



SIGNATURE BANK

NAVIGATING THE FUTURE



2017 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.

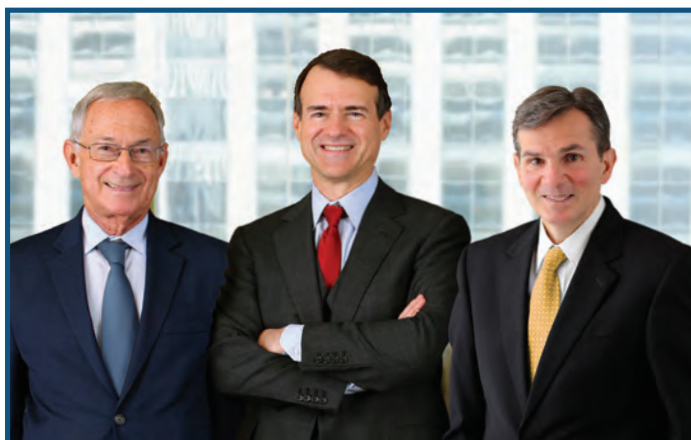
In addition, Signature Bank's wholly owned specialty finance subsidiary, Signature Financial LLC, provides equipment financing and leasing.

FINANCIAL HIGHLIGHTS

(in thousands)

	2013	2014	2015	2016	2017
Total assets	\$ 22,376,663	27,318,640	33,450,545	39,047,611	43,117,720
Total loans	13,519,471	17,857,708	23,792,564	29,043,165	32,612,539
Total deposits	17,057,097	22,620,275	26,773,923	31,861,260	33,439,827
Total average deposits	15,626,055	19,931,415	25,293,565	29,747,824	33,158,234
Shareholders' equity	1,799,939	2,496,238	2,891,834	3,612,264	4,031,691
Net interest income after provision for loan and lease losses	606,700	770,041	932,187	991,468	974,289
Non-interest income	32,011	34,982	37,104	42,750	36,041
Non-interest expense	247,177	293,244	341,214	376,771	435,066
Income before income taxes	391,534	511,779	628,077	657,447	575,264
Net income	\$ 228,744	296,704	373,065	396,324	387,209

TO OUR SHAREHOLDERS



Signature Bank Co-founders

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

The guiding principles that were established when Signature Bank was founded in 2001 have allowed us to achieve steady, solid growth – year after year – with 2017 being no exception. The Bank’s results for 2017 demonstrated yet again how our distinctive client-centric business model further enabled us to compete with some of the largest mega-banks in what has become an increasingly more competitive financial services environment with each passing year.

It is our commitment to strong client relationships with our depositors, our solid capital position, our carefully managed balance sheet and our ability to weather storms that set the stage for success again in 2017.

The Bank cultivated many new client relationships while also fortifying existing ones, as evidenced by growth in both core deposits and loans. We strengthened our private client banking network with the addition of veteran teams while bolstering established ones. We even tested the California waters with the appointment of a new team and the opening of an accommodation office in San Francisco. And, despite challenges we appropriately faced head-on in our taxi medallion business, the Bank achieved a double-digit return on equity.

These initiatives prove the changes we made in 2017 toward reinforcing the power of our franchise and further cementing our competitive market position through a slow, steady and secure path to growth clearly paid off.

Signature Bank’s commitment to its depositors first and foremost, through our long-standing single-point-of-contact approach to private client banking, has

unequivocally positioned us to stand out in the marketplace. While we’ve stayed the course across all aspects of our business, remained responsive to changing market conditions and repeatedly delivered stellar results, it is our prudent model that will continue to be the compass that guides us forward.

In an age where technological advancements have penetrated how every business now functions and will dictate how they operate in the future, adapting to such change for Signature Bank will be navigated in the same cautious manner that led us to where we are today.

