SIGNATURE BANK

COLLEAGUES

15 YEARS OF SUCCESSFUL COLLABORATION

CLIENTS

SHAREHOLDERS

2016 ANNUAL REPORT

COMPANY PROFILE

Signature Bank (NASDAQ:SBNY), member FDIC, is a full-service commercial bank with 30 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)

	2012	2013	2014	2015	**2016**
Total assets	$ 17,456,057	22,376,663	27,318,640	33,450,545	**39,047,611**
Total loans	9,771,770	13,519,471	17,857,708	23,792,564	**29,043,165**
Total deposits	14,082,652	17,057,097	22,620,275	26,773,923	**31,861,260**
Shareholders' equity	1,650,327	1,799,939	2,496,238	2,891,834	**3,612,264**
Net interest income after provision for loan and lease losses	508,379	606,700	770,041	932,187	**991,468**
Non-interest income	36,239	32,011	34,982	37,104	**42,750**
Non-interest expense	218,243	247,177	293,244	341,214	**376,771**
Income before income taxes	326,375	391,534	511,779	628,077	**657,447**
Net income	$ 185,483	228,744	296,704	373,065	**396,324**

To Our Shareholders

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

There is a symbiotic relationship between Signature Bank's colleagues, clients and shareholders. Our commitment to more than 1,200 dedicated colleagues directly leads to strong, loyal client relationships, which is how we achieve valuable returns for our shareholders. Our shareholders' long-term commitment to our Bank has allowed us to build an institution which is truly differentiated in the marketplace and focused on long-term goals rather than the latest industry fad. This, in turn, promotes a greater focus on client care.

The relationship-based model we have built – predicated upon the high levels of service and financial care our private client banking teams deliver to our clients – is at the core of our business. It is this unrelenting commitment to client care that has been the hallmark of our single-point-of-contact approach, and our key differentiator in an over-crowded commercial banking marketplace.

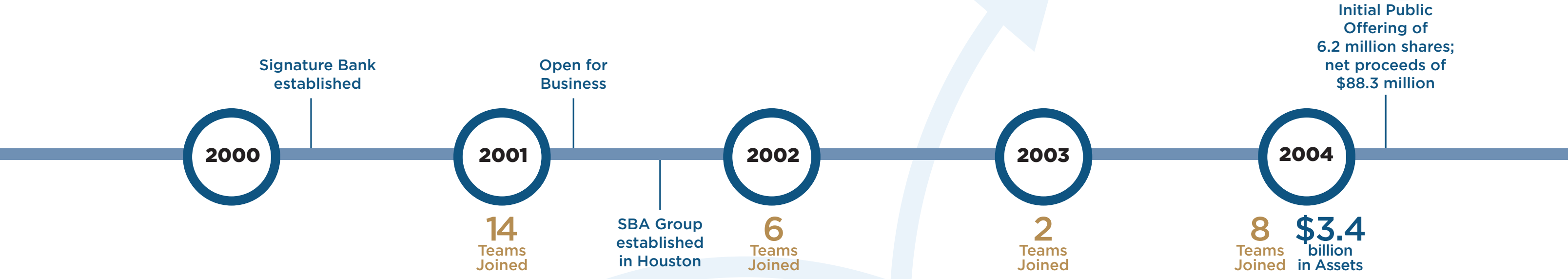
For nearly 16 years since our inception, our veteran private client banking teams have been focused on delivering unprecedented service, which has led to a highly satisfied, fast-growing client roster of commercial clients.

The efforts of our expert banking teams and the subsequent satisfaction of our clients can be evidenced by Signature Bank's ongoing, strong growth. 2016 was again a year in which the Bank delivered record earnings – in fact, our ninth consecutive one – and also another where we reported strong performance across all key metrics, including solid deposit and loan growth.

The partnership between our colleagues and clients has ultimately reaped significant returns for our shareholders, who, time and again, have realized benefits from growth that significantly outpaces that of our peers.

How It All Began

When we look back to our founding, it's hard to believe just how far we have come and all that has been achieved in such a short period of time. We recall the early days during which we conceptualized the building of a bank that put depositors and their safety first. The rationale and philosophy upon which Signature Bank was built remains the premise of our business model today.


Signature Bank established
2000
2001
14 Teams Joined
Open for Business
SBA Group established in Houston
2002
6 Teams Joined
2003
2 Teams Joined
Initial Public Offering of 6.2 million shares; net proceeds of $88.3 million
2004
8 Teams Joined
$3.4 billion in Assets

In the early days, there were just 10 colleagues working from a small conference room in Midtown Manhattan as Signature Bank began to take shape.

The goal was to create a Bank that would address a void management saw rapidly unfolding in the commercial banking marketplace. Mega-banks, also now known as too-big-to-fail institutions, were fast-consolidating, and the client-banker relationship was quickly dissolving as these large banks institutionalized their client base. The end result: frustrated, unhappy and underserved clients.

Our vision was to form an institution that would primarily cater to privately owned businesses, their owners and senior managers – a niche overlooked by the larger financial institutions. The team-based, relationship-focused model was designed to directly address what management saw as a viable and enormous opportunity to cater to clients and ensure their experience was stellar.

Signature Bank's plan was to stay true to its team-based concept by attracting experienced bankers from these mega-institutions. Creating a network of colleagues that comprised private client banking teams led by Group Directors would enable these teams to serve as a single point of contact for meeting all clients' needs. Clients simply contacted one team and whatever their needs were, the colleagues on that team could fulfill them.

Over time, we quickly grew, reaching several milestones along the way, such as:

- Named a top 10 Best Bank in America for six consecutive years (2011-2016), including Best Bank in America in 2015 *(Forbes)*
- Became 6th largest New York Commercial Bank *(Crain's New York Business)*
- Ranked 43rd Largest Bank Nationwide, of 6,000 banks, based on deposits *(SNL Financial)*
- Voted Best Business Bank for three consecutive years in 2014, 2015 and 2016 *(New York Law Journal)*
- Attracted 1,200 colleagues
- Grown to nearly 100 private banking teams, led by approximately 150 Group Directors
- Raised $1.3 billion in total capital through seven offerings
- Reported nine consecutive years of record earnings

Today, our network of Group Directors and banking teams are gathering record levels of both deposits and loans from clients who favor our service-oriented model.

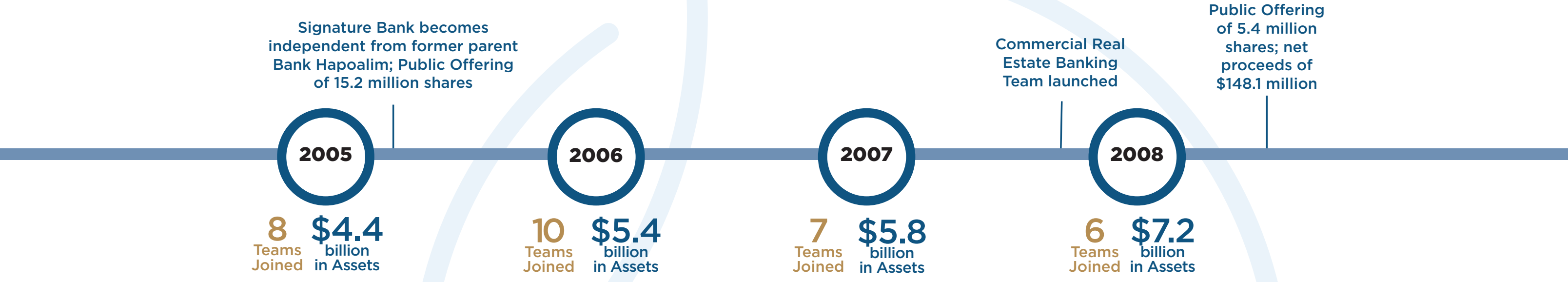
Colleagues at Our Core

Although we didn't anticipate all the tumult that would overwhelm the financial markets, Signature Bank has actually benefited from the rapidly changing financial services landscape.

We have developed an expertise in attracting veteran bankers from many competing institutions who prefer to become partners in our Bank and be objectively rewarded based on their team's success. Our profit model incentivizes teams on annual average balances of their clients. As such, the team is mindful in ensuring their clients are serviced well, as it is just as important to retain clients as it is to onboard new ones. We work hard to both attract and retain these seasoned banking professionals because we know their satisfaction is reflected in our clients' loyalty and longevity with our Bank.

To date, Signature Bank has attracted bankers from more than 20 different institutions. We have a very high retention rate at the Bank amongst our most seasoned bankers. We have become a preferred institution at which to work for many of these talented professionals.

We take great pride in ensuring our colleagues are motivated. Hard-working, highly rewarded, happy and healthy colleagues lead to satisfied, well-cared-for clients. For example, our employee wellness program was named winner of the Gold Stevie® Award for HR Achievement in the Workplace Health & Well-being category of the 2016 Stevie Awards for Great Employers. This stems from our sheer commitment to and investment in our colleagues' health and well-being.



Signature Bank becomes independent from former parent Bank Hapoalim; Public Offering of 15.2 million shares

2005

8 Teams Joined $4.4 billion in Assets

2006

10 Teams Joined $5.4 billion in Assets

Commercial Real Estate Banking Team launched

2007

7 Teams Joined $5.8 billion in Assets

Public Offering of 5.4 million shares; net proceeds of $148.1 million

2008

6 Teams Joined $7.2 billion in Assets

Our private client banking teams are the Bank's only advertisement. We do not engage in any advertising campaigns given the strength and success of our colleagues, and especially our clients, who serve as primary referral sources.

The investment we make in our teams equates to the growth of our business. The performance of our colleagues directly translates into our financial successes and reaps rewards for our shareholders.

Collaboration Translates Directly to Performance

Signature Bank reported its ninth consecutive year of record earnings in 2016. For the year ended December 31, 2016, net income reached a record $396.3 million, or $7.37 diluted earnings per share, versus $373.1 million, or $7.27 diluted earnings per share in 2015, demonstrating a $23.2 million, or 6.2 percent increase. The record net income reported in 2016, when compared with 2015, is mainly the result of an increase in net interest income, stimulated by strong average deposit and loan growth. These factors were offset, to some extent, by an increase in the provision for loan losses and non-interest expenses.

During 2016, the Bank also substantially grew deposits. For the 2016 year, deposits increased $5.09 billion to $31.86 billion. Average total deposits for 2016 reached $29.75 billion, up $4.45 billion, or 17.6 percent, versus average total deposits of $25.29 billion for 2015. As we have frequently mentioned, based on fluctuations in escrow deposits, we view average total deposits as the key benchmark on which we are most focused with respect to our deposit performance.

Loans continued to expand during 2016, as our portfolio grew $5.25 billion, or 22.1 percent, to $29.04 billion, compared with loans of $23.79 billion at the end of 2015. The increase in loans was primarily driven by growth in multi-family loans, commercial real estate and commercial and industrial loans. Loans represented 74.4 percent of total assets versus 71.1 percent at the end of 2015.

The Bank's disciplined lending approach resulted in a low non-performing loans-to-loan ratio of only 0.54 percent with non-performing loans-to-assets at 0.40 percent. Net charge-offs to average loans were 52 basis points in 2016, compared with seven basis points at December 31, 2015.

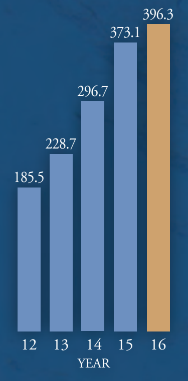
Signature Financial LLC, our wholly owned specialty finance subsidiary, continued to positively contribute to our loan portfolio, outside of our taxi medallion loans. Now, with seven business lines operating nationwide from this subsidiary, Signature Financial's portfolio totals in excess of $3.3 billion.

During 2016, the Bank continued to strengthen its already strong capital position with the completion of a public stock offering of nearly $320 million, as well as our first subordinated debt offering of $260 million. Both of these capital raises, along with our ongoing, solid earnings retention, well positions Signature Bank for future growth and further team and market expansion.

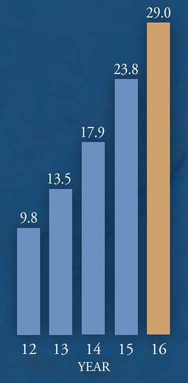
Again in 2016, the Bank's capital ratios were all in excess of regulatory requirements. The Bank's Tier 1 leverage, common equity Tier 1 risk-based, Tier 1 risk-based and Total risk-based capital ratios were approximately 9.61 percent, 11.92 percent, 11.92 percent and 13.46 percent, respectively, as of December 31, 2016. These strong capital ratios reflect the relatively low risk profile of our balance sheet. Additionally, the Bank's tangible common equity ratio remained strong at 9.21 percent.

We have always strived to emphasize depositor safety – first and foremost– since creating this institution back in 2000. We have implemented many measures to ensure this, as evidenced by the high investment grade ratings we earned in 2016 from Kroll Bond Rating Agency (KBRA), a full-service rating

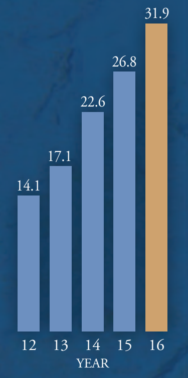
NET INCOME
(in millions)

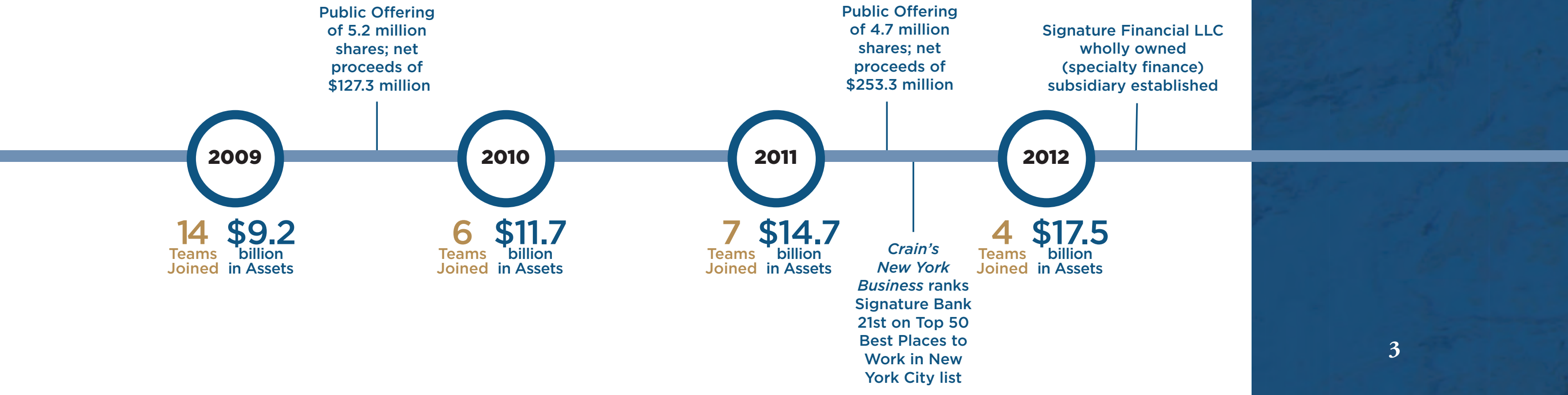


LOANS
(in billions)



DEPOSITS
(in billions)





Public Offering of 5.2 million shares; net proceeds of $127.3 million

Public Offering of 4.7 million shares; net proceeds of $253.3 million

Signature Financial LLC wholly owned (specialty finance) subsidiary established

2009 — 14 Teams Joined — $9.2 billion in Assets

2010 — 6 Teams Joined — $11.7 billion in Assets

2011 — 7 Teams Joined — $14.7 billion in Assets

Crain's New York Business ranks Signature Bank 21st on Top 50 Best Places to Work in New York City list

2012 — 4 Teams Joined — $17.5 billion in Assets agency. For the second consecutive year, according to KBRA, Signature Bank's ratings were supported by our solid fundamentals, including strong earnings, a healthy liquidity position and sound capital ratios. Furthermore, the ratings were reinforced by the Bank's veteran management team, its disciplined underwriting practices and financial results that consistently outperformed that of our peer group, particularly during recent economic downturns. This certainly validates our strength and commitment to depositor safety first.

Coming Full Circle

The virtuous Signature Bank cycle begins with our colleagues, extends to our clients and culminates with our shareholders.

In line with our founding strategy, we continue to identify bankers and colleagues interested in joining our network. We only open private client banking offices in markets where they have made their mark. As such, at the end of 2016, Signature Bank operated 30 private client banking offices throughout the New York metropolitan area. The marketplace continues to present vast opportunity for us to attract new colleagues while bankers also eagerly seek out Signature Bank as a preferred place to work.

Many banks measure their size by assets. While Signature Bank's assets approached $40 billion in 2016, we haven't lost sight of the fact that we consider our colleagues to be our greatest assets. We appreciate them and value the contributions they put forth each and every day to keep our clients well cared for and satisfied. We also are grateful to all our loyal clients and their dedication to Signature Bank.

This approach has led to high shareholder returns. Since we began operating as a public entity, we have built long-term value for our shareholders. From the time of our initial public offering in 2004, Signature Bank has outperformed the top 100 U.S. depositories (excluding processing banks) and delivered an 800 percent return on investment. It also has presented superior financial results as demonstrated by our high return on average assets and return on average equity. We thank our shareholders for their ongoing commitment to Signature Bank.

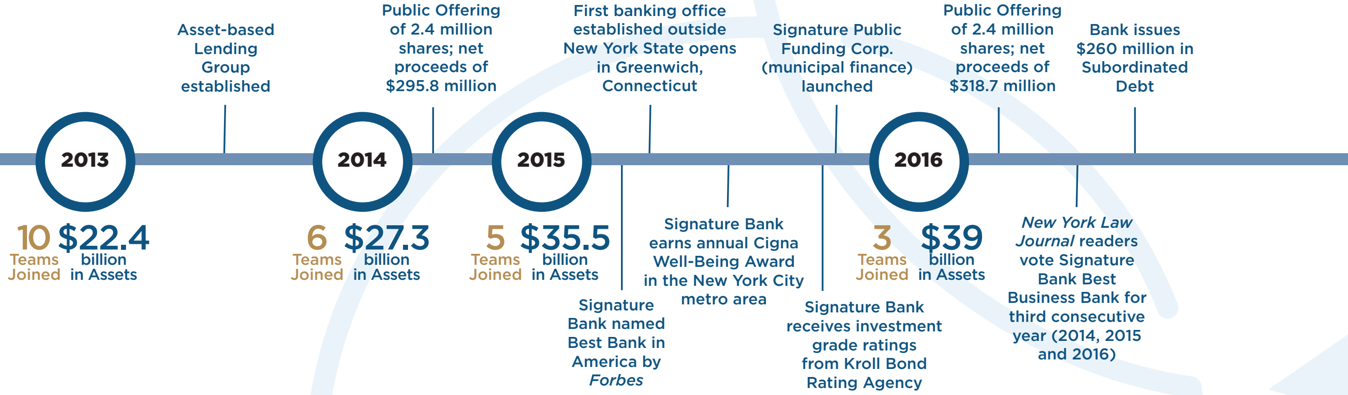
There is one important area from which we would welcome some collaboration, albeit a different type. Lawmakers on both sides of the aisle recognize that setting the level at which a bank is defined as a Systemically Important Financial Institution (SIFI) at $50 billion does not make any sense. The level should be raised substantially as regulations relating to becoming a SIFI impede growing institutions from competing with the mega-banks. Our financial markets work best when there is competition, and the $50 billion level for SIFI designation is actually anti-competitive.

All of the Bank's remarkable growth has been achieved organically, steadily and securely, which is consistent with our founding strategy. This is a direct result of our depositor-first, team-focused, relationship-based, single-point-of-contact model. Our diverse Board of Directors has been instrumental in helping us secure our leadership role in the commercial banking arena, and we thank them for their guidance and service.

We continue to work hard to maintain a happy workforce, delighted clients and contented shareholders as we further position the Bank for ongoing future success.

Respectfully,

	Joseph J. DePaolo
Scott A. Shay Chairman of the Board	Joseph J. DePaolo President and Chief Executive Officer



2013

10 Teams Joined

$22.4 billion in Assets

Asset-based Lending Group established

2014

6 Teams Joined

$27.3 billion in Assets

Public Offering of 2.4 million shares; net proceeds of $295.8 million

2015

5 Teams Joined

$35.5 billion in Assets

Signature Bank named Best Bank in America by *Forbes*

First banking office established outside New York State opens in Greenwich, Connecticut

Signature Bank earns annual Cigna Well-Being Award in the New York City metro area

Signature Public Funding Corp. (municipal finance) launched

Signature Bank receives investment grade ratings from Kroll Bond Rating Agency

2016

3 Teams Joined

$39 billion in Assets

Public Offering of 2.4 million shares; net proceeds of $318.7 million

New York Law Journal readers vote Signature Bank Best Business Bank for third consecutive year (2014, 2015 and 2016)

Bank issues $260 million in Subordinated Debt

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, 2016

Or

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

For the transition period from to

FDIC Certificate Number 57053

SIGNATURE BANK

(Exact name of registrant as specified in its charter)

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

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

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

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

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

NONE

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

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

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

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

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

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

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

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

The aggregate market value of the voting stock held by non-affiliates of the registrant, based on the closing sales price of the registrant's Common Stock as quoted on the NASDAQ Global Select Market on June 30, 2016 was $6.62 billion.

As of February 28, 2017, the Registrant had outstanding 54,610,419 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 20, 2017. (Part III)

SIGNATURE BANK
ANNUAL REPORT ON FORM 10-K
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016

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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;
- local, national and global political and macroeconomic uncertainty and volatility;
- 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 reliance on brokered deposits and continuing to be "well-capitalized";
- 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;
- exposure to legal claims and litigation;
- potential responsibility for environmental claims;
- downgrades of our credit rating;
- 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, or the Securities and Exchange Commission (the “SEC”);
- 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 30 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, 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 Group Corporation ("Signature Securities") subsidiary, a licensed broker-dealer and investment adviser. Additionally, through Signature Securities, we purchase, securitize and sell the guaranteed portions of U.S. Small Business Administration ("SBA") loans.

Through our Signature Public Funding ("Signature Public Funding") subsidiary based in Towson, Maryland, we provide 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.

Signature Bank's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and all amendments to those reports, Proxy Statement for its Annual Meeting of Stockholders and Annual Report to Stockholders are made available, free of charge, on our website at *www.signatureny.com* as soon as reasonably practicable after such reports have been filed with or furnished to the Federal Deposit Insurance Corporation ("FDIC"). You may also obtain any materials that we file with the FDIC at the Federal Deposit Insurance Corporation's offices located at 550 17th Street N.W., Washington, DC 20429.

Since commencing operations in May 2001, we have grown to $39.05 billion in assets, $31.86 billion in deposits, $29.04 billion in loans, $3.61 billion in equity capital and $3.35 billion in other assets under management as of December 31, 2016. 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

Subordinated Debt Offering

On April 19, 2016, the Bank issued $260 million aggregate principal amount of Variable Rate Subordinated Notes due April 19, 2026 (the "Notes") to institutional investors. The Notes accrue interest at a fixed rate of 5.30% for the first five years until April 2021. After this date and for the remaining five years of the Notes' term, interest will accrue at a variable rate of LIBOR plus 3.92%. Additionally, during the variable interest rate period and at the Bank's option, the Notes can be prepaid by the Bank. Net proceeds from this offering were used for general corporate purposes and to facilitate our continued growth.

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 were used for general corporate purposes and to facilitate our continued growth.

Core Deposit Growth

During 2016, our deposits grew $5.09 billion, or 19.0%, to $31.86 billion. Deposits at December 31, 2016 included $1.34 billion of time deposits. At year-end 2015, deposits included $954.1 million of time deposits. Core deposits, which exclude time deposits, increased $4.70 billion, or 18.2%, during 2016 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 45.1% of our total deposits and time deposits accounting for only 4.2% of our total deposits as of December 31, 2016. Our average cost for total deposits was 0.41% for the year ended December 31, 2016.

Strategic Hires

During 2016, we increased our network of seasoned banking professionals by adding three private client banking teams and several new banking group directors. Our full-time equivalent number of employees grew from 1,122 to 1,218 during 2016.

Private Client Banking Teams and Offices

As of December 31, 2016, 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 2016 in Bay Ridge, Brooklyn. We currently operate 30 private client offices 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 and risk management review of compensation practices. 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.

Because we are a relationship-based commercial bank, we compensate our employees for average balances, not for the number of accounts or products. Incentive revenue is the same for both retaining and obtaining clients. Additionally, there are no sales competitions or sales requirements, nor are there any cross-selling requirements.

Maintain a flat organization structure for business development purposes 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 Chief Risk Officer 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, 2016, 547,634 of these warrants have been exercised, which resulted in the creation of 128,683 shares of treasury stock that have been reissued in connection with the exercise of options and the vesting of restricted stock granted under the Bank's equity incentive plan.
- In July 2011, we completed a public offering of 4,715,000 shares of our common stock generating net proceeds of approximately $253.3 million.
- In July 2014, we completed a public offering of 2,415,000 shares of our common stock generating net proceeds of approximately $295.8 million.
- 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.
- In April 2016, the Bank issued $260 million of subordinated debt to institutional investors.

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, 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 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, 2016 and 2015:

	December 31,			
	2016		*2015*	
(dollars in thousands)	**Amount**	**Percentage**	**Amount**	**Percentage**
Personal demand deposit accounts (1)	$ 826,382	2.59%	693,297	2.59%
Business demand deposit accounts (1)	9,642,408	30.26%	7,801,557	29.14%
Brokered demand deposit accounts (1)	51,739	0.16%	72,446	0.27%
Rent security	199,243	0.63%	164,014	0.61%
Personal NOW	51,167	0.16%	46,650	0.17%
Business NOW	3,857,269	12.11%	2,687,552	10.04%
Personal money market accounts	4,073,418	12.78%	3,625,105	13.54%
Business money market accounts	11,677,906	36.66%	10,541,963	39.37%
Brokered money market accounts	137,871	0.43%	187,254	0.70%
Personal time deposits	298,742	0.94%	328,031	1.23%
Business time deposits	620,607	1.95%	430,016	1.61%
Brokered time deposits	424,508	1.33%	196,038	0.73%
Total	$ 31,861,260	100.00%	26,773,923	100.00%
Demand deposit accounts (1)	$ 10,468,790	32.85%	8,494,854	31.73%
NOW	3,908,436	12.27%	2,734,202	10.21%
Money market accounts	15,950,567	50.07%	14,331,082	53.52%
Time deposits	919,349	2.89%	758,047	2.84%
Brokered deposits (2)	614,118	1.92%	455,738	1.70%
Total	$ 31,861,260	100.00%	26,773,923	100.00%
Personal	$ 5,249,709	16.47%	4,693,083	17.53%
Business	25,997,433	81.61%	21,625,102	80.77%
Brokered deposits (2)	614,118	1.92%	455,738	1.70%
Total	$ 31,861,260	100.00%	26,773,923	100.00%

[1] Non-interest bearing.

