

*Signature*

SIGNATURE BANK

2015 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 financing and leasing.*

## FINANCIAL HIGHLIGHTS

*(in thousands)*

	2011	2012	2013	2014	2015
Total assets	\$ 14,666,120	17,456,057	22,376,663	27,318,640	<b>33,450,545</b>
Total loans	6,850,726	9,771,770	13,519,471	17,857,708	<b>23,792,564</b>
Total deposits	11,754,138	14,082,652	17,057,097	22,620,275	<b>26,773,923</b>
Shareholders' equity	1,408,116	1,650,327	1,799,939	2,496,238	<b>2,891,834</b>
Net interest income after provision for loan and lease losses	407,911	508,379	606,700	770,041	<b>932,187</b>
Non-interest income	42,038	36,239	32,011	34,982	<b>37,104</b>
Non-interest expense	182,724	218,243	247,177	293,244	<b>341,214</b>
Income before income taxes	267,225	326,375	391,534	511,779	<b>628,077</b>
Net income	\$ 149,526	185,483	228,744	296,704	<b>373,065</b>

## TO OUR SHAREHOLDERS



*Signature Bank Co-founders (pictured from left to right): John Tamberlane, Vice Chairman; Scott A. Shay, Chairman of the Board; and, Joseph J. DePaolo, President and Chief Executive Officer*

**Signature Bank** was founded nearly 15 years ago in New York City, the heart and soul of the world's financial center and perhaps the most competitive banking landscape that exists.

Our goal was to quietly stand out amongst the crowd by providing stellar service to a market niche we believed was overbanked but significantly underserved by some of the world's largest financial institutions.

Over the years, we have certainly proven ourselves – time and again – in our abilities to cater to privately owned businesses, their owners and senior managers throughout the metropolitan New York area, as originally targeted.

But don't take our word for it. *Forbes* magazine named Signature Bank the Best Bank in America in 2015. In fact, we've had the privilege of ranking in the top 10 on this prestigious list in each of the past six consecutive years, an achievement only two other banks in the country can claim.

### **Our SIGNature Service**

We believe Signature Bank's approach to commercial banking is simple yet innovative and consistent yet attentive but, most importantly, quite different from the way banks today service their customers.

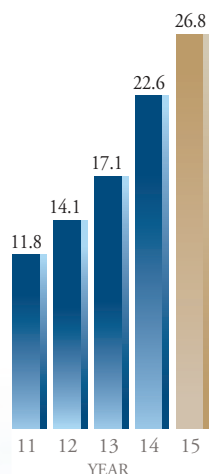
First, we focus our client-centric service around our distinctive single-point-of-contact approach. We built

a network of private client banking teams, which, after adding five during 2015, was nearly 100 strong at year-end. These teams, led by 140+ Group Directors, are comprised of veteran banking professionals with decades of experience in commercial, relationship-based banking. These experts join the Bank as teams, bringing their colleagues along with them, and together, they deliver the exceptional levels of service for which Signature Bank is now well known.

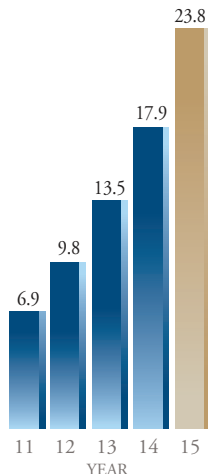
Our teams are the entry and focal point for meeting our clients' needs. At our Bank, there is no need for parsing out different client requests to other departments or people, known as the "silo approach," typically found at mega banks. Understandably, this only frustrates clients, eventually prompting them to either bear it or take their business elsewhere.

At Signature Bank, the team is the central point of contact. They are the core of the relationship and the key to our depositor safety-first philosophy. This model continues to set the Bank apart each day from some of the mega institutions with whom we compete. The expert banking professionals we attract and employ to lead our teams and ultimately bring their business to the Bank, operate fairly autonomously. They head their groups with entrepreneurial spirit and an unrelenting passion to please.

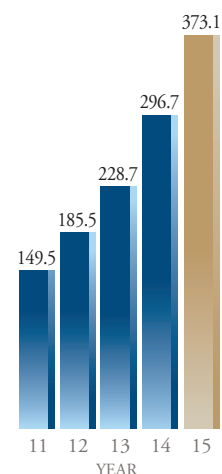
## DEPOSITS (in billions)



## LOANS (in billions)



## NET INCOME (in millions)



### Sending All the Right SIGNALS

Over the years, Signature Bank has achieved organically what many other institutions attempt to do through acquisitions.

Our remarkable organic growth is based on the continued strategic execution of our founding team-based model. This has allowed the Bank to reach several milestones during 2015:

- Reported its eighth consecutive year (or 25 consecutive quarters) of record earnings;
- Earned, for the first time, more than \$100 million in one quarter;
- Reached nearly \$27 billion in deposits; and,
- Built a loan portfolio approaching \$24 billion.

The Bank's real estate loan portfolio hit a record \$18.9 billion, highlighted by contributions from the preeminent, veteran commercial real estate banking team that joined in 2007. Signature Bank's fast rise and secured leadership position in the metropolitan New York commercial real estate arena was highlighted in 2015 by leading real estate trade publications, such as *Commercial Observer* and *The Real Deal*.

Signature Financial LLC, our wholly owned specialty finance subsidiary, continued to make a positive impact on the loan portfolio. In keeping with our team approach to delivering client-centric financial care, Signature Financial began offering direct commercial vehicle finance in July 2015, when the right experts were onboarded.

A new Bank wholly owned subsidiary, Signature Public Funding Corp., was established in July 2015 as well, which is managed through Signature Financial. Signature Public Funding provides a range of municipal finance and tax-exempt lending and leasing products to government entities throughout the country, including state and local governments, school districts, fire and police departments and other municipal entities.

In launching each of these business lines, we appointed professionals with strong records of achievement in the respective areas they serve, similar to the way we have grown our teams on the commercial banking and lending side of our business.

## Another Year of Significant Growth and Performance

In 2015, Signature Bank delivered another exceptional year of growth across all the key metrics used in evaluating our performance, such as deposits, loans and earnings.

The Company continued to set records once again in 2015. Net income for the 2015 fiscal year ended December 31, 2015, reached a record \$373.1 million, or \$7.27 diluted earnings per share. When compared with the \$296.7 million, or \$5.95 diluted earnings per share reported in 2014, net income rose \$76.4 million, or 25.7 percent. The record, strong net income is mostly the result of an increase in net interest income, fueled by strong average deposit and loan growth. These factors were partially offset by an increase in non-interest expenses.

Deposits grew significantly as well during 2015, reaching \$26.77 billion, up \$4.15 billion, or 18.4 percent, for the year. Excluding short-term escrow and brokered deposits of \$3.93 billion at year-end 2015 and \$3.08 billion at year-end 2014, core deposits increased \$3.30 billion, or 16.9 percent, in 2015. Average total deposits for the year grew a record \$5.36 billion, or 26.9 percent, to \$25.29 billion. As we have continually stated, due to the fluctuations in escrow deposits, this is the measure of our deposit performance on which we are most focused.

Loans reached a record \$23.79 billion at the end of 2015, growing \$5.93 billion, or 33.2 percent, when compared with loans at the end of 2014, which were \$17.86 billion. The record growth in loans in 2015 is primarily attributable to increases in commercial real estate and multi-family loans, as well as those lending activities stemming from our specialty finance subsidiary. At year-end, loans accounted for 71.1 percent of total assets, versus 65.4 percent at the end of 2014.

The Bank's disciplined lending measures resulted in a low non-performing loans-to-loan ratio of only 0.30 percent with non-performing loans-to-assets at 0.21

percent. Net charge-offs to average loans were seven basis points for the year ended 2015, compared with one basis point at December 31, 2014. The net charge-off ratio is perhaps the most important metric for any bank.

As a depositor-first banking institution, Signature Bank continues to maintain a strong capital position. At the close of 2015, Tier 1 leverage, common equity Tier 1 risk-based, Tier 1 risk-based and total risk-based capital ratios were approximately 8.87 percent, 11.33 percent, 11.33 percent and 12.10 percent, respectively. These strong capital ratios reflect the relatively low risk profile of the Bank's balance sheet. Moreover, the Bank's tangible common equity ratio remained strong at 8.65 percent. To further bolster the Bank's capital position, we successfully raised \$318.7 million in equity capital during the first quarter of 2016.

Over the years, we have taken many measures to ensure depositor safety. In 2015, Signature Bank earned among the highest investment grade ratings from Kroll Bond Rating Agency (KBRA), a full-service rating agency, demonstrating our strength and commitment to safety. The ratings assigned were based on KBRA's Global Bank and Bank Holding Company Rating Methodology, which evaluated liquidity, asset quality, capital adequacy and earnings. According to KBRA, Signature Bank's rankings were based on its sustainable, strong earnings track record; ability to remain profitable and deliver peer-leading returns during the economic downturn; superior efficiency ratios; overall strong asset quality metrics; disciplined underwriting practices; healthy liquidity and strong core deposit base; solid capital ratios; and, highly experienced management team.

For nearly 15 years, we have carefully managed our balance sheet and maintained stellar credit quality while delivering financial performance that outpaces not only our peer group but that of the overall banking sector.

## **SIGNifying Our Commitment to Delivering Shareholder Value**

It's no secret that the nation's economy continues to be volatile and unpredictable. Signature Bank makes stability its priority, especially given the chaotic financial services landscape.

To this end, we've earned a solid reputation for the emphasis we place on depositor safety, as evidenced by various third-party recognitions. The Bank now ranks among the top 50 largest banks in the country. Furthermore, in *Bank Director* magazine's 2015 Bank Performance Scorecard, Signature Bank ranked third on the banking trade publication's list of banks with assets between \$5 and \$50 billion.

In 2015, the Bank was voted Best Business Bank and Best Attorney Escrow Services Provider by the *New York Law Journal* in the legal trade publication's annual reader survey rankings. Since this journal introduced its reader survey six years ago, the Bank has continually secured the top spot or ranked in the top three in each of the categories in which it was named. Representatives from the legal profession that read the *New York Law Journal* and vote in the survey make up a large part of our client base. We thank them, as well as all our other clients, for their loyalty to Signature Bank, which allows us to earn such prominent accolades year after year.

We also want to highlight the importance of our colleagues to the success of this institution. We know they are our core asset. We are extremely proud that Signature Bank earned the Cigna Well-Being Award in the metropolitan New York City area for demonstrating a strong commitment to improving the health and well-being of our employees through a robust workplace wellness program. The health of our colleagues is mission-critical to us. The care of our clients by a healthy workforce equates to value for our shareholders.

On a more somber note, sadly, 2015 marked the passing of Alfred B. DelBello, an outstanding public official and pillar of the Westchester community, who also was a dedicated member of our Board of Directors for 12 years. We honor, respect and remember the

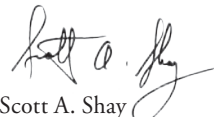
contributions Al made to the success of this Bank. In Al's memory, during 2015, we officially designated the boardroom in our Manhattan headquarters the "Alfred B. DelBello Board Room," by placing a plaque at the entryway bearing his name. President and Chief Executive Officer Joseph J. DePaolo was named the recipient of The Alfred B. DelBello Visionary Award in November 2015 from the Westchester County Association, which applauds visionaries and honors the late DelBello. Al's insights, coupled with those of all our outstanding and dynamic board members, have helped shape the Bank into the institution it is today. We thank each member of the board for their enduring service and stewardship.

From our expanding footprint – which now extends to 29 private client banking offices throughout metropolitan New York and Connecticut (2015 marked our entry here with the opening of our Greenwich office) – to our broad reach and national equipment financing through Signature Financial, we have proven we are capable of managing multiple businesses without losing focus on any of them.


We have accomplished the unusual. We actually created one of the most successful brands in banking, without any advertising. Further, we have done this organically by attracting the right people, emphasizing depositors and their safety, delivering stellar service, sticking to our founding philosophies, continually executing on our business model, outperforming our peers and valuing our shareholders. We appreciate the loyalty of our committed shareholders.

As we continue to grow, we will re-emphasize safety first and foremost, allowing our depositors to thrive and succeed. We pledge to stay true to our founding principles – with our clients at the core.

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, 2015**

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:**

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
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, 2015 was \$7.32 billion.

As of February 26, 2016, the Registrant had outstanding 53,271,030 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 21, 2016. (Part III)

**SIGNATURE BANK  
ANNUAL REPORT ON FORM 10-K  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015**

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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 that are subject to risks and uncertainties. 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
- the impact of new accounting pronouncements.

As you read and consider the 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;
- changes to existing statutes and regulations or the way in which they are interpreted and applied by courts or governmental agencies;
- 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 United States;
- 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 (“ALLL”) 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 of 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 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;
- our ability to enter new markets successfully and capitalize on growth opportunities;
- changes in consumer spending, borrowing and savings habits;
- changes in our organization, compensation and benefit plans; 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”), Signature Financial, LLC (“Signature Financial”) and Signature Public Funding Corporation (“Signature Public Funding”).

#### Introduction

We are a New York-based full-service commercial bank with 29 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 their senior managers.

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

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.

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 \$33.45 billion in assets, \$26.77 billion in deposits, \$23.79 billion in loans, \$2.89 billion in equity capital and \$5.21 billion in other assets under management as of December 31, 2015. 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***

In January 2016, the Bank completed a public offering of 2,200,000 shares of common stock generating net proceeds of approximately \$296.1 million. The Bank also granted the underwriters an option to purchase up to 330,000 additional shares. Subsequently, in February 2016, the underwriters exercised the option to purchase 166,855 additional shares. In total, the net proceeds from this offering were approximately \$318.7 million. The net proceeds from this offering will be used for general corporate purposes and to facilitate our continued growth.

### ***Signature Public Funding Corporation***

In July 2015, the Bank launched a new wholly owned subsidiary, Signature Public Funding Corporation ("Signature Public Funding") based in Towson, Maryland. Signature Public Funding provides a range of municipal finance and tax-exempt lending and leasing products to government entities throughout the country, including state and local governments, school districts, fire and police and other municipal entities. The subsidiary is overseen by the management team of Signature Financial who has extensive experience in the municipal finance space.

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

During 2015, our deposits grew \$4.15 billion, or 18.4%, to \$26.77 billion. Deposits at December 31, 2015 included \$351.9 million of brokered deposits and approximately \$3.58 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 2014, deposits included \$211.2 million of brokered deposits and approximately \$2.87 billion of short-term escrow deposits. Core deposits, which exclude brokered deposits and short-term escrow deposits, increased \$3.30 billion, or 16.9%, during 2015 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, their owners and their 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 41.9% of our total deposits and time deposits accounting for only 2.8% of our total deposits as of December 31, 2015. Our average cost for total deposits was 0.41% for the year ended December 31, 2015.

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

At December 31, 2015 and 2014, approximately \$3.58 billion and \$2.87 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 2015, we increased our network of seasoned banking professionals by adding five new private client banking teams and nine new banking group directors. Additionally, we added seven professionals during 2015 for Signature Financial's addition of two new business lines – Municipal and Commercial Vehicle Finance. Our full-time equivalent number of employees grew from 1,010 to 1,122 during 2015.

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

As of December 31, 2015, we had 97 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 2015 located in Greenwich, Connecticut. We currently operate 29 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 their 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 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. 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, 2015, 544,634 of these warrants have been exercised, which resulted in the creation of 128,018 shares of treasury stock. Of the treasury stock shares created, 86,931 have been reissued in connection with the exercise of options and the vesting of restricted stock granted under the Bank's equity incentive plan, while 41,087 shares are held by the Bank as of December 31, 2015.
- 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.
- In February 2016, we completed a public offering of 2,366,855 shares of our common stock generating net proceeds of approximately \$318.7 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 products, including equipment transportation, taxi medallion; commercial marine, commercial vehicle and national franchise financing and/or leasing;
- Municipal finance and tax-exempt lending and leasing products to government entities;

- 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 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, their owners and their 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, 2015 and 2014:

<i>(dollars in thousands)</i>	2015		2014	
	Amount	Percentage	Amount	Percentage
Personal demand deposit accounts (1)	\$ 693,297	2.59%	585,689	2.59%
Business demand deposit accounts (1)	7,801,557	29.14%	6,479,270	28.65%
Brokered demand deposit accounts (1)	72,446	0.27%	-	0.00%
Rent security	164,014	0.61%	127,792	0.56%
Personal NOW	46,650	0.17%	47,813	0.21%
Business NOW	2,687,552	10.04%	1,623,337	7.18%
Personal money market accounts	3,625,105	13.54%	3,370,141	14.90%
Business money market accounts	10,541,963	39.37%	9,368,774	41.42%
Brokered money market accounts	187,254	0.70%	-	0.00%
Personal time deposits	328,031	1.23%	368,725	1.63%
Business time deposits	430,016	1.61%	437,545	1.93%
Brokered time deposits	196,038	0.73%	211,189	0.93%
<b>Total</b>	<b>\$ 26,773,923</b>	<b>100.00%</b>	<b>22,620,275</b>	<b>100.00%</b>
Demand deposit accounts (1)	\$ 8,494,854	31.73%	7,064,959	31.24%
NOW	2,734,202	10.21%	1,671,150	7.39%
Money market accounts	14,331,082	53.52%	12,866,707	56.88%
Time deposits	758,047	2.84%	806,270	3.56%
Brokered deposits (2)	455,738	1.70%	211,189	0.93%
<b>Total</b>	<b>\$ 26,773,923</b>	<b>100.00%</b>	<b>22,620,275</b>	<b>100.00%</b>
Personal	\$ 4,693,083	17.53%	4,372,368	19.33%
Business	21,625,102	80.77%	18,036,718	79.74%
Brokered deposits (2)	455,738	1.70%	211,189	0.93%
<b>Total</b>	<b>\$ 26,773,923</b>	<b>100.00%</b>	<b>22,620,275</b>	<b>100.00%</b>

(1) Non-interest bearing.

(2) Includes non-interest bearing deposits of \$72.4 million and \$0 as of December 31, 2015 and December 31, 2014, respectively.

### **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 their 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, 2015, 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, 2015:

<i>(dollars in thousands)</i>	<b>Loan Amount</b>	<b>Percentage</b>
Taxi Medallions	\$ 815,201	17.02%
Transportation Services	784,741	16.39%
Real Estate and Real Estate Management	622,957	13.01%
Manufacturing	375,463	7.84%
Building and Construction Contractors	355,919	7.43%
Wholesale Trade	187,939	3.93%
Retail Trade	157,106	3.28%
Professional Services	154,370	3.22%
Health Services	152,440	3.18%
Recreational Services	134,354	2.81%
Accommodation and Food Services	128,137	2.68%
Financial Services	115,624	2.42%
Business Services	94,043	1.96%
Mining	72,206	1.51%
Special Trade Contractors	68,037	1.42%
Membership Organizations	52,531	1.10%
Educational Services	48,267	1.01%
Legal Services	39,335	0.82%
Municipalities	30,168	0.63%
Audio/Video Services	18,949	0.40%
Social Services	15,065	0.31%
Utilities	14,429	0.30%
Agriculture	11,182	0.23%
Personal Services	10,667	0.22%
Other Industries	329,592	6.88%
<b>Total</b>	<b>\$ 4,788,722</b>	<b>100.00%</b>

As of December 31, 2015, 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 most of this business in New York City, which is a well-regulated market. The recent development of car-service applications has increased competition within the taxi industry and we have seen an increase in the nonperformance of loans made to finance taxi medallions. Moreover, the increase in competition in the taxi industry has affected the value of medallions that serve as our primary collateral for our taxi medallion loans. See the discussion of asset quality and the ALLL later in this report, as well as in Note 8 to our Consolidated Financial Statements.

“Other Industries” includes 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 property, multi-family residential property, 1-4 family residential property, and construction and land. 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, 2015, funded real estate loans totaled approximately \$18.97 billion, representing approximately 78% of our total funded loans.

The following table shows the distribution of our real estate loans by collateral type:

<i>(dollars in thousands)</i>	<i>December 31, 2015</i>	
	<b>Loan Amount</b>	<b>Percentage</b>
Multi-family residential property	\$ 11,823,073	62.31%
Commercial property	6,372,851	33.59%
1-4 family residential property	539,526	2.84%
Home equity lines of credit	163,191	0.86%
Construction and land	75,958	0.40%
<b>Total</b>	<b>\$ 18,974,599</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 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, 2015, our commitments under letters of credit totaled approximately \$312.2 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 ensure that the borrower has sufficient liquidity to repay the loan. At December 31, 2015, our consumer loans totaled \$9.7 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, 2015, we had \$456.4 million in SBA loans held for sale, representing approximately 2.0% of our total funded loans, compared to \$548.3 million at December 31, 2014.

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 participant 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, 2015, the carrying amount of our SBA excess servicing strip assets totaled \$132.3 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, Newark and Jersey City is – with approximately \$1.4 trillion in total deposits, as of June 30, 2015 – more than three times larger than the second largest MSA in the U.S. (Los Angeles, Long Beach, Anaheim). 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, 2015, we operated 29 private client offices located in the New York metropolitan area. These 29 offices housed a total of 97 private client banking teams. As part of the continuing development of our business strategy, we expect to open additional offices in 2016. 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, 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 includes the Fidelity Information Services' technology center in Little Rock, Arkansas. 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 separate facilities located in Jacksonville, Florida and Chicago, Illinois.



## **Employees**

As of December 31, 2015, we had 1,122 full-time equivalent employees, 665 of whom were officers. None of our employees are 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. As a bank without a bank holding company, a relatively simple capital and corporate structure, and a traditional lending and deposit-taking business model, Signature Bank in certain respects is subject to somewhat less burdensome federal bank regulatory requirements than larger banks with more complex structures and activities and banks that are subsidiaries of bank holding companies.

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 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.

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 conducted by a state bank as principal are similarly generally limited to those of a national bank. Exceptions include where approval is received for the activity from the FDIC.

#### ***Restrictions on Dividends and Other Distributions***

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. See “—Prompt Corrective Action and Enforcement Powers.”

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.

#### ***Capital Adequacy Requirements***

We are subject to comprehensive capital adequacy requirements intended to protect against losses that we may incur. FDIC regulations require that we maintain a minimum ratio of qualifying total capital to total risk-weighted assets (including off-balance sheet items) of 8.0%, and a ratio of Tier 1 capital to total risk-weighted assets of 6.0%. 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. At December 31, 2015, our total risk-based capital ratio was 12.10%, and our Tier 1 risk-based capital ratio was 11.33%. We are also required to maintain a minimum leverage capital ratio - the ratio of Tier 1 capital (net of intangibles) to adjusted total assets of 4.0%. At December 31, 2015, our leverage capital ratio was 8.87%. In addition we must maintain a minimum common equity tier 1 capital ratio of 4.5%. Common equity Tier 1 capital consists of common stock instruments that meet the eligibility criteria in FDIC regulations, retained earnings, accumulated other comprehensive income (loss) and common equity Tier 1 minority interest. At December 31, 2015, our common equity Tier 1 capital ratio was 11.33%.

On July 9, 2013, the FDIC approved final rules that substantially amended the regulatory risk-based capital rules applicable to Signature Bank beginning January 1, 2015. The final rules were adopted following the issuance of proposed rules by the federal banking regulators in June 2012, and implemented 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 represented the following changes to the bank's capital adequacy requirements: (i) a new common equity Tier 1 risk-based capital ratio; (ii) an increase in

the Tier 1 risk-based capital ratio minimum requirement from 4.0% to 6.0%; and (iii) a leverage ratio minimum requirement of 4.0% for *all* institutions, where 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%. 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. The capital conservation buffer will be phased-in over four years beginning on January 1, 2016, as follows: the maximum buffer is 0.625% of risk-weighted assets for 2016, 1.250% for 2017, 1.875% for 2018, and 2.500% 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 set forth certain changes for the calculation of risk-weighted assets, which we have been required to utilize since 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 are in compliance with the requirements as set forth in the final rules as they are presently in effect.

#### ***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 prompt corrective action (“PCA”) provisions: “well capitalized,” “adequately capitalized,” “undercapitalized,” “significantly undercapitalized,” or “critically undercapitalized.” As of December 31, 2015, 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 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 8.0% 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. See “—Capital Adequacy Requirements.” 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. On March 31, 2015, we submitted stress testing results using data as of September 30, 2014, which we publicly disclosed on June 18, 2015. The stress testing results 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 defined in the rule as “covered funds” (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). Banks were required to conform their activities and investments to the requirements of the final regulations by July 21, 2015. 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 fully 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 and in December 2014 the Federal Reserve 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. 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, 2015, \$8.49 billion, or 31.7%, 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.