One Team for All Needs

The Bank’s 147 Group Directors, heading nearly 100 private client banking teams, are the foundation of our enterprise. Signature Bank’s differentiated client-centric structure lends itself to solid deposit and loan generation. While clients simply reach out to one team for all their needs, we offer them a full complement of services. This one-team-for-all-needs philosophy, also known as our single-point-of-contact approach, makes the Bank a preferred place at which to bank and also to work.

Signature Bank’s model is predicated upon attracting veteran bankers from some of the largest financial institutions, including many of the nation’s top mega-banks. It is at these types of too-big-to-fail institutions where clients fall off the radar, and become extremely frustrated with their banking relationships and the decentralized approach to meeting their needs. At Signature Bank, client care is highly personalized as our teams serve as a single point of contact for our clients, and every team member can seamlessly serve the needs of any given client. This founding principle is the reason our core business model appeals to clients and bankers alike.

Our approach is to first attract teams to our network and then establish offices for them in the geographic areas where they've built their banking practices. This has been the recipe for expanding our footprint when an experienced team is identified. In 2017, we appointed a seasoned team based in San Francisco, which also brings us expertise across new vertical markets. It was only then that we opened our first accommodation office in California. Our entry into the San Francisco market has sparked interest in further geographic expansion throughout California.

During 2017, we added four new teams to our network and expanded several others. These teams are strategically located through the New York metropolitan area, and now in California, too. At year-end 2017, we operated 30 private client banking offices, including those in Manhattan, Brooklyn, Westchester, Long Island, Queens, the Bronx, Staten Island and Connecticut. We also now operate four accommodation offices, including San Francisco, which opened in 2017.

Moving in the Right Direction

Signature Bank's platform was built for the long haul. It can sustain market fluctuations, address ebbs and flows in the economy and tackle unforeseen changes in the landscape because of our depositor-first strategy. Our prudently managed balance sheet aids us in finding appropriate ways to adapt to marketplace changes in the same careful manner in which we operate our business every day, always in alignment with our guiding principles. These same tenets will also hold true as we stay on top of fast-evolving, technological advancements that potentially will affect our business and industry.

In 2017, Signature Bank delivered another year of solid growth and performance, despite the challenges we faced resulting from changes in the taxi medallion environment and the regulatory landscape.

For the year ended December 31, 2017, net income was \$387.2 million, or \$7.12 diluted earnings per share, compared with \$396.3 million, or \$7.37 diluted earnings per share in 2016, a \$9.1 million, or 2.3 percent decrease. Excluding provision expenses and write-downs for the taxi medallion portfolio and several tax adjustments, 2017 net income would have reached a record \$484.9 million, or \$8.91 diluted earnings per share.

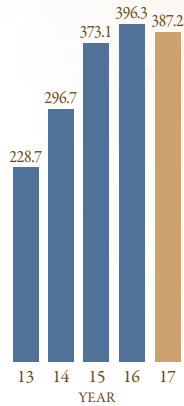
We made significant strides in addressing our taxi medallion exposure in 2017. First, we refocused our wholly owned equipment finance and leasing subsidiary, Signature Financial LLC, to be more attentive to restructuring this portion of our loan portfolio and less sales-driven. As such, we refinanced 435 of our 908 New York City medallions during 2017. Our total exposure in this space totaled \$309.9 million, or 72 basis points, of total assets at year-end, down from \$627.4 million at December 31, 2016. The repositioning of our taxi medallion finance group allowed Signature Financial's management team to turn their focus toward growth across other operating channels. This led to an increase of more than \$770 million for this division in 2017.

Other key changes which occurred in 2017 included the retirement of our Chief Credit Officer Mike Merlo. Mike was one of the Bank's first employees, and we appreciate his dedication to the institution since its founding. We established two positions in Mike's place: the Chief Credit Officer role, which is complemented by the Chief Lending Officer. In both cases, we promoted two of our accomplished colleagues to serve in these roles. We believe creating two credit-related leadership positions better reflects the proper credit structure for a bank our size. It also demonstrates our commitment to expand Commercial & Industrial (C&I) lending in the future as we seek to further diversify revenue streams and increase asset sensitivity. In 2017 alone, C&I loans increased \$959.6 million, or more than 17.7 percent. We are well on our way to meeting this goal.