[2] Includes non-interest bearing deposits of $51.7 million and $72.4 million as of December 31, 2016 and December 31, 2015, 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, 2016, funded C&I loans totaled approximately 19% 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, 2016:

(dollars in thousands)		Loan Amount	Percentage
Transportation Services	$	868,507	15.86%
Real Estate and Real Estate Management		784,946	14.33%
Taxi Medallions		627,399	11.45%
Manufacturing		491,822	8.98%
Building and Construction Contractors		417,584	7.62%
Financial Services		219,407	4.00%
Health Services		208,715	3.81%
Retail Trade		203,336	3.71%
Wholesale Trade		201,460	3.68%
Professional Services		201,134	3.67%
Automotive Services		192,741	3.52%
Accomodation and Food Services		165,683	3.02%
Recreational Services		137,272	2.51%
Business Services		91,047	1.66%
Educational Services		88,455	1.61%
Special Trade Contractors		54,327	0.99%
Mining		49,500	0.90%
Public Administration		45,669	0.83%
Utilities		33,748	0.62%
Legal Services		30,728	0.56%
Membership Organizations		30,360	0.55%
Communications		27,494	0.50%
Audio/Video Services		20,759	0.38%
Other Industries		287,130	5.24%
Total	$	5,479,223	100.00%

As of December 31, 2016, one of the largest components 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, 2016, funded real estate loans totaled approximately $23.53 billion, representing approximately 80% of our total funded loans.

The following table shows the distribution of our real estate loans by collateral type as of December 31, 2016:

(dollars in thousands)		Loan Amount	Percentage
Multi-family residential property	$	14,366,520	61.05%
Commercial property		7,994,707	33.98%
1-4 family residential property		535,338	2.28%
Home equity lines of credit		148,094	0.63%
Construction and land		485,309	2.06%
Total	$	23,529,968	100.00%

We do not consider personal residential real estate loans a core part of our business. These loans consist of first and second mortgage loans for residential properties. The borrowers are typically high net worth individuals from our private client services. Effective January 2016, we no longer originate these loans, though we expect to continue to service the remaining portfolio until maturity.   .

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, 2016, our commitments under letters of credit totaled approximately $394.5 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, 2016, our consumer loans totaled $10.3 million, representing less than 1% of our total funded loans.

Investment and Asset Management Products and Services

Investment and asset management products and services are provided through our subsidiary, Signature Securities. Signature Securities is a licensed broker-dealer and is a member of the 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, 2016, we had $559.5 million in SBA loans held for sale, representing approximately 1.7% of our total funded loans, compared to $456.4 million at December 31, 2015.

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, 2016, the carrying amount of our SBA excess servicing strip assets totaled $130.4 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 $1.7 trillion in total deposits, as of June 30, 2016 – 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, 2016, we operated 30 private client offices in the New York metropolitan area. These 30 offices housed a total of 97 private client banking teams. As part of the continuing development of our business strategy, we expect to add additional private client banking teams in 2017. We believe these additional teams 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 information technology environment includes the Fidelity Information Services’ technology centers in Little Rock, Arkansas and Brown Deer, Wisconsin. 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 and Brown Deer technology centers are provided through separate facilities located in Jacksonville, Florida and Wisconsin.

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.

Employees

As of December 31, 2016, we had 1,218 full-time equivalent employees, 716 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 ("DFS") 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. We also are subject to enforcement and rulemaking authorities of the Consumer Financial Protection Bureau ("CFPB") for financial products and services under its jurisdiction. 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. We are, however, subject to the disclosure and regulatory requirements of the Securities Exchange Act of 1934, as administered by the FDIC, and the rules adopted for The NASDAQ Stock Market LLC that are applicable to listed 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. 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.

In addition, the FDIC, as a supervisory matter, expects us to have governance, internal control, compliance, and supervisory programs consistent with our size and activities. As the Bank approaches $50 billion in assets, the FDIC will generally expect us to develop and implement enhanced governance, internal control, compliance, and supervisory programs, to implement select banking regulations that do not technically apply to an institution of our size or structure, and to incur the costs to implement, staff, and maintain those programs.

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 DFS and of 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 DFS 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." In addition, the FDIC has stated that excessive dividends can negate strong earnings performance and result in a weakened capital position and that dividends generally can be disbursed, in reasonable amounts, only after losses are eliminated and necessary reserves and prudent capital levels are established.

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 and Related Requirements

We are subject to comprehensive capital adequacy requirements intended to protect against losses that we may incur. FDIC capital adequacy 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. Total capital includes Tier 1 capital, a limited amount of allowances for loan and lease losses, perpetual preferred stock, and subordinated debt. At December 31, 2016, our total risk-based capital ratio was 13.46%, and our Tier 1 risk-based capital ratio was 11.92%. 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, 2016, our leverage capital ratio was 9.61%. In addition we must maintain a minimum common equity tier 1 capital ratio of 4.5 %. Common equity Tier 1 capital is a subset of Tier 1 capital that, for us, 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, 2016, our common equity Tier 1 capital ratio was 11.92%.

The FDIC's current capital rules implement the "Basel III" regulatory capital reforms and changes required by the Dodd-Frank Act. "Basel III" refers to two consultative documents released by the Basel Committee on Banking Supervision ("BCBS") in December 2009, a rules text released in December 2010 and revised in June 2011, and loss absorbency rules issued in January 2011, which include significant changes to bank capital, leverage, and liquidity requirements. BCBS later released documents presenting specific liquidity tests for measuring banks' liquidity: the liquidity coverage ratio ("LCR"), a test intended to promote the short-term resilience of the liquidity risk profile of banks that was presented in January 2013, and the net stable funding ratio ("NSFR"), a test intended to require banks to maintain a stable funding profile in relation to the composition of their assets and off-balance sheet activities. These liquidity tests also are considered part of Basel III.

The federal banking agencies issued proposed Basel III implementation rules in June 2012. On July 9, 2013, the FDIC approved final rules that substantially amended the regulatory risk-based capital rules applicable to Signature Bank, effective beginning January 1, 2015. The FDIC's final capital 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 Tier 1 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 established a "capital conservation buffer" above the new regulatory minimum capital requirements, which must consist entirely of common equity Tier 1 capital, to be phased in over several years. The phase-in of the capital conservation buffer began on January 1, 2016, at a level of 0.625% of risk-weighted assets for 2016 and increased to 1.250% for 2017. The minimum buffer then will be 1.875% for 2018 and 2.500% for 2019 and thereafter, resulting in the following effective minimum capital 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.

In addition to these capital rules, federal financial regulators have begun to adopt liquidity rules to implement the LCR and NSFR. The LCR is designed to ensure that a bank maintains an adequate level of unencumbered high-quality liquid assets equal to the bank's expected net cash outflow for a 30-day time horizon (or if greater, 25% of its expected total cash outflow) under an acute liquidity stress scenario. The NSFR is designed to promote more medium- and long-term funding of the assets and activities of banks over a one-year time horizon. These requirements would incentivize banks to increase their holdings of sovereign debt, including U.S. Treasury securities, as a component of assets and increase the use of long-term debt as a funding source.

In September 2014, the federal banking agencies approved final rules implementing the LCR for large, international banking organizations with $250 billion or more in consolidated assets or $10 billion or more in total on-balance sheet foreign exposure and their consolidated subsidiary banks, which does not apply to us based on our current total consolidated assets. Concurrently, the Federal Reserve adopted a modified version of the LCR for certain bank holding companies and savings and loan holding companies that have $50 billion or more in total consolidated assets but would not otherwise be covered by the LCR. In April 2016, the federal banking agencies proposed rules to implement the NSFR. Like the LCR, the proposed NSFR would apply to large, international banking organizations with $250 billion or more in consolidated assets or $10 billion or more in total on-balance sheet foreign exposure and their consolidated subsidiary banks and, in modified form, to certain bank holding companies and savings and loan holding companies that have $50 billion or more in total consolidated assets but would not otherwise be covered by the NSFR.

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, 2016, 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 will be categorized as “well capitalized” if we (i) have a total risk-based capital ratio of 10.0% or greater; (ii) have a Tier 1 risk-based capital ratio of 8.0% or greater; (iii) have a common equity Tier 1 risk-based capital ratio of 6.5% or greater; (iv) have a leverage ratio of 5.0% or greater; and (v) 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 will be categorized as “adequately capitalized” if we have (i) a total risk-based capital ratio of 8.0% or greater; (ii) a Tier 1 risk-based capital ratio of 6.0% or greater; (iii) a common equity Tier 1 capital ratio of 4.5% or greater; and (iv) a leverage ratio of 4.0% or greater (3.0% if we are rated in the highest supervisory category).

We will be categorized as “undercapitalized” if we have (i) a total risk-based capital ratio that is less than 8.0%; (ii) a Tier 1 risk-based capital ratio that is less than 6.0%; (iii) a common equity Tier 1 capital ratio that is less than 4.5%; or (iv) a leverage ratio that is less than 4.0%.

We will be categorized as “significantly undercapitalized” if we have (i) a total risk-based capital ratio that is less than 6.0%; (ii) a Tier 1 risk-based capital ratio that is less than 4.0%; (iii) a common equity Tier 1 capital ratio that is less than 3.0%; or (iv) a leverage ratio that is less than 3.0%.

We will 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 DFS also has broad powers to enforce compliance with New York laws and regulations. The New York State DFS 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 may continue to result in additional legislative and regulatory actions that will affect the operations of the Bank. Under the Dodd-Frank Act, federal banking 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 and 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 banking 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. 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. In 2016, we submitted our stress testing results on July 28th based on data as of December 31, 2015, which we publicly disclosed on October 24, 2016. 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 final regulations' requirements 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. In July 2016, the Federal Reserve further extended 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 $35.3 million and an amortized cost of $33.9 million as of December 31, 2016. These securities had an unrealized gain as of December 31, 2016.

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, 2016, $10.47 billion, or 32.9%, of our total deposits were held in non-interest bearing demand deposit accounts. 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.

Consumer Financial Protection

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.

To promote fairness and transparency for mortgages, credit cards, and other consumer financial products and services, the Dodd-Frank Act established the CFPB. This agency is responsible for various functions, including conducting financial education programs; collecting, investigating, and responding to consumer complaints; and interpreting and 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 also is 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 December 2013, the CFPB issued a final rule adopting integrated disclosure in connection with mortgage origination that incorporates disclosure requirements under RESPA and TILA, and the disclosure requirement became effective in October 2015. The CFPB issued proposed amendments to this disclosure requirement in July 2016. In accordance with deadlines set by the Dodd-Frank Act, the CFPB also issued final rules in January 2013, which became effective in January 2014, that established new mortgage servicing standards and mortgage lending requirements using a “qualified mortgage” definition to fulfill the Dodd-Frank Act requirement that mortgage lenders consider a borrower’s ability to repay. See “Risk Factors—Risks Relating to Our Industry—New regulations could restrict our ability to originate, service, and sell mortgage loans.” In August 2016, the CFPB adopted a final rule providing additional borrower foreclosure protections under these standards.

In May 2016, the CFPB issued a proposed rule that would prohibit the use of arbitration agreements to block class actions in certain contracts for consumer financial products and services. The proposed generally would apply to contracts “entered into” more than 180 days after the effective date of any final rule. These and other CFPB regulations have increased, and likely will continue to 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. We have incurred and may in the future incur additional costs in complying with these requirements.

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 on February 8, 2016, and the most recent New York State examination concluded on December 31, 2014. 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 DFS 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 also is subject to New York AML laws and regulations. In June 2016, the New York State DFS adopted a final rule that requires certain New York-regulated financial institutions, including Signature Bank, to comply with enhanced anti-terrorism and AML requirements beginning in 2017. The rule adds, among other AML program requirements, greater specificity to certain transaction monitoring and filtering requirements and 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. Beginning in April 2018, the rule also will require chief information officers to submit certifications of compliance with these requirements annually. Signature Bank likely will incur additional cost in complying with these requirements.

Financial Privacy and Cybersecurity

Under privacy protection provisions of the Gramm-Leach-Bliley Act of 1999 and related regulations, 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. These guidelines, along with related regulatory materials, increasingly focus on risk management and processes related to information technology and the use of third parties in the provision of financial services. In October 2016, the federal banking agencies issued an advance notice of proposed rulemaking on enhanced cybersecurity risk-management and resilience standards that would apply to large and interconnected banking organizations and to services provided by third parties to these firms. These enhanced standards would apply to depository institutions and depository institution holding companies with total consolidated assets of $50 billion or more.

Signature Bank also is subject to New York financial privacy laws and regulations. In September 2016, the New York State DFS issued a proposed rule, which it re-issued in revised form in December 2016, that would require banks, insurance companies, and other financial services institutions regulated by the New York State DFS to establish and maintain a cybersecurity program designed to protect consumers and ensure the safety and soundness of New York State's financial services industry. The cybersecurity rule would add specific requirements for these institutions' cybersecurity compliance programs and, like the New York State DFS's enhanced anti-terrorism and AML requirements, would impose an obligation to conduct an ongoing, comprehensive risk assessment and require each institution's board of directors, or a senior officer, to submit annual certifications of compliance with these requirements. Signature Bank likely will incur additional cost in complying with these requirements.

Transactions with Related Parties

Transactions between banks and their 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% 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% 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 DFS is required before any person or group of persons deemed to be acting in concert may acquire "control" of a banking institution, which includes 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 federal 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 ("FDI 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 banking 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 federal banking agencies proposed such regulations in April 2011 and issued a second proposed rule in April 2016. The second proposed rule would apply to all banks, among other institutions, with at least $1 billion in average total consolidated assets, for which it would go beyond the Guidance on Sound Incentive Compensation Policies discussed above to prohibit certain types and features of incentive-based compensation arrangements, require incentive-based compensation arrangements to adhere to certain basic principles, and require appropriate board or committee oversight and recordkeeping and disclosures to the appropriate agency. In addition, institutions with at least $50 billion in average total consolidated assets would be subject to additional compensation-related requirements and prohibitions.

In October 2016, the New York State DFS also announced a renewed focus on employee incentive arrangements and issued new guidance to New York State-regulated banks to ensure that these arrangements do not encourage inappropriate practices. The guidance listed adapted versions of the key principles from the Guidance on Sound Incentive Compensation Policies as minimum requirements and advised these banks that incentive compensation arrangements must be subject to effective risk management, oversight, and control. In November 2016, the CFPB issued similar guidance to financial services companies, including the entities that it supervises.

Regulation of Signature Securities

Signature Securities is registered as a broker-dealer with and subject to supervision by the SEC. The SEC is the federal agency primarily responsible for the regulation of broker-dealers. Signature Securities is also subject to regulation by one of the brokerage industry's self-regulatory organizations, the Financial Industry Regulatory Authority ("FINRA"). As a registered broker-dealer, Signature Securities is subject to the SEC's uniform net capital rule. The purpose of the net capital rule is to require broker-dealers to have at all times enough liquid assets to satisfy promptly the claims of clients if the broker-dealer goes out of business. If Signature Securities fails to maintain the required net capital, the SEC and 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 DFS. 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 (the pre-2011 predecessor agencies of the New York State DFS) 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.

Deposit Premiums and Assessments

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 such an institution, an assessment rate adjustment applies when its ratio of brokered deposits to domestic deposits is greater than 10%.

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 March 2016, the FDIC adopted a final rule, which took effect on June 30, 2016, imposing 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 two years after it becomes effective. However, if this does not occur by December 31, 2018, the final rule will impose an additional shortfall assessment. In either case, these assessments will end once the ratio reaches 1.35%. In conjunction with this surcharge, a new assessment rate schedule for the regular surcharge was implemented. Under the newly effective assessment rate schedules, the total base assessment rates for large and highly complex institutions range from 1 to 40 basis points. In total, the changes to the FDIC's assessments are expected to increase our deposit insurance assessments by approximately $4 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 0.565 basis points of insured deposits on an annualized basis in fiscal year 2016. The FICO bonds mature from 2017 through 2019.

Other Regulatory Requirements

Federal banking laws and regulations, including the Dodd-Frank Act and its implementing rules, apply increasingly stringent regulatory and supervisory requirements to banks or bank holding companies that cross total asset thresholds of $10 billion, $50 billion, and $250 billion. Signature Bank is positioned to be subject, in some instances, to somewhat lighter federal bank regulatory requirements than larger banks and banks that are subsidiaries of registered bank holding companies. 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 $39.05 billion as of December 31, 2016, is, and in the foreseeable future expects to be, subject to only some of these escalating requirements.

The FDI Act, as administered by the FDIC, restricts the acceptance of brokered deposits and certain restrictions on deposit interest rates. Banks that do not maintain their regulatory capital above the level required to be "well capitalized" face tiered limits on their ability to accept or renew deposits classified as "brokered deposits." "Adequately capitalized" banks may not accept or renew brokered deposits unless they obtain a waiver from the FDIC. Brokered deposits include deposits obtained 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 can be treated as brokered deposits. In January 2015, the FDIC issued guidance on its rules on brokered deposits, which it updated in June 2016, that reiterated the FDIC's views that use of brokered deposits to fund unsound or rapid expansion of loans and investment portfolios has contributed to institutions' weakened financial and liquidity positions over successive economic cycles and that the overuse of brokered deposits and the improper management of brokered deposits by problem institutions have contributed to bank failures and losses to the Deposit Insurance Fund. See "—Deposit Premiums and Assessments" for a discussion of the brokered-deposit assessment rate adjustment applicable to certain institutions.

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.

Commercial real estate loans represent a significant portion of our loan portfolio. As of December 31, 2015, our ratio of total commercial real estate loans to total risk-based capital was 593.3%, and as of December 31, 2016, that ratio had decreased to 554.2%. From December 31, 2013 to December 31, 2016, the outstanding balance of our commercial real estate loan portfolio increased $12.95 billion, or 130.9%. 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. In December 2015, the agencies released a new statement on prudent risk management for commercial real estate lending. In this statement, the agencies expressed concerns about easing commercial real estate underwriting standards, directed financial institutions to maintain underwriting discipline and exercise risk management practices to identify, measure, and monitor lending risks, and indicated that they will continue to pay special attention to commercial real estate lending activities and concentration going forward.

The FDIC regulates its supervised institutions' relationships with and management of third parties. 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. In July 2016, the FDIC proposed new Guidance for Third-Party Lending to set forth safety and soundness and consumer compliance measures FDIC-supervised institutions should follow when lending through a business relationship with a third party.

Future Legislation and Regulation

Both the new President and senior members of the House of Representatives have recently advocated for substantial changes to the Dodd-Frank Act and federal banking agencies. President Trump's Chief of Staff has issued a memorandum to the heads of executive departments and agencies directing them, with certain exceptions, to effectively freeze the administrative rule-making process until a department or agency head appointed, or designated by President Trump, reviews and approves any changes to or new regulation.. Although significant changes are expected from both Congress and federal regulatory agencies, at this time, it is difficult to predict the changes that will result from a Republican President of the United States and that both Houses of Congress are controlled by the same political party. The impact of any legislative or regulatory changes on our competitors and on the financial services industry as a whole cannot be determined at this time. See "Risk Factors—Risks Related to Our Industry—The financial services industry, as well as the broader economy, may be subject to new legislation, regulation, and government policy."

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.

From late 2007 to 2009, the United States economy experienced the worst economic downturn since the Great Depression, resulting in a general reduction in business activity and growth across industries and regions as well as significant increases in unemployment. The federal government took 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. Although the economy has been in recovery phase since 2009, global financial markets, and in particular, credit markets, have continued to experience periods of disruption and volatility following adverse changes in the global economy. We cannot predict the federal government's responses to any further dislocation and instability in the global economy and potential future government responses and changes in law or regulation, may affect our business, results of operations and financial conditions.

Additionally, economic conditions throughout the world remain uncertain, including conditions in Brazil, China, India, and certain African and European countries. Further, in June 2016 a referendum was held in the United Kingdom (the, "U.K.") to determine whether the country should remain a member of the European Union (the "E.U."), with voters approving withdrawal from the E.U. The U.K. government is expected to begin discussions with the E.U. on the terms and conditions of the proposed withdrawal from the E.U. The ultimate result of these discussions, in addition to the impact of any anticipated and future changes in global fiscal and monetary policy, 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. We cannot predict the federal government's response to any dislocation or instability in the United States, and potential future government responses and changes in law or regulation may affect our business, results of operations and financial condition.

Difficult market conditions have adversely affected our industry.

Recent uncertainty and deterioration in market conditions may have adverse effects on certain 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 could have an adverse impact on the ability of borrowers, especially industries that are more exposed to those conditions, 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, as well as 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 and teams;
- 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. Moreover, we may not be as successful in managing new business lines as we have been for business lines with which we have more experience. 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 this integration 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 beyond our control, including general economic conditions and policies of various governmental and regulatory agencies, particularly of 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 and then again in December 2016, the Federal Reserve raised its benchmark interest rate by a quarter of a percentage point. 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. In December 2016, the OCC proposed the creation of a new special purpose national bank charter for financial technology companies. If this charter is adopted and used to offer competing services, it could result in increased competition for our clients’ banking business. Similarly, the FDIC introduced a bidding process for institutions that have been or will be placed into receivership by federal or state regulators and made the process open to existing financial institutions, as well as groups without pre-existing operations. This process and other programs 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, 2016, 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 the potential for significant declines in the fair value of our investment portfolio and taxi medallions.

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 have 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.

Additionally, taxi medallions have experienced, and are likely to continue to experience, periods of illiquidity, caused by, among other things, increased competition from Transportation Network Companies and the recent failure of a credit union with a significant portfolio of loans secured by taxi medallions. Continued adverse conditions could result in a significant decline in the fair value of these medallions. We have in the past, and depending on the probability of a near-term market recovery, may in the future be required to recognize additional charge-offs, increase related reserves, or recognize negative fair value adjustments to repossessed assets as a result of the decline in the fair value of these assets.

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, particularly if unemployment and under-employment rates were to return to elevated levels, (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, in the recent past 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 decade. As a result of these difficulties and changed economic conditions, many companies operating in the mortgage sector failed and others faced serious operating and financial challenges. While the Federal Reserve took certain actions in an effort to ameliorate market conditions, its efforts may be ineffective in the future, and it may face political restraints on its ability to take action if new difficulties or conditions materialize. 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 also negatively impacted other sectors in which the issuers of securities in which we invest operate, which 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 ("FHLBs"), Fannie Mae and Freddie Mac. Fannie Mae, Freddie Mac and the FHLBs 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.

U.S. debt ceiling and budget deficit concerns in recent years 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. Since the 2016 presidential election, there is increased uncertainty regarding the U.S. federal budget as the new administration and Congress work on their future budget plans. 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 FHLBs.

Should the U.S. government contain, reduce or eliminate support for the financial stability of Fannie Mae, Freddie Mac and the FHLBs, the ability for those entities to operate as independent entities is questionable. Any failure by Fannie Mae, Freddie Mac or the FHLBs to honor their guarantees of mortgage-backed securities, debt or other obligations will have severe ramifications for the capital markets and the financial industry. Any failure by Fannie Mae, Freddie Mac or the FHLBs to pay principal or interest on their mortgage guarantees 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. Members of Congress have recently introduced bills that would reform the housing finance system and government-sponsored enterprises. Among these bills was a proposal to wind down Fannie Mae and Freddie Mac over a period of time, and to restrict the activities of these enterprises before the wind down. Alternatively, there have been proposals to privatize Fannie Mae and Freddie Mac. We are unable to predict whether this or another proposal will be adopted, and, if so, what the effect of the adopted reform would be.

There are material risks involved in commercial lending, which generally involves a higher risk than residential mortgage loans, that could adversely affect our business.

Commercial loans represented approximately 99% of our total loan portfolio as of December 31, 2016, 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 often depends solely on the financial performance of the borrower's business. In addition, the federal banking agencies, including the FDIC, have applied increased regulatory scrutiny to institutions with commercial loan portfolios that are fast growing or large relative to the institutions' total capital. For a discussion of supervisory issues associated with commercial real estate portfolio concentration, see "Regulation and Supervision—Other Regulatory Requirements."

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.

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.

Historically, one of our target market segments has been the taxi industry and loans secured by taxi medallions. As a result, we have greater exposure to this market segment than other financial institutions that have a more diversified client base. 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, 2016, $627.4 million (or 11.5%) of our commercial and industrial loans were to finance taxi medallions, compared to $793.7 million (or 16.6%) at December 31, 2015. In 2016, we restructured $195.1 million (24.6% of our total outstanding balance of these loans as of December 31, 2015); we anticipate that we will need to restructure additional taxi medallion loans in 2017. 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 outstanding balance of such loans, then our financial condition and results of operations may be materially adversely affected. Restructured loans do not include refinancing and maturity extensions in the ordinary course of business.

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, as well as substantially all of the real estate collateral for the loans in our portfolio is located in 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 rent-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 in the New York metropolitan area 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, 2016, approximately 82.3% 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, substantially all of which is concentrated in the New York metropolitan area, 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, 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 stress testing and monitoring the concentration of our loans within specific industries, we cannot assure you that these procedures will remain as effective when the size of our loan portfolio increases. This may result in an increase in charge-offs or underperforming loans, which could adversely affect our business.

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

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

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

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

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

Our ALLL may not be sufficient to absorb actual losses.

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

In addition, bank regulatory agencies, 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. In addition, changes to the accounting standards that govern our financial reporting related to our loans may result in unanticipated effects on the timing or amount of our loan losses. An increase in the ALLL required by these regulatory agencies or the unanticipated recognition of losses on our loans 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 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 $2.05 billion at December 31, 2016 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 our borrowings. At December 31, 2016, we held $132.6 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 and 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 is 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 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 in control of the Bank.

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 person or group of persons deemed to be acting in concert would be required to obtain approval of the New York State DFS before acquiring 10% or more of our voting stock. See “Regulation and Supervision—Change in Control.” Accordingly, prospective investors need to be aware of and comply with these requirements, if applicable, in connection with any purchase of shares of our common stock. This may effectively reduce the number of investors who might be interested in investing in our stock and also limits the ability of investors to purchase us or cause a change in control.

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

Our SBA business relies on the purchasing, pooling and selling of government guaranteed loans, in particular those guaranteed by the SBA. From time to time, the government agencies that guarantee these loans reach their internal limits and cease to guarantee loans for a period of time. In addition, these agencies may change their rules for loans or Congress may adopt legislation that would have the effect of discontinuing or changing the programs. If changes to the SBA program 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 use brokered deposits to fund a portion of our activities and the loss of our ability to accept or renew brokered deposits could have an adverse effect on us.

We use “brokered deposits” to fund a portion of our activities. At December 31, 2016, $614.1 million, or 1.9% of our total deposit account balances consisted of brokered deposits, an increase of $158.4 million or 34.7% when compared to $455.7 million at the end of the prior year. 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 will 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. See “Regulation and Supervision—Other Regulatory Requirements.” If we are no longer able to accept or renew brokered deposits, we will need to replace that funding or reduce our assets.

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, LLC 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 evolving 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. In July 2016, the FDIC proposed new Guidance for Third Party Lending to set forth safety and soundness and consumer compliance measures FDIC-supervised institutions should follow when lending through a business relationship with a third party. 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 may be subject to enforcement actions. These regulatory changes or enforcement actions could result in additional costs and result in 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.

Our management of the risk of system failures or breaches of our network security is increasingly subject to regulation and 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 cybersecurity 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. Our cybersecurity procedures are increasingly subject to regulations administered and enforced by our regulators, which could result in elevated liability from these disruptions. See "Regulation and Supervision—Financial Privacy and Cybersecurity."

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, and we could be subject to regulatory enforcement action or held liable to our clients if we are deemed to have made false claims about our data security practices or procedures or their efficacy.