Applicable federal law governing interstate branching, as amended by the Dodd-Frank Act, 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 Dodd-Frank Act also established the 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, the Fair Debt Collection Practices Act, and the Fair Credit Reporting Act. The CFPB is also permitted to prevent any institution under its authority from engaging in an unfair, deceptive, or abusive act or practice in connection with consumer financial products and services. 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 became effective in October 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 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. The CFPB has been very active in bringing enforcement actions against banks and other financial institutions to enforce consumer financial laws, and has developed a number of new enforcement theories and applications of these laws. Other federal financial regulatory agencies, including the FDIC, also have become increasingly active in this area with respect to institutions over which they have jurisdiction.

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.

### ***Community Reinvestment Act and Fair Lending***

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.

Fair lending laws prohibit discrimination in the provision of banking services, and the enforcement of these laws has been an increasing focus for the CFPB and other regulators. Fair lending laws include the Equal Credit Opportunity Act of 1974 and the Fair Housing Act of 1968, which outlaw discrimination in credit and residential real estate transactions on the basis of prohibited factors including, among others, race, color, national origin, gender, and religion. A lender may be liable for policies that result in a disparate treatment of or have a disparate impact on a protected class of applicants or borrowers. If a pattern or practice of lending discrimination is alleged by a regulator, then that agency may refer the matter to the U.S. Department of Justice ("DOJ") for investigation. In December 2012, the DOJ and CFPB entered into a Memorandum of Understanding under which the agencies have agreed to share information, coordinate investigations and have generally committed to strengthen their coordination efforts. Signature Bank is required to have a fair lending program that is of sufficient scope to monitor the inherent fair lending risk of the institution and that appropriately remediates issues which are identified.

### ***Anti-Money Laundering Regulation***

We must also comply with the anti-money laundering (“AML”) 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.

Signature Bank is also subject to New York AML laws and regulations. On December 1, 2015, the New York Department of Financial Services released a proposed rule that would require certain New York-regulated financial institutions, including Signature Bank, to comply with enhanced anti-terrorism and AML requirements and subject chief compliance officers to potential criminal liability for noncompliance. The proposed rule adds, among other AML program requirements, greater specificity to certain transaction monitoring and filtering requirements, the obligation to conduct an ongoing, comprehensive risk assessment, and expressly eliminates a regulated institution’s ability to adjust its monitoring and filtering programs to limit the number of alerts generated. The proposed rule also requires chief information officers to submit certifications of compliance with these requirements annually, and the filing of false or incorrect certifications could subject the certifying officer to criminal penalties. If the proposed rule is finalized as currently drafted, then Signature Bank would likely incur additional cost in complying with these requirements.

### ***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. The Federal Reserve Act and its implementing Regulation O also provide limitations on the ability of Signature Bank to extend credit to executive officers, directors and 10% shareholders (“insiders”). 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 person or group of persons acting in concert who intends to acquire 10% or more of any class of our voting stock or otherwise obtain control over us would 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 and a second proposed rule will likely be issued by the agencies in 2016. 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.

### ***Other Regulatory Requirements***

Federal banking laws and regulations, including the Dodd-Frank Act and its implementing rules, apply increasingly more stringent regulatory and supervisory requirements to banks or bank holding companies that cross the asset thresholds of \$10 billion, \$50 billion and \$250 billion. As an organization with a bank as its top level company and with a relatively simple business model, Signature Bank, at its asset size of \$33.45 billion as of December 31, 2015, is, and in the foreseeable future, expects to be subject only to some of these escalating requirements.



Under FDIC regulations, we are required to pay premiums to the Deposit Insurance Fund (“DIF”) 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. The Dodd-Frank Act increased the minimum for the DIF reserve ratio, the ratio of the amount in the DIF to insured deposits from 1.15% to 1.35% and required that the ratio reach 1.35% by September 30, 2020. Banks with total assets of \$10 billion or more are responsible for funding this increase. In October 2015, the FDIC proposed a surcharge on banks with at least \$10 billion in total assets at an annual rate of four and one-half basis points applied to the institution’s assessment base (with certain adjustments) in order to reach a DIF reserve ratio of 1.35%. The FDIC has estimated that this assessment should be sufficient to reach a 1.35% ratio approximately eight quarters after it becomes effective. However, if this does not occur by December 31, 2018, the proposed rule also imposes an additional shortfall assessment. In either case, these assessments would end once the ratio reached 1.35%. In conjunction with this surcharge, a new rate schedule for the regular surcharge is expected to be implemented. In aggregate, this is expected to increase our deposit insurance assessments by approximately \$2 million per year.

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 0.60 basis points of insured deposits on an annualized basis in fiscal year 2015. These assessments will continue until the FICO bonds mature in 2017.

We use “brokered deposits” to fund a portion of our activities. If we were no longer able to accept or renew brokered deposits, we would need to replace that funding or shed assets. Acceptance or renewal of brokered deposits is regulated by the FDIC. If we do not maintain our regulatory capital above the level required to be “well capitalized” then we would be limited in our ability to accept or renew deposits classified as “brokered deposits” unless we obtain a waiver from the FDIC and are at least “adequately” capitalized. Brokered deposits include deposits accepted through a deposit broker. A “deposit broker” is broadly defined by statute and FDIC rules and interpretations. In some circumstances, employees of a bank and its subsidiaries can be treated as deposit brokers and the customer deposits that they are involved in servicing treated as brokered deposits. The FDIC recently has issued guidance on its rules on brokered deposits and is considering further guidance.

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 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.

The FDIC as a supervisory matter expects an insured bank to have governance, internal control, compliance and supervisory programs consistent with its size and activities. As Signature Bank approaches \$50 billion in assets, the FDIC will generally expect the Bank to develop and implement enhanced governance, internal control, compliance and supervisory programs, and incur the costs to implement, staff, and maintain those programs.

Commercial real estate loans represent a significant portion of our loan portfolio. Due to the risks associated with this type of lending, in 2006 the federal banking agencies, including the FDIC, issued guidance on commercial real estate concentration risk management. Under this guidance, a bank's commercial real estate lending exposure may receive increased supervisory scrutiny under certain circumstances, including where total commercial real estate loans represent 300% or more of an institution's total risk-based capital and the outstanding balance of the commercial real estate loan portfolio has increased by 50% or more during the preceding 36 months. As of December 31, 2014, our ratio of total commercial real estate loans to capital was 510.0%, as of December 31, 2015, that ratio increased to 590.1%. In December 2015, the agencies released a new statement on prudent risk management for commercial real estate lending. In it, the agencies express concerns about easing commercial real estate underwriting standards, direct financial institutions to maintain underwriting discipline and exercise risk management practices to identify, measure and monitor lending risks and indicate that they will continue to pay special attention to commercial real estate lending activities and concentration going forward.

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, and funds availability. 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 cybersecurity 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.

## 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

#### ***Volatility in global financial markets might continue and the federal government 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, other regulatory actions applicable to financial institutions and accommodative monetary policy. 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 throughout the world remain uncertain, including conditions in Brazil, China, India, and certain African and European countries. Moreover, the impact of changes and anticipated changes in fiscal and monetary policy, including those in China and Europe, are difficult to predict and may further deteriorate economic conditions or increase volatility in financial markets. We hold corporate debt securities issued by U.S. financial institutions that have material exposure to foreign countries. As such, further deterioration of the economic conditions or increase in volatility of financial markets outside of the United States 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. Furthermore, a slowdown or deterioration of economic conditions in other parts of the world may have an adverse effect on economic conditions in the United States, which could materially and adversely affect our financial condition and results of operations.

#### ***Difficult market conditions have adversely affected our industry.***

Recent uncertainty and deterioration in market conditions may have adverse effects on certain industries, including the oil and gas industries, may have an adverse effect on certain regional or national economic conditions in the United States 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. Difficult market conditions, including continuing declines or wide fluctuations in oil and gas prices, could have an adverse impact on the ability of borrowers, especially in the oil and gas industries, to make timely loan payments, which could lead to losses on such loans. 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. In 2015, the Bank launched a new wholly owned subsidiary, Signature Public Funding, further expanding product lines to include a range of municipal finance and tax-exempt lending and leasing products to government entities throughout the country, including state and local governments, school districts, fire and police and other municipal entities. 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. Any 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 and borrowings. There are indications that interest rates may begin to move above their recent historical lows. In December 2015, the Federal Reserve raised its benchmark interest rate by a quarter of a percentage point, representing the first Federal Reserve benchmark interest rate increase since 2006. 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, non-bank lenders, some pursuing non-traditional models, which are not subject to regulatory capital limits or bank supervision, have become active competitors. Similarly, 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 98% of our portfolio of investment securities was rated investment grade as of December 31, 2015, 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 and under-employment 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 in the recent past. Although home prices appear to have stabilized, if the value of homes were to 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 recent 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 and under-employment 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.

Recent U.S. debt ceiling and budget deficit concerns have increased the possibility of additional U.S. government shutdowns, credit-rating downgrades and economic slowdowns, or a recession in the United States. Although U.S. lawmakers have passed legislation to raise the federal debt ceiling on multiple occasions, ratings agencies have lowered or threatened to lower the long-term sovereign credit rating on the United States. The impact of further U.S. government shutdowns, any further downgrades to the U.S. government's sovereign credit rating or its perceived creditworthiness could adversely affect the ability of the U.S. government to support the financial stability of Fannie Mae, Freddie Mac and the Federal Home Loan Banks.

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 97% of our total loan portfolio as of December 31, 2015, 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 we have seen an increase in the nonperformance of loans made to finance taxi medallions. Moreover, the increase in competition in the taxi industry has affected the value of medallions that serve as collateral for our taxi medallion loans. As of December 31, 2015, \$815.2 million (or 17%) of our commercial and industrial loans were to finance taxi medallions, compared to \$831.3 million (or 20%) at December 31, 2014. During 2015, we restructured \$147.4 million of the \$815.2 million taxi medallion loans outstanding as of December 31, 2015; we anticipate that additional taxi medallion loans will need to be restructured in 2016. If we are unable to restructure such loans successfully or we are unable to repossess and dispose of medallions at a price that is adequate to cover the amount of such loans, then our financial condition and results of operations may be materially adversely affected.

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. For a discussion of supervisory issues associated with commercial real estate portfolio concentration, see "Regulation and Supervision—Other Regulatory Requirements."

***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, 2015, approximately 78% of the collateral for the loans in our portfolio consisted of real estate. The market value of real estate, particularly real estate held for investment, can fluctuate significantly in a short period of time as a result of market conditions in the geographic area in which the real estate is located. If the value of the real estate serving as collateral for our loan portfolio were to decline materially, a portion of our loan portfolio could become under-collateralized. If the loans that are collateralized by real estate become troubled during a time when market conditions are declining or have declined, we may not be able to realize the value of the collateral that we anticipated at the time of originating the loan, which could have a material adverse effect on our provision for loan and lease losses and our financial condition and results of operations.

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

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



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

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

In addition, we are subject to credit risk in our investment portfolio. Our investments include debentures, mortgage-backed securities and collateralized mortgage obligations issued or guaranteed by U.S. government-sponsored enterprises, such as Fannie Mae, Freddie Mac and the Federal Home Loan Banks, as well as collateralized mortgage obligations, bank-collateralized pooled trust preferred securities and other debt securities issued by private issuers. The issuers of our trust preferred securities include several 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 \$2.72 billion at December 31, 2015. 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, 2015, we held \$154.4 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 or such directors or teams also may face litigation in some instances brought by former employers of these individuals relating to their separation from the former employer. 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 or group of individuals or entities deemed to be acting in concert who acquires 10% or more of our voting stock or otherwise obtains control over Signature Bank would be required to file a notice with the FDIC under the Change in Bank Control Act and to receive a non-objection to such acquisition of control. Finally, any individual or group of individuals or entities deemed to be acting in concert 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.

***Curtailed 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 are reliant on brokered deposits to fund a portion of our activities and the loss of the ability to accept or renew brokered deposits could have an adverse effect.***

Acceptance or renewal of “brokered deposits” is regulated by the FDIC. If we do not maintain our regulatory capital above the level required to be “well-capitalized” we would not be able to accept or renew brokered deposits without a waiver from the FDIC. If we were no longer able to accept or renew brokered deposits, we would need to replace that funding or shed assets. See “Regulation and Supervision—Other Regulatory Requirements.”

***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.

***We are subject to various legal claims and litigation.***

From time to time, customers, employees and others that we do business with make claims and take legal action against us for various occurrences, including the performance of our fiduciary responsibilities. The outcome of these cases is uncertain. Regardless of whether these claims and legal actions are founded or unfounded, if such claims and legal actions are not resolved in a timely manner favorable to us, they may result in significant financial liability and/or adversely affect the market perception of us and our products and services, as well as impact customer demand for our products and services. Any financial liability or reputational damage may adversely affect our future financial condition and results of operations. Even if these claims and legal actions do not result in a financial liability or reputational damage, defending these claims and actions have resulted in, and will continue to result in, increased legal and professional services costs, which may be material in amount.

***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 and cyber security threats. 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. See "Regulation and Supervision—Restrictions on Dividends and Other Distributions."

***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 2016 public offering of 2,366,855 shares of our common stock and 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 and under-employment. 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 Securities and Exchange Commission (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 obtaining deposits, 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.

Under an FDIC rule, Signature Bank is subject to relatively new regulatory risk-based capital rules. The FDIC rule implemented the “Basel III” regulatory capital reforms and changes required by the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”). The FDIC included new minimum risk-based capital and leverage ratios and refined 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 6.0% (increased from 4.0%); (iii) a total capital ratio of 8.0% (unchanged from prior rules); and (iv) a Tier 1 leverage ratio of 4.0%. 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 phased in beginning January 2016 at 0.625% of risk-weighted assets will 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—Capital Adequacy Requirements.”

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, a bank’s ability to accept brokered deposits 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. See “Regulation and Supervision—Prompt Corrective Action and Enforcement Powers.”

***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. In October 2015, the FDIC proposed a temporary surcharge on banks with total assets of at least \$10 billion, with the possibility of an additional shortfall surcharge to reach a DIF reserve ratio of 1.35% as required by the Dodd-Frank Act. See “Regulation and Supervision - Other Regulatory Requirements.” 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 Consumer Financial Protection Bureau (the “CFPB”), the SEC 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, regulations and government policy could adversely affect the banking industry as a whole, including our results of operations. Our results of operations also could be adversely affected by changes in the way in which existing statutes and regulations are interpreted or applied by courts and government agencies.

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 ongoing 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 discovered through, including, but not limited to, examination, or customer complaints, 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. For example, the enforcement of fair lending laws has been an increasing area of focus for regulators, including the FDIC and the CFPB, and an examination or customer complaint could lead to an enforcement action in this area. General regulatory sanctions that regulators may seek against a bank 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, among other penalties.

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

The Dodd-Frank Act, signed into law in 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 established the CFPB with broad authority and permits states to adopt stricter consumer protection laws and enforce consumer protection rules issued by the CFPB.

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 Volcker Rule 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 \$81.2 million and an amortized cost of \$79.8 million as of December 31, 2015. Although these securities had an unrealized gain as of December 31, 2015, 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. In addition, the CFPB issued a final rule in December 2013 regarding integrated mortgage disclosures fulfilling requirements under the Truth in Lending Act and the Real Estate Settlement Procedures Act. The integrated mortgage disclosure requirements became effective in October 2015. The CFPB's mortgage lending, servicing and disclosure 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 material adverse effects.

***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. 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. 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
Staten Island	2
Bronx	1
Greenwich, CT	1
<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>	
Buffalo, NY	1
El Dorado Hills, CA	1
Littleton, CO	1
Norwell, MA	1
Prairie, MN	1
Redmond, WA	1
Scottsdale, AZ	1
<b>Signature Public Funding</b>	
Towson, MD	1
<b>Total Locations</b>	<b>43</b>

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

**ITEM 3. LEGAL PROCEEDINGS**

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

**ITEM 4. MINE SAFETY DISCLOSURES**

None.

## PART II

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

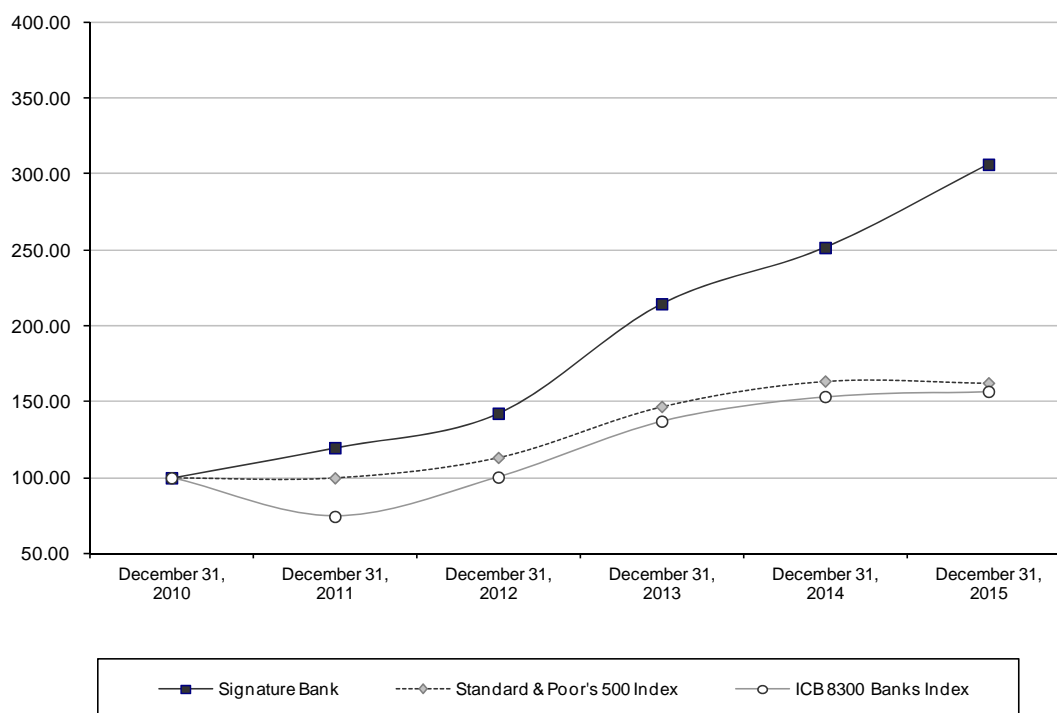
Our common stock is listed on the NASDAQ Global Select Market under the symbol "SBNY." As of December 31, 2015, 51,929,064 shares of our common stock were issued and 50,901,408 shares were outstanding. The following table lists, on a quarterly basis, the range of high and low intra-day sale prices per share of our common stock in U.S. dollars:

	Common Stock	
	High	Low
<b>2015</b>		
Fourth quarter	\$ 163.15	132.54
Third quarter	155.84	126.49
Second quarter	149.65	128.37
First quarter	133.69	113.98
<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

On December 31, 2015, the last reported sale price of our common stock was \$153.37 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 and the Industry Classification Benchmark ("ICB") 8300 Banks Index:



The performance period reflected below assumes that \$100 was invested in our common stock and each of the indexes listed below on December 31, 2010. The performance of our common stock reflected below is not indicative of our future performance.

Company Name/Index	December 31,					
	2010	2011	2012	2013	2014	2015
Signature Bank	\$ 100.00	119.84	142.51	214.58	251.62	306.37
Standard & Poor's 500 Index	100.00	100.00	113.40	146.97	163.71	162.52
ICB 8300 Banks Index	100.00	74.57	100.48	137.27	153.50	156.89

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

## **DIVIDEND POLICY**

We have never declared or paid any cash dividends on our common stock. For the 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>At or for the years ended December 31,</i>				
<i>(dollars in thousands, except per share amounts)</i>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>SELECTED OPERATING DATA</b>					
Interest income	\$ 1,106,948	924,273	755,150	660,556	580,516
Interest expense	129,847	123,122	106,807	110,750	120,729
Net interest income before provision for loan and lease losses	977,101	801,151	648,343	549,806	459,787
Provision for loan and lease losses	44,914	31,110	41,643	41,427	51,876
Net interest income after provision for loan and lease losses	932,187	770,041	606,700	508,379	407,911
<b>Non-interest income:</b>					
Non-interest income excluding net impairment losses on securities recognized in earnings	38,067	36,706	38,160	39,312	44,127
Net impairment losses on securities recognized in earnings	(963)	(1,724)	(6,149)	(3,073)	(2,089)
Total non-interest income	37,104	34,982	32,011	36,239	42,038
Non-interest expense	341,214	293,244	247,177	218,243	182,724
Income before income taxes	628,077	511,779	391,534	326,375	267,225
Income tax expense	255,012	215,075	162,790	140,892	117,699
Net income	373,065	296,704	228,744	185,483	149,526
Net income available to common shareholders	\$ 373,065	296,704	228,744	185,483	149,526
<b>PER COMMON SHARE DATA</b>					
Earnings per share - basic	\$ 7.35	6.05	4.84	3.98	3.43
Earnings per share - diluted	\$ 7.27	5.95	4.76	3.91	3.37
<b>BALANCE SHEET DATA</b>					
Total assets	\$ 33,450,545	27,318,640	22,376,663	17,456,057	14,666,120
Securities available-for-sale	6,240,761	6,073,459	5,632,233	6,130,356	6,512,855
Securities held-to-maturity	2,133,144	2,208,551	2,175,844	739,835	556,044
Loans held for sale	456,358	548,297	420,759	369,468	392,025
Loans, net of allowance for loan and lease losses	23,597,541	17,693,316	13,384,400	9,664,337	6,764,564
Allowance for loan and lease losses	195,023	164,392	135,071	107,433	86,162
Deposits	26,773,923	22,620,275	17,057,097	14,082,652	11,754,138
Borrowings	3,537,163	2,050,163	3,370,313	1,585,000	1,425,800
Shareholders' equity	2,891,834	2,496,238	1,799,939	1,650,327	1,408,116

*(Continued on the next page)*

At or for the years ended December 31,

(dollars in thousands, except per share amounts)

	2015	2014	2013	2012	2011
<b>OTHER DATA</b>					
Assets under management	\$ 5,207,906	\$ 3,566,595	\$ 2,240,723	\$ 1,741,054	\$ 1,674,206
Average interest-earning assets	\$ 29,962,220	\$ 24,340,755	\$ 19,324,652	\$ 15,556,626	\$ 12,889,784
Full-time employee equivalents	1,122	1,010	945	844	720
Private client offices	29	28	27	26	25
<b>SELECTED FINANCIAL RATIOS</b>					
<b>Performance Ratios:</b>					
Return on average assets	1.23%	1.20%	1.16%	1.17%	1.14%
Return on average shareholders' equity	13.85%	13.81%	13.26%	12.13%	12.71%
Return on average common shareholders' equity	13.85%	13.81%	13.26%	12.13%	12.71%
Yield on average interest-earning assets	3.69%	3.80%	3.91%	4.25%	4.50%
Average rate on deposits and borrowings	0.47%	0.55%	0.60%	0.78%	1.01%
Net interest margin	3.26%	3.29%	3.36%	3.53%	3.57%
Efficiency ratio (1)	33.64%	35.07%	36.33%	37.24%	36.41%
Efficiency ratio excluding net impairment losses on securities recognized in earnings (1)(2)	33.61%	35.00%	36.01%	37.05%	36.26%
Efficiency ratio excluding net gains on sales of securities and net impairment losses on securities recognized in earnings (1) (2)	33.65%	35.22%	36.33%	37.48%	37.33%
<b>Asset Quality Ratios:</b>					
Net charge-offs to average loans	0.07%	0.01%	0.12%	0.25%	0.55%
ALLL to total loans	0.82%	0.92%	1.00%	1.10%	1.26%
ALLL to non-accrual loans	271.22%	782.52%	430.96%	395.12%	204.09%
Non-accrual loans to total loans	0.30%	0.12%	0.23%	0.28%	0.62%
Non-performing assets to total assets	0.22%	0.08%	0.16%	0.19%	0.33%
<b>Capital and Liquidity Ratios:</b>					
Tier 1 Leverage Capital Ratio	8.87%	9.25%	8.54%	9.51%	9.67%
Common Equity Tier 1 Risk-Based Capital Ratio (3)	11.33%	-	-	-	-
Tier 1 Risk-Based Capital Ratio	11.33%	13.49%	14.07%	15.32%	17.08%
Total Risk-Based Capital Ratio	12.10%	14.39%	15.10%	16.35%	18.17%
Average equity to average assets	8.88%	8.69%	8.76%	9.64%	8.94%
Average tangible equity to average assets (2)	8.88%	8.69%	8.76%	9.64%	8.94%
<b>Per common share data:</b>					
Number of weighted average common shares outstanding	50,739	49,066	47,267	46,633	43,622
Book value per common share	\$ 56.81	\$ 49.61	\$ 38.06	\$ 34.94	\$ 30.49

(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.