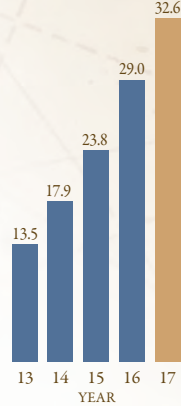
Our loan portfolio grew significantly throughout 2017, up \$3.57 billion, or 12.3 percent, to \$32.61 billion, versus loans of \$29.04 billion at year-end 2016. The increase in loans in 2017 was mostly the result of growth in both commercial real estate (CRE) and multi-family loans, as well as the strong showing we demonstrated in C&I loans.

Loans represented 75.6 percent of total assets versus 74.4 percent at the end of 2016. At December 31, 2017, non-accrual loans were \$326.9 million, representing 1.00 percent of total loans and 0.76 percent of total assets, compared with non-accrual loans of \$157.6 million, or 0.54 percent of total loans, at December 31, 2016. Excluding non-accruing loans secured by taxi medallions of \$309.9 million, non-accrual loans for the remainder of the portfolio were \$17.0 million, or five

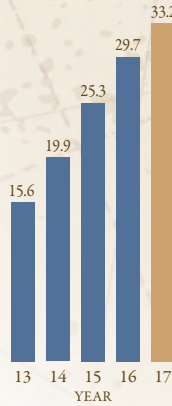
NET INCOME
(in millions)



LOANS
(in billions)



AVERAGE DEPOSITS
(in billions)



basis points of total loans. At year-end 2017, the ratio of allowance for loan and lease losses to total loans was 0.60 percent, versus 0.74 percent, at December 31, 2016.

We continued to grow deposits during 2017. Total deposits grew \$1.58 billion, or 5.0 percent, to \$33.44 billion at year-end while total average deposits reached \$33.16 billion, representing an increase of \$3.41 billion, or 11.5 percent. This compares with total average deposits of \$29.75 billion reported in 2016. We have repeatedly commented that we consider total average deposits to be a fundamental benchmark on which we are extremely focused with respect to our deposit performance.

In the fall, we announced the retirement of George M. Klett, who, as Group Director and Executive Vice President, had led our successful CRE banking team since October 2007. As a long-time CRE executive, George made significant contributions to the Bank's CRE portfolio, which at the end of 2017, totaled \$25.43 billion, including \$14.51 billion in multi-family loans. While George remains involved with the Bank in a senior advisory role until March 2020, we carefully planned and executed a succession strategy, effective January 1, 2018. We promoted two of our talented CRE colleagues, Joseph Fingerman and John Zieran, each to the role of Managing Group Director-Senior Vice President. They initially joined the Bank with George, and have all worked together for nearly 20 years.

Together, Messrs. Fingerman and Zieran will oversee the CRE team of nearly 50 professionals. They are well-known in the real estate community amongst owners, brokers and other key CRE constituents. Based on their solid reputations, we expect this to be a seamless transition and are confident in their abilities as our new

leadership. We thank George for his decade-long contributions and wish him well in his retirement.

Our capital position remained strong in 2017. Signature Bank's capital ratios were all well in excess of regulatory requirements yet again. The Bank's Tier 1 leverage, common equity Tier 1 risk-based, Tier 1 risk-based and total risk-based capital ratios were approximately 9.72 percent, 11.99 percent, 11.99 percent and 13.32 percent, respectively,

as of December 31, 2017. The Bank's strong risk-based capital ratios reflect the relatively low risk profile of our balance sheet. Furthermore, the Bank's tangible common equity ratio remained strong at 9.29 percent. The Bank defines tangible common equity ratio as the ratio of total tangible common shareholders' equity to total tangible assets.

