



SIGNATURE BANK

# RELATIONSHIPS MATTER

2014 ANNUAL REPORT



## COMPANY PROFILE

*Signature Bank (NASDAQ:SBNY), member FDIC, is a full-service commercial bank with 29 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 along with taxi medallion and transportation financing.*

## FINANCIAL HIGHLIGHTS

*(in thousands)*

	2010	2011	2012	2013	2014
Total assets	\$ 11,673,089	14,666,120	17,456,057	22,376,663	<b>27,318,640</b>
Total loans	5,244,664	6,850,726	9,771,770	13,519,471	<b>17,857,708</b>
Total deposits	9,441,227	11,754,138	14,082,652	17,057,097	<b>22,620,275</b>
Shareholders' equity	944,547	1,408,116	1,650,327	1,799,939	<b>2,496,238</b>
Net interest income after provision for loan losses	298,486	407,911	508,379	606,700	<b>770,041</b>
Non-interest income	42,648	42,038	36,239	32,011	<b>34,982</b>
Non-interest expense	164,896	182,724	218,243	247,177	<b>293,244</b>
Income before income taxes	176,238	267,225	326,375	391,534	<b>511,779</b>
Net income	\$ 102,051	149,526	185,483	228,744	<b>296,704</b>

## TO OUR SHAREHOLDERS

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

Signature Bank's business model was built around the importance of relationships. Today, nearly 14 years since we opened our doors, relationships remain the bedrock of our institution. In our modern technology- and data-driven world, it is easy to lose sight of the fact that every successful business endeavor is built on trust and relationships.

Our approach to relationship banking is very different than most banks, and is what sets Signature Bank apart. It is our client-centric values that drive our record results, year after year.

While it may sound boring to repeat, 2014 was more of the same in terms of Signature Bank's performance. It was a year filled with both record-setting annual deposit and loan growth and also one that marked the Bank's seventh consecutive year of achieving record earnings. Furthermore, the 2014 fourth quarter was the 21<sup>st</sup> in a row where we reported record earnings.

During 2014, prominent third parties once again recognized the strength and success of the Bank's relationship-based model. Just prior to year-end, Signature Bank was named the Best Bank in America by *Forbes* magazine for 2015. We had previously ranked in this prestigious listing for the past five consecutive years, moving from 9<sup>th</sup> place to 5<sup>th</sup>, to 3<sup>rd</sup>, and

then to 2<sup>nd</sup> before taking the top spot for 2015.

This extraordinary placement is the result of the relationship-based

approach to banking upon which we continually execute and the efforts of all our colleagues.

Our success stems from the enduring relationships we have formed since deciding to build a new bank from the ground up back in 2000. At that time, we identified an overlooked niche in the marketplace, realizing that privately held businesses were underserved by many of the larger financial institutions. These types of clients were becoming increasingly frustrated at the mega banks, due to a lack of personalized service. Also, the silo approach – still utilized by most mega banks – categorizes every client request by type, only then to be separately addressed. Consequently, multiple banking professionals comprise the client-banker relationship, which becomes muddled by red tape and hindered by slower turn-around times. These silos and lack of attention, coupled with consolidation among the too-big-to-fail (TBTF) banks, present ongoing viable and valuable opportunities for Signature Bank to attract some of the best bankers in the marketplace, provide unparalleled service and excel in today's commercial banking landscape.

## DEEP-ROOTED RELATIONSHIPS

Signature Bank's philosophy is completely different. By developing a network of who we believe to be among the most talented bankers, we created our distinctive single-point-of-contact approach. We attract veteran bankers in the market that, over their decades of experience in the banking sector, have forged long-standing relationships with their clients. They join the Bank as teams, bringing with them their relationships with each other as well as those with their clients. Here, the teams can better wow their clients with unrivaled service by acting as a single point of contact for meeting all their needs. At Signature Bank, it is the team that services the client, and it is the team with whom the client has a relationship.

Perhaps equally important are the ways Signature Bank eliminates much of the bureaucracy found at the mega banks. This is what relationship bankers crave. At our Bank, Group Directors lead their teams and manage their own books of business as well as the relationships they have established.

To further strengthen our relationship-based business model, in 2007, we appointed a veteran commercial real estate banking team that continually helps to fuel loan growth. At the close of 2014, our loan portfolio reached \$17.86 billion, of which \$12.31 billion was derived from loans made through this expert commercial real estate banking team.

We made a similar move when we launched our wholly owned subsidiary, Signature Financial LLC, in March 2012. We attracted a seasoned specialty finance team of approximately 50 people to lead this effort for the Bank, bringing a new business line and key relationships. Today, Signature Financial comprises about \$2.62 billion of our loan portfolio, an increase of \$996 million over 2013. Signature Financial employs more than 80 colleagues in 19 states, and extends our footprint beyond the New York metropolitan area.

In 2014, Signature Financial expanded its lending offering with the addition of two business lines – commercial marine lending and franchise finance. We anticipate significant lending opportunities in both these spaces, and with the recent appointment of veteran bankers to lead each of these efforts, we are now poised to grow these businesses as well.

Our disciplined diversification is paying off. Aside from introducing our specialty finance arm, the Bank announced its entry into asset-based lending in late 2013, through the appointment of a team that brought decades of experience in this area and, subsequently, relevant relationships to us. This added another capability to the Bank's carefully chosen offerings, and the efforts of our ABL team are gaining traction.

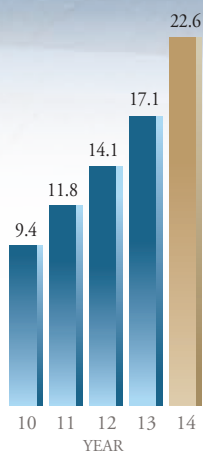
We ended the year 92 teams strong, led by 129 Group Directors. We appointed five new teams during 2014 and expect to further bolster our enterprise as we identify the right professionals.

We now operate from 29 financial centers, many of which cannot be found on the ground floor of any building. Since we are not a mass-market retail-centered bank, ground floor locations are irrelevant. For example, during 2014, our 28<sup>th</sup> financial center opened in Forest Hills, New York (Queens), on the fourth floor of an office building. Another differentiator for Signature Bank is that we open our banking offices only when a team is identified. We are not sold on the "build it and they will come" strategy; instead, we "build it once they come." As such, we recently opened our newest office in Greenwich, Connecticut, on the heels of hiring a new team with established relationships there. They are now expanding the Bank's presence throughout Fairfield County.

While all of the ways in which we build and cultivate relationships go against the typical grain of traditional banking, they truly are the reasons for Signature Bank's success.

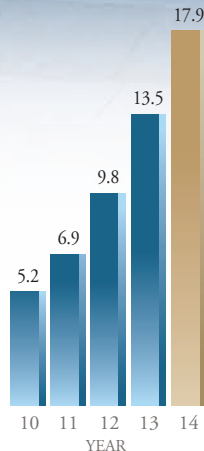
## DEPOSITS

(in billions)



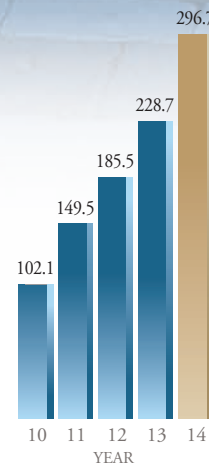
## LOANS

(in billions)



## NET INCOME

(in millions)



## FORMULA FOR SUCCESS

2014 was a stellar year for the Bank in terms of our financial performance as we fortified our strong relationships with our depositors.

Net income for the fiscal year ended December 31, 2014 again reached record levels, increasing to \$296.7 million, or \$5.95 diluted earnings per share, compared with \$228.7 million, or \$4.76 diluted earnings per share, reported in 2013. This represents an increase of \$68.0 million, or 29.7 percent, over last year's then-record. The record net income is predominantly due to an increase in net interest income, fueled by record annual growth in both deposits and loans.

For 2014, we continued to gather deposits at record levels as well. Deposits grew a record \$5.56 billion, or 32.6 percent, over deposits at the close of 2013, to \$22.62 billion. Excluding short-term escrow and brokered deposits of \$3.08 billion at year-end 2014 and \$1.66 billion at year-end 2013, core deposits increased a record \$4.14 billion, or 26.9 percent, for 2014.

Our lending efforts produced strong results in our loan portfolio during 2014, which reached \$17.86 billion versus \$13.52 billion for 2013, increasing \$4.34 billion, or 32.1 percent, since the end of 2013.

The significant increase in loans for the year was mostly fueled by growth in both commercial real estate and multi-family loans as well as loans extended by Signature Financial. At year-end, loans accounted for 65.4 percent of total assets, compared with 60.4 percent at the end of 2013. In the past six years, loans to assets grew from 48.3 to 65.4 percent, on

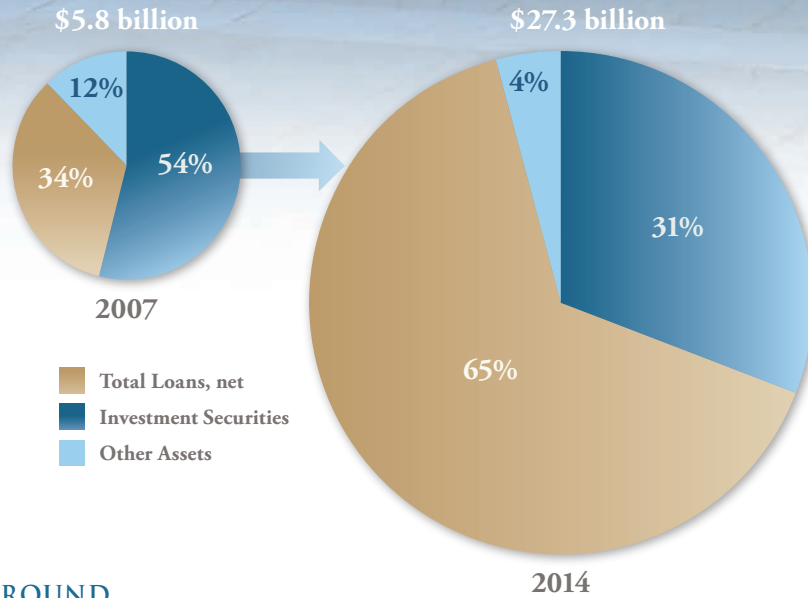
top of more than \$20.13 billion, or 279.8 percent, of balance sheet growth.

The Bank's strong lending discipline resulted in a low nonperforming loans to loan ratio of just 0.12 percent, with nonperforming loans to assets reaching 0.08 percent. Quarterly net charge-offs were zero basis points at year-end 2014 versus four basis points at September 30, 2014 and nine basis points as of December 31, 2013.

The Bank still possesses among the strongest capital positions in the industry. At the end of 2014, Tier 1 leverage, Tier 1 risk-based and total risk-based capital ratios were approximately 9.25 percent, 13.49 percent and 14.39 percent, respectively. Our strong risk-based capital ratios reflect the relatively low risk profile of the Bank's balance sheet. Also, the Bank's tangible common equity ratio remained strong at 9.14 percent.

Over the years, we have constantly proven the strength of our prudently managed balance sheet to our depositors and shareholders. We have maintained exceptional credit quality while continually delivering financial performance that outperforms our peers and the sector. Our rigorous disciplines, vigilant processes and underlying values contributed to the leading position Signature Bank holds in commercial banking. We will continue to leverage our capabilities as we judiciously elevate our status in a changing banking landscape that is overly dominated by TBTF institutions. Moreover, we will keep working toward legislative relief to reduce the regulatory advantage possessed by the TBTF banks.

## EXCELLING IN ASSET GROWTH AND MIX



### ON SOLID GROUND

Signature Bank ends 2014 stronger than any other time in the history of our growing franchise. Our concrete improvement in organic growth – year after year – is evidence that our model is embraced by our clients, bankers, colleagues and shareholders.

From a start-up bank to the Best Bank in America, the road traveled has been fueled by our commitment to relationships – the core of our business – then and now.

When we began our journey in 2001, we knew the New York metropolitan area was a market ripe for our model. With New York being home to the largest number of businesses in the U.S. with fewer than 500 employees (our target market), significant opportunities still abound here.

Since relationships are the hallmark of our business, it's perhaps no surprise that readers of *The New York Law Journal*, a trade publication focused on the New York-area legal marketplace, named Signature Bank the Best Business Bank in its 2014 annual reader survey. The Bank also ranked second in both the Best Private Bank and Best Attorney Escrow Service Provider categories. For the past five years, since the survey was introduced, Signature Bank has continually earned a top-three position in each of the categories in which it ranked.

During 2014, Signature Bank also was recognized in various banking industry publications. It was named the nation's fifth top-performing bank by *ABA Banking Journal*, and ranked seventh on *Bank Director* magazine's 2014 Bank Performance Scorecard for banks with assets between \$5 and \$50 billion.

Clearly, being named Best Bank in America by *Forbes* was the pinnacle of third-party recognitions, one we were humbled to earn. And, interestingly, earlier in 2014, the same publication also produced a list of America's 50 Most Trustworthy Financial Companies, on which Signature Bank was the only large cap bank to appear.

As we reflect on 2014, we believe we could not have earned any of these high honors without the diligence of our colleagues. We thank each and every one for their dedication to serving our growing client base, and providing exceptional care to our clients through the relationships they've worked hard to nurture.

We also take this opportunity to thank our Board of Directors for their contributions and vision, and our shareholders for placing their trust in our management team and the Bank's model.

We continue to emphasize our banking relationships by ensuring we always pick up the phone and make that connection with both existing as well as potential clients. We do the same within our current banking network and amongst new bankers seeking to join our franchise. After all, relationship banking, in our opinion, can truly be as simple as that. Ongoing attentiveness to client care is what it takes to achieve and sustain solid relationship banking. We pledge to stick to our relationship-based blueprint.

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, 2014

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**

(State or other jurisdiction  
of incorporation or organization)

**565 Fifth Avenue, New York, New York**  
(Address of principal executive offices)

**13-4149421**

(I.R.S. Employer  
Identification No.)

**10017**  
(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, 2014 was \$6.21 billion.

As of February 27, 2015, the Registrant had outstanding 50,322,040 shares of Common Stock.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the registrant's definitive Proxy Statement for Annual Meeting of Stockholders to be held April 23, 2015. (Part III)

**SIGNATURE BANK  
ANNUAL REPORT ON FORM 10-K  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014**

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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, brokered 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;
- changes in federal, state, or local tax laws; and
- 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;
- monetary and currency fluctuations;
- 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;
- our vulnerability to changes in inflation;
- 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;
- 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;
- a downturn in the economy of the U.S.;
- 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 private client banking teams 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;
- inflation or deflation;
- 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;
- technological changes;
- work stoppages, financial difficulties, fire, earthquakes, flooding or other natural disasters;
- changes in federal, state, or local tax laws;
- changes in accounting standards, policies, and practices or interpretation in new or existing standards, policies and practices, as may be adopted by the bank regulatory agencies, the Financial Accounting Standards Board, the Securities and Exchange Commission (the “SEC”) and the Public Company Accounting Oversight Board;
- changes in our reputation and negative public opinion;
- increases in FDIC insurance premiums;
- regulatory net capital requirements that constrain our brokerage business;
- soundness of other financial institutions; and
- changes in the financial condition or future prospects of issuers of securities that we own.

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 28 private client offices located in the New York metropolitan area, offering a wide variety of business and personal banking products and services. The Bank’s growing network of private client banking teams serves the needs of privately owned businesses, their owners and senior managers.

We provide brokerage, asset management and insurance products and services through our Signature Securities subsidiary, a licensed broker-dealer and investment adviser. Additionally, through Signature Securities, we purchase, securitize and sell the guaranteed portions of U.S. Small Business Administration (“SBA”) loans.

Through our Signature Financial subsidiary, a specialty finance company based in Melville, Long Island, we offer a variety of financing and leasing products to clients located throughout the United States. Signature Financial’s products include equipment finance and leasing, transportation financing, taxi medallion financing, commercial marine financing, and national franchise financing.

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](http://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 17<sup>th</sup> Street N.W., Washington, DC 20429.

Since commencing operations in May 2001, we have grown to \$27.32 billion in assets, \$22.62 billion in deposits, \$17.86 billion in loans, \$2.50 billion in equity capital and \$3.57 billion in other assets under management as of December 31, 2014. 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

##### ***Common Stock Offering***

On June 13, 2014, we completed a public offering of 2,100,000 shares of common stock and on July 1, 2014, the underwriter exercised in full the option we had granted the firm to purchase 315,000 additional shares of common stock. The net proceeds from this offering, including the option exercise, added approximately \$295.8 million to our shareholders’ equity, which will be used for general corporate purposes and to facilitate our continued growth.

##### ***Core Deposit Growth***

During 2014, our deposits grew \$5.56 billion, or 32.6%, to \$22.62 billion. Deposits at December 31, 2014 included \$211.2 million of brokered deposits and approximately \$2.87 billion of short-term escrow deposits, which due to their nature and as expected, have been or will be released over the next several quarters. At year end 2013, deposits included \$404.2 million of brokered deposits and approximately \$1.26 billion of short-term escrow deposits. Core deposits, which exclude brokered deposits and short-term escrow deposits, increased \$4.14 billion, or 26.9%, during 2014 as a result of the addition of new private client banking teams, who assist us in growing our client base, as well as additional deposits raised by our existing private client banking teams. 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 38.6% of our total deposits and time deposits accounting for only 4.5% of our total deposits as of December 31, 2014. Our average cost for total deposits was 0.47% for the year ended December 31, 2014.

### ***Short-Term Escrow Deposits***

At December 31, 2014 and 2013, approximately \$2.87 billion and \$1.26 billion, respectively, of short-term escrow deposits were included in the Bank's total deposits. We have developed a core competency in catering to the needs of law firms, accounting firms, claims administrators, and title companies, amongst others, which allows us to obtain from our clients short-term escrow deposits.

### ***Strategic Hires***

During 2014, we increased our network of seasoned banking professionals by adding five new private client banking teams and three new banking group directors. Additionally, we added three professional employees to lead Signature Financial's expansion into direct finance services for both the franchise and commercial marine industries on a national basis. Our full-time equivalent number of employees grew from 945 to 1,010 during 2014.

### ***Private Client Banking Teams and Offices***

As of December 31, 2014, we had 92 private client banking teams located 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 teams 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 banking team 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 2014 located in Forest Hills, New York. We currently operate 28 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 teams 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 banking team 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 banking team 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 banking 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 banking teams 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 teams. We believe the current market to be a favorable environment for locating and recruiting qualified private client banking teams. Our experience has been that such displacement and change leads select private client banking teams to smaller, less bureaucratic organizations such as Signature.

***Offer incentive-based compensation that rewards private client banking teams for developing their business and retaining their clients***

Our private client banking team 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 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 banking team 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 banking teams and report to our Chief Credit Officer.

***Maintain a flat organization structure that provides our clients and group directors with direct access to senior management***

Another key element of our strategy is our organizational structure. We operate with a flat organizational and reporting structure, through which our group directors 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 banking teams with the lending process. In addition, most of our private client offices have an investment group director or team 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. Our group directors and their teams 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 Global Select 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. As of December 31, 2014, 348,134 of these warrants have been exercised, which resulted in the creation of 85,138 shares of treasury stock that have been reissued in connection with the exercise of options granted under the Bank's equity incentive plan.
- 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.
- In July 2014, we completed a public offering of 2,415,000 shares of our common stock generating net proceeds of approximately \$295.8 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, taxi medallion financing; commercial marine financing, and national franchise financing;
- Asset-based lending;
- 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 automated teller machines.

The following table presents the composition of our deposit accounts as of December 31, 2014 and 2013:

<i>(dollars in thousands)</i>	<i>December 31,</i>			
	<i>2014</i>		<i>2013</i>	
	<b>Amount</b>	<b>Percentage</b>	<b>Amount</b>	<b>Percentage</b>
Personal demand deposit accounts (1)	\$ 585,689	2.59%	511,911	3.00%
Business demand deposit accounts (1)	6,479,270	28.65%	4,879,572	28.61%
Rent security	127,792	0.56%	98,987	0.58%
Personal NOW	47,813	0.21%	38,797	0.23%
Business NOW	1,623,337	7.18%	812,100	4.76%
Personal money market accounts	3,370,141	14.90%	3,172,224	18.60%
Business money market accounts	9,368,774	41.42%	6,318,277	37.04%
Personal time deposits	368,725	1.63%	415,040	2.43%
Business time deposits	437,545	1.93%	405,959	2.38%
Brokered time deposits	211,189	0.93%	404,230	2.37%
<b>Total</b>	<b>\$ 22,620,275</b>	<b>100.00%</b>	<b>17,057,097</b>	<b>100.00%</b>
Demand deposit accounts (1)	\$ 7,064,959	31.24%	5,391,483	31.61%
NOW	1,671,150	7.39%	850,897	4.99%
Money market accounts	12,866,707	56.88%	9,589,488	56.22%
Time deposits	806,270	3.56%	820,999	4.81%
Brokered time deposits	211,189	0.93%	404,230	2.37%
<b>Total</b>	<b>\$ 22,620,275</b>	<b>100.00%</b>	<b>17,057,097</b>	<b>100.00%</b>
Personal	\$ 4,372,368	19.33%	4,137,972	24.26%
Business	18,036,718	79.74%	12,514,895	73.37%
Brokered time deposits	211,189	0.93%	404,230	2.37%
<b>Total</b>	<b>\$ 22,620,275</b>	<b>100.00%</b>	<b>17,057,097</b>	<b>100.00%</b>

(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. Our 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 99% 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 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. 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, 2014, funded C&I loans totaled approximately 20% 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, 2014.

<i>(dollars in thousands)</i>	<i>December 31, 2014</i>	
	<b>Loan Amount</b>	<b>Percentage</b>
Taxi Medallions	\$ 847,225	22.91%
Transportation Services	645,819	17.47%
Real Estate and Real Estate Management	323,900	8.76%
Building and Construction Contractors	294,853	7.97%
Manufacturing	281,894	7.62%
Wholesale Trade	195,100	5.28%
Professional Services	146,584	3.96%
Financial Services	99,896	2.70%
Health Services	93,514	2.53%
Business Services	83,615	2.26%
Mining	76,420	2.07%
Retail Trade	63,051	1.71%
Accomodation and Food Services	48,862	1.32%
Special Trade Contractors	47,949	1.30%
Legal Services	46,663	1.26%
Recreational Services	31,009	0.84%
Educational Services	21,644	0.59%
Audio/Video Services	17,928	0.48%
Membership Organizations	13,281	0.36%
Utilities	10,459	0.28%
Other Industries	308,059	8.33%
<b>Total</b>	<b>\$ 3,697,725</b>	<b>100.00%</b>

As of December 31, 2014, the largest component of our C&I portfolio consisted 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 terms of up to ten 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, 2014, funded real estate loans totaled approximately \$14.13 billion, representing approximately 77% of our total funded loans.

The following table shows the distribution of our real estate loans as of December 31, 2014 by collateral type:

<i>(dollars in thousands)</i>	<i>December 31, 2014</i>	
	<b>Loan Amount</b>	<b>Percentage</b>
Multi-family residential property	\$ 8,607,989	60.92%
Commercial property	4,833,123	34.20%
1-4 family residential property	463,420	3.28%
Home equity lines of credit	160,890	1.14%
Construction and land	64,824	0.46%
<b>Total</b>	<b>\$ 14,130,246</b>	<b>100.00%</b>

We do not consider personal residential real estate loans a core part of our business, however, we offer these loans as part of our full service strategy. 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.

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, 2014, our commitments under letters of credit totaled approximately \$291.9 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, 2014, our consumer loans totaled \$10.2 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 Financial Industry Regulatory Authority, Inc. (“FINRA”) and the Securities Investor Protection Corporation (“SIPC”). Signature Securities is an introducing firm and, as such, clears its trades through National Financial Services, LLC, a wholly-owned subsidiary of Fidelity Investments. Signature Securities is also registered as an investment adviser. 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 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 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, 2014, we had \$548.3 million in SBA loans held for sale, representing approximately 3.0% of our total funded loans, compared to \$420.8 million at December 31, 2013.

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, 2014, the carrying amount of our SBA excess servicing strip assets totaled \$86.8 million.

Colson Services Corp. (“Colson”) is the third party government appointed fiscal and transfer agent for the SBA’s Secondary Market Program. As the designated servicer, Colson 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 deposits, loans, 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**

The majority 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 \$1.4 trillion in total deposits, as of June 30, 2014 – 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, 2014, we operated 28 private client offices located in the New York metropolitan area. These 28 offices housed a total of 92 private client banking teams. As part of the continuing development of our business strategy, we expect to open additional offices in 2015. 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 (Demand Deposit, Savings, Commercial Loans, 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, LLC, a subsidiary of Fidelity Global Brokerage Group, Inc. Our personnel connect to the system via both dedicated and internet based connections to National 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, 2014, we had 1,010 full-time equivalent employees, 615 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. We are also subject to the regulations of the other states in which we do business. 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. We are not controlled by a parent holding company, which would be subject to primary federal supervision by the Federal Reserve as a bank holding company.

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. Prior to January 1, 2015, FDIC regulations required 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 and lease losses, perpetual preferred stock, subordinated debt, and certain hybrid instruments. At December 31, 2014, our total risk-based capital ratio was 14.39%, and our Tier 1 risk-based capital ratio was 13.49%.

We are also required to maintain a minimum leverage capital ratio - the ratio of Tier 1 capital (net of intangibles) to adjusted total assets. Prior to January 1, 2015, banks that received the highest rating of five categories used by regulators to rate banks and were not anticipating or experiencing any significant growth were required to maintain a leverage capital ratio of at least 3.0%. All other institutions were required to maintain a leverage capital ratio of 4.0%. At December 31, 2014, our leverage capital ratio was 9.25%.

On July 9, 2013, the Federal Deposit Insurance Corporation approved final rules that substantially amend the regulatory risk-based capital rules applicable to Signature Bank. The final rules were adopted following the issuance of proposed rules by the federal banking regulators in June 2012, and implement the “Basel III” regulatory capital reforms and changes required by the Dodd-Frank Act. “Basel III” refers to two consultative documents released by the Basel Committee on Banking Supervision in December 2009, the rules text released in December 2010, and loss absorbency rules issued in January 2011, which include significant changes to bank capital, leverage and liquidity requirements.

The rules include new risk-based capital and leverage ratios, which are being phased in from 2015 to 2019, and refine the definition of what constitutes “capital” for purposes of calculating those ratios. The new minimum capital level requirements applicable to Signature Bank under the final rules are the following: (i) a new common equity Tier 1 risk-based capital ratio of 4.5%; (ii) a Tier 1 risk-based capital ratio of 6% (increased from 4%); (iii) a total capital ratio of 8% (unchanged from current rules); and (iv) a leverage ratio of 4% for all institutions. The final rules also establish a “capital conservation buffer” above the new regulatory minimum capital requirements, which must consist entirely of common equity Tier 1 capital. Common equity Tier 1 capital consists of common stock instruments that meet the eligibility criteria in the final rules, retained earnings, accumulated other comprehensive income and common equity Tier 1 minority interest. The capital conservation buffer will be phased-in over four years beginning on January 1, 2016, as follows: the maximum buffer will be 0.625% of risk-weighted assets for 2016, 1.25% for 2017, 1.875% for 2018, and 2.5% for 2019 and thereafter, resulting in the following minimum ratios beginning in 2019: (i) a common equity Tier 1 capital ratio of 7.0%, (ii) a Tier 1 capital ratio of 8.5%, and (iii) a total capital ratio of 10.5%. Under the final rules, institutions are subject to limitations on paying dividends, engaging in share repurchases, and paying discretionary bonuses if their capital levels fall below the buffer amount. These limitations establish a maximum percentage of eligible retained income that could be utilized for such actions.

Basel III provided discretion for regulators to impose an additional buffer, the “countercyclical buffer,” of up to 2.5% of common equity Tier 1 capital to take into account the macro-financial environment and periods of excessive credit growth. However, the final rules permit the countercyclical buffer to be applied only to “advanced approach banks” (i.e., banks with \$250 billion or more in total assets or \$10 billion or more in total foreign exposures), which currently excludes Signature Bank. The final rules also implement revisions and clarifications consistent with Basel III regarding the various components of Tier 1 capital, including common equity, unrealized gains and losses, as well as certain instruments that will no longer qualify as Tier 1 capital, some of which will be phased out over time.

The final rules also contain revisions to the prompt corrective action (“PCA”) framework, which is designed to place restrictions on insured depository institutions, including Signature Bank, if their capital levels begin to show signs of weakness. These revisions took effect January 1, 2015. Under the PCA requirements, which are designed to complement the capital conservation buffer, insured depository institutions will be required to meet the following increased capital level requirements in order to qualify as “well capitalized:” (i) a new common equity Tier 1 capital ratio of 6.5%; (ii) a Tier 1 capital ratio of 8% (increased from 6%); (iii) a total capital ratio of 10% (unchanged from current rules); and (iv) a leverage ratio of 5% (increased from 4%).

The final rules set forth certain changes for the calculation of risk-weighted assets, which we have been required to utilize as of January 1, 2015. The standardized approach final rule utilizes an increased number of credit risk exposure categories and risk weights, and also addresses: (i) an alternative standard of creditworthiness consistent with Section 939A of the Dodd-Frank Act; (ii) revisions to recognition of credit risk mitigation; (iii) rules for risk weighting of equity exposures and past due loans; (iv) revised capital treatment for derivatives and repo-style transactions; and (v) disclosure requirements for top-tier banking organizations with \$50 billion or more in total assets that are not subject to the “advance approach rules” that apply to banks with greater than \$250 billion in consolidated assets. Based on our current capital composition and levels, we believe that we would be in compliance with the requirements as set forth in the final rules if they were presently in effect.