We carry specific "cyber" insurance coverage, which would apply in the event of various breach scenarios, but 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 DFS 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.

Downgrades of our credit rating could negatively affect our funding and liquidity by reducing our funding capacity and increasing our funding costs.

Kroll Bond Rating Agency (“KBRA”), a full-service rating agency, provides us with deposit and debt ratings which evaluate liquidity, asset quality, capital adequacy and earnings. KBRA continuously evaluates these ratings based on a number of factors, including standalone financial strength, as well as factors not entirely within our control, such as KBRA’s proprietary rating methodology and assumptions and conditions affecting the financial services industry and markets generally. We may not be able to maintain our current ratings. Downgrades of our deposit and debt ratings could negatively impact our ability to access the capital markets and other sources of funds as well as the costs of those funds, and our ability to maintain certain deposits. This could affect our growth, profitability, and financial condition, including our liquidity.

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 our 2016 issuance of $260 million aggregate principal amount of Variable Rate Subordinated Notes, our 2016 public offering of 2,366,855 shares of our common stock and our 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 and reducing the purchasing power of our cash resources. In addition, inflation is often accompanied by higher interest rates, which may negatively affect the market value of securities in our investment portfolio. 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. Renewed declines in oil and gas prices could increase the risk of significant deflation, which would have an adverse effect 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. See "Regulation and Supervision—Regulation of Signature Securities." 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, LLC 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, LLC makes margin loans to our clients to purchase securities with funds they borrow from National Financial Services, LLC. We must indemnify National Financial Services, LLC 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 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 from corresponding 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.

The Financial Accounting Standards Board's recently adopted ASU 2016-13 will result in a significant change in how we recognize credit losses and may have a material impact on our financial condition or results of operations.

In June 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-13, "Financial Instruments-Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments," which will replace the current "incurred loss" model for recognizing credit losses with an "expected loss" model referred to as the Current Expected Credit Loss ("CECL") model. The new CECL standard will be mandatory for fiscal years beginning after December 15, 2019 and for interim periods within those fiscal years. Under the CECL model, we will be required to present certain financial assets carried at amortized cost, such as loans held for investment and held-to-maturity debt securities, at the net amount expected to be collected. This differs significantly from the "incurred loss" model required under current GAAP, which delays recognition until it is probable a loss has been incurred. Accordingly, we expect that the adoption of the CECL model will significantly affect how we determine our allowance for loan and lease losses and could require us to significantly increase our allowance. Moreover, the CECL model may create more volatility in the level of our allowance for loan and lease losses.

We are currently evaluating the impact the CECL model will have on our accounting, but we expect to recognize a one-time cumulative-effect adjustment to our allowance for loan and lease losses as of the beginning of the first reporting period in which the new standard is effective. We cannot yet determine the magnitude of any such one-time cumulative adjustment or of the overall impact of the new standard on our financial condition or results of operations, but any requirement to materially increase our level of allowance for loan and lease losses for any reason could adversely affect our business, financial condition and results of operations.

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

From time to time the FASB and SEC change accounting regulations and reporting standards that govern our preparation of financial statements, and bank regulators often provide supervisory views regarding the implementation of these standards. In addition, the FASB, SEC and the bank regulators may revise their previous interpretations regarding existing accounting regulations and the application of these accounting standards. These changes in accounting regulations and reporting standards and revisions in accounting 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 FDIC rules adopted since 2010, Signature Bank is subject to new and revised regulatory risk-based capital rules. The FDIC rules implement the "Basel III" regulatory capital reforms and changes required by the Dodd-Frank Act. The FDIC rules include new risk-based capital and leverage ratios and refine the definition of what constitutes "capital" for purposes of calculating those ratios. The new minimum capital-level requirements include: (i) a new common equity Tier 1 risk-based capital ratio of 4.5%; (ii) an increase in the Tier 1 risk-based capital ratio minimum requirement from 4.0% to 6.0%; and (iii) a Tier 1 leverage ratio minimum requirement of 4.0%. The final rules also established a "capital conservation buffer" of 2.5% above the new regulatory minimum capital requirements, to be phased in over several years, which will result in the following effective minimum ratios: (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%. The phase-in of the capital conservation buffer requirement began on January 1, 2016, at a level of 0.625% of risk-weighted assets, and 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 levels fall below the buffer amount. See "Regulation and Supervision—Capital and Related Requirements."

The application of more stringent capital requirements for Signature Bank could result in, among other things, lower returns on equity, requirements to raise additional capital, and regulatory actions such as limitations on our ability 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, and banking professionals and otherwise conduct our business.

In addition, we are subject to FDIC regulations that impose a system of mandatory and discretionary supervisory actions that become more severe as our capital levels decline. The regulations include five capital categories ranging from "well capitalized" to "critically undercapitalized." Such classifications are used by the FDIC to determine our deposit insurance premium and ability to accept brokered deposits and affect the approval of our applications to increase our asset size or otherwise expand our business activities or acquire other institutions.

To be categorized as "well capitalized" under the Act and, thus, subject to the fewest restrictions, we must (i) have a total risk-based capital ratio of 10.0% or greater; (ii) have a Tier 1 risk-based capital ratio of 8.0% or greater; (iii) have a common equity Tier 1 risk-based capital ratio of 6.5% or greater; (iv) have a leverage ratio of 5.0% or greater; and (v) 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 our 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 deposit accounts at certain financial institutions, including Signature Bank. Under FDIC regulations, we are required to pay premiums to the Deposit Insurance Fund (“DIF”) to maintain our deposit accounts’ required insurance. After the passage of the Dodd-Frank Act, the FDIC adopted new rules that redefined how deposit insurance assessments are calculated. 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 such an institution, an assessment rate adjustment applies when its ratio of brokered deposits to domestic deposits is greater than 10%. If our regulatory ratings, PCA capital evaluations, financial measures, or levels of brokered deposits change in ways that indicate greater risk, our deposit insurance assessments could increase materially.

In March 2016, the FDIC adopted another final rule, which took effect on June 30, 2016, imposing 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%. In total, recent changes to the FDIC’s assessments are expected to increase our deposit insurance assessments by approximately $4 million per year. See “Regulation and Supervision—Deposit Premiums and Assessments.” Any further increase in assessment fees, whether due to the FDIC’s assessment of our risk level, additional regulatory changes, or increases in our assessment base, 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 DFS, the Federal Reserve, the CFPB, the SEC and FINRA. As we expand our operations, we will become subject to regulation by additional states. Regulations adopted by our banking regulators are generally intended to provide protection for our depositors and our clients, rather than our shareholders, and 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. See “Regulation and Supervision—The financial services industry, as well as the broader economy, may be subject to new legislation, regulation, and government policy.”

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 DFS. See "Regulation and Supervision—Regulation of Signature Securities." 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 DFS, the SEC, the CFPB, self-regulatory organizations and various state authorities. Our banking operations, sales practices, 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 examination, customer complaints, or other means 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. See "Regulation and Supervision—Community Reinvestment Act and Fair Lending."

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 that have resulted and may continue to result in additional legislative and regulatory actions that will affect the operations of the Bank.

Under the Dodd-Frank Act, federal banking agencies are required to draft and implement enhanced supervision, examination, and capital and liquidity standards for depository institutions. The enhanced requirements include changes to capital, leverage and liquidity standards and numerous other requirements. The Dodd-Frank Act also established the CFPB, and gave it 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). Banks were required to conform their activities and investments to the final regulations' requirements by July 2015, but the Federal Reserve has exercised its authority to extend the divestiture period for pre-2014 investments 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 $35.3 million and an amortized cost of $33.9 million as of December 31, 2016. Although these securities had an unrealized gain as of December 31, 2016, 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.

Regulations could restrict our ability to service and sell mortgage loans.

The CFPB has issued rules establishing mortgage lending and servicing requirements, which became effective in January 2014. As of January 2016, we ceased originating personal residential mortgages, although we continue to service our current portfolio of such mortgages until they run off. 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. See "Regulation and Supervision—Consumer Financial Protection." The CFPB's mortgage servicing and disclosure rules, as well as other mortgage regulations that the CFPB or other regulators may adopt, could limit our ability to retain certain types of loans or loans to certain borrowers, or could make it more expensive and time consuming to service these loans, which could limit our growth or profitability.

We will be expected to make additional expenditures on enhanced governance, internal control, compliance, and supervisory programs and to comply with additional regulations as we approach $50 billion in assets.

The FDIC, as a supervisory matter, expects us to have governance, internal control, compliance, and supervisory programs consistent with our size and activities. As the Bank approaches $50 billion in assets, the FDIC will generally expect us to develop and implement enhanced governance, internal control, compliance, and supervisory programs, to implement select banking regulations that do not technically apply to an institution of our size or structure, and to incur the costs to implement, staff, and maintain those programs. Meeting the FDIC's enhanced supervisory expectations could cause us to incur materially greater costs than comparably sized institutions with a different primary federal regulator and could prevent us from making profitable investments or from engaging in new activities.

The financial services industry, as well as the broader economy, may be subject to new legislation, regulation, tax reform, and government policy.

At this time, it is difficult to predict the legislative, regulatory, and tax changes that will result from a Republican President of the United States and both Houses of Congress all controlled by the same political party. Both the incoming President and senior members of the House of Representatives have recently advocated for substantial changes to the Dodd-Frank Act and federal banking agencies, as well as significant tax reform. It is difficult to predict the impact that any legislative, regulatory and tax changes will have on our clients' competitors and on the financial services industry as a whole. Our results of operations also could be adversely affected by changes in the way in which existing statutes, regulations, and laws are interpreted or applied by courts and government agencies.

The new Administration and Congress also may cause broader economic changes due to changes in governing ideology and governing style. New appointments to the Board of Governors of the Federal Reserve System could affect monetary policy and interest rates, and changes in fiscal policy could affect broader patterns of trade and economic growth. Future legislation, regulation, tax reform, and government policy could affect the banking industry as a whole, including our business and results of operations, in ways that are difficult to predict.

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 broker-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. As of December 31, 2016, $10.47 billion, or 32.9%, of our total deposits were held in non-interest-bearing demand deposit accounts. Although some market interest rates have increased, interest rates generally remain near historic lows. Particularly to the extent that interest rates return to higher levels, our interest expense will increase and our net interest margin will decrease if we have to offer higher rates of interest on demand deposits than we currently offer to attract additional clients or maintain current clients, which could have a material adverse effect on our business, financial condition and results of operations.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

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

Location	Number of Offices
Private Client Offices	
Manhattan	9
Long Island	7
Queens	4
Brooklyn	4
Westchester	2
Staten Island	2
Bronx	1
Greenwich, CT	1
Private Client Accomodation Offices	
Manhattan	1
Brooklyn	1
Bank and Brokerage Operations and Support	
Manhattan	2
SBA & Institutional Trading	
Houston, TX	1
Signature Financial	
Bethel, CT	1
El Dorado Hills, CA	1
Grand Island, NY	1
Littleton, CO	1
Long Island	1
Norwell, MA	1
Prairie, MN	1
Redmond, WA	1
Signature Public Funding Corp.	
Towson, MD	1
Total Locations	44

For additional information on our lease commitments, see Note 19 to our Consolidated Financial Statements.

ITEM 3. LEGAL PROCEEDINGS

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

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

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

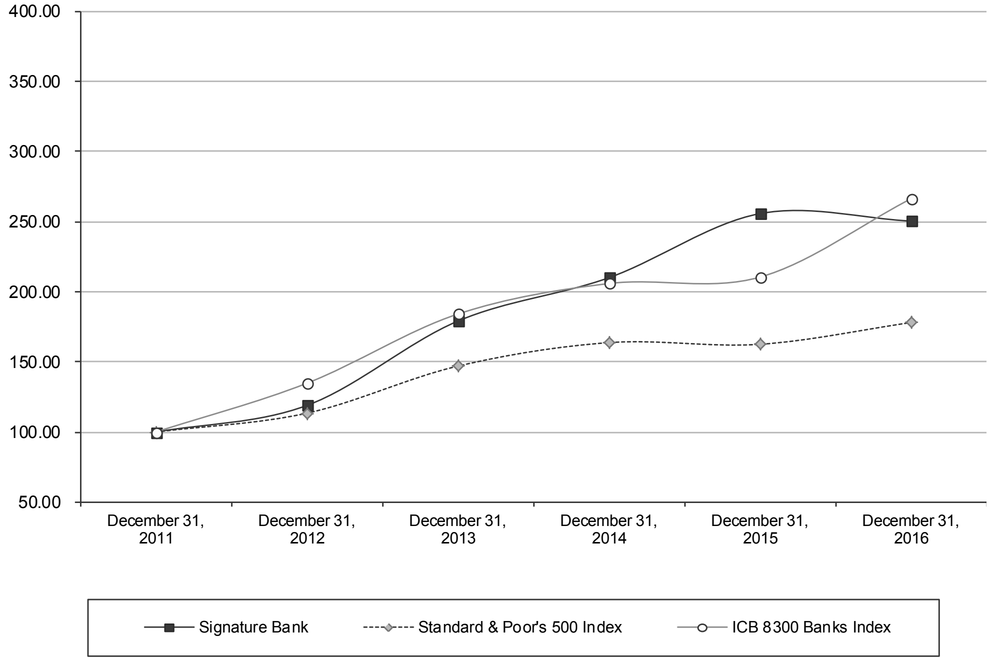
Our common stock is listed on the NASDAQ Global Select Market under the symbol "SBNY." As of December 31, 2016, 54,610,170 shares of our common stock were issued and outstanding. The following table lists, on a quarterly basis, the range of high and low intra-day sale prices per share of our common stock in U.S. dollars:

	Common Stock	
	High	Low
2016		
Fourth quarter	$ 157.46	113.53
Third quarter	132.00	114.01
Second quarter	147.57	114.36
First quarter	151.43	119.60
2015		
Fourth quarter	$ 163.15	132.54
Third quarter	155.84	126.49
Second quarter	149.65	128.37
First quarter	133.69	113.98

On December 31, 2016, the last reported sale price of our common stock was $150.20 and there were seven 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, 2011. The performance of our common stock reflected below is not indicative of our future performance.

	December 31, 2011	**December 31, 2012**	**December 31, 2013**	**December 31, 2014**	**December 31, 2015**	**December 31, 2016**
Signature Bank	100.00	118.92	179.06	209.97	255.66	250.38
Standard & Poor's 500 Index	100.00	113.41	146.98	163.72	162.53	178.02
ICB 8300 Banks Index	100.00	134.74	184.08	205.85	210.40	266.24

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

DIVIDEND POLICY

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

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

ITEM 6. SELECTED FINANCIAL DATA

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

	At or for the years ended December 31,				
(dollars in thousands, except per share amounts)	**2016**	**2015**	**2014**	**2013**	**2012**
SELECTED OPERATING DATA					
Interest income	$ 1,317,151	1,106,948	924,273	755,150	660,556
Interest expense	169,909	129,847	123,122	106,807	110,750
Net interest income before provision for loan and lease losses	1,147,242	977,101	801,151	648,343	549,806
Provision for loan and lease losses	155,774	44,914	31,110	41,643	41,427
Net interest income after provision for loan and lease losses	991,468	932,187	770,041	606,700	508,379
Non-interest income:					
Net impairment losses on securities recognized in earnings	(427)	(963)	(1,724)	(6,149)	(3,073)
Total non-interest income	42,750	37,104	34,982	32,011	36,239
Non-interest expense	376,771	341,214	293,244	247,177	218,243
Income before income taxes	657,447	628,077	511,779	391,534	326,375
Income tax expense	261,123	255,012	215,075	162,790	140,892
Net income	$ 396,324	373,065	296,704	228,744	185,483
PER COMMON SHARE DATA					
Earnings per share - basic	$ 7.42	7.35	6.05	4.84	3.98
Earnings per share - diluted	$ 7.37	7.27	5.95	4.76	3.91
BALANCE SHEET DATA					
Total assets	$ 39,047,611	33,450,545	27,318,640	22,376,663	17,456,057
Securities available-for-sale	6,335,347	6,240,761	6,073,459	5,632,233	6,130,356
Securities held-to-maturity	2,038,125	2,133,144	2,208,551	2,175,844	739,835
Loans held for sale	559,528	456,358	548,297	420,759	369,468
Loans and leases, net	28,829,670	23,597,541	17,693,316	13,384,400	9,664,337
Allowance for loan and lease losses	213,495	195,023	164,392	135,071	107,433
Deposits	31,861,260	26,773,923	22,620,275	17,057,097	14,082,652
Borrowings	3,200,488	3,537,163	2,050,163	3,370,313	1,585,000
Shareholders' equity	3,612,264	2,891,834	2,496,238	1,799,939	1,650,327

(Continued on the next page)

(dollars in thousands, except per share amounts)	**2016**	**2015**	**2014**	**2013**	**2012**
OTHER DATA					
Assets under management	$ 3,354,085	$ 5,207,906	$ 3,566,595	$ 2,240,723	$ 1,741,054
Average interest-earning assets	$ 36,004,958	$ 29,962,220	$ 24,340,755	$ 19,324,652	$ 15,556,626
Full-time employee equivalents	1,218	1,122	1,010	945	844
Private client offices	30	29	28	27	26
SELECTED FINANCIAL RATIOS					
Performance Ratios:					
Return on average assets	1.09%	1.23%	1.20%	1.16%	1.17%
Return on average shareholders' equity	12.19%	13.85%	13.81%	13.26%	12.13%
Yield on average interest-earning assets	3.66%	3.69%	3.80%	3.91%	4.25%
Yield on average interest-earning assets, tax-equivalent basis (4)	3.66%	3.69%	3.80%	3.91%	4.25%
Average rate on deposits and borrowings	0.52%	0.47%	0.55%	0.60%	0.78%
Net interest margin	3.19%	3.26%	3.29%	3.36%	3.53%
Net interest margin, tax-equivalent basis (4)	3.19%	3.26%	3.29%	3.36%	3.53%
Efficiency ratio (1)	31.66%	33.64%	35.07%	36.33%	37.24%
Asset Quality Ratios:					
Net charge-offs to average loans	0.52%	0.07%	0.01%	0.12%	0.25%
ALLL to total loans	0.74%	0.82%	0.92%	1.00%	1.10%
ALLL to non-accrual loans	135.49%	271.22%	782.52%	430.96%	395.12%
Non-accrual loans to total loans	0.54%	0.30%	0.12%	0.23%	0.28%
Non-performing assets to total assets	0.46%	0.22%	0.08%	0.16%	0.19%
Capital and Liquidity Ratios:					
Tier 1 Leverage Capital Ratio	9.61%	8.87%	9.25%	8.54%	9.51%
Common Equity Tier 1 Risk-Based Capital Ratio (3)	11.92%	11.33%	-	-	-
Tier 1 Risk-Based Capital Ratio	11.92%	11.33%	13.49%	14.07%	15.32%
Total Risk-Based Capital Ratio	13.46%	12.10%	14.39%	15.10%	16.35%
Average equity to average assets	8.93%	8.88%	8.69%	8.76%	9.64%
Average tangible equity to average tangible assets (2)	8.88%	8.88%	8.69%	8.76%	9.64%
Per common share data:					
Number of weighted average common shares outstanding	53,406	50,739	49,066	47,267	46,633
Book value per common share	$ 66.15	$ 56.81	$ 49.61	$ 38.06	$ 34.94

(1) The efficiency ratio is considered a non-GAAP fianancial measure and 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. This ratio is a metric used by management to evaluate the performance of the Bank's business activities. A decrease in our efficiency ratio represents improvement.

(2) This ratio is considered to be a non-GAAP financial measure and should be considered in addition to, not as a substitute for or superior to, financial measures determined in accordance with GAAP. We believe this non-GAAP ratio, when viewed together with the corresponding ratios calculated in accordance with GAAP, provides 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.

(4) Based on the 35 percent U.S. federal statutory tax rate. The tax-equivalent basis is considered a non-GAAP financial measure and should be considered in addition to, not as a substitute for a or superior to, financial measures determined in accordance with GAAP. This ratio is a metric used by management to evaluate the impact of tax-exempt assets on the Bank's yield on interest-earning assets and net interest margin.

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 $39.05 billion in assets, $31.86 billion in deposits, $29.04 billion in loans, $3.61 billion in equity capital and $3.35 billion in other assets under management as of December 31, 2016.

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 31.7% for the year ended December 31, 2016.

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 490 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 to 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.

See Note 2(e) and Note 2(h) for our accounting policies related to Valuation and Impairment of Investment Securities and the ALLL, respectively.

New Accounting Standards

See Note 2(t) for discussion regarding new accounting standards recently adopted and those expected to be adopted in the future.

Results of Operations

The following is a discussion and analysis of our results of operations for the year ended December 31, 2016 compared to the year ended December 31, 2015 and for the year ended December 31, 2015 compared to the year ended December 31, 2014.

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

Net Income

Net income for the year ended December 31, 2016 was $396.3 million, or $7.37 diluted earnings per share, compared to $373.1 million, or $7.27 diluted earnings per share, for the year ended December 31, 2015. The increase in net income was driven by increased net interest income, fueled by strong deposit and loan growth, partially offset by an increase in the provision for loan losses, an increase in non-interest expense, as well as a decrease in loan prepayment penalty income. The returns on average shareholders' equity and average total assets for the year ended December 31, 2016 were 12.19% and 1.09%, compared to 13.85% and 1.23% for the year ended December 31, 2015.

	Years ended December 31,	
(in thousands)	**2016**	**2015**
Interest income	$ 1,317,151	1,106,948
Interest expense	169,909	129,847
Net interest income before provision for loan and lease losses	1,147,242	977,101
Provision for loan and lease losses	155,774	44,914
Non-interest income:		
Net impairment losses on securities recognized in earnings	(427)	(963)
Total non-interest income	42,750	37,104
Non-interest expense	376,771	341,214
Income tax expense	261,123	255,012
Net income	$ 396,324	373,065

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, 2016 and 2015:

	Years ended December 31,					
	2016			*2015*		
(dollars in thousands)	**Average Balance**	**Interest Income/ Expense**	**Average Yield/ Rate**	**Average Balance**	**Interest Income/ Expense**	**Average Yield/ Rate**
INTEREST-EARNING ASSETS						
Short-term investments	$ 493,646	2,456	0.50%	403,403	1,013	0.25%
Investment securities	8,695,632	267,406	3.08%	8,530,863	262,268	3.07%
Commercial loans, mortgages and leases (1)(2)	26,212,811	1,032,829	3.94%	20,376,793	827,273	4.06%
Residential mortgages and consumer loans (1)	297,478	11,235	3.78%	327,113	12,509	3.82%
Loans held for sale	305,391	4,572	1.50%	324,048	3,885	1.20%
Total interest-earning assets	36,004,958	1,318,498	3.66%	29,962,220	1,106,948	3.69%
Non-interest-earning assets	410,764			366,592		
Total assets	$ 36,415,722			30,328,812		
INTEREST-BEARING LIABILITIES						
Interest-bearing deposits						
NOW and interest-bearing demand	$ 3,591,984	16,573	0.46%	2,208,678	8,961	0.41%
Money market	15,399,825	94,294	0.61%	14,109,742	83,314	0.59%
Time deposits	1,286,775	12,418	0.97%	969,556	10,630	1.10%
Non-interest-bearing demand deposits	9,469,240	-	-	8,005,589	-	-
Total deposits	29,747,824	123,285	0.41%	25,293,565	102,905	0.41%
Subordinated debt	180,120	10,202	5.66%	-	-	-
Borrowings	2,781,305	36,422	1.31%	2,109,763	26,942	1.28%
Total deposits and borrowings	32,709,249	169,909	0.52%	27,403,328	129,847	0.47%
Other non-interest-bearing liabilities and shareholders' equity	3,706,473			2,925,484		
Total liabilities and shareholders' equity	$ 36,415,722			30,328,812		
OTHER DATA						
Net interest income / interest rate spread (2)		1,148,589	3.14%		977,101	3.22%
Tax-equivalent adjustment		(1,347)			-	
Net interest income, as reported		1,147,242			977,101	
Net interest margin			3.19%			3.26%
Tax-equivalent effect			-			-
Net interest margin on a fully tax-equivalent basis (2)			3.19%			3.26%
Ratio of average interest-earnings assets to average interest-bearing liabilities			110.08%			109.34%

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

(2) Presented on a tax equivalent, non-GAAP, basis using the U.S. federal statutory tax rate of 35 percent for municipal leasing and financing transactions.

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.

	Year ended December 31, 2016 vs. 2015		
(in thousands)	**Change Due to Rate**	**Change Due to Volume**	**Total Change**
INTEREST INCOME			
Short-term investments	$ 1,216	227	1,443
Investment securities	72	5,066	5,138
Commercial loans, mortgages and leases (1)	(31,379)	236,935	205,556
Residential mortgages and consumer loans	(141)	(1,133)	(1,274)
Loans held for sale	911	(224)	687
Total interest income	(29,321)	240,871	211,550
INTEREST EXPENSE			
Interest-bearing deposits			
NOW and interest-bearing demand	2,000	5,612	7,612
Money market	3,362	7,618	10,980
Time deposits	(1,690)	3,478	1,788
Total interest-bearing deposits	3,672	16,708	20,380
Subordinated debt	10,202	-	10,202
Borrowings	904	8,576	9,480
Total interest expense	14,778	25,284	40,062
Net interest income	$ (44,099)	215,587	171,488

(1) Presented on a tax equivalent, non-GAAP, basis using the U.S. federal statutory tax rate of 35 percent for municipal leasing and financing transactions.

Net interest income for the year ended December 31, 2016 was $1.15 billion, an increase of $170.1 million, or 17.4%, over the year ended December 31, 2015. The increase in net interest income for 2016 was largely driven by increases in average interest-earning assets and average deposits, which increased $6.04 billion and $4.45 billion, respectively, compared to the previous year. Net interest income was also positively impacted by lower rates paid on NOW and interest-bearing demand and money market deposits. However, this increase was offset by the 2016 subordinated debt issuance, a reduction in prepayment penalty income, as well as 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 on a tax-equivalent basis for the year ended December 31, 2016 decreased to 3.19%, compared to 3.26% for the previous year, primarily due to the continued effect of the prolonged low interest rate environment, the 2016 subordinated debt issuance and a reduction in prepayment penalty income.

Total investment securities averaged $8.70 billion for the year ended December 31, 2016, compared to $8.53 billion for the year ended December 31, 2015. The overall yield on the securities portfolio for the year ended December 31, 2016 was 3.08%, virtually flat when compared to the previous year. 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, 2016, the baseline average duration of our investment securities portfolio was approximately 3.71 years, compared to 3.37 years at December 31, 2015.

Total commercial loans, mortgages and leases averaged $26.21 billion for the year ended December 31, 2016, an increase of $5.84 billion or 28.6% over the year ended December 31, 2015. The average yield on this portfolio decreased 12 basis points to 3.94% when compared to the year ended December 31, 2015. The decrease in average yield reflects the impact of the low prevailing interest rate environment on recent loan originations and refinancings along with a $1.7 million decrease in prepayment penalty income when compared to the same period last year. Prepayment penalty income was $32.1 million for the year ended December 31, 2016, compared to $33.8 million for the same period last year. Our commercial real estate loans (including multi-family loans) normally have a term of ten years, with a fixed rate of interest in years one through five and a rate that either adjusts annually or is fixed for the five years that follow. Loans that prepay in the first five years generate prepayment penalties ranging from one to five percentage points of the then-current loan balance, depending on the remaining term of the loan. If a loan is still outstanding in the sixth year and the borrower selects the fixed rate option, the prepayment penalties typically reset to a range of one to five percentage points over years six through ten. It is difficult to predict the level of prepayment activity in future periods as it depends on market conditions, real estate values, the actual or perceived direction of market interest rates and the contractual repricing and maturity dates of commercial real estate loans.