(3) As part of the final rules implementing Basel III regulatory capital reforms, a new common equity Tier 1 risk-based capital ratio was added to existing minimum capital requirements as of January 1, 2015.

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

The following discussion should be read 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 "Private Securities Litigation Reform Act Safe Harbor Statement."

### Overview

We have grown to \$33.45 billion in assets, \$26.77 billion in deposits, \$23.79 billion in loans, \$2.89 billion in equity capital and \$5.21 billion in other assets under management as of December 31, 2015.

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 expenses, which has contributed to our low efficiency ratio of 33.6% for the year ended December 31, 2015.

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

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

We consider our policies related to the ALLL 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 98.5% of our total loan portfolio, excluding loans held for sale, as of December 31, 2015. Our credit-rated commercial loans are further segmented by portfolio including commercial real estate loans, commercial and industrial loans, and commercial loans secured by 1-4 family residential property. Certain commercial and industrial loans are analyzed on a more granular level such as specialty finance loans and taxi medallion loans. For each loan portfolio 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 of 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 within each loan portfolio segment are aggregated by credit rating, and we estimate the allowance for losses for each credit rating within each portfolio using loss factors based on the portfolio's 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 the 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 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 1.5% of our total loan portfolio, excluding loans held for sale, as of December 31, 2015.

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 \$500,000 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 \$500,000, 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. Management is primarily responsible for assessing the overall adequacy of the allowance on a quarterly basis. In addition, reserve adequacy is also assessed by an internal Loan Quality Review Committee, which includes members of senior management, accounting, credit and risk management, and is presented to our Board of Directors for their review and consideration on a quarterly basis. Reserve adequacy is also assessed by our independent risk management function, which performs independent credit reviews and a validation of the allowance model employed.

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, if appropriate. 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. Additionally, an accruing loan that is modified as a TDR may remain in accrual status if, based on a credit analysis, collection of principal and interest in accordance with the modified terms is reasonably assured, and the borrower demonstrated sustained historical repayment performance for a reasonable period 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, however, 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 (loss).

Securities are reviewed at least quarterly to determine if 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 February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which will require lessees to recognize most leases on-balance sheet. Lessor accounting will remain substantially the same, but the ASU contains changes intended to align lessor accounting with the lessee accounting model, as well as the revenue recognition ASU issued in 2014. The ASU will replace most existing lease accounting guidance and require expanded quantitative and qualitative disclosures for both lessees and lessors when it becomes effective for annual and interim periods in fiscal years beginning after December 31, 2018. Early adoption is permitted immediately and the standard requires the use of the modified retrospective transition method. The Company is currently evaluating the impact to our Company's Consolidated Financial Statements.

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 was effective for interim and annual periods beginning after December 15, 2014 and should be applied retrospectively if investors elect the proportional amortization method. Early adoption is permitted. We adopted the amended guidance on January 1, 2015 and elected not to apply the proportional amortization method for investments in qualified affordable housing projects. Therefore, the adoption did not have an impact on the Bank's results of operations or financial condition. Our investments in qualified affordable housing projects are reflected in our Consolidated Statements of Financial Condition in Other assets at the amount of total commitments to fund qualified affordable housing projects less any amortization recognized, and the future funding commitments are reported in Accrued expenses and other liabilities. As of December 31, 2015, the carrying value of such investments was \$115.9 million and our future commitments to these projects totaled \$53.5 million, which we expect to make through 2031. During the year ended December 31, 2015, we recognized amortization expense of \$6.3 million in pre-tax income, and \$10.9 million of income tax credits associated with these investments.

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 was 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 adopted the applicable requirements for ASU 2014-04 in the first quarter of 2015, elected the prospective transition method, and have provided the related disclosures as required.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in GAAP when it becomes effective on January 1, 2018. Early application is permitted for annual periods beginning after December 15, 2016. The standard permits the use of either the retrospective or cumulative effect transition method. The Company is currently evaluating the impact to our Company's 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 could not adopt the standard's provisions early. We adopted the applicable requirements for ASU 2014-11 on January 1, 2015 with no impact to our financial condition or results of operations. Since our repurchase agreements are accounted for as secured borrowings, the required enhanced disclosures are included in Note 12 and Note 13 to 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 adopted the applicable requirements for ASU 2014-12 on January 1, 2015 with no impact to 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 adopted the applicable requirements for ASU 2014-14 on January 1, 2015 with no impact to 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, 2015 compared to the year ended December 31, 2014 and for the year ended December 31, 2014 compared to the year ended December 31, 2013.

### Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

#### Net Income

Net income for the year ended December 31, 2015 was \$373.1 million, or \$7.27 diluted earnings per share, compared to \$296.7 million, or \$5.95 diluted earnings per share, for the year ended December 31, 2014. 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, 2015 were 13.85% and 1.23%, compared to 13.81% and 1.20% for the year ended December 31, 2014.

<i>(in thousands)</i>	<i>Years ended December 31,</i>	
	<b>2015</b>	<b>2014</b>
Interest income	\$ 1,106,948	924,273
Interest expense	129,847	123,122
Net interest income before provision for loan and lease losses	977,101	801,151
Provision for loan and lease losses	44,914	31,110
Non-interest income:		
Non-interest income excluding net impairment losses on securities recognized in earnings	38,067	36,706
Net impairment losses on securities recognized in earnings	(963)	(1,724)
Total non-interest income	37,104	34,982
Non-interest expense	341,214	293,244
Income tax expense	255,012	215,075
Net income	\$ 373,065	296,704



## 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, 2015 and 2014:

	Years ended December 31,					
	2015			2014		
	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	\$ 403,403	1,013	0.25%	387,213	928	0.24%
Investment securities	8,530,863	262,268	3.07%	8,198,481	267,722	3.27%
Commercial loans, mortgages and leases (1)	20,376,793	827,273	4.06%	15,069,896	639,014	4.24%
Residential mortgages and consumer loans (1)	327,113	12,509	3.82%	344,356	13,271	3.85%
Loans held for sale	324,048	3,885	1.20%	340,809	3,338	0.98%
Total interest-earning assets	29,962,220	1,106,948	3.69%	24,340,755	924,273	3.80%
Non-interest-earning assets	366,592			365,143		
Total assets	\$ 30,328,812			24,705,898		
<b>INTEREST-BEARING LIABILITIES</b>						
Interest-bearing deposits						
NOW and interest-bearing demand	\$ 2,208,678	8,961	0.41%	1,276,342	4,900	0.38%
Money market	14,109,742	83,314	0.59%	11,592,917	75,974	0.66%
Time deposits	969,556	10,630	1.10%	1,155,702	12,620	1.09%
Non-interest-bearing demand deposits	8,005,589	-	-	5,906,454	-	-
Total deposits	25,293,565	102,905	0.41%	19,931,415	93,494	0.47%
Borrowings	2,109,763	26,942	1.28%	2,443,596	29,628	1.21%
Total deposits and borrowings	27,403,328	129,847	0.47%	22,375,011	123,122	0.55%
Other non-interest-bearing liabilities and shareholders' equity						
	2,925,484			2,330,887		
Total liabilities and shareholders' equity	\$ 30,328,812			24,705,898		
<b>OTHER DATA</b>						
Net interest income / interest rate spread		977,101	3.22%		801,151	3.25%
Net interest margin			3.26%			3.29%
Ratio of average interest-earning assets to average interest-bearing liabilities			109.34%			108.79%

(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, 2015 vs. 2014</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	\$ 46	39	85
Investment securities	(16,308)	10,854	(5,454)
Commercial loans, mortgages and leases	(36,771)	225,030	188,259
Residential mortgages and consumer loans	(97)	(665)	(762)
Loans held for sale	711	(164)	547
Total interest income	(52,419)	235,094	182,675
<b>INTEREST EXPENSE</b>			
<b>Interest-bearing deposits</b>			
NOW and interest-bearing demand	482	3,579	4,061
Money market	(9,154)	16,494	7,340
Time deposits	43	(2,033)	(1,990)
Total interest-bearing deposits	(8,629)	18,040	9,411
Borrowings	1,362	(4,048)	(2,686)
Total interest expense	(7,267)	13,992	6,725
Net interest income	\$ (45,152)	221,102	175,950

Net interest income for the year ended December 31, 2015 was \$977.1 million, an increase of \$176.0 million, or 21.96%, over the year ended December 31, 2014. The increase in net interest income for 2015 was largely driven by increases in average interest-earning assets and average deposits, which increased \$5.62 billion and \$5.36 billion, respectively, compared to the previous year. Although net interest income for 2015 was positively impacted by lower rates paid on money market deposits, the impact of lower deposit rates was offset by the negative effects of the ongoing low interest rate environment on asset yields, particularly in our commercial loan and mortgage portfolios, as well as our investment portfolio. Our net interest margin for the year ended December 31, 2015 decreased to 3.26%, compared to 3.29% for the previous year, primarily due to the continued effect of the prolonged low interest rate environment.

Total investment securities averaged \$8.53 billion for the year ended December 31, 2015, compared to \$8.20 billion for the year ended December 31, 2014. The overall yield on the securities portfolio for the year ended December 31, 2015 was 3.07%, down 20 basis points from the previous year. The decrease in yield was predominantly due to lower reinvestment yields and an increase 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, 2015, the baseline average duration of our investment securities portfolio was approximately 3.37 years, compared to 3.17 years at December 31, 2014.

Total commercial loans, mortgages and leases averaged \$20.38 billion for the year ended December 31, 2015, an increase of \$5.31 billion or 35.2% over the year ended December 31, 2014. The average yield on this portfolio decreased 18 basis points to 4.06% when compared to the year ended December 31, 2014. The decrease in average yield reflects the impact of the low prevailing interest rate environment on recent loan originations and refinancings along with a heightened competitive environment, which were partially offset by a \$6.6 million increase in prepayment penalty income when compared to 2014. Prepayment penalty income was \$33.8 million for the year ended December 31, 2015, compared to \$27.2 million for the same period last year.

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 period-to-period fluctuations in average balances of loans held for sale, which averaged \$324.0 million and \$340.8 million for the years ended December 31, 2015 and 2014, respectively.

Average total deposits and borrowings increased \$5.02 billion, or 22.5%, to \$27.40 billion during the year ended December 31, 2015, compared to \$22.38 billion for the previous year. Overall cost of funding was 0.47% during 2015, decreasing eight basis points from 0.55% in 2014.

For the year ended December 31, 2015, average non-interest-bearing demand deposits were \$8.01 billion, compared to \$5.91 billion for the year ended December 31, 2014, an increase of \$2.10 billion, or 35.5%. Non-interest-bearing demand deposits continue to comprise a significant component of our deposit mix, representing 31.7% of all deposits at December 31, 2015. Additionally, average NOW and interest-bearing demand and money market accounts totaled \$16.32 billion for the year ended December 31, 2015, an increase of \$3.45 billion, or 26.8%, over the year ended December 31, 2014. Core deposits have provided us with a source of stable and relatively 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 0.59% for the year ended December 31, 2015 compared to 0.66% for the prior year. Our funding cost for NOW and interest-bearing demand accounts was 0.41% for the year ended December 31, 2015 compared to 0.38% for the year ended December 31, 2014.

Average time deposits, which are relatively short-term in nature, totaled \$970 million for the year ended December 31, 2015 and carried an average cost of 1.10% in 2015, up one basis point from 1.09% in 2014. 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, 2015, average total borrowings were \$2.11 billion, compared to \$2.44 billion for the previous year, a decrease of \$333.8 million, or 13.7%. The decrease in average total borrowings, when compared to the previous year, was driven by average deposit growth. At December 31, 2015, total borrowings represent approximately 11.7% of all funding liabilities, compared to 8.3% at December 31, 2014. The average cost of our total borrowings was 1.28% for 2015, up seven basis points from 1.21% in 2014. The increase in the average cost of borrowings reflects the short-term, low-cost nature of borrowings repaid in 2015.

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

Our provision for loan and lease losses was \$44.9 million for the year ended December 31, 2015, compared to \$31.1 million for the prior year, an increase of \$13.8 million, or 44.4%. Our ALLL increased \$30.6 million to \$195.0 million at December 31, 2015 from \$164.4 million at December 31, 2014. The increases in both the provision for loan and lease losses and ALLL were primarily driven by our loan growth combined with additional reserves for taxi medallion loans.

For additional information about the provision for loan and lease losses and ALLL, see the discussion of asset quality and the Allowance for Loan and Lease Losses later in this report, as well as in Note 8 to our Consolidated Financial Statements.

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,					
	2015			2014		
	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	\$ 11,823,073	82,382	0.70%	8,607,989	63,091	0.73%
Commercial property	6,372,851	45,497	0.71%	4,288,084	32,910	0.77%
1-4 family residential property	539,526	3,598	0.67%	463,420	7,178	1.55%
Home equity lines of credit	163,191	4,931	3.02%	160,890	3,522	2.19%
Construction and land	75,958	558	0.73%	64,824	477	0.74%
<b>Other loans:</b>						
Commercial and industrial	4,788,722	57,716	1.21%	4,242,764	56,756	1.34%
Consumer	9,714	341	3.51%	10,245	458	4.47%
<b>Total</b>	<b>\$ 23,773,035</b>	<b>195,023</b>	<b>0.82%</b>	<b>17,838,216</b>	<b>164,392</b>	<b>0.92%</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, 2015, non-interest income was \$37.1 million, an increase of \$2.1 million, or 6.1%, when compared with 2014. The increase in non-interest income was primarily driven by an increase in fees and service charges, an increase in commissions, as well as an increase in net gains on sales of loans, partially offset by a reduction in the amount of net gains on sales of securities. The increase in non-interest income also reflects a decrease in net other-than-temporary impairment losses on securities recognized through earnings.

Fees and service charges increased \$2.2 million, or 11.8%, to \$21.5 million for the year ended December 31, 2015, compared to \$19.3 million for 2014. Additionally, commissions increased \$769,000, or 7.2%, to \$11.4 million for the year ended December 31, 2015 from \$10.6 million for 2014. The increases in both commissions and fees and service charges were driven by increased client activity as a result of our growth.

Net gains on sales of loans increased \$1.8 million, or 32.2%, to \$7.1 million for the year ended December 31, 2015, compared to \$5.3 million during the prior year predominantly from our SBA pool assembly business.

We also recognized through earnings net other-than-temporary impairment losses on securities totaling \$1.0 million during the year ended December 31, 2015, compared to \$1.7 million for the prior year. For further discussion of our other-than-temporary impairment losses, see Note 4 to our Consolidated Financial Statements.

Additionally, the total increase discussed above was partially offset by net gains on sales of securities which decreased \$4.1 million, or 77.1% to \$1.2 million for the year ended December 31, 2015 compared to \$5.3 million for the prior year.

### Non-Interest Expense

Non-interest expense increased \$48.0 million, or 16.4%, to \$341.2 million for the year ended December 31, 2015 from \$293.2 million for the year ended December 31, 2014. This increase was primarily driven by a \$33.4 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 existing locations, along with increased incentive-based compensation costs driven by the growth of our business. The increase also reflects a \$3.4 million increase in FDIC assessment fees driven by our deposit growth, as well as a \$3.5 million increase in occupancy and equipment expenses resulting from the expansion of existing offices. Further contributing to the increase is a \$3.8 million increase in other general and administrative expenses, reflecting increased expenses mostly 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 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, 2015, our total unrecognized compensation cost related to unvested restricted shares was \$61.7 million, which is expected to be recognized over a weighted-average period of 2.06 years. During the years ended December 31, 2015 and 2014, we recognized compensation expense of \$34.7 million and \$27.7 million, respectively, for restricted shares. The total fair value of restricted shares that vested during the years ended December 31, 2015 and 2014 was \$54.3 million and \$45.6 million, respectively.

## Income Taxes

We recognized income tax expense for the year ended December 31, 2015 of \$255.0 million reflecting an effective tax rate of 40.6%, compared to \$215.1 million for the year ended December 31, 2014 reflecting an effective tax rate of 42.0%.

The increase in income tax expense for the year ended December 31, 2015, when compared to the previous year, was primarily driven by an increase in our pre-tax income, partially offset by the impact of New York City tax legislation changes that went into effect during April 2015, as well as the impact of New York State corporate income tax reform that became effective at the beginning of 2015.

The New York State corporate income tax reform, which was enacted on March 31, 2014, included several changes to existing tax legislation that became 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.

On April 13, 2015, Governor Andrew Cuomo signed the final version of the 2015-2016 New York State budget legislation, which includes substantial revisions to the New York City tax regime, as well as technical clarifications and expansion of the sweeping New York State tax reform legislation passed last year.

New York City has adopted most of the state's changes relating to banking corporations formerly taxable under Article 32. Banks formerly subject to the New York City Bank Tax are, as of January 1, 2015, subject to the General Corporation Tax. Additionally, the city has adopted receipts sourcing rules equivalent to the state's rules for the sourcing of income from loans and financial instruments.

As noted, our effective tax rate for the year ended December 31, 2015 was 40.6%, compared to 42.0% for the year ended December 31, 2014, primarily as a result of these legislative changes.

## Segment Results

On an annual basis, we reevaluate our segment reporting conclusions. During the 2015 review, based on our continued assessment, particularly as it relates to our internal operating structure and the relative significance of the specialty finance business, we determined our operations are organized into two reportable segments representing our core businesses – Commercial Banking and Specialty Finance.

Commercial Banking principally consists of commercial real estate lending, commercial and industrial lending, and commercial deposit gathering activities, while Specialty Finance principally consists of financing and leasing products, including equipment, transportation, taxi medallion, commercial marine, commercial vehicle, municipal and national franchise financing and/or leasing. The primary factors considered in determining these reportable segments include the nature of the underlying products and services offered, how products and services are provided to our clients, and our internal operating structure.

The segment information reported uses a “management approach” based on how management organizes its segments for purposes of making operating decisions and assessing performance. The Bank’s segment results are intended to reflect each segment as if it were a stand-alone business. Management’s accounting process uses various estimates and allocation methodologies to measure the performance of the segments. To determine financial performance for each segment, the Company allocates funding costs and certain non-interest expenses to each segment, as applicable. Management does not consider income tax expense when assessing segment profitability and, therefore, it is not disclosed in the tables below. Instead, the Bank’s income tax expense is calculated and evaluated at a consolidated level.

The following table presents the financial data for each reportable segment for the periods presented:

<i>(in thousands)</i>	<i>Year ended December 31, 2015</i>			
	<b>Commercial Banking</b>	<b>Specialty Finance</b>	<b>Eliminations</b>	<b>Consolidated</b>
Net interest income	\$ 895,741	81,360	-	977,101
Provision for loan and lease losses	15,783	29,131	-	44,914
Total non-interest income	34,405	2,699	-	37,104
Total non-interest expense	317,296	23,918	-	341,214
Income before income taxes	597,067	31,010	-	628,077
Total assets	\$ 33,401,329	3,173,198	(3,123,982)	33,450,545

<i>(in thousands)</i>	<i>Year ended December 31, 2014</i>			
	<b>Commercial Banking</b>	<b>Specialty Finance</b>	<b>Eliminations</b>	<b>Consolidated</b>
Net interest income	\$ 736,444	64,707	-	801,151
Provision for loan and lease losses	17,989	13,121	-	31,110
Total non-interest income	32,688	2,294	-	34,982
Total non-interest expense	274,305	18,939	-	293,244
Income before income taxes	476,838	34,941	-	511,779
Total assets	\$ 27,243,405	2,637,116	(2,561,881)	27,318,640

### Commercial Banking

Commercial Banking consists principally of commercial real estate lending, commercial and industrial lending, and commercial deposit gathering activities in the New York Metropolitan area.

<i>(in thousands)</i>	<i>Years ended December 31,</i>	
	<b>2015</b>	<b>2014</b>
Net interest income	\$ 895,741	736,444
Provision for loan and lease losses	15,783	17,989
Total non-interest income	34,405	32,688
Total non-interest expense	317,296	274,305
Income before income taxes	597,067	476,838
Total assets	\$ 33,401,329	27,243,405

Commercial Banking net interest income was \$895.7 million for the year ended December 31, 2015, an increase of \$159.3 million, or 21.6%, when compared to \$736.4 million in the prior year. The increase was primarily due to loan and deposit growth, as well as a positive impact due to lower rates paid on money market deposits. The impact of lower deposit rates was offset by the negative effects of the ongoing low interest rate environment on asset yields, particularly in our commercial and mortgage portfolios, as well as our investment portfolio. The provision for loan and lease losses decreased \$2.2 million, or 12.3%, to \$15.8 million for the year ended December 31, 2015 from \$18.0 million for the year ended December 31, 2014. The decrease was due to overall credit improvement in the loan portfolio partially offset by continued growth in our commercial real estate loan portfolio.

Non-interest expense was \$317.3 million for the year ended December 31, 2015, an increase of \$43.0 million, or 15.7%, when compared to \$274.3 million in the prior year. The increase was primarily attributable to an increase in salaries and benefits expense due to the addition of five private client banking teams and an increase in incentive-based costs due to the continued growth of our business. The increase also reflects an increase in FDIC assessment fees driven by our deposit growth, in addition to an increase in occupancy and equipment expense resulting from the expansion of existing offices.

The increase of \$6.16 billion in total assets, or 22.6%, from \$27.24 billion as of December 31, 2014 to \$33.40 billion as of December 31, 2015 was primarily attributable to growth in our commercial real estate loan portfolio.

### Specialty Finance

Specialty Finance consists principally of financing and leasing products, including equipment, transportation, taxi medallion, commercial marine, commercial vehicle, and national franchise financing and/or leasing. This segment also offers a range of municipal finance and tax-exempt lending and leasing products to government entities. Specialty Finance's clients are located throughout the United States.

<i>(in thousands)</i>	<i>Years ended December 31,</i>	
	<b>2015</b>	<b>2014</b>
Net interest income	\$ 81,360	64,707
Provision for loan and lease losses	29,131	13,121
Total non-interest income	2,699	2,294
Total non-interest expense	23,918	18,939
Income before income taxes	31,010	34,941
Total assets	\$ 3,173,198	2,637,116

Specialty Finance net interest income was \$81.4 million for the year ended December 31, 2015, an increase of \$16.7 million, or 25.7%, when compared to \$64.7 million in the prior year. The increase was primarily due to loan and lease growth. The provision for loan and lease losses increased \$16.0 million, or 122.0%, to \$29.1 million for the year ended December 31, 2015 from \$13.1 million for the year ended December 31, 2014. The increase was primarily attributable to loan and lease growth combined with an increase in reserves for taxi medallion loans.

Non-interest expense was \$23.9 million for the year ended December 31, 2015, an increase of \$5.0 million, or 26.3%, when compared to \$18.9 million in the prior year. The increase was primarily attributable to an increase in salaries and benefits expense due to the addition of two new business lines in 2015 – Municipal and Commercial Vehicle Finance – and a corresponding increase in headcount. Further contributing to this increase was an increase in professional, data processing, and other general and administrative expenses due to growth of the business.

The increase of \$536.1 million in total assets, or 20.3%, from \$2.64 billion as of December 31, 2014 to \$3.17 billion as of December 31, 2015 was primarily attributable growth in the equipment and vehicle portfolios.

### 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 the 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>			
<b>Interest-bearing deposits</b>			
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 refinancings 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 demand 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 demand 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 the ALLL based on our judgment of inherent losses in each respective lending area 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	4,288,084	32,910	0.77%	3,132,252	27,943	0.89%
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	4,242,764	56,756	1.34%	3,084,302	52,217	1.69%
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 the 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 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 year ended December 31, 2014 of \$215.1 million reflecting an effective tax rate of 42.0%, compared to \$162.8 million for the year ended December 31, 2013 reflecting an effective tax rate of 41.6%.

