	(3,661)	9,371	(3,661)
Total temporarily-impaired and other-than-temporarily impaired securities	$ 140,389	(2,628)	16,692	(3,805)	157,081	(6,433)
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)

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, 2012	
(in thousands)	Amortized Cost	Fair Value
AVAILABLE-FOR-SALE		
Due in one year or less	$ 241	258
Due after one year through five years	99,676	104,693
Due after five years through ten years	335,436	341,631
Due after ten years	5,599,329	5,667,579
Total available-for-sale debt securities	$ 6,034,682	6,114,161
HELD-TO-MATURITY		
Due in one year or less	$ 301	306
Due after one year through five years	12,615	13,105
Due after five years through ten years	22,262	24,140
Due after ten years	704,657	717,918
Total held-to-maturity debt securities	$ 739,835	755,469

The unrealized losses in our securities portfolio are primarily due to the prevailing interest rate environment and reduced levels of liquidity in the mortgage and credit markets. The prolonged weakness in the residential housing market, coupled with elevated unemployment levels, among other factors, led to decreased market liquidity for certain assets and increased credit risk for certain securities in our portfolio.

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 before 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.

Our private CMOs and other debt securities, with total temporary unrealized losses of $5.9 million and $15.0 million, respectively, at December 31, 2012, are the securities in our portfolio that are the most exposed to impairment losses. In performing our other-than-temporary impairment analysis for private CMOs and other debt securities, 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, 2012. 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, 2012.

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, 2012 and 2011, Signature Bank was in compliance with the FHLB's minimum investment requirement with stock investments of $50.0 million and $48.2 million, respectively, carried at cost on the Consolidated Statements of Financial Condition. Collateral pledged for outstanding FHLB borrowings at December 31, 2012 and 2011 included $26.6 million and $30.4 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, 2012.

(6) Loans Held for Sale

Loans held for sale at December 31, 2012 and 2011 were $369.5 million and $392.0 million, respectively. Gains on sales associated with the securitization of pooled loans and sale of mortgage loans for the years ended December 31, 2012, 2011 and 2010 amounted to $9.3 million, $4.1 million and $6.1 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 and Leases, Net

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

(in thousands)	December 31, 2012	December 31, 2011
Mortgage loans:		
Multi-family residential property	$ 4,380,453	3,003,428
Commercial property	2,919,708	2,218,053
1-4 family residential property	307,158	259,418
Home equity lines of credit	190,782	198,375
Construction and land	99,475	63,775
Total mortgage loans	7,897,576	5,743,049
Other loans:		
Commercial and industrial	1,860,866	1,098,805
Consumer	10,291	11,837
Total other loans	1,871,157	1,110,642
Less:		
Net deferred fees and costs	3,037	(2,965)
ALLL	(107,433)	(86,162)
Net loans	$ 9,664,337	6,764,564

As of December 31, 2012 and 2011, commercial and industrial loans include overdrafts of commercial deposit accounts totaling $28.4 million and $27.9 million, respectively, and other consumer loans include overdrafts of personal deposit accounts totaling $2.3 million and $2.5 million, respectively.

In order to assist us in managing credit quality, we view the Bank's 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 ("credit-rated commercial loans"). 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 1-6	*special mention* Rating 7	*substandard* Rating 8	*doubtful* Rating 9	Non-rated	Total
December 31, 2012						
Commercial loans secured by real estate:						
Multi-family residential property	$ 4,359,957	9,154	9,476	-	-	4,378,587
Commercial property	2,861,078	20,661	37,969	-	-	2,919,708
1-4 family residential property	109,144	767	12,010	400	34	122,355
Construction and land	96,746	-	2,729	-	-	99,475
Commercial and industrial loans	1,769,505	9,114	27,599	7,723	46,925	1,860,866
Total commercial loans	$ 9,196,430	39,696	89,783	8,123	46,959	9,380,991
December 31, 2011						
Commercial loans secured by real estate:						
Multi-family residential property	$ 2,948,942	32,838	19,573	-	-	3,001,353
Commercial property	2,149,498	26,140	39,876	2,500	39	2,218,053
1-4 family residential property	78,026	6,800	1,269	-	-	86,095
Construction and land	48,416	597	14,762	-	-	63,775
Commercial and industrial loans	982,082	20,576	34,807	7,707	53,633	1,098,805
Total commercial loans	$ 6,206,964	86,951	110,287	10,207	53,672	6,468,081