The federal banking agencies in September 2014 issued a final rule that implements a new “liquidity coverage ratio” (“LCR Rule”) based upon Basel III requirements that will for the first time regulate bank liquidity in detail. The LCR Rule does not apply to depository institutions, including Signature Bank, with less than \$50 billion in consolidated assets. Based on our anticipated rate of growth, we do not expect that the LCR rule will impact our operations or financial condition over the next several years.



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.

Federal law generally limits the equity investments of state-chartered banks insured by the FDIC to those that are permissible for national banks. Under regulations dealing with equity investments, an insured state bank generally may not, directly or indirectly, acquire or retain any equity investment of a type, or in an amount, that is not permissible for a national bank. An insured state bank is not prohibited from, among other things: (i) acquiring or retaining a majority interest in a subsidiary that is engaged in permissible activities; (ii) investing as a limited partner in a partnership the sole purpose of which is direct or indirect investment in the acquisition, rehabilitation, or new construction of a qualified housing project, provided that such limited partnership investments may not exceed 2% of the bank's total assets; (iii) acquiring up to 10% of the voting stock of a company that solely provides or reinsures liability insurance for directors, trustees or officers, or blanket bond group insurance coverage for insured depository institutions; and (iv) acquiring or retaining the voting shares of a depository institution if certain requirements are met. The direct or indirect activities of a state bank are similarly generally limited to those of a national bank. Exceptions include where approval is received for the activity from the FDIC.

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.

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

#### ***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 that 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 PCA provisions: "well capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized," or "critically undercapitalized." As of December 31, 2014, the capital ratios of Signature Bank exceeded the minimum ratios established for a "well capitalized" institution.

As of January 1, 2015, the definitions of these capital categories have changed in accordance with the federal banking agencies' final rule to implement Basel III and new minimum leverage and risk-based capital requirements. Under the revised PCA capital category definitions, we would be categorized as "well capitalized" if (i) we have a total risk-based capital ratio of 10.0% or greater; (ii) we have a Tier 1 risk-based capital ratio of 8% or greater; (iii) we have a common equity Tier 1 risk-based capital ratio of 6.5% or greater; (iv) we have a leverage ratio of 5.0% or greater; and (v) we are not subject to any written agreement, order, capital directive, or PCA 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 8.0% or greater; (ii) we have a Tier 1 risk-based capital ratio of 6.0% or greater; (iii) we have a common equity Tier 1 capital ratio of 4.5% or greater; and (iv) we have a leverage ratio of 4.0% or greater (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 6.0%; (iii) we have a common equity Tier 1 capital ratio that is less than 4.5%; or (iv) we have a leverage ratio that is less than 4.0%.

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 4.0%; (iii) we have a common equity Tier 1 capital ratio that is less than 3.0%; or (iv) we have a leverage 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.

In addition to measures taken under the PCA 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.

The Dodd-Frank Act requires banks with total consolidated assets of more than \$10 billion to conduct annual stress tests. The Dodd-Frank Act also requires the FDIC, in coordination with federal financial regulatory agencies, to issue regulations establishing methodologies for stress testing that provide for at least three different sets of conditions, including baseline, adverse, and severely adverse. The regulations must also require banks to publish a summary of the results of the stress tests. In October 2012, the FDIC issued a final rule regarding annual stress tests requiring a bank subject to the rule to assess the quarterly impact of stress scenarios on the bank’s capital over a horizon of nine quarters. For institutions, such as Signature Bank, with total consolidated assets of more than \$10 billion but less than \$50 billion, the final rule delayed the implementation of stress testing until September 2013, with initial results to be submitted by March 31, 2014. The final rule also delayed the initial public disclosure requirement of stress test results until 2015 (disclosing the 2014 stress test results). In November 2014, the FDIC issued a final rule further altering the stress testing timeline, beginning January 1, 2016, to require the submission of results by July 31, based on financial data as of December 31 of the preceding year. The public disclosure of the results will be required to occur during a period beginning October 15 and ending October 31. The Bank has developed a process to comply with the stress testing requirements, which involves Senior Management, Risk Management and Finance, along with third-party consultants who assist in this process. The Risk Committee of the Board of Directors receives quarterly updates as to the progress and challenges in complying with this new regulatory requirement. We believe the stress testing results will affirm the adequacy of the Bank’s capital, even under severe economic conditions. As the related methodologies and best practices for banks of Signature’s size continue to evolve, the stress testing process requires significant investment and we continue to seek ways to maximize shareholder value from the process while complying with regulatory requirements.

In addition, in December 2013 federal regulators adopted a final rule implementing the “Volcker Rule” enacted as part of the Dodd-Frank Act. The Volcker Rule prohibits (subject to certain exceptions) banks and their affiliates from engaging in short-term proprietary trading in securities and derivatives and from investing in and sponsoring certain unregistered investment companies (including not only such things as hedge funds, commodity pools and private equity funds, but also a range of asset securitization structures that do not meet exemptive criteria in the final rules). The new rules also require banks to develop compliance and control programs, including board of directors oversight, appropriate for the size of the bank and the types and complexity of its activities. The rules are complex and it is not clear how they will be implemented over time. In January 2014, the federal regulators adopted an exemptive rule on an emergency basis to address the unanticipated impact of the new rules on bank ownership of certain trust preferred securities. It is possible that as the requirements of the Volcker Rule as applied to other assets become more clear, there will be additional similar situations in which ownership by depository institutions of pooled, securitized or participated loans and credit products (or other assets) will be determined to be prohibited by the Volcker Rule and, absent exemptive relief, required to be divested and (pending divestment) accounted for as assets “held for sale” that are marked to market. Signature Bank, however, does not currently anticipate that the Volcker Rule will have a material effect on the bank, because it does not have material exposure to the prohibited activities.

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, 2014, \$7.06 billion, or 31.2%, 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 federal Consumer Financial Protection Bureau (“CFPB”). This agency is responsible for enforcing federal consumer financial laws as defined by the Dodd-Frank Act that, among other things, govern the provision of deposit accounts along with mortgage origination and servicing. Some federal consumer financial laws enforced by the CFPB include the Equal Credit Opportunity Act, the Truth in Lending Act (“TILA”), the Truth in Savings Act, the Home Mortgage Disclosure Act, the Real Estate Settlement Procedures Act (“RESPA”), the Equal Credit Opportunity Act, and the Fair Credit Reporting Act. In 2012, the CFPB proposed an integrated disclosure in connection with mortgage origination that incorporates disclosure requirements under RESPA and TILA. The CFPB issued a final rule regarding the integrated disclosure in December 2013, and the disclosure requirement will become effective in August 2015. In accordance with deadlines set by the Dodd-Frank Act, the CFPB issued final rules in January 2013 related to new mortgage servicing standards, and mortgage lending requirements that establish a “qualified mortgage” which will fulfill the Dodd-Frank Act requirement that mortgage lenders consider a borrower’s ability to repay. These mortgage servicing and lending rules became effective in January 2014. 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 has the authority to take supervisory and enforcement action against banks and other financial services companies under the agency’s jurisdiction that fail to comply with federal consumer financial laws. As an insured depository institution with total assets of more than \$10 billion, the Bank is subject to the CFPB’s supervisory and enforcement authorities. 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 stringent consumer compliance environment. 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 that the Dodd-Frank Act or the related regulations will impact the Bank’s business. However, compliance with these new laws and regulations could result in restraints on, and additional costs to, our business. It is also difficult to predict the impact that the Dodd-Frank Act will have on our competitors and on the financial services industry as a whole. In addition to the recent 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.

### ***Sarbanes-Oxley Act of 2002***

The Sarbanes-Oxley Act of 2002 addresses, among other issues, corporate governance, auditing and accounting, executive compensation, and enhanced and timely disclosure of corporate information. As directed by the Sarbanes-Oxley Act, our Chief Executive Officer and Chief Financial Officer are required to certify that our quarterly and annual reports do not contain any untrue statement of a material fact. The rules adopted by the SEC under the Sarbanes-Oxley Act have several requirements, including having these officers certify that: they are responsible for establishing, maintaining and regularly evaluating the effectiveness of our internal control over financial reporting; they have made certain disclosures to our auditors and the audit committee of the Board of Directors about our internal control over financial reporting; and they have included information in our quarterly and annual reports about their evaluation and whether there have been changes in our internal control over financial reporting or in other factors that could materially affect internal control over financial reporting.

### ***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. We are also subject to analogous state CRA requirements in New York and other states in which we may establish branch offices. 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 October 25, 2012 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 New York State Department of Financial Services assign a rating of "outstanding," "satisfactory," "needs to improve," or "substantial noncompliance." Signature Bank received a "satisfactory" CRA Assessment Rating from both regulatory agencies in its most recent examinations.

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, and prohibitions on discrimination in the provision of banking services. Also, under privacy protection provisions of the Gramm-Leach-Bliley Act of 1999, we are limited in our ability to disclose non-public information about consumers to nonaffiliated third parties. These limitations require disclosure of privacy policies to consumers and, in some circumstances, allow consumers to prevent disclosure of certain personal information to a nonaffiliated third party. Federal banking agencies, including the FDIC, have adopted guidelines for establishing information security standards and programs for implementing safeguards under the supervision of the board of directors. 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, PCA capital evaluations, 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. The assessment rate schedule includes an adjustment for significant amounts of brokered deposits applicable to large institutions that are either less than well capitalized or have a composite rating of “3,” “4,” or “5” under the Uniform Financial Institution Rating System. For these institutions, an assessment rate adjustment applies when the ratio of brokered deposits to domestic deposits is greater than 10%. Under the assessment rate schedules, the total base assessment rates range from two and one-half to forty-five basis points.

In addition, all FDIC-insured institutions are required to pay assessments to the FDIC to fund interest payments on bonds issued by the Financing Corporation (“FICO”), an agency of the federal government established to recapitalize the Federal Savings and Loan Insurance Corporation. The FICO assessment rates, which are determined quarterly, averaged 0.62 basis points of insured deposits on an annualized basis in fiscal year 2014. These assessments will continue until the FICO bonds mature in 2017.

We must maintain reserves on transaction accounts. The maintenance of reserves increases our cost of funds because reserves must generally be maintained in cash 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. Under these amendments, Signature Bank is permitted to establish branch offices in other states in addition to our existing New York branch offices.

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, 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 FINRA 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.

### ***Transactions with Related Parties***

Transactions between banks and their related parties or affiliates are limited by Sections 23A and 23B of the Federal Reserve Act. An affiliate of a bank is any company or entity that controls, is controlled by or is under

common control with the bank. In a holding company context, the parent bank holding company and any companies which are controlled by such parent holding company are affiliates of the bank.

Generally, Sections 23A and 23B of the Federal Reserve Act and Regulation W (i) limit the extent to which the bank or its subsidiaries may engage in “covered transactions” with any one affiliate to an amount equal to 10.0% of such institution’s capital stock and surplus, and contain an aggregate limit on all such transactions with all affiliates to an amount equal to 20.0% of such institution’s capital stock and surplus and (ii) require that all such transactions be on terms substantially the same, or at least as favorable, to the institution or subsidiary as those provided to non-affiliates. The term “covered transaction” includes the making of loans, purchase of assets, issuance of a guarantee and other similar transactions. In addition, loans or other extensions of credit by the financial institution to the affiliate are required to be collateralized in accordance with the requirements set forth in Section 23A of the Federal Reserve Act.

The Sarbanes-Oxley Act of 2002 generally prohibits loans by a company to its executive officers and directors. However, the law contains a specific exception for loans by a depository institution to its executive officers and directors in compliance with federal banking laws, assuming such loans are also permitted under the law of the institution’s chartering state. Under such laws, Signature Bank’s authority to extend credit to executive officers, directors and 10% shareholders (“insiders”), as well as entities under such person’s control, is limited. The law limits both the individual and aggregate amount of loans Signature Bank may make to insiders based, in part, on Signature Bank’s capital position and requires certain Board approval procedures to be followed. Such loans are required to be made on terms substantially the same as those offered to unaffiliated individuals and not involve more than the normal risk of repayment. There is an exception for loans made pursuant to a benefit or compensation program that is widely available to all employees of the institution and does not give preference to insiders over other employees. Loans to executive officers are further limited to specific categories.

#### ***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.

#### ***Incentive Compensation***

Guidelines adopted by the federal banking agencies pursuant to the Federal Deposit Insurance Act prohibit excessive compensation as an unsafe and unsound practice and describe compensation as excessive when the amounts paid are unreasonable or disproportionate to the services performed by an executive officer, employee, director or principal shareholder.

In June 2010, the federal banking agencies jointly adopted the Guidance on Sound Incentive Compensation Policies intended to ensure that banking organizations do not undermine the safety and soundness of such organizations by encouraging excessive risk-taking. This guidance, which covers all employees that have the ability to expose the organization to material amounts of risk, either individually or as part of a group, is based upon the key principles that a banking organization’s incentive compensation arrangements should (i) provide employee incentives that appropriately balance risk in a manner that does not encourage employees to expose their organizations to imprudent risk, (ii) be compatible with effective controls and risk management, and (iii) be supported by strong corporate governance, including active and effective oversight by the organization’s board of directors. Any deficiencies in the Bank’s compensation practices could lead to supervisory or enforcement actions by the FDIC.

Section 956 of the Dodd-Frank Act requires the federal bank regulatory agencies and the SEC to establish joint regulations or guidelines prohibiting incentive-based payment arrangements at specified regulated entities, such as us, having at least \$1 billion in total assets that encourage inappropriate risk-taking by providing an executive officer, employee, director or principal shareholder with excessive compensation, fees, or benefits or that could lead to material financial loss to the entity. In addition, these regulators must establish regulations or guidelines requiring enhanced disclosure to regulators of incentive-based compensation arrangements. The agencies proposed such regulations in April 2011, but the regulations have not been finalized. If the regulations are adopted in the form initially proposed, they will impose limitations on the manner in which we may structure compensation for our executives. The regulations would also incorporate the three principles of the Guidance on Sound Incentive Compensation Policies discussed above.

The scope and content of the federal banking regulators' policies on incentive compensation are continuing to develop and are likely to continue evolving in the near future.

## 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 operations.*

### 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 and currency exchange rates 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 and currency exchange rates, we do hold corporate debt securities issued by U.S. financial institutions that have material exposure to European sovereign and non-sovereign debt as well as European currency exchange rates. As such, further deterioration of the economic conditions in Europe could have an 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 an 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. Recent uncertainty and decline in oil and gas prices may have adverse effects on certain industries, including the oil and gas industries, and may have an adverse effect on the market for commercial and industrial loans. 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 2013, we added a team focused on asset-based lending, marking our entry into that arena, in order to diversify revenue streams and further broaden our offerings to middle market commercial clients. Subsequently, in 2014, we expanded the product lines of Signature Financial by adding national franchise financing and commercial marine financing. Although we continue to expend substantial managerial, operating and financial resources as our business grows, we may be unable to successfully continue the integration of these new business lines, and we may be unable to realize the expected revenue contributions. We will be required to employ and maintain qualified personnel, and as our business 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 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. For a discussion of our interest rate risk management process, see Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

***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. These technological advancements also 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 in response to the economic crisis, including equity investments, liquidity facilities and guarantees. Given the state of the global economy, it is possible that the government could 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 introduced a bidding process for institutions that have been or will be placed into receivership by federal or state regulators. This process is open to existing financial institutions, as well as groups without pre-existing operations. This program and others like it that exist now or that may be developed in the future could give rise to a significant number of new competitors, which could have a material adverse effect on our business and results of operations.

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

Although over 97% of our portfolio of investment securities was rated investment grade as of December 31, 2014, 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 to 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.

***Adverse developments in the residential mortgage market may adversely affect the value of our investment portfolio.***

Although there has been some recent improvement, 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. 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 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 prior years and experienced significant

difficulties stemming from the market disruptions of the economic crisis, including significant increases in credit-related expenses and credit losses. In July 2008, the U.S. Congress enacted the Housing and Economic Recovery Act ("HERA") 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, under the authority of HERA, 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.

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.

The future of Fannie Mae and Freddie Mac remains uncertain. Congress has recently introduced bills reforming the housing finance system and government-sponsored enterprises. Among some of these bills is a proposal to wind down Fannie Mae and Freddie Mac over a period of time, and restrict the activities of these enterprises before the wind down. 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 96% of our total loan portfolio as of December 31, 2014, and our business plan calls for continued efforts to increase our assets invested in commercial loans. Our credit-rated commercial loans include commercial and industrial loans to our privately-owned business clients 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 real estate, 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. Additionally, the recent development of car-service applications has increased competition within the taxi industry and has affected the value of medallions that serve as collateral for our taxi medallion loans.

For all of these reasons, increases in nonperforming 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 substantially all 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.***

A large portion of our business is located in the New York metropolitan area, and 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, including policy changes enacted by local governments affecting multi-family borrowers, such as rent freezes on stabilized apartments and escalation of real estate taxes. A prolonged period of economic recession or other adverse economic and political 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, 2014, approximately 77% 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 depository 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 \$1.34 billion at December 31, 2014. 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, 2014, we held \$86.3 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, specialty finance, 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 or other key professionals 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 a number of our key group directors or other key professionals were to leave, our business could be materially adversely affected. We cannot assure you that such losses 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 teams. However, we believe that there are a limited number of potential group directors and teams 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 teams 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 teams, we cannot assure you that they will be successful in bringing additional clients and business to us. Furthermore, the addition of new teams 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 teams 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 team that we may acquire or that any new team 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, LLC (a Fidelity Investments company), National Financial Services, LLC 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.

Our third party outsourcing relationships are subject to regulatory requirements regarding vendor management. Federal banking guidance requires us to conduct due diligence and oversight in third party business relationships

and to control risks in the relationship to the same extent as if the activity were directly performed by the Bank. If our regulators conclude that we are not exercising proper oversight and control over third party vendors, or that third parties are not performing their services appropriately, then we could be subject to enforcement actions. These enforcement actions could have a material adverse effect on our business and our ability to use third party services to receive cost-effective operational support.

***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, including through coordinated attacks sponsored by foreign nations and criminal organizations to disrupt business operations and other compromises to data and systems for political or criminal purposes. 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. Risks and exposures related to cyber security attacks are expected to remain high for the foreseeable future due to the rapidly evolving nature and sophistication of these threats, as well as due to the expanding use of Internet banking, mobile banking and other technology-based products and services by us and our clients.

***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 2014 public offering of 2,415,000 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.

***Inflation or deflation could adversely affect our business and financial results.***

Inflation can adversely affect us by increasing costs of capital and labor. In addition, inflation is often accompanied by higher interest rates, which may negatively affect the market value of securities in our investment portfolio. Moreover, the cost of capital increases as a result of inflation and the purchasing power of our cash resources declines. Current or future efforts by the government to stimulate the economy may increase the risk of significant inflation and its adverse impact on our financial condition and results of operations.

Alternatively, a significant period of deflation could cause a decrease in overall spending and borrowing levels. This could lead to a further deterioration in economic conditions, including an increase in the rate of unemployment. Deflation is often accompanied by lower interest rates, which may lower the rate of interest we earn on our loans and may have a material adverse effect on our net interest income and earnings. Declining oil and gas prices may increase the risk of significant deflation and its adverse impact on our financial condition and results of operations.

***The misconduct of employees or their failure to abide by regulatory requirements is 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, acts of war or terrorism, public health issues, 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 civil unrest, acts of war or terrorism against the United States, and other acts of violence or threats to national security 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. Moreover, a public health issue such as a major epidemic or pandemic could adversely affect economic conditions. The United States and other countries have experienced, and may experience in the future, outbreaks of contagious diseases that affect public perception of health risk. In the event of a widespread, prolonged, actual or perceived outbreak of a contagious disease, our operations could be negatively impacted by a reduction in customer traffic, quarantines or closures of our offices and facilities, the decline in productivity of our key officers and employees or other factors. 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.

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

We are subject to changes in tax law that could increase our effective tax rates. 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.

***Negative public opinion could damage our reputation and adversely affect our earnings.***

Reputational risk, or the risk to our earnings and capital from negative public opinion, is inherent in our business. Negative public opinion can result from the actual or perceived manner in which we conduct our business activities; our management of actual or potential conflicts of interest and ethical issues; and our protection of confidential client information. Our brand and reputation may also be harmed by actions taken by third parties that we contract with to provide services to the extent such parties fail to meet their contractual, legal and regulatory obligations or act in a manner that is harmful to our clients. If we fail to supervise these relationships effectively, we could also be subject to regulatory enforcement, including fines and penalties. Negative public opinion can adversely affect our ability to keep and attract clients and can expose us to litigation and regulatory action. We take steps to minimize reputation risk in the way we conduct our business activities and deal with our clients, communities and vendors but our efforts may not be sufficient.

**Risks Related to Our Industry**

***We are subject to stringent regulatory capital requirements, which may adversely impact our return on equity, require us to raise additional capital, or constrain us from paying dividends or repurchasing shares.***

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.

In July 2013, the FDIC approved a new rule that substantially amended the regulatory risk-based capital rules applicable to Signature Bank. The final rule implements the “Basel III” regulatory capital reforms and changes required by the Dodd-Frank Act. The final rule includes new minimum risk-based capital and leverage ratios, which became effective for Signature Bank on January 1, 2015, and refines the definition of what constitutes “capital” for purposes of calculating these ratios. The new minimum capital requirements include: (i) a new common equity Tier 1 capital ratio of 4.5%; (ii) a Tier 1 to risk-based assets capital ratio of 6% (increased from 4%); (iii) a total capital ratio of 8% (unchanged from prior rules); and (iv) a Tier 1 leverage ratio of 4%. The final rule also established a “capital conservation buffer” of 2.5%, resulting in the following minimum ratios; (i) a common equity Tier 1 capital ratio of 7.0%, (ii) a Tier 1 to risk-based assets capital ratio of 8.5%, and (iii) a total capital ratio of 10.5%. The new capital conservation buffer requirement would be phased in beginning in January 2016 at 0.625% of risk-weighted assets and would increase each year until fully implemented in January 2019. An institution will be subject to limitations on paying dividends, engaging in share repurchases, and paying discretionary bonuses if its capital level falls below the buffer amount. See – Regulation and Supervision – Safety and Soundness Regulation.

The application of more stringent capital requirements for Signature Bank could, among other things, result in lower returns on equity, require the raising of additional capital, and result in regulatory actions such as the inability to pay dividends or repurchase shares if we were to be unable to comply with such requirements. The impact of these requirements could also change the competitive landscape in which we seek deposits, lending opportunities, clients, banking professionals and otherwise conduct our business.

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 undercapitalized.” 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 common equity Tier 1 capital ratio of 6.5 % or greater, a leverage capital ratio of 5.0% or greater, a Tier 1 risk-based capital ratio of at least 8.0% or greater, and a total risk-based capital ratio of 10.0% or greater, 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, the CFPB, and FINRA. As we expand our operations, we will become subject to regulation by additional states. 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, the CFPB, 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 continue to 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 and prohibitions on proprietary trading and investing in and sponsoring certain unregistered investment companies, (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 the CFPB with broad authority and permits states to adopt stricter consumer protection laws and enforce consumer protection rules issued by the Consumer Financial Protection Bureau.

In December 2013, federal regulators adopted a final rule implementing the Volcker Rule enacted as part of the Dodd-Frank Act. The Volcker Rule prohibits (subject to certain exceptions) banks and their affiliates from engaging in short-term proprietary trading in securities and derivatives and from investing in and sponsoring certain unregistered investment companies (including not only such things as hedge funds, commodity pools and private equity funds, but also a range of asset securitization structures that do not meet exemptive criteria in the final rules). The Federal Reserve has exercised its authority to extend the divestiture period for such pre-2014 investments to July 21, 2016, and stated its intent to further extend the divestiture period to July 21, 2017. We hold certain securities in our available-for-sale investment portfolio that do not meet these exemptive criteria for continued ownership and, therefore, must be divested within the divestiture period. These securities, which are predominantly collateralized mortgage obligations, had a fair value totaling \$146.5 million and an amortized cost of \$144.0 million as of December 31, 2014. Although these securities had an unrealized gain as of December 31, 2014, future market illiquidity or other adverse market conditions could negatively impact the fair value of these securities. Accordingly, it is possible that we will be required to recognize additional other-than-temporary impairments as a charge to current earnings if the fair value of these securities declines in the future.

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 has resulted in, and will continue to 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.

***New regulations could restrict our ability to originate, service, and sell mortgage loans.***

The CFPB has issued rules establishing mortgage lending and servicing requirements, which became effective in January 2014. The mortgage lending requirements ensure that mortgage lenders consider a borrower's ability to repay a mortgage during the loan's origination and underwriting. Loans that meet a "qualified mortgage" definition will be presumed to have complied with the new ability-to-repay standard. Under the CFPB's rule, a "qualified mortgage" loan must not contain certain specified features, including:

- excessive upfront points and fees (those exceeding 3% of the total loan amount, less "bona fide discount points" for prime loans);
- interest-only payments;
- negative-amortization; and
- terms longer than 30 years.

Also, to qualify as a "qualified mortgage," a borrower's total monthly debt-to-income ratio may not exceed 43%. Lenders must also verify and document the income and financial resources relied upon to qualify the borrower for the loan and underwrite the loan based on a fully amortizing payment schedule and maximum interest rate during the first five years, taking into account all applicable taxes, insurance and assessments. The CFPB's mortgage servicing requirements establish regulatory procedures and obligations for various areas of the servicing process including periodic disclosures, error resolution, borrower information requests, and loss mitigation. The CFPB's mortgage lending and servicing rules could limit our ability or desire to make certain types of loans or loans to certain borrowers, or could make it more expensive and time consuming to make or service these loans, which could limit our growth or profitability. See – Regulation and Supervision – Dodd-Frank Act.

***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.

***The soundness of other financial institutions could adversely affect us.***

Financial services institutions are interrelated as a result of trading, clearing, counterparty or other relationships. We have exposure to many different industries and counterparties, and we routinely execute transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks, mutual and hedge funds and other institutional clients. Many of these transactions expose us to credit risk in the event of default of our counterparty or client. In addition, our credit risk may be exacerbated when the collateral held by us cannot be realized upon or is liquidated at prices not sufficient to recover the full amount of the loan or derivative exposure due us. There can be no assurance that any such losses would not materially and adversely affect our results of operations.

***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 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. Currently, market interest rates are at near-historic lows. 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, particularly as interest rates return to higher levels.

## 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
<b>Private Client Offices</b>	
Manhattan	9
Long Island	7
Queens	4
Brooklyn	3
Westchester	2
Bronx	1
Staten Island	2
<b>Private Client Accommodation Offices</b>	
Manhattan	1
Brooklyn	1
<b>Bank and Brokerage Operations and Support</b>	
Manhattan	2
Long Island	1
<b>SBA &amp; Institutional Trading</b>	
Houston, TX	1
<b>Signature Financial Sales</b>	
Littleton, CO	1
Milton, GA	1
Norwell, MA	1
Prairie, MN	1
Redmond, WA	1
<b>Total Locations</b>	<b>39</b>

For additional information on our lease commitments, see Note 19 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

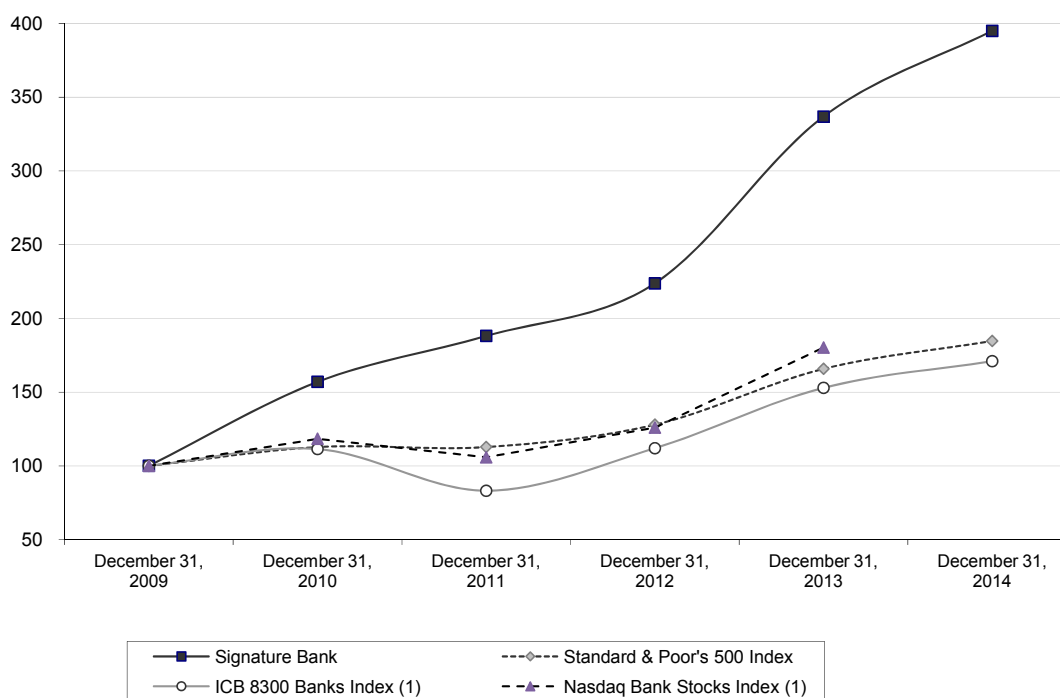
Our common stock is listed on the NASDAQ Global Select Market under the symbol "SBNY." As of December 31, 2014, 51,398,685 shares of our common stock were issued and 50,317,609 shares were outstanding. The following table lists, on a quarterly basis, the range of high and low intra-day sale prices per share of our common stock in U.S. dollars:

	Common Stock	
	High	Low
<b>2014</b>		
Fourth quarter	\$ 128.38	101.87
Third quarter	128.46	111.64
Second quarter	130.86	110.22
First quarter	133.09	105.40
<b>2013</b>		
Fourth quarter	\$ 110.40	90.71
Third quarter	95.29	83.42
Second quarter	84.47	70.58
First quarter	79.25	71.81

On December 31, 2014, the last reported sale price of our common stock was \$125.96 and there were 10 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, the Industry Classification Benchmark ("ICB") 8300 Banks Index, and the Nasdaq Bank Stocks Index<sup>1</sup>:



The performance period reflected below assumes that \$100 was invested in our common stock and each of the indexes listed below on December 31, 2009. The performance of our common stock reflected below is not indicative of our future performance.