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.

## Segment Results

On an annual basis, we reevaluate our segment reporting conclusions. During the 2015 review, based on our continued assessment, particularly as it relates to our internal operating structure and the relative significance of the specialty finance business, we determined our operations are organized into two reportable segments representing our core businesses – Commercial Banking and Specialty Finance.

Commercial Banking consists principally of commercial real estate lending, commercial and industrial lending, and commercial deposit gathering activities, while Specialty Finance consists principally of financing and leasing products, including equipment, transportation, taxi medallion, commercial marine, and national franchise financing and/or leasing. The primary factors considered in determining these reportable segments include the nature of the underlying products and services offered, how products and services are provided to our clients, the applicable regulatory environments, and our internal operating structure.

The segment information reported uses a “management approach” based on how management organizes its segments for purposes of making operating decisions and assessing performance. The Bank’s segment results are intended to reflect each segment as if it were a stand-alone business. Management’s accounting process uses various estimates and allocation methodologies to measure the performance of the segments. To determine financial performance for each segment, the Company allocates funding costs and certain non-interest expenses to each segment, as applicable. Management does not consider income tax expense when evaluating segment profitability and, therefore, it is not disclosed in the tables below. Instead, the Bank’s income tax expense is calculated and evaluated at a consolidated level.

The following table presents the financial data for each reportable segment for the periods presented:

<i>(in thousands)</i>	<i>Year ended December 31, 2014</i>			
	<b>Commercial Banking</b>	<b>Specialty Finance</b>	<b>Eliminations</b>	<b>Consolidated</b>
Net interest income	\$ 736,444	64,707	-	801,151
Provision for loan and lease losses	17,989	13,121	-	31,110
Total non-interest income	32,688	2,294	-	34,982
Total non-interest expense	274,305	18,939	-	293,244
Income before income taxes	476,838	34,941	-	511,779
Total assets	\$ 27,243,405	2,637,116	(2,561,881)	27,318,640

<i>(in thousands)</i>	<i>Year ended December 31, 2013</i>			
	<b>Commercial Banking</b>	<b>Specialty Finance</b>	<b>Eliminations</b>	<b>Consolidated</b>
Net interest income	\$ 609,020	39,323	-	648,343
Provision for loan and lease losses	33,549	8,094	-	41,643
Total non-interest income	31,102	909	-	32,011
Total non-interest expense	229,996	17,181	-	247,177
Income before income taxes	376,577	14,957	-	391,534
Total assets	\$ 22,743,435	2,030,410	(2,397,182)	22,376,663

### Commercial Banking

Commercial Banking consists principally of commercial real estate lending, commercial and industrial lending, and commercial deposit gathering activities in the New York Metropolitan area.

<i>(in thousands)</i>	<i>Years ended December 31,</i>	
	<b>2014</b>	<b>2013</b>
Net interest income	\$ 736,444	609,020
Provision for loan and lease losses	17,989	33,549
Total non-interest income	32,688	31,102
Total non-interest expense	274,305	229,996
Income before income taxes	476,838	376,577
Total assets	\$ 27,243,405	22,743,435

Commercial Banking net interest income was \$736.4 million for the year ended December 31, 2014, an increase of \$127.4 million, or 20.9%, when compared to \$609.0 million in the prior year. The increase was primarily due to loan and deposit growth, as well as a positive impact due to lower rates paid on money market deposits. The impact of lower deposit rates was offset by the negative effects of the ongoing low interest rate environment on asset yields, particularly in our commercial and mortgage portfolios, as well as our investment portfolio. The provision for loan and lease losses decreased \$15.5 million, or 46.4%, to \$18.0 million for the year ended December 31, 2014 from \$33.5 million for the year ended December 31, 2013. The decrease was due to overall credit improvement in the loan portfolio partially offset by growth in our commercial real estate loan portfolio.

Non-interest expense was \$274.3 million for the year ended December 31, 2014, an increase of \$44.3 million, or 19.3%, when compared to \$230.0 million in the prior year. The increase was primarily attributable to an increase in salaries and benefits expense due to the addition of five private client banking teams and an increase in incentive-based costs driven by the growth of our business. The increase also reflects an increase in occupancy and equipment expense resulting from the expansion of existing offices, as well as an increase in other general and administrative expenses, reflecting increased expenses mostly resulting from additional client activity as a result of our growth.

The increase of \$4.50 billion in total assets, or 19.8%, from \$22.74 billion as of December 31, 2013 to \$27.24 billion as of December 31, 2014 was primarily attributable to growth in our commercial real estate loan portfolio.

### Specialty Finance

Specialty Finance consists principally of financing and leasing products, including equipment, transportation, taxi medallion, commercial marine, commercial vehicle, and national franchise financing and/or leasing. Specialty Finance's clients are located throughout the United States.

<i>(in thousands)</i>	<i>Years ended December 31,</i>	
	<b>2014</b>	<b>2013</b>
Net interest income	\$ 64,707	39,323
Provision for loan and lease losses	13,121	8,094
Total non-interest income	2,294	909
Total non-interest expense	18,939	17,181
Income before income taxes	34,941	14,957
Total assets	\$ 2,637,116	2,030,410

Specialty Finance net interest income was \$64.7 million for the year ended December 31, 2014, an increase of \$25.4 million, or 64.6%, when compared to \$39.3 million in the prior year. The increase was primarily due to loan and lease growth. The provision for loan and lease losses increased \$5.0 million, or 62.1%, to \$13.1 million for the year ended December 31, 2014 from \$8.1 million for the year ended December 31, 2013. The increase was primarily attributable to growth in our equipment leasing portfolios.

Non-interest expense was \$18.9 million for the year ended December 31, 2014, an increase of \$1.7 million, or 10.2%, when compared to \$17.2 million in the prior year. The increase is primarily attributable to an increase in salaries and benefits expense due to the continued expansion of the business, as well as an increase in incentive-based costs due to the growth of the business. Further contributing to this increase is an increase in professional, data processing, and other general and administrative expenses due to the growth of the business.

The increase of \$606.7 million in total assets, or 29.9%, from \$2.03 billion as of December 31, 2013 to \$2.64 billion as of December 31, 2014 was primarily attributable to growth in our equipment leasing portfolios.

## **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 (loss), 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 (loss). Amortization of premiums and accretion of discounts on mortgage-backed securities are periodically adjusted for estimated prepayments.

At December 31, 2015, our total securities portfolio was \$8.37 billion and primarily consisted of mortgage-backed securities (“MBSs”) and collateralized mortgage obligations (“CMOs”) issued by U.S. Government agencies (\$757.2 million), government-sponsored enterprises (\$6.25 billion) and private issuers (\$214.8 million). As of December 31, 2015, 90.7% of our securities portfolio had a AAA credit rating, 95.6% had a credit rating of A or better, and 98.1% 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 3.37 years and a weighted average life of 5.21 years as of December 31, 2015. For further discussion of our investment securities and the related determination of fair value, see Notes 3 and 4 to our Consolidated Financial Statements.

The agency MBS portfolio primarily consists of adjustable rate hybrid securities, fixed rate balloon, and seasoned 15-year structures. The agency CMO portion of our portfolio primarily consists of short duration planned amortization and sequential structures, collateralized by conforming first lien residential mortgages. The private CMO portfolio consists of prime borrowers with seasoned underlying mortgages and supportive credit enhancement. 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, 2015, the net unrealized loss on securities, net of tax effect, was \$9.5 million as reflected in accumulated other comprehensive income (loss), compared to a net unrealized gain of \$13.1 million at December 31, 2014. 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, (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. The Bank has limited activities that are impacted by the Volcker Rule, and the only prohibited activity relates to our holding of 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 \$81.2 million and \$79.8 million, respectively, as of December 31, 2015. 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. There were two sales of Covered Fund securities during 2015 for a net gain of \$3,000. During 2014, we sold seven such securities for a net 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,					
	2015		2014		2013	
	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	\$ 2,000	1,990	500	501	500	501
Residential mortgage-backed securities:						
U.S. Government Agency	19,515	20,163	24,830	26,018	24,171	25,004
Government-sponsored enterprises	1,385,222	1,404,696	1,427,438	1,464,606	1,049,867	1,050,217
Collateralized mortgage obligations:						
U.S. Government Agency	430,327	432,977	543,752	549,757	578,012	576,738
Government-sponsored enterprises	3,086,799	3,088,027	2,708,345	2,713,168	2,451,274	2,408,166
Private	430,091	425,110	431,961	430,888	494,920	491,319
Securities of U.S. states and political subdivisions:						
Municipal Bond - Taxable	9,915	9,835	-	-	-	-
Other debt securities:						
Commercial mortgage-backed securities	208,118	207,603	278,517	282,819	345,560	348,707
Single issuer trust preferred & corporate debt securities	384,585	387,500	387,308	395,216	399,214	401,733
Pooled trust preferred securities	25,408	18,497	26,034	19,927	26,735	13,093
Collateralized debt obligations	4,511	5,227	4,511	4,541	4,926	4,926
Other	229,475	223,628	173,426	170,723	300,420	296,060
Equity securities (1)	16,212	15,508	15,802	15,295	16,724	15,769
<b>Total available-for-sale</b>	<b>\$ 6,232,178</b>	<b>6,240,761</b>	<b>6,022,424</b>	<b>6,073,459</b>	<b>5,692,323</b>	<b>5,632,233</b>
<b>HELD-TO-MATURITY</b>						
Residential mortgage-backed securities:						
U.S. Government Agency	\$ 6,797	6,797	8,610	8,759	2,358	2,452
Government-sponsored enterprises	435,284	438,751	468,218	477,579	493,979	478,462
Collateralized mortgage obligations:						
U.S. Government Agency	297,252	298,456	327,253	331,043	312,405	310,599
Government-sponsored enterprises	1,322,331	1,320,660	1,328,435	1,324,998	1,288,749	1,241,417
Private	4,418	4,093	5,616	4,942	6,525	5,473
Other debt securities:						
Commercial mortgage-backed securities	18,051	19,036	18,152	19,351	18,260	19,119
Single issuer trust preferred & corporate debt securities	45,589	46,672	45,862	49,104	43,650	42,911
Collateralized debt obligations	-	-	-	-	-	-
Other	3,422	3,448	6,405	6,401	9,918	9,857
<b>Total held-to-maturity</b>	<b>\$ 2,133,144</b>	<b>2,137,913</b>	<b>2,208,551</b>	<b>2,222,177</b>	<b>2,175,844</b>	<b>2,110,290</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, 2015:

Credit Rating	Percentage of Portfolio
AAA	90.69%
AA	1.17%
A	3.74%
BBB	2.49%
Below BBB	1.91%
<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, 2015:

<b>Interest Rate Shock</b>	<b>Estimated Fair Value Change</b>
+100 basis points	(4.04%)
+200 basis points	(9.16%)
+300 basis points	(14.30%)
+400 basis points	(19.15%)

The following table presents the contractual maturity distribution and the weighted average yields of our combined AFS and HTM securities portfolios as of December 31, 2015. 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	\$ -	-	0.00%
Mortgage-backed securities	-	-	0.00%
Collateralized mortgage obligations	-	-	0.00%
Other securities (1)	-	-	0.00%
<b>Total</b>	<b>\$ -</b>	<b>-</b>	<b>0.00%</b>
<b>One year to less than five years</b>			
U.S. Treasury securities	\$ 2,000	1,990	1.05%
Mortgage-backed securities	2,224	2,305	5.30%
Collateralized mortgage obligations	9,391	9,511	4.46%
Other securities	215,259	222,769	3.66%
<b>Total</b>	<b>\$ 228,874</b>	<b>236,575</b>	<b>3.69%</b>
<b>Five years to less than 10 years</b>			
Mortgage-backed securities	\$ 10,975	11,437	3.16%
Collateralized mortgage obligations	146,235	149,192	3.37%
Other securities	226,646	224,132	2.63%
<b>Total</b>	<b>\$ 383,856</b>	<b>384,761</b>	<b>2.93%</b>
<b>10 years and longer</b>			
Mortgage-backed securities	\$ 1,833,619	1,856,665	3.04%
Collateralized mortgage obligations	5,415,592	5,410,620	3.02%
Securities of U.S. states and political subdivisions	9,915	9,835	3.25%
Other securities	477,254	464,710	5.22%
<b>Total</b>	<b>\$ 7,736,380</b>	<b>7,741,830</b>	<b>3.16%</b>
<b>All maturities</b>			
U.S. Treasury securities	\$ 2,000	1,990	1.05%
Mortgage-backed securities	1,846,818	1,870,407	3.04%
Collateralized mortgage obligations	5,571,218	5,569,323	3.03%
Securities of U.S. states and political subdivisions	9,915	9,835	3.25%
Other securities (1)	919,159	911,611	4.22%
<b>Total</b>	<b>\$ 8,349,110</b>	<b>8,363,166</b>	<b>3.16%</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,									
	2015		2014		2013		2012		2011	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<b>Mortgage loans:</b>										
Multi-family residential property	\$ 11,823,073	48.91%	8,607,989	46.97%	6,637,353	47.81%	4,380,453	43.38%	3,003,428	41.68%
Commercial property	6,372,851	26.36%	4,288,084	23.40%	3,132,252	22.56%	2,506,539	24.81%	2,019,924	28.03%
1-4 family residential property	539,526	2.23%	463,420	2.53%	346,795	2.50%	307,158	3.04%	259,418	3.60%
Home equity lines of credit	163,191	0.68%	160,890	0.88%	170,441	1.23%	190,782	1.89%	198,375	2.75%
Construction and land	75,958	0.31%	64,824	0.35%	125,334	0.90%	99,475	0.98%	63,775	0.88%
<b>Other loans:</b>										
Commercial and industrial	4,788,722	19.81%	4,242,764	23.15%	3,084,302	22.22%	2,274,035	22.51%	1,296,934	17.99%
Commercial - SBA guaranteed portion	401,084	1.66%	486,750	2.66%	375,501	2.70%	332,430	3.29%	354,060	4.91%
Consumer	9,714	0.04%	10,245	0.06%	11,479	0.08%	10,291	0.10%	11,837	0.16%
<b>Sub-total / Total</b>	<b>24,174,119</b>	<b>100.00%</b>	<b>18,324,966</b>	<b>100.00%</b>	<b>13,883,457</b>	<b>100.00%</b>	<b>10,101,163</b>	<b>100.00%</b>	<b>7,207,751</b>	<b>100.00%</b>
Premiums, deferred fees and costs	74,803		81,039		56,773		40,075		35,000	
<b>Total</b>	<b>\$ 24,248,922</b>		<b>18,406,005</b>		<b>13,940,230</b>		<b>10,141,238</b>		<b>7,242,751</b>	

Total loans increased by \$5.84 billion to \$24.25 billion at December 31, 2015 from \$18.41 billion at December 31, 2014. Our total loan-to-deposit ratio, excluding loans held for sale, increased to 88.9% at December 31, 2015 from 78.9% at December 31, 2014.

To better conform with our underwriting processes and industry practice, loans secured, in part, by owner-occupied commercial properties were reclassified from commercial property loans to commercial and industrial loans in 2015, as the primary collateral for these loans consists of cash flow from the borrower's business. The amounts reclassified were \$619.9 million, \$545.0 million, \$519.3 million, \$413.2 million, and \$198.1 million as of December 31, 2015, 2014, 2013, 2012, and 2011, respectively.

Substantially all of the collateral for our loans secured by real estate 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, 2015, loans fully secured by cash and marketable securities represented 0.5% of outstanding loan balances. The SBA portfolio, consisting only of the guaranteed portion of the SBA loans, represented 1.8% of outstanding loan balances. Our fully unsecured loan portfolio represented 0.8% of our total outstanding loan portfolio at December 31, 2015. 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 manage 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, 2015</b>						
Commercial loans secured by real estate:						
Multi-family residential property	\$ 11,816,657	-	5,258	-	-	11,821,915
Commercial property	6,363,086	-	9,765	-	-	6,372,851
1-4 family residential property	397,707	-	4,070	-	119	401,896
Construction and land	75,958	-	-	-	-	75,958
Commercial and industrial loans	4,423,168	201,813	119,432	1,213	43,096	4,788,722
Total commercial loans	\$ 23,076,576	201,813	138,525	1,213	43,215	23,461,342
<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	4,271,045	244	16,795	-	-	4,288,084
1-4 family residential property	297,148	-	5,507	-	130	302,785
Construction and land	64,642	-	182	-	-	64,824
Commercial and industrial loans	4,126,643	19,456	47,484	4,762	44,419	4,242,764
Total commercial loans	\$ 17,353,051	19,700	82,989	4,762	44,549	17,505,051

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, 2015</b>			
Residential mortgages	\$ 136,845	1,943	138,788
Home equity lines of credit	159,131	4,060	163,191
Other consumer loans	9,704	10	9,714
Total consumer loans	\$ 305,680	6,013	311,693
<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

The following table presents commercial and industrial loans and construction and land loans by maturity for the period indicated:

<i>(in thousands)</i>	<i>As of December 31, 2015</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	\$ 1,175,896	3,145,726	467,100	4,788,722
Construction and land	31,878	25,080	19,000	75,958
<b>Total</b>	<b>\$ 1,207,774</b>	<b>3,170,806</b>	<b>486,100</b>	<b>4,864,680</b>

The following table presents commercial and industrial loans and construction and land loans at fixed and variable rates contractually maturing after December 31, 2016:

<i>(in thousands)</i>	<i>Maturing After December 31, 2016</i>		
	<b>Fixed</b>	<b>Variable</b>	<b>Total</b>
<b>Loan Type</b>			
Commercial and industrial	\$ 3,172,590	440,236	3,612,826
Construction and land	21,039	23,041	44,080
<b>Total</b>	<b>\$ 3,193,629</b>	<b>463,277</b>	<b>3,656,906</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>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>Nonaccrual assets:</b>					
Loans	\$ 46,406	13,843	21,414	24,001	40,432
Troubled debt restructured loans	25,499	7,165	9,928	3,189	1,786
Investment securities, at fair value	629	948	4,778	5,927	5,772
Other real estate owned	-	-	-	-	566
Other repossessed assets	2,326	245	800	-	-
<b>Total nonperforming assets</b>	<b>\$ 74,860</b>	<b>22,201</b>	<b>36,920</b>	<b>33,117</b>	<b>48,556</b>
Accruing troubled debt restructured loans	\$ 160,899	36,125	33,098	52,554	44,685
<b>Accruing loans past due 90 days or more:</b>					
Loans	\$ 3,525	1,839	1,288	27,176	9,000
Loans held for sale (1)	\$ 2,436	1,407	1,151	1,579	1,307
<b>Asset Quality Ratios:</b>					
Total nonaccrual loans to total loans	0.30%	0.12%	0.23%	0.28%	0.62%
Total nonperforming assets to total assets	0.22%	0.08%	0.16%	0.19%	0.33%
ALLL to nonaccrual loans	271.22%	782.52%	430.96%	395.12%	204.09%

(1) Accruing loans held for sale past due 90 days or more are comprised of U.S. Government guaranteed SBA loans.

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, 2015</b>							
Commercial loans							
Loans secured by real estate:							
Multi-family residential property	\$ 3,542	-	3,542	11,818,373	11,821,915	-	-
Commercial property	205	245	450	6,372,401	6,372,851	-	245
1-4 family residential property	70	4,119	4,189	397,707	401,896	-	4,119
Construction and land	-	-	-	75,958	75,958	-	-
Commercial and industrial loans	86,127	64,989	151,116	4,637,606	4,788,722	3,461	61,528
Consumer loans							
Residential mortgages	513	2,007	2,520	136,268	138,788	64	1,943
Home equity lines of credit	300	4,060	4,360	158,831	163,191	-	4,060
Consumer loans	85	10	95	9,619	9,714	-	10
<b>Total</b>	<b>\$ 90,842</b>	<b>75,430</b>	<b>166,272</b>	<b>23,606,763</b>	<b>23,773,035</b>	<b>3,525</b>	<b>71,905</b>
<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	245	2,912	3,157	4,284,927	4,288,084	712	2,200
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	16,084	7,572	23,656	4,219,108	4,242,764	825	6,747
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
Other consumer loans	16	111	127	10,118	10,245	-	111
<b>Total</b>	<b>\$ 22,922</b>	<b>22,847</b>	<b>45,769</b>	<b>17,792,447</b>	<b>17,838,216</b>	<b>1,839</b>	<b>21,008</b>

Significant nonaccrual loans at December 31, 2015 consisted of 44 commercial and industrial loans totaling \$51.8 million, and one residential mortgage for \$4.1 million. The nonaccrual commercial and industrial loans related to 44 taxi medallion relationships comprised of 70 individual taxi medallion loans. Each nonaccrual loan is being actively managed by the Bank, and the ALLL includes a specific allocation for each such loan.

Additionally, the increase in accruing TDR loans was primarily driven by the restructure of certain taxi medallion loans during 2015. Certain loans modified as TDRs maintained their accrual status as collection of principal and interest in accordance with the modified terms is reasonably assured and the borrower demonstrated sustained historical repayment performance for a reasonable period prior to modification. Additionally, in certain instances, we also received additional collateral to further strengthen the credit enhancement of the loan structure.

Nonaccrual investment securities at December 31, 2015 consisted of one collateralized debt obligation and one bank-collateralized pooled trust preferred security totaling \$629,000. These securities were classified as nonperforming because of delinquent payments as a result of payment deferrals.

Accruing loans past due 90 days or more, which are excluded from the nonperforming category, are presented in the above tables. At December 31, 2015, accruing loans past due 90 days or more were primarily comprised of 10 commercial and industrial loans totaling \$3.5 million that are well secured and in the process of collection. Accruing loans held for sale past due 90 days or more at December 31, 2015 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, 2015, 2014, and 2013, our ALLL totaled \$195.0 million, \$164.4 million, and \$135.1 million, respectively, which represents 0.82%, 0.92%, and 1.00% of total loans and leases (excluding loans held for sale) 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, 2015, 2014, and 2013, we recorded provisions of \$44.9 million, \$31.1 million, and \$41.6 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 loans			Non-rated loans			Total
	Commercial Real Estate	1-4 Family Residential Property	Commercial & Industrial	Commercial	Residential Mortgages	Consumer	
<b>As of December 31, 2015</b>							
ALLL:							
Individually evaluated for impairment	\$ 977	6	13,215	127	4,226	5	18,556
Collectively evaluated for impairment	127,453	1,676	43,071	1,331	2,600	336	176,467
Recorded investment in loans:							
Individually evaluated for impairment	14,300	4,071	205,407	254	8,761	11	232,804
Collectively evaluated for impairment	18,256,423	397,707	4,540,219	42,961	293,218	9,703	23,540,231
<b>As of December 31, 2014</b>							
ALLL:							
Individually evaluated for impairment	\$ 1,029	-	3,616	288	3,531	45	8,509
Collectively evaluated for impairment	95,442	5,146	50,938	1,945	1,999	413	155,883
Recorded investment in loans:							
Individually evaluated for impairment	24,268	5,507	17,144	575	9,528	111	57,133
Collectively evaluated for impairment	12,935,235	297,148	4,181,200	43,974	313,392	10,134	17,781,083

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,									
	2015		2014		2013		2012		2011	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<b>Mortgage Loans:</b>										
Multi-family residential property	\$ 82,382	49.73%	\$ 63,091	48.26%	47,814	49.14%	31,292	44.84%	25,160	43.83%
Commercial property	45,497	26.81%	32,910	24.04%	27,943	23.19%	23,087	25.66%	15,250	29.47%
1-4 family residential property	3,598	2.27%	7,178	2.60%	3,600	2.57%	4,794	3.14%	3,096	3.79%
Home equity lines of credit	4,931	0.69%	3,522	0.90%	1,406	1.26%	1,099	1.95%	818	2.89%
Construction and land	558	0.32%	477	0.36%	1,323	0.93%	1,127	1.02%	4,836	0.93%
<b>Other loans:</b>										
Commercial and industrial	57,716	20.14%	56,756	23.78%	52,217	22.83%	45,381	23.28%	36,216	18.92%
Consumer	341	0.04%	458	0.06%	768	0.08%	653	0.11%	786	0.17%
<b>Total</b>	<b>\$ 195,023</b>	<b>100.00%</b>	<b>164,392</b>	<b>100.00%</b>	<b>135,071</b>	<b>100.00%</b>	<b>107,433</b>	<b>100.00%</b>	<b>86,162</b>	<b>100.00%</b>

### 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>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Beginning balance - ALLL	\$ 164,392	135,071	107,433	86,162	67,396
Charge-offs:					
Credit-rated commercial loans	(19,732)	(4,586)	(14,137)	(18,657)	(29,502)
Non-rated commercial loans	(1,209)	(1,297)	(1,384)	(2,439)	(4,467)
Residential mortgages	(1,103)	(1,597)	(753)	(635)	(350)
Consumer loans	(186)	(380)	(407)	(425)	(1,074)
Total charge-offs	(22,230)	(7,860)	(16,681)	(22,156)	(35,393)
Recoveries:					
Credit-rated commercial loans	5,950	4,764	1,309	262	508
Non-rated commercial loans	1,171	701	1,166	1,540	1,498
Residential mortgages	656	460	33	4	-
Consumer loans	170	146	168	194	277
Total recoveries	7,947	6,071	2,676	2,000	2,283
Net charge-offs	(14,283)	(1,789)	(14,005)	(20,156)	(33,110)
Provision	44,914	31,110	41,643	41,427	51,876
Ending balance - ALLL	\$ 195,023	164,392	135,071	107,433	86,162
Ratios:					
ALLL to total loans	0.82%	0.92%	1.00%	1.10%	1.26%
Net charge-offs to average loans	0.07%	0.01%	0.12%	0.25%	0.55%

Our net charge-offs during 2015 increased to \$14.3 million compared to \$1.8 million for the prior year. Significant charge-offs during 2015 consisted of seven commercial and industrial loans totaling \$10.1 million, various tax medallion loans (commercial and industrial loans) totaling \$4.0 million, one residential mortgage for \$1.7 million, and one home equity line of credit for \$515,000.