With depositor safety at the forefront of our model, once again in 2017, we earned high investment grade ratings for the third consecutive year from Kroll Bond Rating Agency (KBRA), a full-service rating agency. According to KBRA, Signature Bank's ratings were supported by our solid fundamentals, including: a sustainable and strong earnings track record; the ability to remain profitable and deliver peer-leading returns, especially during economic downturns; disciplined underwriting practices; ongoing healthy liquidity; a deep, core deposit base; consistently superior efficiency ratios; strong asset-quality metrics; sound capital ratios; and, a highly experienced management team. This stellar rating continues to speak to the breadth and depth of our commitment to depositor safety.

Navigating the Fast-evolving Future

Our depositor first-and-foremost strategy, coupled with a strong, well-capitalized balance sheet, has well-positioned Signature Bank to seize opportunities in the marketplace, attract veteran bankers and appropriately navigate change. In spite of times of disruption, the strength and success of Signature Bank's depositor-first model sustains our focus and growth.

We ended the year focused on dual key missions: ensuring we deliver the best client service possible and

offering our clients sleep-at-night depositor safety. By keeping these two pillars at the forefront of all we do, we continue to grow the value of our franchise over time.

Signature Bank's ongoing reputation and proven results garnered many third-party accolades once again in 2017, including:

- Appeared on *Forbes'* Best Banks in America list for the seventh consecutive year
- Earned Company of the Year Gold Awards (in both Banking as well as Financial Services-Large Company categories) in the 2017 American Business Awards
- Named Best Commercial Bank of the Year in the United States in the *International Banker* 2017 North and South American Awards
- Ranked in the top three Best Business Banks for the eighth consecutive year by *New York Law Journal*; also named Best Private Bank and Best Attorney Escrow Services Provider
- Cited among top three of the nation's best private banking services providers in *The National Law Journal's* Best of 2017 reader rankings

Looking ahead to the many benefits on the horizon, we anticipate the new tax legislation will prove very advantageous to the Bank. We expect it will have a positive effect on our future earnings and capital. We look forward to the Systemically Important Financial Institution (SIFI) \$50 billion threshold potentially moving higher, to at least \$100 billion. This rise will allow the Bank to slow down its pace of expense growth. We believe that Signature Bank, with its uncomplicated and straight-forward balance sheet, should not be subject to the same standards as a truly complex, systemically important, trillion-dollar financial institution.

During 2018, we also plan to make significant improvements to our operations as we strengthen our foundation through major investments in our loan origination systems, payments architecture platform and new foreign exchange system. These advancements will bring greater efficiencies to the enterprise.

We will also look to continue extending our roots beyond the New York metropolitan area by expanding our geographic presence into other markets where we

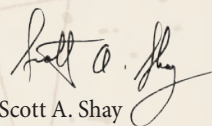
have significant client synergies, as evidenced by our entry into California. We already identified opportunities for our thriving client-centric model there, and will begin attracting other veteran bankers and teams. We will grow our private client banking network in California in the same way we did in New York and the surrounding areas, where we open offices once we identify the right team fit. This will position the Bank for success on both coasts going forward.

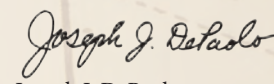
As we turn our direction toward the future, we are well aware of the role technology will continue to play in this fast-changing world in which we live and work, and the ways this institution must adapt. Technological advancements are fast-evolving and influencing every aspect of our professional and personal lives. As such, the financial and economic landscape, along with our clients' needs, will significantly be affected by this next evolution. As a leading commercial institution, Signature Bank will remain agile and keep pace with this rapid change. We will do so using the same high standards that have positively impacted our performance to date.