Company Name/Index	December 31,					
	2009	2010	2011	2012	2013	2014
Signature Bank	\$ 100.00	156.93	188.06	223.64	336.74	394.86
Standard & Poor's 500 Index	100.00	112.78	112.78	127.90	165.76	184.64
ICB 8300 Banks Index (1)	100.00	111.35	83.04	111.88	152.85	170.93
Nasdaq Bank Stocks Index (1)	100.00	118.30	105.72	125.85	180.15	-

**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.**

<sup>1</sup> As a result of a change in the total return data provided by our third-party index provider, information for the Nasdaq Bank Stocks Index is provided only from December 31, 2009, through December 31, 2013, the last day this data was made available by our provider. Our performance graphs going forward will use the ICB 8300 Banks Index, a comparable index provided by Nasdaq OMX Global Indexes.

## **DIVIDEND POLICY**

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

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

## ITEM 6. SELECTED FINANCIAL DATA

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

<i>(dollars in thousands, except per share amounts)</i>	<i>At or for the years ended December 31,</i>				
	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
<b>SELECTED OPERATING DATA</b>					
Interest income	\$ 924,273	755,150	660,556	580,516	466,530
Interest expense	123,122	106,807	110,750	120,729	121,672
Net interest income before provision for loan and lease losses	801,151	648,343	549,806	459,787	344,858
Provision for loan and lease losses	31,110	41,643	41,427	51,876	46,372
Net interest income after provision for loan and lease losses	770,041	606,700	508,379	407,911	298,486
Non-interest income:					
Non-interest income excluding net impairment losses on securities recognized in earnings	36,706	38,160	39,312	44,127	56,824
Net impairment losses on securities recognized in earnings	(1,724)	(6,149)	(3,073)	(2,089)	(14,176)
Total non-interest income	34,982	32,011	36,239	42,038	42,648
Non-interest expense	293,244	247,177	218,243	182,724	164,896
Income before income taxes	511,779	391,534	326,375	267,225	176,238
Income tax expense	215,075	162,790	140,892	117,699	74,187
Net income	296,704	228,744	185,483	149,526	102,051
Net income available to common shareholders	\$ 296,704	228,744	185,483	149,526	102,051
<b>PER COMMON SHARE DATA</b>					
Earnings per share - basic	\$ 6.05	4.84	3.98	3.43	2.49
Earnings per share - diluted	\$ 5.95	4.76	3.91	3.37	2.46
<b>BALANCE SHEET DATA</b>					
Total assets	\$ 27,318,640	22,376,663	17,456,057	14,666,120	11,673,089
Securities available-for-sale	6,073,459	5,632,233	6,130,356	6,512,855	5,249,286
Securities held-to-maturity	2,208,551	2,175,844	739,835	556,044	447,896
Loans held for sale	548,297	420,759	369,468	392,025	382,463
Loans, net of allowance for loan and lease losses	17,693,316	13,384,400	9,664,337	6,764,564	5,177,268
Allowance for loan and lease losses	164,392	135,071	107,433	86,162	67,396
Deposits	22,620,275	17,057,097	14,082,652	11,754,138	9,441,227
Borrowings	2,050,163	3,370,313	1,585,000	1,425,800	1,222,200
Shareholders' equity	2,496,238	1,799,939	1,650,327	1,408,116	944,547

*(Continued on the next page)*

	At or for the years ended December 31,				
(dollars in thousands, except per share amounts)	2014	2013	2012	2011	2010
<b>OTHER DATA</b>					
Assets under management	\$ 3,566,595	\$ 2,240,723	\$ 1,741,054	\$ 1,674,206	\$ 1,856,653
Average interest-earning assets	\$ 24,340,755	\$ 19,324,652	\$ 15,556,626	\$ 12,889,784	\$ 10,000,270
Full-time employee equivalents	1,010	945	844	720	660
Private client offices	28	27	26	25	24
<b>SELECTED FINANCIAL RATIOS</b>					
<b>Performance Ratios:</b>					
Return on average assets	1.20%	1.16%	1.17%	1.14%	0.99%
Return on average shareholders' equity	13.81%	13.26%	12.13%	12.71%	11.67%
Return on average common shareholders' equity	13.81%	13.26%	12.13%	12.71%	11.67%
Yield on average interest-earning assets	3.80%	3.91%	4.25%	4.50%	4.67%
Average rate on deposits and borrowings	0.55%	0.60%	0.78%	1.01%	1.30%
Net interest margin	3.29%	3.36%	3.53%	3.57%	3.45%
Efficiency ratio (1)	35.07%	36.33%	37.24%	36.41%	42.55%
Efficiency ratio excluding net impairment losses on securities recognized in earnings (1)	35.00%	36.01%	37.05%	36.26%	41.05%
Efficiency ratio excluding net gains on sales of securities and net impairment losses on securities recognized in earnings (1) (2)	35.22%	36.33%	37.48%	37.33%	43.82%
<b>Asset Quality Ratios:</b>					
Net charge-offs to average loans	0.01%	0.12%	0.25%	0.55%	0.73%
ALLL to total loans	0.92%	1.00%	1.10%	1.26%	1.29%
ALLL to non-accrual loans	782.52%	430.96%	395.12%	204.09%	197.45%
Non-accrual loans to total loans	0.12%	0.23%	0.28%	0.62%	0.65%
Non-performing assets to total assets	0.08%	0.16%	0.19%	0.33%	0.34%
<b>Capital and Liquidity Ratios:</b>					
Tier 1 Leverage Capital Ratio	9.25%	8.54%	9.51%	9.67%	8.62%
Tier 1 Risk-Based Capital Ratio	13.49%	14.07%	15.32%	17.08%	14.21%
Total Risk-Based Capital Ratio	14.39%	15.10%	16.35%	18.17%	15.21%
Average equity to average assets	8.69%	8.76%	9.64%	8.94%	8.47%
Average tangible equity to average assets (2)	8.69%	8.76%	9.64%	8.94%	8.47%
<b>Per common share data:</b>					
Number of weighted average common shares outstanding	49,066	47,267	46,633	43,622	40,923
Book value per common share	\$ 49.61	\$ 38.06	\$ 34.94	\$ 30.49	\$ 22.84

(1) The efficiency ratio is calculated by dividing non-interest expense by the sum of net interest income before provision for loan and lease losses and non-interest income.

(2) These ratios are considered to be non-GAAP financial measures and should be considered in addition to, not as a substitute for or superior to, financial measures determined in accordance with GAAP. We believe these non-GAAP ratios, when viewed together with the corresponding ratios calculated in accordance with GAAP, provide meaningful supplemental information regarding our performance.

## 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 \$27.32 billion in assets, \$22.62 billion in deposits, \$17.86 billion in loans, \$2.50 billion in equity capital and \$3.57 billion in other assets under management as of December 31, 2014.

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 35.1% for the year ended December 31, 2014.

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 430 experienced private client banking team professionals. We believe that our existing operations infrastructure will allow us to grow our business over the next few years both geographically within the New York metropolitan area and with respect to the size and number of client relationships without substantial additional capital expenditures.

### Critical Accounting Policies

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

The judgments used by management in applying the critical accounting policies may be affected by a further and prolonged deterioration in the economic environment, which may result in changes to future financial results. Specifically, subsequent evaluations of the loan portfolio, in light of the factors then prevailing, may result in significant changes in the allowance for loan and lease losses ("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 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 and

environmental 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 97.9% of our total loan portfolio, excluding loans held for sale, as of December 31, 2014. 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) history of the borrower's 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. We supplement our historical loss experience by considering qualitative factors that may cause estimated losses to differ from our historical losses. These qualitative factors are intended to address developing external and environmental trends, and include adjustments for items such as changes in current economic and business conditions, changes in the nature and volume of our loan portfolio, the existence and effects of credit concentrations, the trend and severity of our problem loans, along with other external factors such as competition and legal and regulatory requirements. These qualitative adjustments reflect the imprecision that is inherent in the estimation of probable loan losses, and are intended to ensure adequacy of the overall allowance amount.

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 performs periodic credit reviews that provide an independent evaluation of the assigned credit ratings. These reviews focus on those loans with higher-risk attributes, such as lines of credit with higher utilization percentages and loan facilities with delinquencies, and generally cover, in aggregate, between 30-40% of the commercial loan portfolio, including all commercial loans over \$500,000 with adverse credit ratings, on an annual basis. The results of these credit reviews are presented to both the Risk and the Credit Committees of the Board of Directors.

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 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 2.1% of our total loan portfolio, excluding loans held for sale, as of December 31, 2014.

We consider all nonaccrual 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 \$750,000 that are collateral-dependent, we generally record a charge-

off when the carrying amount of the loan exceeds the fair value of collateral less estimated selling costs, if appropriate. For non-collateral dependent loans in excess of \$750,000, 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. 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 impaired.

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.

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.

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 estimated 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 nonaccrual 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 TDR loans are reported as such for as long as the loan remains outstanding.

#### *Valuation and Impairment of Investment Securities*

We consider our policies related to the valuation of investment securities to be critical to our financial statement presentation. The Bank uses various inputs to determine the fair value of its investment portfolio, which are classified within a three-level fair value hierarchy based on the transparency and reliability of inputs to valuation methodologies. To the extent they are available, we use quoted market prices (Level 1) to determine fair value. If quoted market prices are not available, we use valuation techniques such as matrix pricing to determine fair value (Level 2). In cases where there is little, if any, related market activity, fair value estimates are based upon internally-developed valuation techniques that use inputs such as discount rates, credit spreads, default and delinquency rates, and prepayment speeds (Level 3). A significant degree of judgment is involved in valuing investments using Level 3 inputs, and the use of different assumptions could have a positive or negative effect on our financial condition or results of operations. See Note 3 to our Consolidated Financial Statements for more details on our security valuation techniques.

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.

Securities are reviewed at least quarterly to determine if an other-than-temporary impairment is present based on certain quantitative and qualitative factors. For securities other than securitized financial assets, the primary factors considered in evaluating whether a decline in value 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 January 2014, the FASB issued ASU 2014-01, Accounting for Investments in Qualified Affordable Housing Projects, to revise the accounting for investments in qualified affordable housing projects, allowing investors in Low Income Housing Tax Credit ("LIHTC") programs that meet specified conditions to present the net tax benefits (net of the amortization of the cost of the investment) within income tax expense. The cost of the investments that meet the specified conditions will be amortized in proportion to (and over the same period as) the total expected tax benefits, including the tax credits and other tax benefits, as they are realized on the tax return. The amortization of the cost of the investments will be presented in income tax expense along with the related tax benefits. If the investors do not qualify for the proportional amortization method or do not elect it, they would account for their investments under the equity or cost method based on current U.S. GAAP. This guidance will be effective for interim and annual periods beginning after December 15, 2014 and will be applied retrospectively if investors elect the proportional amortization method. Early adoption is permitted. We do not expect the adoption of ASU 2014-01 to have a material impact on our Consolidated Financial Statements.

In January 2014, the FASB issued ASU 2014-04, Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure, which clarifies when banks and similar institutions (creditors) should reclassify mortgage loans collateralized by residential real estate properties from the loan portfolio to other real estate owned ("OREO"). The ASU also requires certain interim and annual disclosures. ASU 2014-04 is effective for public business entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2014. An entity can elect either a modified retrospective or a prospective transition method, and early adoption is permitted. We do not expect the adoption of ASU 2014-04 to have a material impact on our Consolidated Financial Statements.

In June 2014, the FASB issued ASU 2014-11, Transfers and Servicing (ASC 860): Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures. The new standard amends the accounting guidance for "repo-to-maturity" transactions and repurchase agreements executed as repurchase financings. In addition, the new standard requires a transferor to disclose more information about certain transactions, including those in which it retains substantially all of the exposure to the economic returns of the underlying transferred asset over the transaction's term. Public business entities are required to apply the accounting changes and comply with the enhanced disclosure requirements for the first interim or annual reporting period beginning after December 15, 2014. However, for repurchase and securities lending transactions reported as secured borrowings, the new standard's enhanced disclosures are effective for annual periods beginning after December 15, 2014 and interim periods beginning after March 15, 2015. A public business entity may not early adopt the standard's provisions. We expect that the adoption of ASU 2014-11 will have no impact on our Consolidated Financial Statements.

In June 2014, the FASB issued ASU 2014-12, Accounting for Share-based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period, which requires a

reporting entity to treat a performance target that affects vesting and that could be achieved after the requisite service period as a performance condition. Therefore, an entity would not record compensation expense related to an award for which transfer to the employee is contingent on the entity's satisfaction of a performance target until it becomes probable that the performance target will be met. No new disclosures are required under the ASU. For all entities, ASU 2014-12 is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2015. Early adoption is permitted. ASU 2014-12 may be adopted either prospectively for share-based payment awards granted or modified on or after the effective date, or retrospectively, using a modified retrospective approach. The modified retrospective approach would apply to share-based payment awards outstanding as of the beginning of the earliest annual period presented in the financial statements on adoption, and to all new or modified awards thereafter. We expect that the adoption of ASU 2014-12 will have no impact on our Consolidated Financial Statements.

In August 2014, the FASB issued ASU 2014-14, Receivables -Troubled Debt Restructurings by Creditors (Subtopic 310-40): Classification of Certain Government-Guaranteed Mortgage Loans upon Foreclosure, which requires that, upon foreclosure, a guaranteed mortgage loan be derecognized and a separate other receivable be recognized when specific criteria are met. ASU 2014-14 is effective for public business entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2014. We expect that the adoption of ASU 2014-14 will have no impact on our Consolidated Financial Statements.

## Results of Operations

The following is a discussion and analysis of our results of operations for the year ended December 31, 2014 compared to the year ended December 31, 2013 and for the year ended December 31, 2013 compared to the year ended December 31, 2012.

### Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

#### Net Income

Net income for the year ended December 31, 2014 was \$296.7 million, or \$5.95 diluted earnings per share, compared to \$228.7 million, or \$4.76 diluted earnings per share, for year ended December 31, 2013. The increase in net income was driven by increased net interest income. The returns on average shareholders' equity and average total assets for the year ended December 31, 2014 were 13.81% and 1.20%, compared to 13.26% and 1.16% for the year ended December 31, 2013.

<i>(in thousands)</i>	<i>Years ended December 31,</i>	
	<b>2014</b>	<b>2013</b>
Interest income	\$ 924,273	755,150
Interest expense	123,122	106,807
Net interest income before provision for loan and lease losses	801,151	648,343
Provision for loan and lease losses	31,110	41,643
Non-interest income:		
Non-interest income excluding net impairment losses on securities recognized in earnings	36,706	38,160
Net impairment losses on securities recognized in earnings	(1,724)	(6,149)
Total non-interest income	34,982	32,011
Non-interest expense	293,244	247,177
Income tax expense	215,075	162,790
Net income	\$ 296,704	228,744

## 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, 2014 and 2013:

	Years ended December 31,					
	2014			2013		
	Average Balance	Interest Income/ Expense	Average Yield/ Rate	Average Balance	Interest Income/ Expense	Average Yield/ Rate
<i>(dollars in thousands)</i>						
<b>INTEREST-EARNING ASSETS</b>						
Short-term investments	\$ 387,213	928	0.24%	126,995	446	0.35%
Investment securities	8,198,481	267,722	3.27%	7,549,126	235,430	3.12%
Commercial loans, mortgages and leases (1)	15,069,896	639,014	4.24%	10,907,825	500,712	4.59%
Residential mortgages and consumer loans (1)	344,356	13,271	3.85%	374,938	14,224	3.79%
Loans held for sale	340,809	3,338	0.98%	365,768	4,338	1.19%
Total interest-earning assets	24,340,755	924,273	3.80%	19,324,652	755,150	3.91%
Non-interest-earning assets	365,143			362,127		
Total assets	\$ 24,705,898			19,686,779		
<b>INTEREST-BEARING LIABILITIES</b>						
Interest-bearing deposits						
NOW and interest-bearing demand	\$ 1,276,342	4,900	0.38%	819,164	3,081	0.38%
Money market	11,592,917	75,974	0.66%	8,959,324	64,095	0.72%
Time deposits	1,155,702	12,620	1.09%	1,065,139	13,033	1.22%
Non-interest-bearing demand deposits	5,906,454	-	-	4,782,428	-	-
Total deposits	19,931,415	93,494	0.47%	15,626,055	80,209	0.51%
Borrowings	2,443,596	29,628	1.21%	2,192,788	26,598	1.21%
Total deposits and borrowings	22,375,011	123,122	0.55%	17,818,843	106,807	0.60%
Other non-interest-bearing liabilities and shareholders' equity						
	2,330,887			1,867,936		
Total liabilities and shareholders' equity	\$ 24,705,898			19,686,779		
<b>OTHER DATA</b>						
Net interest income / interest rate spread		801,151	3.25%	648,343	3.31%	
Net interest margin			3.29%		3.36%	
Ratio of average interest-earning assets to average interest-bearing liabilities			108.79%		108.45%	

(1) Average loan balances include non-accrual loans along with deferred fees and costs.

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 nonperforming assets is included in the change due to rate.

<i>Year ended December 31, 2014 vs. 2013</i>			
<i>(in thousands)</i>	<b>Change Due to Rate</b>	<b>Change Due to Volume</b>	<b>Total Change</b>
<b>INTEREST INCOME</b>			
Short-term investments	\$ (432)	914	482
Investment securities	12,041	20,251	32,292
Commercial loans, mortgages and leases	(52,753)	191,055	138,302
Residential mortgages and consumer loans	207	(1,160)	(953)
Loans held for sale	(704)	(296)	(1,000)
Total interest income	(41,641)	210,764	169,123
<b>INTEREST EXPENSE</b>			
Interest-bearing deposits			
NOW and interest-bearing demand	99	1,720	1,819
Money market	(6,962)	18,841	11,879
Time deposits	(1,521)	1,108	(413)
Total interest-bearing deposits	(8,384)	21,669	13,285
Borrowings	(12)	3,042	3,030
Total interest expense	(8,396)	24,711	16,315
Net interest income	\$ (33,245)	186,053	152,808

Net interest income for the year ended December 31, 2014 was \$801.2 million, an increase of \$152.8 million, or 23.6%, over the year ended December 31, 2013. The increase in net interest income for 2014 was largely driven by increases in average interest-earning assets and average deposits, which increased \$5.02 billion and \$4.31 billion, respectively, compared to the previous year. Although net interest income for 2014 was positively impacted by lower rates paid on deposits, the impact of lower deposit rates was more than offset by the negative effects of the ongoing low interest rate environment on asset yields. Net interest margin for the year ended December 31, 2014 decreased to 3.29%, compared to 3.36% for the previous year, primarily due to the continued effect of the prolonged low interest rate environment.

Total investment securities averaged \$8.20 billion for the year ended December 31, 2014, compared to \$7.55 billion for the year ended December 31, 2013. The overall yield on the securities portfolio for the year ended December 31, 2014 was 3.27%, up 15 basis points from the previous year. The increase in yield was predominantly due to higher reinvestment yields and a slowdown in premium amortization. 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, 2014, the baseline average duration of our investment securities portfolio was approximately 3.17 years, compared to 4.13 years at December 31, 2013.

Total commercial loans, mortgages and leases averaged \$15.07 billion for the year ended December 31, 2014, an increase of \$4.16 billion or 38.2% over the year ended December 31, 2013. The average yield on this portfolio decreased 35 basis points to 4.24% when compared to the year ended December 31, 2013. The decrease in average yield reflects the impact of the low prevailing interest rate environment on recent loan originations and refinancing along with a heightened competitive environment.

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 \$340.8 million and \$365.8 million for the years ended December 31, 2014 and 2013, respectively.

Average total deposits and borrowings increased \$4.56 billion, or 25.6%, to \$22.38 billion during the year ended December 31, 2014, compared to \$17.82 billion for the previous year. Overall cost of funding was 0.55% during 2014, decreasing five basis points from 0.60% in 2013.

For the year ended December 31, 2014, average non-interest-bearing demand deposits were \$5.91 billion, compared to \$4.78 billion for the year ended December 31, 2013, an increase of \$1.12 billion, or 23.5%. Non-interest-bearing demand deposits continue to comprise a significant component of our deposit mix, representing 31.2% of all deposits at December 31, 2014. Additionally, average NOW and interest-bearing checking and money market accounts totaled \$12.87 billion for the year ended December 31, 2014, an increase of \$3.09 billion, or 31.6%, over the year ended December 31, 2013. Core deposits have provided us with a source of stable, low cost funding, which has positively affected our net interest margin and income. Furthermore, short-term escrow deposits have provided us with an additional low cost funding alternative. As a result of lower short-term interest rates, our funding cost for money market accounts decreased to 0.66% for the year ended December 31, 2014 compared to 0.72% for the prior year. Our funding cost for NOW and interest-bearing checking accounts was 0.38% for each of the years ended December 31, 2014 and 2013.

Average time deposits, which are relatively short-term in nature, totaled \$1.16 billion for the year ended December 31, 2014 and carried an average cost of 1.09% in 2014, down 13 basis points from 1.22% in 2013. 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, 2014, average total borrowings were \$2.44 billion, compared to \$2.19 billion for the previous year, an increase of \$250.8 million, or 11.4%. The increase in our average total borrowings for 2014, when compared to the previous year, reflects funding needs as a result of our continued loan growth. At December 31, 2014, total borrowings represent approximately 8.3% of all funding liabilities, compared to 16.5% at December 31, 2013. The average cost of our total borrowings was 1.21% for each of the years ended December 31, 2014 and 2013.

#### **Provision and Allowance for Loan and Lease Losses**

Our provision for loan and lease losses was \$31.1 million for the year ended December 31, 2014, compared to \$41.6 million for the prior year, a decrease of \$10.5 million, or 25.3%. The decrease in the provision for the year ended December 31, 2014, when compared to the same period last year, was primarily driven by reductions in the level of charge-offs. For additional information about the provision for loan and lease losses, see the discussion of asset quality and the ALLL later in this report. Our ALLL increased \$29.3 million to \$164.4 million at December 31, 2014 from \$135.1 million at December 31, 2013, primarily as a result of our loan growth during the year.

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

	December 31,					
	2014			2013		
	Loan Amount	Allowance Amount	Allowance as a % of Loan Amount	Loan Amount	Allowance Amount	Allowance as a % of Loan Amount
<i>(dollars in thousands)</i>						
<b>Mortgage loans:</b>						
Multi-family residential property	\$ 8,607,989	63,091	0.73%	6,637,353	47,814	0.72%
Commercial property	4,833,123	39,449	0.82%	3,651,538	44,415	1.22%
1-4 family residential property	463,420	7,178	1.55%	346,795	3,600	1.04%
Home equity lines of credit	160,890	3,522	2.19%	170,441	1,406	0.82%
Construction and land	64,824	477	0.74%	125,334	1,323	1.06%
<b>Other loans:</b>						
Commercial and industrial	3,697,725	50,217	1.36%	2,565,016	35,745	1.39%
Consumer	10,245	458	4.47%	11,479	768	6.69%
<b>Total</b>	<b>\$ 17,838,216</b>	<b>164,392</b>	<b>0.92%</b>	<b>13,507,956</b>	<b>135,071</b>	<b>1.00%</b>

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

### Non-Interest Income

For the year ended December 31, 2014, non-interest income was \$35.0 million, an increase of \$3.0 million, or 9.3%, when compared with 2013. The increase in non-interest income was driven by a decrease in net other-than-temporary impairment losses on securities recognized through earnings. In addition, the change in non-interest income reflects increases in commissions and fees and service charges, which were partially offset by increased other losses along with reductions in the amounts of net gains on sales of securities and loans.

We recognized through earnings net other-than-temporary impairment losses on securities totaling \$1.7 million during the year ended December 31, 2014, compared to \$6.1 million for the prior year. For further discussion of our other-than-temporary impairment losses, see Note 4 to our Consolidated Financial Statements.

Commissions increased \$1.3 million, or 13.7%, to \$10.6 million for the year ended December 31, 2014 from \$9.4 million for 2013. Additionally, fees and service charges increased \$2.0 million, or 11.3%, to \$19.3 million for the year ended December 31, 2014, compared to \$17.3 million for 2013. The increases in both commissions and fees and service charges were driven by increased client activity as a result of our growth.

Other losses totaled \$3.8 million for the year ended December 31, 2014, compared to \$1.0 million for 2013. The increase in other losses was driven by additional amortization of our low income housing tax credit investments recorded during the year. Additionally, net gains on sales of securities and loans totaled \$5.3 million and \$5.4 million, respectively, for the year ended December 31, 2014, compared to \$6.2 million and \$6.3 million during the prior year.

### Non-Interest Expense

Non-interest expense increased \$46.0 million, or 18.6%, to \$293.2 million for the year ended December 31, 2014 from \$247.2 million for the year ended December 31, 2013. This increase was primarily driven by a \$33.1 million increase in salaries and benefits mostly attributable to the addition of five private client banking teams and our continued hiring for the expansion of Signature Financial, along with increased incentive-based compensation costs driven by the growth of our business. The increase also reflects a \$2.8 million increase in occupancy and equipment expenses, resulting from the expansion of existing offices, along with a \$10.1 million increase in other general and administrative expenses, reflecting increased expenses mostly resulting from additional client activity as a result of our growth.

## Stock-Based Compensation

We recognize compensation expense in our Consolidated Statement of Income 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, 2014, our total unrecognized compensation cost related to unvested restricted shares was \$54.2 million, which is expected to be recognized over a weighted-average period of 2.62 years. During the years ended December 31, 2014 and 2013, we recognized compensation expense of \$27.7 million and \$15.6 million, respectively, for restricted shares. The total fair value of restricted shares that vested during the years ended December 31, 2014 and 2013 was \$45.6 million and \$2,600, respectively.

## Income Taxes

We recognized income tax expense for the years ended December 31, 2014 and 2013 of \$215.1 million and \$162.8 million, respectively. Our effective tax rates for the years ended December 31, 2014 and 2013 were 42.0% and 41.6%, respectively.

The components of our income tax expense are reflected in the following table:

<i>(in thousands)</i>	<i>Years ended December 31,</i>	
	<b>2014</b>	<b>2013</b>
Current expense	\$ 178,475	155,273
Deferred income tax expense	36,600	7,517
<b>Total income tax expense</b>	<b>\$ 215,075</b>	<b>162,790</b>

The increase in income tax expense for the year ended December 31, 2014, when compared to the previous year, was primarily driven by an increase in our pre-tax income, along with a \$1.8 million tax charge related to New York State corporate income tax reform (the "reform") enacted on March 31, 2014.

The reform included several changes to existing tax legislation that are effective for tax years beginning January 1, 2015 (except as noted), the most pertinent of which are as follows:

- Merges the Article 32 Bank Franchise Tax into the Article 9-A Corporate Franchise Tax;
- Implements a single receipts apportionment factor using customer-based sourcing rules. The new rules include sourcing a fixed 8 percent of income for mortgage-backed securities to New York State. Also special rules apply to the sourcing of receipts from "qualified financial instruments" which are defined as instruments that are marked to market under IRC sections 475 or 1256. An annual irrevocable election can be made to source a fixed 8 percent of income from all qualified financial instruments to New York State in place of customer-based sourcing.;
- Lowers the business income tax base rate from 7.1% to 6.5% for tax years beginning on or after January 1, 2016; and
- Streamlines the computation of the Metropolitan Transportation Authority ("MTA") Surcharge, makes it permanent, and increases the rate from 17% to 25.6% of the corporate income tax rate.

In accordance with GAAP, we revalued our New York State net deferred tax assets to consider the effects of the enacted provisions outlined above. While we do not anticipate a material impact on our Consolidated Financial Statements prospectively, we will continue to evaluate the effects of the reform on our income tax expense and net deferred tax assets.



## Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

### Net Income

Net income for the year ended December 31, 2013 was \$228.7 million, or \$4.76 diluted earnings per share, compared to \$185.5 million, or \$3.91 diluted earnings per share, for year ended December 31, 2012.

The return on average shareholders' equity for the year ended December 31, 2013 was 13.26% compared to 12.13% for the year ended December 31, 2012. The return on average assets was 1.16% for the year ended December 31, 2013 compared to 1.17% for the year ended December 31, 2012.