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, 2012			
Residential mortgages	$ 182,862	3,807	186,669
Home equity lines of credit	189,990	792	190,782
Other consumer loans	9,951	340	10,291
Total consumer loans	$ 382,803	4,939	387,742
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

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 totaled \$4.9 million and \$6.1 million at December 31, 2012 and 2011, 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, 2012							
Commercial loans							
Loans secured by real estate:							
Multi-family residential property	$ 8,504	-	8,504	4,370,083	4,378,587	-	-
Commercial property	15,740	11,596	27,336	2,892,372	2,919,708	8,767	2,829
1-4 family residential property	2,769	13,787	16,556	105,799	122,355	8,049	5,738
Construction and land	-	2,729	2,729	96,746	99,475	-	2,729
Commercial and industrial loans	18,260	14,254	32,514	1,828,352	1,860,866	3,299	10,955
Consumer loans							
Residential mortgages	2,704	7,940	10,644	176,025	186,669	4,133	3,807
Home equity lines of credit	676	3,720	4,396	186,386	190,782	2,928	792
Consumer loans	61	340	401	9,890	10,291	-	340
Total	$ 48,714	54,366	103,080	9,665,653	9,768,733	27,176	27,190
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

Non-accrual loans at December 31, 2012 and 2011 totaled $27.2 million and $42.2 million, respectively. If all non-accrual loans outstanding at December 31, 2012, 2011, and 2010 had been performing in accordance with their original terms, we would have recorded interest income with respect to such loans of approximately $2.2 million, $4.2 million, and $4.1 million for the years then ended, respectively. This compares to actual payments recorded as interest income with respect to such loans of $282,000, $363,000, and $765,000 for the years ended December 31, 2012, 2011, and 2010, respectively. As of December 31, 2012, there were no commitments to lend additional funds on non-accrual loans.

Accruing loans past due 90 days or more at December 31, 2012 and 2011, totaled $27.2 million and $9.0 million, respectively, excluding loans held for sale. At December 31, 2012, accruing loans past due 90 days or more include matured performing loans in the normal process of renewal ($878,000) and loans that are well secured and in process of collection ($16.2 million of commercial loans secured by real estate, $6.6 million of residential mortgages, and $2.6 million of commercial and industrial loans). At December 31, 2011, accruing loans past due 90 days or more include $3.8 million of residential mortgages that are well secured and in process of collection and a $1.9 million commercial loan that was paid in full during January 2012.

Commercial loans (including commercial and industrial loans and 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 may result in an increase in nonpayment of loans, a decrease in collateral value, and an increase in our ALLL. In addition, during late October 2012, Superstorm Sandy struck the east coast of the United States causing extensive damage throughout our market area, which may adversely affect the collateral securing some of our loans and the ability of our borrowers to repay their obligations to the Bank. Thus far, we have not experienced a material financial impact from the storm, however, we are continuing our assessment of both the

short-term and long-term impacts of the storm, which could adversely affect our future financial condition and results of operations.

(8) Allowance for Loan and Lease Losses

Changes in the ALLL for the years ended December 31, 2012, 2011 and 2010 are as follows:

(in thousands)	*December 31,* 2012	2011	2010
Beginning balance - ALLL	$ 86,162	67,396	55,120
Provision for loan and lease losses	41,427	51,876	46,372
Loans charged off	(22,156)	(35,393)	(35,583)
Recoveries of loans previously charged off	2,000	2,283	1,487
Ending balance - ALLL	$ 107,433	86,162	67,396

The table below presents a summary by loan portfolio segment of our ALLL, loan loss experience, and provision for loan and lease 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, 2012					
Beginning balance - ALLL	$ 78,853	4,954	1,569	786	86,162
Provision for loan and lease losses	39,634	214	1,481	98	41,427
Loans charged off	(18,657)	(2,439)	(635)	(425)	(22,156)
Recoveries of loans previously charged off	262	1,540	4	194	2,000
Ending balance - ALLL	$ 100,092	4,269	2,419	653	107,433
For the year ended December 31, 2011					
Beginning balance - ALLL	$ 56,212	8,352	1,472	1,360	67,396
Provision for loan and lease 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
Ending balance - ALLL	$ 78,853	4,954	1,569	786	86,162

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

(in thousands)	Credit-rated commercial loans	Non-rated			Total
		Commercial loans	Residential mortgages	Consumer loans	
As of December 31, 2012					
ALLL:					
Individually evaluated for impairment	$ 6,803	654	269	154	7,880
Collectively evaluated for impairment	93,289	3,615	2,150	499	99,553
Recorded investment in loans:					
Individually evaluated for impairment	71,918	1,389	6,097	340	79,744
Collectively evaluated for impairment	9,262,114	45,570	371,354	9,951	9,688,989
As of December 31, 2011					
ALLL:					
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

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 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.