### Net Deferred Tax Asset

At December 31, 2015, 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>2015</b>	<b>2014</b>
<b>DEFERRED TAX ASSETS</b>		
Allowance for loan and lease losses	\$ 80,876	69,553
Income on leased assets	32,689	15,148
Write-down for other-than-temporary impairment of securities	17,876	18,337
Unearned compensation - restricted stock	12,751	11,557
Non-accrual interest	1,583	1,338
Other	402	2,049
Total deferred tax assets recognized in earnings	146,177	117,982
Net unrealized losses on securities transferred to held-to-maturity	10,293	11,968
Total deferred tax assets	156,470	129,950
<b>DEFERRED TAX LIABILITIES</b>		
Depreciation - leased assets	103,696	70,767
Depreciation - ordinary	149	1,427
Prepaid expenses	752	839
Other	11,437	13,480
Total deferred tax liabilities recognized in earnings	116,034	86,513
Net unrealized gains on securities available-for-sale	3,559	21,592
Total deferred tax liabilities	119,593	108,105
Net deferred tax asset	\$ 36,877	21,845

In accordance with GAAP, as of December 31, 2015, we revalued our New York City deferred tax assets and liabilities in consideration of the New York City tax legislation changes that went into effect during April 2015. The revaluation resulted in an immaterial decrease to our net deferred tax asset. As of December 31, 2014, 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, 2015 compared to the year ended December 31, 2014.

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, 2015 and 2014 were \$26.42 billion and \$22.41 billion, respectively. Our deposits at December 31, 2015 and 2014 included short-term escrow deposits of approximately \$3.58 billion and \$2.87 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 and as expected, a considerable amount of our short-term escrow deposits outstanding at December 31, 2015 have been or will be released over the next several quarters. Excluding our short-term escrow deposits and brokered deposits at December 31, 2015

and 2014, total core deposits increased approximately \$3.30 billion during 2015 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>2015</i>		<i>2014</i>	
	<b>Amount</b>	<b>Percentage</b>	<b>Amount</b>	<b>Percentage</b>
Personal demand deposit accounts (1)	\$ 693,297	2.59%	585,689	2.59%
Business demand deposit accounts (1)	7,801,557	29.14%	6,479,270	28.65%
Brokered demand deposit accounts (1)	72,446	0.27%	-	0.00%
Rent security	164,014	0.61%	127,792	0.56%
Personal NOW	46,650	0.17%	47,813	0.21%
Business NOW	2,687,552	10.04%	1,623,337	7.18%
Personal money market accounts	3,625,105	13.54%	3,370,141	14.90%
Business money market accounts	10,541,963	39.37%	9,368,774	41.42%
Brokered money market accounts	187,254	0.70%	-	0.00%
Personal time deposits	328,031	1.23%	368,725	1.63%
Business time deposits	430,016	1.61%	437,545	1.93%
Brokered time deposits	196,038	0.73%	211,189	0.93%
<b>Total</b>	<b>\$ 26,773,923</b>	<b>100.00%</b>	<b>22,620,275</b>	<b>100.00%</b>
Demand deposit accounts (1)	\$ 8,494,854	31.73%	7,064,959	31.24%
NOW	2,734,202	10.21%	1,671,150	7.39%
Money market accounts	14,331,082	53.52%	12,866,707	56.88%
Time deposits	758,047	2.84%	806,270	3.56%
Brokered deposits (2)	455,738	1.70%	211,189	0.93%
<b>Total</b>	<b>\$ 26,773,923</b>	<b>100.00%</b>	<b>22,620,275</b>	<b>100.00%</b>
Personal	\$ 4,693,083	17.53%	4,372,368	19.33%
Business	21,625,102	80.77%	18,036,718	79.74%
Brokered deposits (2)	455,738	1.70%	211,189	0.93%
<b>Total</b>	<b>\$ 26,773,923</b>	<b>100.00%</b>	<b>22,620,275</b>	<b>100.00%</b>

(1) Non-interest bearing.

(2) Includes non-interest bearing deposits of \$72.4 million and \$0 as of December 31, 2015 and December 31, 2014, respectively.

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>2015</i>		<i>2014</i>	
	<b>Average Balance</b>	<b>Average Rate</b>	<b>Average Balance</b>	<b>Average Rate</b>
NOW and interest-bearing demand	\$ 2,208,678	0.41%	1,276,342	0.38%
Money market	14,109,742	0.59%	11,592,917	0.66%
Time deposits	969,556	1.10%	1,155,702	1.09%
Non-interest-bearing demand deposits	8,005,589	-	5,906,454	-
<b>Total deposits</b>	<b>\$ 25,293,565</b>	<b>0.41%</b>	<b>19,931,415</b>	<b>0.47%</b>

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

<i>(in thousands)</i>	<b>December 31, 2015</b>	
Three months or less	\$	242,129
Over three months through six months		162,552
Over six months through one year		248,434
Over one year		200,467
Total (1)	\$	853,582

(1) Includes brokered time deposits of \$196.0 million.

## Borrowings

The following table presents information regarding our borrowings:

<i>(dollars in thousands)</i>	<i>At or for the year ended December 31,</i>					
	2015		2014		2013	
	Amount	Weighted Average Rate	Amount	Weighted Average Rate	Amount	Weighted Average Rate
Federal Home Loan Bank advances	\$ 2,270,163	0.93%	515,163	0.92%	336,313	0.77%
Federal Home Loan Bank repurchase agreements	450,000	1.11%	820,000	0.89%	1,969,000	0.58%
Repurchase agreements	420,000	2.63%	620,000	2.48%	695,000	2.43%
Federal funds purchased	397,000	0.54%	95,000	0.26%	370,000	0.28%
Total borrowings	\$ 3,537,163	1.11%	2,050,163	1.35%	3,370,313	0.95%
Maximum total outstanding at any month-end	\$ 3,537,163		2,815,313		3,370,313	
Average balance	\$ 2,109,763		2,443,596		2,192,788	
Average rate		1.28%		1.21%		1.21%

At December 31, 2015, our borrowings were \$3.54 billion, or 11.7% of our funding liabilities, compared to \$2.05 billion, or 8.3% of our funding liabilities, at December 31, 2014. The increase in our borrowings, when compared to December 31, 2014, reflects funding needs as a result of our continued loan growth. These borrowings are collateralized by mortgage-backed and collateralized mortgage obligation securities, along with commercial real estate loans. We also hold \$154.4 million in Federal Home Loan Bank of New York ("FHLB") capital stock as required collateral for our outstanding borrowing position with the FHLB. Based on our financial condition, our asset size, the available capacity under our repurchase agreement lines and 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 \$6.74 billion at December 31, 2015.

The following table presents the maturity or re-pricing of our borrowings at December 31, 2015:

<i>Maturity or repricing period (in thousands)</i>					
3 months or less	3 - 12 months	1 - 3 years	Over 3 years	Total	
\$ 1,317,163	1,069,100	1,095,900	55,000	3,537,163	

## Fair Value of Financial Instruments

Our AFS securities, which represent \$6.24 billion of our total assets at December 31, 2015, are carried at fair value. Held-for-sale loans totaling \$456.4 million at December 31, 2015, 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, 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. 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 participants 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, 2015:

<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>	
Borrowings	\$ 2,386,263	1,095,900	55,000	-	3,537,163
Operating leases	19,620	39,391	39,555	112,059	210,625
Investments in qualified affordable housing projects	13,898	20,551	7,263	11,826	53,538
Information technology contract	2,325	-	-	-	2,325
<b>Total contractual cash obligations</b>	<b>\$ 2,422,106</b>	<b>1,155,842</b>	<b>101,818</b>	<b>123,885</b>	<b>3,803,651</b>

## 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>2015</b>	<b>2014</b>
Unused commitments to extend credit	\$ 935,083	695,435
Financial standby letters of credit	285,187	257,006
Commercial and similar letters of credit	27,055	34,921
Other	1,342	1,312
<b>Total</b>	<b>\$1,248,667</b>	<b>988,674</b>

For further discussion of our commitments and contingent liabilities, see Note 18 to our Consolidated Financial Statements.

## Capital Resources

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

### *Basel III Requirements*

On July 9, 2013, the FDIC approved final rules that substantially amended the regulatory risk-based capital rules applicable to Signature Bank beginning January 1, 2015. The final rules were adopted following the issuance of proposed rules by the federal banking regulators in June 2012, and implemented 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 represented the following changes to the bank’s capital adequacy requirements: (i) a new common equity Tier 1 risk-based capital ratio; (ii) an increase in the Tier 1 risk-based capital ratio minimum requirement from 4.0% to 6.0%; and (iii) a leverage ratio minimum requirement of 4.0% for *all* institutions, where 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%.

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. The capital conservation buffer will be phased-in over four years beginning on January 1, 2016, as follows: the maximum buffer is 0.625% of risk-weighted assets for 2016, 1.250% for 2017, 1.875% for 2018, and 2.500% 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 set forth certain changes for the calculation of risk-weighted assets, which we have been required to utilize since 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 are in compliance with the requirements as set forth in the final rules as they are presently in effect.

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 prompt corrective action (“PCA”) provisions: “well capitalized,” “adequately capitalized,” “undercapitalized,” “significantly undercapitalized,” or “critically undercapitalized.”

As of January 1, 2015, the definitions of these capital categories 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 8.0% 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.



The capital amounts and ratios presented in the following table demonstrate that we were “well capitalized” as of December 31, 2015, under the capital guidelines that took effect on January 1, 2015:

<i>(dollars in thousands)</i>	<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>
Total capital (to risk-weighted assets)	\$ 3,096,303	12.10%	2,047,502	8.00%	2,559,377	10.00%
Tier 1 capital (to risk-weighted assets)	2,900,632	11.33%	1,535,626	6.00%	2,047,502	8.00%
Common equity Tier 1 capital (to risk-weighted assets)	2,900,632	11.33%	1,151,720	4.50%	1,663,595	6.50%
Tier 1 leverage capital (to average assets)	2,900,632	8.87%	1,307,379	4.00%	1,634,224	5.00%

### *Former Capital Adequacy Guidelines*

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:

<i>(dollars in thousands)</i>	<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>
<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%

### *Stress Testing*

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.

On March 31, 2014, we submitted our initial stress testing results to the Federal Reserve using data as of September 30, 2013. Subsequently, on March 31, 2015, we submitted stress testing results using data as of September 30, 2014, which we publicly disclosed on June 18, 2015. The stress testing results affirm the adequacy of the Bank's capital, even under severe economic conditions.

## **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, 2015, 2014 and 2013, 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. We also opportunistically access capital markets from time to time to obtain additional capital to support our growth.

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, 2015, our FHLB borrowings totaled \$2.72 billion with an average rate of 0.96% that mature by November 2018. Included in this total is \$450.0 million of securities sold under repurchase agreements to the FHLB.

We also have repurchase agreement lines with several leading financial institutions totaling \$2.23 billion. At December 31, 2015, we had \$420.0 million of securities sold under repurchase agreements to four of these institutions. These borrowings have an average rate of 2.63% and mature by November 2020.

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 \$6.74 billion as of December 31, 2015.

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, 2015, 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, 2015:

<i>(dollars in thousands)</i>	<b>Adjusted Net Interest Income</b>	<b>Change from Base</b>
<b>Ramp scenario:</b>		
Base	\$ 1,044,171	-
Up 100 basis points	1,043,233	(0.1)%
Up 200 basis points	1,029,337	(1.4)%
Up 300 basis points	1,012,254	(3.1)%
Up 400 basis points	995,682	(4.6)%
<b>Shock scenario:</b>		
Base	\$ 1,044,171	-
Up 100 basis points	1,036,184	(0.8)%
Up 200 basis points	1,013,845	(2.9)%
Up 300 basis points	985,582	(5.6)%
Up 400 basis points	956,972	(8.4)%

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, 2015, 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, 2015 to the interest rate movements described above (base case market value of equity is \$4.89 billion):

<i>(dollars in thousands)</i>	<b>Sensitivity</b>	<b>Change from Base</b>
Up 100 basis points	\$ (92,175)	(1.9)%
Up 200 basis points	(382,254)	(7.8)%
Up 300 basis points	(815,696)	(16.7)%
Up 400 basis points	(1,284,174)	(26.3)%

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, 2015, management evaluated the effectiveness of internal control over financial reporting based on the framework in *Internal Control—Integrated Framework (2013)* 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, 2015 is effective using these criteria.

The Company's internal control over financial reporting as of December 31, 2015 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, 2015. 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, 2015, based on criteria established in *Internal Control – Integrated Framework (2013)* 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, 2015, based on criteria established in *Internal Control – Integrated Framework (2013)* 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, 2015 and 2014, 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, 2015, and our report dated February 29, 2016 expressed an unqualified opinion on those consolidated financial statements.

Handwritten signature of KPMG LLP in black ink.

New York, New York  
February 29, 2016

**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 21, 2016.

**ITEM 11. EXECUTIVE COMPENSATION**

Incorporated by reference to Signature Bank's Proxy Statement for the Annual Meeting of Stockholders to be held April 21, 2016.

**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 21, 2016.

**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 21, 2016.

**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 21, 2016.

## 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-53. 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 Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

## SIGNATURES

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

### SIGNATURE BANK

By: /s/ JOSEPH J. DEPAOLO

Joseph J. DePaolo

President, Chief Executive Officer and Director

Date: February 29, 2016

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on February 29, 2016 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/ BARNEY FRANK</u> (Barney Frank)	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, 2015 and 2014, 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, 2015. 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, 2015 and 2014, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2015, 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, 2015, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 29, 2016 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

A handwritten signature in black ink that reads "KPMG LLP". The letters are slightly slanted and have a casual, professional appearance.

New York, New York  
February 29, 2016

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

	<i>December 31,</i>	
	<b>2015</b>	<b>2014</b>
<i>(dollars in thousands, except shares and per share amounts)</i>		
<b>ASSETS</b>		
Cash and due from banks	\$ 311,254	274,247
Short-term investments	30,292	24,831
Total cash and cash equivalents	341,546	299,078
Securities available-for-sale	6,240,761	6,073,459
Securities held-to-maturity (fair value \$2,137,913 and \$2,222,177 at December 31, 2015 and 2014)	2,133,144	2,208,551
Federal Home Loan Bank stock	154,405	86,338
Loans held for sale	456,358	548,297
Loans and leases, net	23,597,541	17,693,316
Premises and equipment, net	44,161	40,996
Accrued interest and dividends receivable	94,006	79,687
Other assets	388,623	288,918
Total assets	\$ 33,450,545	27,318,640
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Deposits		
Non-interest-bearing	\$ 8,567,300	7,064,959
Interest-bearing	18,206,623	15,555,316
Total deposits	26,773,923	22,620,275
Federal funds purchased and securities sold under agreements to repurchase	817,000	715,000
Federal Home Loan Bank borrowings	2,720,163	1,335,163
Accrued expenses and other liabilities	247,625	151,964
Total liabilities	30,558,711	24,822,402
Shareholders' equity		
Preferred stock, par value \$.01 per share; 61,000,000 shares authorized; none issued at December 31, 2015 and December 31, 2014	-	-
Common stock, par value \$.01 per share; 64,000,000 shares authorized; 51,929,064 shares issued and 50,901,408 shares outstanding at December 31, 2015; 51,398,685 shares issued and 50,317,609 shares outstanding at December 31, 2014	509	503
Additional paid-in capital	1,399,501	1,348,661
Retained earnings	1,507,011	1,133,950
Treasury stock, at cost; 41,087 common shares at December 31, 2015 and none at December 31, 2014	(5,684)	-
Accumulated other comprehensive income (loss)	(9,503)	13,124
Total shareholders' equity	2,891,834	2,496,238
Total liabilities and shareholders' equity	\$ 33,450,545	27,318,640

See accompanying notes to Consolidated Financial Statements.

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

	<i>Years ended December 31,</i>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
<i>(dollars in thousands, except per share amounts)</i>			
<b>INTEREST AND DIVIDEND INCOME</b>			
Loans held for sale	\$ 3,885	3,338	4,338
Loans and leases, net	839,782	652,285	514,936
Securities available-for-sale	191,661	193,629	186,170
Securities held-to-maturity	66,633	69,762	46,198
Other short-term investments	4,987	5,259	3,508
Total interest income	1,106,948	924,273	755,150
<b>INTEREST EXPENSE</b>			
Deposits	102,905	93,494	80,209
Federal funds purchased and securities sold under agreements to repurchase	13,885	16,965	19,217
Federal Home Loan Bank borrowings	13,057	12,663	7,381
Total interest expense	129,847	123,122	106,807
Net interest income before provision for loan and lease losses	977,101	801,151	648,343
Provision for loan and lease losses	44,914	31,110	41,643
Net interest income after provision for loan and lease losses	932,187	770,041	606,700
<b>NON-INTEREST INCOME</b>			
Commissions	11,418	10,649	9,367
Fees and service charges	21,515	19,250	17,299
Net gains on sales of securities	1,209	5,272	6,228
Net gains on sales of loans	7,107	5,377	6,287
Other-than-temporary impairment losses on securities:			
Total impairment losses on securities	(2,264)	(3,930)	(9,208)
Portion recognized in other comprehensive income (before taxes)	1,301	2,206	3,059
Net impairment losses on securities recognized in earnings	(963)	(1,724)	(6,149)
Other losses	(3,182)	(3,842)	(1,021)
Total non-interest income	37,104	34,982	32,011
<b>NON-INTEREST EXPENSE</b>			
Salaries and benefits	230,081	196,679	163,554
Occupancy and equipment	26,024	22,490	19,681
Data processing	16,649	15,012	12,158
FDIC assessment fees	15,885	12,449	9,543
Professional fees	9,460	8,192	6,733
Other general and administrative	43,115	38,422	35,508
Total non-interest expense	341,214	293,244	247,177
Income before income taxes	628,077	511,779	391,534
Income tax expense	255,012	215,075	162,790
Net income	\$ 373,065	296,704	228,744
<b>PER COMMON SHARE DATA</b>			
Earnings per share – basic	\$ 7.35	6.05	4.84
Earnings per share – diluted	\$ 7.27	5.95	4.76

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>2015</b>	<b>2014</b>	<b>2013</b>
Net income	\$ 373,065	296,704	228,744
Other comprehensive income (loss), net of tax:			
Net change in unrealized gains and losses on securities	(40,020)	114,166	(162,973)
Tax effect	16,248	(47,984)	67,765
Net of tax	(23,772)	66,182	(95,208)
Reclassification adjustment for net gains on sales of securities included in net income	(1,209)	(5,272)	(6,228)
Tax effect	493	2,227	2,585
Net of tax	(716)	(3,045)	(3,643)
Amortization of net unrealized loss on securities transferred to held-to-maturity	3,468	3,357	2,599
Tax effect	(1,408)	(1,412)	(1,063)
Net of tax	2,060	1,945	1,536
Other-than-temporary losses on securities related to noncredit factors	(1,301)	(2,206)	(3,059)
Tax effect	532	936	1,261
Net of tax	(769)	(1,270)	(1,798)
Reclassification adjustment for other-than-temporary impairment losses on securities related to credit factors included in net income	963	1,724	6,149
Tax effect	(393)	(728)	(2,547)
Net of tax	570	996	3,602
Total other comprehensive income (loss), net of tax	(22,627)	64,808	(95,511)
Comprehensive income, net of tax	\$ 350,438	361,512	133,233

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, 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
Common stock issued	-	37	-	-	-	37
Stock options activity, net	-	751	-	30	-	781
Restricted stock activity, net	4	44,118	-	222	-	44,344
Stock warrant activity, net	2	5,934	-	(5,936)	-	-
Other	-	-	(4)	-	-	(4)
Net income	-	-	373,065	-	-	373,065
Other comprehensive income, net of tax	-	-	-	-	(22,627)	(22,627)
Balance at December 31, 2015	\$ 509	1,399,501	1,507,011	(5,684)	(9,503)	2,891,834

See accompanying notes to Consolidated Financial Statements.



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

(in thousands)	Years ended December 31,		
	2015	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income	\$ 373,065	296,704	228,744
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	9,044	8,904	8,220
Provision for loan and lease losses	44,914	31,110	41,643
Net impairment losses on securities recognized in earnings	963	1,724	6,149
Net amortization/accretion of premium/discount	103,519	94,355	117,417
Stock-based compensation expense	34,674	27,690	15,565
Net gains on sales of securities and loans	(8,316)	(10,649)	(12,515)
Deferred income tax expense	1,326	36,600	7,517
Purchases of loans held for sale	(1,462,091)	(1,321,745)	(1,416,265)
Proceeds from sales and principal repayments of loans held for sale	1,469,648	1,256,077	1,204,420
Net increase in accrued interest and dividends receivable	(14,319)	(8,019)	(7,301)
Net (increase) decrease in other assets	(84,766)	5,473	(2,324)
Net increase in accrued expenses and other liabilities	95,660	2,650	11,236
Net cash provided by operating activities	563,321	420,874	202,506
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of securities available-for-sale ("AFS")	(1,401,685)	(1,450,961)	(2,106,010)
Proceeds from sales of securities AFS	80,302	191,730	308,346
Maturities, redemptions, calls and principal repayments on securities AFS	1,116,972	797,027	1,388,967
Purchases of securities held-to-maturity ("HTM")	(112,625)	(168,576)	(829,303)
Maturities, redemptions, calls and principal repayments on securities HTM	173,161	122,608	179,399
Net (purchases) redemptions of Federal Home Loan Bank stock	(68,067)	44,447	(80,773)
Net increase in loans and leases	(5,947,834)	(4,338,604)	(3,761,333)
Net purchases of premises and equipment	(12,209)	(13,569)	(12,359)
Net cash used in investing activities	(6,171,985)	(4,815,898)	(4,913,066)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net increase in non-interest-bearing deposits	1,502,341	1,673,476	946,519
Net increase in interest-bearing deposits	2,651,307	3,889,702	2,027,926
Proceeds from the issuance of Federal Home Loan Bank borrowings	1,935,000	620,000	2,155,313
Maturities of Federal Home Loan Bank borrowings	(550,000)	(1,590,150)	(440,000)
Proceeds from the issuance of other borrowings	397,000	220,000	520,000
Maturities of other borrowings	(295,000)	(570,000)	(450,000)
Tax benefit (expense) from stock-based compensation	10,145	11,067	(175)
Issuance of common stock and exercise of options	343	296,034	994
Other	(4)	(4)	(5)
Net cash provided by financing activities	5,651,132	4,550,125	4,760,572
Net increase in cash and cash equivalents	42,468	155,101	50,012
Cash and cash equivalents at beginning of year	299,078	143,977	93,965
Cash and cash equivalents at end of year	\$ 341,546	299,078	143,977
Supplemental disclosures of cash flow information:			
Interest paid during the year	\$ 129,882	123,817	105,876
Income taxes paid during the year	\$ 229,952	189,314	151,663
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	\$ 2,388	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 29 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 their senior managers.