<i>(in thousands)</i>	<i>Years ended December 31,</i>	
	<b>2013</b>	<b>2012</b>
Interest income	\$ 755,150	660,556
Interest expense	106,807	110,750
Net interest income before provision for loan and lease losses	648,343	549,806
Provision for loan and lease losses	41,643	41,427
Non-interest income:		
Non-interest income excluding net impairment losses on securities recognized in earnings	38,160	39,312
Net impairment losses on securities recognized in earnings	(6,149)	(3,073)
Total non-interest income	32,011	36,239
Non-interest expense	247,177	218,243
Income tax expense	162,790	140,892
Net income	\$ 228,744	185,483

## 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, 2013 and 2012:

	Years ended December 31,					
	2013			2012		
	Average Balance	Interest Income/ Expense	Average Yield/ Rate	Average Balance	Interest Income/ Expense	Average Yield/ Rate
<i>(dollars in thousands)</i>						
<b>INTEREST-EARNING ASSETS</b>						
Short-term investments	\$ 126,995	446	0.35%	100,289	338	0.34%
Investment securities	7,549,126	235,430	3.12%	7,114,310	238,873	3.36%
Commercial loans, mortgages and leases (1)	10,907,825	500,712	4.59%	7,699,659	402,019	5.22%
Residential mortgages and consumer loans (1)	374,938	14,224	3.79%	384,659	15,818	4.11%
Loans held for sale	365,768	4,338	1.19%	257,709	3,508	1.36%
Total interest-earning assets	19,324,652	755,150	3.91%	15,556,626	660,556	4.25%
Non-interest-earning assets	362,127			299,368		
Total assets	\$ 19,686,779			15,855,994		
<b>INTEREST-BEARING LIABILITIES</b>						
Interest-bearing deposits						
NOW and interest-bearing demand	\$ 819,164	3,081	0.38%	705,604	3,145	0.45%
Money market	8,959,324	64,095	0.72%	7,874,582	66,696	0.85%
Time deposits	1,065,139	13,033	1.22%	925,267	14,322	1.55%
Non-interest-bearing demand deposits	4,782,428	-	-	3,569,645	-	-
Total deposits	15,626,055	80,209	0.51%	13,075,098	84,163	0.64%
Borrowings	2,192,788	26,598	1.21%	1,161,784	26,587	2.29%
Total deposits and borrowings	17,818,843	106,807	0.60%	14,236,882	110,750	0.78%
Other non-interest-bearing liabilities and shareholders' equity						
	1,867,936			1,619,112		
Total liabilities and shareholders' equity	\$ 19,686,779			15,855,994		
<b>OTHER DATA</b>						
Net interest income / interest rate spread		648,343	3.31%		549,806	3.47%
Net interest margin			3.36%			3.53%
Ratio of average interest-earning assets to average interest-bearing liabilities			108.45%			109.27%

(1) Average loan balances include non-accrual loans along with deferred fees and costs.

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 nonperforming assets is included in the change due to rate.

	<i>Year ended December 31, 2013 vs. 2012</i>		
<i>(in thousands)</i>	<b>Change Due to Rate</b>	<b>Change Due to Volume</b>	<b>Total Change</b>
<b>INTEREST INCOME</b>			
Short-term investments	\$ 18	90	108
Investment securities	(18,043)	14,600	(3,443)
Commercial loans, mortgages and leases	(68,814)	167,507	98,693
Residential mortgages and consumer loans	(1,194)	(400)	(1,594)
Loans held for sale	(641)	1,471	830
Total interest income	(88,674)	183,268	94,594
<b>INTEREST EXPENSE</b>			
Interest-bearing deposits			
NOW and interest-bearing demand	(570)	506	(64)
Money market	(11,789)	9,188	(2,601)
Time deposits	(3,454)	2,165	(1,289)
Total interest-bearing deposits	(15,813)	11,859	(3,954)
Borrowings	(23,583)	23,594	11
Total interest expense	(39,396)	35,453	(3,943)
Net interest income	\$ (49,278)	147,815	98,537

Net interest income for the year ended December 31, 2013 was \$648.3 million, an increase of \$98.5 million, or 17.9%, over the year ended December 31, 2012. The increase in net interest income for 2013 was largely driven by increases in average interest-earning assets and average deposits, which increased \$3.77 billion and \$2.55 billion, respectively, compared to the previous year. Although net interest income for 2013 was positively impacted by lower rates paid on deposits, the impact of lower deposit rates was more than offset by the negative effects of the ongoing low interest rate environment on asset yields. Net interest margin for the year ended December 31, 2013 decreased to 3.36%, compared to 3.53% for the previous year, primarily due to the continued effect of the prolonged low interest rate environment.

Total investment securities averaged \$7.55 billion for the year ended December 31, 2013, compared to \$7.11 billion for the year ended December 31, 2012. The overall yield on the securities portfolio for the year ended December 31, 2013 was 3.12%, down 24 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, 2013, the baseline average duration of our investment securities portfolio was approximately 4.13 years, compared to 2.75 years at December 31, 2012.

Total commercial loans, mortgages and leases averaged \$10.91 billion for the year ended December 31, 2013, an increase of \$3.21 billion or 41.7% over the year ended December 31, 2012. The average yield on this portfolio decreased 63 basis points to 4.59% when compared to the year ended December 31, 2012. The decrease in average yield reflects the impact of the low prevailing interest rate environment on recent loan origination and refinancing activity. The average yield for 2013 reflects the benefit of a \$6.5 million increase in prepayment penalty income, compared to the previous year. Our commercial real estate loans (including multi-family loans) normally have a term of ten years, with a fixed rate of interest for the first five years 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 one to five percentage points 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 one to five percentage points over years six through ten. The current low prevailing interest rate environment, coupled with borrowers' expectations of higher rates in future periods, contributed to the increase in prepayment activity during 2013. 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 \$365.8 million and \$257.7 million for the years ended December 31, 2013 and 2012, respectively.

Average total deposits and borrowings increased \$3.58 billion, or 25.2%, to \$17.82 billion during the year ended December 31, 2013, compared to \$14.24 billion for the previous year. Overall cost of funding was 0.60% during 2013, decreasing 18 basis points from 0.78% in 2012.

For the year ended December 31, 2013, average non-interest-bearing demand deposits were \$4.78 billion, compared to \$3.57 billion for the year ended December 31, 2012, an increase of \$1.21 billion, or 34.0%. Non-interest-bearing demand deposits continue to comprise a significant component of our deposit mix, representing 31.6% of all deposits at December 31, 2013. Additionally, average NOW and interest-bearing checking and money market accounts totaled \$9.78 billion for the year ended December 31, 2013, an increase of \$1.20 billion, or 14.0%, over the year ended December 31, 2012. Core deposits have provided us with a source of stable, low cost funding, which has positively affected our net interest margin and income. Furthermore, short-term escrow deposits have provided us with an additional low cost funding alternative. As a result of lower short-term interest rates, our funding cost for money market accounts and NOW accounts decreased to 0.72% and 0.38%, respectively, for the year ended December 31, 2013 compared to 0.85% and 0.45%, respectively, for the prior year.

Average time deposits, which are relatively short-term in nature, totaled \$1.07 billion for the year ended December 31, 2013 and carried an average cost of 1.22% in 2013, down 33 basis points from 1.55% in 2012. 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, 2013, average total borrowings were \$2.19 billion, compared to \$1.16 billion for the previous year, an increase of \$1.03 billion, or 88.7%. The increase in our average total borrowings for 2013, when compared to the previous year, reflects funding needs for increased loan growth along with purchases of investment securities as a result of advantageous interest rates. At December 31, 2013, total borrowings represent approximately 16.5% of all funding liabilities, compared to 10.1% at December 31, 2012. The average cost of total borrowings was 1.21% and 2.29% for the years ended December 31, 2013 and 2012, respectively. 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 provision for loan and lease losses was \$41.6 million for the year ended December 31, 2013, compared to \$41.4 million for the prior year, an increase of 216,000, or 0.5%. The increase in our provision was driven by our 2013 loan growth, which was partially offset by a reduction in charge-off activity. Our ALLL increased \$27.6 million to \$135.1 million at December 31, 2013 from \$107.4 million at December 31, 2012, primarily as a result of our loan growth during the year.

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,					
	2013			2012		
<i>(dollars in thousands)</i>	Loan Amount	Allowance Amount	Allowance as a % of Loan Amount	Loan Amount	Allowance Amount	Allowance as a % of Loan Amount
<b>Mortgage loans:</b>						
Multi-family residential property	\$ 6,637,353	47,814	0.72%	4,380,453	31,292	0.71%
Commercial property	3,651,538	44,415	1.22%	2,919,708	38,292	1.31%
1-4 family residential property	346,795	3,600	1.04%	307,158	4,794	1.56%
Home equity lines of credit	170,441	1,406	0.82%	190,782	1,099	0.58%
Construction and land	125,334	1,323	1.06%	99,475	1,127	1.13%
<b>Other loans:</b>						
Commercial and industrial	2,565,016	35,745	1.39%	1,860,866	30,176	1.62%
Consumer	11,479	768	6.69%	10,291	653	6.35%
<b>Total</b>	<b>\$ 13,507,956</b>	<b>135,071</b>	<b>1.00%</b>	<b>9,768,733</b>	<b>107,433</b>	<b>1.29%</b>

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. As of December 31, 2013, 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, 2013, non-interest income was \$32.0 million, a decrease of \$4.2 million, or 11.7%, when compared with 2012. 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 loans, which were partially offset by an increase in commissions and fees and service charges.

We recognized through earnings net other-than-temporary impairment losses on securities totaling \$6.1 million during the year ended December 31, 2013, compared to \$3.1 million for the prior year. The increase in other-than-temporary impairment losses on securities for 2013 reflects \$2.1 million of write-downs that were recorded due to the effects of the final Volcker rule. For further discussion of our other-than-temporary impairment losses, see Note 4 to our Consolidated Financial Statements.

During the year ended December 31, 2013, net gains on sales of loans totaled \$6.3 million, compared to \$9.3 million recorded during the prior year. The decrease in net gains on sales of loans was primarily due to reduced client demand driven by the current interest rate environment.

Commissions increased \$1.2 million, or 14.1%, to \$9.4 million for the year ended December 31, 2013 from \$8.2 million for 2012. Additionally, fees and service charges increased \$1.8 million, or 11.6%, to \$17.3 million for the year ended December 31, 2013, compared to \$15.5 million for 2012. The increases in both commissions and fees and service charges were driven by increased client activity as a result of our growth.

### Non-Interest Expense

Non-interest expense increased \$28.9 million, or 13.3%, to \$247.2 million for the year ended December 31, 2013 from \$218.2 million for the year ended December 31, 2012. This increase was primarily driven by a \$16.9 million increase in salaries and benefits mostly attributable to the addition of ten private client banking teams, the addition of an asset-based lending team, and our continued hiring for Signature Financial. The increase also reflects a \$2.4 million increase in occupancy and equipment expenses, resulting from the expansion of existing offices, along with a \$9.7 million increase in other general and administrative expenses, reflecting increased expenses mostly resulting from additional client activity as a result of our growth.

### Stock-Based Compensation

We recognize compensation expense in our Consolidated Statement of Income 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, 2013, our total unrecognized compensation cost related to unvested restricted shares was \$39.9 million, which is expected to be recognized over a weighted-average period of 2.91 years. During the years ended December 31, 2013 and 2012, we recognized compensation expense of \$15.6 million and \$17.6 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 years ended December 31, 2013 and 2012 was \$2,600 and \$34.1 million, respectively.

### Income Taxes

We recognized income tax expense for the years ended December 31, 2013 and 2012 of \$162.8 million and \$140.9 million, respectively. The components of our income tax expense are reflected in the following table:

<i>(in thousands)</i>	<i>Years ended December 31,</i>	
	<b>2013</b>	<b>2012</b>
Current expense	\$ 155,273	149,949
Deferred income tax expense (benefit)	7,517	(9,057)
<b>Total income tax expense</b>	<b>\$ 162,790</b>	<b>140,892</b>

The increase in current income tax expense for the year ended December 31, 2013, when compared to the previous year, was primarily driven by an increase in our pre-tax income, which was partially offset by the benefits of increased low income housing tax credits recognized during 2013. Our effective tax rate for the year ended December 31, 2013 decreased to 41.6%, compared to 43.2% for the prior year as a result of low income housing tax credits recognized.

## Financial Condition

### Securities Portfolio

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

At December 31, 2014, our total securities portfolio was \$8.28 billion and primarily consisted of mortgage-backed securities (“MBSs”) and collateralized mortgage obligations (“CMOs”) issued by U.S. Government agencies (\$911.6 million), government-sponsored enterprises (\$5.97 billion) and private issuers (\$436.5 million). As of December 31, 2014, 89.1% of our securities portfolio had a AAA credit rating, 94.7% had a credit rating of A or better, and 97.5% was rated investment grade or better. Also, we did not hold sovereign debt of Euro-zone countries currently experiencing financial difficulty. Overall, our securities portfolio had a weighted average duration of 3.17 years and a weighted average life of 4.40 years as of December 31, 2014. For further discussion of our investment securities and the related determination of fair value, see Notes 3 and 4 to our Consolidated Financial Statements.

During the second quarter of 2013, we transferred \$806.3 million of AFS securities to HTM due to expected market volatility. The securities transferred consisted primarily of CMOs, MBSs, and corporate bonds. The securities were transferred at fair value, which became the cost basis for the HTM securities. The net unrealized loss, net of tax, on these securities at the date of transfer was \$19.2 million, and continues to be reported, net of tax, as a component of accumulated other comprehensive income. This net unrealized loss will be accreted to interest income over the remaining life of the securities, and will be offset by the amortization of the net discount created by the transfer, resulting in no current or future impact to our net interest income as a result of this transfer. Also, there were no gains or losses recognized as a result of this transfer.

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. 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, 2014, the net unrealized gain on securities, net of tax effect, was \$13.1 million as reflected in accumulated other comprehensive income, compared to a net unrealized loss of \$51.7 million at December 31, 2013. The fair value of our AFS securities is affected by several factors, including (i) credit spreads, (ii) the interest rate environment, (iii) unemployment rates, (iv) delinquencies and defaults on the mortgages underlying such obligations, (v) changes in interest rates resulting from expiration of the fixed rate portion of adjustable rate mortgages (“ARMs”), (vi) changing home prices, (vii) market liquidity for such obligations, and (viii) uncertainties with respect to 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.”

On December 10, 2013, federal regulators issued a final rule implementing the “Volcker Rule” enacted as part of the Dodd-Frank Act. The Volcker Rule prohibits banking organizations and their affiliates from investing in or sponsoring certain types of funds, including a range of asset securitization structures, that do not meet the exemptive criteria for continued ownership (defined as “Covered Funds”). The Federal Reserve has exercised its authority to extend the divestiture period for such pre-2014 investments to July 21, 2016, and stated its intent to further extend the divestiture period to July 21, 2017. We hold certain AFS securities that meet the definition of Covered Funds and, therefore, must be divested within the divestiture period. These securities, which are

predominantly collateralized mortgage obligations, had a total fair value and amortized cost of \$146.5 million and \$144.0 million, respectively, as of December 31, 2014. We continue to actively monitor the Covered Funds held in our investment portfolio, and we currently anticipate that a substantial portion will be paid down through principal remittances within the divestiture period. In the interim, we expect to sell certain securities when appropriate to take advantage of market conditions. During 2014, we sold seven such securities, resulting in a net realized gain of \$710,000.

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. With the exception of those securities that are Covered Funds under the Volcker Rule, 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 securities portfolios as of the dates indicated:

	December 31,					
	2014		2013		2012	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
<i>(in thousands)</i>						
<b>AVAILABLE-FOR-SALE</b>						
U.S. Treasury securities	\$ 500	501	500	501	-	-
Residential mortgage-backed securities:						
U.S. Government Agency	24,830	26,018	24,171	25,004	32,456	34,315
Government-sponsored enterprises	1,427,438	1,464,606	1,049,867	1,050,217	844,503	878,385
Collateralized mortgage obligations:						
U.S. Government Agency	543,752	549,757	578,012	576,738	576,709	586,825
Government-sponsored enterprises	2,708,345	2,713,168	2,451,274	2,408,166	2,872,130	2,900,066
Private	431,961	430,888	494,920	491,319	696,593	694,986
Other debt securities:						
Commercial mortgage-backed securities	278,517	282,819	345,560	348,707	373,750	392,637
Single issuer trust preferred & corporate debt securities	387,308	395,216	399,214	401,733	418,918	426,855
Pooled trust preferred securities	26,034	19,927	26,735	13,093	27,863	8,601
Collateralized debt obligations	4,511	4,541	4,926	4,926	5,282	2,952
Other	173,426	170,723	300,420	296,060	186,478	188,539
Equity securities (1)	15,802	15,295	16,724	15,769	16,290	16,195
<b>Total available-for-sale</b>	<b>\$6,022,424</b>	<b>6,073,459</b>	<b>5,692,323</b>	<b>5,632,233</b>	<b>6,050,972</b>	<b>6,130,356</b>
<b>HELD-TO-MATURITY</b>						
Residential mortgage-backed securities:						
U.S. Government Agency	\$ 8,610	8,759	2,358	2,452	3,010	3,156
Government-sponsored enterprises	468,218	477,579	493,979	478,462	67,904	68,648
Collateralized mortgage obligations:						
U.S. Government Agency	327,253	331,043	312,405	310,599	142,358	148,130
Government-sponsored enterprises	1,328,435	1,324,998	1,288,749	1,241,417	485,918	498,277
Private	5,616	4,942	6,525	5,473	8,852	7,192
Other debt securities:						
Commercial mortgage-backed securities	18,152	19,351	18,260	19,119	-	-
Single issuer trust preferred & corporate debt securities	45,862	49,104	43,650	42,911	-	-
Collateralized debt obligations	-	-	-	-	4,739	2,739
Other	6,405	6,401	9,918	9,857	27,054	27,327
<b>Total held-to-maturity</b>	<b>\$2,208,551</b>	<b>2,222,177</b>	<b>2,175,844</b>	<b>2,110,290</b>	<b>739,835</b>	<b>755,469</b>

(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 as of December 31, 2014:

<b>Credit Rating</b>	<b>Percentage of Portfolio</b>
AAA	89.08%
AA	1.93%
A	3.72%
BBB	2.76%
Below BBB	2.51%
<b>Total</b>	<b>100.00%</b>

The following table provides the estimated change in fair value of our debt securities for various interest rate shocks as of December 31, 2014:

<b>Interest Rate Shock</b>	<b>Estimated Fair Value Change</b>
+100 basis points	(2.62%)
+200 basis points	(7.21%)
+300 basis points	(12.16%)
+400 basis points	(16.92%)

The following table presents the contractual maturity distribution and the weighted average yields of our combined AFS and HTM securities portfolio as of December 31, 2014. Due to prepayments of collateral underlying the securities, actual maturity may differ from contractual maturity.

<i>(dollars in thousands)</i>	<b>Amortized Cost</b>	<b>Fair Value</b>	<b>Average Yield</b>
<b>Less than one year</b>			
U.S. Treasury securities	\$ 500	501	0.39%
Collateralized mortgage obligations	2,845	2,900	5.02%
Other securities (1)	2,001	2,003	5.05%
<b>Total</b>	<b>\$ 5,346</b>	<b>5,404</b>	<b>4.60%</b>
<b>One year to less than five years</b>			
Mortgage-backed securities	\$ 3,838	4,062	5.47%
Collateralized mortgage obligations	15,277	15,507	4.36%
Other securities	162,417	169,183	3.35%
<b>Total</b>	<b>\$ 181,532</b>	<b>188,752</b>	<b>3.48%</b>
<b>Five years to less than 10 years</b>			
Mortgage-backed securities	\$ 8,459	8,956	3.58%
Collateralized mortgage obligations	104,698	106,805	2.65%
Other securities	282,016	286,282	3.00%
<b>Total</b>	<b>\$ 395,173</b>	<b>402,043</b>	<b>2.92%</b>
<b>10 years and longer</b>			
Mortgage-backed securities	\$ 1,916,799	1,963,944	3.07%
Collateralized mortgage obligations	5,222,542	5,229,584	3.08%
Other securities	493,781	490,614	5.45%
<b>Total</b>	<b>\$ 7,633,122</b>	<b>7,684,142</b>	<b>3.23%</b>
<b>All maturities</b>			
U.S. Treasury securities	\$ 500	501	0.39%
Mortgage-backed securities	1,929,096	1,976,962	3.07%
Collateralized mortgage obligations	5,345,362	5,354,796	3.07%
Other securities (1)	940,215	948,082	4.35%
<b>Total</b>	<b>\$ 8,215,173</b>	<b>8,280,341</b>	<b>3.22%</b>

(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:

(dollars in thousands)	December 31,									
	2014		2013		2012		2011		2010	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<b>Mortgage loans:</b>										
Multi-family residential property	\$ 8,607,989	46.97%	6,637,353	47.81%	4,380,453	43.38%	3,003,428	41.68%	1,716,248	30.68%
Commercial property	4,833,123	26.37%	3,651,538	26.30%	2,919,708	28.90%	2,218,053	30.78%	1,799,162	32.16%
1-4 family residential property	463,420	2.53%	346,795	2.50%	307,158	3.04%	259,418	3.60%	266,011	4.76%
Home equity lines of credit	160,890	0.88%	170,441	1.23%	190,782	1.89%	198,375	2.75%	192,027	3.43%
Construction and land	64,824	0.35%	125,334	0.90%	99,475	0.98%	63,775	0.88%	115,195	2.06%
<b>Other loans:</b>										
Commercial and industrial	3,697,725	20.18%	2,565,016	18.48%	1,860,866	18.42%	1,098,805	15.24%	1,146,110	20.49%
Commercial - SBA guaranteed portion	486,750	2.66%	375,501	2.70%	332,430	3.29%	354,060	4.91%	346,454	6.19%
Consumer	10,245	0.06%	11,479	0.08%	10,291	0.10%	11,837	0.16%	13,086	0.23%
Sub-total / Total	18,324,966	100.00%	13,883,457	100.00%	10,101,163	100.00%	7,207,751	100.00%	5,594,293	100.00%
Premiums, deferred fees and costs	81,039		56,773		40,075		35,000		32,834	
<b>Total</b>	<b>\$ 18,406,005</b>		<b>13,940,230</b>		<b>10,141,238</b>		<b>7,242,751</b>		<b>5,627,127</b>	

Total loans increased by \$4.47 billion to \$18.41 billion at December 31, 2014 from \$13.94 billion at December 31, 2013. Our total loan-to-deposit ratio, excluding loans held for sale, decreased to 78.9% at December 31, 2014 from 79.3% at December 31, 2013.

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.

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, 2014, loans fully secured by cash and marketable securities represented 0.6% of outstanding loan balances. The SBA portfolio, consisting only of the guaranteed portion of the SBA loans, represented 2.7% of outstanding loan balances. Our fully unsecured loan portfolio represented 1.2% of our total outstanding loan portfolio at December 31, 2014. 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 loan portfolio 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) history of the borrower's payment performance.

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

<i>(in thousands)</i>	Pass Rating 1-6	Special Mention Rating 7	Substandard Rating 8	Doubtful Rating 9	Non-rated	Total
<b>December 31, 2014</b>						
Commercial loans secured by real estate:						
Multi-family residential property	\$ 8,593,573	-	13,021	-	-	8,606,594
Commercial property	4,798,950	3,509	30,664	-	-	4,833,123
1-4 family residential property	297,148	-	5,507	-	130	302,785
Construction and land	64,642	-	182	-	-	64,824
Commercial and industrial loans	3,598,738	16,191	33,615	4,762	44,419	3,697,725
Total commercial loans	\$ 17,353,051	19,700	82,989	4,762	44,549	17,505,051
<b>December 31, 2013</b>						
Commercial loans secured by real estate:						
Multi-family residential property	\$ 6,619,472	5,159	11,161	-	-	6,635,792
Commercial property	3,593,283	27,375	30,791	89	-	3,651,538
1-4 family residential property	166,917	3,706	5,623	-	65	176,311
Construction and land	123,171	-	2,163	-	-	125,334
Commercial and industrial loans	2,487,590	3,661	19,282	8,343	46,140	2,565,016
Total commercial loans	\$ 12,990,433	39,901	69,020	8,432	46,205	13,153,991

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

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

<i>(in thousands)</i>	Performing	Nonperforming	Total
<b>December 31, 2014</b>			
Residential mortgages	\$ 159,911	2,119	162,030
Home equity lines of credit	156,253	4,637	160,890
Other consumer loans	10,134	111	10,245
Total consumer loans	\$ 326,298	6,867	333,165
<b>December 31, 2013</b>			
Residential mortgages	\$ 168,557	3,488	172,045
Home equity lines of credit	167,701	2,740	170,441
Other consumer loans	11,337	142	11,479
Total consumer loans	\$ 347,595	6,370	353,965

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

<i>(in thousands)</i>	<i>As of December 31, 2014</i>			
	<b>Within One Year</b>	<b>One to Five Years</b>	<b>After Five Years</b>	<b>Total</b>
<b>Loan Type</b>				
Commercial and industrial	\$ 820,154	2,498,203	379,368	3,697,725
Construction and land	22,444	42,380	-	64,824
<b>Total</b>	<b>\$ 842,598</b>	<b>2,540,583</b>	<b>379,368</b>	<b>3,762,549</b>
Loans at fixed interest rates		2,129,517	368,951	
Loans at variable interest rates		411,066	10,417	
<b>Total</b>		<b>2,540,583</b>	<b>379,368</b>	

## Asset Quality

### Nonperforming Assets

Nonperforming assets include nonaccrual loans and investment securities as well as other real estate owned and other repossessed assets. Loans are generally placed on nonaccrual 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 nonaccrual 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 nonaccrual 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 nonaccrual does not necessarily indicate that the principal of the loan is uncollectible in whole or in part.

The following table summarizes our nonperforming assets, accruing 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:

<i>(dollars in thousands)</i>	<i>December 31,</i>				
	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
<b>Non-accrual assets:</b>					
Loans	\$ 13,843	21,414	24,001	40,432	31,155
Troubled debt restructured loans	7,165	9,928	3,189	1,786	2,979
Investment securities, at fair value	948	4,778	5,927	5,772	4,445
Other real estate owned	-	-	-	566	1,667
Other repossessed assets	245	800	-	-	-
<b>Total nonperforming assets</b>	<b>\$ 22,201</b>	<b>36,920</b>	<b>33,117</b>	<b>48,556</b>	<b>40,246</b>
Accruing troubled debt restructured loans	\$ 36,125	33,098	52,554	44,685	8,530
<b>Accruing loans past due 90 days or more:</b>					
Loans	\$ 1,839	1,288	27,176	9,000	15,740
Loans held for sale	\$ 1,407	1,151	1,579	1,307	1,778
<b>Asset Quality Ratios:</b>					
Total non-accrual loans to total loans	0.12%	0.23%	0.28%	0.62%	0.65%
Total nonperforming assets to total assets	0.08%	0.16%	0.19%	0.33%	0.34%
ALLL to non-accrual loans	782.52%	430.96%	395.12%	204.09%	197.45%

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

<i>(in thousands)</i>	Past Due 30-89 Days	Past Due 90+ Days	Total Past Due	Current	Total Loans	Accruing Loans Past Due 90+ Days	Non-accruing Loans
<b>December 31, 2014</b>							
Commercial loans							
Loans secured by real estate:							
Multi-family residential property	\$ 2,800	-	2,800	8,603,794	8,606,594	-	-
Commercial property	794	3,819	4,613	4,828,510	4,833,123	712	3,106
1-4 family residential property	1,122	5,011	6,133	296,652	302,785	-	5,011
Construction and land	-	183	183	64,641	64,824	-	183
Commercial and industrial loans	15,535	6,666	22,201	3,675,524	3,697,725	825	5,841
Consumer loans							
Residential mortgages	2,059	2,421	4,480	157,550	162,030	302	2,119
Home equity lines of credit	596	4,637	5,233	155,657	160,890	-	4,637
Consumer loans	16	111	127	10,118	10,245	-	111
<b>Total</b>	<b>\$ 22,922</b>	<b>22,848</b>	<b>45,770</b>	<b>17,792,446</b>	<b>17,838,216</b>	<b>1,839</b>	<b>21,008</b>
<b>December 31, 2013</b>							
Commercial loans							
Loans secured by real estate:							
Multi-family residential property	\$ 15,105	-	15,105	6,620,687	6,635,792	-	-
Commercial property	16,462	7,308	23,770	3,627,768	3,651,538	-	7,308
1-4 family residential property	-	4,973	4,973	171,338	176,311	-	4,973
Construction and land	-	2,162	2,162	123,172	125,334	-	2,162
Commercial and industrial loans	18,229	10,529	28,758	2,536,258	2,565,016	-	10,529
Consumer loans							
Residential mortgages	2,441	4,276	6,717	165,328	172,045	788	3,488
Home equity lines of credit	2,558	3,240	5,798	164,643	170,441	500	2,740
Consumer loans	76	142	218	11,261	11,479	-	142
<b>Total</b>	<b>\$ 54,871</b>	<b>32,630</b>	<b>87,501</b>	<b>13,420,455</b>	<b>13,507,956</b>	<b>1,288</b>	<b>31,342</b>

Significant nonaccrual loans at December 31, 2014 consisted of one commercial and industrial loan for \$4.0 million, two commercial real estate loans totaling \$3.1 million, one residential mortgage for \$5.0 million, and four home equity lines of credit totaling \$3.0 million. Each nonaccrual loan is being actively managed by the Bank, and the ALLL includes a specific allocation for each such loan.

Nonaccrual investment securities at December 31, 2014 consisted of one collateralized debt obligation and one bank-collateralized pooled trust preferred security, with fair values of \$572,000 and \$376,000, respectively. These securities were classified as nonperforming because of a deferral of their interest payments.

Accruing loans past due 90 days or more, which are excluded from the nonperforming category, are presented in the above tables. At December 31, 2014, accruing loans past due 90 days or more were primarily comprised of matured performing loans in the normal course of renewal. Accruing loans held for sale past due 90 days or more at December 31, 2014 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 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. For a summary of our accounting methodologies relating to TDRs, see the Allowance for Loan and Lease Losses section of our Critical Accounting Policies. Additionally, for a discussion of our TDR loans and the related financial effects, see Note 8 to our Consolidated Financial Statements.