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

(in thousands)	December 31, 2012			December 31, 2011		
	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	$ 5,903	5,903	-	32,062	32,062	-
Construction and land	-	-	-	3,191	3,191	-
Multi-family residential property	-	-	-	1,590	1,590	-
1-4 family residential property	5,304	5,304	-	1,269	1,269	-
Commercial and industrial loans	9,237	9,237	-	24,645	24,645	-
Residential mortgages	4,425	4,425	-	4,203	4,203	-
Home equity lines of credit	607	607	-	-	-	-
Other consumer loans	-	-	-	-	-	-
With an allowance recorded:						
Commercial loans secured by real estate:						
Commercial property	14,093	14,093	1,232	2,639	2,639	208
Construction and land	2,729	2,729	148	2,821	2,821	202
Multi-family residential property	14,293	14,293	933	-	-	-
1-4 family residential property	434	434	109	-	-	-
Commercial and industrial loans	21,315	21,315	5,035	13,531	13,531	5,232
Residential mortgages	880	880	177	267	267	67
Home equity lines of credit	184	184	92	349	349	224
Other consumer loans	340	340	154	336	336	168
Total:						
Commercial loans secured by real estate	42,756	42,756	2,422	43,572	43,572	410
Commercial and industrial loans	30,552	30,552	5,035	38,176	38,176	5,232
Residential mortgages	5,305	5,305	177	4,470	4,470	67
Home equity lines of credit	791	791	92	349	349	224
Other consumer loans	340	340	154	336	336	168
Total impaired loans	$ 79,744	79,744	7,880	86,903	86,903	6,101

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,			
	2012		2011	
(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	$ 19,771	266	8,446	490
Construction and land	752	-	2,031	26
Multi-family residential property	392	-	857	9
1-4 family residential property	1,315	-	254	13
Commercial and industrial loans	14,914	322	11,257	326
Residential mortgages	4,046	3	2,366	23
Home equity lines of credit	243	-	-	-
Other consumer loans	-	-	-	-
With an allowance recorded:				
Commercial loans secured by real estate:				
Commercial property	12,173	414	7,850	-
Construction and land	2,798	-	4,131	-
Multi-family residential property	8,258	423	-	-
1-4 family residential property	296	-	58	-
Commercial and industrial loans	16,862	469	19,915	5
Residential mortgages	722	-	53	-
Home equity lines of credit	221	-	444	-
Other consumer loans	315	-	470	-
Total:				
Commercial loans secured by real estate	45,755	1,103	23,627	538
Commercial and industrial loans	31,776	791	31,172	331
Residential mortgages	4,768	3	2,419	23
Home equity lines of credit	464	-	444	-
Other consumer loans	315	-	470	-
Total	$ 83,078	1,897	58,132	892

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, 2012 and 2011, we recorded TDR loans as follows:

(dollars in thousands)	*December 31, 2012* Number of Loans	Pre-Modification Balance	Post-Modification Balance	*December 31, 2011* Number of Loans	Pre-Modification Balance	Post-Modification Balance
Commercial loans secured by real estate:						
Commercial property	6	$ 18,309	12,527	9	20,803	20,792
Multi-family residential property	4	11,577	11,534	1	1,221	1,221
1-4 family residential property	-	-	-	4	1,093	1,269
Construction and land	-	-	-	1	1,231	1,250
Commercial and industrial loans	11	22,735	21,576	22	21,452	20,075
Residential mortgages	1	315	298	2	651	664
Total	22	$ 52,936	45,935	39	46,451	45,271

The following table summarizes how the TDR loans recorded for the years ended December 2012 and 2011 were modified:

(in thousands)	Rate Reduction	Deferred Principal Amortization	Term Extension	Deferred Principal Amortization with other concession (1)	Total
December 31, 2012					
Commercial loans secured by real estate:					
Commercial property	$ 2,759	-	5,903	3,865	12,527
Multi-family residential property	-	-	7,378	4,156	11,534
Commercial and industrial loans	-	5,101	14,146	2,329	21,576
Residential mortgages	-	-	-	298	298
Total	$ 2,759	5,101	27,427	10,648	45,935
December 31, 2011					
Commercial loans secured by real estate:					
Commercial property	$ -	828	12,564	7,400	20,792
1-4 family residential property	-	869	400	-	1,269
Construction and land	-	-	1,250	-	1,250
Multi-family residential property	-	-	-	1,221	1,221
Commercial and industrial loans	166	2,315	17,140	454	20,075
Residential mortgages	-	664	-	-	664
Total	$ 166	4,676	31,354	9,075	45,271

(1) Includes restructured loans that had a modification of the loan's amortization schedule along with a reduction of the loan's interest rate and/or extension of the loan's contractual maturity date.

Our impaired loans at December 31, 2012 and 2011 include TDR loans totaling $55.7 million and $46.5 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.

During the year ended December 31, 2012, we had eight loans modified as TDRs within the previous 12 months that subsequently defaulted on payments, including three commercial and industrial loans for $8.1 million, four commercial property loans for $5.9 million, and one residential mortgage loan for $300,000. During the year ended December 31, 2011, we had three loans modified as TDRs within the previous 12 months that

subsequently defaulted on payments, including two commercial and industrial loans totaling $350,000 and one residential mortgage for $169,000.

For the years ended December 31, 2012, 2011 and 2010, we recorded interest income on impaired loans during the period of impairment totaling $1.9 million, $892,000 and 226,000 respectively. 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 $5.2 million, $5.1 million, and $4.3 million for the years ended December 31, 2012, 2011, and 2010, respectively. Average impaired loans for the years ended December 31, 2012, 2011 and 2010 totaled $83.1 million, $58.1 million, and $44.1 million, respectively.

(9) Premises and Equipment

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

	December 31,	
(in thousands)	**2012**	**2011**
Leasehold improvements	$ 45,407	41,154
Furniture, fixtures and equipment	25,656	21,360
	71,063	62,514
Less accumulated depreciation and amortization	(38,871)	(31,940)
Premises and equipment, net	$ 32,192	30,574

Depreciation and amortization expense totaled $6.9 million, $6.1 million and $5.8 million for the years ended December 31, 2012, 2011 and 2010, respectively.

(10) Deposits

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

	December 31,	
(in thousands)	**2012**	**2011**
Non-interest-bearing demand	$ 4,444,964	3,148,436
NOW and interest-bearing demand	791,321	643,130
Money market	7,900,144	7,066,932
Time deposits	837,718	837,842
Brokered time deposits	108,505	57,798
Total deposits	$ 14,082,652	11,754,138

The aggregate amounts of time deposits in denominations of $100,000 or more at December 31, 2012 and 2011 were $701.8 million and $694.4 million, respectively. The related interest expense on these types of deposits for the years ended December 31, 2012 and 2011 amounted to $12.0 million and $13.6 million, respectively.

At December 31, 2012, the scheduled maturities of time deposits are as follows:

(in thousands)		**December 31, 2012**
2013	$	643,960
2014		134,239
2015		105,903
2016		48,338
2017		13,783
Total time deposits	$	946,223

At December 31, 2012 and 2011, we had approximately $39.7 million and $42.2 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 $3.1 million, $3.8 million and $2.4 million, respectively, for the years ended December 31, 2012, 2011 and 2010. 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)		**2012**		**2011**
Federal Funds Purchased				
Year-end balance	$	350,000	$	55,800
Maximum amount outstanding at any month-end	$	350,000	$	133,350
Average outstanding balance	$	128,525	$	74,570
Weighted-average interest rate paid		0.25%		0.18%
Weighted-average interest rate at year-end		0.33%		0.17%
Securities Sold Under Agreements to Repurchase				
Year-end balance	$	645,000	$	695,000
Maximum amount outstanding at any month-end	$	745,000	$	695,000
Average outstanding balance	$	703,333	$	645,027
Weighted-average interest rate paid		3.10%		3.44%
Weighted-average interest rate at year-end		2.86%		3.23%

During the years ended December 31, 2012, 2011, and 2010, interest expense recorded on Federal funds purchased and securities sold under agreements to repurchase totaled $22.1 million, $22.3 million, and $24.0 million, respectively.