The Bank operates Signature Financial LLC (“Signature Financial”), a specialty finance subsidiary focused on equipment finance and leasing, transportation, taxi medallion, commercial marine, and national franchise financing and/or leasing. Additionally, through our Signature Public Funding Corporation (“Signature Public Funding”) subsidiary, the Bank provides a range of municipal finance and tax-exempt lending and leasing products to government entities throughout the country, including state and local governments, school districts, fire and police and other municipal entities. 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. Certain reclassifications have been made to prior period financial statements to conform to current period’s presentation.

***(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 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, 2015 consisted of cash and due from banks of \$311.3 million, interest-bearing deposits with banks of \$3.3 million and money market mutual funds of \$27.0 million. 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.

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 \$314.5 million and \$209.2 million for the periods that included December 31, 2015 and 2014, 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.

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 (loss).

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. Additionally, an accruing loan that is modified as a troubled debt restructuring ("TDR") may remain in accrual status if, based on a credit analysis, collection of principal and interest in accordance with the modified terms is reasonably assured, and the borrower demonstrated sustained historical repayment performance for a reasonable period prior to modification. 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 TDRs. Loans classified as TDRs 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 98.5% of our total loan portfolio, excluding loans held for sale, as of December 31, 2015. Our credit-rated commercial loans are further segmented by portfolio including commercial real estate loans, commercial and industrial loans, and commercial loans secured by 1-4 family residential property. Certain commercial and industrial loans are analyzed on a more granular level such as specialty finance loans and taxi medallion loans. For each loan portfolio 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 of 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.

To determine our total general allowance, the outstanding amounts of credit-rated commercial loans within each loan portfolio segment are aggregated by credit rating, and we estimate the allowance for losses for each credit rating within each portfolio using loss factors based on the portfolio's historical loss experience. These historical loss factors for each portfolio segment also incorporate an estimate of the historical loss emergence period, which is the period of time between the event that triggers a loss and the confirmation and/or charge-off of that loss. 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 the 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 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 1.5% of our total loan portfolio, excluding loans held for sale, as of December 31, 2015.

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 \$500,000, 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 \$500,000, 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, as a practical expedient, 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. Management is primarily responsible for assessing the overall adequacy of the allowance on a quarterly basis. In addition, reserve adequacy is also assessed by an internal Loan Quality Review Committee, which includes members of senior management,

accounting, credit and risk management, and is presented to our Board of Directors for their review and consideration on a quarterly basis. Reserve adequacy is also assessed by our independent risk management function, which performs independent credit reviews and a validation of the allowance model employed.

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 TDRs. TDRs are considered impaired loans and, therefore, the related specific reserves are determined on an individual basis. 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. Additionally, an accruing loan that is modified as a TDR may remain in accrual status if, based on a credit analysis, collection of principal and interest in accordance with the modified terms is reasonably assured, and the borrower demonstrated sustained historical repayment performance for a reasonable period 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, however, 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, and Loan Origination Costs***

Loan origination and commitment fees, and certain loan origination costs, 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 or costs 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. In addition, when sold, the SBA loans are removed from our Consolidated Statements of Financial Condition. Additionally, 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 and are included in Other general and administrative expense in the Consolidated Statements of Income. Furniture and fixtures are normally depreciated 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 \$65.2 million at December 31, 2015, and \$64.2 million at December 31, 2014, and deferred acquisition costs of zero at December 31, 2015, and \$62,000 at December 31, 2014. Our investment in BOLI generated income of \$1.6 million, \$1.7 million, and \$1.6 million for the years ended December 31, 2015, 2014, and 2013, 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 included in Other assets in the Consolidated Statements of Financial Condition and are carried at fair value, less estimated selling costs at the date of acquisition. Any valuation adjustments at the date of acquisition are recorded to the ALLL. Following foreclosure, management periodically performs a valuation of the property, and the asset is carried at the lower of the carrying amount or fair value, less estimated selling costs. 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 general and administrative expense and other losses, as appropriate. As of December 31, 2015 and 2014, our reposessed assets totaled \$2.3 million and \$245,000, 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, 2015. 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 for federal purposes. Additionally, there are state and local tax returns filed in various other jurisdictions on both a consolidated basis as well as a separate company 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.

Interest and penalties (if any) related to the underpayment of income taxes are classified as a component of income tax expense in the Consolidated Statements of Income. During the years ended December 31, 2015, 2014, and 2013, we did not recognize any income tax expense attributable to interest and penalties.

***(q) Stock-Based Compensation***

For equity awards in exchange for employee services received, we recognize compensation expense for all stock-based compensation awards over the requisite service period with a corresponding credit to additional paid-in capital. For awards which have performance-based vesting conditions, recognition of stock-based compensation expense begins when the achievement of the performance conditions is probable. As of December 31, 2015, 2014, and 2013, we did not have awards which would vest on performance-based conditions. Compensation expense is measured based on grant date fair value and is included in Salaries and benefits in our Consolidated Statements of Income.

***(r) Earnings Per Common Share***

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

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

***(s) Segment Reporting***

The Bank is organized into two reportable segments representing our core businesses – Commercial Banking and Specialty Finance. To identify our reportable segments, management considered the financial information reviewed by the Chief Operating Decision Maker (CODM), our executive compensation structure, the Bank's internal operating structure, nature of products and services offered, how products and services are provided to our clients, and the nature of the regulatory environment, among other aspects pursuant to the relevant accounting guidance. The primary determinants of our reportable segments include our internal operating structure, the nature of products and services offered, and how products and services are provided to our clients.

***(t) New Accounting Standards***

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which will require lessees to recognize most leases on-balance sheet. Lessor accounting will remain substantially the same, but the ASU contains changes intended to align lessor accounting with the lessee accounting model, as well as the revenue recognition ASU issued in 2014. The ASU will replace most existing lease accounting guidance and require expanded quantitative and qualitative disclosures for both lessees and lessors when it becomes effective for annual and interim periods in fiscal years beginning after December 31, 2018. Early adoption is permitted immediately and the standard requires the use of the modified retrospective transition method. The Company is currently evaluating the impact to our Company's Consolidated Financial Statements.

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 was effective for interim and annual periods beginning after December 15, 2014 and should be applied retrospectively if investors elect the proportional amortization method. We adopted the amended guidance on January 1, 2015 and elected not to apply the proportional amortization method for investments in qualified affordable housing projects. Therefore, the adoption did not have an impact on the Bank’s financial condition or results of operation. Our investments in qualified affordable housing projects are reflected in our Consolidated Statements of Financial Condition in Other assets at the amount of total commitments to fund qualified affordable housing projects less any amortization recognized, and the future funding commitments are reported in Accrued expenses and other liabilities. As of December 31, 2015, the carrying value of such investments was \$115.9 million and our future commitments to these projects totaled \$53.5 million, which we expect to make through 2031. During the year ended December 31, 2015, we recognized amortization expense of \$6.3 million in pre-tax income, and \$10.9 million of income tax credits associated with these investments.

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 was 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 adopted the applicable requirements for ASU 2014-04 in the first quarter of 2015, elected the prospective transition method, and have provided the related disclosures as required.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in GAAP when it becomes effective on January 1, 2018. Early application is permitted for annual periods beginning after December 15, 2016. The standard permits the use of either the retrospective or cumulative effect transition method. The Company is currently evaluating the impact to our Company’s 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 could not adopt the standard’s provisions early. We adopted the applicable requirements for ASU 2014-11 on January 1, 2015 with no impact to our financial condition or results of operations. Since our repurchase agreements are accounted for as secured borrowings, the required enhanced disclosures are included in Note 12 and 13 to 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 adopted the applicable requirements for ASU 2014-12 on January 1, 2015 with no impact to 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 adopted the applicable requirements for ASU 2014-14 on January 1, 2015 with no impact to our Consolidated Financial Statements.

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

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

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

- Level 1 – Valuations are based on quoted prices in active markets for identical assets or liabilities. Accordingly, valuation of these assets and liabilities does not entail a significant degree of judgment. Examples include most U.S. Treasury 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 price discrepancy greater than thresholds established by management 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 (loss). The securities are valued using Level 3 inputs and had fair values of \$132.3 million at December 31, 2015 and \$86.8 million at December 31, 2014. 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 30%. 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 \$18.5 million at December 31, 2015 and \$19.9 million at December 31, 2014. 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 45%.

Level 3 private CMOs classified as AFS had fair values of \$11.1 million at December 31, 2015 and \$9.9 million at December 31, 2014. 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 15%.

## 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, 2015 and 2014, 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, 2015</b>				
<b>ASSETS</b>				
Securities available-for-sale:				
U.S. Treasury securities	\$ 1,990	-	-	1,990
Residential mortgage-backed securities:				
U.S. Government Agency	-	20,163	-	20,163
Government-sponsored enterprises	-	1,404,696	-	1,404,696
Collateralized mortgage obligations:				
U.S. Government Agency	-	432,977	-	432,977
Government-sponsored enterprises	-	3,088,027	-	3,088,027
Private	-	414,009	11,101	425,110
Securities of U.S. states and political subdivisions:				
Municipal Bond - Taxable	-	9,835	-	9,835
Other debt securities:				
Commercial mortgage-backed securities	-	207,603	-	207,603
Single issuer trust preferred & corporate debt securities	-	387,500	-	387,500
Pooled trust preferred securities	-	-	18,497	18,497
Collateralized debt obligations	-	-	5,227	5,227
Other	-	91,360	132,268	223,628
Equity securities (1)	-	15,508	-	15,508
Total securities available-for-sale	1,990	6,071,678	167,093	6,240,761
Derivatives	-	2,286	-	2,286
Total assets	\$ 1,990	6,073,964	167,093	6,243,047
<b>LIABILITIES</b>				
Derivatives	\$ -	2,474	135	2,609
Total liabilities	\$ -	2,474	135	2,609
<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

(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, 2015, 2014 and 2013. 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, 2015</b>		
Beginning balance - Level 3	\$ 121,248	(93)
Formation of SBA interest-only strip securities	72,800	-
Purchase of risk participation agreement	-	(379)
Transfers into Level 3	-	-
Transfers out of Level 3	-	-
Total gains or (losses) (realized/unrealized):		
Included in earnings		
Non-interest income	241	337
Interest income	(15,230)	-
Included in other comprehensive income	(2,758)	-
Sale of AFS securities	(9,208)	-
Ending balance - Level 3	\$ 167,093	(135)
<b>Year ended December 31, 2014</b>		
Beginning balance - Level 3	\$ 117,023	(50)
Formation of SBA interest-only strip securities	34,250	-
Transfers into Level 3	-	-
Transfers out of Level 3	-	-
Total gains or (losses) (realized/unrealized):		
Included in earnings		
Non-interest income	3,780	(43)
Interest income	(12,260)	-
Included in other comprehensive income	5,705	-
Sale of AFS securities	(27,250)	-
Ending balance - Level 3	\$ 121,248	(93)
<b>Year ended December 31, 2013</b>		
Beginning balance - Level 3	\$ 91,801	-
Formation of SBA interest-only strip securities	48,173	-
Purchase of risk participation agreement	-	(551)
Transfers into Level 3	-	-
Transfers out of Level 3	-	-
Total gains or (losses) (realized/unrealized):		
Included in earnings		
Non-interest income	(1,253)	501
Interest income	(10,319)	-
Included in other comprehensive income	(286)	-
Sale of AFS securities	(11,093)	-
Ending balance - Level 3	\$ 117,023	(50)

## Assets Measured at Fair Value on a Non-recurring Basis

Certain assets are measured at fair value on a non-recurring basis. These assets are not measured at fair value on an on-going basis but are subject to fair value adjustments only in certain circumstances, such as when there is impairment or when an adjustment is required to reduce the carrying value to the lower of cost or fair value. These assets may include collateral-dependent impaired loans, securities held-to-maturity (“HTM”) 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 non-recurring basis as of December 31, 2015 and 2014, 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, 2015</b>				
Held-to-maturity securities:				
Collateralized mortgage obligations - Private	\$ -	4,093	-	4,093
Other debt securities - Home Equity Loan	-	1,291	-	1,291
Collateral-dependent impaired loans:				
Multi-family residential property	-	-	3,083	3,083
Commercial property	-	-	10,117	10,117
1-4 family residential property	-	-	4,462	4,462
Home equity lines of credit	-	-	2,366	2,366
Construction and land	-	-	-	-
Commercial and industrial	-	-	165,803	165,803
Other repossessed assets	-	-	2,326	2,326
<b>Total assets</b>	<b>\$ -</b>	<b>5,384</b>	<b>188,157</b>	<b>193,541</b>
<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>

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, 2015, 2014 and 2013, we recorded fair value adjustments totaling \$25.1 million, \$2.7 million and \$17.2 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 years ended December 31, 2015 and 2014, we recorded a fair value adjustment of zero and \$128,000 on repossessed assets. There was no fair value adjustment on repossessed assets during the year ended December 31, 2013.

## Other Fair Value Disclosures

The preparation of financial statements in accordance with U.S. GAAP requires disclosure of the fair value of financial assets and liabilities, including those items that are not measured and reported at fair value on a recurring or non-recurring basis. The methodologies for estimating the fair value of financial assets and liabilities that are

measured at fair value on a recurring or non-recurring basis are discussed above. The methodologies for estimating the fair value of other items, which are carried on the Consolidated Statements of Financial Condition at cost or amortized cost, are discussed below.

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

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

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, 76.4% of which mature within one year, had a carrying value of \$954.1 million and an estimated fair value of \$954.2 million at December 31, 2015. 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, 2015</b>					
<b>FINANCIAL ASSETS</b>					
Cash and cash equivalents	\$ 341,546	341,546	341,546	-	-
Securities available-for-sale	6,240,761	6,240,761	1,990	6,071,678	167,093
Securities held-to-maturity	2,133,144	2,137,913	-	2,137,913	-
Federal Home Loan Bank stock	154,405	154,405	-	154,405	-
Loans held for sale	456,358	456,358	-	456,358	-
Loans and leases, net (1)	23,597,541	23,633,426	-	-	23,633,426
Derivatives	2,286	2,286	-	2,286	-
Total financial assets	\$ 32,926,041	32,966,695	343,536	8,822,640	23,800,519
<b>FINANCIAL LIABILITIES</b>					
Deposits (2)	\$ 26,773,923	26,774,006	-	26,774,006	-
Repurchase agreements	420,000	426,591	-	426,591	-
Federal funds purchased	397,000	397,000	397,000	-	-
Federal Home Loan Bank borrowings (3)	2,720,163	2,720,243	-	2,720,243	-
Derivatives	2,609	2,609	-	2,474	135
Total financial liabilities	\$ 30,313,695	30,320,449	397,000	29,923,314	135
<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 borrowings (3)	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

(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.

(3) The carrying and fair value of these borrowings include FHLB repurchase agreements.

#### (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,							
	2015				2014			
	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	\$ 2,000	-	(10)	1,990	500	1	-	501
Residential mortgage-backed securities:								
U.S. Government Agency	19,515	704	(56)	20,163	24,830	1,188	-	26,018
Government-sponsored enterprises	1,385,222	23,082	(3,608)	1,404,696	1,427,438	37,733	(565)	1,464,606
Collateralized mortgage obligations:								
U.S. Government Agency	430,327	6,502	(3,852)	432,977	543,752	10,881	(4,876)	549,757
Government-sponsored enterprises	3,086,799	25,566	(24,338)	3,088,027	2,708,345	29,911	(25,088)	2,713,168
Private	430,091	1,794	(6,775)	425,110	431,961	4,975	(6,048)	430,888
Securities of U.S. states and political subdivisions:								
Municipal Bond - Taxable	9,915	-	(80)	9,835				
Other debt securities:								
Commercial mortgage-backed securities	208,118	1,359	(1,874)	207,603	278,517	4,789	(487)	282,819
Single issuer trust preferred & corporate debt securities	384,585	7,382	(4,467)	387,500	387,308	10,623	(2,715)	395,216
Pooled trust preferred securities	25,408	-	(6,911)	18,497	26,034	13	(6,120)	19,927
Collateralized debt obligations	4,511	716	-	5,227	4,511	30	-	4,541
Other	229,475	366	(6,213)	223,628	173,426	708	(3,411)	170,723
Equity securities (1)	16,212	-	(704)	15,508	15,802	-	(507)	15,295
<b>Total available-for-sale</b>	<b>\$ 6,232,178</b>	<b>67,471</b>	<b>(58,888)</b>	<b>6,240,761</b>	<b>6,022,424</b>	<b>100,852</b>	<b>(49,817)</b>	<b>6,073,459</b>
<b>HELD-TO-MATURITY</b>								
Residential mortgage-backed securities:								
U.S. Government Agency	\$ 6,797	48	(48)	6,797	8,610	149	-	8,759
Government-sponsored enterprises	435,284	6,403	(2,936)	438,751	468,218	10,758	(1,397)	477,579
Collateralized mortgage obligations:								
U.S. Government Agency	297,252	4,053	(2,849)	298,456	327,253	6,054	(2,264)	331,043
Government-sponsored enterprises	1,322,331	14,398	(16,069)	1,320,660	1,328,435	13,455	(16,892)	1,324,998
Private	4,418	-	(325)	4,093	5,616	-	(674)	4,942
Other debt securities:								
Commercial mortgage-backed securities	18,051	985	-	19,036	18,152	1,199	-	19,351
Single issuer trust preferred & corporate debt securities	45,589	1,110	(27)	46,672	45,862	3,242	-	49,104
Collateralized debt obligations	-	-	-	-	-	-	-	-
Other	3,422	28	(2)	3,448	6,405	62	(66)	6,401
<b>Total held-to-maturity</b>	<b>\$ 2,133,144</b>	<b>27,025</b>	<b>(22,256)</b>	<b>2,137,913</b>	<b>2,208,551</b>	<b>34,919</b>	<b>(21,293)</b>	<b>2,222,177</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. The Bank has limited activities that are impacted by the Volcker Rule, and the only prohibited activity relates to our holding of 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 \$81.2 million and \$79.8 million, respectively, as of December 31, 2015. 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. There were two sales of Covered Fund securities during 2015 for a net gain of \$3,000. During 2014, we sold seven such securities for a net gain of \$710,000.

Gross realized gains on sales of AFS securities for the years ended December 31, 2015, 2014 and 2013 were \$1.5 million, \$7.3 million, and \$11.5 million, respectively. Gross realized losses on sales of AFS securities for the years ended December 31, 2015, 2014 and 2013 were \$148,000, \$2.0 million, and \$5.3 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 borrowings from the Federal Home Loan Bank of New York. As of December 31, 2015 and 2014, the carrying value of our pledged securities totaled \$4.23 billion and \$5.14 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 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, 2015</b>				
<b>AVAILABLE-FOR-SALE</b>				
Collateralized mortgage obligations	18	\$ (1,664)	983	(681)
<b>HELD-TO-MATURITY</b>				
Asset-backed securities	1	(38)	(7)	(45)
Collateralized mortgage obligations	1	(562)	325	(237)
Total other-than-temporarily impaired securities	20	\$ (2,264)	1,301	(963)
<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)
Total other-than-temporarily impaired securities	17	\$ (3,930)	2,206	(1,724)
<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)
Total other-than-temporarily impaired securities	16	\$ (9,208)	3,059	(6,149)

- (1) The year ended December 31, 2015 includes losses on CMOs that meet the definition of Covered Funds under the Volcker Rule totaling \$321,000. The year ended December 31, 2014 includes losses totaling \$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 (loss) at period-end:

(in thousands)

<b>Year ended December 31, 2015</b>	
Cumulative credit component of other-than-temporary impairment losses at beginning of period	\$ 29,809
Additions for the credit component on debt securities for which other-than-temporary impairment was not previously recognized	90
Additions for the credit component on debt securities for which other-than-temporary impairment was previously recognized	873
Reduction for realized losses on debt securities sold, matured, and other	(802)
Cumulative credit component of other-than-temporary impairment losses at end of period (1)	\$ 29,970
<b>Year ended December 31, 2014</b>	
Cumulative credit component of other-than-temporary impairment losses at beginning of period	\$ 29,947
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, matured, and other	(1,862)
Cumulative credit component of other-than-temporary impairment losses at end of period (2)	\$ 29,809
<b>Year ended December 31, 2013</b>	
Cumulative credit component of other-than-temporary impairment losses at beginning of period	\$ 30,452
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, matured, and other	(6,654)
Cumulative credit component of other-than-temporary impairment losses at end of period (3)	\$ 29,947

- (1) The cumulative credit component of other-than-temporary losses at December 31, 2015 includes \$13.9 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, 2014 includes \$13.6 million of losses on securities that meet the definition of Covered Funds under the Volcker Rule.
- (3) The cumulative credit component of other-than-temporary losses at December 31, 2013 includes \$13.3 million of losses on securities that meet the definition of Covered Funds under the Volcker Rule.

When estimating the portion of other-than-temporary impairment 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 (loss) 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, 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 tables present 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 (loss).

	<i>Less than 12 months</i>		<i>12 months or longer</i>		<i>Total</i>	
	<b>Fair Value</b>	<b>Unrealized Losses</b>	<b>Fair Value</b>	<b>Unrealized Losses</b>	<b>Fair Value</b>	<b>Unrealized Losses</b>
<i>(in thousands)</i>						
<b>December 31, 2015</b>						
Temporarily-impaired securities						
U.S. Treasury securities	\$ 1,990	(10)	-	-	1,990	(10)
Residential mortgage-backed securities:						
U.S. Government Agency	5,358	(56)	-	-	5,358	(56)
Government-sponsored enterprises	455,034	(3,085)	17,787	(523)	472,821	(3,608)
Collateralized mortgage obligations:						
U.S. Government Agency	65,544	(531)	31,818	(3,321)	97,362	(3,852)
Government-sponsored enterprises	1,343,853	(12,844)	185,383	(10,242)	1,529,236	(23,086)
Private	209,399	(2,275)	55,316	(1,611)	264,715	(3,886)
Securities of U.S. states and political subdivisions:						
Municipal Bond - Taxable	9,836	(80)	-	-	9,836	(80)
Other debt securities:						
Commercial mortgage-backed securities	101,356	(1,314)	19,674	(560)	121,030	(1,874)
Single issuer trust preferred & corporate debt securities	114,969	(2,477)	86,000	(1,990)	200,969	(4,467)
Pooled trust preferred securities	-	-	3,870	(2,106)	3,870	(2,106)
Other	169,972	(3,852)	25,857	(1,034)	195,829	(4,886)
Equity securities (1)	7,528	(81)	7,979	(623)	15,507	(704)
<b>Total temporarily-impaired securities</b>	<b>2,484,839</b>	<b>(26,605)</b>	<b>433,684</b>	<b>(22,010)</b>	<b>2,918,523</b>	<b>(48,615)</b>
Other-than-temporarily impaired securities						
Collateralized mortgage obligations:						
Government-sponsored enterprises	-	-	1,036	(1,252)	1,036	(1,252)
Private	394	(3)	24,730	(2,886)	25,124	(2,889)
Other debt securities:						
Pooled trust preferred securities	2,582	(39)	12,045	(4,766)	14,627	(4,805)
Other	-	-	17,487	(1,327)	17,487	(1,327)
<b>Total other-than-temporarily impaired securities</b>	<b>2,976</b>	<b>(42)</b>	<b>55,298</b>	<b>(10,231)</b>	<b>58,274</b>	<b>(10,273)</b>
<b>Total temporarily-impaired and other-than-temporarily impaired securities</b>	<b>\$ 2,487,815</b>	<b>(26,647)</b>	<b>488,982</b>	<b>(32,241)</b>	<b>2,976,797</b>	<b>(58,888)</b>

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

	<i>Less than 12 months</i>		<i>12 months or longer</i>		<i>Total</i>	
	<b>Fair Value</b>	<b>Unrealized Losses</b>	<b>Fair Value</b>	<b>Unrealized Losses</b>	<b>Fair Value</b>	<b>Unrealized Losses</b>
<i>(in thousands)</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>

(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 (loss).