## Allowance for Loan and Lease Losses

Our 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, 2014, 2013, and 2012, our ALLL totaled \$164.4 million, \$135.1 million, and \$107.4 million, respectively, which represents 0.92%, 1.00%, and 1.10% of total loans and leases (excluding loans held for sale) at December 31, 2014, 2013 and 2012, respectively. For a summary of our accounting methodologies relating to the ALLL, see the Allowance for Loan and Lease Losses section of our Critical Accounting Policies.

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, 2014, 2013, and 2012, we recorded provisions of \$31.1 million, \$41.6 million, and \$41.4 million, respectively. These provisions were made to reflect management's assessment of the inherent and specific risk of losses relative to the growth of the portfolio.

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			Total
		Commercial Loans	Residential Mortgages	Consumer Loans	
<b>As of December 31, 2014</b>					
ALLL:					
Individually evaluated for impairment	\$ 4,645	288	3,531	45	8,509
Collectively evaluated for impairment	151,526	1,945	1,999	413	155,883
Recorded investment in loans:					
Individually evaluated for impairment	46,919	575	9,528	111	57,133
Collectively evaluated for impairment	17,413,583	43,974	313,392	10,134	17,781,083
<b>As of December 31, 2013</b>					
ALLL:					
Individually evaluated for impairment	\$ 9,628	399	1,250	71	11,348
Collectively evaluated for impairment	118,564	2,398	2,064	697	123,723
Recorded investment in loans:					
Individually evaluated for impairment	56,676	813	6,809	142	64,440
Collectively evaluated for impairment	13,051,110	45,392	335,677	11,337	13,443,516

The following table allocates our ALLL to the respective portfolio categories and includes the percentage of loans in each category to total loans at the dates indicated:

(dollars in thousands)	December 31,									
	2014		2013		2012		2011		2010	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Mortgage Loans:										
Multi-family residential property	\$ 63,091	48.26%	47,814	49.14%	31,292	44.84%	25,160	43.83%	7,401	32.70%
Commercial property	39,449	27.09%	44,415	27.03%	38,292	29.89%	23,844	32.36%	14,521	34.28%
1-4 family residential property	7,178	2.60%	3,600	2.57%	4,794	3.14%	3,096	3.79%	3,352	5.07%
Home equity lines of credit	3,522	0.90%	1,406	1.26%	1,099	1.95%	818	2.89%	831	3.66%
Construction and land	477	0.36%	1,323	0.93%	1,127	1.02%	4,836	0.93%	2,386	2.20%
Other loans:										
Commercial and industrial	50,217	20.73%	35,745	18.99%	30,176	19.05%	27,622	16.03%	37,545	21.84%
Consumer	458	0.06%	768	0.08%	653	0.11%	786	0.17%	1,360	0.25%
Total	\$ 164,392	100.00%	135,071	100.00%	107,433	100.00%	86,162	100.00%	67,396	100.00%

### Summary of Loan Loss Experience

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:

<i>(dollars in thousands)</i>	<i>Years ended December 31,</i>				
	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Beginning balance - ALLL	\$ 135,071	107,433	86,162	67,396	55,120
Charge-offs:					
Credit-rated commercial loans	(4,586)	(14,137)	(18,657)	(29,502)	(28,070)
Non-rated commercial loans	(1,297)	(1,384)	(2,439)	(4,467)	(6,369)
Residential mortgages	(1,597)	(753)	(635)	(350)	(644)
Consumer loans	(380)	(407)	(425)	(1,074)	(500)
Total charge-offs	(7,860)	(16,681)	(22,156)	(35,393)	(35,583)
Recoveries:					
Credit-rated commercial loans	4,764	1,309	262	508	40
Non-rated commercial loans	701	1,166	1,540	1,498	1,172
Residential mortgages	460	33	4	-	212
Consumer loans	146	168	194	277	63
Total recoveries	6,071	2,676	2,000	2,283	1,487
Net charge-offs	(1,789)	(14,005)	(20,156)	(33,110)	(34,096)
Provision	31,110	41,643	41,427	51,876	46,372
Ending balance - ALLL	\$ 164,392	135,071	107,433	86,162	67,396
Ratios:					
ALLL to total loans	0.92%	1.00%	1.10%	1.26%	1.29%
Net charge-offs to average loans	0.01%	0.12%	0.25%	0.55%	0.73%

Our net charge-offs during 2014 decreased to \$1.8 million compared to \$14.0 million for the prior year. Significant charge-offs during 2014 consisted of one commercial and industrial loan for \$1.2 million, one construction loan for \$1.2 million, and one home equity line of credit for \$651,000. The remainder of 2014 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. Additionally, during 2014 our significant recoveries on loans previously charged off consisted of four commercial and industrial loans totaling \$1.8 million, two commercial loans secured by 1-4 family residential property totaling \$1.0 million, and two home equity lines of credit totaling \$453,000.

### Net Deferred Tax Asset

At December 31, 2014, 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 prospectively, 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 our net deferred tax asset as of the dates indicated:

<i>(in thousands)</i>	<i>December 31,</i>	
	<b>2014</b>	<b>2013</b>
<b>DEFERRED TAX ASSETS</b>		
Allowance for loan and lease losses	\$ 69,553	59,078
Unearned compensation - restricted shares	11,557	8,900
Non-accrual interest	1,338	1,834
Write-down for other-than-temporary impairment of securities	18,337	18,273
Other	17,197	7,376
<b>Total deferred tax assets recognized in earnings</b>	<b>117,982</b>	<b>95,461</b>
Net unrealized losses on securities available-for-sale	-	26,236
<b>Net unrealized losses on securities transferred to held-to-maturity</b>	<b>11,968</b>	<b>13,815</b>
<b>Total deferred tax assets</b>	<b>129,950</b>	<b>135,512</b>
<b>DEFERRED TAX LIABILITIES</b>		
Depreciation	72,194	16,951
Prepaid expenses	839	674
Other	13,480	9,767
<b>Total deferred tax liabilities recognized in earnings</b>	<b>86,513</b>	<b>27,392</b>
Net unrealized gains on securities available-for-sale	21,592	-
<b>Total deferred tax liabilities</b>	<b>108,105</b>	<b>27,392</b>
<b>Net deferred tax asset</b>	<b>\$ 21,845</b>	<b>108,120</b>

In accordance with GAAP, we revalued our New York State deferred tax assets and liabilities in consideration of the New York State corporate income tax reform enacted on March 31, 2014. The revaluation resulted in a decrease of \$1.8 million to our net deferred tax asset. For more information, refer to the income taxes discussion under Results of Operations for the year ended December 31, 2014 compared to the year ended December 31, 2013.

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

Excluding brokered deposits, total deposits at December 31, 2014 and 2013 were \$22.41 billion and \$16.65 billion, respectively. Our deposits at December 31, 2014 and 2013 included short-term escrow deposits of approximately \$2.87 billion and \$1.26 billion, respectively. We have developed a core competency that allows us to obtain short-term escrow deposits from our clients by catering to the needs of law firms, accounting firms, claims administrators and title companies, amongst others. Due to the nature of these deposits, we anticipate that a considerable amount of our short-term escrow deposits outstanding at December 31, 2014 will be released over the next several quarters. Excluding our short-term escrow deposits and brokered deposits at December 31, 2014 and 2013, total core deposits increased approximately \$4.14 billion during 2014 as a result of the addition of new private client banking teams, as well as additional deposits raised by our existing private client banking teams.

The following table presents the composition of our deposit accounts as of the dates indicated:

<i>(dollars in thousands)</i>	<i>December 31,</i>			
	<i>2014</i>		<i>2013</i>	
	<b>Amount</b>	<b>Percentage</b>	<b>Amount</b>	<b>Percentage</b>
Personal demand deposit accounts (1)	\$ 585,689	2.59%	511,911	3.00%
Business demand deposit accounts (1)	6,479,270	28.65%	4,879,572	28.61%
Rent security	127,792	0.56%	98,987	0.58%
Personal NOW	47,813	0.21%	38,797	0.23%
Business NOW	1,623,337	7.18%	812,100	4.76%
Personal money market accounts	3,370,141	14.90%	3,172,224	18.60%
Business money market accounts	9,368,774	41.42%	6,318,277	37.04%
Personal time deposits	368,725	1.63%	415,040	2.43%
Business time deposits	437,545	1.93%	405,959	2.38%
Brokered time deposits	211,189	0.93%	404,230	2.37%
<b>Total</b>	<b>\$ 22,620,275</b>	<b>100.00%</b>	<b>17,057,097</b>	<b>100.00%</b>
Demand deposit accounts (1)	\$ 7,064,959	31.24%	5,391,483	31.61%
NOW	1,671,150	7.39%	850,897	4.99%
Money market accounts	12,866,707	56.88%	9,589,488	56.22%
Time deposits	806,270	3.56%	820,999	4.81%
Brokered time deposits	211,189	0.93%	404,230	2.37%
<b>Total</b>	<b>\$ 22,620,275</b>	<b>100.00%</b>	<b>17,057,097</b>	<b>100.00%</b>
Personal	\$ 4,372,368	19.33%	4,137,972	24.26%
Business	18,036,718	79.74%	12,514,895	73.37%
Brokered time deposits	211,189	0.93%	404,230	2.37%
<b>Total</b>	<b>\$ 22,620,275</b>	<b>100.00%</b>	<b>17,057,097</b>	<b>100.00%</b>

(1) Non-interest bearing.

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

<i>(dollars in thousands)</i>	<i>Years ended December 31,</i>			
	<i>2014</i>		<i>2013</i>	
	<b>Average Balance</b>	<b>Average Rate</b>	<b>Average Balance</b>	<b>Average Rate</b>
NOW and interest-bearing demand	\$ 1,276,342	0.38%	819,164	0.38%
Money market	11,592,917	0.66%	8,959,324	0.72%
Time deposits	840,530	1.29%	827,389	0.15%
Brokered time deposits	315,172	0.55%	237,750	0.45%
Non-interest-bearing demand deposits	5,906,454	-	4,782,428	-
<b>Total deposits</b>	<b>\$ 19,931,415</b>	<b>0.47%</b>	<b>15,626,055</b>	<b>0.51%</b>

The following table presents time deposits of \$100,000 or more by their maturity as of December 31, 2014:

<i>(in thousands)</i>	<b>December 31, 2014</b>	
Three months or less	\$	166,002
Over three months through six months		99,867
Over six months through one year		202,058
Over one year		230,978
Total	\$	698,905

## Borrowings

The following table presents information regarding our borrowings:

<i>(dollars in thousands)</i>	<i>At or for the year ended December 31,</i>					
	<i>2014</i>		<i>2013</i>		<i>2012</i>	
	<b>Amount</b>	<b>Weighted Average Rate</b>	<b>Amount</b>	<b>Weighted Average Rate</b>	<b>Amount</b>	<b>Weighted Average Rate</b>
Federal Home Loan Bank advances	\$ 1,335,163	0.90%	2,305,313	0.60%	590,000	0.88%
Repurchase agreements	620,000	2.48%	695,000	2.43%	645,000	2.86%
Federal funds purchased	95,000	0.26%	370,000	0.28%	350,000	0.33%
Total borrowings	\$ 2,050,163	1.35%	3,370,313	0.95%	1,585,000	1.57%
Maximum total outstanding at any month-end	\$ 2,815,313		3,370,313		1,585,000	
Average balance	\$ 2,443,596		2,192,788		1,161,784	
Average rate		1.21%		1.21%		2.29%

At December 31, 2014, our borrowings were \$2.05 billion, or 8.3% of our funding liabilities, compared to \$3.37 billion, or 16.5% of our funding liabilities, at December 31, 2013. The decrease in our borrowings, when compared to December 31, 2013, reflects our substantial deposit growth during 2014 combined with the proceeds from our 2014 public offering of common stock. These borrowings are collateralized by mortgage-backed and collateralized mortgage obligation securities, along with commercial real estate loans. We also hold \$60.1 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 and loans available for pledging, we estimate our available consolidated capacity for additional borrowings to be approximately \$6.09 billion at December 31, 2014.

The following table presents the maturity or re-pricing of our borrowings at December 31, 2014.

<i>Maturity or repricing period (in thousands)</i>					
<b>3 months or less</b>	<b>3 - 12 months</b>	<b>1 - 3 years</b>	<b>Over 3 years</b>	<b>Total</b>	
\$ 295,000	550,000	1,100,163	105,000	2,050,163	

## Fair Value of Financial Instruments

Our AFS securities, which represent \$6.07 billion of our total assets at December 31, 2014, are carried at fair value. Held-for-sale loans totaling \$548.3 million at December 31, 2014, 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 strip 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, 2014:

<i>(in thousands)</i>	<i>Payments due by period</i>				<b>Total</b>
	<b>Less than 1 year</b>	<b>1 - 3 years</b>	<b>3 - 5 years</b>	<b>More than 5 years</b>	
Information technology contract	\$ 3,460	2,416	-	-	5,876
Borrowings	845,000	1,100,163	75,000	30,000	2,050,163
Operating leases	16,904	32,632	28,939	62,099	140,574
Total contractual cash obligations	\$ 865,364	1,135,211	103,939	92,099	2,196,613

## 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.

The following table presents a summary of our commitments and contingent liabilities:

<i>(in thousands)</i>	<i>December 31,</i>	
	<b>2014</b>	<b>2013</b>
Unused commitments to extend credit	\$ 695,435	578,771
Financial standby letters of credit	257,006	209,136
Commercial and similar letters of credit	34,921	20,516
Other	1,312	1,135
<b>Total</b>	<b>\$ 988,674</b>	<b>809,558</b>

For further discussion of our commitments and contingent liabilities, see Note 19 to our Consolidated Financial Statements.

## Capital Resources

We are subject to comprehensive capital adequacy requirements intended to protect against losses that we may incur. Prior to January 1, 2015, FDIC regulations required 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 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. Prior to January 1, 2015, banks that received the highest rating of five categories used by regulators to rate banks and were not anticipating or experiencing any significant growth were required to maintain a leverage capital ratio of at least 3.0%. All other institutions were required to maintain a minimum leverage capital ratio of 4.0%.

For an institution to be considered "well capitalized" prior to January 1, 2015, 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 as of December 31, 2014 and 2013:

	<i>Actual</i>		<i>Required for Capital Adequacy Purposes</i>		<i>Required to be Well Capitalized</i>	
	<i>Amount</i>	<i>Ratio</i>	<i>Amount</i>	<i>Ratio</i>	<i>Amount</i>	<i>Ratio</i>
<i>(dollars in thousands)</i>						
<b>As of December 31, 2014:</b>						
Total capital (to risk-weighted assets)	\$ 2,647,871	14.39%	1,472,033	8.00%	1,840,041	10.00%
Tier 1 capital (to risk-weighted assets)	2,482,607	13.49%	736,016	4.00%	1,104,025	6.00%
Tier 1 leverage capital (to average assets)	2,482,607	9.25%	1,073,288	4.00%	1,341,611	5.00%
<b>As of December 31, 2013:</b>						
Total capital (to risk-weighted assets)	\$ 1,986,694	15.10%	1,052,562	8.00%	1,315,702	10.00%
Tier 1 capital (to risk-weighted assets)	1,850,668	14.07%	526,281	4.00%	789,421	6.00%
Tier 1 leverage capital (to average assets)	1,850,668	8.54%	866,469	4.00%	1,083,087	5.00%

### *Basel III*

On July 9, 2013, the Federal Deposit Insurance Corporation approved final rules that substantially amend the regulatory risk-based capital rules applicable to Signature Bank. The final rules were adopted following the issuance of proposed rules by the federal banking regulators in June 2012, and implement the “Basel III” regulatory capital reforms and changes required by the Dodd-Frank Act. “Basel III” refers to two consultative documents released by the Basel Committee on Banking Supervision in December 2009, the rules text released in December 2010, and loss absorbency rules issued in January 2011, which include significant changes to bank capital, leverage and liquidity requirements.

The rules include new risk-based capital and leverage ratios, which are being phased in from 2015 to 2019, and refine the definition of what constitutes “capital” for purposes of calculating those ratios. The new minimum capital level requirements applicable to Signature Bank under the final rules are the following: (i) a new common equity Tier 1 risk-based capital ratio of 4.5%; (ii) a Tier 1 risk-based capital ratio of 6% (increased from 4%); (iii) a total capital ratio of 8% (unchanged from current rules); and (iv) a leverage ratio of 4% for all institutions. The final rules also establish a “capital conservation buffer” above the new regulatory minimum capital requirements, which must consist entirely of common equity Tier 1 capital. Common equity Tier 1 capital consists of common stock instruments that meet the eligibility criteria in the final rules, retained earnings, accumulated other comprehensive income and common equity Tier 1 minority interest. The capital conservation buffer will be phased-in over four years beginning on January 1, 2016, as follows: the maximum buffer will be 0.625% of risk-weighted assets for 2016, 1.25% for 2017, 1.875% for 2018, and 2.5% for 2019 and thereafter, resulting in the following minimum ratios beginning in 2019: (i) a common equity Tier 1 capital ratio of 7.0%, (ii) a Tier 1 capital ratio of 8.5%, and (iii) a total capital ratio of 10.5%. Under the final rules, institutions are subject to limitations on paying dividends, engaging in share repurchases, and paying discretionary bonuses if their capital levels fall below the buffer amount. These limitations establish a maximum percentage of eligible retained income that could be utilized for such actions.

Basel III provided discretion for regulators to impose an additional buffer, the “countercyclical buffer,” of up to 2.5% of common equity Tier 1 capital to take into account the macro-financial environment and periods of excessive credit growth. However, the final rules permit the countercyclical buffer to be applied only to “advanced approach banks” (i.e., banks with \$250 billion or more in total assets or \$10 billion or more in total foreign exposures), which currently excludes Signature Bank. The final rules also implement revisions and clarifications consistent with Basel III regarding the various components of Tier 1 capital, including common equity, unrealized gains and losses, as well as certain instruments that will no longer qualify as Tier 1 capital, some of which will be phased out over time.

The final rules also contain revisions to the prompt corrective action (“PCA”) framework, which is designed to place restrictions on insured depository institutions, including Signature Bank, if their capital levels begin to show signs of weakness. These revisions took effect January 1, 2015. Under the PCA requirements, which are designed to complement the capital conservation buffer, insured depository institutions will be required to meet the following increased capital level requirements in order to qualify as “well capitalized:” (i) a new common equity

Tier 1 capital ratio of 6.5%; (ii) a Tier 1 capital ratio of 8% (increased from 6%); (iii) a total capital ratio of 10% (unchanged from current rules); and (iv) a leverage ratio of 5% (increased from 4%).

The final rules set forth certain changes for the calculation of risk-weighted assets, which we have been required to utilize as of January 1, 2015. The standardized approach final rule utilizes an increased number of credit risk exposure categories and risk weights, and also addresses: (i) an alternative standard of creditworthiness consistent with Section 939A of the Dodd-Frank Act; (ii) revisions to recognition of credit risk mitigation; (iii) rules for risk weighting of equity exposures and past due loans; (iv) revised capital treatment for derivatives and repo-style transactions; and (v) disclosure requirements for top-tier banking organizations with \$50 billion or more in total assets that are not subject to the “advance approach rules” that apply to banks with greater than \$250 billion in consolidated assets. Based on our current capital composition and levels, we believe that we would be in compliance with the requirements as set forth in the final rules if they were presently in effect.

## **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, 2014, 2013 and 2012, 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, 2014, our FHLB borrowings consisted of \$1.34 billion in advances with an average rate of 0.90% that mature by December 2017.

We also have repurchase agreement lines with several leading financial institutions totaling \$2.23 billion. At December 31, 2014, we had \$620.0 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 and loans available for pledging, we estimate our available consolidated capacity for additional borrowings to be approximately \$6.09 billion as of December 31, 2014.

The federal banking agencies in September 2014 issued a final rule that implements a new “liquidity coverage ratio” (“LCR Rule”) based upon Basel III requirements that for the first time regulate bank liquidity in detail. The LCR Rule does not apply to depository institutions, including Signature Bank, with less than \$50 billion in consolidated assets. Based on our anticipated rate of growth, we do not expect that the LCR rule will impact our operations or financial condition over the next several years.

## **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. Day-to-day oversight of this function is performed by 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 hypothetical interest rate scenarios. Based on these simulations, we quantify interest rate risk and develop and implement appropriate strategies. At December 31, 2014, we used a simulation model to analyze net interest income sensitivity to both (i) a parallel shift in interest rates, in which the base market interest rate forecast was increased in quarterly increments over the first twelve months, followed by rates holding constant thereafter ("ramp scenario") and (ii) a parallel and sustained shift in interest rates, in which the base market interest rate forecast was immediately increased by 100, 200, 300 and 400 basis points ("shock scenario"). 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, 2014:

<i>(dollars in thousands)</i>	<b>Adjusted Net Interest Income</b>	<b>Change from Base</b>
<b>Ramp scenario:</b>		
Base	\$ 809,002	-
Up 100 basis points	852,972	1.4%
Up 200 basis points	850,097	1.1%
Up 300 basis points	834,152	(0.8)%
Up 400 basis points	812,625	(3.4)%
<b>Shock scenario:</b>		
Base	\$ 809,002	-
Up 100 basis points	852,613	1.4%
Up 200 basis points	848,972	1.0%
Up 300 basis points	836,815	(0.5)%
Up 400 basis points	822,930	(2.2)%

We also use a simulation model to measure the impact that hypothetical 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, 2014, we used a simulation model to analyze the market value of equity sensitivity to a parallel and sustained shift in interest rates, in which the base market interest rate forecast was immediately 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, 2014 to the interest rate movements described above (base case market value of equity is \$4.41 billion):

<i>(dollars in thousands)</i>	<b>Sensitivity</b>	<b>Change from Base</b>
Up 100 basis points	\$ 86,684	2.0%
Up 200 basis points	(89,477)	(2.0)%
Up 300 basis points	(472,613)	(10.7)%
Up 400 basis points	(874,162)	(19.8)%

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 repricing 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, 2014, management evaluated the effectiveness of internal control over financial reporting based on the framework in *Internal Control—Integrated Framework (1992)* 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, 2014 is effective using these criteria.

The Company's internal control over financial reporting as of December 31, 2013<sup>4</sup> 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, 2014. 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 Shareholders  
Signature Bank:

We have audited Signature Bank and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control – Integrated Framework (1992)* 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, 2014, based on criteria established in *Internal Control – Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

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 the Company as of December 31, 2014 and 2013, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2014, and our report dated March 2, 2015 expressed an unqualified opinion on those consolidated financial statements.

KPMG LLP

New York, New York  
March 2, 2015

**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 23, 2015.

**ITEM 11. EXECUTIVE COMPENSATION**

Incorporated by reference to Signature Bank's Proxy Statement for the Annual Meeting of Stockholders to be held April 23, 2015.

**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 23, 2015.

**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 23, 2015.

**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 23, 2015.

## 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-49. 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

<u>Exhibit No.</u>	<u>Exhibit</u>
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 2013 Definitive Proxy Statement on Schedule 14A, filed with the Federal Deposit Insurance Corporation on March 18, 2013.)
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.)
10.13	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.)

<b>Exhibit No.</b>	<b>Exhibit</b>
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 2, 2015

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on March 2, 2015 by the following persons on behalf of the registrant in the capacities indicated.

<u>Signature</u>	<u>Title</u>
<u>/s/ SCOTT A. SHAY</u> (Scott A. Shay)	Chairman of the Board of Directors
<u>/s/ JOHN TAMBERLANE</u> (John Tamberlane)	Vice Chairman, Director
<u>/s/ VITO SUSCA</u> (Vito Susca)	Senior Vice President and Chief Financial Officer (Principal Accounting and Financial Officer)
<u>/s/ KATHRYN A. BYRNE</u> (Kathryn A. Byrne)	Director
<u>/s/ ALFONSE M. D'AMATO</u> (Alfonse M. D'Amato)	Director
<u>/s/ ALFRED B. DELBELLO</u> (Alfred B. DelBello)	Director
<u>/s/ JUDITH HUNTINGTON</u> (Judith Huntington)	Director
<u>/s/ JEFFREY W. MESHEL</u> (Jeffrey W. Meshel)	Director
<u>/s/ MICHAEL PAPPAGALLO</u> (Michael Pappagallo)	Director

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## Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders  
Signature Bank:

We have audited the accompanying consolidated statements of financial condition of Signature Bank and subsidiaries (the Company) as of December 31, 2014 and 2013, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2014. 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 the Company as of December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2014, 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, 2014, based on criteria established in *Internal Control – Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 2, 2015 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

KPMG LLP

New York, New York  
March 2, 2015

**SIGNATURE BANK**  
**CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION**

	<i>December 31,</i>	
	<b>2014</b>	<b>2013</b>
<i>(dollars in thousands, except per share amounts)</i>		
<b>ASSETS</b>		
Cash and due from banks	\$ 274,247	119,479
Short-term investments	24,831	24,498
Total cash and cash equivalents	299,078	143,977
Securities available-for-sale	6,073,459	5,632,233
Securities held-to-maturity (fair value \$2,222,177 and \$2,110,290 at December 31, 2014 and 2013)	2,208,551	2,175,844
Federal Home Loan Bank stock	86,338	130,785
Loans held for sale	548,297	420,759
Loans and leases, net	17,693,316	13,384,400
Premises and equipment, net	40,996	36,331
Accrued interest and dividends receivable	79,687	71,668
Other assets	288,918	380,666
Total assets	\$ 27,318,640	22,376,663
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Deposits		
Non-interest-bearing	\$ 7,064,959	5,391,483
Interest-bearing	15,555,316	11,665,614
Total deposits	22,620,275	17,057,097
Federal funds purchased and securities sold under agreements to repurchase	715,000	1,065,000
Federal Home Loan Bank advances	1,335,163	2,305,313
Accrued expenses and other liabilities	151,964	149,314
Total liabilities	24,822,402	20,576,724
Shareholders' equity		
Preferred stock, par value \$.01 per share; 61,000,000 shares authorized; none issued at December 31, 2014 and December 31, 2013	-	-
Common stock, par value \$.01 per share; 64,000,000 shares authorized; 51,398,685 shares issued and 50,317,609 shares outstanding at December 31, 2014; 48,404,175 shares issued and 47,293,162 shares outstanding at December 31, 2013	503	473
Additional paid-in capital	1,348,661	1,013,900
Retained earnings	1,133,950	837,250
Net unrealized gains (losses) on securities, net of tax	13,124	(51,684)
Total shareholders' equity	2,496,238	1,799,939
Total liabilities and shareholders' equity	\$ 27,318,640	22,376,663

See accompanying notes to Consolidated Financial Statements.

**SIGNATURE BANK**  
**CONSOLIDATED STATEMENTS OF INCOME**

	<i>Years ended December 31,</i>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
<i>(dollars in thousands, except per share amounts)</i>			
<b>INTEREST AND DIVIDEND INCOME</b>			
Loans held for sale	\$ 3,338	4,338	3,508
Loans and leases, net	652,285	514,936	417,837
Securities available-for-sale	193,629	186,170	216,974
Securities held-to-maturity	69,762	46,198	20,158
Other short-term investments	5,259	3,508	2,079
Total interest income	924,273	755,150	660,556
<b>INTEREST EXPENSE</b>			
Deposits	93,494	80,209	84,163
Federal funds purchased and securities sold under agreements to repurchase	16,965	19,217	22,132
Federal Home Loan Bank advances	12,663	7,381	4,455
Total interest expense	123,122	106,807	110,750
Net interest income before provision for loan and lease losses	801,151	648,343	549,806
Provision for loan and lease losses	31,110	41,643	41,427
Net interest income after provision for loan and lease losses	770,041	606,700	508,379
<b>NON-INTEREST INCOME</b>			
Commissions	10,649	9,367	8,210
Fees and service charges	19,250	17,299	15,503
Net gains on sales of securities	5,272	6,228	6,887
Net gains on sales of loans	5,377	6,287	9,273
Other-than-temporary impairment losses on securities:			
Total impairment losses on securities	(3,930)	(9,208)	(11,593)
Portion recognized in other comprehensive income (before taxes)	2,206	3,059	8,520
Net impairment losses on securities recognized in earnings	(1,724)	(6,149)	(3,073)
Other losses	(3,842)	(1,021)	(561)
Total non-interest income	34,982	32,011	36,239
<b>NON-INTEREST EXPENSE</b>			
Salaries and benefits	196,679	163,554	146,696
Occupancy and equipment	22,490	19,681	17,294
Other general and administrative	74,075	63,942	54,253
Total non-interest expense	293,244	247,177	218,243
Income before income taxes	511,779	391,534	326,375
Income tax expense	215,075	162,790	140,892
Net income	\$ 296,704	228,744	185,483
<b>PER COMMON SHARE DATA</b>			
Earnings per share – basic	\$ 6.05	4.84	3.98
Earnings per share – diluted	\$ 5.95	4.76	3.91

See accompanying notes to Consolidated Financial Statements.

**SIGNATURE BANK**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

<i>(in thousands)</i>	<i>At or for the years ended December 31,</i>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
Net income	\$ 296,704	228,744	185,483
Other comprehensive income, net of tax:			
Net change in unrealized gains (losses) on securities	114,166	(162,973)	36,980
Tax effect	(47,984)	67,765	(15,905)
Net of tax	66,182	(95,208)	21,075
Reclassification adjustment for net gains on sales of securities included in net income	(5,272)	(6,228)	(6,887)
Tax effect	2,227	2,585	2,953
Net of tax	(3,045)	(3,643)	(3,934)
Amortization of net unrealized loss on securities transferred to held-to-maturity	3,357	2,599	-
Tax effect	(1,412)	(1,063)	-
Net of tax	1,945	1,536	-
Other-than-temporary impairment on securities related to noncredit factors	(2,206)	(3,059)	(8,520)
Tax effect	936	1,261	3,666
Net of tax	(1,270)	(1,798)	(4,854)
Reclassification adjustment for other-than-temporary impairment losses on securities related to credit factors included in net income	1,724	6,149	3,073
Tax effect	(728)	(2,547)	(1,322)
Net of tax	996	3,602	1,751
Total other comprehensive income, net of tax	64,808	(95,511)	14,038
Comprehensive income, net of tax	\$ 361,512	133,233	199,521

See accompanying notes to Consolidated Financial Statements.