At December 31, 2012, securities with a fair value of $819.4 million and a carrying value of $817.6 million were

pledged to meet our collateral requirement of $677.3 million on repurchase agreements. 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.

The Federal funds purchased at December 31, 2012 were overnight transactions, while the securities sold under repurchase agreements at December 31, 2012 have contractual maturities as follows:

(in thousands)		**Amount**
2013	$	50,000
2014		145,000
2015		255,000
2016		70,000
2017		125,000
Total advances	$	645,000

(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, 2012, 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)		**2012**		**2011**
Year-end balance	$	590,000	$	675,000
Maximum amount outstanding at any month-end	$	590,000	$	675,000
Average outstanding balance	$	329,926	$	347,567
Weighted-average interest rate paid		1.35%		2.10%
Weighted-average interest rate at year-end		0.88%		0.92%

During the years ended December 31, 2012, 2011, and 2010, interest expense recorded on FHLB advances totaled $4.5 million, $7.3 million, and $9.7 million, respectively.

At December 31, 2012, securities with a fair value of $1.34 billion and a carrying value of $1.33 billion were available to meet our collateral requirement of $619.5 million on FHLB advances. 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.

FHLB advances at December 31, 2012 have contractual maturities as follows:

(in thousands)		**Amount**
2013	$	440,000
2014		65,000
2015		50,000
2016		10,000
2017		25,000
Total advances	$	590,000

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 $65.0 million in advances that are callable in 2013, which have interest rates ranging from 2.85% to 4.59% and a weighted average interest rate of 3.81%.

(14) Other Short-Term Borrowings

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

(dollars in thousands)	*December 31,* 2012	2011
Year-end balance	$ -	$ -
Maximum amount outstanding at any month-end	$ -	$ 7,200
Average outstanding balance	$ -	$ 6,266
Weighted-average interest rate paid	0.00%	0.00%
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:

(in thousands)	*Years ended December 31,* 2012	2011	2010
FEDERAL			
Current expense	$ 100,636	86,403	62,238
Deferred income tax benefit	(6,020)	(5,969)	(7,684)
Total	$ 94,616	80,434	54,554
STATE AND LOCAL			
Current expense	$ 49,313	42,428	25,038
Deferred income tax benefit	(3,037)	(5,163)	(5,405)
Total	$ 46,276	37,265	19,633
TOTAL			
Current expense	$ 149,949	128,831	87,276
Deferred income tax benefit	(9,057)	(11,132)	(13,089)
Total	$ 140,892	117,699	74,187

Management has concluded that a valuation allowance for deferred tax assets is not necessary at December 31, 2012 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,* 2012	2011
DEFERRED TAX ASSETS		
Allowance for loan losses	$ 47,154	38,034
Depreciation	-	1,388
Unearned compensation - restricted shares	2,103	4,987
Non-accrual interest	1,455	2,617
Write-down for other-than-temporary impairment of securities	18,643	17,393
Other	8,782	2,357
Total deferred tax assets recognized in earnings	78,137	66,776
Net unrealized losses on securities available-for-sale	-	-
Total deferred tax assets	78,137	66,776
DEFERRED TAX LIABILITIES		
Depreciation	138	-
Prepaid expenses	660	241
Other	1,753	6
Total deferred tax liabilities recognized in earnings	2,551	247
Net unrealized gains on securities available-for-sale	34,284	23,542
Total deferred tax liabilities	36,835	23,789
Net deferred tax asset	$ 41,302	42,987

The increases in current income tax expense were primarily driven by increases in our pre-tax income, which were partially offset by benefits from low income housing tax credits recognized during the twelve months ended December 31, 2012, totaling $4.8 million. Accordingly, our effective tax rate for the year ended December 31, 2012 decreased to 43.2%, compared to 44.0% for the prior year as a result of the low income housing tax credits recognized.

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,					
	2012		*2011*		*2010*	
(in thousands)	**Expense (Benefit)**	**Rate**	**Expense (Benefit)**	**Rate**	**Expense (Benefit)**	**Rate**
Statutory federal income tax expense	$ 114,231	35%	93,529	35%	61,683	35%
State and local income taxes, net of federal income tax benefit	30,080	9%	24,222	9%	12,761	7%
Tax exempt income	(618)	*	(443)	*	(731)	*
Other items, net	(2,801)	(1)%	391	*	474	*
Effective income tax expense	$ 140,892	43%	117,699	44%	74,187	42%

* - 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, 2009.