We are an active participant in the SBA loan and SBA pool secondary market by purchasing, securitizing, and selling the guaranteed portions of SBA loans, most of which have adjustable rates and float at a spread to the prime rate. Once purchased, we typically warehouse the guaranteed loan for approximately 30 to 180 days and classify them as loans held for sale. From this warehouse, we aggregate like SBA loans by similar characteristics into pools for securitization to the secondary market. The timing of the purchase and sale of such loan pools drives the period-to-period fluctuations in average balances of loans held for sale, which averaged $305.4 million and $324.0 million for the years ended December 31, 2016 and 2015, respectively.

Average total deposits and borrowings increased $5.31 billion, or 19.4%, to $32.71 billion during the year ended December 31, 2016, compared to $27.40 billion for the previous year. Overall cost of funding was 0.52% during 2016, increasing five basis points from 0.47% in 2015, primarily due to the 2016 issuance of subordinated debt.

For the year ended December 31, 2016, average non-interest-bearing demand deposits were $9.47 billion, compared to $8.01 billion for the year ended December 31, 2015, an increase of $1.46 billion, or 18.3%. Non-interest-bearing demand deposits continue to comprise a significant component of our deposit mix, representing 33.0% of all deposits at December 31, 2016. Additionally, average NOW and interest-bearing demand and money market accounts totaled $18.99 billion for the year ended December 31, 2016, an increase of $2.67 billion, or 16.4%, over the year ended December 31, 2015. 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. Additionally, short-term escrow deposits continue to provide us with an additional low cost funding alternative. As a result of the current competitive environment, our funding cost for money market accounts increased to 0.61% for the year ended December 31, 2016 compared to 0.59% for the prior year. Our funding cost for NOW and interest-bearing demand accounts was 0.46% for the year ended December 31, 2016 compared to 0.41% for the year ended December 31, 2015.

Average time deposits, which are relatively short-term in nature, totaled $1.3 billion for the year ended December 31, 2016 and carried an average cost of 0.97% in 2016, down 13 basis points from 1.10% in 2015. 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, 2016, average total borrowings were $2.96 billion, compared to $2.11 billion for the previous year, an increase of $851.7 million, or 40.4%. The increase in average total borrowings, when compared to the previous year, reflects funding needs as a result of our continued loan growth, including the issuance of subordinated debt in the second quarter of 2016. At December 31, 2016, total borrowings represent approximately 9.1% of all funding liabilities, compared to 11.7% at December 31, 2015. The average cost of our total borrowings was 1.57% for 2016, up 29 basis points from 1.28% in 2015. The increase in the average cost of borrowings reflects the issuance of subordinated debt, as well as the increase in other borrowings.

Provision and Allowance for Loan and Lease Losses

Our provision for loan and lease losses was $155.8 million for the year ended December 31, 2016, compared to $44.9 million for the prior year, an increase of $110.9 million, or over 100%. Our ALLL increased $18.5 million to $213.5 million at December 31, 2016 from $195.0 million at December 31, 2015. The increases in both the provision for loan and lease losses and ALLL were primarily driven by an increase in reserves for taxi medallion loans due to a decrease in the value of Chicago and New York City taxi medallions.

During 2016, the Bank significantly reduced its exposure within its Chicago taxi portfolio by reserving for or writing down each Chicago taxi medallion loan utilizing a value of approximately $60,000, net of selling costs. Chicago and New York City taxi medallion values declined from 2015 primarily due to the decrease in the average value of recent market transfers for which additional information could not be obtained to conclude whether or not the transactions were orderly. As a result, management derived each medallion value using both recent medallion transfers and the valuation obtained from a discounted cash flow model. For each medallion type, the respective valuation outputs were each ascribed a weighting to derive the estimated medallion value. The value declines resulted in $129.2 million in taxi medallion charge-offs for the year, $108.6 million of which related to the Chicago taxi medallion portfolio.

The remaining Chicago taxi medallion portfolio balance is $55.2 million with an associated allowance for loan and lease losses of $12.2 million for a net exposure of $43.1 million, or approximately $60,000 per medallion. In New York, the remaining taxi medallion portfolio balance is $567.9 million with an associated allowance for loan and lease losses of $44.3 million for a net exposure of $523.6 million, or approximately $542,000 per medallion.

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,					
	2016			*2015*		
(dollars in thousands)	**Loan Amount**	**Allowance Amount**	**Allowance as a % of Loan Amount**	**Loan Amount**	**Allowance Amount**	**Allowance as a % of Loan Amount**
Mortgage loans:						
Multi-family residential property	$ 14,366,520	71,053	0.49%	11,823,073	82,382	0.70%
Commercial property	7,994,707	40,801	0.51%	6,372,851	45,497	0.71%
1-4 family residential property	535,338	2,117	0.40%	539,526	3,598	0.67%
Home equity lines of credit	148,094	3,182	2.15%	163,191	4,931	3.02%
Construction and land	485,309	2,514	0.52%	75,958	558	0.73%
Other loans:						
Commercial and industrial	4,851,824	35,363	0.73%	3,995,023	34,551	0.86%
New York City taxi medallions	567,925	44,319	7.80%	617,854	14,536	2.35%
Chicago taxi medallions	55,216	12,152	22.01%	168,008	8,107	4.83%
Philadelphia taxi medallions	4,258	1,797	42.20%	7,837	522	6.66%
Consumer	10,268	197	1.92%	9,714	341	3.51%
Total	$ 29,019,459	213,495	0.74%	23,773,035	195,023	0.82%

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, 2016, non-interest income was $42.8 million, an increase of $5.6 million, or 15.2%, when compared with 2015. The increase in non-interest income was driven by a $6.5 million increase in net gains on sales of securities, which was due to the sale of SBA interest-only strips, as well as the sale of certain shorter term positions and mortgage-backed securities with high prepayment speed risk to capitalize on current market conditions. Further contributing to this increase is a $1.3 million increase in bank-owned life insurance related income. This increase was partially offset by a $2.3 million increase in amortization of low income housing tax credit investments.

Non-Interest Expense

Non-interest expense increased $35.6 million, or 10.4%, to $376.8 million for the year ended December 31, 2016 from $341.2 million for the year ended December 31, 2015. This increase was primarily driven by a $16.3 million increase in salaries and benefits mostly attributable to the addition of three private client banking teams, our continued hiring for the expansion of existing locations, along with increased compensation costs driven by the growth of our business. The increase also reflects a $5.4 million rise in FDIC assessment fees driven by our deposit growth and a $5.4 million increase in other general and administrative expenses, reflecting $2.7 million in repossessed asset fair value adjustments, as well as increased expenses from additional client activity as a result of our growth. Further contributing to the increase is a $3.1 million increase in occupancy and equipment expenses resulting from the expansion of existing offices.

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, 2016, our total unrecognized compensation cost related to unvested restricted shares was $69.8 million, which is expected to be recognized over a weighted-average period of 1.88 years. During the years ended December 31, 2016 and 2015, we recognized compensation expense of $41.7 million and $34.7 million, respectively, for restricted shares. The total fair value of restricted shares that vested during the years ended December 31, 2016 and 2015 was $58.5 million and $54.3 million, respectively.

Income Taxes

We recognized income tax expense for the year ended December 31, 2016 of $261.1 million reflecting an effective tax rate of 39.7%, compared to $255.0 million for the year ended December 31, 2015 reflecting an effective tax rate of 40.6%.

The increase in income tax expense for the year ended December 31, 2016, when compared to the previous year, was primarily driven by an increase in our pre-tax income.

On April 13, 2015, the final version of the 2015-2016 New York State budget legislation was signed, which included 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 in 2014.

As noted, our effective tax rate for the year ended December 31, 2016 was 39.7%, compared to 40.6% for the year ended December 31, 2015, primarily as a result of these legislative changes.

Segment Results

On an annual basis, we reevaluate our segment reporting conclusions. Based on our 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, 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:

	Year ended December 31, 2016			
(in thousands)	**Commercial Banking**	**Specialty Finance**	**Eliminations (1)**	**Consolidated**
Net interest income	$ 1,065,872	81,370	-	1,147,242
Provision for (recovery of) loan and lease losses	(20,174)	175,948	-	155,774
Total non-interest income	39,293	3,491	(34)	42,750
Total non-interest expense	353,481	23,324	(34)	376,771
Income (loss) before income taxes	771,858	(114,411)	-	657,447
Total assets	$ 39,081,992	3,440,329	(3,474,710)	39,047,611

(1) Eliminations related to intercompany funding

	Year ended December 31, 2015			
(in thousands)	**Commercial Banking**	**Specialty Finance**	**Eliminations (1)**	**Consolidated**
Net interest income	$ 895,741	81,360	-	977,101
Provision for (recovery of) 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 (loss) before income taxes	597,067	31,010	-	628,077
Total assets	$ 33,401,329	3,173,198	(3,123,982)	33,450,545

(1) Eliminations related to intercompany funding

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.

		Years ended December 31,	
(in thousands)		**2016**	**2015**
Net interest income	$	1,065,872	895,741
Provision for (recovery of) loan and lease losses		(20,174)	15,783
Total non-interest income		39,293	34,405
Total non-interest expense		353,481	317,296
Income (loss) before income taxes		771,858	597,067
Total assets	$	39,081,992	33,401,329

Commercial Banking net interest income was $1.07 billion for the year ended December 31, 2016, an increase of $170.1 million, or 19.0%, when compared to $895.7 million in the prior year. The increases were primarily due to strong loan and deposit growth, as well as the positive impact of lower rates paid on NOW and interest-bearing demand and money market deposits. These increases were partially offset by the effects of the ongoing low interest rate environment on asset yields and the subordinated debt issuance in 2016, and a decline in prepayment penalty income.

The provision for loan and lease losses decreased $36.0 million, or over 100%, to a $20.2 million reserve release for the year ended December 31, 2016, compared to a $15.8 million reserve build for the year ended December 31, 2015. The decrease was primarily attributable to a change in estimate in the commercial real estate portfolio related to the update of the portfolio's ALLL general reserve loss factors during 2016, partially offset by growth in the CRE portfolio. For additional information about this change in estimate, see the discussion of ALLL later in this report, as well as Note 8 to our Consolidated Financial Statements.

Non-interest expense was $353.5 million for the year ended December 31, 2016, an increase of $36.2 million, or 11.4%, when compared to $317.3 million in the prior year. The increase was primarily attributable to an increase in salaries and benefits expense due to the addition of three private client banking teams and an increase in compensation costs due to the continued growth of our business. Further contributing is an increase in occupancy and equipment expense, data processing costs, and FDIC assessment fees which was also attributable to the continued growth of our business.

The increase of $5.68 billion in total assets, or 17.0%, from $33.40 billion as of December 31, 2015 to $39.08 billion as of December 31, 2016 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, municipal and national franchise financing and/or leasing. Specialty Finance's clients are located throughout the United States.

(in thousands)		Years ended December 31, 2016	2015
Net interest income	$	81,370	81,360
Provision for (recovery of) loan and lease losses		175,948	29,131
Total non-interest income		3,491	2,699
Total non-interest expense		23,324	23,918
Income (loss) before income taxes		(114,411)	31,010
Total assets	$	3,440,329	3,173,198

Specialty Finance net interest income was $81.4 million for the year ended December 31, 2016, flat when compared to $81.4 million in the prior year. The stable trend was primarily attributable to the decline in interest income as a result of an increase in nonaccrual loans, primarily taxi medallion loans, offset by an increase in interest income due to loan and lease growth in the business's other portfolios.

The provision for loan and lease losses increased $146.8 million, or over 100%, to $175.9 million for the year ended December 31, 2016 from $29.1 million for the year ended December 31, 2015. The increase was primarily due to the Chicago taxi medallion portfolio. The increase was primarily due to a decrease in the value of Chicago and New York City taxi medallions, which impacted specific reserves and charge-offs related to the portfolio. For additional information about the taxi medallion valuation impact to the provision for loan and lease losses, see the discussion of ALLL later in this report, as well as Note 8 to our Consolidated Financial Statements.

Non-interest expense was $23.3 million for the year ended December 31, 2016, a decrease of $594,000, or 2.5%, when compared to $23.9 million in the prior year. The decrease is due to a decrease in incentive compensation, partially offset by $2.7 million in repossessed asset fair value adjustments during the year and increased other expenses due to the continued growth of the equipment leasing portfolios.

The increase of $267.1 million in total assets, or 8.4%, from $3.17 billion as of December 31, 2015 to $3.44 billion as of December 31, 2016 was primarily attributable to growth in our equipment leasing portfolios, partially offset by taxi medallion charge-offs.

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.

	Years ended December 31,	
(in thousands)	**2015**	**2014**
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:		
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*		
(dollars in thousands)	**Balance**	**Income/**	**Yield/**	**Balance**	**Income/**	**Yield/**
INTEREST-EARNING ASSETS						
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) (2)	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		
INTEREST-BEARING LIABILITIES						
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	2,109,764	26,942	1.28%	2,443,596	29,628	1.21%
Total deposits and borrowings	27,403,329	129,847	0.47%	22,375,011	123,122	0.55%
Other non-interest-bearing liabilities and shareholders' equity	2,925,483			2,330,887		
Total liabilities and shareholders' equity	$ 30,328,812			24,705,898		
OTHER DATA						
Net interest income / interest rate spread (2)		977,101	3.22%		801,151	3.25%
Tax-equivalent adjustment		-			-	
Net interest income, as reported		977,101			801,151	
Net interest margin			3.26%			3.29%
Tax-equivalent effect			-			-
Net interest margin on a fully tax-equivalent basis (2)			3.26%			3.29%
Ratio of average interest-earnings assets to average interest-bearing liabilities			109.34%			108.45%

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

(2) Presented on a tax equivalent, non-GAAP, basis using the U.S. federal statutory tax rate of 35 percent for municipal leasing and financing transactions.

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.

	Year ended December 31, 2015 vs. 2014		
(in thousands)	**Change Due to Rate**	**Change Due to Volume**	**Total Change**
INTEREST INCOME			
Short-term investments	$ 46	39	85
Investment securities	(16,308)	10,854	(5,454)
Commercial loans, mortgages and leases (1)	(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
INTEREST EXPENSE			
Interest-bearing deposits			
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

(1) Presented on a tax equivalent, non-GAAP, basis using the U.S. federal statutory tax rate of 35 percent for municipal leasing and financing transactions.

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 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*		
(dollars in thousands)	**Loan Amount**	**Allowance Amount**	**Allowance as a % of Loan Amount**	**Loan Amount**	**Allowance Amount**	**Allowance as a % of Loan Amount**
Mortgage loans:						
Multi-family residential property	$ 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%
Other loans:						
Commercial and industrial	3,995,023	34,551	0.86%	3,431,396	48,371	1.41%
New York City taxi medallions	617,854	14,536	2.33%	628,316	3,841	0.61%
Chicago taxi medallions	168,008	8,107	4.83%	175,085	4,502	2.57%
Philadelphia taxi medallions	7,837	522	6.66%	7,967	42	0.53%
Consumer	9,714	341	3.51%	10,245	458	4.47%
Total	$ 23,773,035	195,023	0.82%	17,838,216	164,392	0.92%

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 three 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

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:

	Year ended December 31, 2015			
(in thousands)	**Commercial Banking**	**Specialty Finance**	**Eliminations (1)**	**Consolidated**
Net interest income	$ 895,741	81,360	-	977,101
Provision for (recovery of) 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 (loss) before income taxes	597,067	31,010	-	628,077
Total assets	$ 33,401,329	3,173,198	(3,123,982)	33,450,545

(1) Eliminations related to intercompany funding

	Year ended December 31, 2014			
(in thousands)	**Commercial Banking**	**Specialty Finance**	**Eliminations (1)**	**Consolidated**
Net interest income	$ 736,444	64,707	-	801,151
Provision for (recovery of) 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 (loss) before income taxes	476,838	34,941	-	511,779
Total assets	$ 27,243,405	2,637,116	(2,561,881)	27,318,640

(1) Eliminations related to intercompany funding

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.

Commercial Banking

(in thousands)		*Years ended December 31,* **2015**	**2014**
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

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 three 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, 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.

Specialty Finance

(in thousands)		*Years ended December 31,* **2015**	**2014**
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

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.

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, 2016, 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 ($600.9 million), government-sponsored enterprises ($6.47 billion) and private issuers ($387.4 million). As of December 31, 2016, 91.2% of our securities portfolio had a AAA credit rating, 96.0% had a credit rating of A or better, and 98.6% 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 3.71 years and a weighted average life of 5.27 years as of December 31, 2016. 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, 2016, the net unrealized loss on securities, net of tax effect, was $54.7 million as reflected in accumulated other comprehensive loss, compared to a net unrealized loss of $9.5 million at December 31, 2015. 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, 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 $33.9 million and $35.3 million, respectively, as of December 31, 2016. 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. Two Covered Fund securities were sold during 2016 for a total gain of $5,000. There were two sales of Covered Fund securities during 2015 for a net gain of $3,000.

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,					
	2016		*2015*		*2014*	
(in thousands)	**Amortized Cost**	**Fair Value**	**Amortized Cost**	**Fair Value**	**Amortized Cost**	**Fair Value**
AVAILABLE-FOR-SALE						
U.S. Treasury securities	$ 2,000	1,999	2,000	1,990	500	501
Residential mortgage-backed securities:						
U.S. Government Agency	14,443	14,893	19,515	20,163	24,830	26,018
Government-sponsored enterprises	1,352,441	1,350,423	1,385,222	1,404,696	1,427,438	1,464,606
Collateralized mortgage obligations:						
U.S. Government Agency	332,886	332,042	430,327	432,977	543,752	549,757
Government-sponsored enterprises	3,451,257	3,403,766	3,086,799	3,088,027	2,708,345	2,713,168
Private	389,722	383,798	430,091	425,110	431,961	430,888
Securities of U.S. states and political subdivisions:						
Municipal Bond - Taxable	8,556	8,349	9,915	9,835	-	-
Other debt securities:						
Commercial mortgage-backed securities	149,862	151,201	208,118	207,603	278,517	282,819
Single issuer trust preferred & corporate debt securities	403,668	402,888	384,585	387,500	387,308	395,216
Pooled trust preferred securities	25,315	17,084	25,408	18,497	26,034	19,927
Collateralized debt obligations	4,457	5,541	4,511	5,227	4,511	4,541
Other	250,689	242,696	229,475	223,628	173,426	170,723
Equity securities (1)	21,731	20,667	16,212	15,508	15,802	15,295
Total available-for-sale	$ 6,407,027	6,335,347	6,232,178	6,240,761	6,022,424	6,073,459
HELD-TO-MATURITY						
Residential mortgage-backed securities:						
U.S. Government Agency	$ 5,286	5,213	6,797	6,797	8,610	8,759
Government-sponsored enterprises	416,415	416,196	435,284	438,751	468,218	477,579
Collateralized mortgage obligations:						
U.S. Government Agency	248,699	246,943	297,252	298,456	327,253	331,043
Government-sponsored enterprises	1,295,413	1,284,240	1,322,331	1,320,660	1,328,435	1,324,998
Private	3,652	3,357	4,418	4,093	5,616	4,942
Other debt securities:						
Commercial mortgage-backed securities	17,994	18,739	18,051	19,036	18,152	19,351
Single issuer trust preferred & corporate debt securities	48,800	50,813	45,589	46,672	45,862	49,104
Collateralized debt obligations	-	-	-	-	-	-
Other	1,866	1,892	3,422	3,448	6,405	6,401
Total held-to-maturity	$ 2,038,125	2,027,393	2,133,144	2,137,913	2,208,551	2,222,177

(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, 2016:

Credit Rating	**Percentage of Portfolio**
AAA	91.24%
AA	1.14%
A	3.62%
BBB	2.58%
Below BBB	1.42%
Total	100.00%

The following table provides the estimated change in fair value of our debt securities for various interest rate shocks as of December 31, 2016:

Interest Rate Shock	Estimated Fair Value Change
+100 basis points	(3.57%)
+200 basis points	(8.85%)
+300 basis points	(14.12%)
+400 basis points	(19.23%)

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, 2016. Due to prepayments of collateral underlying the securities, actual maturity may differ from contractual maturity.

(dollars in thousands)	Amortized Cost	Fair Value	Average Yield
Less than one year			
U.S. Treasury securities	$ -	-	0.00%
Mortgage-backed securities	10	10	5.50%
Collateralized mortgage obligations	288	288	5.92%
Other securities (1)	41,060	41,278	4.39%
Total	$ 41,358	41,576	4.41%
One year to less than five years			
U.S. Treasury securities	$ 2,000	1,999	1.05%
Mortgage-backed securities	1,092	1,122	5.39%
Collateralized mortgage obligations	5,847	5,861	4.43%
Other securities	188,302	191,246	3.14%
Total	$ 197,241	200,228	3.17%
Five years to less than 10 years			
Mortgage-backed securities	$ 6,203	6,436	3.39%
Collateralized mortgage obligations	170,178	172,665	2.92%
Other securities	268,535	266,291	3.31%
Total	$ 444,916	445,392	3.16%
10 years and longer			
Mortgage-backed securities	$ 1,781,280	1,779,157	2.94%
Collateralized mortgage obligations	5,545,316	5,475,332	2.82%
Securities of U.S. states and political subdivisions	8,556	8,349	3.25%
Other securities	404,754	392,039	5.95%
Total	$ 7,739,906	7,654,877	3.01%
All maturities			
U.S. Treasury securities	$ 2,000	1,999	1.05%
Mortgage-backed securities	1,788,585	1,786,725	2.94%
Collateralized mortgage obligations	5,721,629	5,654,146	2.83%
Securities of U.S. states and political subdivisions	8,556	8,349	3.25%
Other securities (1)	902,651	890,854	4.51%
Total	$ 8,423,421	8,342,073	3.03%

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

Loan Portfolio

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

	December 31,									
	2016		*2015*		*2014*		*2013*		*2012*	
(dollars in thousands)	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Mortgage loans:										
Multi-family residential property	$ 14,366,520	48.67%	11,823,073	48.91%	6,637,353	47.81%	6,637,353	47.81%	4,380,453	43.38%
Commercial property	7,994,707	27.08%	6,372,851	26.36%	3,132,252	22.56%	3,132,252	22.56%	2,506,539	24.81%
1-4 family residential property	535,338	1.81%	539,526	2.23%	346,795	2.50%	346,795	2.50%	307,158	3.04%
Home equity lines of credit	148,094	0.50%	163,191	0.68%	170,441	1.23%	170,441	1.23%	190,782	1.89%
Construction and land	485,309	1.64%	75,958	0.31%	125,334	0.90%	125,334	0.90%	99,475	0.98%
Other loans:										
Commercial and industrial	5,479,223	18.56%	4,788,722	19.81%	3,084,302	22.22%	3,084,302	22.22%	2,274,035	22.51%
Commercial - SBA guaranteed portion	502,240	1.70%	401,084	1.66%	375,501	2.70%	375,501	2.70%	332,430	3.29%
Consumer	10,268	0.04%	9,714	0.04%	11,479	0.08%	11,479	0.08%	10,291	0.10%
Sub-total / Total	29,521,699	100.00%	24,174,119	100.00%	13,883,457	100.00%	13,883,457	100.00%	10,101,163	100.00%
Premiums, deferred fees and costs	80,994		74,803		56,773		56,773		40,075	
Total	$ 29,602,693		24,248,922		13,940,230		13,940,230		10,141,238	

Total loans increased by $5.35 billion to $29.60 billion at December 31, 2016 from $24.25 billion at December 31, 2015. Our total loan-to-deposit ratio, excluding loans held for sale, increased to 91.2% at December 31, 2016 from 88.9% at December 31, 2015.

In 2015, 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, 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, and $413.2 million as of December 31, 2015, 2014, 2013, and 2012, 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, 2016, loans fully secured by cash and marketable securities represented 0.4% of outstanding loan balances. The SBA portfolio, consisting only of the guaranteed portion of the SBA loans, represented 1.6% of outstanding loan balances. Our fully unsecured loan portfolio represented 1.0% of our total outstanding loan portfolio at December 31, 2016. 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 our portfolio of commercial loans by credit rating as of the dates indicated:

	Pass	*Special Mention*	*Substandard*	*Doubtful*		
(in thousands)	**Rating 1-6**	**Rating 7**	**Rating 8**	**Rating 9**	**Non-rated**	**Total**
December 31, 2016						
Commercial loans secured by real estate:						
Multi-family residential property	$ 14,213,937	123,510	28,113	-	-	14,365,560
Commercial property	7,963,472	1,040	30,195	-	-	7,994,707
1-4 family residential property	415,848	-	-	-	43	415,891
Construction and land	467,103	18,206	-	-	-	485,309
Commercial and industrial loans	5,083,430	86,967	260,634	153	48,039	5,479,223
Total commercial loans	$ 28,143,790	229,723	318,942	153	48,082	28,740,690
December 31, 2015						
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

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. Effective January 2016, we no longer originate personal residential mortgages, though we continue to service the existing portfolio. 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 our portfolio of consumer loans by performance status as of the dates indicated:

(in thousands)	**Performing**	**Nonperforming**	**Total**
December 31, 2016			
Residential mortgages	$ 118,358	2,049	120,407
Home equity lines of credit	142,761	5,333	148,094
Other consumer loans	10,264	4	10,268
Total consumer loans	$ 271,383	7,386	278,769
December 31, 2015			
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

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

	As of December 31, 2016			
(in thousands)	**Within One Year**	**One to Five Years**	**After Five Years**	**Total**
Loan Type				
Commercial and industrial	$ 1,584,190	2,897,116	997,917	5,479,223
Construction and land	241,806	105,697	137,806	485,309
Total	$ 1,825,996	3,002,813	1,135,723	5,964,532

The following table presents commercial and industrial loans and construction and land loans at fixed and variable rates contractually maturing after December 31, 2017:

	Maturing After December 31, 2017		
(in thousands)	**Fixed**	**Variable**	**Total**
Loan Type			
Commercial and industrial	$ 3,252,079	642,954	3,895,033
Construction and land	194,574	48,929	243,503
Total	$ 3,446,653	691,883	4,138,536

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, loans that were 90 days past due as to principal or interest, other impaired loans, and certain asset quality indicators as of the dates indicated:

	December 31,				
(dollars in thousands)	2016	2015	2014	2013	2012
Nonaccrual assets:					
Loans	$ 100,443	46,406	13,843	21,414	24,001
Troubled debt restructured loans	57,135	25,499	7,165	9,928	3,189
Investment securities, at fair value	662	629	948	4,778	5,927
Other real estate owned	-	-	-	-	-
Other repossessed assets	19,633	2,326	245	800	-
Total nonperforming assets	$ 177,873	74,860	22,201	36,920	33,117
Accruing troubled debt restructured loans	$ 88,158	160,899	36,125	33,098	52,554
Other loans past due 90 days or more:					
Loans (1)	$ 55,951	3,525	1,839	1,288	27,176
Loans held for sale (2)	$ 795	2,436	1,407	1,151	1,579
Other taxi medallion loans 30-89 days past due maturity (3)	$ 24,564	4,939	-	-	-
Asset Quality Ratios:					
Total nonaccrual loans to total loans	0.54%	0.30%	0.12%	0.23%	0.28%
Total nonperforming assets to total assets	0.46%	0.22%	0.08%	0.16%	0.19%
ALLL to nonaccrual loans	135.49%	271.22%	782.52%	430.96%	395.12%

(1) Includes $45.3 million of taxi medallion loans past due maturity of 90 days or more that were considered impaired as of December 31, 2016.