As we eagerly welcome the many opportunities 2018 will afford Signature Bank, we extend our deepest gratitude to our more than 1,300 colleagues for their relentless efforts and hard work; our clients for their loyalty and truly valuing the benefits of our single-point-of-contact approach; our Board of Directors for their sound guidance; and, our shareholders for their allegiance to our growing franchise. All these constituents with whom we regularly engage have come to realize the power and possibilities of Signature Bank just as we have, and we appreciate their support. We are thankful for their foresight, confidence and dedication.

We embrace the future knowing our founding model and principles enable us to stay on course but yet invite relevant exploration as we take Signature Bank to the next level and navigate the opportunities that lie ahead.

Respectfully,


Scott A. Shay
Chairman of the Board


Joseph J. DePaolo
President and Chief Executive Officer

UNITED STATES
FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C. 20429

FORM 10-K

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

For the fiscal year ended December 31, 2017

Or

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

For the transition period from to

FDIC Certificate Number 57053

SIGNATURE BANK

(Exact name of registrant as specified in its charter)

NEW YORK

(State or other jurisdiction
of incorporation or organization)

565 Fifth Avenue, New York, New York

(Address of principal executive offices)

13-4149421

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

10017

(Zip Code)

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

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

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

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

NONE

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

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the. 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. 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, 2017 was \$7.67 billion.

As of February 28, 2018, the Registrant had outstanding 54,987,954 shares of Common Stock.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement for Annual Meeting of Stockholders to be held April 25, 2018. (Part III)

**SIGNATURE BANK
ANNUAL REPORT ON FORM 10-K
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017**

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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 of 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;
- 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;
- 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 and the real estate market of the New York metropolitan area;
- 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 use of 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;
- data security breaches;
- 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 Financial, LLC (“Signature Financial”), Signature Securities Group Corporation (“Signature Securities”) 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.

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.

Additionally, through a representative office of the Bank in Houston, Texas, we purchase, securitize and sell the guaranteed portions of U.S. Small Business Administration (“SBA”) loans.

Since commencing operations in May 2001, we have grown to \$43.12 billion in assets, \$33.44 billion in deposits, \$32.61 billion in loans, \$4.03 billion in equity capital and \$3.61 billion in other assets under management as of December 31, 2017. 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. We also expect to expand our geographic presence in areas where we have significant client synergies, such as the West Coast.

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.

Recent Highlights

Core Deposit Growth

During 2017, our deposits grew \$1.58 billion, or 5.0 %, to \$33.44 billion. Deposits at December 31, 2017 included \$1.80 billion of time deposits compared to \$1.53 billion at year-end 2016. Core deposits, which exclude time deposits and brokered deposits, increased \$1.31 billion, or 4.3%, during 2017 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 44.8% of our total deposits and time deposits accounting for 4.7% of our total deposits as of December 31, 2017. Our average cost for total deposits was 0.52% for the year ended December 31, 2017.

Strategic Hires

During 2017, we increased our network of seasoned banking professionals by adding four private client banking teams and several new banking group directors. Our full-time equivalent number of employees grew from 1,218 to 1,305 during 2017.

Private Client Banking Teams and Offices

As of December 31, 2017, we had 99 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.

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. As such, we expect to expand our geographic presence in areas where we have significant client synergies, such as the West Coast, after we successfully tested the waters in 2017 with the appointment of a team and the opening of our new accommodation office in San Francisco.

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 major metropolitan areas 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 and Chief Lending 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 by Vendor Management.