**SIGNATURE BANK**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

<i>(in thousands)</i>	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Accumulated other comprehensive income	Total shareholders' equity
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
Stock options activity, net	1	1,419	-	-	-	1,420
Restricted stock activity, net	-	14,193	-	-	-	14,193
Stock warrant activity, net	-	771	-	-	-	771
Other	-	-	(5)	-	-	(5)
Net income	-	-	228,744	-	-	228,744
Other comprehensive income, net of tax	-	-	-	-	(95,511)	(95,511)
Balance at December 31, 2013	\$ 473	1,013,900	837,250	-	(51,684)	1,799,939
Common stock issued	24	295,893	-	-	-	295,917
Stock options activity, net	-	380	-	-	-	380
Restricted stock activity, net	3	28,774	-	9,717	-	38,494
Stock warrant activity, net	3	9,714	-	(9,717)	-	-
Other	-	-	(4)	-	-	(4)
Net income	-	-	296,704	-	-	296,704
Other comprehensive income, net of tax	-	-	-	-	64,808	64,808
Balance at December 31, 2014	\$ 503	1,348,661	1,133,950	-	13,124	2,496,238

See accompanying notes to Consolidated Financial Statements.

**SIGNATURE BANK**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

<i>(in thousands)</i>	<i>Years ended December 31,</i>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income	\$ 296,704	228,744	185,483
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	8,904	8,220	6,931
Provision for loan and lease losses	31,110	41,643	41,427
Net impairment losses on securities recognized in earnings	1,724	6,149	3,073
Net amortization/accretion of premium/(discount)	94,355	117,417	118,175
Stock-based compensation expense	27,690	15,565	17,609
Net gains on sales of securities and loans	(10,649)	(12,515)	(16,160)
Purchases and originations of loans held for sale	(1,321,745)	(1,416,265)	(1,035,761)
Proceeds from sales and principal repayments of loans held for sale	1,256,077	1,204,420	1,065,038
Net increase in accrued interest and dividends receivable	(8,019)	(7,301)	(3,834)
Deferred income tax expense (benefit)	36,600	7,517	(9,057)
Net decrease (increase) in other assets	5,473	(2,324)	(51,990)
Net increase in accrued expenses and other liabilities	2,650	11,236	60,012
Net cash provided by operating activities	420,874	202,506	380,946
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of securities available-for-sale ("AFS")	(1,450,961)	(2,106,010)	(1,636,034)
Proceeds from sales of securities AFS	191,730	308,346	391,301
Maturities, redemptions, calls and principal repayments on securities AFS	797,027	1,388,967	1,546,005
Purchases of securities held-to-maturity ("HTM")	(168,576)	(829,303)	(305,866)
Maturities, redemptions, calls and principal repayments on securities HTM	122,608	179,399	116,266
Net redemptions (purchases) of Federal Home Loan Bank stock	44,447	(80,773)	(1,860)
Net increase in loans and leases	(4,338,604)	(3,761,333)	(2,941,193)
Net purchases of premises and equipment	(13,569)	(12,359)	(8,549)
Net cash used in investing activities	(4,815,898)	(4,913,066)	(2,839,930)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net increase in non-interest-bearing deposits	1,673,476	946,519	1,296,528
Net increase in interest-bearing deposits	3,889,702	2,027,926	1,031,986
Proceeds from the issuance of Federal Home Loan Bank advances	620,000	2,155,313	475,000
Repayment of Federal Home Loan Bank advances	(1,590,150)	(440,000)	(560,000)
Proceeds from the issuance of other borrowings	220,000	520,000	450,000
Repayment of other borrowings	(570,000)	(450,000)	(205,800)
Tax benefit (expense) from stock-based compensation	11,067	(175)	15,839
Issuance of common stock and exercise of options	296,034	994	9,246
Other	(4)	(5)	(4)
Net cash provided by financing activities	4,550,125	4,760,572	2,512,795
Net increase in cash and cash equivalents	155,101	50,012	53,811
Cash and cash equivalents at beginning of year	143,977	93,965	40,154
Cash and cash equivalents at end of year	\$ 299,078	143,977	93,965
Supplemental disclosures of cash flow information:			
Interest paid during the year	\$ 123,817	105,876	111,676
Income taxes paid during the year	\$ 189,314	151,663	133,376
Non-cash investing activities:			
Transfer of securities from AFS to HTM, at fair value	\$ -	806,338	-
Transfer of securities from HTM to AFS, at fair value	\$ -	654	-
Transfer of loans to repossessed assets, at fair value	\$ 245	800	-

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 28 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 LLC (“Signature Financial”), a specialty finance subsidiary focused on equipment finance and leasing, transportation financing, and taxi medallion financing, commercial marine financing, and national franchise financing. The Bank also operates Signature Securities Group Corporation (“Signature Securities”), 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 of the Bank have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) and practices within the banking industry. These financial statements have been prepared to reflect all adjustments necessary to present fairly the financial condition 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, 2014 consisted of cash and due from banks of \$274.2 million, interest-bearing deposits with banks of \$1.7 million and money market mutual funds of \$23.1 million. Cash and cash equivalents at December 31, 2013 consisted of cash and due from banks of \$119.5 million, interest-bearing deposits with banks of \$2.8 million and money market mutual funds of \$21.7 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 \$209.2 million and \$135.4 million for the periods that included December 31, 2014 and 2013, respectively.

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

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.

Securities classified as available-for-sale (“AFS”) include 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 Bank uses various inputs to determine the fair value of its investment portfolio, which are classified within a three-level fair value hierarchy based on the transparency and reliability of inputs to valuation methodologies. To the extent they are available, we use quoted market prices (Level 1) to determine fair value. If quoted market prices are not available, we use valuation techniques such as matrix pricing to determine fair value (Level 2). In cases where there is little, if any, related market activity, fair value estimates are based upon internally-developed valuation techniques that use inputs such as discount rates, credit spreads, default and delinquency rates, and prepayment speeds (Level 3). A significant degree of judgment is involved in valuing investments using Level 3 inputs, and the use of different assumptions could have a positive or negative effect on our financial condition or results of operations. See Note 3 for more details on our security valuation techniques.

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.

Securities are reviewed at least quarterly to determine if an other-than-temporary impairment is present based on certain quantitative and qualitative factors. For securities other than securitized financial assets, the primary factors considered in evaluating whether a decline in value 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, which 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. 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 Income.

**(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/amortized 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 nonaccrual status or charged-off at an earlier date if collection of principal or interest is considered doubtful.

Once a loan is placed on nonaccrual status, our accounting policies are applied consistently, regardless of loan type. All interest previously accrued but not collected for loans that are placed on nonaccrual status is reversed against interest income. Payments received on nonaccrual 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 nonaccrual 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 and environmental conditions affecting the loan portfolio. This estimation is inherently subjective as it requires measures that are susceptible to significant revision as more information becomes available.

Our methodology to determine the 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 97.9% of our total loan portfolio, excluding loans held for sale, as of December 31, 2014. 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) history of the borrower's 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. We supplement our historical loss experience by considering qualitative factors that may cause estimated losses to differ from our historical losses. These qualitative factors are intended to address developing external and environmental trends, and include adjustments for items such as changes in current economic and business conditions, changes in the nature and volume of our loan portfolio, the existence and effects of credit concentrations, the trend and severity of our problem loans, along with other external factors such as competition and legal and regulatory requirements. These qualitative adjustments reflect the imprecision that is inherent in the estimation of probable loan losses, and are intended to ensure adequacy of the overall allowance amount.

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 performs periodic credit reviews that provide an independent evaluation of the assigned credit ratings. These reviews focus on those loans with higher-risk attributes, such as lines of credit with higher utilization percentages and loan facilities with delinquencies, and 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. The results of these credit reviews are presented to both the Risk and the Credit Committees of the Board of Directors.

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 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 2.1% of our total loan portfolio, excluding loans held for sale, as of December 31, 2014.

We consider all nonaccrual 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 \$750,000, that are collateral-dependent, we generally record a charge-off when the carrying amount of the loan exceeds the fair value of the collateral less estimated selling costs, if appropriate. For non-collateral dependent loans in excess of \$750,000, 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. 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 impaired.

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.

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.

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 estimated 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 nonaccrual 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 TDR loans are reported as such for as long as the loan remains outstanding.

***(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 three 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 Income and insurance proceeds received are generally recorded as a reduction of the carrying value. The carrying value consists of cash surrender value of \$64.2 million at December 31, 2014, and \$63.0 million at December 31, 2013, and deferred acquisition costs of \$62,000 at December 31, 2014, and \$187,000 at December 31, 2013. Our investment in BOLI generated income of \$1.7 million, \$1.6 million, and \$2.4 million for the years ended December 31, 2014, 2013, and 2012, respectively.

**(n) Repossessed Assets**

Reposessed assets are comprised of any property (“other real estate” or “ORE”) or other asset acquired through loan restructurings, foreclosure proceedings, or acceptance of a deed-in-lieu of foreclosure. Repossessed assets are carried at the lower of cost or fair value, less estimated selling costs, and are included in other assets. Any write-downs at the date of acquisition are charged to the ALLL. Expenses incurred to maintain reposessed assets, unrealized losses resulting from write-downs after the date of acquisition, and realized gains and losses upon sale of the assets are included in other non-interest expense and other non-interest income, as appropriate. As of December 31, 2014 and 2013, our reposessed assets totaled \$245,000 and \$800,000, respectively.

**(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, 2014. 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, Signature Financial and Signature Securities file 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 Income 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 January 2014, the FASB issued ASU 2014-01, Accounting for Investments in Qualified Affordable Housing Projects, to revise the accounting for investments in qualified affordable housing projects, allowing investors in Low Income Housing Tax Credit ("LIHTC") programs that meet specified conditions to present the net tax benefits (net of the amortization of the cost of the investment) within income tax expense. The cost of the investments that meet the specified conditions will be amortized in proportion to (and over the same period as) the total expected tax benefits, including the tax credits and other tax benefits, as they are realized on the tax return. The amortization of the cost of the investments will be presented in income tax expense along with the related tax benefits. If the investors do not qualify for the proportional amortization method or do not elect it, they would account for their investments under the equity or cost method based on current U.S. GAAP. This guidance will be effective for interim and annual periods beginning after December 15, 2014 and will be applied retrospectively if investors elect the proportional amortization method. Early adoption is permitted. We do not expect the adoption of ASU 2014-01 to have a material impact on our Consolidated Financial Statements.

In January 2014, the FASB issued ASU 2014-04, Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure, which clarifies when banks and similar institutions (creditors) should reclassify mortgage loans collateralized by residential real estate properties from the loan portfolio to other real estate owned ("OREO"). The ASU also requires certain interim and annual disclosures. ASU 2014-04 is effective for public business entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2014. An entity can elect either a modified retrospective or a prospective transition method, and early adoption is permitted. We do not expect the adoption of ASU 2014-04 to have a material impact on our Consolidated Financial Statements.

In June 2014, the FASB issued ASU 2014-11, Transfers and Servicing (ASC 860): Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures. The new standard amends the accounting guidance for "repo-to-maturity" transactions and repurchase agreements executed as repurchase financings. In addition, the new standard requires a transferor to disclose more information about certain transactions, including those in which it retains substantially all of the exposure to the economic returns of the underlying transferred asset over the transaction's term. Public business entities are required to apply the accounting changes and comply with the enhanced disclosure requirements for the first interim or annual reporting period beginning after December 15, 2014. However, for repurchase and securities lending transactions reported as secured borrowings, the new standard's enhanced disclosures are effective for annual periods beginning after December 15, 2014 and interim periods beginning after March 15, 2015. A public business entity may not early adopt the standard's provisions. We expect that the adoption of ASU 2014-11 will have no impact on our Consolidated Financial Statements.

In June 2014, the FASB issued ASU 2014-12, Accounting for Share-based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period, which requires a reporting entity to treat a performance target that affects vesting and that could be achieved after the requisite service period as a performance condition. Therefore, an entity would not record compensation expense related to an award for which transfer to the employee is contingent on the entity's satisfaction of a performance target until it becomes probable that the performance target will be met. No new disclosures are required under the ASU. For all entities, ASU 2014-12 is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2015. Early adoption is permitted. ASU 2014-12 may be adopted either prospectively for share-based payment awards granted or modified on or after the effective date, or retrospectively, using a modified retrospective approach. The modified retrospective approach would apply to share-based payment awards outstanding as of the beginning of the earliest annual period presented in the financial statements on adoption, and to all new or modified awards thereafter. We expect that the adoption of ASU 2014-12 will have no impact on our Consolidated Financial Statements.

In August 2014, the FASB issued ASU 2014-14, Receivables -Troubled Debt Restructurings by Creditors (Subtopic 310-40): Classification of Certain Government-Guaranteed Mortgage Loans upon Foreclosure, which requires that, upon foreclosure, a guaranteed mortgage loan be derecognized and a separate other receivable be recognized when specific criteria are met. ASU 2014-14 is effective for public business entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2014. We expect that the adoption of ASU 2014-14 will have no impact on our Consolidated Financial Statements.

### **(3) Fair Value Measurements**

The Bank uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. Fair value measurements are recorded on a recurring basis for certain assets and liabilities when fair value is the measure for accounting purposes, such as investment securities classified as available-for-sale and derivatives. Certain other assets and liabilities are measured at fair value on a nonrecurring 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. 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. 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 available-for-sale ("AFS") and reported at fair value, with changes in fair value recognized in accumulated other comprehensive income. The securities are valued using Level 3 inputs and had fair values of \$86.8 million at December 31, 2014 and \$89.4 million at December 31, 2013. 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 20%. 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 \$19.9 million at December 31, 2014 and \$13.1 million at December 31, 2013. 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 40%.

Level 3 private CMOs classified as AFS had fair values of \$9.9 million at December 31, 2014 and \$8.3 million at December 31, 2013. 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 25%.

## Financial Instruments Measured at Fair Value on a Recurring Basis

The following tables present the assets and liabilities measured at fair value on a recurring basis as of December 31, 2014 and 2013, classified according to the three-level valuation hierarchy:

<i>(in thousands)</i>	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Carrying Value
<b>December 31, 2014</b>				
<b>ASSETS</b>				
Securities available-for-sale:				
U.S. Treasury securities	\$ 501	-	-	501
Residential mortgage-backed securities:				
U.S. Government Agency	-	26,018	-	26,018
Government-sponsored enterprises	-	1,464,606	-	1,464,606
Collateralized mortgage obligations:				
U.S. Government Agency	-	549,757	-	549,757
Government-sponsored enterprises	-	2,713,168	-	2,713,168
Private	-	420,947	9,941	430,888
Other debt securities:				
Commercial mortgage-backed securities	-	282,819	-	282,819
Single issuer trust preferred & corporate debt securities	-	395,216	-	395,216
Pooled trust preferred securities	-	-	19,927	19,927
Collateralized debt obligations	-	-	4,541	4,541
Other	-	83,884	86,839	170,723
Equity securities (1)	-	15,295	-	15,295
Total securities available-for-sale	501	5,951,710	121,248	6,073,459
Derivatives	-	442	-	442
Total assets	\$ 501	5,952,152	121,248	6,073,901
<b>LIABILITIES</b>				
Derivatives	\$ -	444	93	537
Total liabilities	\$ -	444	93	537
<b>December 31, 2013</b>				
<b>ASSETS</b>				
Securities available-for-sale:				
U.S. Treasury securities	\$ 501	-	-	501
Residential mortgage-backed securities:				
U.S. Government Agency	-	25,004	-	25,004
Government-sponsored enterprises	-	1,050,217	-	1,050,217
Collateralized mortgage obligations:				
U.S. Government Agency	-	576,738	-	576,738
Government-sponsored enterprises	-	2,408,166	-	2,408,166
Private	-	482,970	8,349	491,319
Other debt securities:				
Commercial mortgage-backed securities	-	348,707	-	348,707
Single issuer trust preferred & corporate debt securities	-	401,733	-	401,733
Pooled trust preferred securities	-	-	13,093	13,093
Collateralized debt obligations	-	-	4,926	4,926
Other	-	206,625	89,435	296,060
Equity securities (1)	-	14,549	1,220	15,769
Total securities available-for-sale	501	5,514,709	117,023	5,632,233
Derivatives	-	57	-	57
Total assets	\$ 501	5,514,766	117,023	5,632,290
<b>LIABILITIES</b>				
Derivatives	\$ -	59	50	109
Total liabilities	\$ -	59	50	109

(1) Equity securities primarily 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, 2014, 2013 and 2012. Additionally, the following table presents information for AFS securities and derivatives measured at fair value on a recurring basis and classified by the Bank within Level 3 of the valuation hierarchy for the periods indicated:

<i>(in thousands)</i>	<i>Fair Value Measurements Using Significant Unobservable Inputs (Level 3)</i>	
	<b>AFS Securities</b>	<b>Derivative Liabilities</b>
<b>Year ended December 31, 2014</b>		
Beginning balance - Level 3	\$ 117,023	(50)
Transfers into Level 3	-	-
Transfers out of Level 3	-	-
Total gains or (losses) (realized/unrealized):	-	-
Included in earnings	3,780	(43)
Included in other comprehensive income	22,990	-
Sale of AFS securities	(22,545)	-
Sale of risk participation agreement	-	-
Ending balance - Level 3	\$ 121,248	(93)
<b>Year ended December 31, 2013</b>		
Beginning balance - Level 3	\$ 91,801	-
Transfers into Level 3	-	-
Transfers out of Level 3	-	-
Total gains or (losses) (realized/unrealized):	-	-
Included in earnings	(3,065)	-
Included in other comprehensive income	28,287	-
Sale of AFS securities	-	-
Sale of risk participation agreement	-	(50)
Ending balance - Level 3	\$ 117,023	(50)
<b>Year ended December 31, 2012</b>		
Beginning balance - Level 3	\$ 87,051	-
Transfers into Level 3	-	-
Transfers out of Level 3	-	-
Total gains or (losses) (realized/unrealized):	-	-
Included in earnings	2,588	-
Included in other comprehensive income	12,309	-
Sale of AFS securities	(10,147)	-
Sale of risk participation agreement	-	-
Ending balance - Level 3	\$ 91,801	-

## Assets Measured at Fair Value on a Nonrecurring Basis

Certain assets are measured at fair value on a nonrecurring 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, repossessed assets, and certain long-lived assets.

The following tables present the assets measured at fair value on a nonrecurring basis as of December 31, 2014 and 2013, classified according to the three-level valuation hierarchy:

<i>(in thousands)</i>	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Carrying Value
<b>December 31, 2014</b>				
Collateral-dependent impaired loans:				
Multi-family residential property	\$ -	-	10,698	10,698
Commercial property	-	-	12,358	12,358
1-4 family residential property	-	-	5,770	5,770
Home equity lines of credit	-	-	2,001	2,001
Construction and land	-	-	183	183
Commercial and industrial	-	-	3,962	3,962
Other repossessed assets	-	-	245	245
<b>Total assets</b>	<b>\$ -</b>	<b>-</b>	<b>35,217</b>	<b>35,217</b>
<b>December 31, 2013</b>				
Collateral-dependent impaired loans:				
Multi-family residential property	\$ -	-	10,589	10,589
Commercial property	-	-	8,357	8,357
1-4 family residential property	-	-	6,975	6,975
Home equity lines of credit	-	-	1,058	1,058
Construction and land	-	-	2,101	2,101
Commercial and industrial	-	-	7,884	7,884
Other repossessed assets	-	-	800	800
<b>Total assets</b>	<b>\$ -</b>	<b>-</b>	<b>37,764</b>	<b>37,764</b>

Impaired loans that are secured by collateral (“collateral-dependent loans”) are reported at the fair value of the underlying collateral. Fair value estimates for collateral-dependent loans are 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 direct loan charge-offs and/or through a specific allocation of the ALLL. During the years ended December 31, 2014, 2013 and 2012, we recorded fair value adjustments totaling \$2.7 million, \$17.2 million and \$16.2 million, respectively, on collateral-dependent impaired loans.

Repossessed assets are comprised of any property (“other real estate” or “ORE”) or other asset acquired through loan restructurings, foreclosure proceedings, or acceptance of a deed-in-lieu of foreclosure. Repossessed assets are carried at the lower of cost or fair value, less estimated selling costs. Fair value is determined through current appraisals, and fair value adjustments are reported through a valuation allowance against the asset. During the year ended December 31, 2014, we recorded a fair value adjustment of \$128,000 on repossessed assets. There were no fair value adjustments on repossessed assets during the years ended December 31, 2013 and 2012.

#### 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 nonrecurring basis. The methodologies for estimating the fair value of financial assets and liabilities that are measured at fair value on a recurring or nonrecurring 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.

Federal Home Loan Bank stock, which is required as part of membership, has no trading market and is redeemable at par. Accordingly, its fair value is presented at the redemption (par) 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 approximates 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, 68.3% of which mature within one year, had a carrying value of \$1.02 billion and an estimated fair value of \$1.02 billion at December 31, 2014. 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:

(in thousands)	Carrying Amount	Estimated Fair Value Measurements			
		Total	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>December 31, 2014</b>					
<b>FINANCIAL ASSETS</b>					
Cash and cash equivalents	\$ 299,078	299,078	299,078	-	-
Securities available-for-sale	6,073,459	6,073,459	501	5,951,710	121,248
Securities held-to-maturity	2,208,551	2,222,177	-	2,222,177	-
Federal Home Loan Bank stock	86,338	86,338	-	86,338	-
Loans held for sale	548,297	548,297	-	548,297	-
Loans and leases, net (1)	17,693,316	17,870,221	-	-	17,870,221
Derivatives	442	442	-	442	-
Total financial assets	\$ 26,909,481	27,100,012	299,579	8,808,964	17,991,469
<b>FINANCIAL LIABILITIES</b>					
Deposits (2)	\$ 22,620,275	22,621,704	-	22,621,704	-
Repurchase agreements	620,000	632,824	-	632,824	-
Federal funds purchased	95,000	95,000	-	95,000	-
Federal Home Loan Bank advances	1,335,163	1,337,023	-	1,337,023	-
Derivatives	537	537	-	444	93
Total financial liabilities	\$ 24,670,975	24,687,088	-	24,686,995	93
<b>December 31, 2013</b>					
<b>FINANCIAL ASSETS</b>					
Cash and cash equivalents	\$ 143,977	143,977	143,977	-	-
Securities available-for-sale	5,632,233	5,632,233	501	5,514,709	117,023
Securities held-to-maturity	2,175,844	2,110,290	-	2,110,290	-
Federal Home Loan Bank stock	130,785	130,785	-	130,785	-
Loans held for sale	420,759	420,759	-	420,759	-
Loans and leases, net (1)	13,384,400	13,589,108	-	-	13,589,108
Derivatives	57	57	-	57	-
Total financial assets	\$ 21,888,055	22,027,209	144,478	8,176,600	13,706,131
<b>FINANCIAL LIABILITIES</b>					
Deposits (2)	\$ 17,057,097	17,063,751	-	17,063,751	-
Repurchase agreements	695,000	716,782	-	716,782	-
Federal funds purchased	370,000	370,000	-	370,000	-
Federal Home Loan Bank advances	2,305,313	2,306,871	-	2,306,871	-
Derivatives	109	109	-	59	50
Total financial liabilities	\$ 20,427,519	20,457,513	-	20,457,463	50

(1) The estimated fair value measurements for loans and leases include adjustments related to market interest rates. No adjustments are made related to credit quality, liquidity, and to reflect the related allowances for loan and lease losses.

(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,							
	2014				2013			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<i>(in thousands)</i>								
<b>AVAILABLE-FOR-SALE</b>								
U.S. Treasury securities	\$ 500	1	-	501	500	1	-	501
Residential mortgage-backed securities:								
U.S. Government Agency	24,830	1,188	-	26,018	24,171	882	(49)	25,004
Government-sponsored enterprises	1,427,438	37,733	(565)	1,464,606	1,049,867	14,497	(14,147)	1,050,217
Collateralized mortgage obligations:								
U.S. Government Agency	543,752	10,881	(4,876)	549,757	578,012	8,187	(9,461)	576,738
Government-sponsored enterprises	2,708,345	29,911	(25,088)	2,713,168	2,451,274	20,358	(63,466)	2,408,166
Private	431,961	4,975	(6,048)	430,888	494,920	6,484	(10,085)	491,319
Other debt securities:								
Commercial mortgage-backed securities	278,517	4,789	(487)	282,819	345,560	7,502	(4,355)	348,707
Single issuer trust preferred & corporate debt securities								
	387,308	10,623	(2,715)	395,216	399,214	10,019	(7,500)	401,733
Pooled trust preferred securities	26,034	13	(6,120)	19,927	26,735	-	(13,642)	13,093
Collateralized debt obligations	4,511	30	-	4,541	4,926	-	-	4,926
Other	173,426	708	(3,411)	170,723	300,420	2,258	(6,618)	296,060
Equity securities (1)	15,802	-	(507)	15,295	16,724	-	(955)	15,769
<b>Total available-for-sale</b>	<b>\$ 6,022,424</b>	<b>100,852</b>	<b>(49,817)</b>	<b>6,073,459</b>	<b>5,692,323</b>	<b>70,188</b>	<b>(130,278)</b>	<b>5,632,233</b>
<b>HELD-TO-MATURITY</b>								
Residential mortgage-backed securities:								
U.S. Government Agency	\$ 8,610	149	-	8,759	2,358	94	-	2,452
Government-sponsored enterprises	468,218	10,758	(1,397)	477,579	493,979	459	(15,976)	478,462
Collateralized mortgage obligations:								
U.S. Government Agency	327,253	6,054	(2,264)	331,043	312,405	5,438	(7,244)	310,599
Government-sponsored enterprises	1,328,435	13,455	(16,892)	1,324,998	1,288,749	5,902	(53,234)	1,241,417
Private	5,616	-	(674)	4,942	6,525	-	(1,052)	5,473
Other debt securities:								
Commercial mortgage-backed securities	18,152	1,199	-	19,351	18,260	859	-	19,119
Single issuer trust preferred & corporate debt securities								
	45,862	3,242	-	49,104	43,650	-	(739)	42,911
Collateralized debt obligations	-	-	-	-	-	-	-	-
Other	6,405	62	(66)	6,401	9,918	84	(145)	9,857
<b>Total held-to-maturity</b>	<b>\$ 2,208,551</b>	<b>34,919</b>	<b>(21,293)</b>	<b>2,222,177</b>	<b>2,175,844</b>	<b>12,836</b>	<b>(78,390)</b>	<b>2,110,290</b>

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

On December 10, 2013, federal regulators issued a final rule implementing the "Volcker Rule" enacted as part of the Dodd-Frank Act. The Volcker Rule prohibits banking organizations and their affiliates from investing in or sponsoring certain types of funds, including a range of asset securitization structures, that do not meet the exemptive criteria for continued ownership (defined as "Covered Funds"). The Federal Reserve has exercised its authority to extend the divestiture period for such pre-2014 investments to July 21, 2016, and stated its intent to further extend the divestiture period to July 21, 2017. We hold certain AFS securities that meet the definition of Covered Funds and, therefore, must be divested within the divestiture period. These securities, which are predominantly collateralized mortgage obligations, had a total fair value and amortized cost of \$146.5 million and \$144.0 million, respectively, as of December 31, 2014. We continue to actively monitor the Covered Funds held in our investment portfolio, and we currently anticipate that a substantial portion will be paid down through principal remittances within the divestiture period. In the interim, we expect to sell certain securities when appropriate to take advantage of market conditions. During 2014, we sold seven such securities, resulting in a net realized gain of \$710,000.

Gross realized gains on sales of AFS securities for the years ended December 31, 2014, 2013 and 2012 were \$7.3 million, \$11.5 million, and \$9.3 million, respectively. Gross realized losses on sales of AFS securities for the years ended December 31, 2014, 2013 and 2012 were \$2.0 million, \$5.3 million, and \$2.4 million, 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. As of December 31, 2014 and 2013, the carrying value of our pledged securities totaled \$5.14 billion and \$5.53 billion, respectively.

During the years ended December 31, 2014, 2013 and 2012, we recognized other-than-temporary impairment losses on debt securities as summarized in the tables below. With the exception of those securities that are Covered Funds under the Volcker Rule, we do not intend to sell the securities for which we have recognized other-than-temporary impairment losses, and it is not more likely than not that we will be required to sell the securities prior to recovery.