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

(3) Considered impaired in 2016.

Significant nonaccrual loans at December 31, 2016 consisted of 403 taxi medallion loans (commercial and industrial loans), comprised of 304 relationships, totaling $135.4 million, five home equity lines of credit totaling $3.3 million, and 12 other commercial and industrial loans totaling $11.4 million. During 2016, our two largest Chicago taxi medallion fleet relationships, comprised of 74 loans, were placed on nonaccrual. These loans were also charged down to collateral value, net of selling costs and currently represent $20.1 million in nonaccrual loans. Each nonaccrual loan is being actively managed by the Bank, and the ALLL includes a specific allocation for each such loan, when appropriate.

Nonaccrual investment securities at December 31, 2016 consisted of one collateralized debt obligation and one bank-collateralized pooled trust preferred security totaling $662,000. These securities were classified as nonperforming because of delinquent payments as a result of payment deferrals.

At December 31, 2016, loans past due 90 days or more included three commercial and industrial loans totaling $1.5 million that are well secured and in process of collection, nine taxi medallion loans totaling $5.4 million for which we are awaiting additional information from certain third party servicers, as well as 75 taxi medallion loans totaling $45.3 million and one commercial real estate loan totaling $2.7 million that have matured, continue to make monthly payments and are in the normal course of renewal. All taxi medallion loans that are past due maturity with respect to their contractual maturity continue to pay and are reported as impaired. This includes loans past due 90 days or more, as well as those 30 to 89 days past due. At December 31, 2015, loans past due 90 days or more were primarily comprised of commercial and industrial loans that are well secured and in process of collection. The Bank’s policy is to recognize interest income on certain loans past due 90 days or more on an accrual basis. For taxi medallion loans that are past due maturity, the difference between cash basis and accrual basis recognition is inconsequential.

Accruing loans held for sale past due 90 days or more at December 31, 2016 and 2015 are comprised of U.S. Government guaranteed SBA loans of $795,000 and $2.4 million, respectively.

Additionally, the decrease in TDR loans was primarily driven by $78.1 million of Chicago taxi medallion charge-offs during 2016. Furthering this decrease was the foreclosure of 16 taxi medallions totaling $8.1 million, as well as a reduction of $2.0 million due to the full payoff of one home equity line of credit, $13.5 million from the full payoff of 10 commercial and industrial loans, and $3.4 million from the payoff of one commercial real estate loan. The decrease was partially offset by the restructure of 110 commercial and industrial loans amounting to $70.2 million, including taxi medallion loans totaling $53.7 million.

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.

Our repossessed assets as of December 31, 2016 and December 31, 2015 totaled $19.6 million and $2.3 million, respectively. The increase was primarily driven by the repossession of 85 taxi medallions with a fair value of $31.0 million, partially offset by fair value adjustments of $2.7 million in 2016, as well as the sale of 21 repossessed taxi medallions during the year.

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, 2016, 2015, and 2014, our ALLL totaled $213.5 million, $195.0 million, and $164.4 million, respectively, which represents 0.74%, 0.82%, and 0.92% 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, 2016, 2015, and 2014, we recorded provisions of $155.8 million, $44.9 million, and $31.1 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 increases in the provision for the year ended December 31, 2016, when compared to the same period last year, were primarily due to updated taxi medallion asset valuations, particularly the Chicago taxi medallion, and the corresponding impact on specific reserves and charge-offs.

In recent months, the volume of taxi medallion transfers has declined and risk premiums increased. Additionally, there is no market for new issues due to the absence of new financing. Due to these factors, amongst others, in 2016, management determined the need for an alternative valuation methodology. An independent third party was engaged to perform an asset valuation using the discounted cash flow approach to establish a fair value range using both the discounted cash flow approach and market transactions, as applicable.

In the latter half of 2016, management observed certain new market transfers for which additional information could not be obtained to conclude whether or not the transactions were orderly. Due to the lack of transparency into the transaction details, as well as consistent market prices noted, we incorporated the market transfers into the valuation. Specifically, both recent transfer prices and the discounted cash flow model valuation output were weighted to derive medallion values. The value declines resulted in an increase in related specific reserves, as well as total taxi medallion portfolio charge-offs of $129.2 million in 2016, including $108.6 million of the Chicago portfolio.

For the year ended December 31, 2016, offsetting this increase was a reserve release of $25.7 million in the commercial real estate portfolio allowance due to an update of the portfolio's ALLL general reserve loss factors during the year. Annually, we analyze our ALLL methodology to assess whether updates are necessary based on various considerations including current market conditions, portfolio trends and industry information. Historically, proxy loss factors based on current industry studies were utilized in the commercial real estate portfolio's general reserve calculation. During 2016, based on our most recent stress testing results, continued credit metric comparison to our portfolio's history, as well as credit metric comparison to our peers, we used the Bank's own loss history to derive the portfolio's loss factors.

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:

		Credit-rated loans			Non-rated loans			
(in thousands)		Commercial Real Estate	1-4 Family Residential Property	Commercial & Industrial	Commercial	Residential Mortgages	Consumer	Total
As of December 31, 2016								
ALLL:								
Individually evaluated for impairment	$	24	-	34,695	101	3,382	2	38,204
Collectively evaluated for impairment		114,343	637	57,729	1,126	1,261	195	175,291
Recorded investment in loans:								
Individually evaluated for impairment		10,548	-	299,683	202	8,137	4	318,574
Collectively evaluated for impairment		22,835,028	415,848	5,131,501	47,880	260,364	10,264	28,700,885
As of December 31, 2015								
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

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:

	December 31,										
	2016			*2015*		*2014*		*2013*		*2012*	
(dollars in thousands)		Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Mortgage Loans:											
Multi-family residential property	$	71,053	49.51%	82,382	49.73%	63,091	48.26%	47,814	49.14%	31,292	44.84%
Commercial property		40,801	27.55%	45,497	26.81%	32,910	24.04%	27,943	23.19%	23,087	25.66%
1-4 family residential property		2,117	1.84%	3,598	2.27%	7,178	2.60%	3,600	2.57%	4,794	3.14%
Home equity lines of credit		3,182	0.51%	4,931	0.69%	3,522	0.90%	1,406	1.26%	1,099	1.95%
Construction and land		2,514	1.67%	558	0.32%	477	0.36%	1,323	0.93%	1,127	1.02%
Other loans:											
Commercial and industrial		35,363	16.72%	34,551	16.80%	48,371	19.24%	49,465	18.68%	42,518	18.69%
New York City taxi medallions		44,319	1.96%	14,536	2.60%	3,841	3.52%	1,907	2.89%	2,024	3.24%
Chicago tax medallions		12,152	0.19%	8,107	0.71%	4,502	0.98%	808	1.20%	789	1.27%
Philadelphia tax medallions		1,797	0.01%	522	0.03%	42	0.04%	37	0.06%	50	0.08%
Consumer		197	0.04%	341	0.04%	458	0.06%	768	0.08%	653	0.11%
Total	$	213,495	100.00%	195,023	100.00%	164,392	100.00%	135,071	100.00%	107,433	100.00%

Summary of Loan Loss Experience

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

	Years ended December 31,				
(dollars in thousands)	**2016**	**2015**	**2014**	**2013**	**2012**
Beginning balance - ALLL	$ 195,023	164,392	135,071	107,433	86,162
Charge-offs:					
Credit-rated commercial loans	(141,981)	(19,732)	(4,586)	(14,137)	(18,657)
Non-rated commercial loans	(1,041)	(1,209)	(1,297)	(1,384)	(2,439)
Residential mortgages	(151)	(1,103)	(1,597)	(753)	(635)
Consumer loans	(195)	(186)	(380)	(407)	(425)
Total charge-offs	(143,368)	(22,230)	(7,860)	(16,681)	(22,156)
Recoveries:					
Credit-rated commercial loans	5,152	5,950	4,764	1,309	262
Non-rated commercial loans	812	1,171	701	1,166	1,540
Residential mortgages	21	656	460	33	4
Consumer loans	81	170	146	168	194
Total recoveries	6,066	7,947	6,071	2,676	2,000
Net charge-offs	(137,302)	(14,283)	(1,789)	(14,005)	(20,156)
Provision	155,774	44,914	31,110	41,643	41,427
Ending balance - ALLL	$ 213,495	195,023	164,392	135,071	107,433
Ratios:					
ALLL to total loans	0.74%	0.82%	0.92%	1.00%	1.10%
Net charge-offs to average loans	0.52%	0.07%	0.01%	0.12%	0.25%

Our net charge-offs during 2016 increased to $137.3 million compared to $14.3 million for the prior year. Significant charge-offs during 2016 consisted of 383 taxi medallion loans, related to 288 taxi medallion relationships, totaling $129.2 million. These charge-offs principally related to the Chicago taxi medallion portfolio. Other significant charge-offs include six commercial and industrial loans totaling $5.9 million.

Net Deferred Tax Asset

At December 31, 2016, 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:

(in thousands)	*December 31,* **2016**	**2015**
DEFERRED TAX ASSETS		
Allowance for loan and lease losses	$ 88,541	80,876
Income on leased assets	55,038	32,689
Write-down for other-than-temporary impairment of securities	11,605	17,876
Unearned compensation - restricted stock	14,621	12,751
Non-accrual interest	923	1,583
Other	3,417	402
Total deferred tax assets recognized in earnings	174,145	146,177
Net unrealized losses on securities available-for-sale	29,727	-
Net unrealized losses on securities transferred to held-to-maturity	9,042	10,293
Total deferred tax assets	212,914	156,470
DEFERRED TAX LIABILITIES		
Depreciation - leased assets	138,244	103,696
Prepaid expenses	1,098	752
Other	13,372	11,586
Total deferred tax liabilities recognized in earnings	152,714	116,034
Net unrealized gains on securities available-for-sale	-	3,559
Total deferred tax liabilities	152,714	119,593
Net deferred tax asset	$ 60,200	36,877

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. For more information, refer to the income taxes discussion under Results of Operations for the year ended December 31, 2015.

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

Core deposits, which excludes time deposits, increased $4.70 billion to $30.52 billion as of December 31, 2016 from $25.82 billion as of December 31, 2015. The increase is due to 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:

	December 31,			
	2016		*2015*	
(dollars in thousands)	**Amount**	**Percentage**	**Amount**	**Percentage**
Personal demand deposit accounts (1)	$ 826,382	2.59%	693,297	2.59%
Business demand deposit accounts (1)	9,642,408	30.26%	7,801,557	29.14%
Brokered demand deposit accounts (1)	51,739	0.16%	72,446	0.27%
Rent security	199,243	0.63%	164,014	0.61%
Personal NOW	51,167	0.16%	46,650	0.17%
Business NOW	3,857,269	12.11%	2,687,552	10.04%
Personal money market accounts	4,073,418	12.78%	3,625,105	13.54%
Business money market accounts	11,677,906	36.66%	10,541,963	39.37%
Brokered money market accounts	137,871	0.43%	187,254	0.70%
Personal time deposits	298,742	0.94%	328,031	1.23%
Business time deposits	620,607	1.95%	430,016	1.61%
Brokered time deposits	424,508	1.33%	196,038	0.73%
Total	$ 31,861,260	100.00%	26,773,923	100.00%
Demand deposit accounts (1)	$ 10,468,790	32.85%	8,494,854	31.73%
NOW	3,908,436	12.27%	2,734,202	10.21%
Money market accounts	15,950,567	50.07%	14,331,082	53.52%
Time deposits	919,349	2.89%	758,047	2.84%
Brokered deposits (2)	614,118	1.92%	455,738	1.70%
Total	$ 31,861,260	100.00%	26,773,923	100.00%
Personal	$ 5,249,709	16.47%	4,693,083	17.53%
Business	25,997,433	81.61%	21,625,102	80.77%
Brokered deposits (2)	614,118	1.92%	455,738	1.70%
Total	$ 31,861,260	100.00%	26,773,923	100.00%

[1] Non-interest bearing.

[2] Includes non-interest bearing deposits of $51.7 million and $72.4 million as of December 31, 2016 and December 31, 2015, respectively.

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

	Years ended December 31,			
	2016		*2015*	
(dollars in thousands)	**Average Balance**	**Average Rate**	**Average Balance**	**Average Rate**
NOW and interest-bearing demand	$ 3,591,984	0.46%	2,208,678	0.41%
Money market	15,399,825	0.61%	14,109,742	0.59%
Time deposits	1,286,775	0.97%	969,556	1.10%
Non-interest-bearing demand deposits	9,469,240	-	8,005,589	-
Total deposits	$ 29,747,824	0.41%	25,293,565	0.41%

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

(in thousands)		**December 31, 2016**
Three months or less	$	345,252
Over three months through six months		369,016
Over six months through one year		234,828
Over one year		295,625
Total (1)	$	1,244,721

(1) Includes brokered time deposits of $401.3 million.

Borrowings

The following table presents information regarding our borrowings:

	At or for the year ended December 31,						
	2016			*2015*		*2014*	
(dollars in thousands)		**Amount**	**Weighted Average Rate**	**Amount**	**Weighted Average Rate**	**Amount**	**Weighted Average Rate**
Federal Home Loan Bank advances	$	1,975,900	1.17%	2,270,163	0.93%	515,163	0.92%
Federal Home Loan Bank repurchase agreements		75,000	1.98%	450,000	1.11%	820,000	0.89%
Repurchase agreements		350,000	2.76%	420,000	2.63%	620,000	2.48%
Federal funds purchased		543,000	0.79%	397,000	0.54%	95,000	0.26%
Subordinated debt (1)		260,000	5.30%	-	0.00%	-	0.00%
Total borrowings	$	3,203,900	1.63%	3,537,163	1.11%	2,050,163	1.35%
Maximum total outstanding at any month-end	$	3,722,000		3,537,163		2,815,313	
Average balance	$	2,961,425		2,109,763		2,443,596	
Average rate			1.57%		1.28%		1.21%

(1) Excludes $3.4 million of deferred issuance costs reported as a direct reduction to the subordinated debt carrying amount in the Consolidated Statements of Financial Condition.

At December 31, 2016, our borrowings were $3.20 billion, or 9.1% of our funding liabilities, compared to $3.54 billion, or 11.7% of our funding liabilities, at December 31, 2015. The decrease in our borrowings, when compared to December 31, 2015, reflects the impact of the 2016 common stock offering which was used to meet funding needs as a result of our continued loan growth, instead of short-term borrowings. These borrowings, excluding our issued subordinated debt, are collateralized by mortgage-backed and collateralized mortgage obligation securities, along with commercial real estate loans. We also hold $132.6 million in Federal Home Loan Bank of New York ("FHLB") capital stock as required collateral for our outstanding borrowing position with the FHLB. Based on our financial condition, our asset size, the available capacity under our repurchase agreement lines and our FHLB line, and the amount of securities and loans available for pledging, we estimate our available consolidated capacity for additional borrowings to be approximately $8.49 billion at December 31, 2016.

The following table presents the maturity or re-pricing of our borrowings at December 31, 2016:

Maturity or repricing period *(in thousands)*

	3 months or less	3 - 12 months	1 - 3 years	Over 3 years (1)	Total
$	1,158,000	1,145,900	610,000	290,000	3,203,900

(1) Excludes $3.4 million of deferred issuance costs reported as a direct reduction to the subordinated debt carrying amount in the

Fair Value of Financial Instruments

Our AFS securities, which represent $6.34 billion of our total assets at December 31, 2016, are carried at fair value. Held-for-sale loans totaling $559.5 million at December 31, 2016, 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 price discrepancy greater than thresholds established by management, between 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 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, 2016:

	Payments due by period				
(in thousands)	**Less than 1 year**	**1 - 3 years**	**3 - 5 years**	**More than 5 years**	**Total**
Borrowings (1)	$ 2,303,900	610,000	30,000	260,000	3,203,900
Operating leases	21,091	44,418	40,390	103,908	209,807
Investments in qualified affordable housing projects	22,164	53,432	12,399	23,856	111,851
Information technology contract	14,944	25,004	20,604	1,080	61,632
Total contractual cash obligations	$ 2,362,099	732,854	103,393	388,844	3,587,190

(1) Excludes $3.4 million of deferred issuance costs reported as a direct reduction to the subordinated debt carrying amount in the Consolidated Statements of Financial Condition.

On April 19, 2016, the Bank issued $260 million aggregate principal amount of Variable Rate Subordinated Notes due April 19, 2026 to institutional investors. The Notes accrue interest at a fixed rate of 5.30% for the first five years until April 2021. After this date and for the remaining five years of the Notes' term, interest will accrue at a variable rate of LIBOR plus 3.92%. Additionally, during the variable interest rate period and at the Bank's option, the Notes can be prepaid by the Bank. Net proceeds from this offering were used for general corporate purposes and to facilitate our continued growth.

Off-Balance Sheet Arrangements

In the normal course of business, we have various outstanding commitments and contingent liabilities 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:

	December 31,	
(in thousands)	**2016**	**2015**
Unused commitments to extend credit	$1,310,736	935,083
Financial standby letters of credit	376,660	285,187
Commercial and similar letters of credit	17,801	27,055
Other	1,482	1,342
Total	$1,706,679	1,248,667

For further discussion of our commitments and contingent liabilities, see Note 19 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, effective beginning January 1, 2015. The FDIC's final capital 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 Tier 1 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 established a "capital conservation buffer" above the new regulatory minimum capital requirements, which must consist entirely of common equity Tier 1 capital, to be phased over several years. The phase-in of the capital conservation buffer began on January 1, 2016, at a level of 0.625% of risk-weighted assets for 2016 and increased to 1.250% for 2017. The minimum buffer then will be 1.875% for 2018 and 2.500% for 2019 and thereafter, resulting in the following effective minimum capital 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 December 31, 2016, 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 will be categorized as "well capitalized" if we (i) have a total risk-based capital ratio of 10.0% or greater; (ii) have a Tier 1 risk-based capital ratio of 8.0% or greater; (iii) have a common equity Tier 1 risk-based capital ratio of 6.5% or greater; (iv) have a leverage ratio of 5.0% or greater; and (v) 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 will be categorized as "adequately capitalized" if we have (i) a total risk-based capital ratio of 8.0% or greater; (ii) a Tier 1 risk-based capital ratio of 6.0% or greater; (iii) a common equity Tier 1 capital ratio of 4.5% or greater; and (iv) a leverage ratio of 4.0% or greater (3.0% if we are rated in the highest supervisory category).

We will be categorized as "undercapitalized" if we have (i) a total risk-based capital ratio that is less than 8.0%; (ii) a Tier 1 risk-based capital ratio that is less than 6.0%; (iii) a common equity Tier 1 capital ratio that is less than 4.5%; or (iv) a leverage ratio that is less than 4.0%.

We will be categorized as "significantly undercapitalized" if we have (i) a total risk-based capital ratio that is less than 6.0%; (ii) a Tier 1 risk-based capital ratio that is less than 4.0%; (iii) a common equity Tier 1 capital ratio that is less than 3.0%; or (iv) a leverage ratio that is less than 3.0%.

We will 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, 2016:

	Actual		*Required for Capital Adequacy Purposes*		*Required to be Well Capitalized*	
(dollars in thousands)	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
Total capital (to risk-weighted assets)	$ 4,137,271	13.46%	2,459,612	8.00%	3,074,515	10.00%
Tier 1 capital (to risk-weighted assets)	3,665,855	11.92%	1,844,709	6.00%	2,459,612	8.00%
Common equity Tier 1 capital (to risk-weighted assets)	3,665,885	11.92%	1,383,532	4.50%	1,998,434	6.50%
Tier 1 leverage capital (to average assets)	3,665,855	9.61%	1,526,537	4.00%	1,908,171	5.00%

The capital amounts and ratios presented in the following table demonstrate that we were “well capitalized” as of December 31, 2015:

			Required for Capital		*Required to be*	
	Actual		*Adequacy Purposes*		*Well Capitalized*	
(dollars in thousands)	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
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%

During the first quarter of 2016, we raised $296.1 million in net proceeds in a common stock offering further strengthening our overall capital position. Additionally, on April 19, 2016, the Bank issued $260 million of subordinated debt to institutional investors further strengthening our Tier 2 capital position.

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.

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. In 2016, we submitted our stress testing results on July 28th based on data as of December 31, 2015, which we publicly disclosed on October 24, 2016. 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, 2016, 2015 and 2014, while we raised capital in common stock offerings in 2014 and 2016, and issued $260.0 million in subordinated debt to institutional investors in 2016 to facilitate continued growth, 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 as evidenced by the January and February 2016 common stock offering, as well as the April 2016 subordinated debt offering. See the Recent Highlights section earlier in this report for additional information regarding these offerings.

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, 2016, our FHLB borrowings totaled $2.05 billion with an average rate of 1.20% that mature by December 2019. Included in this total is $75.0 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, 2016, we had $350.0 million of securities sold under repurchase agreements to four of these institutions. These borrowings have an average rate of 2.76% 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 $8.49 billion as of December 31, 2016.

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 year.

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, 2016, 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, 2016:

(dollars in thousands)	Adjusted Net Interest Income	Change from Base
Ramp scenario:		
Base	$ 1,198,005	-
Up 100 basis points	1,172,794	(2.1)%
Up 200 basis points	1,147,622	(4.2)%
Up 300 basis points	1,121,226	(6.4)%
Up 400 basis points	1,094,049	(8.7)%
Shock scenario:		
Base	$ 1,198,005	-
Up 100 basis points	1,163,174	(2.9)%
Up 200 basis points	1,129,970	(5.7)%
Up 300 basis points	1,093,500	(8.7)%
Up 400 basis points	1,055,824	(11.9)%

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, 2016, 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, 2016 to the interest rate movements described above (base case market value of equity is $5.91 billion):

(dollars in thousands)	Sensitivity	Change from Base
Up 100 basis points	$ (37,205)	(0.6)%
Up 200 basis points	(293,397)	(5.0)%
Up 300 basis points	(694,003)	(11.7)%
Up 400 basis points	(1,141,024)	(19.3)%

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 re-pricing levels of deposits to general market rates, and should not be relied upon as indicative of actual results. Further, the computations do not take into account any actions that we may undertake in response to future changes in interest rates.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

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

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, 2016, 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, 2016 is effective using these criteria.

The Company's internal control over financial reporting as of December 31, 2016 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, 2016. The report of KPMG LLP on the effectiveness of the Company's internal control over financial reporting is included below.

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, 2016, 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, 2016, 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, 2016 and 2015, 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, 2016, and our report dated March 1, 2017 expressed an unqualified opinion on those consolidated financial statements.

KPMG LLP

New York, New York
March 1, 2017

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 20, 2017.

ITEM 11. EXECUTIVE COMPENSATION

Incorporated by reference to Signature Bank’s Proxy Statement for the Annual Meeting of Stockholders to be held April 20, 2017.

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 20, 2017.

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 20, 2017.

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 20, 2017.

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-54. The Index to the Consolidated Financial Statements appears on page F-1.

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

B. Exhibit Listing

Exhibit No.	Exhibit
3.1	Restated Organization Certificate (Incorporated by reference to Signature Bank’s Quarterly Report on Form 10-Q for the period ended June 30, 2005.)
3.2	Certificate of Amendment, dated December 5, 2008, to the Bank's Restated Organization Certificate with respect to Signature Bank’s Fixed Rate Non-Cumulative Perpetual Preferred Stock, Series A, par value $0.01 per share (Incorporated by reference to Signature Bank’s Current Report on Form 8-K filed on December 17, 2008.)
3.3	Amended and Restated By-laws of the Registrant
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.)
10.15	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

Exhibit No.	Exhibit
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: March 1, 2017

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on March 1, 2017 by the following persons on behalf of the registrant in the capacities indicated.

Signature	Title
/s/ SCOTT A. SHAY (Scott A. Shay)	Chairman of the Board of Directors
/s/ JOHN TAMBERLANE (John Tamberlane)	Vice Chairman, Director
/s/ VITO SUSCA (Vito Susca)	Senior Vice President and Chief Financial Officer (Principal Accounting and Financial Officer)
/s/ KATHRYN A. BYRNE (Kathryn A. Byrne)	Director
/s/ Derrick D. Cephas (Derrick D. Cephas)	Director
/s/ ALFONSE M. D’AMATO (Alfonse M. D’Amato)	Director
/s/ BARNEY FRANK (Barney Frank)	Director
/s/ JUDITH A. HUNTINGTON (Judith A. Huntington)	Director
/s/ JEFFREY W. MESHEL (Jeffrey W. Meshel)	Director

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Consolidated Statements of Comprehensive Income for the years ended December 31, 2016, 2015, and 2014 . . . . F-5

Consolidated Statements of Changes in Shareholders’ Equity for the years ended December 31, 2016, 2015, and 2014 . . . . F-6

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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, 2016 and 2015, 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, 2016. 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, 2016 and 2015, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2016, 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, 2016, 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 March 1, 2017 expressed an unqualified opinion on the effectiveness of the Company’s internal control over financial reporting.

KPMG LLP

New York, New York
March 1, 2017

SIGNATURE BANK
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

	December 31,	
(dollars in thousands, except shares and per share amounts)	**2016**	**2015**
ASSETS		
Cash and due from banks	$ 499,856	311,254
Short-term investments	39,095	30,292
Total cash and cash equivalents	538,951	341,546
Securities available-for-sale	6,335,347	6,240,761
Securities held-to-maturity (fair value $2,027,393 at December 31, 2016 and $2,137,913 at December 31, 2015)	2,038,125	2,133,144
Federal Home Loan Bank stock	132,629	154,405
Loans held for sale	559,528	456,358
Loans and leases, net	28,829,670	23,597,541
Premises and equipment, net	50,698	44,161
Accrued interest and dividends receivable	102,963	94,006
Other assets	459,700	388,623
Total assets	$ 39,047,611	33,450,545
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits		
Non-interest-bearing	$ 10,520,529	8,567,300
Interest-bearing	21,340,731	18,206,623
Total deposits	31,861,260	26,773,923
Federal funds purchased and securities sold under agreements to repurchase	893,000	817,000
Federal Home Loan Bank borrowings	2,050,900	2,720,163
Subordinated debt	256,588	-
Accrued expenses and other liabilities	373,599	247,625
Total liabilities	35,435,347	30,558,711
Shareholders' equity		
Preferred stock, par value $.01 per share; 61,000,000 shares authorized; none issued at December 31, 2016 and December 31, 2015	-	-
Common stock, par value $.01 per share; 64,000,000 shares authorized; 54,610,593 shares issued and outstanding at December 31, 2016; 51,929,064 shares issued and outstanding at December 31, 2015;	546	509
Additional paid-in capital	1,763,100	1,399,501
Retained earnings	1,903,332	1,507,011
Treasury stock, none at December 31, 2016 and 41,087 shares at December 31, 2015	-	(5,684)
Accumulated other comprehensive loss	(54,714)	(9,503)
Total shareholders' equity	3,612,264	2,891,834
Total liabilities and shareholders' equity	$ 39,047,611	33,450,545

See accompanying notes to Consolidated Financial Statements.