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,

2017, 553,283 of these warrants have been exercised, which resulted in the creation of 129,925 shares of treasury stock. At year end, all but 1,242 of these shares 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 \$260.0 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;
- 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. In 2018, we expect to expand our geographic presence in areas where we have significant client synergies such as the West Coast, after we successfully tested the waters in 2017. 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 the dates indicated:

<i>(dollars in thousands)</i>	<i>December 31,</i>			
	<i>2017</i>		<i>2016</i>	
	Amount	Percentage	Amount	Percentage
Personal demand deposit accounts (1)	\$ 908,543	2.72%	826,382	2.59%
Business demand deposit accounts (1)	10,399,871	31.10%	9,642,408	30.26%
Brokered demand deposit accounts (1)	44,624	0.13%	51,739	0.16%
Rent security	231,192	0.69%	199,243	0.63%
Personal NOW	56,748	0.17%	51,167	0.16%
Business NOW	3,598,951	10.76%	3,857,269	12.11%
Personal money market accounts	4,091,155	12.23%	4,073,418	12.78%
Business money market accounts	12,353,360	36.95%	11,677,906	36.66%
Brokered money market accounts	175,028	0.52%	137,871	0.43%
Personal time deposits	274,165	0.82%	298,742	0.94%
Business time deposits	682,253	2.04%	620,607	1.95%
Brokered time deposits	623,937	1.87%	424,508	1.33%
Total	\$ 33,439,827	100.00%	31,861,260	100.00%
Demand deposit accounts (1)	\$ 11,308,414	33.82%	10,468,790	32.85%
NOW	3,655,699	10.93%	3,908,436	12.27%
Money market accounts	16,675,707	49.87%	15,950,567	50.07%
Time deposits	956,418	2.86%	919,349	2.89%
Brokered deposits (2)	843,589	2.52%	614,118	1.92%
Total	\$ 33,439,827	100.00%	31,861,260	100.00%
Personal	\$ 5,330,611	15.94%	5,249,709	16.47%
Business	27,265,627	81.54%	25,997,433	81.61%
Brokered deposits (2)	843,589	2.52%	614,118	1.92%
Total	\$ 33,439,827	100.00%	31,861,260	100.00%

(1) Non-interest bearing.

(2) Includes non-interest bearing deposits of \$44.6 million and \$51.7 million as of December 31, 2017 and December 31, 2016, 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 and Chief Lending 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, 2017, 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, 2017:

Industry Classifications

<i>(dollars in thousands)</i>	Loan Amount	Percentage
Transportation Services	\$ 969,444	15.18%
Real Estate and Real Estate Management	874,423	13.71%
Manufacturing	558,725	8.76%
Building and Construction Contractors	498,059	7.81%
Financial Services	389,726	6.11%
Taxi Medallions	309,894	4.86%
Wholesale Trade	301,416	4.72%
Retail Trade	248,701	3.90%
Health Services	242,073	3.79%
Accomodation and Food Services	219,653	3.44%
Professional Services	203,022	3.18%
Recreational Services	167,368	2.62%
Educational Services	157,375	2.47%
Business Services	138,526	2.17%
Public Administration	82,822	1.30%
Mining	68,881	1.08%
Special Trade Contractors	66,202	1.04%
Legal Services	48,861	0.77%
Utilities	44,999	0.71%
Audio/Video Services	44,674	0.70%
Membership Organizations	43,671	0.68%
Personal Services	15,009	0.24%
Communications	14,473	0.23%
Automotive Services	13,724	0.22%
Social Services	10,497	0.16%
Other Industries ¹	647,893	10.15%
Total	\$ 6,380,111	100.00%

As of December 31, 2017, one significant component of our C&I portfolio consisted of loans to finance taxi medallions, which are the licenses required to operate taxicabs. We conduct most of this business in New York City, which is a well-regulated market. The increased competition from Transportation Network Companies within the taxi industry and the significant decline in the underlying New York City taxi medallion collateral value in 2017 caused substantial doubt regarding the collectability of these loans. As a result, in 2017, we placed the entire taxi medallion portfolio on nonaccrual and recorded significant charge-offs within the New York City taxi medallion portfolio. The charge-off activity combined with the application of all principal and interest payments to the nonaccrual loan principal balance reduced our exposure to \$309.9 million (or 4.86%) of our C&I loans at December 31, 2017 as compared to \$627.4 million (or 11.5%) at December 31, 2016. 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. Based on the criteria used, there is no one industry within “Other Industries” that totals more than the lowest individual industry dollar amount above.