	Less than 12 months		12 months or longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
<i>(in thousands)</i>						
<b>December 31, 2015</b>						
Temporarily-impaired securities						
Mortgage-backed securities:						
U.S. Government Agency	\$ 5,216	(48)	-	-	5,216	(48)
Government-sponsored enterprises	160,343	(2,740)	6,933	(196)	167,276	(2,936)
Collateralized mortgage obligations:						
U.S. Government Agency	52,205	(699)	68,682	(2,150)	120,887	(2,849)
Government-sponsored enterprises	450,407	(5,401)	203,262	(10,668)	653,669	(16,069)
Other debt securities:						
Single issuer trust preferred & corporate debt securities	9,834	(27)	-	-	9,834	(27)
Other	-	-	1,360	(2)	1,360	(2)
<b>Total temporarily-impaired securities</b>	<b>678,005</b>	<b>(8,915)</b>	<b>280,237</b>	<b>(13,016)</b>	<b>958,242</b>	<b>(21,931)</b>
Other-than-temporarily impaired securities						
Collateralized mortgage obligations - private	-	-	4,093	(325)	4,093	(325)
<b>Total other-than-temporarily impaired securities</b>	<b>-</b>	<b>-</b>	<b>4,093</b>	<b>(325)</b>	<b>4,093</b>	<b>(325)</b>
<b>Total temporarily-impaired and other-than-temporarily impaired securities</b>	<b>\$ 678,005</b>	<b>(8,915)</b>	<b>284,330</b>	<b>(13,341)</b>	<b>962,335</b>	<b>(22,256)</b>
<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>

The unrealized losses in our securities portfolio are primarily due to the effects of the prevailing low interest rate environment on our floating rate securities. In addition, 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 (loss), 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, 2015.

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, 2015</i>	
	<b>Amortized Cost</b>	<b>Fair Value</b>
<b>AVAILABLE-FOR-SALE</b>		
Due in one year or less	\$ -	-
Due after one year through five years	209,880	216,560
Due after five years through ten years	334,535	333,733
Due after ten years	5,671,551	5,674,960
Total available-for-sale debt securities (1)	\$ 6,215,966	6,225,253
<b>HELD-TO-MATURITY</b>		
Due in one year or less	\$ -	-
Due after one year through five years	18,994	20,015
Due after five years through ten years	49,321	51,028
Due after ten years	2,064,829	2,066,870
Total held-to-maturity debt securities	\$ 2,133,144	2,137,913

(1) Excludes \$15.5 million of equity securities reported in Securities available-for-sale in the Consolidated Statements of Financial Condition.

## **(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, 2015 and 2014, Signature Bank was in compliance with the FHLB's minimum investment requirement with stock investments of \$154.4 million and \$86.3 million, respectively, carried at cost on the Consolidated Statements of Financial Condition. Collateral pledged for outstanding FHLB borrowings at December 31, 2015 and 2014 included \$122.4 million and \$60.1 million of FHLB capital stock, respectively.

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, 2015.

## (6) Loans Held for Sale

Loans held for sale at December 31, 2015 and 2014 were \$456.4 million and \$548.3 million, respectively. Gains on sales associated with the securitization of pooled loans and sale of mortgage loans for the years ended December 31, 2015, 2014 and 2013 amounted to \$7.1 million, \$5.4 million and \$6.3 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, 2015	December 31, 2014
<b>Mortgage loans:</b>		
Multi-family residential property	\$ 11,823,073	8,607,989
Commercial property	6,372,851	4,288,084
1-4 family residential property	539,526	463,420
Home equity lines of credit	163,191	160,890
Construction and land	75,958	64,824
<b>Total mortgage loans</b>	<b>18,974,599</b>	<b>13,585,207</b>
<b>Other loans:</b>		
Commercial and industrial	4,788,722	4,242,764
Consumer	9,714	10,245
<b>Total other loans</b>	<b>4,798,436</b>	<b>4,253,009</b>
<b>Less:</b>		
Net deferred fees and costs	19,529	19,492
ALLL	(195,023)	(164,392)
<b>Net loans</b>	<b>\$ 23,597,541</b>	<b>17,693,316</b>

To better conform with our underwriting processes and industry practice, loans secured, in part, by owner-occupied commercial properties were reclassified from commercial property loans to commercial and industrial loans in 2015, as the primary collateral for these loans consists of cash flow from the borrower's business. The amounts reclassified as of December 31, 2015 and December 31, 2014 were \$619.9 million and \$545.0 million, respectively.

As of December 31, 2015 and 2014, commercial and industrial loans include overdrafts of commercial deposit accounts totaling \$34.7 million and \$35.0 million, respectively, and other consumer loans include overdrafts of personal deposit accounts totaling \$3.5 million and \$3.8 million, respectively.



In order to manage 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, 2015</b>						
Commercial loans secured by real estate:						
Multi-family residential property	\$ 11,816,657	-	5,258	-	-	11,821,915
Commercial property	6,363,086	-	9,765	-	-	6,372,851
1-4 family residential property	397,707	-	4,070	-	119	401,896
Construction and land	75,958	-	-	-	-	75,958
Commercial and industrial loans	4,423,168	201,813	119,432	1,213	43,096	4,788,722
Total commercial loans	\$ 23,076,576	201,813	138,525	1,213	43,215	23,461,342
<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	4,271,045	244	16,795	-	-	4,288,084
1-4 family residential property	297,148	-	5,507	-	130	302,785
Construction and land	64,642	-	182	-	-	64,824
Commercial and industrial loans	4,126,643	19,456	47,484	4,762	44,419	4,242,764
Total commercial loans	\$ 17,353,051	19,700	82,989	4,762	44,549	17,505,051

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, 2015</b>			
Residential mortgages	\$ 136,845	1,943	138,788
Home equity lines of credit	159,131	4,060	163,191
Other consumer loans	9,704	10	9,714
Total consumer loans	\$ 305,680	6,013	311,693
<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

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 \$11.6 million and \$868,000 at December 31, 2015 and 2014, 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, 2015</b>							
Commercial loans							
Loans secured by real estate:							
Multi-family residential property	\$ 3,542	-	3,542	11,818,373	11,821,915	-	-
Commercial property	205	245	450	6,372,401	6,372,851	-	245
1-4 family residential property	70	4,119	4,189	397,707	401,896	-	4,119
Construction and land	-	-	-	75,958	75,958	-	-
Commercial and industrial loans	86,127	64,989	151,116	4,637,606	4,788,722	3,461	61,528
Consumer loans							
Residential mortgages	513	2,007	2,520	136,268	138,788	64	1,943
Home equity lines of credit	300	4,060	4,360	158,831	163,191	-	4,060
Consumer loans	85	10	95	9,619	9,714	-	10
<b>Total</b>	<b>\$ 90,842</b>	<b>75,430</b>	<b>166,272</b>	<b>23,606,763</b>	<b>23,773,035</b>	<b>3,525</b>	<b>71,905</b>
<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	245	2,912	3,157	4,284,927	4,288,084	712	2,200
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	16,084	7,572	23,656	4,219,108	4,242,764	825	6,747
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
Other consumer loans	16	111	127	10,118	10,245	-	111
<b>Total</b>	<b>\$ 22,922</b>	<b>22,847</b>	<b>45,769</b>	<b>17,792,447</b>	<b>17,838,216</b>	<b>1,839</b>	<b>21,008</b>

Nonaccrual loans at December 31, 2015 and 2014 totaled \$71.9 million and \$21.0 million, respectively. The increase in nonaccrual loans was primarily attributable to 43 commercial and industrial loans totaling \$50.9 million, including 38 taxi medallion loans totaling \$41.3 million that were classified as nonaccrual during the twelve months of 2015. There were no commitments at December 31, 2015 to lend additional funds on nonaccrual loans.

Accruing loans past due 90 days or more at December 31, 2015 and December 31, 2014 totaled \$3.5 million and \$1.8 million, respectively, excluding loans held for sale. At December 31, 2015, accruing loans past due 90 days or more were primarily comprised of commercial and industrial loans that are well secured and in process of collection. At December 31, 2014, accruing loans past due 90 days or more were comprised of matured performing loans in the normal course of renewal.

As of December 31, 2015 and 2014, the Bank held residential consumer mortgage loans in the process of foreclosure totaling \$6.3 million and \$6.2 million, respectively. The Bank did not hold any foreclosed residential real estate at December 31, 2015 and 2014.

As of December 31, 2015 and December 31, 2014, the Bank had pledged \$4.05 billion and \$2.62 billion, respectively, of commercial real estate loans through a blanket assignment to secure borrowings from the Federal Home Loan Bank ("FHLB"), although only approximately \$2.15 billion was required in connection with the outstanding FHLB borrowings.

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:

(in thousands)	Credit-rated loans			Non-rated loans			Total
	Commercial Real Estate	1-4 Family Residential Property	Commercial & Industrial	Commercial	Residential Mortgages	Consumer	
<b>For the year ended December 31, 2015</b>							
Beginning balance - ALLL	\$ 96,471	5,146	54,554	2,233	5,530	458	164,392
Provision	32,003	(1,757)	13,763	(737)	1,743	(101)	44,914
Charge-offs	(72)	(1,707)	(17,953)	(1,209)	(1,103)	(186)	(22,230)
Recoveries	28	-	5,922	1,171	656	170	7,947
Ending balance - ALLL	\$ 128,430	1,682	56,286	1,458	6,826	341	195,023
<b>For the year ended December 31, 2014</b>							
Beginning balance - ALLL	\$ 77,071	1,698	49,423	2,797	3,314	768	135,071
Provision	21,159	2,513	4,129	32	3,353	(76)	31,110
Charge-offs	(1,770)	(95)	(2,721)	(1,297)	(1,597)	(380)	(7,860)
Recoveries	11	1,030	3,723	701	460	146	6,071
Ending balance - ALLL	\$ 96,471	5,146	54,554	2,233	5,530	458	164,392
<b>For the year ended December 31, 2013</b>							
Beginning balance - ALLL	\$ 55,494	3,478	41,119	4,270	2,419	653	107,433
Provision	22,194	(311)	19,046	(1,255)	1,615	354	41,643
Charge-offs	(617)	(1,484)	(12,036)	(1,384)	(753)	(407)	(16,681)
Recoveries	-	15	1,294	1,166	33	168	2,676
Ending balance - ALLL	\$ 77,071	1,698	49,423	2,797	3,314	768	135,071

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

(in thousands)	Credit-rated loans			Non-rated loans			Total
	Commercial Real Estate	1-4 Family Residential Property	Commercial & Industrial	Commercial	Residential Mortgages	Consumer	
<b>As of December 31, 2015</b>							
ALLL:							
Individually evaluated for impairment	\$ 977	6	13,215	127	4,226	5	18,556
Collectively evaluated for impairment	127,453	1,676	43,071	1,331	2,600	336	176,467
Recorded investment in loans:							
Individually evaluated for impairment	14,300	4,071	205,407	254	8,761	11	232,804
Collectively evaluated for impairment	18,256,423	397,707	4,540,219	42,961	293,218	9,703	23,540,231
<b>As of December 31, 2014</b>							
ALLL:							
Individually evaluated for impairment	\$ 1,029	-	3,616	288	3,531	45	8,509
Collectively evaluated for impairment	95,442	5,146	50,938	1,945	1,999	413	155,883
Recorded investment in loans:							
Individually evaluated for impairment	24,268	5,507	17,144	575	9,528	111	57,133
Collectively evaluated for impairment	12,935,235	297,148	4,181,200	43,974	313,392	10,134	17,781,083

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 loan impaired during the year of restructuring. In subsequent years, we do not consider the restructured loan 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:

<i>(in thousands)</i>	<i>December 31, 2015</i>			<i>December 31, 2014</i>		
	<b>Unpaid Principal Balance</b>	<b>Recorded Investment</b>	<b>Related Allowance</b>	<b>Unpaid Principal Balance</b>	<b>Recorded Investment</b>	<b>Related Allowance</b>
<b>With no related allowance recorded:</b>						
Commercial loans secured by real estate:						
Commercial property	\$ -	-	-	6,002	6,002	-
Construction and land	-	-	-	1,757	182	-
Multi-family residential property	-	-	-	7,140	7,140	-
1-4 family residential property	-	-	-	7,457	5,507	-
Commercial and industrial loans	38,218	35,819	-	8,553	8,553	-
Residential mortgages	-	-	-	-	-	-
Home equity lines of credit	-	-	-	1,990	1,990	-
Other consumer loans	-	-	-	-	-	-
<b>With an allowance recorded:</b>						
Commercial loans secured by real estate:						
Commercial property	11,187	11,187	947	7,337	7,337	981
Construction and land	-	-	-	-	-	-
Multi-family residential property	3,113	3,114	30	3,606	3,606	48
1-4 family residential property	7,774	4,119	30	55	55	28
Commercial and industrial loans	171,504	169,793	13,318	9,112	9,112	3,876
Residential mortgages	3,196	2,711	1,201	3,544	2,900	1,212
Home equity lines of credit	6,054	6,050	3,025	5,458	4,638	2,319
Other consumer loans	10	10	5	111	111	45
<b>Total:</b>						
Commercial loans secured by real estate	22,074	18,420	1,007	33,354	29,829	1,057
Commercial and industrial loans	209,722	205,612	13,318	17,665	17,665	3,876
Residential mortgages	3,196	2,711	1,201	3,544	2,900	1,212
Home equity lines of credit	6,054	6,050	3,025	7,448	6,628	2,319
Other consumer loans	11	11	5	111	111	45
<b>Total impaired loans</b>	<b>\$ 241,057</b>	<b>232,804</b>	<b>18,556</b>	<b>62,122</b>	<b>57,133</b>	<b>8,509</b>

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,					
	2015		2014		2013	
(in thousands)	Average Recorded Investment	Interest Income Recognized	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	\$ 6,068	122	7,463	9	8,727	165
Construction and land	36	-	740	-	-	-
Multi-family residential property	2,849	140	5,861	331	-	-
1-4 family residential property	4,644	24	2,616	27	4,437	22
Commercial and industrial loans	20,152	791	3,114	376	5,867	262
Residential mortgages	-	-	656	-	3,494	-
Home equity lines of credit	398	-	813	13	1,232	-
Other consumer loans	-	-	-	-	-	-
<b>With an allowance recorded:</b>						
Commercial loans secured by real estate:						
Commercial property	6,825	258	11,456	239	13,448	133
Construction and land	-	-	432	-	2,565	-
Multi-family residential property	3,218	134	5,067	159	11,946	419
1-4 family residential property	866	-	3,004	-	1,167	-
Commercial and industrial loans	81,167	1,437	12,136	158	17,821	307
Residential mortgages	3,014	20	2,580	21	1,608	4
Home equity lines of credit	6,566	80	4,000	-	790	-
Other consumer loans	34	-	152	-	243	-
<b>Total:</b>						
Commercial loans secured by real estate	24,506	678	36,639	765	42,290	739
Commercial and industrial loans	101,319	2,228	15,250	534	23,688	569
Residential mortgages	3,014	20	3,236	21	5,102	4
Home equity lines of credit	6,964	80	4,813	13	2,022	-
Other consumer loans	34	-	152	-	243	-
Total	\$ 135,837	3,006	60,090	1,333	73,345	1,312

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, 2015, 2014, and 2013. 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, 2015			December 31, 2014			December 31, 2013		
	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
(dollars in thousands)									
Commercial loans secured by real estate:									
Commercial property	-	\$ -	-	3	4,504	5,490	1	7,703	4,400
1-4 family residential property	-	-	-	-	-	-	1	650	650
Construction and land	-	-	-	1	2,140	183	-	-	-
Commercial and industrial loans	192	161,686	161,512	2	6,982	6,189	4	6,143	6,308
Home equity lines of credit	-	-	-	1	1,990	1,990	-	-	-
Residential mortgages	1	495	486	1	495	495	1	325	290
Total	193	\$ 162,181	161,998	8	16,111	14,347	7	14,821	11,648

The following table summarizes how the TDR loans recorded for the years ended December 2015, 2014, and 2013 were modified:

<i>(in thousands)</i>	Term Extension	Term Extension with Other Concession (1)	Deferred Principal Amortization	Deferred Principal Amortization with Other Concession (1)	Total
<b>December 31, 2015</b>					
Commercial and industrial loans	\$ 9,015	-	1,320	151,177	161,512
Residential mortgages	-	486	-	-	486
Total	\$ 9,015	486	1,320	151,177	161,998
<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
Total	\$ 11,862	-	2,485	-	14,347
<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
Total	\$ 8,703	2,655	-	290	11,648

(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, 2015 and 2014 include TDR loans totaling \$186.4 million and \$43.3 million, respectively. The increase in TDR loans was primarily driven by the restructure of 72 taxi medallion relationships, comprised of 178 loans, totaling \$147.4 million during the year ended December 31, 2015. Certain TDR loans were accruing loans prior to modification and remained in accrual status post-modification as collection of principal and interest in accordance with the modified terms is reasonably assured, and the borrowers demonstrated sustained historical repayment performance for a reasonable period prior to modification. Additionally, in certain instances, we also received additional collateral to further strengthen the credit enhancement of the loan structure. While taxi medallion loans were historically interest-only, recent restructurings include deferred principal amortization and, in certain cases, also interest rate reduction and/or extension of the loan's contractual maturity date.

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

As of December 31, 2015, we had two commercial and industrial loans totaling \$1.4 million modified as a TDR within the previous 12 months that subsequently defaulted on payments. 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.

For the years ended December 31, 2015, 2014 and 2013, we recorded interest income on impaired loans during the period of impairment totaling \$3.0 million, \$1.3 million and \$1.3 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 \$6.2 million, \$3.1 million, and \$4.9 million for the years ended December 31, 2015, 2014 and 2013, respectively. Average impaired loans for the years ended December 31, 2015, 2014 and 2013 totaled \$135.8 million, \$60.1 million, and \$73.3 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>2015</b>	<b>2014</b>
Leasehold improvements	\$ 56,774	56,124
Furniture, fixtures and equipment	49,727	42,179
	106,501	98,303
Less accumulated depreciation and amortization	(62,340)	(57,307)
Premises and equipment, net	\$ 44,161	40,996

Depreciation and amortization expense totaled \$9.0 million, \$8.9 million and \$8.2 million for the years ended December 31, 2015, 2014 and 2013, 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>2015</b>	<b>2014</b>
Non-interest-bearing demand	\$ 8,494,854	7,064,959
NOW and interest-bearing demand	2,734,202	1,671,150
Money market	14,331,082	12,866,707
Time deposits	758,047	806,270
Brokered deposits (1)	455,738	211,189
Total deposits	\$ 26,773,923	22,620,275

(1) Includes non-interest bearing deposits of \$72.4 million and \$0 as of December 31, 2015 and December 31, 2014, respectively.

The aggregate amounts of time deposits in denominations of \$100,000 or more at December 31, 2015 and 2014 were \$853.6 million and \$698.9 million, respectively. The related interest expense on these types of deposits for the years ended December 31, 2015 and 2014 amounted to \$9.37 million and \$11.0 million, respectively.

At December 31, 2015, the scheduled maturities of time deposits are as follows:

<i>(in thousands)</i>	<b>Amount</b>
2016	\$ 729,087
2017	190,203
2018	16,124
2019	4,644
2020	14,027
Total time deposits (1)	\$ 954,085

(1) Includes brokered time deposits of \$196.0 million as of December 31, 2015.

At December 31, 2015 and 2014, we had approximately \$54.3 million and \$51.2 million, respectively, in deposits held by our directors and their related interests.

### (11) Incentive Savings Plan

We have a 401(k) program under which employees may make personal contributions by means of payroll deductions of up to 60% of their eligible pre-tax earnings or the maximum allowable under income tax regulations. Participants age 50 and over are permitted to make an additional "catch-up" contribution each year, subject to limits set by the Internal Revenue Service. We match 100% of the first 3% of base compensation contributed to the plan and 50% of the next 4% of base compensation contributed. The sum of the employer contributions and employee contributions are also limited by income tax regulations. Our contributions, included in salaries and benefits expense, were \$4.8 million, \$4.4 million and \$3.7 million, respectively, for the years ended December 31, 2015, 2014 and 2013.

### (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 with brokers at or for the years ended:

<i>(dollars in thousands)</i>	<i>December 31,</i>	
	<b>2015</b>	<b>2014</b>
<b>Federal Funds Purchased</b>		
Year-end balance	\$ 397,000	\$ 95,000
Maximum amount outstanding at any month-end	\$ 525,000	\$ 424,000
Average outstanding balance	\$ 157,039	\$ 122,860
Weighted-average interest rate paid	0.33%	0.27%
Weighted-average interest rate at year-end	0.54%	0.26%
<b>Securities Sold Under Agreements to Repurchase</b>		
Year-end balance	\$ 420,000	\$ 620,000
Maximum amount outstanding at any month-end	\$ 620,000	\$ 695,000
Average outstanding balance	\$ 534,315	\$ 673,904
Weighted-average interest rate paid	2.50%	2.47%
Weighted-average interest rate at year-end	2.63%	2.48%

During the years ended December 31, 2015, 2014, and 2013, we recorded interest expense on federal funds purchased and securities sold under agreements to repurchase with brokers totaling \$13.9 million, \$17.0 million, and \$19.2 million, respectively. The Bank also has repurchase agreements with FHLB. For further information regarding our repurchase agreements with FHLB, see Note 13 to our Consolidated Financial Statements



At December 31, 2015, securities with a fair value of \$496.0 million and a carrying value of \$492.6 million were pledged to meet our collateral requirement of \$441.0 million on repurchase agreements. 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.

The federal funds purchased at December 31, 2015 were overnight transactions, while the securities sold under repurchase agreements with brokers at December 31, 2015 have contractual maturities as follows:

<i>(in thousands)</i>	<b>Amount</b>	
2016	\$	95,000
2017		220,000
2018		75,000
2019		-
2020		30,000
Thereafter		-
<b>Total</b>	<b>\$</b>	<b>420,000</b>

Collateral for repurchase agreements with brokers typically consist of government agency and government-sponsored enterprise securities. Securities collateralizing these agreements are classified as Securities available-for-sale or Securities held-to-maturity in the Consolidated Statements of Financial Condition. The amount of excess collateral required is governed by each individual contract. The primary risk associated with these repurchase agreements is the requirement to pledge a balance of market value based collateral in excess of the borrowed amount. The excess collateral pledged represents an unsecured exposure to the lending counterparty. As the market value of the collateral changes, additional collateral may need to be pledged. In accordance with our policies, eligible counterparties are defined and monitored to minimize exposure. As of December 31, 2015, all repurchase agreements with brokers were collateralized with government-sponsored enterprise securities.

### **(13) Federal Home Loan Bank Borrowings**

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, 2015, we were in compliance with this requirement.

Our FHLB borrowings include both advances and repurchase agreements. The following table provides a summary of Federal Home Loan Bank ("FHLB") borrowings at or for the years ended:

<i>(dollars in thousands)</i>	<i>December 31,</i>	
	<b>2015</b>	<b>2014</b>
<b>FHLB Advances</b>		
Year-end balance	\$ 2,270,163	\$ 515,163
Maximum amount outstanding at any month-end	\$ 2,270,163	\$ 551,313
Average outstanding balance	\$ 532,945	\$ 465,949
Weighted-average interest rate paid	1.29%	0.75%
Weighted-average interest rate at year-end	0.93%	0.92%
<b>FHLB Repurchase Agreements</b>		
Year-end balance	\$ 450,000	\$ 820,000
Maximum amount outstanding at any month-end	\$ 770,000	\$ 1,769,000
Average outstanding balance	\$ 885,464	\$ 1,180,883
Weighted-average interest rate paid	0.70%	0.78%
Weighted-average interest rate at year-end	1.11%	0.89%

During the years ended December 31, 2015, 2014, and 2013, interest expense recorded on FHLB borrowings totaled \$13.1 million, \$12.7 million, and \$7.4 million, respectively.

As of December 31, 2015, securities with a fair value of \$1.52 and a carrying value of \$1.51 billion, respectively, were available to meet our collateral requirement of \$472.5 million on FHLB borrowings. 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 borrowings.

As of December 31, 2015, the Bank had pledged \$4.05 billion of commercial real estate loans through a blanket assignment to secure borrowings from the Federal Home Loan Bank ("FHLB"), although only approximately \$2.15 billion was required in connection with the outstanding FHLB borrowings. 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 borrowings.