SIGNATURE BANK
CONSOLIDATED STATEMENTS OF INCOME

	Years ended December 31,		
(dollars in thousands, except per share amounts)	**2016**	**2015**	**2014**
INTEREST AND DIVIDEND INCOME			
Loans held for sale	$ 4,572	3,885	3,338
Loans and leases, net	1,042,717	839,782	652,285
Securities available-for-sale	198,001	191,661	193,629
Securities held-to-maturity	62,834	66,633	69,762
Other short-term investments	9,027	4,987	5,259
Total interest income	1,317,151	1,106,948	924,273
INTEREST EXPENSE			
Deposits	123,285	102,905	93,494
Federal funds purchased and securities sold under agreements to repurchase	11,857	13,885	16,965
Federal Home Loan Bank borrowings	24,565	13,057	12,663
Subordinated debt	10,202	-	-
Total interest expense	169,909	129,847	123,122
Net interest income before provision for loan and lease losses	1,147,242	977,101	801,151
Provision for loan and lease losses	155,774	44,914	31,110
Net interest income after provision for loan and lease losses	991,468	932,187	770,041
NON-INTEREST INCOME			
Commissions	11,474	11,418	10,649
Fees and service charges	21,846	21,515	19,250
Net gains on sales of securities	7,711	1,209	5,272
Net gains on sales of loans	6,750	7,107	5,377
Other-than-temporary impairment losses on securities:			
Total impairment losses on securities	(986)	(2,264)	(3,930)
Portion recognized in other comprehensive income (before taxes)	559	1,301	2,206
Net impairment losses on securities recognized in earnings	(427)	(963)	(1,724)
Other losses	(4,604)	(3,182)	(3,842)
Total non-interest income	42,750	37,104	34,982
NON-INTEREST EXPENSE			
Salaries and benefits	246,406	230,081	196,679
Occupancy and equipment	29,140	26,024	22,490
Data processing	20,343	16,649	15,012
FDIC assessment fees	21,265	15,885	12,449
Professional fees	9,671	9,460	8,192
Other general and administrative	49,946	43,115	38,422
Total non-interest expense	376,771	341,214	293,244
Income before income taxes	657,447	628,077	511,779
Income tax expense	261,123	255,012	215,075
Net income	$ 396,324	373,065	296,704
PER COMMON SHARE DATA			
Earnings per share – basic	$ 7.42	7.35	6.05
Earnings per share – diluted	$ 7.37	7.27	5.95

See accompanying notes to Consolidated Financial Statements.

SIGNATURE BANK
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)	*At or for the years ended December 31,* 2016	2015	2014
Net income	$ 396,324	373,065	296,704
Other comprehensive income, net of tax:			
Net unrealized gains (losses) on securities	(72,418)	(40,020)	114,166
Tax effect	30,032	16,248	(47,984)
Net of tax	(42,386)	(23,772)	66,182
Reclassification adjustment for net gains on sales of securities included in net income	(7,711)	(1,209)	(5,272)
Tax effect	3,198	493	2,227
Net of tax	(4,513)	(716)	(3,045)
Amortization of net unrealized loss on securities transferred to held-to-maturity	3,015	3,468	3,357
Tax effect	(1,250)	(1,408)	(1,412)
Net of tax	1,765	2,060	1,945
Other-than-temporary losses on securities related to noncredit factors	(559)	(1,301)	(2,206)
Tax effect	232	532	936
Net of tax	(327)	(769)	(1,270)
Reclassification adjustment for other-than-temporary impairment losses on securities related to credit factors included in net income	427	963	1,724
Tax effect	(177)	(393)	(728)
Net of tax	250	570	996
Total other comprehensive income (loss), net of tax	(45,211)	(22,627)	64,808
Comprehensive income, net of tax	$ 351,113	350,438	361,512

See accompanying notes to Consolidated Financial Statements.

SIGNATURE BANK
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(in thousands)	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Accumulated other comprehensive income (loss)	Total shareholders' equity
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 loss, 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
Common stock issued	24	318,764	-	-	-	318,788
Stock options activity, net	-	-	-	-	-	-
Restricted stock activity, net	13	44,744	-	5,775	-	50,532
Stock warrant activity, net	-	91	-	(91)	-	-
Other	-	-	(3)	-	-	(3)
Net income	-	-	396,324	-	-	396,324
Other comprehensive loss, net of tax	-	-	-	-	(45,211)	(45,211)
Balance at December 31, 2016	$ 546	1,763,100	1,903,332	-	(54,714)	3,612,264

See accompanying notes to Consolidated Financial Statements.

SIGNATURE BANK
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years ended December 31,		
(in thousands)	**2016**	**2015**	**2014**
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 396,324	373,065	296,704
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	10,086	9,044	8,904
Provision for loan and lease losses	155,774	44,914	31,110
Net impairment losses on securities recognized in earnings	427	963	1,724
Net amortization/accretion of premium/discount on securities and borrowings	106,257	103,519	94,355
Stock-based compensation expense	41,656	34,674	27,690
Net gains on sales of securities and loans	(14,461)	(8,316)	(10,649)
Purchases of loans held for sale	(1,894,896)	(1,462,091)	(1,321,745)
Proceeds from sales and principal repayments of loans held for sale	1,660,081	1,469,648	1,256,077
Net increase in accrued interest and dividends receivable	(8,957)	(14,319)	(8,019)
Deferred income tax expense	8,712	1,326	36,600
Net (increase) decrease in other assets	(47,752)	(84,766)	5,473
Net increase in accrued expenses and other liabilities	125,975	95,660	2,650
Net cash provided by operating activities	539,226	563,321	420,874
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of securities available-for-sale ("AFS")	(1,632,908)	(1,401,685)	(1,450,961)
Proceeds from sales of securities AFS	204,668	80,302	191,730
Maturities, redemptions, calls and principal repayments on securities AFS	1,308,463	1,116,972	797,027
Purchases of securities held-to-maturity ("HTM")	(171,129)	(112,625)	(168,576)
Maturities, redemptions, calls and principal repayments on securities HTM	252,383	173,161	122,608
Purchases of Federal Home Loan Bank stock	(322,441)	(68,067)	-
Proceeds from redemptions of Federal Home Loan Bank stock	344,217	-	44,447
Net increase in loans and leases	(5,386,218)	(5,947,834)	(4,338,604)
Net purchases of premises and equipment	(16,623)	(12,209)	(13,569)
Net cash used in investing activities	(5,419,588)	(6,171,985)	(4,815,898)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net increase in non-interest-bearing deposits	1,953,229	1,502,341	1,673,476
Net increase in interest-bearing deposits	3,134,108	2,651,307	3,889,702
Proceeds from the issuance of Federal Home Loan Bank borrowings	1,225,000	1,935,000	620,000
Repayment of Federal Home Loan Bank borrowings	(1,894,263)	(550,000)	(1,590,150)
Proceeds from the issuance of other borrowings	568,000	397,000	220,000
Repayment of other borrowings	(492,000)	(295,000)	(570,000)
Proceeds from the issuance of subordinated debt, net	256,032	-	-
Tax benefit from stock-based compensation	8,878	10,145	11,067
Issuance of common stock and exercise of options	318,786	343	296,034
Other	(3)	(4)	(4)
Net cash provided by financing activities	5,077,767	5,651,132	4,550,125
Net increase in cash and cash equivalents	197,405	42,468	155,101
Cash and cash equivalents at beginning of year	341,546	299,078	143,977
Cash and cash equivalents at end of year	$ 538,951	341,546	299,078
Supplemental disclosures of cash flow information:			
Interest paid during the year	$ 158,838	129,882	123,817
Income taxes paid during the year	$ 265,781	229,952	189,314
Non-cash investing activities:			
Transfer of loans to repossessed assets, at fair value	$ 19,061	2,388	245

See accompanying 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 30 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 the 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.

During 2016, there was a change in estimate related to the commercial real estate portfolios general reserve loss factors. See Note 8 to our Consolidated Financial Statements for further discussion.

(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 may consist of federal funds sold, interest-bearing deposits with banks and money market mutual funds.

Cash and cash equivalents at December 31, 2016 consisted of cash and due from banks of $499.9 million, interest-bearing deposits with banks of $6.7 million and money market mutual funds of $32.4 million. 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.

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 $388.3 million and $314.5 million for the periods that included December 31, 2016 and 2015, 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, TDRs and certain matured past due loans. Loans classified as TDRs include those loans where a borrower experiences financial difficulty and the Bank made 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 portfolio. This estimation is inherently subjective as it requires measures that are susceptible to significant revision as more information becomes available.

Our methodology to calculate the general reserve portion of the ALLL consists of several components: First, we determine an ALLL based on quantitative loss factors for loans evaluated collectively for impairment. The quantitative loss factors are based primarily on historical loss rates, after considering loan type, historical loss and delinquency experience, and loss emergence periods. The quantitative loss factors applied in the methodology are periodically re-evaluated and adjusted to reflect changes in historical loss levels, loss emergence periods, or other risks. Lastly, we allocate an ALLL based on qualitative loss factors. These qualitative loss factors are designed to account for losses that may not be provided for by the quantitative loss component due to other factors evaluated by management.

More specifically, to determine the general reserve portion of our ALLL, we segment the loan portfolio into various components and apply 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 98.9% of our total loan portfolio, excluding loans held for sale, as of December 31, 2016. 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 include 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 a large sample of commercial loans over $500,000 with adverse credit ratings, as well as pass/watch 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 assess qualitative factors by segment to estimate the required allowance. Non-rated loans comprise 1.1% of our total loan portfolio, excluding loans held for sale, as of December 31, 2016.

Finally, we allocate an ALLL based on qualitative loss factors dependent on both economic and portfolio-specific data that correlates with loan losses. These qualitative loss factors are designed to account for losses that may not be provided for by the quantitative loss component due to other factors evaluated by management, which include, but are not limited to:

- Changes in lending policies and procedures, including changes in underwriting standards and collection, and charge-off and recovery practices;

- Changes in economic and business conditions and developments that affect the collectability of the portfolio, including the condition of various market segments;

- Changes in the nature and volume of the portfolio and in the terms of loans;

- Changes in the volume and severity of past-due loans, the volume of nonaccrual loans, and the volume and severity of adversely classified or graded loans;

- Changes in the quality of our loan review system;

- Changes in the value of underlying collateral;

- The existence and effect of any concentrations of credit, and changes in the level of such concentrations;

- Changes in the experience, ability, and depth of lending management and other relevant staff; and

- The effect of other external factors, such as competition and legal and regulatory requirements.

We also assess the need for a specific allowance on impaired loans. A loan is considered impaired when, based on current information and events, it is probable that we will be unable to collect all amounts due in accordance with the original contractual terms of the loan agreement, including scheduled principal and interest payments. 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. We charge off loans, or portions of loans, in the period that such loans, or portions thereof, are deemed uncollectible. For collateral-dependent impaired loans in excess of $500,000, 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. In developing the estimated cash flows (or expected future receipt of principal and interest payments), weight is given to the evidence consistent with the extent to which it can be verified objectively. In addition, all information is considered, including environmental factors, such as existing industry, geographical, economic and political factors. 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.

Due to the low volume of market transfer activity and an increase in risk premiums in recent quarters, the taxi medallion collateral fair value is derived for each medallion type using both recent market transfer activity, to the extent available, as well as a third-party developed discounted cash flow model. Recent market transfers published by the city are averaged to derive the market activity data point. In analyzing transfer activity, Management does not consider transaction outliers in the average calculation nor transactions which are confirmed through third party sources to not be orderly (e.g., non-arms-length). For the discounted cash flow model data point, significant inputs include the discount rate, fare/lease revenue and associated expenses such as vehicle costs, fuel, credit card processing fees, repair costs, and insurance premiums. At period end, the two valuation data points create the fair value range. To determine the final fair value within the established range for each medallion type, a weight is ascribed to each valuation output dependent on recent market transfer activity.

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.

(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, cash-flow models, 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. 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 $63.8 million at December 31, 2016, and $65.2 million at December 31, 2015. There was no deferred acquisition cost as of December 31, 2016 and 2015. Our investment in BOLI generated income of $2.9 million, $1.6 million, and $1.7 million for the years ended December 31, 2016, 2015, and 2014, respectively.

(n) Repossessed Assets

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 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 repossessed 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, 2016 and 2015, our repossessed assets totaled $19.6 million and $2.3 million, respectively, and consisted primarily of taxi medallions.

(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, 2016. 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, 2016, 2015, and 2014, 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, 2016, 2015, and 2014, 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 and warrants 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 considers 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

(i) Not Yet Adopted

In August 2016, the FASB issued ASU No. 2016-15, Classification of Certain Cash Receipts and Cash Payments—Statement of Cash Flows (Topic 230), which addresses several classification issues related to statement of cash flows presentation. The cash flow types impacted are: debt prepayment or debt extinguishment costs, settlement of zero-coupon bonds, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, proceeds from the settlement of corporate-owned life insurance policies, including bank-owned life insurance policies, distributions received from equity method investees, and beneficial interests in securitization transactions. The guidance also discusses separately identifiable cash flows and the application of the predominance principle for cash flows with multiple class types. The amendment is effective for interim and annual periods beginning after December 15, 2017. Early adoption is permitted and the retrospective adoption method must be applied for each period presented upon adoption. An entity that elects early adoption must also adopt all of the amendments in the same period. The Company is currently evaluating the impact to its Consolidated Financial Statements, however, the impact is not expected to be material.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which employs a new accounting model, referred to as the current expected credit losses (CECL) model. The standard is intended to require earlier recognition of credit losses, while also providing additional financial reporting transparency about credit risk.

The new CECL model utilizes an “expected credit loss” measurement objective for the recognition of credit losses for loans, loan commitments and held-to-maturity securities at the time the asset is originated or acquired. The estimate is then adjusted each period for changes in expected credit losses. For available-for-sale debt securities where fair value is less than cost, credit-related impairment would be recognized in an allowance for credit losses and adjusted each period for changes in credit risk. This would replace the multiple existing impairment models in GAAP, which generally require that a loss be incurred before it is recognized.

The standard also expands the disclosure requirements regarding an entity’s assumptions, models, and methods for estimating the ALLL. Notably, public entities will also need to disclose the amortized cost balance for each class of financial asset by credit quality indicator, disaggregated by the year of origination (i.e., by vintage year).

The standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years and requires a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. A prospective transition approach is required for debt securities for which an other-than-temporary impairment had been recognized before the effective date. Early adoption is permitted as of the fiscal years beginning after December 15, 2018. The CECL model represents a significant departure from current GAAP, and may result in material changes to the Company’s accounting for financial instruments. The Company is currently evaluating the impact to its Consolidated Financial Statements.

In April 2016, the FASB issued ASU 2016-09, Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting, which will simplify various aspects related to how share-based payments are accounted for and presented in the financial statements. Excess tax benefits and certain tax deficiencies for share-based payments will be recorded as income tax expense or benefit within the Consolidated Statements of Income, rather than within Additional paid-in capital, prospectively upon adoption. Other amendments include changes to the tax rate an employer can withhold for income taxes on vested awards without triggering application of liability accounting, accounting for forfeitures and certain changes to presentation in the statement of cash flows. The amendments are effective for interim and annual periods beginning after December 15, 2016. Early adoption is permitted. Certain provisions will be applied prospectively, while others will be applied retrospectively or on a modified retrospective basis. The Company will adopt this standard in the first quarter of 2017. We evaluated the impact to our Consolidated Financial Statements and do not expect to record an opening retained earnings adjustment. Assuming we continue to be in an excess tax benefit position, the adoption will result in a reduction to tax expense due to the recognition of excess tax benefits as an income tax benefit rather than in Additional paid-in capital. This will introduce volatility in income tax expense throughout the year as restricted stock vests occur dependent on the vesting prices.

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. 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 its Consolidated Financial Statements.

In January 2016, the FASB issued ASU 2016-01, Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities, which addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. As it relates to the Bank, it will require equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income, thus eliminating eligibility for the current available-for-sale category. However, Federal Reserve Bank and Federal Home Loan Bank stock are not in scope of the ASU and will continue to be presented at cost. The guidance is effective beginning on January 1, 2018. The impact to our Consolidated Financial Statements is not expected to be material.

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 its Consolidated Financial Statements.

(ii) Recently Adopted

In April 2015, the FASB issued ASU 2015-03, Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs, to conform the presentation of debt issuance costs to that of debt discounts and premiums. The ASU requires that debt issuance costs related to a recognized debt liability be presented in the Consolidated Statements of Financial Condition as a direct reduction from the carrying amount of that debt liability. The guidance was effective January 1, 2016. As a result of the Bank's issuance of subordinated debt in April 2016, the associated debt issuance cost of $4.0 million was reported as a direct reduction to the debt carrying amount in the Consolidated Financial Statements. Since issuance, the original balance has amortized and, therefore, reduced.

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.

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 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. 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 Notes 12 and 13 to our Consolidated Financial Statements.

In January 2014, the FASB issued ASU 2014-04, Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure, which clarifies when banks and similar institutions (creditors) should reclassify mortgage loans collateralized by residential real estate properties from the loan portfolio to other real estate owned ("OREO"). The ASU also requires certain interim and annual disclosures. ASU 2014-04 was effective for public business entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2014. An entity could elect either a modified retrospective or a prospective transition method, and early adoption was 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 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. 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, 2016, the carrying value of such investments was $182.1 million and our future commitments to these projects totaled $111.9 million, which we expect to make through 2031. During the year ended December 31, 2016, we recognized amortization expense of $8.6 million in pre-tax income, and $12.6 million of income tax credits associated with these investments.

(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 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 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 $130.4 million at December 31, 2016 and $132.3 million at December 31, 2015. Since the cash flows of the SBA interest-only strip securities are guaranteed by the U.S. Government, there is limited credit risk involved. 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 15%. 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 $17.1 million at December 31, 2016 and $18.5 million at December 31, 2015. Due to a relatively inactive market for pooled trust preferred securities with limited observable secondary market transactions, the fair values of these securities are determined using a discounted cash flow analysis. Unobservable inputs are used in the discounted cash flow model, the most significant of which is the market risk premium. If this assumption were to change by 300 basis points, the fair values of our Level 3 pooled trust preferred securities would increase or decrease accordingly by approximately 40%.

Level 3 private CMOs classified as AFS had fair values of $11.6 million at December 31, 2016 and $11.1 million at December 31, 2015. 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 10%.

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, 2016 and 2015, classified according to the three-level valuation hierarchy:

(in thousands)	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Carrying Value
December 31, 2016				
ASSETS				
Securities available-for-sale:				
U.S. Treasury securities	$ 1,999	-	-	1,999
Residential mortgage-backed securities:				
U.S. Government Agency	-	14,893	-	14,893
Government-sponsored enterprises	-	1,350,423	-	1,350,423
Collateralized mortgage obligations:				
U.S. Government Agency	-	332,042	-	332,042
Government-sponsored enterprises	-	3,403,766	-	3,403,766
Private	-	372,215	11,583	383,798
Securities of U.S. states and political subdivisions:				
Municipal Bond - Taxable	-	8,349	-	8,349
Other debt securities:				
Commercial mortgage-backed securities	-	151,201	-	151,201
Single issuer trust preferred & corporate debt securities	-	402,888	-	402,888
Pooled trust preferred securities	-	-	17,084	17,084
Collateralized debt obligations	-	-	5,541	5,541
Other	-	112,324	130,372	242,696
Equity securities (1)	-	20,667	-	20,667
Total securities available-for-sale	1,999	6,168,768	164,580	6,335,347
Derivatives	-	2,238	-	2,238
Total assets	$ 1,999	6,171,006	164,580	6,337,585
LIABILITIES				
Derivatives	$ -	2,350	69	2,419
Total liabilities	$ -	2,350	69	2,419
December 31, 2015				
ASSETS				
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
LIABILITIES				
Derivatives	$ -	2,474	135	2,609
Total liabilities	$ -	2,474	135	2,609

(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, 2016 and 2015. 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:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	
(in thousands)	**AFS Securities**	**Derivative Liabilities**
Year ended December 31, 2016		
Beginning balance - Level 3	$ 167,093	(135)
Formation of SBA interest-only strip securities	102,603	-
Transfers into Level 3	-	-
Transfers out of Level 3	-	-
Total gains or (losses) (realized/unrealized):		
Included in earnings		
Non-interest income	3,169	66
Interest income	(20,778)	-
Included in other comprehensive income	(3,798)	-
Sale of AFS securities	(83,709)	-
Ending balance - Level 3	$ 164,580	(69)
Year ended December 31, 2015		
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)

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, 2016 and 2015, classified according to the three-level valuation hierarchy:

(in thousands)	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Carrying Value
December 31, 2016				
Collateral-dependent impaired loans:				
Commercial property	$ -	-	7,435	7,435
1-4 family residential property	-	-	1,185	1,185
Home equity lines of credit	-	-	3,200	3,200
Commercial and industrial (1)	-	-	173,068	173,068
Other repossessed assets	-	-	18,628	18,628
Total assets	$ -	-	203,516	203,516
December 31, 2015				
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
Commercial and industrial (1)	-	-	165,803	165,803
Other repossessed assets	-	-	2,326	2,326
Total assets	$ -	5,384	188,157	193,541

(1) Includes $162.5 million and 155.4 million of taxi medallion loans as of December 31, 2016 and 2015, respectively.

Impaired loans that are secured by collateral ("collateral-dependent loans") are reported at the fair value of the underlying collateral, less selling costs, as applicable. 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. In the table above, the predominance of the commercial and industrial loans are taxi medallion loans. To measure these collateral-dependent loans at fair value on a non-recurring basis, the taxi medallion fair value is based on the weighting of both recent market transfer values and an independent third party model. The valuation is a discounted cash flow approach with discount rates, fare/lease revenue and associated expenses such as vehicle costs, fuel, credit card processing fees, repair costs, insurance, as the most significant valuation inputs.

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, 2016, 2015 and 2014, we recorded fair value adjustments totaling $91.0 million, $25.1 million and $2.7 million, respectively, on collateral-dependent impaired loans. The current year adjustments principally related to the Chicago and New York taxi medallion portfolios due to the associated declines in collateral values during the year. See Note 8 to our Consolidated Financial Statements for further discussion.

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 or, for taxi medallions, a combination of recent market transfer prices and a discounted cash flow approach. Fair value adjustments are reported through a valuation allowance against the asset. During the years ended December 31, 2016, 2015 and 2014 we recorded a fair value adjustment of $2.7 million, zero and $128,000 on repossessed assets. The increase in repossessed assets was primarily driven by the repossession of 51 taxi medallions with a fair value of $19.0 million, partially offset by the aforementioned 2016 fair value adjustments, as well as the sale of several repossessed medallions to new borrowers during the year.

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, is based on the discounted value of contractual cash flows using interest rates that approximate 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, 76.5% of which mature within one year, had a carrying value and estimated fair value of $1.34 billion at December 31, 2016. 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 our borrowings and subordinated debt is based on the discounted value of contractual cash flows using interest rates that approximate those offered for borrowings with similar maturities and collateral requirements.

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

		Estimated Fair Value Measurements			
(in thousands)	**Carrying Amount**	**Total**	**Quoted Prices in Active Markets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
December 31, 2016					
FINANCIAL ASSETS					
Cash and cash equivalents	$ 538,951	538,951	538,951	-	-
Securities available-for-sale	6,335,347	6,335,347	1,999	6,168,768	164,580
Securities held-to-maturity	2,038,125	2,027,393	-	2,027,393	-
Federal Home Loan Bank stock (1)	132,629	132,629	-	132,629	-
Loans held for sale	559,528	559,528	-	559,528	-
Loans and leases, net (2)	28,829,670	28,577,663	-	-	28,577,663
Derivatives	2,238	2,238	-	2,238	-
Total financial assets	$ 38,436,488	38,173,749	540,950	8,890,556	28,742,243
FINANCIAL LIABILITIES					
Deposits (3)	$ 31,861,260	31,859,514	-	31,859,514	-
Federal Home Loan Bank borrowings (4)	2,050,900	2,050,687	-	2,050,687	-
Broker repurchase agreements	350,000	353,289	-	353,289	-
Federal funds purchased	543,000	543,000	543,000	-	-
Subordinated debt	256,588	265,841	-	265,841	-
Derivatives	2,419	2,419	-	2,350	69
Total financial liabilities	$ 35,064,167	35,074,750	543,000	34,531,681	69
December 31, 2015					
FINANCIAL ASSETS					
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 (1)	154,405	154,405	-	154,405	-
Loans held for sale	456,358	456,358	-	456,358	-
Loans and leases, net (2)	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
FINANCIAL LIABILITIES					
Deposits (3)	$ 26,773,923	26,774,006	-	26,774,006	-
Federal Home Loan Bank borrowings (4)	2,720,163	2,720,243	-	2,720,243	-
Broker repurchase agreements	420,000	426,591	-	426,591	-
Federal funds purchased	397,000	397,000	397,000	-	-
Derivatives	2,609	2,609	-	2,474	135
Total financial liabilities	$ 30,313,695	30,320,449	397,000	29,923,314	135

(1) FHLB stock has no trading market and is redeemable at par. As such, fair value is present at cost.

(2) 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.

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

(4) 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,							
	2016				*2015*			
		Gross	Gross			Gross	Gross	
	Amortized	Unrealized	Unrealized	Fair	Amortized	Unrealized	Unrealized	Fair
(in thousands)	Cost	Gains	Losses	Value	Cost	Gains	Losses	Value
AVAILABLE-FOR-SALE								
U.S. Treasury securities	$ 2,000	-	(1)	1,999	2,000	-	(10)	1,990
Residential mortgage-backed securities:								
U.S. Government Agency	14,443	553	(103)	14,893	19,515	704	(56)	20,163
Government-sponsored enterprises	1,352,441	11,999	(14,017)	1,350,423	1,385,222	23,082	(3,608)	1,404,696
Collateralized mortgage obligations:								
U.S. Government Agency	332,886	3,588	(4,432)	332,042	430,327	6,502	(3,852)	432,977
Government-sponsored enterprises	3,451,257	14,670	(62,161)	3,403,766	3,086,799	25,566	(24,338)	3,088,027
Private	389,722	891	(6,815)	383,798	430,091	1,794	(6,775)	425,110
Securities of U.S. states and political subdivisions:								
Municipal Bond - Taxable	8,556	-	(207)	8,349	9,915	-	(80)	9,835
Other debt securities:								
Commercial mortgage-backed securities	149,862	1,906	(567)	151,201	208,118	1,359	(1,874)	207,603
Single issuer trust preferred & corporate debt securities	403,668	4,923	(5,703)	402,888	384,585	7,382	(4,467)	387,500
Pooled trust preferred securities	25,315	-	(8,231)	17,084	25,408	-	(6,911)	18,497
Collateralized debt obligations	4,457	1,084	-	5,541	4,511	716	-	5,227
Other	250,689	331	(8,324)	242,696	229,475	366	(6,213)	223,628
Equity securities (1)	21,731	-	(1,064)	20,667	16,212	-	(704)	15,508
Total available-for-sale	$ 6,407,027	39,945	(111,625)	6,335,347	6,232,178	67,471	(58,888)	6,240,761
HELD-TO-MATURITY								
Residential mortgage-backed securities:								
U.S. Government Agency	$ 5,286	50	(123)	5,213	6,797	48	(48)	6,797
Government-sponsored enterprises	416,415	4,168	(4,387)	416,196	435,284	6,403	(2,936)	438,751
Collateralized mortgage obligations:								
U.S. Government Agency	248,699	1,782	(3,538)	246,943	297,252	4,053	(2,849)	298,456
Government-sponsored enterprises	1,295,413	10,055	(21,228)	1,284,240	1,322,331	14,398	(16,069)	1,320,660
Private	3,652	-	(295)	3,357	4,418	-	(325)	4,093
Other debt securities:								
Commercial mortgage-backed securities	17,994	745	-	18,739	18,051	985	-	19,036
Single issuer trust preferred & corporate debt securities	48,800	2,031	(18)	50,813	45,589	1,110	(27)	46,672
Collateralized debt obligations	-	-	-	-	-	-	-	-
Other	1,866	27	(1)	1,892	3,422	28	(2)	3,448
Total held-to-maturity	$ 2,038,125	18,858	(29,590)	2,027,393	2,133,144	27,025	(22,256)	2,137,913

[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, 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 $33.9 million and $35.3 million, respectively, as of December 31, 2016. 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. Two Covered Fund securities were sold during the year ended December 31, 2016 for a total gain of $5,000. There were two sales of Covered Fund securities during 2015 for a net gain of $3,000.