<i>(in thousands)</i>	Number of Securities	Total Other-than-temporary Impairment Losses	Less: Noncredit Portion Recognized in OCI	Net Impairment Losses Recognized in Earnings (1)
<b>December 31, 2014</b>				
<b>AVAILABLE-FOR-SALE</b>				
Collateralized debt obligations	2	\$ (368)	-	(368)
Pooled trust preferred securities	1	(1,378)	1,228	(150)
Collateralized mortgage obligations	13	(2,147)	978	(1,169)
Equity securities	1	(37)	-	(37)
<b>Total other-than-temporarily impaired securities</b>	<b>17</b>	<b>\$ (3,930)</b>	<b>2,206</b>	<b>(1,724)</b>
<b>December 31, 2013</b>				
<b>AVAILABLE-FOR-SALE</b>				
Collateralized debt obligations	3	\$ (3,348)	21	(3,327)
Pooled trust preferred securities	1	(1,571)	873	(698)
Collateralized mortgage obligations	12	(4,289)	2,165	(2,124)
<b>Total other-than-temporarily impaired securities</b>	<b>16</b>	<b>\$ (9,208)</b>	<b>3,059</b>	<b>(6,149)</b>
<b>December 31, 2012</b>				
<b>AVAILABLE-FOR-SALE</b>				
Collateralized debt obligations	1	\$ (3,312)	2,567	(745)
Pooled trust preferred securities	-	-	-	-
Collateralized mortgage obligations	10	(8,281)	5,953	(2,328)
<b>Total other-than-temporarily impaired securities</b>	<b>11</b>	<b>\$ (11,593)</b>	<b>8,520</b>	<b>(3,073)</b>

- (1) The year ended December 31, 2014 includes losses totalling \$368,000, \$128,000, and \$37,000 on CDOs, CMOs, and an equity security, respectively, that meet the definition of Covered Funds under the Volcker Rule. The year ended December 31, 2013 includes losses totalling \$3.3 million and \$217,000 on CDOs and CMOs, respectively, that meet the definition of Covered Funds under the Volcker Rule.

The following table presents a roll forward 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)*

<b>Year ended December 31, 2014</b>	
Cumulative credit component of other-than-temporary impairment losses at beginning of period	\$ 41,803
Additions for the credit component on debt securities for which other-than-temporary impairment was not previously recognized	295
Additions for the credit component on debt securities for which other-than-temporary impairment was previously recognized	1,429
Reduction for realized losses on debt securities sold	-
Cumulative credit component of other-than-temporary impairment losses at end of period (1)	\$ 43,527
<b>Year ended December 31, 2013</b>	
Cumulative credit component of other-than-temporary impairment losses at beginning of period	\$ 42,475
Additions for the credit component on debt securities for which other-than-temporary impairment was not previously recognized	1,217
Additions for the credit component on debt securities for which other-than-temporary impairment was previously recognized	4,932
Reduction for realized losses on debt securities sold	(6,821)
Cumulative credit component of other-than-temporary impairment losses at end of period (2)	\$ 41,803
<b>Year ended December 31, 2012</b>	
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

(1) The cumulative credit component of other-than-temporary losses at December 31, 2014 includes \$4.1 million of losses on securities that meet the definition of Covered Funds under the Volcker Rule.

(2) The cumulative credit component of other-than-temporary losses at December 31, 2013 includes \$3.5 million of losses on securities that meet the definition of Covered Funds under the Volcker Rule.

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 review of CDOs and CMOs for other-than-temporary impairment, we evaluated the collateral performance and structural credit enhancement assumptions, along with other market considerations, for each security. In our review 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, participation in the U.S. Treasury's Troubled Asset Relief Program, 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.

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.

<i>(in thousands)</i>	<i>Less than 12 months</i>		<i>12 months or longer</i>		<i>Total</i>	
	<i>Fair Value</i>	<i>Unrealized Losses</i>	<i>Fair Value</i>	<i>Unrealized Losses</i>	<i>Fair Value</i>	<i>Unrealized Losses</i>
<b>December 31, 2014</b>						
Temporarily-impaired securities						
Residential mortgage-backed securities:						
Government-sponsored enterprises	\$ 3,245	(16)	60,009	(549)	63,254	(565)
Collateralized mortgage obligations:						
U.S. Government Agency	71,253	(720)	31,898	(4,156)	103,151	(4,876)
Government-sponsored enterprises	653,380	(6,284)	332,267	(16,722)	985,647	(23,006)
Private	90,462	(540)	31,350	(1,812)	121,812	(2,352)
Other debt securities:						
Commercial mortgage-backed securities	44,262	(431)	5,352	(56)	49,614	(487)
Single issuer trust preferred & corporate debt securities	125,311	(1,737)	56,089	(978)	181,400	(2,715)
Pooled trust preferred securities	-	-	4,075	(2,333)	4,075	(2,333)
Other	5,169	(19)	127,442	(1,486)	132,611	(1,505)
Equity securities (1)	-	-	15,295	(507)	15,295	(507)
<b>Total temporarily-impaired securities</b>	<b>993,082</b>	<b>(9,747)</b>	<b>663,777</b>	<b>(28,599)</b>	<b>1,656,859</b>	<b>(38,346)</b>
Other-than-temporarily impaired securities						
Collateralized mortgage obligations:						
Government-sponsored enterprises	-	-	1,326	(2,082)	1,326	(2,082)
Private	3,733	(25)	24,270	(3,671)	28,003	(3,696)
Other debt securities:						
Pooled trust preferred securities	-	-	13,024	(3,787)	13,024	(3,787)
Other	634	(314)	16,388	(1,592)	17,022	(1,906)
<b>Total other-than-temporarily impaired securities</b>	<b>4,367</b>	<b>(339)</b>	<b>55,008</b>	<b>(11,132)</b>	<b>59,375</b>	<b>(11,471)</b>
<b>Total temporarily-impaired and other-than-temporarily impaired securities</b>	<b>\$ 997,449</b>	<b>(10,086)</b>	<b>718,785</b>	<b>(39,731)</b>	<b>1,716,234</b>	<b>(49,817)</b>
<b>December 31, 2013</b>						
Temporarily-impaired securities						
Residential mortgage-backed securities:						
U.S. Government Agency	\$ 3,611	(49)	-	-	3,611	(49)
Government-sponsored enterprises	466,183	(13,400)	18,213	(747)	484,396	(14,147)
Collateralized mortgage obligations:						
U.S. Government Agency	224,610	(4,854)	28,347	(4,607)	252,957	(9,461)
Government-sponsored enterprises	1,263,546	(39,385)	175,358	(22,745)	1,438,904	(62,130)
Private	67,628	(2,110)	33,183	(2,325)	100,811	(4,435)
Other debt securities:						
Commercial mortgage-backed securities	131,796	(4,121)	6,891	(234)	138,687	(4,355)
Single issuer trust preferred & corporate debt securities	86,154	(4,007)	94,453	(3,493)	180,607	(7,500)
Pooled trust preferred securities	-	-	3,348	(3,256)	3,348	(3,256)
Other	10,313	(274)	142,059	(2,910)	152,372	(3,184)
Equity securities (1)	-	-	15,769	(955)	15,769	(955)
<b>Total temporarily-impaired securities</b>	<b>2,253,841</b>	<b>(68,200)</b>	<b>517,621</b>	<b>(41,272)</b>	<b>2,771,462</b>	<b>(109,472)</b>
Other-than-temporarily impaired securities						
Collateralized mortgage obligations:						
Government-sponsored enterprises	-	-	2,470	(1,336)	2,470	(1,336)
Private	4,196	(108)	29,859	(5,542)	34,055	(5,650)
Other debt securities:						
Pooled trust preferred securities	519	(863)	9,226	(9,523)	9,745	(10,386)
Other	-	-	16,004	(3,434)	16,004	(3,434)
<b>Total other-than-temporarily impaired securities</b>	<b>4,715</b>	<b>(971)</b>	<b>57,559</b>	<b>(19,835)</b>	<b>62,274</b>	<b>(20,806)</b>
<b>Total temporarily-impaired and other-than-temporarily impaired securities</b>	<b>\$ 2,258,556</b>	<b>(69,171)</b>	<b>575,180</b>	<b>(61,107)</b>	<b>2,833,736</b>	<b>(130,278)</b>

(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.

	<i>Less than 12 months</i>		<i>12 months or longer</i>		<i>Total</i>	
	<i>Fair Value</i>	<i>Unrealized Losses</i>	<i>Fair Value</i>	<i>Unrealized Losses</i>	<i>Fair Value</i>	<i>Unrealized Losses</i>
<i>(in thousands)</i>						
<b>December 31, 2014</b>						
Temporarily-impaired securities						
Mortgage-backed securities:						
Government-sponsored enterprises	\$ -	-	105,939	(1,397)	105,939	(1,397)
Collateralized mortgage obligations:						
U.S. Government Agency	21,647	(166)	74,801	(2,098)	96,448	(2,264)
Government-sponsored enterprises	317,161	(3,300)	445,523	(13,592)	762,684	(16,892)
Other debt securities:						
Other	4,447	(66)	-	-	4,447	(66)
<b>Total temporarily-impaired securities</b>	<b>343,255</b>	<b>(3,532)</b>	<b>626,263</b>	<b>(17,087)</b>	<b>969,518</b>	<b>(20,619)</b>
Other-than-temporarily impaired securities						
Collateralized mortgage obligations - private	-	-	4,942	(674)	4,942	(674)
<b>Total other-than-temporarily impaired securities</b>	<b>-</b>	<b>-</b>	<b>4,942</b>	<b>(674)</b>	<b>4,942</b>	<b>(674)</b>
<b>Total temporarily-impaired and other-than-temporarily impaired securities</b>	<b>\$ 343,255</b>	<b>(3,532)</b>	<b>631,205</b>	<b>(17,761)</b>	<b>974,460</b>	<b>(21,293)</b>
<b>December 31, 2013</b>						
Temporarily-impaired securities						
Mortgage-backed securities:						
Government-sponsored enterprises	\$ 428,532	(14,515)	22,114	(1,461)	450,646	(15,976)
Collateralized mortgage obligations:						
U.S. Government Agency	168,994	(7,244)	-	-	168,994	(7,244)
Government-sponsored enterprises	902,463	(42,690)	100,823	(10,545)	1,003,286	(53,234)
Other debt securities:						
Single issuer trust preferred & corporate debt securities	42,911	(739)	-	-	42,911	(739)
Other	5,077	(51)	2,788	(94)	7,865	(145)
<b>Total temporarily-impaired securities</b>	<b>1,547,977</b>	<b>(65,239)</b>	<b>125,725</b>	<b>(12,100)</b>	<b>1,673,702</b>	<b>(77,338)</b>
Other-than-temporarily impaired securities						
Collateralized mortgage obligations - private	-	-	5,473	(1,052)	5,473	(1,052)
<b>Total other-than-temporarily impaired securities</b>	<b>-</b>	<b>-</b>	<b>5,473</b>	<b>(1,052)</b>	<b>5,473</b>	<b>(1,052)</b>
<b>Total temporarily-impaired and other-than-temporarily impaired securities</b>	<b>\$ 1,547,977</b>	<b>(65,239)</b>	<b>131,198</b>	<b>(13,152)</b>	<b>1,679,175</b>	<b>(78,390)</b>

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.

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 are the securities in our portfolio that are the most exposed to impairment losses. In performing our other-than-temporary impairment analysis for these 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, 2014.

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.

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.

<i>(in thousands)</i>	<i>December 31, 2014</i>	
	<b>Amortized Cost</b>	<b>Fair Value</b>
<b>AVAILABLE-FOR-SALE</b>		
Due in one year or less	\$ 4,290	4,316
Due after one year through five years	170,546	177,137
Due after five years through ten years	342,549	346,785
Due after ten years	5,489,237	5,529,926
Total available-for-sale debt securities	\$ 6,006,622	6,058,164
<b>HELD-TO-MATURITY</b>		
Due in one year or less	\$ 1,056	1,088
Due after one year through five years	10,986	11,615
Due after five years through ten years	52,624	55,258
Due after ten years	2,143,885	2,154,216
Total held-to-maturity debt securities	\$ 2,208,551	2,222,177

## **(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, 2014 and 2013, Signature Bank was in compliance with the FHLB’s minimum investment requirement with stock investments of \$86.3 million and \$130.8 million, respectively, carried at cost on the Consolidated Statements of Financial Condition. Collateral pledged for outstanding FHLB borrowings at December 31, 2014 and 2013 included \$60.1 million and \$103.7 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, 2014.

## **(6) Loans Held for Sale**

Loans held for sale at December 31, 2014 and 2013 were \$548.3 million and \$420.8 million, respectively. Gains on sales associated with the securitization of pooled loans and sale of mortgage loans for the years ended December 31, 2014, 2013 and 2012 amounted to \$5.4 million, \$6.3 million and \$9.3 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 Signature Securities 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:

<i>(in thousands)</i>	December 31, 2014	December 31, 2013
<b>Mortgage loans:</b>		
Multi-family residential property	\$ 8,607,989	6,637,353
Commercial property	4,833,123	3,651,538
1-4 family residential property	463,420	346,795
Home equity lines of credit	160,890	170,441
Construction and land	64,824	125,334
<b>Total mortgage loans</b>	<b>14,130,246</b>	<b>10,931,461</b>
<b>Other loans:</b>		
Commercial and industrial	3,697,725	2,565,016
Consumer	10,245	11,479
<b>Total other loans</b>	<b>3,707,970</b>	<b>2,576,495</b>
<b>Less:</b>		
Net deferred fees and costs	19,492	11,515
ALLL	(164,392)	(135,071)
<b>Net loans</b>	<b>\$ 17,693,316</b>	<b>13,384,400</b>

As of December 31, 2014 and 2013, commercial and industrial loans include overdrafts of commercial deposit accounts totaling \$35.0 million and \$32.4 million, respectively, and other consumer loans include overdrafts of personal deposit accounts totaling \$3.8 million and \$4.4 million, respectively.

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 ("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) history of the borrower's payment performance. Non-rated loans generally include commercial loans with outstanding principal balances below \$100,000, 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:

<i>(in thousands)</i>	Pass Rating 1-6	Special Mention Rating 7	Substandard Rating 8	Doubtful Rating 9	Non-rated	Total
<b>December 31, 2014</b>						
Commercial loans secured by real estate:						
Multi-family residential property	\$ 8,593,573	-	13,021	-	-	8,606,594
Commercial property	4,798,950	3,509	30,664	-	-	4,833,123
1-4 family residential property	297,148	-	5,507	-	130	302,785
Construction and land	64,642	-	182	-	-	64,824
Commercial and industrial loans	3,598,738	16,191	33,615	4,762	44,419	3,697,725
Total commercial loans	\$ 17,353,051	19,700	82,989	4,762	44,549	17,505,051
<b>December 31, 2013</b>						
Commercial loans secured by real estate:						
Multi-family residential property	\$ 6,619,472	5,159	11,161	-	-	6,635,792
Commercial property	3,593,283	27,375	30,791	89	-	3,651,538
1-4 family residential property	166,917	3,706	5,623	-	65	176,311
Construction and land	123,171	-	2,163	-	-	125,334
Commercial and industrial loans	2,487,590	3,661	19,282	8,343	46,140	2,565,016
Total commercial loans	\$ 12,990,433	39,901	69,020	8,432	46,205	13,153,991

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

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

<i>(in thousands)</i>	Performing	Nonperforming	Total
<b>December 31, 2014</b>			
Residential mortgages	\$ 159,911	2,119	162,030
Home equity lines of credit	156,253	4,637	160,890
Other consumer loans	10,134	111	10,245
Total consumer loans	\$ 326,298	6,867	333,165
<b>December 31, 2013</b>			
Residential mortgages	\$ 168,557	3,488	172,045
Home equity lines of credit	167,701	2,740	170,441
Other consumer loans	11,337	142	11,479
Total consumer loans	\$ 347,595	6,370	353,965

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 \$868,000 and \$1.6 million at December 31, 2014 and 2013, 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:

<i>(in thousands)</i>	Past Due 30-89 Days	Past Due 90+ Days	Total Past Due	Current	Total Loans	Accruing Loans Past Due 90+ Days	Non-accruing Loans
<b>December 31, 2014</b>							
Commercial loans							
Loans secured by real estate:							
Multi-family residential property	\$ 2,800	-	2,800	8,603,794	8,606,594	-	-
Commercial property	794	3,819	4,613	4,828,510	4,833,123	712	3,106
1-4 family residential property	1,122	5,011	6,133	296,652	302,785	-	5,011
Construction and land	-	183	183	64,641	64,824	-	183
Commercial and industrial loans	15,535	6,666	22,201	3,675,524	3,697,725	825	5,841
Consumer loans							
Residential mortgages	2,059	2,421	4,480	157,550	162,030	302	2,119
Home equity lines of credit	596	4,637	5,233	155,657	160,890	-	4,637
Consumer loans	16	111	127	10,118	10,245	-	111
<b>Total</b>	<b>\$ 22,922</b>	<b>22,848</b>	<b>45,770</b>	<b>17,792,446</b>	<b>17,838,216</b>	<b>1,839</b>	<b>21,008</b>
<b>December 31, 2013</b>							
Commercial loans							
Loans secured by real estate:							
Multi-family residential property	\$ 15,105	-	15,105	6,620,687	6,635,792	-	-
Commercial property	16,462	7,308	23,770	3,627,768	3,651,538	-	7,308
1-4 family residential property	-	4,973	4,973	171,338	176,311	-	4,973
Construction and land	-	2,162	2,162	123,172	125,334	-	2,162
Commercial and industrial loans	18,229	10,529	28,758	2,536,258	2,565,016	-	10,529
Consumer loans							
Residential mortgages	2,441	4,276	6,717	165,328	172,045	788	3,488
Home equity lines of credit	2,558	3,240	5,798	164,643	170,441	500	2,740
Consumer loans	76	142	218	11,261	11,479	-	142
<b>Total</b>	<b>\$ 54,871</b>	<b>32,630</b>	<b>87,501</b>	<b>13,420,455</b>	<b>13,507,956</b>	<b>1,288</b>	<b>31,342</b>

Nonaccrual loans at December 31, 2014 and 2013 totaled \$21.0 million and \$31.3 million, respectively, and there were no commitments at either date to lend additional funds on such loans.

Accruing loans past due 90 days or more at December 31, 2014 and December 31, 2013 totaled \$1.8 million and \$1.3 million, respectively, excluding loans held for sale. At December 31, 2014, accruing loans past due 90 days or more were primarily comprised of matured performing loans in the normal course of renewal. At December 31, 2013, accruing loans past due 90 days or more were comprised of residential mortgages that are well secured and in process of collection.

As of December 31, 2014, the Bank had pledged \$2.62 billion of commercial real estate loans through a blanket assignment to secure borrowings from the Federal Home Loan Bank ("FHLB"), although only approximately \$544.9 million was required in connection with the outstanding FHLB advances. We had no loans pledged as of December 31, 2013.

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.

## (8) Allowance for Loan and Lease Losses

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:

<i>(in thousands)</i>	Credit-rated Commercial Loans	Non-rated		Total	
		Commercial Loans	Residential Mortgages		Consumer Loans
<b>For the year ended December 31, 2014</b>					
Beginning balance - ALLL	\$ 128,192	2,797	3,314	768	135,071
Provision	27,801	32	3,353	(76)	31,110
Charge-offs	(4,586)	(1,297)	(1,597)	(380)	(7,860)
Recoveries	4,764	701	460	146	6,071
Ending balance - ALLL	\$ 156,171	2,233	5,530	458	164,392
<b>For the year ended December 31, 2013</b>					
Beginning balance - ALLL	\$ 100,092	4,269	2,419	653	107,433
Provision	40,928	(1,254)	1,615	354	41,643
Charge-offs	(14,137)	(1,384)	(753)	(407)	(16,681)
Recoveries	1,309	1,166	33	168	2,676
Ending balance - ALLL	\$ 128,192	2,797	3,314	768	135,071
<b>For the year ended December 31, 2012</b>					
Beginning balance - ALLL	\$ 78,853	4,954	1,569	786	86,162
Provision	39,634	214	1,481	98	41,427
Charge-offs	(18,657)	(2,439)	(635)	(425)	(22,156)
Recoveries	262	1,540	4	194	2,000
Ending balance - ALLL	\$ 100,092	4,269	2,419	653	107,433

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

<i>(in thousands)</i>	Credit-rated Commercial Loans	Non-rated		Total	
		Commercial Loans	Residential Mortgages		Consumer Loans
<b>As of December 31, 2014</b>					
ALLL:					
Individually evaluated for impairment	\$ 4,645	288	3,531	45	8,509
Collectively evaluated for impairment	151,526	1,945	1,999	413	155,883
Recorded investment in loans:					
Individually evaluated for impairment	46,919	575	9,528	111	57,133
Collectively evaluated for impairment	17,413,583	43,974	313,392	10,134	17,781,083
<b>As of December 31, 2013</b>					
ALLL:					
Individually evaluated for impairment	\$ 9,628	399	1,250	71	11,348
Collectively evaluated for impairment	118,564	2,398	2,064	697	123,723
Recorded investment in loans:					
Individually evaluated for impairment	56,676	813	6,809	142	64,440
Collectively evaluated for impairment	13,051,110	45,392	335,677	11,337	13,443,516

In determining whether a loan is impaired, we review the payment performance and we consider a loan to be impaired once it is placed on nonaccrual status. In addition, if a loan is restructured as troubled debt, we consider the TDR loan as impaired during the year of restructuring. In subsequent years, we do not consider the restructured loan as impaired if it was restructured at a market rate and continues to perform in accordance with the modified terms. Other TDR loans, however, are reported as such for as long as the loan remains outstanding.

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

	December 31, 2014			December 31, 2013		
	Unpaid Principal Balance	Recorded Investment	Related Allowance	Unpaid Principal Balance	Recorded Investment	Related Allowance
<i>(in thousands)</i>						
<b>With no related allowance recorded:</b>						
Commercial loans secured by real estate:						
Commercial property	\$ 9,293	9,293	-	9,600	9,600	-
Construction and land	1,757	182	-	-	-	-
Multi-family residential property	7,140	7,140	-	-	-	-
1-4 family residential property	7,457	5,507	-	5,623	5,623	-
Commercial and industrial loans	5,262	5,262	-	2,800	2,638	-
Residential mortgages	-	-	-	2,235	2,235	-
Home equity lines of credit	1,990	1,990	-	2,074	2,074	-
<b>With an allowance recorded:</b>						
Commercial loans secured by real estate:						
Commercial property	7,337	7,337	981	11,829	11,829	3,428
Construction and land	-	-	-	2,545	2,162	62
Multi-family residential property	3,606	3,606	48	11,161	11,161	572
1-4 family residential property	55	55	28	-	-	-
Commercial and industrial loans	9,112	9,112	3,876	18,023	14,476	5,965
Residential mortgages	3,544	2,900	1,212	2,345	1,834	917
Home equity lines of credit	5,458	4,638	2,319	894	666	333
Other consumer loans	111	111	45	142	142	71
<b>Total:</b>						
Commercial loans secured by real estate	36,645	33,120	1,057	40,758	40,375	4,062
Commercial and industrial loans	14,374	14,374	3,876	20,823	17,114	5,965
Residential mortgages	3,544	2,900	1,212	4,580	4,069	917
Home equity lines of credit	7,448	6,628	2,319	2,968	2,740	333
Other consumer loans	111	111	45	142	142	71
Total impaired loans	\$ 62,122	57,133	8,509	69,271	64,440	11,348

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,			
	2014		2013	
<i>(in thousands)</i>	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
<b>With no related allowance recorded:</b>				
Commercial loans secured by real estate:				
Commercial property	\$ 7,463	9	8,727	165
Construction and land	740	-	-	-
Multi-family residential property	5,861	331	-	-
1-4 family residential property	2,616	27	4,437	22
Commercial and industrial loans	3,114	376	5,867	262
Residential mortgages	656	-	3,494	-
Home equity lines of credit	813	13	1,232	-
Other consumer loans	-	-	-	-
<b>With an allowance recorded:</b>				
Commercial loans secured by real estate:				
Commercial property	11,456	239	13,448	133
Construction and land	432	-	2,565	-
Multi-family residential property	5,067	159	11,946	419
1-4 family residential property	3,004	-	1,167	-
Commercial and industrial loans	12,136	158	17,821	307
Residential mortgages	2,580	21	1,608	4
Home equity lines of credit	4,000	-	790	-
Other consumer loans	152	-	243	-
<b>Total:</b>				
Commercial loans secured by real estate	36,639	765	42,290	739
Commercial and industrial loans	15,250	534	23,688	569
Residential mortgages	3,236	21	5,102	4
Home equity lines of credit	4,813	13	2,022	-
Other consumer loans	152	-	243	-
<b>Total</b>	<b>\$ 60,090</b>	<b>1,333</b>	<b>73,345</b>	<b>1,312</b>

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.



The following table presents loans that were classified as TDRs during the years ended December 31, 2014, 2013, and 2012. The pre-modification balances represent the recorded investment immediately prior to modification, and the post-modification balances represent the recorded investment as of the dates indicated:

	December 31, 2014			December 31, 2013			December 31, 2012		
	Number of Loans	Pre-Modification Balance	Post-Modification Balance	Number of Loans	Pre-Modification Balance	Post-Modification Balance	Number of Loans	Pre-Modification Balance	Post-Modification Balance
<i>(dollars in thousands)</i>									
Commercial loans secured by real estate:									
Commercial property	3	\$ 4,504	5,490	1	7,703	4,400	6	18,309	12,527
Multi-family residential property	-	-	-	-	-	-	4	11,577	11,534
1-4 family residential property	-	-	-	1	650	650	-	-	-
Construction and land	1	2,140	183	-	-	-	-	-	-
Commercial and industrial loans	2	6,982	6,189	4	6,143	6,308	11	22,735	21,576
Home equity lines of credit	1	1,990	1,990	-	-	-	-	-	-
Residential mortgages	1	495	495	1	325	290	1	315	298
<b>Total</b>	<b>8</b>	<b>\$ 16,111</b>	<b>14,347</b>	<b>7</b>	<b>14,821</b>	<b>11,648</b>	<b>22</b>	<b>52,936</b>	<b>45,935</b>

The following table summarizes how the TDR loans recorded for the years ended December 2014, 2013, and 2012 were modified:

<i>(in thousands)</i>	Term Extension	Term Extension with Other Concession (1)	Deferred Principal Amortization	Deferred Principal Amortization with Other Concession (1)	Rate Reduction	Total
<b>December 31, 2014</b>						
Commercial loans secured by real estate:						
Commercial property	\$ 5,490	-	-	-	-	5,490
Construction and land	183	-	-	-	-	183
Commercial and industrial loans	6,189	-	-	-	-	6,189
Home equity lines of credit	-	-	1,990	-	-	1,990
Residential mortgages	-	-	495	-	-	495
<b>Total</b>	<b>\$ 11,862</b>	<b>-</b>	<b>2,485</b>	<b>-</b>	<b>-</b>	<b>14,347</b>
<b>December 31, 2013</b>						
Commercial loans secured by real estate:						
Commercial property	\$ 4,400	-	-	-	-	4,400
1-4 family residential property	650	-	-	-	-	650
Commercial and industrial loans	3,653	2,655	-	-	-	6,308
Residential mortgages	-	-	-	290	-	290
<b>Total</b>	<b>\$ 8,703</b>	<b>2,655</b>	<b>-</b>	<b>290</b>	<b>-</b>	<b>11,648</b>
<b>December 31, 2012</b>						
Commercial loans secured by real estate:						
Commercial property	\$ 5,903	-	-	3,865	2,759	12,527
Multi-family residential property	7,378	-	-	4,156	-	11,534
Commercial and industrial loans	14,146	-	5,101	2,329	-	21,576
Residential mortgages	-	-	-	298	-	298
<b>Total</b>	<b>\$ 27,427</b>	<b>-</b>	<b>5,101</b>	<b>10,648</b>	<b>2,759</b>	<b>45,935</b>

(1) Other concessions may include a reduction of the loan's interest rate and/or extension of the loan's contractual maturity date.

Our impaired loans at December 31, 2014 and 2013 include TDR loans totaling \$43.3 million and \$43.0 million, respectively.

During the year of restructuring, we consider a TDR loan as impaired. In subsequent years, we do not consider the restructured loan as impaired if it was restructured at a market rate and continues to perform in accordance with its modified terms. Other TDRs loans, however, 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 estimated costs to sell.

As of December 31, 2014 and 2013, there were no loans that were modified as a TDR within the previous 12 months that subsequently defaulted on payments. As of 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.

For the years ended December 31, 2014, 2013 and 2012, we recorded interest income on impaired loans during the period of impairment totaling \$1.3 million, \$1.3 million and \$1.9 million, 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 \$3.1 million, \$4.9 million, and \$5.2 million for the years ended December 31, 2014, 2013, and 2012, respectively. Average impaired loans for the years ended December 31, 2014, 2013 and 2012 totaled \$60.1 million, \$73.3 million, and \$83.1 million, respectively.

## (9) Premises and Equipment

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

<i>(in thousands)</i>	<i>December 31,</i>	
	<b>2014</b>	<b>2013</b>
Leasehold improvements	\$ 56,124	50,618
Furniture, fixtures and equipment	42,179	32,804
	98,303	83,422
Less accumulated depreciation and amortization	(57,307)	(47,091)
Premises and equipment, net	\$ 40,996	36,331

Depreciation and amortization expense totaled \$8.9 million, \$8.2 million and \$6.9 million for the years ended December 31, 2014, 2013 and 2012, respectively.

## (10) Deposits

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

<i>(in thousands)</i>	<i>December 31,</i>	
	<b>2014</b>	<b>2013</b>
Non-interest-bearing demand	\$ 7,064,959	5,391,483
NOW and interest-bearing demand	1,671,150	850,897
Money market	12,866,707	9,589,488
Time deposits	806,270	820,999
Brokered time deposits	211,189	404,230
Total deposits	\$ 22,620,275	17,057,097

The aggregate amounts of time deposits in denominations of \$100,000 or more at December 31, 2014 and 2013 were \$698.9 million and \$696.0 million, respectively. The related interest expense on these types of deposits for the years ended December 31, 2014 and 2013 amounted to \$11.0 million and \$11.1 million, respectively.