FHLB borrowings at December 31, 2015 have contractual maturities as follows:

<i>(in thousands)</i>	<b>Amount</b>
<b>FHLB Advances</b>	
2016	\$ 1,519,263
2017	675,900
2018	50,000
2019	25,000
2020	-
Total FHLB advances	\$ 2,270,163
<b>FHLB Repurchase Agreements</b>	
2016	\$ 375,000
2017	75,000
2018	-
2019	-
2020	-
Total FHLB repurchase agreements	\$ 450,000

Additionally, certain of our long-term FHLB borrowings are callable by the FHLB for redemption prior to their scheduled maturity date. The table above includes \$200.0 million in advances that are callable in 2016, which have interest rates ranging from 0.56% to 0.64% and a weighted average interest rate of 0.58%.

Collateral for FHLB repurchase agreements typically consist of government agency and government-sponsored enterprise securities. Securities collateralizing these agreements are classified as Securities available-for-sale or Securities held-to-maturity in the Consolidated Statements of Financial Condition. The amount of excess collateral required is governed by each individual contract. The primary risk associated with these repurchase agreements is the requirement to pledge a balance of market value based collateral in excess of the borrowed amount. The excess collateral pledged represents an unsecured exposure to the lending counterparty. As the market value of the collateral changes, additional collateral may need to be pledged. In accordance with our policies, eligible counterparties are defined and monitored to minimize exposure. As of December 31, 2015, all FHLB repurchase agreements were collateralized with government-sponsored enterprise securities.

## (14) 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>2015</b>	<b>2014</b>	<b>2013</b>
<b>FEDERAL</b>			
Current expense	\$ 188,024	117,994	100,939
Deferred income tax expense (benefit)	(1,889)	27,545	8,851
Total federal	\$ 186,135	145,539	109,790
<b>STATE AND LOCAL</b>			
Current expense	\$ 65,662	60,481	54,334
Deferred income tax expense (benefit)	3,215	9,055	(1,334)
Total state and local	\$ 68,877	69,536	53,000
<b>TOTAL</b>			
Current expense	\$ 253,686	178,475	155,273
Deferred income tax expense	1,326	36,600	7,517
Total	\$ 255,012	215,075	162,790

The increase in income tax expense for the year ended December 31, 2015, when compared to the previous year, was primarily driven by an increase in our pre-tax income, partially offset with the impact of New York City tax legislation changes that went into effect during April 2015 and the impact of New York State corporate income tax reform that became effective at the beginning of 2015.

### New York State and New York City Corporate Income Tax Reform

The New York State corporate income tax reform, which was enacted on March 31, 2014, included several changes to existing tax legislation that became 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.

On April 13, 2015, Governor Andrew Cuomo signed the final version of the 2015-2016 New York State budget legislation, which includes substantial revisions to the New York City tax regime, as well as technical clarifications and expansion of the sweeping New York State tax reform legislation passed last year.

New York City has adopted most of the state's changes relating to banking corporations formerly taxable under Article 32. Banks formerly subject to the New York City Bank Tax are, as of January 1, 2015, subject to the General Corporation Tax. Additionally, the city has adopted receipts sourcing rules equivalent to the state's rules for the sourcing of income from loans and financial instruments.

## 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>2015</b>	<b>2014</b>
<b>DEFERRED TAX ASSETS</b>		
Allowance for loan and lease losses	\$ 80,876	69,553
Income on leased assets	32,689	15,148
Write-down for other-than-temporary impairment of securities	17,876	18,337
Unearned compensation - restricted stock	12,751	11,557
Non-accrual interest	1,583	1,338
Other	402	2,049
Total deferred tax assets recognized in earnings	146,177	117,982
Net unrealized losses on securities transferred to held-to-maturity	10,293	11,968
Total deferred tax assets	156,470	129,950
<b>DEFERRED TAX LIABILITIES</b>		
Depreciation - leased assets	103,696	70,767
Depreciation - ordinary	149	1,427
Prepaid expenses	752	839
Other	11,437	13,480
Total deferred tax liabilities recognized in earnings	116,034	86,513
Net unrealized gains on securities available-for-sale	3,559	21,592
Total deferred tax liabilities	119,593	108,105
Net deferred tax asset	\$ 36,877	21,845

At December 31, 2015, 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, as of December 31, 2015, we revalued our New York City deferred tax assets and liabilities in consideration of the New York City tax legislation changes that went into effect during April 2015. The revaluation resulted in an immaterial decrease to our net deferred tax asset. As of December 31, 2014, 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.

## 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,					
	2015		2014		2013	
	Expense (Benefit)	Rate	Expense (Benefit)	Rate	Expense (Benefit)	Rate
Statutory federal income tax expense	\$ 219,828	35%	179,122	35%	137,037	35%
State and local income taxes, net of federal income tax benefit	44,769	7%	45,198	9%	34,451	9%
Tax exempt income	(347)	*	(378)	*	(351)	*
Other items, net	(9,238)	(1)%	(8,867)	(2)%	(8,347)	(2)%
Effective income tax expense	\$ 255,012	41%	215,075	42%	162,790	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 most state income tax returns, we remain subject to examination for tax years 2012 and after, while for our New York City income tax returns, we remain subject to examination for tax years 2010 and after.

## (15) 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, 2015 and 2014 is summarized as follows:

	Years ended December 31,	
	2015	2014
Shares available for future awards at beginning of the year	2,017,708	2,178,000
Options		
Granted	-	-
Forfeited or expired	-	-
Shares sold to cover minimum tax withholding and/or option price upon exercise	5,812	2,470
Restricted stock		
Granted	(329,212)	(328,414)
Forfeited	5,115	214
Shares sold to cover minimum tax withholding upon vesting	188,349	165,438
Shares available for future awards at end of the year	1,887,772	2,017,708

## Stock Options

For the years ended December 31, 2015, 2014 and 2013, we recognized no compensation expense with respect to stock options since all options outstanding were fully vested. All options granted under the equity incentive plan were to 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, 2015 and 2014:

	<i>Years ended December 31,</i>			
	<i>2015</i>		<i>2014</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	11,575	\$ 26.36	16,750	\$ 25.20
Granted	-	-	-	-
Exercised	(11,575)	26.36	(5,175)	22.60
Forfeited or expired	-	-	-	-
Outstanding at end of the year	-	\$ -	11,575	\$ 26.36

As reflected in the table above, all remaining outstanding options were exercised in 2015. The intrinsic value of stock options exercised during the years ended December 31, 2015 and 2014 totaled \$1.1 million and \$499,000, respectively, and, cash received from those exercises during the respective periods totaled \$305,000 and \$117,000. Available authorized common shares were issued for stock options that were exercised.

### Restricted Stock

The following table summarizes information regarding outstanding grants of restricted stock for the years ended December 31, 2015 and 2014:

	<i>Years ended December 31,</i>			
	<i>2015</i>		<i>2014</i>	
	<b>Shares</b>	<b>Weighted Average Grant Price</b>	<b>Shares</b>	<b>Weighted Average Grant Price</b>
Outstanding at beginning of the year	1,081,076	\$ 75.34	1,111,013	\$ 54.15
Granted	329,212	129.95	328,414	127.96
Vested	(418,604)	74.63	(358,137)	58.14
Forfeited	(5,115)	123.73	(214)	68.95
Outstanding at end of the year	986,569	\$ 93.61	1,081,076	\$ 75.34

As of December 31, 2015, our total unrecognized compensation cost related to unvested restricted shares was \$61.7 million, which is expected to be recognized over a weighted-average period of 2.06 years. During the years ended December 31, 2015, 2014, and 2013, we recognized compensation expense of \$34.7 million, \$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, 2015, 2014 and 2013 were \$54.3 million, \$45.6 million, and \$2,600, respectively.

## (16) Accumulated Other Comprehensive Income (Loss)

The following table presents information regarding items reclassified out of Accumulated Other Comprehensive Income (Loss) ("AOCI") for the years ended December 31, 2015 and 2014:

<i>(in thousands)</i> Details About AOCI	Years ended December 31,		Affected Line Item in the Consolidated Statement of Income
	2015 Amount Reclassified Out of AOCI	2014 Amount Reclassified Out of AOCI	
Net unrealized gains on AFS securities	\$ 1,209	5,272	Net gains on sales of securities
	(963)	(1,724)	Net impairment losses on securities recognized in earnings
Total reclassifications, before tax	246	3,548	
	(100)	(1,499)	Income tax expense
Total reclassifications, net of tax	\$ 146	2,049	

The following table presents changes in AOCI, net of tax, for the years ended December 31, 2015 and 2014:

<i>(in thousands)</i>	AFS Securities	HTM Securities Transferred from AFS	Total
<b>For the year ended December 31, 2015</b>			
Balance at December 31, 2014	\$ 28,856	(15,732)	13,124
Net change in unrealized gains and losses	(24,541)	-	(24,541)
Amortization of net unrealized loss on securities transferred to HTM	-	2,060	2,060
Amounts reclassified out of AOCI	(146)	-	(146)
Net current period other comprehensive income (loss)	(24,687)	2,060	(22,627)
Balance at December 31, 2015	\$ 4,169	(13,672)	(9,503)
<b>For the year ended December 31, 2014</b>			
Balance at December 31, 2013	\$ (34,007)	(17,677)	(51,684)
Net change in unrealized gains and losses	64,912	-	64,912
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

## (17) 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>	Years ended December 31,		
	2015	2014	2013
Net income	\$ 373,065	296,704	228,744
Common and common equivalent shares:			
Weighted average common shares outstanding	50,739	49,066	47,267
Weighted average common equivalent shares	563	804	762
Weighted average common and common equivalent shares	51,302	49,870	48,029
Basic earnings per share	\$ 7.35	6.05	4.84
Diluted earnings per share	\$ 7.27	5.95	4.76

For the years ended December 31, 2015, 2014 and 2013, 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.

## (18) Commitments and Contingent Liabilities

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

### (a) Lease Commitments

We have entered into non-cancelable operating lease agreements for premises and equipment with expiration dates through the year 2033. Our premises are used principally for private client offices and administrative operations. Rental expense for our premises for the years ended December 31, 2015, 2014, and 2013 totaled \$21.9 million, \$18.6 million and \$16.3 million, respectively.

The required minimum rental payments under the terms of the non-cancelable leases at December 31, 2015 are summarized as follows:

<i>(in thousands)</i>	<b>Amount</b>
2016	\$ 19,620
2017	19,308
2018	20,083
2019	20,479
2020	19,076
Thereafter	112,059
<b>Total</b>	<b>\$ 210,625</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, 2015, 2014, and 2013, we incurred contractual costs of \$3.4 million, \$3.3 million, and \$3.3 million, respectively. During 2010, the original 84 month contractual term was extended by 38 months, and the Agreement now terminates in August 2016. We have the right to terminate the Agreement upon a change of control of us, or a failure by Fidelity to meet the terms of the Agreement, subject to certain penalties.

The required payments under the terms of the Agreement at December 31, 2015 are as follows:

<i>(in thousands)</i>	<b>Amount</b>
2016	\$ 2,325
2017	-
2018	-
2019	-
2020	-
Thereafter	-
<b>Total</b>	<b>\$ 2,325</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>2015</b>	<b>2014</b>
Unused commitments to extend credit	\$ 935,083	695,435
Financial standby letters of credit	285,187	257,006
Commercial and similar letters of credit	27,055	34,921
Other	1,342	1,312
<b>Total</b>	<b>\$1,248,667</b>	<b>988,674</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, real estate, accounts receivable, property, plant and equipment and inventory. At December 31, 2015 and 2014, our reserves for losses on unused commitments to extend credit totaled \$513,000 and \$747,000, 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, 2015 and December 31, 2014, we had deferred revenue for commitment fees paid for the issuance of standby letters of credit in the amounts of \$1.1 million and \$879,000, 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 \$134,000 and \$124,000 at December 31, 2015 and 2014, respectively. We recorded provisions for losses related to standby letters of credit totaling \$10,000 and \$(6,000) for the years ended December 31, 2015 and 2014, respectively. During the years ended December 31, 2015 and 2014, there were no charge-offs recorded on standby letters of credit.

At December 31, 2015 and 2014, we had commitments to sell loans totaling \$58.8 million and \$6.0 million, respectively.

#### **(d) Litigation**

In the normal course of business, the Bank has been named as a defendant in various legal actions. In the opinion of management, after reviewing such claims with legal counsel, resolution of these matters will not have a material adverse impact on our financial condition, results of operations or liquidity.

#### **(19) Regulatory Capital**

As a state-chartered bank, we are subject to various regulatory capital requirements administered by state and federal regulatory agencies. Failure to meet minimum capital requirements can initiate certain mandatory—and possible additional discretionary—actions by regulators that, if undertaken, could have a direct material adverse effect on our financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, we must meet specific capital guidelines that involve quantitative measures of our assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. Our capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

We are subject to comprehensive capital adequacy requirements intended to protect against losses that we may incur. FDIC regulations require that we maintain a minimum ratio of qualifying total capital to total risk-weighted assets (including off-balance sheet items) of 8.0%, and a ratio of Tier 1 capital to total risk-weighted assets of 6.0%. 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. At December 31, 2015, our total risk-based capital ratio was 12.10%, and our Tier 1 risk-based capital ratio was 11.33%. We are also required to maintain a minimum leverage capital ratio - the ratio of Tier 1 capital (net of intangibles) to adjusted total assets of 4.0%. At December 31, 2015, our leverage capital ratio was 8.87%. In addition we must maintain a minimum common equity tier 1 capital ratio of 4.5 %. Common equity Tier 1 capital consists of common stock instruments that meet the eligibility criteria in FDIC regulations, retained earnings, accumulated other comprehensive income (loss) and common equity Tier 1 minority interest. As of December 31, 2015, our Common equity Tier 1 capital ratio was 11.33%.

As of December 31, 2015 and 2014, 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.

#### *Basel III Requirements*

On July 9, 2013, the FDIC approved final rules that substantially amended the regulatory risk-based capital rules applicable to Signature Bank beginning January 1, 2015. The final rules were adopted following the issuance of proposed rules by the federal banking regulators in June 2012, and implemented 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 represented the following changes to the bank's capital adequacy requirements: (i) a new common equity Tier 1 risk-based capital ratio; (ii) an increase in the Tier 1 risk-based capital ratio minimum requirement from 4.0% to 6.0%; and (iii) a leverage ratio minimum requirement of 4.0% for *all* institutions, where 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%.

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. The capital conservation buffer will be phased-in over four years beginning on January 1, 2016, as follows: the maximum buffer is 0.625% of risk-

weighted assets for 2016, 1.250% for 2017, 1.875% for 2018, and 2.500% 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 set forth certain changes for the calculation of risk-weighted assets, which we have been required to utilize since 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 are in compliance with the requirements as set forth in the final rules as they are presently in effect.

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 prompt corrective action (“PCA”) provisions: “well capitalized,” “adequately capitalized,” “undercapitalized,” “significantly undercapitalized,” or “critically undercapitalized.”

As of January 1, 2015, the definitions of these capital categories 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 8.0% 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.

The capital amounts and ratios presented in the following table demonstrate that we were “well capitalized” as of December 31, 2015, under the capital guidelines that took effect on January 1, 2015:

<i>(dollars in thousands)</i>	<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>
Total capital (to risk-weighted assets)	\$ 3,096,303	12.10%	2,047,502	8.00%	2,559,377	10.00%
Tier 1 capital (to risk-weighted assets)	2,900,632	11.33%	1,535,626	6.00%	2,047,502	8.00%
Common equity Tier 1 capital (to risk-weighted assets)	2,900,632	11.33%	1,151,720	4.50%	1,663,595	6.50%
Tier 1 leverage capital (to average assets)	2,900,632	8.87%	1,307,379	4.00%	1,634,224	5.00%

#### *Former Capital Adequacy Guidelines*

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%, 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%. Additionally, those 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” under the former guidelines, it was required to 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 capital amounts and ratios presented in the following table demonstrate that we were “well capitalized” under the former capital guidelines as of December 31, 2014:

<i>(dollars in thousands)</i>	<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>
<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%

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.

For additional information regarding a public offering completed in January and February 2016, see Note 21 to our Consolidated Financial Statements

#### *Dividends*

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.

## (20) Segment Reporting

On an annual basis, we reevaluate our segment reporting conclusions. During the 2015 review, based on our continued assessment, particularly as it relates to our internal operating structure and the relative significance of the specialty finance business, we determined our operations are organized into two reportable segments representing our core businesses – Commercial Banking and Specialty Finance. The primary factors considered in determining these reportable segments include the nature of the underlying products and services offered, how products and services are provided to our clients, and our internal operating structure.

*Commercial Banking* consists principally of commercial real estate lending, commercial and industrial lending, and commercial deposit gathering activities.

*Specialty Finance* consists principally of financing and leasing products, including equipment, transportation, taxi medallion, commercial marine, commercial vehicle, municipal and national franchise financing and/or leasing.

Public companies are required to report certain financial and descriptive information about reportable segments. Segment information is reported using a “management approach” that is based on the way management organizes the segments for purposes of making operating decisions and assessing performance.

Management’s accounting process uses various estimates and allocation methodologies to measure the performance of the segments. To determine financial performance for each segment, the Company allocates funding costs and certain non-interest expenses to each segment, as applicable. Management does not consider income tax expense when evaluating segment profitability and, therefore, it is not disclosed in the tables below. Instead, the Bank’s income tax expense is calculated and evaluated at a consolidated level.

The following table presents financial data of our reportable segments:

<i>(in thousands)</i>	<i>At or for the years ended December 31,</i>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>Commercial Banking</b>			
Interest income	\$ 1,025,588	859,566	715,827
Interest expense	129,847	123,122	106,807
Provision for loan and lease losses	15,783	17,989	33,549
Non-interest income	34,405	32,688	31,102
Non-interest expense	317,296	274,305	229,996
Income before income taxes	597,067	476,838	376,577
Total assets	\$ 33,401,329	27,243,405	
<b>Specialty Finance</b>			
Interest income	\$ 103,626	77,751	44,760
Interest expense	22,266	13,044	5,437
Provision for loan and lease losses	29,131	13,121	8,094
Non-interest income	2,699	2,294	909
Non-interest expense	23,918	18,939	17,181
Income before income taxes	31,010	34,941	14,957
Total assets	\$ 3,173,198	2,637,116	

The following table provides reconciliations of net interest income, provision for loan and lease losses, non-interest income, non-interest expense, income before income taxes, and total assets for our reportable segments to the Consolidated Financial Statement totals:

<i>(in thousands)</i>	<i>At or for the years ended December 31,</i>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>Net interest income:</b>			
Commercial Banking	\$ 895,741	736,444	609,020
Specialty Finance	81,360	64,707	39,323
Consolidated	\$ 977,101	801,151	648,343
<b>Provision for loan and lease losses:</b>			
Commercial Banking	\$ 15,783	17,989	33,549
Specialty Finance	29,131	13,121	8,094
Consolidated	\$ 44,914	31,110	41,643
<b>Non-interest income:</b>			
Commercial Banking	\$ 34,405	32,688	31,102
Specialty Finance	2,699	2,294	909
Consolidated	\$ 37,104	34,982	32,011
<b>Non-interest expense:</b>			
Commercial Banking	\$ 317,296	274,305	229,996
Specialty Finance	23,918	18,939	17,181
Consolidated	\$ 341,214	293,244	247,177
<b>Income before income taxes:</b>			
Commercial Banking	\$ 597,067	476,838	376,577
Specialty Finance	31,010	34,941	14,957
Consolidated	\$ 628,077	511,779	391,534
<b>Total assets:</b>			
Commercial Banking	\$ 33,401,329	27,243,405	
Specialty Finance	3,173,198	2,637,116	
Eliminations	(3,123,982)	(2,561,881)	
Consolidated	\$ 33,450,545	27,318,640	

## (21) Subsequent Event

In January 2016, the Bank completed a public offering of 2,200,000 shares of common stock generating net proceeds of approximately \$296.1 million. The Bank also granted the underwriters an option to purchase up to 330,000 additional shares. Subsequently, in February 2016, the underwriters exercised the option to purchase 166,855 additional shares. In total, the net proceeds from this offering were \$318.7 million. The net proceeds from this offering will be used for general corporate purposes and to facilitate our continued growth.

## (22) Quarterly Data (unaudited)

<i>(dollars in thousands, except per share amounts)</i>	March 31	June 30	September 30	December 31
<b>2015 QUARTER</b>				
Interest income	\$ 253,962	267,594	282,994	302,398
Interest expense	31,466	31,295	33,027	34,059
Net interest income	222,496	236,299	249,967	268,339
Provision for loan and lease losses	7,887	8,957	11,384	16,686
Net interest income after provision for loan and lease losses	214,609	227,342	238,583	251,653
Non-interest income	10,150	9,755	7,854	9,345
Other-than-temporary impairment losses on securities, net	(341)	(221)	(120)	(281)
Non-interest income excluding other-than-temporary impairment losses on securities	10,489	9,977	7,975	9,626
Non-interest expense	81,698	84,912	86,173	88,431
Income before taxes	143,061	152,185	160,264	172,567
Income tax expense	59,671	61,723	64,039	69,579
Net income	\$ 83,390	90,462	96,225	102,988
Basic earnings per common share	\$ 1.66	1.78	1.89	2.02
Diluted earnings per common share	\$ 1.64	1.77	1.88	2.01
<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

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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 Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Principal 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 February 29, 2016, 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, 2015;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the Examining Committee of the registrant's Board of Directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 29, 2016

/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, 2015;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the Examining Committee of the registrant's Board of Directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 29, 2016

/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, 2015 (the "Form 10-K") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 29, 2016

/s/ JOSEPH J. DEPAOLO

Joseph J. DePaolo  
President, Chief Executive Officer and Director

Dated: February 29, 2016

/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

### Joseph J. DePaolo

President & Chief Executive Officer  
Signature Bank

### Barney Frank

Former U.S. Congressman

### Judith A. Huntington

President  
The College of New Rochelle

### Jeffrey W. Meshel

Founder, President &  
Chief Executive Officer  
Paradigm Capital Corp.

### Michael V. Pappagallo

Private Investor

### 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  
485 Madison 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  
58 South Service Road, Melville  
(Accommodation Office)

### Connecticut

75 Holly Hill Lane, Greenwich

### 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.signatureny.com

### Counsel

Paul, Weiss, Rifkind, Wharton & Garrison LLP  
1285 Avenue of the Americas  
New York, NY 10019  
212-373-3000

### Independent Auditors

KPMG LLP  
345 Park Avenue  
New York, NY 10154-0102  
212-758-9700

### Stock Transfer Agent & Registrar

American Stock Transfer  
6201 15th Avenue  
Brooklyn, NY 11219  
718-921-8200

### Stock Trading Information

The Bank's common stock is traded on the NASDAQ Global Select Market under the symbol SBNY.

### Annual Meeting

The annual meeting of stockholders will be held on April 21, 2016, 9:00 AM local time, at:

The Roosevelt Hotel  
45 East 45th Street  
New York, NY 10017  
212-661-9600

### Form 10-K

A copy of Signature Bank's Annual Report on Form 10-K filed with the FDIC is available without charge by download from [www.signatureny.com](http://www.signatureny.com), or by written request to:

Signature Bank  
Attention: Investor Relations  
565 Fifth Avenue  
New York, NY 10017

Certain statements in this Annual Report, and certain oral statements made from time to time by representatives of the Bank, that are not historical facts may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 (the "Reform Act"). Such forward-looking statements are based on the Bank's current expectations, speak only as of the date on which they are made and are susceptible to a number of risks, uncertainties and other factors. The Bank's actual results, performance and achievements may differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. For those statements, the Bank claims the protection of the safe harbor for forward-looking statements contained in the Reform Act. See "Private Securities Litigation Reform Act Safe Harbor Statement" and "Part I, Item 1A. Risk Factors," appearing in the Bank's Annual Report on Form 10-K for the fiscal year ended December 31, 2015, included herein.



SIGNATURE BANK

565 Fifth Avenue  
New York, NY 10017

866-SIG-LINE (866-744-5463)  
[www.signatureny.com](http://www.signatureny.com)



CONNECTICUT  
Greenwich

White Plains

WESTCHESTER  
New Rochelle

Hauppauge

Melville

Jericho

BRONX

LONG ISLAND

Hunts Point

Great Neck

Garden City

MANHATTAN

QUEENS

Rockville Centre

Jackson Heights

Forest Hills

Long Island City

Jamaica

Woodmere

Williamsburg

Downtown Brooklyn

Borough Park

BROOKLYN

Victory Blvd.  
Hylan Blvd.

STATEN ISLAND