Gross realized gains on sales of AFS securities for the years ended December 31, 2016, 2015 and 2014 were $7.7 million, $1.5 million, and $7.3 million, respectively. Gross realized losses on sales of AFS securities for the years ended December 31, 2016, 2015 and 2014 were $31,000, $148,000, and $2.0 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, 2016 and 2015, the carrying value of our pledged securities totaled $3.76 billion and $4.23 billion, respectively.

During the years ended December 31, 2016, 2015 and 2014, 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.

(in thousands)	**Number of Securities**	**Total Other-than-temporary Impairment Losses**	**Less: Noncredit Portion Recognized in OCI**	**Net Impairment Losses Recognized in Earnings** (1)
December 31, 2016				
AVAILABLE-FOR-SALE				
Collateralized debt obligations	1	$ (54)	-	(54)
Collateralized mortgage obligations	9	(932)	559	(373)
Total other-than-temporarily impaired securities	10	$ (986)	559	(427)
December 31, 2015				
AVAILABLE-FOR-SALE				
Collateralized mortgage obligations	18	$ (1,664)	983	(681)
HELD-TO-MATURITY				
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)
December 31, 2014				
AVAILABLE-FOR-SALE				
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)

(1) The year ended December 31, 2016 includes losses on CDOs and CMOs that meet the definition of Covered Funds under the Volcker Rule totaling $54,000 and $27,000, respectively. 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 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)		
Year ended December 31, 2016		
Cumulative credit component of other-than-temporary impairment losses at beginning of period	$	29,970
Additions for the credit component on debt securities for which other-than-temporary impairment was not previously recognized		3
Additions for the credit component on debt securities for which other-than-temporary impairment was previously recognized		424
Reduction for realized losses on debt securities sold, matured, and other		(2,415)
Cumulative credit component of other-than-temporary impairment losses at end of period (1)	$	27,982
Year ended December 31, 2015		
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 (2)	$	29,970
Year ended December 31, 2014		
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 (3)	$	29,809

(1) The cumulative credit component of other-than-temporary losses at December 31, 2016 includes $13.8 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, 2015 includes $13.9 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, 2014 includes $13.6 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).

	Less than 12 months		*12 months or longer*		*Total*	
(in thousands)	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
December 31, 2016						
Temporarily-impaired securities						
U.S. Treasury securities	$ 998	(1)	-	-	998	(1)
Residential mortgage-backed securities:						
U.S. Government Agency	4,249	(57)	732	(46)	4,981	(103)
Government-sponsored enterprises	777,992	(12,910)	28,827	(1,107)	806,819	(14,017)
Collateralized mortgage obligations:						
U.S. Government Agency	130,012	(2,550)	17,426	(1,882)	147,438	(4,432)
Government-sponsored enterprises	2,254,657	(45,735)	304,617	(15,432)	2,559,274	(61,167)
Private	205,406	(2,773)	61,575	(1,779)	266,981	(4,552)
Securities of U.S. states and political subdivisions:						
Municipal Bond - Taxable	8,349	(207)	-	-	8,349	(207)
Other debt securities:						
Commercial mortgage-backed securities	48,750	(365)	6,625	(202)	55,375	(567)
Single issuer trust preferred & corporate debt securities	114,909	(2,471)	119,741	(3,232)	234,650	(5,703)
Pooled trust preferred securities	-	-	3,508	(2,237)	3,508	(2,237)
Other	184,920	(7,402)	22,299	(693)	207,219	(8,095)
Equity securities (1)	7,574	(206)	13,093	(858)	20,667	(1,064)
Total temporarily-impaired securities	3,737,816	(74,677)	578,443	(27,468)	4,316,259	(102,145)
Other-than-temporarily impaired securities						
Collateralized mortgage obligations:						
Government-sponsored enterprises	-	-	793	(994)	793	(994)
Private	268	(13)	21,180	(2,250)	21,448	(2,263)
Other debt securities:						
Pooled trust preferred securities	-	-	13,576	(5,994)	13,576	(5,994)
Other	-	-	11,354	(229)	11,354	(229)
Total other-than-temporarily impaired securities	268	(13)	46,903	(9,467)	47,171	(9,480)
Total temporarily-impaired and other-than-temporarily impaired securities	$ 3,738,084	(74,690)	625,346	(36,935)	4,363,430	(111,625)

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

	Less than 12 months		*12 months or longer*		*Total*	
(in thousands)	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
December 31, 2015						
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)
Total temporarily-impaired securities	2,484,839	(26,605)	433,684	(22,010)	2,918,523	(48,615)
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)
Total other-than-temporarily impaired securities	2,976	(42)	55,298	(10,231)	58,274	(10,273)
Total temporarily-impaired and other-than-temporarily impaired securities	$ 2,487,815	(26,647)	488,982	(32,241)	2,976,797	(58,888)

(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*	
(in thousands)	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
December 31, 2016						
Temporarily-impaired securities						
Mortgage-backed securities:						
U.S. Government Agency	$ -	-	3,863	(123)	3,863	(123)
Government-sponsored enterprises	157,946	(3,231)	28,969	(1,156)	186,915	(4,387)
Collateralized mortgage obligations:						
U.S. Government Agency	101,631	(2,485)	26,936	(1,053)	128,567	(3,538)
Government-sponsored enterprises	699,386	(13,645)	59,228	(7,583)	758,614	(21,228)
Other debt securities:						
Single issuer trust preferred & corporate debt securities	3,467	(18)	-	-	3,467	(18)
Other	-	-	816	(1)	816	(1)
Total temporarily-impaired securities	962,430	(19,379)	119,812	(9,916)	1,082,242	(29,295)
Other-than-temporarily impaired securities						
Collateralized mortgage obligations - private	-	-	3,357	(295)	3,357	(295)
Total other-than-temporarily impaired securities	-	-	3,357	(295)	3,357	(295)
Total temporarily-impaired and other-than-temporarily impaired securities	$ 962,430	(19,379)	123,169	(10,211)	1,085,599	(29,590)
December 31, 2015						
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)
Total temporarily-impaired securities	678,005	(8,915)	280,237	(13,016)	958,242	(21,931)
Other-than-temporarily impaired securities						
Collateralized mortgage obligations - private	-	-	4,093	(325)	4,093	(325)
Total other-than-temporarily impaired securities	-	-	4,093	(325)	4,093	(325)
Total temporarily-impaired and other-than-temporarily impaired securities	$ 678,005	(8,915)	284,330	(13,341)	962,335	(22,256)

The unrealized losses in our securities portfolio are primarily a result of the higher prevailing interest rates post-2016 presidential election. In addition, the prevailing low short-end rates continue to pressure our floating rate legacy structures purchased at inception with low relative credit spreads.

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, 2016.

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.

	December 31, 2016		
(in thousands)		**Amortized Cost**	**Fair Value**
AVAILABLE-FOR-SALE			
Due in one year or less	$	41,358	41,576
Due after one year through five years		178,741	180,970
Due after five years through ten years		354,068	352,466
Due after ten years		5,811,129	5,739,668
Total available-for-sale debt securities (1)	$	6,385,296	6,314,680
HELD-TO-MATURITY			
Due in one year or less	$	-	-
Due after one year through five years		18,500	19,258
Due after five years through ten years		90,848	92,926
Due after ten years		1,928,777	1,915,209
Total held-to-maturity debt securities	$	2,038,125	2,027,393

(1) Excludes $20.7 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, 2016 and 2015, Signature Bank was in compliance with the FHLB’s minimum investment requirement with stock investments of $132.6 million and $154.4 million, respectively, carried at cost on the Consolidated Statements of Financial Condition. Collateral pledged for outstanding FHLB borrowings at December 31, 2016 and 2015 included $92.3 million and $122.4 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, 2016.

(6) Loans Held for Sale

Loans held for sale at December 31, 2016 and 2015 were $559.5 million and $456.4 million, respectively. Gains on sales associated with the securitization of pooled loans and sale of mortgage loans for the years ended December 31, 2016, 2015 and 2014 amounted to $5.1 million, $7.1 million and $5.4 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:

(in thousands)	**December 31, 2016**	**December 31, 2015**
Mortgage loans:		
Multi-family residential property	$ 14,366,520	11,823,073
Commercial property	7,994,707	6,372,851
1-4 family residential property	535,338	539,526
Home equity lines of credit	148,094	163,191
Construction and land	485,309	75,958
Total mortgage loans	23,529,968	18,974,599
Other loans:		
Commercial and industrial	5,479,223	4,788,722
Consumer	10,268	9,714
Total other loans	5,489,491	4,798,436
Net deferred fees and costs	23,706	19,529
ALLL	(213,495)	(195,023)
Net loans	$ 28,829,670	23,597,541

As of December 31, 2016 and 2015, commercial and industrial loans include overdrafts of commercial deposit accounts totaling $40.6 million and $34.7 million, respectively, and other consumer loans include overdrafts of personal deposit accounts totaling $4.0 million and $3.5 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 our portfolio of commercial loans by credit rating as of the dates indicated:

	Pass	*Special Mention*	*Substandard*	*Doubtful*		
(in thousands)	**Rating 1-6**	**Rating 7**	**Rating 8**	**Rating 9**	**Non-rated**	**Total**
December 31, 2016						
Commercial loans secured by real estate:						
Multi-family residential property	$ 14,213,937	123,510	28,113	-	-	14,365,560
Commercial property	7,963,472	1,040	30,195	-	-	7,994,707
1-4 family residential property	415,848	-	-	-	43	415,891
Construction and land	467,103	18,206	-	-	-	485,309
Commercial and industrial loans	5,083,430	86,967	260,634	153	48,039	5,479,223
Total commercial loans	$ 28,143,790	229,723	318,942	153	48,082	28,740,690
December 31, 2015						
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

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. Effective January 2016, we no longer originate personal residential mortgages or home equity lines of credit, though we continue to service the existing portfolio. 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 our portfolio of consumer loans by performance status as of the dates indicated:

(in thousands)	**Performing**	**Nonperforming**	**Total**
December 31, 2016			
Residential mortgages	$ 118,358	2,049	120,407
Home equity lines of credit	142,761	5,333	148,094
Other consumer loans	10,264	4	10,268
Total consumer loans	$ 271,383	7,386	278,769
December 31, 2015			
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

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 $12.8 million and $11.6 million at December 31, 2016 and 2015, respectively, and all related party loans are current as to payments.

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

(in thousands)	Past Due 30-89 Days	Past Due 90+ Days	Total Past Due	Current	Total Loans	Loans Past Due 90+ Days (1)	Non-accruing Loans
December 31, 2016							
Commercial loans							
Loans secured by real estate:							
Multi-family residential property	$ 7,694	2,665	10,359	14,355,201	14,365,560	2,665	-
Commercial property	3,964	-	3,964	7,990,743	7,994,707	-	-
1-4 family residential property	219	43	262	415,629	415,891	-	43
Construction and land	-	-	-	485,309	485,309	-	-
Commercial and industrial loans:							
Taxi medallion loans	60,483	186,118	246,601	380,797	627,398	50,751	135,367
Other commercial and industrial loans	34,146	17,069	51,215	4,800,610	4,851,825	2,287	14,782
Consumer loans							
Residential mortgages	227	2,297	2,524	117,883	120,407	248	2,049
Home equity lines of credit	422	5,333	5,755	142,339	148,094	-	5,333
Consumer loans	1,740	4	1,744	8,524	10,268	-	4
Total	$ 108,895	213,529	322,424	28,697,035	29,019,459	55,951	157,578
December 31, 2015							
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:							
Taxi medallion loans	60,234	51,967	112,201	681,497	793,698	2,858	49,109
Other commercial and industrial loans	25,893	13,022	38,915	3,956,109	3,995,024	603	12,419
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
Other consumer loans	85	10	95	9,619	9,714	-	10
Total	$ 90,842	75,430	166,272	23,606,763	23,773,035	3,525	71,905

(1) The Bank's policy is to recognize interest income on these loans on an accrual basis. For taxi medallion loans that are past due maturity, the difference between cash basis and accrual basis recognition is inconsequential.

Nonaccrual loans at December 31, 2016 and December 31, 2015 totaled $157.6 million and $71.9 million, respectively. At December 31, 2016, $135.4 million of nonaccrual loans were secured by taxi medallions. The increase in nonaccrual loans was primarily attributable to the addition of 319 taxi medallion loans, comprised of 243 relationships, totaling $109.9 million, partially offset by the transfer of 64 taxi medallion loans to repossessed assets totaling $31.0 million as a result of foreclosure actions during 2016. There were no commitments at December 31, 2016 to lend additional funds on nonaccrual loans. During 2016, our two largest Chicago taxi medallion fleet relationships, comprised of 74 loans, were placed on nonaccrual. These loans were also charged down to collateral value, net of selling costs and currently represent $20.1 million in nonaccrual loans. For further discussion, see Note 8 to our Consolidated Financial Statements.

At December 31, 2016, loans past due 90 days or more included three commercial and industrial loans totaling $1.5 million that are well secured and in process of collection, nine taxi medallion loans totaling $5.4 million for which we are awaiting additional information from certain third party servicers, as well as 75 taxi medallion loans totaling $45.3 million and one commercial real estate loan totaling $2.7 million that have matured, continue to make monthly payments and are in the normal course of renewal. All taxi medallion loans that are past due maturity with respect to their contractual maturity continue to pay and are reported as impaired. This includes loans past due 90 days or more, as well as those 30 to 89 days past due. At December 31, 2015, loans past due 90 days or more were primarily comprised of commercial and industrial loans that are well secured and in process of collection.

As of December 31, 2016 and 2015, the Bank held residential consumer mortgage loans in the process of foreclosure totaling $8.9 million and $6.3 million, respectively. The Bank did not hold any foreclosed residential real estate at December 31, 2016 and 2015. Other repossessed assets as of December 31, 2016 and December 31, 2015 totaled $19.6 million and $2.3 million, respectively. The December 31, 2016 repossessed asset balance principally consists of 74 taxi medallions.

As of December 31, 2016 and December 31, 2015, the Bank had pledged $5.11 billion and $4.05 billion, respectively, of commercial real estate loans through a blanket assignment to secure borrowings from the Federal Home Loan Bank ("FHLB"). See Note 13 for additional discussion regarding FHLB collateral requirements.

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:

		Credit-rated loans			Non-rated loans			
(in thousands)		Commercial Real Estate	1-4 Family Residential Property	Commercial & Industrial	Commercial	Residential Mortgages	Consumer	Total
For the year ended December 31, 2016								
Beginning balance - ALLL	$	128,430	1,682	56,286	1,458	6,826	341	195,023
Provision		(14,194)	(1,014)	173,067	(2)	(2,053)	(30)	155,774
Charge-offs		(170)	(91)	(141,720)	(1,041)	(151)	(195)	(143,368)
Recoveries		301	60	4,791	812	21	81	6,066
Ending balance - ALLL	$	114,367	637	92,424	1,227	4,643	197	213,495
For the year ended December 31, 2015								
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
For the year ended December 31, 2014								
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

The increase in provision and charge-offs for the year ended December 31, 2016, was primarily due to updated taxi medallion asset valuations, particularly the Chicago taxi medallion, and the corresponding impact on specific reserves and charge-offs. The increase in charge-offs during 2016 was also due to our two largest Chicago taxi medallion fleet relationships being placed on nonaccrual and the corresponding write down to collateral value.

In recent months, the volume of taxi medallion transfers has declined and risk premiums increased. Additionally, there is no market for new issues due to the absence of new financing. Due to these factors, amongst others, in 2016, management determined the need for an alternative valuation methodology. An independent third party was engaged to perform an asset valuation using the discounted cash flow approach to establish a fair value range using both the discounted cash flow approach and market transactions, as applicable.

In the latter half of 2016, management observed certain new market transfers for which additional information could not be obtained to conclude whether or not the transactions were orderly. Due to the lack of transparency into the transaction details, as well as consistent market prices noted, we incorporated the market transfers into the valuation. Specifically, both recent transfer prices and the discounted cash flow model valuation output were weighted to derive medallion values. The value declines resulted in an increase in related specific provisions and reserves, as well as total taxi medallion portfolio charge-offs of $129.2 million in 2016, including $108.6 million of the Chicago portfolio.

For the year ended December 31, 2016, offsetting this increase was a reserve release of $25.7 million in the commercial real estate portfolio allowance due to an update of the portfolio's ALLL general reserve loss factors during the year. Annually, we analyze our ALLL methodology to assess whether updates are necessary based on various considerations including current market conditions, portfolio trends and industry information. Historically, proxy loss factors based on current industry studies were utilized in the commercial real estate portfolio's general reserve calculation. During 2016, based on our most recent stress testing results, continued credit metric comparison to our portfolio's history, as well as credit metric comparison to our peers, we used the Bank's own loss history to derive the portfolio's loss factors.

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

		Credit-rated loans			Non-rated loans		
(in thousands)	Commercial Real Estate	1-4 Family Residential Property	Commercial & Industrial	Commercial	Residential Mortgages	Consumer	Total
As of December 31, 2016							
ALLL:							
Individually evaluated for impairment	$ 24	-	34,695	101	3,382	2	38,204
Collectively evaluated for impairment	114,343	637	57,729	1,126	1,261	195	175,291
Recorded investment in loans:							
Individually evaluated for impairment	10,548	-	299,683	202	8,137	4	318,574
Collectively evaluated for impairment	22,835,028	415,848	5,131,501	47,880	260,364	10,264	28,700,885
As of December 31, 2015							
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

A loan is considered impaired when, based on current information and events, it is probable that we will be unable to collect all amounts due in accordance with the original contractual terms of the loan agreement, including scheduled principal and interest payments. 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. A loan may also be considered impaired if it is past due maturity and is not well-secured and in the process of collection. 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 as impaired if it was restructured at a market rate and continues to perform in accordance with the modified terms. Other TDR loans, however, are reported as such for as long as the loan remains outstanding.

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

	December 31, 2016			*December 31, 2015*		
(in thousands)	**Unpaid Principal Balance**	**Recorded Investment**	**Related Allowance**	**Unpaid Principal Balance**	**Recorded Investment**	**Related Allowance**
With no related allowance recorded:						
Commercial loans secured by real estate:						
Commercial property	$ 7,435	7,435	-	-	-	-
Construction and land	-	-	-	-	-	-
Multi-family residential property	-	-	-	-	-	-
1-4 family residential property	-	-	-	-	-	-
Commercial and industrial loans	229,591	107,564	-	38,219	35,820	-
Residential mortgages	-	-	-	-	-	-
Home equity lines of credit	-	-	-	-	-	-
Other consumer loans	-	-	-	-	-	-
With an allowance recorded:						
Commercial loans secured by real estate:						
Commercial property	-	-	-	11,187	11,187	947
Construction and land	-	-	-	-	-	-
Multi-family residential property	3,113	3,113	24	3,113	3,114	30
1-4 family residential property	43	43	21	7,774	4,119	30
Commercial and industrial loans	193,110	192,278	34,775	171,504	169,793	13,318
Residential mortgages	3,569	2,804	1,249	3,196	2,711	1,201
Home equity lines of credit	5,350	5,333	2,133	6,054	6,050	3,025
Other consumer loans	4	4	2	10	10	5
Total:						
Commercial loans secured by real estate	10,591	10,591	45	22,074	18,420	1,007
Commercial and industrial loans	422,701	299,842	34,775	209,723	205,613	13,318
Residential mortgages	3,569	2,804	1,249	3,196	2,711	1,201
Home equity lines of credit	5,350	5,333	2,133	6,054	6,050	3,025
Other consumer loans	4	4	2	10	10	5
Total impaired loans	$ 442,215	318,574	38,204	241,057	232,804	18,556

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,					
	2016		*2015*		*2014*	
(in thousands)	**Average Recorded Investment**	**Interest Income Recognized**	**Average Recorded Investment**	**Interest Income Recognized**	**Average Recorded Investment**	**Interest Income Recognized**
With no related allowance recorded:						
Commercial loans secured by real estate:						
Commercial property	$ 4,464	192	6,068	122	7,463	9
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
Commercial and industrial loans	83,147	2,712	20,152	791	3,114	376
Residential mortgages	-	-	-	-	656	-
Home equity lines of credit	-	-	398	-	813	13
Other consumer loans	-	-	-	-	-	-
With an allowance recorded:						
Commercial loans secured by real estate:						
Commercial property	4,434	130	6,825	258	11,456	239
Construction and land	-	-	-	-	432	-
Multi-family residential property	3,113	107	3,218	134	5,067	159
1-4 family residential property	860	-	866	-	3,004	-
Commercial and industrial loans	164,158	3,899	81,167	1,437	12,136	158
Residential mortgages	2,827	24	3,014	20	2,580	21
Home equity lines of credit	5,488	-	6,566	80	4,000	-
Other consumer loans	7	-	34	-	152	-
Total:						
Commercial loans secured by real estate	12,871	429	24,506	678	36,639	765
Commercial and industrial loans	247,305	6,611	101,319	2,228	15,250	534
Residential mortgages	2,827	24	3,014	20	3,236	21
Home equity lines of credit	5,488	-	6,964	80	4,813	13
Other consumer loans	7	-	34	-	152	-
Total	$ 268,498	7,064	135,837	3,006	60,090	1,333

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 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, 2016, 2015, and 2014. 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, 2016			*December 31, 2015*			*December 31, 2014*		
(dollars in thousands)	**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**
Commercial loans secured by real estate:									
Commercial property	-	$ -	-	-	-	-	3	4,504	5,490
Construction and land	-	-	-	-	-	-	1	2,140	183
Commercial and industrial loans	110	80,425	70,244	192	161,686	161,512	2	6,982	6,189
Home equity lines of credit	1	962	940	-	-	-	1	1,990	1,990
Residential mortgages	-	-	-	1	495	486	1	495	495
Total	111	$ 81,387	71,184	193	162,181	161,998	8	16,111	14,347

The following table summarizes how the TDR loans recorded for the years ended December 2016, 2015, and 2014 were modified:

(in thousands)	Term Extension	Term Extension with Other Concession (1)	Deferred Principal Amortization	Deferred Principal Amortization with Other Concession (1)	Rate Reduction	Total
December 31, 2016						
Commercial and industrial loans	$ 1,863	-	17,064	42,389	8,928	70,244
Residential mortgages	940	-	-	-	-	940
Total	$ 2,803	-	17,064	42,389	8,928	71,184
December 31, 2015						
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
December 31, 2014						
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

(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, 2016 and 2015 include TDR loans totaling $145.3 million and $186.4 million, respectively. The decrease in TDR loans was primarily driven by $78.1 million of Chicago taxi medallion charge-offs during the year ended December 31, 2016. Furthering this decrease was the foreclosure of 16 taxi medallions totaling $8.1 million, as well as a reduction of $2.0 million due to the full payoff of one home equity line of credit, $13.5 million from the full payoff of 10 commercial and industrial loans, and $3.4 million from the payoff of one commercial real estate loan. The decrease was partially offset by the restructure of 110 commercial and industrial loans amounting to $70.2 million, including taxi medallion loans totaling $53.7 million.

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, 2016, we had 16 taxi medallion relationships, comprised of 16 loans, totaling $7.8 million that were modified as a TDR within the previous 12 months that subsequently defaulted on payments. While not modified within the last 12 months, during 2016, our two largest Chicago taxi medallion fleet relationships, comprised of 74 loans, defaulted on payments. These relationships were modified and classified as TDRs in 2015. 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, 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, 2016, 2015 and 2014, we recorded interest income on impaired loans during the period of impairment totaling $7.1 million, $3.0 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 $8.3 million, $6.2 million, and $3.1 million for the years ended December 31, 2016, 2015 and 2014, respectively. Average impaired loans for the years ended December 31, 2016, 2015 and 2014 totaled $268.5 million, $135.8 million, and $60.1 million, respectively.

(9) Premises and Equipment

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

	December 31,		
(in thousands)		**2016**	**2015**
Leasehold improvements	$	63,983	56,774
Furniture, fixtures and equipment		56,347	49,727
		120,330	106,501
Less accumulated depreciation and amortization		(69,632)	(62,340)
Premises and equipment, net	$	50,698	44,161

Depreciation and amortization expense totaled $10.1 million, $9.0 million and $8.9 million for the years ended December 31, 2016, 2015 and 2014, respectively.

(10) Deposits

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

	December 31,		
(in thousands)		**2016**	**2015**
Non-interest-bearing demand	$	10,468,790	8,494,854
NOW and interest-bearing demand		3,908,436	2,734,202
Money market		15,950,567	14,331,082
Time deposits		919,349	758,047
Brokered deposits (1)		614,118	455,738
Total deposits	$	31,861,260	26,773,923

(1) Includes non-interest bearing deposits of $51.7 million and $72.4 as of December 31, 2016 and December 31, 2015, respectively.

The aggregate amounts of time deposits in denominations of $100,000 or more at December 31, 2016 and 2015 were $1.24 billion and $853.6 million, respectively. The related interest expense on these types of deposits for the years ended December 31, 2016 and 2015 amounted to $11.4 million and $9.37 million, respectively.
At December 31, 2016, the scheduled maturities of time deposits are as follows:

(in thousands)		**Amount**
2017	$	1,027,756
2018		278,995
2019		17,823
2020		13,475
2021		5,808
Total time deposits (1)	$	1,343,857

(1) Includes brokered time deposits of $424.5 million as of December 31, 2016.

At December 31, 2016 and 2015, we had approximately $50.7 million and $54.3 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 all 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 a participant contributes 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 $5.3 million, $4.8 million and $4.4 million, respectively, for the years ended December 31, 2016, 2015 and 2014.