(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 with incentives directly related to increases in our shareholder value. Activity related to the equity incentive plan for the years ended December 31, 2012 and 2011 is summarized as follows:

	Years ended December 31,	
	2012	**2011**
Shares available for future awards at beginning of the year	1,247,238	1,461,118
Options		
Granted	-	-
Forfeited or expired	-	-
Shares sold to cover minimum tax withholding and/or option price upon exercise	332,839	73,301
Restricted stock		
Granted	(366,786)	(290,849)
Forfeited	2,311	3,668
Shares sold to cover minimum tax withholding upon vesting	201,915	-
Shares available for future awards at end of the year	1,417,517	1,247,238

Stock Options

As of December 31, 2012, 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, 2012 and 2011, we recognized no compensation expense with respect to 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, 2012 and 2011:

	Years ended December 31,			
	2012		*2011*	
	Shares Underlying Options	**Weighted Average Exercise Price**	**Shares Underlying Options**	**Weighted Average Exercise Price**
Outstanding at beginning of the year	604,400	$ 17.57	723,750	$ 17.27
Granted	-	-	-	-
Exercised	(541,650)	16.99	(119,350)	15.79
Forfeited or expired	-	-	-	-
Outstanding at end of the year	62,750	$ 22.57	604,400	$ 17.57

The total intrinsic value of stock options exercised during the years ended December 31, 2012 and 2011 were $26.1 million and $4.8 million, respectively, and the cash received from those exercises during the respective periods totaled $9.2 million and $1.9 million. Available authorized common shares are issued for stock options that are exercised.

The following is a summary of outstanding and exercisable stock options as of December 31, 2012:

Exercise Price	At December 31, 2012	Weighted Average Remaining Contractual Life
$ 15.50	21,250	1.22 years
24.98	1,750	2.80 years
26.11	32,750	2.22 years
26.87	7,000	2.55 years
	62,750	1.94 years

As of December 31, 2012, the intrinsic value of outstanding and exercisable options was $3.1 million.

Restricted Stock

The following table summarizes information regarding outstanding grants of restricted stock for the years ended December 31, 2012 and 2011:

	Years ended December 31,			
	2012		*2011*	
	Shares	**Weighted Average Grant Price**	**Shares**	**Weighted Average Grant Price**
Outstanding at beginning of the year	906,481	$ 37.55	619,300	$ 29.89
Granted	366,786	63.34	290,849	53.98
Vested	(506,726)	47.59	-	-
Forfeited	(2,311)	41.97	(3,668)	48.11
Outstanding at end of the year	764,230	$ 43.25	906,481	$ 37.55

As of December 31, 2012, there was $28.3 million of total unrecognized compensation cost related to unvested restricted shares that is expected to be recognized over a weighted-average period of 3.99 years. During the years ended December 31, 2012, 2011, and 2010, we recognized compensation expense of $17.6 million, $8.5 million, and $9.3 million, respectively, for restricted shares. Included in the compensation expense for the year ended December 31, 2012 was $3.2 million from the December 10, 2012 accelerated vesting of 276,016 restricted shares, originally scheduled to vest on March 22, 2013. 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 year ended December 31, 2012 was $34.1 million. No restricted shares vested during the year ended December 31, 2011.

(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, 2012, 2011 and 2010:

(in thousands, except per share amounts)		*Years ended December 31,* 2012	2011	2010
Net income		185,483	149,526	102,051
Common and common equivalent shares:				
Weighted average common shares outstanding		46,633	43,622	40,923
Weighted average common equivalent shares		753	796	635
Weighted average common and common equivalent shares		47,386	44,418	41,558
Basic earnings per share	$	3.98	3.43	2.49
Diluted earnings per share	$	3.91	3.37	2.46

There were no options or warrants excluded from the computation of diluted earnings per share for the years ended December 31, 2012, 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, 2012, 2011, and 2010 totaled $14.1 million, $13.3 million and $12.1 million, respectively.