At December 31, 2014, the scheduled maturities of time deposits are as follows:

<i>(in thousands)</i>	<b>Amount</b>
2015	\$ 694,673
2016	234,965
2017	77,239
2018	5,529
2019	5,053
<b>Total time deposits</b>	<b>\$ 1,017,459</b>

At December 31, 2014 and 2013, we had approximately \$51.2 million and \$28.9 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 \$4.4 million, \$3.7 million and \$3.1 million, respectively, for the years ended December 31, 2014, 2013 and 2012.

### **(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:

<i>(dollars in thousands)</i>	<i>December 31,</i>	
	<b>2014</b>	<b>2013</b>
<b>Federal Funds Purchased</b>		
Year-end balance	\$ 95,000	\$ 370,000
Maximum amount outstanding at any month-end	\$ 424,000	\$ 529,000
Average outstanding balance	\$ 122,860	\$ 415,849
Weighted-average interest rate paid	0.27%	0.29%
Weighted-average interest rate at year-end	0.26%	0.28%
<b>Securities Sold Under Agreements to Repurchase</b>		
Year-end balance	\$ 620,000	\$ 695,000
Maximum amount outstanding at any month-end	\$ 695,000	\$ 695,000
Average outstanding balance	\$ 673,904	\$ 665,753
Weighted-average interest rate paid	2.47%	2.70%
Weighted-average interest rate at year-end	2.48%	2.43%

During the years ended December 31, 2014, 2013, and 2012, we recorded interest expense on federal funds purchased and securities sold under agreements to repurchase totaling \$17.0 million, \$19.2 million, and \$22.1 million, respectively.

At December 31, 2014, securities with a fair value of \$858.1 million and a carrying value of \$856.1 million were pledged to meet our collateral requirement of \$651.0 million on repurchase agreements. At December 31, 2013,

securities with a fair value of \$891.7 million and a carrying value of \$907.4 million were pledged to meet our collateral requirement of \$729.9 million on repurchase agreements.

The federal funds purchased at December 31, 2014 were overnight transactions, while the securities sold under repurchase agreements at December 31, 2014 have contractual maturities as follows:

<i>(in thousands)</i>	<b>Amount</b>	
2015	\$	200,000
2016		95,000
2017		220,000
2018		75,000
2019		-
Thereafter		30,000
<b>Total</b>	<b>\$</b>	<b>620,000</b>

### **(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, 2014, we were in compliance with this requirement.

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

<i>(dollars in thousands)</i>	<i>December 31,</i>	
	<b>2014</b>	<b>2013</b>
Year-end balance	\$ 1,335,163	\$ 2,305,313
Maximum amount outstanding at any month-end	\$ 1,955,313	\$ 2,305,313
Average outstanding balance	\$ 1,646,832	\$ 1,111,144
Weighted-average interest rate paid	0.77%	0.66%
Weighted-average interest rate at year-end	0.90%	0.60%

During the years ended December 31, 2014, 2013, and 2012, interest expense recorded on FHLB advances totaled \$12.7 million, \$7.4 million, and \$4.5 million, respectively.

At December 31, 2014, securities with a fair value and a carrying value of \$1.93 billion were available to meet our collateral requirement of \$829.8 million on FHLB advances. At December 31, 2013, securities with a fair value of \$2.56 billion and a carrying value of \$2.57 billion were available to meet our collateral requirement of \$2.42 billion on FHLB advances.

As of December 31, 2014, the Bank had pledged \$2.62 billion of commercial real estate loans through a blanket assignment to secure borrowings from the Federal Home Loan Bank ("FHLB"), although only approximately \$544.9 million was required in connection with the outstanding FHLB advances. We had no loans pledged as of December 31, 2013.

FHLB advances at December 31, 2014 have contractual maturities as follows:

<i>(in thousands)</i>	<b>Amount</b>
2015	\$ 550,000
2016	529,263
2017	255,900
2018	-
2019	-
Total advances	\$ 1,335,163

Certain of our long-term FHLB advances are callable by the FHLB for redemption prior to their scheduled maturity date. The table above includes \$35.0 million in advances that are callable in 2015, which have interest rates ranging from 3.87% to 3.92% and a weighted average interest rate of 3.88%.

#### (14) Other Short-Term Borrowings

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

<i>(dollars in thousands)</i>	<i>December 31,</i>	
	<b>2014</b>	<b>2013</b>
Year-end balance	\$ -	\$ -
Maximum amount outstanding at any month-end	\$ -	\$ -
Average outstanding balance	\$ -	\$ 41
Weighted-average interest rate paid	-	0.75%
Weighted-average interest rate at year-end	-	0.00%

#### (15) Income Taxes

##### Provision for Income Taxes

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

<i>(in thousands)</i>	<i>Years ended December 31,</i>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
<b>FEDERAL</b>			
Current expense	\$ 117,994	100,939	100,636
Deferred income tax expense (benefit)	27,545	8,851	(6,020)
Total federal	\$ 145,539	109,790	94,616
<b>STATE AND LOCAL</b>			
Current expense	\$ 60,481	54,334	49,313
Deferred income tax expense (benefit)	9,055	(1,334)	(3,037)
Total state and local	\$ 69,536	53,000	46,276
<b>TOTAL</b>			
Current expense	\$ 178,475	155,273	149,949
Deferred income tax expense (benefit)	36,600	7,517	(9,057)
Total	\$ 215,075	162,790	140,892

The increase in income tax expense for the year ended December 31, 2014, when compared to the previous year, was primarily driven by an increase in our pre-tax income, along with a \$1.8 million tax charge related to New York State corporate income tax reform enacted on March 31, 2014 (“the reform”).

### New York State Corporate Income Tax Reform

The reform included several changes to existing tax legislation that are effective for tax years beginning January 1, 2015 (except as noted), the most pertinent of which are as follows:

- Merges the Article 32 Bank Franchise Tax into the Article 9-A Corporate Franchise Tax;
- Implements a single receipts apportionment factor using customer-based sourcing rules. The new rules include sourcing a fixed 8 percent of income for mortgage-backed securities to New York State. Also special rules apply to the sourcing of receipts from “qualified financial instruments” which are defined as instruments that are marked to market under IRC sections 475 or 1256. An annual irrevocable election can be made to source a fixed 8 percent of income from all qualified financial instruments to New York State in place of customer-based sourcing.;
- Lowers the business income tax base rate from 7.1% to 6.5% for tax years beginning on or after January 1, 2016; and
- Streamlines the computation of the Metropolitan Transportation Authority (“MTA”) Surcharge, makes it permanent, and increases the rate from 17% to 25.6% of the corporate income tax rate.

In accordance with GAAP, we revalued our New York State net deferred tax assets to consider the effects of the enacted provisions outlined above. While we do not anticipate a material impact on our Consolidated Financial Statements prospectively, we will continue to evaluate the effects of the reform on our income tax expense and net deferred tax assets.

### Deferred Tax Assets and Liabilities

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

<i>(in thousands)</i>	<i>December 31,</i>	
	<b>2014</b>	<b>2013</b>
<b>DEFERRED TAX ASSETS</b>		
Allowance for loan and lease losses	\$ 69,553	59,078
Unearned compensation - restricted shares	11,557	8,900
Non-accrual interest	1,338	1,834
Write-down for other-than-temporary impairment of securities	18,337	18,273
Other	17,197	7,376
<b>Total deferred tax assets recognized in earnings</b>	<b>117,982</b>	<b>95,461</b>
Net unrealized losses on securities available-for-sale	-	26,236
Net unrealized losses on securities transferred to held-to-maturity	11,968	13,815
<b>Total deferred tax assets</b>	<b>129,950</b>	<b>135,512</b>
<b>DEFERRED TAX LIABILITIES</b>		
Depreciation	72,194	16,951
Prepaid expenses	839	674
Other	13,480	9,767
<b>Total deferred tax liabilities recognized in earnings</b>	<b>86,513</b>	<b>27,392</b>
Net unrealized gains on securities available-for-sale	21,592	-
<b>Total deferred tax liabilities</b>	<b>108,105</b>	<b>27,392</b>
<b>Net deferred tax asset</b>	<b>\$ 21,845</b>	<b>108,120</b>

At December 31, 2014, 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 prospectively, 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.

In accordance with GAAP, we revalued our New York State deferred tax assets and liabilities in consideration of the previously-described reform. The revaluation resulted in a decrease of \$1.8 million to our net deferred tax asset.

### Effective Tax Rate

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

<i>(dollars in thousands)</i>	Years ended December 31,					
	2014		2013		2012	
	Expense (Benefit)	Rate	Expense (Benefit)	Rate	Expense (Benefit)	Rate
Statutory federal income tax expense	\$ 179,122	35%	137,037	35%	114,231	35%
State and local income taxes, net of federal income tax benefit	45,198	9%	34,451	9%	30,080	9%
Tax exempt income	(378)	*	(351)	*	(618)	*
Other items, net	(8,867)	(2)%	(8,347)	(2)%	(2,801)	(1)%
Effective income tax expense	\$ 215,075	42%	162,790	42%	140,892	43%

\* - Less than 1%.

### Unrecognized Tax Benefits

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 file U.S. federal and various state and local income tax returns. For our federal and New York State income tax returns, we remain subject to examination for tax years 2011 and after, while for our New York City income tax returns, we remain subject to examination for tax years 2010 and after.

## (16) Equity Incentive Plan

We have an equity incentive plan designed to assist us in attracting, retaining, and motivating officers, employees, directors, and/or consultants and to provide us and our subsidiaries and affiliates with incentives directly related to increases in our shareholder value. Activity related to the equity incentive plan for the years ended December 31, 2014 and 2013 is summarized as follows:

	<i>Years ended December 31,</i>	
	<b>2014</b>	<b>2013</b>
Shares available for future awards at beginning of the year	2,178,000	1,417,517
Additional shares approved at the 2013 Annual Meeting of Shareholders	-	1,082,483
<b>Options</b>		
Granted	-	-
Forfeited or expired	-	-
Shares sold to cover minimum tax withholding and/or option price upon exercise	2,470	24,803
<b>Restricted stock</b>		
Granted	(328,414)	(348,093)
Forfeited	214	1,275
Shares sold to cover minimum tax withholding upon vesting	165,438	15
<b>Shares available for future awards at end of the year</b>	<b>2,017,708</b>	<b>2,178,000</b>

### Stock Options

As of December 31, 2014, 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, 2014 and 2013, 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, 2014 and 2013:

	<i>Years ended December 31,</i>			
	<i>2014</i>		<i>2013</i>	
	<b>Shares Underlying Options</b>	<b>Weighted Average Exercise Price</b>	<b>Shares Underlying Options</b>	<b>Weighted Average Exercise Price</b>
Outstanding at beginning of the year	16,750	\$ 25.20	62,750	\$ 22.57
Granted	-	-	-	-
Exercised	(5,175)	22.60	(46,000)	21.61
Forfeited or expired	-	-	-	-
<b>Outstanding at end of the year</b>	<b>11,575</b>	<b>\$ 26.36</b>	<b>16,750</b>	<b>\$ 25.20</b>

The intrinsic value of stock options exercised during the years ended December 31, 2014 and 2013 totaled \$499,000 and \$2.7 million, respectively, and the cash received from those exercises during the respective periods totaled \$117,000 and \$994,000. Available authorized common shares are issued for stock options that are exercised.



The following table presents a summary of outstanding and exercisable stock options as of December 31, 2014:

Exercise Price	Shares Underlying Options	Weighted Average Remaining Contractual Life in Years
\$ 24.98	1,750	1.05 years
26.11	3,325	0.47 years
26.87	6,500	0.80 years
	<u>11,575</u>	

As of December 31, 2014, the intrinsic value of outstanding and exercisable options totaled \$1.2 million.

### Restricted Stock

The following table summarizes information regarding outstanding grants of restricted stock for the years ended December 31, 2014 and 2013:

	Years ended December 31,			
	2014		2013	
	Shares	Weighted Average Grant Price	Shares	Weighted Average Grant Price
Outstanding at beginning of the year	1,111,013	\$ 54.15	764,230	\$ 43.25
Granted	328,414	127.96	348,093	78.12
Vested	(358,137)	58.14	(35)	63.55
Forfeited	(214)	68.95	(1,275)	67.42
Outstanding at end of the year	<u>1,081,076</u>	<u>\$ 75.34</u>	<u>1,111,013</u>	<u>\$ 54.15</u>

As of December 31, 2014, our total unrecognized compensation cost related to unvested restricted shares was \$54.2 million, which is expected to be recognized over a weighted-average period of 2.62 years. During the years ended December 31, 2014, 2013, and 2012, we recognized compensation expense of \$27.7 million, \$15.6 million, and \$17.6 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. The total fair value of restricted shares that vested during the years ended December 31, 2014, 2013 and 2012 were \$45.6 million, \$2,600, and \$34.1 million, respectively.

## (17) Accumulated Other Comprehensive Income

The following table presents information regarding items reclassified out of Accumulated Other Comprehensive Income ("AOCI") for the years ended December 31, 2014 and 2013:

<i>(in thousands)</i>	<i>Years ended December 31,</i>		<b>Affected Line Item in the Consolidated Statement of Income</b>
	<b>2014</b>	<b>2013</b>	
<b>Details About AOCI</b>	<b>Amount Reclassified Out of AOCI</b>	<b>Amount Reclassified Out of AOCI</b>	
Net unrealized (losses) gains on AFS securities	\$ 5,272	6,228	Net (losses) gains on sales of securities
	(1,724)	(6,149)	Net other-than-temporary impairment losses on securities recognized in earnings
Total reclassifications, before tax	3,548	79	
	(1,499)	(38)	Income tax expense
<b>Total reclassifications, net of tax</b>	<b>\$ 2,049</b>	<b>41</b>	

The following table presents changes in AOCI, net of tax, for the years ended December 31, 2014 and 2013:

<i>(in thousands)</i>	<b>AFS Securities</b>	<b>HTM Securities transferred from AFS</b>	<b>Total</b>
<b>For the year ended December 31, 2014</b>			
Balance at December 31, 2013	\$ (34,007)	(17,677)	(51,684)
Net change in unrealized gain (loss)	64,912	-	64,912
Net unrealized loss on securities transferred from AFS to HTM	-	-	-
Amortization of net unrealized loss on securities transferred to HTM	-	1,945	1,945
Amounts reclassified out of AOCI	(2,049)	-	(2,049)
Net current period other comprehensive income	62,863	1,945	64,808
Balance at December 31, 2014	\$ 28,856	(15,732)	13,124
<b>For the year ended December 31, 2013</b>			
Balance at December 31, 2012	\$ 43,827	-	43,827
Net change in unrealized gain (loss)	(97,006)	-	(97,006)
Net unrealized loss on securities transferred from AFS to HTM	19,213	(19,213)	-
Amortization of net unrealized loss on securities transferred to HTM	-	1,536	1,536
Amounts reclassified out of AOCI	(41)	-	(41)
Net current period other comprehensive income	(77,834)	(17,677)	(95,511)
Balance at December 31, 2013	\$ (34,007)	(17,677)	(51,684)

## (18) Earnings Per Share

The following table shows the computation of basic and diluted earnings per common and common equivalent share for the years indicated:

<i>(in thousands, except per share amounts)</i>	<i>Years ended December 31,</i>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
Net income	\$ 296,704	228,744	185,483
Common and common equivalent shares:			
Weighted average common shares outstanding	49,066	47,267	46,633
Weighted average common equivalent shares	804	762	753
Weighted average common and common equivalent shares	49,870	48,029	47,386
Basic earnings per share	\$ 6.05	4.84	3.98
Diluted earnings per share	\$ 5.95	4.76	3.91

For the years ended December 31, 2014, 2013 and 2012, there were no anti-dilutive options or warrants excluded from the computation of diluted earnings per share as their exercise price did not exceed the average market price of the Company's common shares.

## **(19) 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 non-cancelable operating lease agreements for premises and equipment with expiration dates through the year 2027. Our premises are used principally for private client offices and administrative operations. Rental expense for our premises for the years ended December 31, 2014, 2013, and 2012 totaled \$18.6 million, \$16.3 million and \$14.1 million, respectively.

The required minimum rental payments under the terms of the non-cancelable leases at December 31, 2014 are summarized as follows:

<i>(in thousands)</i>	<b>Amount</b>
2015	\$ 16,904
2016	16,933
2017	15,699
2018	14,559
2019	14,380
Thereafter	62,099
<b>Total</b>	<b>\$ 140,574</b>

### **(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, 2014, 2013, and 2012, we incurred contractual costs of \$3.5 million, \$3.3 million, and \$3.4 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, 2014 are as follows:

<i>(in thousands)</i>	<b>Amount</b>
2015	\$ 3,460
2016	2,416
2017	-
2018	-
2019	-
Thereafter	-
<b>Total</b>	<b>\$ 5,876</b>

**(c) Financial Instruments with Off-Balance Sheet Risks**

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

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

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

The following table presents a summary of our commitments and contingent liabilities:

<i>(in thousands)</i>	<i>December 31,</i>	
	<b>2014</b>	<b>2013</b>
Unused commitments to extend credit	\$ 695,435	578,771
Financial standby letters of credit	257,006	209,136
Commercial and similar letters of credit	34,921	20,516
Other	1,312	1,135
<b>Total</b>	<b>\$ 988,674</b>	<b>809,558</b>

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, 2014 and 2013, our reserves for losses on unused commitments to extend credit totaled \$747,000 and \$825,000, 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 term of the guarantee on a straight-line basis. At December 31, 2014 and December 31, 2013, we had deferred revenue for commitment fees paid for the issuance of standby letters of credit in the amounts of \$879,000 and \$809,000, 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 a reserve for credit losses on standby letters of credit totaling \$124,000 and \$130,000 at December 31, 2014 and 2013, respectively. We recorded provisions for losses related to standby letters of credit totaling \$(6,000) and \$24,000 for the years ended December 31, 2014 and 2013, respectively. During the years ended December 31, 2014 and 2013, there were no charge-offs recorded on standby letters of credit.

At December 31, 2014 and 2013, we had commitments to sell loans totaling \$6.0 million and \$920,000, 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.

**(20) Regulatory Capital**

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 1 capital to risk-weighted assets (as defined), and of Tier 1 capital (as defined) to average assets (as defined). As of December 31, 2014 and 2013, 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.

	<i>Actual</i>		<i>Required for Capital Adequacy Purposes</i>		<i>Required to be Well Capitalized</i>	
	<b>Amount</b>	<b>Ratio</b>	<b>Amount</b>	<b>Ratio</b>	<b>Amount</b>	<b>Ratio</b>
<i>(dollars in thousands)</i>						
<b>As of December 31, 2014:</b>						
Total capital (to risk-weighted assets)	\$ 2,647,871	14.39%	1,472,033	8.00%	1,840,041	10.00%
Tier 1 capital (to risk-weighted assets)	2,482,607	13.49%	736,016	4.00%	1,104,025	6.00%
Tier 1 leverage capital (to average assets)	2,482,607	9.25%	1,073,288	4.00%	1,341,611	5.00%
<b>As of December 31, 2013:</b>						
Total capital (to risk-weighted assets)	\$ 1,986,694	15.10%	1,052,562	8.00%	1,315,702	10.00%
Tier 1 capital (to risk-weighted assets)	1,850,668	14.07%	526,281	4.00%	789,421	6.00%
Tier 1 leverage capital (to average assets)	1,850,668	8.54%	866,469	4.00%	1,083,087	5.00%

On June 13, 2014, we completed a public offering of 2,100,000 shares of common stock. Subsequently, on July 1, 2014, the underwriter exercised in full the option we had granted the firm to purchase 315,000 additional shares of common stock. The net proceeds from this offering, including the option exercise, added approximately \$295.8 million to our shareholders' equity, which will be used for general corporate purposes and to facilitate our continued growth.

### *Basel III*

On July 9, 2013, the Federal Deposit Insurance Corporation approved final rules that substantially amend the regulatory risk-based capital rules applicable to Signature Bank. The final rules were adopted following the issuance of proposed rules by the federal banking regulators in June 2012, and implement the "Basel III" regulatory capital reforms and changes required by the Dodd-Frank Act. "Basel III" refers to two consultative documents released by the Basel Committee on Banking Supervision in December 2009, the rules text released in December 2010, and loss absorbency rules issued in January 2011, which include significant changes to bank capital, leverage and liquidity requirements.

The rules include new risk-based capital and leverage ratios, which are being phased in from 2015 to 2019, and refine the definition of what constitutes "capital" for purposes of calculating those ratios. The new minimum capital level requirements applicable to Signature Bank under the final rules are the following: (i) a new common equity Tier 1 risk-based capital ratio of 4.5%; (ii) a Tier 1 risk-based capital ratio of 6% (increased from 4%); (iii) a total capital ratio of 8% (unchanged from current rules); and (iv) a leverage ratio of 4% for all institutions. The final rules also establish a "capital conservation buffer" above the new regulatory minimum capital requirements, which must consist entirely of common equity Tier 1 capital. Common equity Tier 1 capital consists of common stock instruments that meet the eligibility criteria in the final rules, retained earnings, accumulated other comprehensive income and common equity Tier 1 minority interest. The capital conservation buffer will be phased-in over four years beginning on January 1, 2016, as follows: the maximum buffer will be 0.625% of risk-weighted assets for 2016, 1.25% for 2017, 1.875% for 2018, and 2.5% for 2019 and thereafter, resulting in the following minimum ratios beginning in 2019: (i) a common equity Tier 1 capital ratio of 7.0%, (ii) a Tier 1 capital ratio of 8.5%, and (iii) a total capital ratio of 10.5%. Under the final rules, institutions are subject to limitations on paying dividends, engaging in share repurchases, and paying discretionary bonuses if their capital levels fall below the buffer amount. These limitations establish a maximum percentage of eligible retained income that could be utilized for such actions.

Basel III provided discretion for regulators to impose an additional buffer, the "countercyclical buffer," of up to 2.5% of common equity Tier 1 capital to take into account the macro-financial environment and periods of excessive credit growth. However, the final rules permit the countercyclical buffer to be applied only to "advanced approach banks" (i.e., banks with \$250 billion or more in total assets or \$10 billion or more in total foreign exposures), which currently excludes Signature Bank. The final rules also implement revisions and clarifications consistent with Basel III regarding the various components of Tier 1 capital, including common equity, unrealized gains and losses, as well as certain instruments that will no longer qualify as Tier 1 capital, some of which will be phased out over time.

The final rules also contain revisions to the prompt corrective action (“PCA”) framework, which is designed to place restrictions on insured depository institutions, including Signature Bank, if their capital levels begin to show signs of weakness. These revisions took effect January 1, 2015. Under the PCA requirements, which are designed to complement the capital conservation buffer, insured depository institutions will be required to meet the following increased capital level requirements in order to qualify as “well capitalized:” (i) a new common equity Tier 1 capital ratio of 6.5%; (ii) a Tier 1 capital ratio of 8% (increased from 6%); (iii) a total capital ratio of 10% (unchanged from current rules); and (iv) a leverage ratio of 5% (increased from 4%).

The final rules set forth certain changes for the calculation of risk-weighted assets, which we have been required to utilize as of January 1, 2015. The standardized approach final rule utilizes an increased number of credit risk exposure categories and risk weights, and also addresses: (i) an alternative standard of creditworthiness consistent with Section 939A of the Dodd-Frank Act; (ii) revisions to recognition of credit risk mitigation; (iii) rules for risk weighting of equity exposures and past due loans; (iv) revised capital treatment for derivatives and repo-style transactions; and (v) disclosure requirements for top-tier banking organizations with \$50 billion or more in total assets that are not subject to the “advance approach rules” that apply to banks with greater than \$250 billion in consolidated assets. Based on our current capital composition and levels, we believe that we would be in compliance with the requirements as set forth in the final rules if they were presently in effect.

#### *Dividends*

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.

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

**(21) Quarterly Data (unaudited)**

<i>(dollars in thousands, except per share amounts)</i>	<b>March 31</b>	<b>June 30</b>	<b>September 30</b>	<b>December 31</b>
<b>2014 QUARTER</b>				
Interest income	\$ 215,767	224,067	236,513	247,926
Interest expense	29,299	30,353	31,247	32,223
Net interest income	186,468	193,714	205,266	215,703
Provision for loan and lease losses	8,188	7,637	7,672	7,613
Net interest income after provision for loan and lease losses	178,280	186,077	197,594	208,090
Non-interest income	7,170	12,383	8,055	7,374
Other-than-temporary impairment losses on securities, net	(618)	(436)	(260)	(410)
Non-interest income excluding other-than-temporary impairment losses on securities	7,788	12,819	8,315	7,784
Non-interest expense	70,036	72,971	74,272	75,965
Income before taxes	115,414	125,489	131,377	139,499
Income tax expense	49,407	53,007	54,572	58,089
Net income	\$ 66,007	72,482	76,805	81,410
Basic earnings per common share	\$ 1.39	1.50	1.54	1.62
Diluted earnings per common share	\$ 1.37	1.48	1.52	1.60
<b>2013 QUARTER</b>				
Interest income	\$ 173,631	180,286	194,639	206,594
Interest expense	25,523	25,755	27,244	28,285
Net interest income	148,108	154,531	167,395	178,309
Provision for loan and lease losses	9,926	9,669	11,005	11,043
Net interest income after provision for loan and lease losses	138,182	144,862	156,390	167,266
Non-interest income	8,836	9,287	7,854	6,034
Other-than-temporary impairment losses on securities, net	(1,272)	(893)	(1,400)	(2,584)
Non-interest income excluding other-than-temporary impairment losses on securities	10,108	10,180	9,254	8,618
Non-interest expense	58,930	61,446	62,339	64,462
Income before taxes	88,088	92,703	101,905	108,838
Income tax expense	37,454	39,101	41,737	44,498
Net income	\$ 50,634	53,602	60,168	64,340
Basic earnings per common share	\$ 1.07	1.13	1.27	1.36
Diluted earnings per common share	\$ 1.06	1.12	1.25	1.34



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## Exhibit Index

<u>Exhibit No.</u>	<u>Exhibit</u>
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 2013 Definitive Proxy Statement on Schedule 14A, filed with the Federal Deposit Insurance Corporation on March 18, 2013.)
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.)
10.13	Employment Agreement, dated March 22, 2004, between Signature Bank and Joseph J. DePaolo. (Incorporated by reference to Signature Bank's Registration Statement on Form 10 or amendments thereto, filed with the Federal Deposit Insurance Corporation on March 17, 2004.)
10.14	Master Agreement for the provision of Hardware Software and/or Services, dated as of September 9, 2005, between Fidelity Information Services, Inc. and Signature Bank. (Incorporated by reference to Signature Bank's Quarterly Report on Form 10-Q for the period ended September 30, 2005.)
10.15	Warrant Agreement, dated March 10, 2010, between Signature Bank and American Stock Transfer & Trust Company, LLC, as warrant agent (Incorporated herein by reference to Exhibit 4.1 of the Bank's Form 8-A filed on March 10, 2010.)
14.1	Code of Ethics (Incorporated by reference from Signature Bank's 2004 Form 10-K, filed with the Federal Deposit Insurance Corporation on March 16, 2005.)
21.1	Subsidiaries of Signature Bank.
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

**SUBSIDIARIES OF SIGNATURE BANK**

As of March 2, 2015, Signature Bank has the following significant subsidiary:

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

## 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, 2014;
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 2, 2015

/s/ JOSEPH J. DEPAOLO

Joseph J. DePaolo

*President, Chief Executive Officer and Director*

## CERTIFICATION

I, Vito Susca, certify that:

1. I have reviewed this annual report on Form 10-K of Signature Bank for the fiscal year ended December 31, 2014;
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 2, 2015

/s/ VITO SUSCA

Vito Susca

*Senior Vice President and Chief Financial Officer*

**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, 2014 (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 2, 2015

/s/ JOSEPH J. DEPAOLO

Joseph J. DePaolo  
President, Chief Executive Officer and Director

Dated: March 2, 2015

/s/ VITO SUSCA

Vito Susca  
Senior 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

### Judith A. Huntington

President  
The College of New Rochelle

### Jeffrey W. Meshel

Founder, President and  
Chief Executive Officer  
Paradigm Capital Corp.

### Michael V. Pappagalao

President & Chief Financial Officer  
Brixmor Property Group

### John Tamberlane

Vice Chairman  
Signature Bank

## 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 -  
Corporate & Business Development

### Peter S. Quinlan

Executive Vice President &  
Treasurer

### Michael Sharkey

Senior Vice President &  
Chief Technology Officer

### Vito Susca

Senior Vice President &  
Chief Financial 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  
118-35 Queens Boulevard, Forest Hills

### Bronx

421 Hunts Point Avenue

### Staten Island

2066 Hylan Boulevard  
1688 Victory Boulevard

### Westchester

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

### Long Island

1225 Franklin Avenue, Garden City  
53 North Park Avenue, Rockville Centre  
68 South Service Road, Melville  
923 Broadway, Woodmere  
40 Cuttermill Road, Great Neck  
100 Jericho Quadrangle, Jericho  
360 Motor Parkway, Hauppauge

### Connecticut

75 Holly Hill Lane, Greenwich  
(Opened February 2015)

### Signature Securities Group Institutional Trading

9 Greenway Plaza, Houston, TX 77046  
(Services limited to institutional clients)

### Signature Financial LLC

225 Broadhollow Road, Suite 132W  
Melville, NY 11747

## STOCKHOLDER INFORMATION

### Signature Bank

565 Fifth Avenue  
New York, NY 10017  
646-822-1500  
866-SIG-LINE (866-744-5463)  
www.signatireny.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  
6201 15th Avenue  
Brooklyn, NY 11219  
718-921-8200

### 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 April 23, 2015, 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.signatireny.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 state-  
ments 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, 2014,  
included herein.





SIGNATURE BANK

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New York, NY 10017

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