(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:

	December 31,	
(dollars in thousands)	**2016**	**2015**
Federal Funds Purchased		
Year-end balance	$ 543,000	$ 397,000
Maximum amount outstanding at any month-end	$ 543,000	$ 525,000
Average outstanding balance	$ 191,754	$ 157,039
Weighted-average interest rate paid	0.58%	0.33%
Weighted-average interest rate at year-end	0.79%	0.54%
Securities Sold Under Agreements to Repurchase		
Year-end balance	$ 350,000	$ 420,000
Maximum amount outstanding at any month-end	$ 395,000	$ 620,000
Average outstanding balance	$ 390,724	$ 534,315
Weighted-average interest rate paid	2.75%	2.50%
Weighted-average interest rate at year-end	2.76%	2.63%

During the years ended December 31, 2016, 2015, and 2014, we recorded interest expense on federal funds purchased and securities sold under agreements to repurchase with brokers totaling $11.9 million, $13.9 million, and $17.0 million, respectively. The Bank also has repurchase agreements with the FHLB. For further information regarding our repurchase agreements with the FHLB, see Note 13 to our Consolidated Financial Statements.

At December 31, 2016, securities with a fair value of $390.6 million and a carrying value of $389.8 million were pledged to meet our collateral requirement of $372.2 million on repurchase agreements with brokers. 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 with brokers.

The federal funds purchased at December 31, 2016 were overnight transactions. The following table details the remaining maturity of our repurchase agreements with brokers accounted for as secured borrowings by collateral type pledged as of the years ended:

(in thousands)	2017	2018	2019	2020	2021	Total
December 31, 2016						
Repurchase agreements with brokers (1):						
Government-sponsored enterprise securities						
Mortgage-backed securities	$ 183,000	75,000	-	15,000	-	273,000
Collateralized mortgage obligations	62,000	-	-	15,000	-	77,000
Total repurchase agreements with brokers	$ 245,000	75,000	-	30,000	-	350,000

(in thousands)	2016	2017	2018	2019	2020	Total
December 31, 2015						
Repurchase agreements with brokers (1):						
Government-sponsored enterprise securities	$ 95,000	220,000	75,000	-	30,000	420,000
Total repurchase agreements with brokers	$ 95,000	220,000	75,000	-	30,000	420,000

(1) Reported in Federal funds purchased and securities sold under agreements to repurchase in the Consolidated Statements of Financial Condition.

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.

(13) Federal Home Loan Bank Borrowings

As a member of the Federal Home Loan Bank ("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, 2016, we were in compliance with this requirement.

Our FHLB borrowings include both advances and repurchase agreements. The following table provides a summary of FHLB borrowings at or for the years ended:

	December 31,	
(dollars in thousands)	**2016**	**2015**
FHLB Advances		
Year-end balance	$ 1,975,900	$ 2,270,163
Maximum amount outstanding at any month-end	$ 2,280,000	$ 2,270,163
Average outstanding balance	$ 1,951,423	$ 532,945
Weighted-average interest rate paid	1.09%	1.29%
Weighted-average interest rate at year-end	1.17%	0.93%
FHLB Repurchase Agreements		
Year-end balance	$ 75,000	$ 450,000
Maximum amount outstanding at any month-end	$ 450,000	$ 770,000
Average outstanding balance	$ 247,404	$ 885,464
Weighted-average interest rate paid	1.36%	0.70%
Weighted-average interest rate at year-end	1.98%	1.11%

During the years ended December 31, 2016, 2015, and 2014, interest expense recorded on FHLB borrowings totaled $24.6 million, $13.1 million, and $12.7 million, respectively.

As of December 31, 2016, securities with a fair value and carrying value of $1.17 billion, and $5.11 billion of commercial real estate loans pledged through a blanket assignment, were available to meet collateral requirements of approximately $2.13 billion on FHLB borrowings. As of December 31, 2015, securities with a fair value of $1.52 billion and a carrying value of $1.51 billion, respectively, as well as $4.05 billion of commercial real estate loans pledged through a blanket assignment, were available to meet collateral requirements of approximately $2.15 billion on FHLB borrowings.

FHLB advances as of December 31, 2016 have contractual maturities as follows:

(in thousands)		**Amount**
FHLB Advances		
2017	$	1,440,900
2018		395,000
2019		140,000
Total FHLB advances	$	1,975,900

Additionally, certain of our long-term FHLB advances are callable by the FHLB for redemption prior to their scheduled maturity date. The table above includes a $25.0 million advance that is callable in March 2017, which has an interest rate of 3.87%. The contractual maturity of this advance is September 2017.

The following table details the remaining maturity of our FHLB repurchase agreements accounted for as secured borrowings by collateral type pledged as of the years ended:

(in thousands)		**2017**
December 31, 2016		
Repurchase agreements with FHLB (1):		
Government-sponsored enterprise securities		
Mortgage-backed securities	$	22,500
Collateralized mortgage obligations		52,500
Total repurchase agreements with FHLB	$	75,000

(in thousands)		**2016**	**2017**	**Total**
December 31, 2015				
Repurchase agreements with FHLB (1):				
Government-sponsored enterprise securities	$	375,000	75,000	450,000
Total repurchase agreements with FHLB	$	375,000	75,000	450,000

(1) Reported in Federal Home Loan Bank borrowings in the Consolidated Statements of Financial Condition.

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.

(14) Subordinated Debt

On April 19, 2016, the Bank issued $260 million aggregate principal amount of Variable Rate Subordinated Notes due April 19, 2026 (the “Notes”) to institutional investors. The Notes accrue interest at a fixed rate of 5.30% for the first five years until April 2021. After this date and for the remaining five years of the Notes’ term, interest will accrue at a variable rate of LIBOR plus 3.92%. Additionally, during the variable interest rate period and at the Bank’s option, the Notes can be prepaid by the Bank. Net proceeds from this offering were used for general corporate purposes and to facilitate our continued growth.

Subordinated debt is reported in the Consolidated Statements of Financial Condition net of deferred issuance costs of $3.4 million.

(15) Income Taxes

Provision for Income Taxes

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

		Years ended December 31,		
(in thousands)		**2016**	**2015**	**2014**
FEDERAL				
Current expense	$	186,213	188,024	117,994
Deferred income tax expense (benefit)		7,328	(1,889)	27,545
Total federal	$	193,541	186,135	145,539
STATE AND LOCAL				
Current expense	$	66,198	65,662	60,481
Deferred income tax expense		1,384	3,215	9,055
Total state and local	$	67,582	68,877	69,536
TOTAL				
Current expense	$	252,411	253,686	178,475
Deferred income tax expense		8,712	1,326	36,600
Total	$	261,123	255,012	215,075

The increase in income tax expense for the year ended December 31, 2016, when compared to the previous year, was primarily driven by an increase in our pre-tax income.

On April 13, 2015, the final version of the 2015-2016 New York State budget legislation was signed, which included 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 in 2014.

Deferred Tax Assets and Liabilities

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

	December 31,	
(in thousands)	**2016**	**2015**
DEFERRED TAX ASSETS		
Allowance for loan and lease losses	$ 88,541	80,876
Income on leased assets	55,038	32,689
Write-down for other-than-temporary impairment of securities	11,605	17,876
Unearned compensation - restricted stock	14,621	12,751
Non-accrual interest	923	1,583
Other	3,417	402
Total deferred tax assets recognized in earnings	174,145	146,177
Net unrealized losses on securities available-for-sale	29,727	-
Net unrealized losses on securities transferred to held-to-maturity	9,042	10,293
Total deferred tax assets	212,914	156,470
DEFERRED TAX LIABILITIES		
Depreciation - leased assets	138,244	103,696
Prepaid expenses	1,098	752
Other	13,372	11,586
Total deferred tax liabilities recognized in earnings	152,714	116,034
Net unrealized gains on securities available-for-sale	-	3,559
Total deferred tax liabilities	152,714	119,593
Net deferred tax asset	$ 60,200	36,877

At December 31, 2016, 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.

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:

	Years ended December 31,					
	2016		*2015*		*2014*	
(dollars in thousands)	**Expense (Benefit)**	**Rate**	**Expense (Benefit)**	**Rate**	**Expense (Benefit)**	**Rate**
Statutory federal income tax expense	$ 230,107	35%	219,828	35%	179,122	35%
State and local income taxes, net of federal income tax benefit	43,928	7%	44,769	7%	45,198	9%
Low income housing federal tax credits	(12,622)	(2%)	(10,873)	(2%)	(9,241)	(2%)
Tax exempt income	(1,470)	*	(347)	*	(378)	*
Other items, net	1,180	*	1,635	(1)%	374	*
Effective income tax expense	$ 261,123	40%	255,012	41%	215,075	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 and local income tax returns, we remain subject to examination for tax years 2013 and after.

(16) Equity Incentive Plan

We have an equity incentive plan designed to assist us in attracting, retaining, and motivating officers, employees, directors, and/or consultants and to provide us and our subsidiaries and affiliates with incentives directly related to increases in our shareholder value. Activity related to the equity incentive plan for the years ended December 31, 2016 and 2015 is summarized as follows:

	Years ended December 31,	
	2016	**2015**
Shares available for future awards at beginning of the year	1,887,772	2,017,708
Options		
Granted	-	-
Forfeited or expired	-	-
Shares sold to cover minimum tax withholding and/or option price upon exercise	-	5,812
Restricted stock		
Granted	(356,666)	(329,212)
Forfeited	3,240	5,115
Shares sold to cover minimum tax withholding upon vesting	228,680	188,349
Shares available for future awards at end of the year	1,763,026	1,887,772

Restricted Stock

The following table summarizes information regarding outstanding grants of restricted stock for the years ended December 31, 2016 and 2015:

	Years ended December 31,			
	2016		*2015*	
	Shares	**Weighted Average Grant Price**	**Shares**	**Weighted Average Grant Price**
Outstanding at beginning of the year	986,569	$ 93.61	1,081,076	$ 75.34
Granted	356,666	140.61	329,212	129.95
Vested	(413,872)	89.76	(418,604)	74.63
Forfeited	(3,240)	115.74	(5,115)	123.73
Outstanding at end of the year	926,123	$ 113.35	986,569	$ 93.61

As of December 31, 2016, our total unrecognized compensation cost related to unvested restricted shares was $69.8 million, which is expected to be recognized over a weighted-average period of 1.88 years. During the years ended December 31, 2016, 2015, and 2014, we recognized compensation expense of $41.7 million, $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, 2016, 2015 and 2014 were $58.5 million, $54.3 million, and $45.6 million, respectively.

(17) Accumulated Other Comprehensive Loss

The following table presents information regarding items reclassified out of Accumulated Other Comprehensive Loss ("AOCL") for the years ended December 31, 2016 and 2015:

	Years ended December 31,		
	2016	2015	
(in thousands) **Details About AOCI**	**Amount Reclassified Out of AOCL**	**Amount Reclassified Out of AOCL**	**Affected Line Item in the Consolidated Statement of Income**
Net unrealized gains on AFS securities	$ 7,711	1,209	Net gains on sales of securities
	(427)	(963)	Net impairment losses on securities recognized in earnings
Total reclassifications, before tax	7,284	246	
	(3,021)	(100)	Income tax expense
Total reclassifications, net of tax	$ 4,263	146	

The following table presents changes in AOCL, net of tax, for the years ended December 31, 2016 and 2015:

(in thousands)	AFS Securities	HTM Securities Transferred from AFS	Total
For the year ended December 31, 2016			
Balance at December 31, 2015	$ 4,169	(13,672)	(9,503)
Net change in unrealized gains and losses	(42,713)	-	(42,713)
Amortization of net unrealized loss on securities transferred to HTM	-	1,765	1,765
Amounts reclassified out of AOCL	(4,263)	-	(4,263)
Net current period other comprehensive loss	(46,976)	1,765	(45,211)
Balance at December 31, 2016	$ (42,807)	(11,907)	(54,714)
For the year ended December 31, 2015			
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 AOCL	(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)

(18) Earnings Per Share

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

	Years ended December 31,		
(in thousands, except per share amounts)	**2016**	**2015**	**2014**
Net income	$ 396,324	373,065	296,704
Common and common equivalent shares:			
Weighted average common shares outstanding	53,406	50,739	49,066
Weighted average common equivalent shares	405	563	804
Weighted average common and common equivalent shares	53,811	51,302	49,870
Basic earnings per share	$ 7.42	7.35	6.05
Diluted earnings per share	$ 7.37	7.27	5.95

For the years ended December 31, 2016, 2015 and 2014, there were no anti-dilutive options or warrants excluded from the computation of diluted earnings per share as their exercise price did not exceed the average market price of the Company's common shares.

(19) Commitments and Contingent Liabilities

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

(a) Lease Commitments

We have entered into non-cancelable operating lease agreements for premises and equipment with expiration dates through the year 2034. Our premises are used principally for private client offices and administrative operations. Rental expense for our premises for the years ended December 31, 2016, 2015, and 2014 totaled $25.1 million, $21.9 million and $18.6 million, respectively.

The required minimum rental payments under the terms of the non-cancelable leases at December 31, 2016 are summarized as follows:

(in thousands)	**Amount**
2017	$ 21,091
2018	21,951
2019	22,467
2020	21,073
2021	19,317
Thereafter	103,908
Total	$ 209,807

(b) Information Technology Services Contract

On May 20, 2016, 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 in May 2016, and during the years ended December 31, 2016, 2015, and 2014, we incurred contractual costs of $7.8 million, $3.4 million, and $3.3 million, respectively. During 2016, the contractual term of the Agreement was extended to December 2022 and now incorporates other costs for services that were not included in the Agreement in prior years. 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, 2016 are as follows:

(in thousands)	**Amount**
2017	$ 14,944
2018	12,502
2019	12,502
2020	10,302
2021	10,302
Thereafter	1,080
Total	$ 61,632

(c) Financial Instruments with Off-Balance Sheet Risks

In the normal course of business, we have various outstanding commitments and contingent liabilities 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:

	December 31,	
(in thousands)	**2016**	**2015**
Unused commitments to extend credit	$1,310,736	935,083
Financial standby letters of credit	376,660	285,187
Commercial and similar letters of credit	17,801	27,055
Other	1,482	1,342
Total	$1,706,679	1,248,667

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, 2016 and 2015, our reserves for losses on unused commitments to extend credit totaled $1.1 million and $513,000, 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, 2016 and December 31, 2015, we had deferred revenue for commitment fees paid for the issuance of standby letters of credit in the amounts of $1.3 million and $1.1 million, respectively.

Standby letters of credit are conditional commitments issued by us to guarantee the performance of our clients' obligations to a third party. Standby letters of credit are primarily used to support clients' business trade transactions and may require payment of a fee. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to clients. We had a reserve for credit losses on standby letters of credit totaling $199,000 and $134,000 at December 31, 2016 and 2015, respectively. We recorded provisions for losses related to standby letters of credit totaling $64,000, $10,000 and $(6,000) for the years ended December 31, 2016, 2015 and 2014, respectively. During the years ended December 31, 2016 and 2015, there were no charge-offs recorded on standby letters of credit.

At December 31, 2016 and 2015, we had commitments to sell loans totaling $3.4 million and $58.8 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.

(20) Regulatory Capital

As a New York 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.

As of December 31, 2016 and 2015, we met all capital adequacy requirements to which we were subject. Additionally, 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.

The capital amounts and ratios presented in the following table demonstrate that we were "well capitalized" as of December 31, 2016:

	Actual		*Required for Capital Adequacy Purposes*		*Required to be Well Capitalized*	
(dollars in thousands)	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
Total capital (to risk-weighted assets)	$ 4,137,271	13.46%	2,459,612	8.00%	3,074,515	10.00%
Tier 1 capital (to risk-weighted assets)	3,665,855	11.92%	1,844,709	6.00%	2,459,612	8.00%
Common equity Tier 1 capital (to risk-weighted assets)	3,665,885	11.92%	1,383,532	4.50%	1,998,434	6.50%
Tier 1 leverage capital (to average assets)	3,665,855	9.61%	1,526,537	4.00%	1,908,171	5.00%

The capital amounts and ratios presented in the following table demonstrate we were "well capitalized" as of December 31, 2015:

	Actual		*Required for Capital Adequacy Purposes*		*Required to be Well Capitalized*	
(dollars in thousands)	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
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%

During the first quarter of 2016, we raised $296.1 million in net proceeds in a common stock offering further strengthening our overall capital position. Additionally, on April 19, 2016, the Bank issued $260 million of subordinated debt to institutional investors further strengthening our Tier 2 capital position.

See "Regulation and Supervision—Capital and Related Requirements", "Regulation and Supervision—Prompt Corrective Action and Enforcement Powers" and Capital Resources earlier in this report for additional information regarding regulatory capital.

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.

(21) Segment Reporting

On an annual basis, we reevaluate our segment reporting conclusions. Based on 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.

Specialty Finance consists principally of financing and leasing products, including equipment, transportation, taxi medallion, commercial marine, 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 (intersegment assets have not been eliminated):

	At or for the years ended December 31,		
(in thousands)	**2016**	**2015**	**2014**
Commercial Banking			
Interest income	$ 1,235,781	1,025,588	859,566
Interest expense	169,909	129,847	123,122
Provision for (recovery of) loan and lease losses	(20,174)	15,783	17,989
Non-interest income	39,293	34,405	32,688
Non-interest expense	353,481	317,296	274,305
Income (loss) before income taxes	771,858	597,067	476,838
Total assets	$ 39,081,992	33,401,329	27,243,405
Specialty Finance			
Interest income	$ 109,578	103,626	77,751
Interest expense	28,208	22,266	13,044
Provision for (recovery of) loan and lease losses	175,948	29,131	13,121
Non-interest income	3,491	2,699	2,294
Non-interest expense	23,324	23,918	18,939
Income (loss) before income taxes	(114,411)	31,010	34,941
Total assets	$ 3,440,329	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:

	At or for the years ended December 31,		
(in thousands)	**2016**	**2015**	**2014**
Net interest income:			
Commercial Banking	$ 1,065,872	895,741	736,444
Specialty Finance	81,370	81,360	64,707
Consolidated	$ 1,147,242	977,101	801,151
Provision for (recovery of) loan and lease losses:			
Commercial Banking	$ (20,174)	15,783	17,989
Specialty Finance	175,948	29,131	13,121
Consolidated	$ 155,774	44,914	31,110
Non-interest income:			
Commercial Banking	$ 39,293	34,405	32,688
Specialty Finance	3,491	2,699	2,294
Eliminations	(34)	-	-
Consolidated	$ 42,750	$ 37,104	$ 34,982
Non-interest expense:			
Commercial Banking	$ 353,481	317,296	274,305
Specialty Finance	23,324	23,918	18,939
Eliminations	(34)	-	-
Consolidated	$ 376,771	$ 341,214	$ 293,244
Income (loss) before income taxes:			
Commercial Banking	$ 771,858	597,067	476,838
Specialty Finance	(114,411)	31,010	34,941
Consolidated	$ 657,447	628,077	511,779
Total assets:			
Commercial Banking	$ 39,081,992	33,401,329	27,243,405
Specialty Finance	3,440,329	3,173,198	2,637,116
Eliminations (1)	(3,474,710)	(3,123,982)	(2,561,881)
Consolidated	$ 39,047,611	33,450,545	27,318,640

(1) Eliminations related to intercompany funding

(22) Quarterly Data (unaudited)

(dollars in thousands, except per share amounts)	March 31	June 30	September 30	December 31
2016 QUARTER				
Interest income	$ 315,773	323,961	335,127	342,290
Interest expense	37,463	42,313	44,659	45,474
Net interest income	278,310	281,648	290,468	296,816
Provision for loan and lease losses	19,812	33,268	80,460	22,234
Net interest income after provision for loan and lease losses	258,498	248,380	210,008	274,582
Non-interest income	8,464	13,143	11,067	10,076
Other-than-temporary impairment losses on securities, net	(55)	(63)	(171)	(138)
Non-interest income excluding other-than-temporary impairment losses on securities	8,519	13,206	11,238	10,214
Non-interest expense	92,325	92,310	96,217	95,919
Income before taxes	174,637	169,213	124,858	188,739
Income tax expense	70,602	66,971	48,748	74,802
Net income	$ 104,035	102,242	76,110	113,937
Basic earnings per common share	$ 1.98	1.91	1.42	2.12
Diluted earnings per common share	$ 1.97	1.90	1.41	2.11
2015 QUARTER				
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

Exhibit Index

Exhibit No.	Exhibit
3.1	Restated Organization Certificate. (Incorporated by reference to Signature Bank's Quarterly Report on Form 10-Q for the period ended June 30, 2005.)
3.2	Certificate of Amendment, dated December 5, 2008, to the Bank's Restated Organization Certificate with respect to Signature Bank's Fixed Rate Non-Cumulative Perpetual Preferred Stock, Series A, par value $0.01 per share. (Incorporated by reference to Signature Bank's Current Report on Form 8-K filed on December 17, 2008.)
3.3	Amended and Restated By-laws of the Registrant.
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.)
10.15	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.

EXHIBIT 21.1

SUBSIDIARIES OF SIGNATURE BANK

As of March 1, 2017, Signature Bank has the following significant subsidiaries:

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

EXHIBIT 31.1

CERTIFICATION

I, Joseph J. DePaolo, certify that:

1. I have reviewed this annual report on Form 10-K of Signature Bank for the fiscal year ended December 31, 2016;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the Examining Committee of the registrant's Board of Directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 1, 2017

/s/ JOSEPH J. DEPAOLO

Joseph J. DePaolo
President, Chief Executive Officer and Director

EXHIBIT 31.2

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, 2016;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the Examining Committee of the registrant's Board of Directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 1, 2017

/s/ VITO SUSCA

Vito Susca
Senior Vice President and Chief Financial Officer

EXHIBIT 32.1

Certification
Pursuant to 18 U.S.C. Section 1350
As Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of Signature Bank, a New York bank (the "Company"), does hereby certify, to the best of such officer's knowledge, that:

The Annual Report on Form 10-K for the year ended December 31, 2016 (the "Form 10-K") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 1, 2017

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

Dated: March 1, 2017

/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
Co-founder & Chairman of the Board
Signature Bank

Kathryn A. Byrne, CPA
Partner
WeiserMazars LLP

Derrick D. Cephas
Partner
Weil, Gotshal & Manges LLP

Alfonse M. D'Amato
Managing Director
Park Strategies, LLC
Former U.S. Senator

Joseph J. DePaolo
Co-founder, President &
Chief Executive Officer
Signature Bank

Barney Frank
Former U.S. Congressman

Judith A. Huntington
Private Investor

Jeffrey W. Meshel
Founder, President &
Chief Executive Officer
Paradigm Capital Corp.

John Tamberlane
Co-founder & Vice Chairman
Signature Bank

SENIOR MANAGEMENT

Scott A. Shay
Co-founder & Chairman of the Board
of Directors

Joseph J. DePaolo
Co-founder, President &
Chief Executive Officer

John Tamberlane
Co-founder & 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
9003 3rd Avenue
84 Broadway
(Accommodation Office)

Queens
36-36 33rd Street, Long Island City
78-27 37th Avenue, Jackson Heights
89-36 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

Signature Public Funding Corp.
600 Washington Avenue, Suite 305
Towson, MD 21204

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 20, 2017, 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, or by written request to:

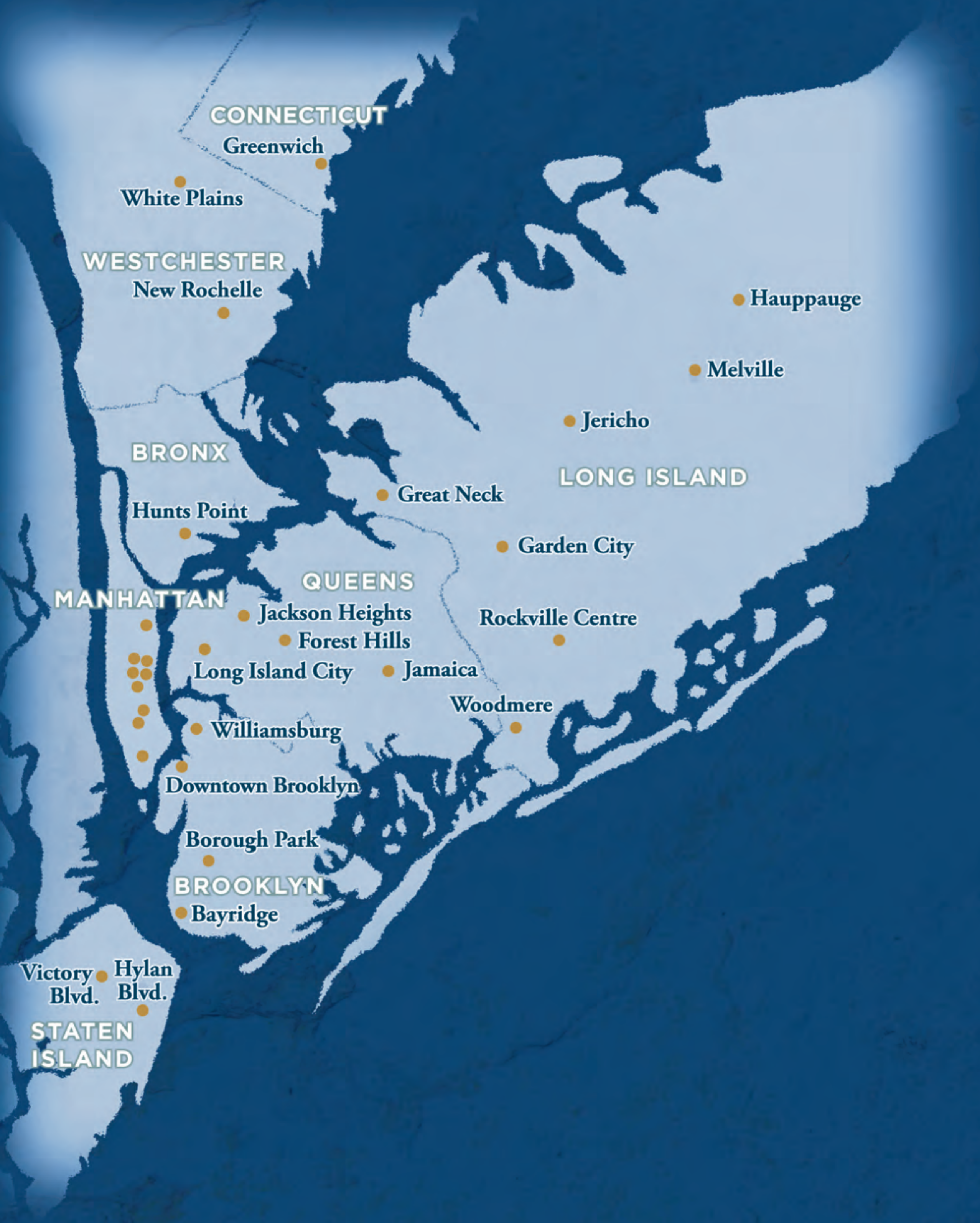
Signature Bank
Attention: Investor Relations
565 Fifth Avenue
New York, NY 10017

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, 2016, included herein.

SIGNATURE BANK

565 Fifth Avenue
New York, NY 10017

866-SIG-LINE (866-744-5463)
www.signatureny.com


CONNECTICUT
Greenwich
White Plains
WESTCHESTER
New Rochelle
Hauppauge
Melville
Jericho
BRONX
LONG ISLAND
Great Neck
Hunts Point
Garden City
QUEENS
MANHATTAN
Jackson Heights
Forest Hills
Rockville Centre
Long Island City
Jamaica
Woodmere
Williamsburg
Downtown Brooklyn
Borough Park
BROOKLYN
Bayridge
Victory Blvd.
Hylan Blvd.
STATEN ISLAND