The required minimum rental payments under the terms of the noncancelable leases at December 31, 2012 are summarized as follows:

(in thousands)		**December 31, 2012**
2013	$	13,530
2014		13,295
2015		11,929
2016		8,919
2017		7,603
Thereafter		21,981
Total	$	77,257

(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 supplies us with enterprise banking services, core data processing services and

managed operations services. Fidelity also provides 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, 2012, 2011, and 2010, we incurred contractual costs of $3.4 million, $3.4 million, and $3.3 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, 2012 are as follows:

(in thousands)	**December 31, 2012**
2013	$ 3,336
2014	3,318
2015	3,468
2016	2,416
2017	-
Thereafter	-
Total	$ 12,538

(c) Financial Instruments with Off-Balance Sheet Risks

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)	**2012**	**2011**
Unused commitments to extend credit	$ 445,444	436,006
Financial standby letters of credit	184,181	220,667
Commercial and similar letters of credit	24,094	15,036
Other	1,021	942
Total	$ 654,740	672,651

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, 2012 and 2011, our reserves for losses on unused commitments to extend credit totaled $575,000 and $596,000, respectively, and are 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, 2012 and December 31, 2011, we had deferred revenue for commitment fees paid for the issuance of standby letters of credit in the amounts of $676,000 and $742,000, 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 $106,000 and $444,000 at December 31, 2012 and 2011, respectively. We had provisions for losses related to standby letters of credit totaling $(333,000) and $(26,000) at December 31, 2012 and 2011, respectively, which were reported in other general and administrative expenses in our Consolidated Statements of Operations. During the years ended December 31, 2012 and 2011, there were no charge-offs recorded on standby letters of credit.

At December 31, 2012 and 2011, we had commitments to sell residential mortgage loans and the U.S. government-guaranteed portion of SBA loans totaling $8.7 million and $8.9 million, respectively.

(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, 2012 and 2011, 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. 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, 2012:						
Total capital (to risk-weighted assets)	$ 1,714,519	16.35%	838,788	8.00%	1,048,484	10.00%
Tier 1 capital (to risk-weighted assets)	1,606,405	15.32%	419,394	4.00%	629,091	6.00%
Tier 1 leverage capital (to average assets)	1,606,405	9.51%	675,639	4.00%	844,549	5.00%
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%

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) Quarterly Data (unaudited)

(dollars in thousands, except per share amounts)		March 31	June 30	September 30	December 31
2012 QUARTER					
Interest income	$	155,699	162,272	169,102	173,483
Interest expense		28,897	28,082	27,431	26,340
Net interest income		126,802	134,190	141,671	147,143
Provision for loan losses		10,664	10,303	10,072	10,388
Net interest income after provision for loan losses		116,138	123,887	131,599	136,755
Non-interest income		9,114	9,886	8,340	8,899
Other-than-temporary impairment losses on securities, net		(714)	(1,400)	(434)	(525)
Non-interest income excluding other-than-temporary impairment losses on securities		9,828	11,286	8,774	9,424
Non-interest expense		50,350	54,850	54,939	58,104
Income before taxes		74,902	78,923	85,000	87,550
Income tax expense		32,533	33,641	37,302	37,416
Net income	$	42,369	45,282	47,698	50,134
Basic earnings per common share	$	0.92	0.97	1.02	1.07
Diluted earnings per common share	$	0.90	0.96	1.00	1.05
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

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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.)
10.4	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.)
10.7	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.)
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.

Exhibit No.	Exhibit
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

SUBSIDIARIES OF SIGNATURE BANK

As of February 28, 2013, Signature Bank has the following significant subsidiary:

Subsidiary	State or Jurisdiction Under Which Organized
Signature Preferred Capital, Inc.	New York

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, 2012;

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: March 1, 2013

/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, 2012;

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: March 1, 2013

/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, 2012 (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: March 1, 2013

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

Dated: March 1, 2013

/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.

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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
Founder, President and
Chief Executive Officer
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

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
6321 New Utrecht Avenue
97 Broadway
84 Broadway
(Accommodation Office)

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
360 Motor Parkway, Hauppauge

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 24, 2013, 9:00 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. Risk Factors," appearing in the Bank's Annual Report on Form 10-K for the fiscal year ended December 31, 2012, included herein.

SIGNATURE BANK

565 Fifth Avenue
New York, NY 10017
866-SIG-LINE (866-744-5463)
www.signatureny.com