Real Estate Loans

Our real estate loan portfolio includes loans secured by commercial property, multi-family residential property, 1-4 family residential property, and acquisition, development and construction. 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, 2017, funded real estate loans totaled approximately \$27.06 billion, representing approximately 82% of our total funded loans.

The following table shows the distribution of our real estate loans by collateral type as of December 31, 2017:

Loans Secured by Real Estate

<i>(dollars in thousands)</i>	<i>December 31, 2017</i>	
	Loan Amount	Percentage
Multi-family residential property	\$ 14,512,051	53.64%
Commercial property	9,771,463	36.11%
1-4 family residential property	621,377	2.30%
Home equity lines of credit	133,268	0.49%
Acquisition, development and construction loans	2,018,901	7.46%
Total	\$ 27,057,060	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, 2017, our commitments under letters of credit totaled approximately \$515.6 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, 2017, our consumer loans totaled \$15.3 million, representing less than 0.1% 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, 2017, we had \$432.3 million in SBA loans held for sale, representing approximately 1.3% of our total funded loans, compared to \$559.5 million at December 31, 2016.

The Bank purchases, sells and assembles SBA loans and pools. We are one of the largest SBA pool assemblers in the United States. Our primary business in the SBA related transactions 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.

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, 2017, the carrying amount of our SBA excess servicing strip assets totaled \$124.9 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, in recent history, 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, any government programs used may have the ability to give rise to new competitors. For instance, during the 2007 credit-crisis, the FDIC introduced a bidding process for institutions that had been or were expected to be placed into receivership by federal or state regulators. This process was open to existing financial institutions, as well as groups without pre-existing operations. The impact of potential 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 \$1.8 trillion in total deposits, as of June 30, 2017 – 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, 2017, we operated 30 private client offices in the New York metropolitan area. These 30 offices housed a total of 99 private client banking teams. As part of the continuing development of our business strategy, we expect to add additional private client banking teams in 2018. We believe these additional teams will allow us to expand our current operations in the New York metropolitan area, as well as to the West Coast.

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, 2017, we had 1,305 full-time equivalent employees, 767 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 laws and 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, New York and other state 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 Board of Governors of Federal Reserve System ("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, certain investment advice rules promulgated by the Department of Labor ("DOL"), 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 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 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. Because of the expected savings from the recently enacted Tax Cuts and Jobs Act of 2017, we may consider paying cash dividends on our common stock in the near future. 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, 2017, our total risk-based capital ratio was 13.32%, and our Tier 1 risk-based capital ratio was 11.99%. 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, 2017, our leverage capital ratio was 9.72%. 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, 2017, our common equity Tier 1 capital ratio was 11.99%.

The FDIC's current capital rules implement the "Basel III" regulatory capital reforms and changes required by the Dodd-Frank Wall Street Reform and Consumer Protection Act (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 2017, the federal banking agencies adopted a final rule to extend the regulatory capital treatment applicable during 2017 under the capital rules for certain items, including regulatory capital deductions, risk weights, and certain minority interest limitations. The relief provided under the final rule applies to banking organizations that are not subject to the capital rules’ advanced approaches, such as our Bank. Specifically, the final rule extends the current regulatory capital treatment of mortgage servicing assets (“MSAs”), deferred tax assets (“DTAs”) arising from temporary differences that could not be realized through net operating loss carrybacks, significant investments in the capital of unconsolidated financial institutions in the form of common stock, non-significant investments in the capital of unconsolidated financial institutions, significant investments in the capital of unconsolidated financial institutions that are not in the form of common stock, and common equity tier 1 minority interest, tier 1 minority interest, and total capital minority interest exceeding the capital rules’ minority interest limitations.

In addition, the federal banking agencies issued a notice of proposed rulemaking on simplifications to the final rules, a majority of which would apply solely to banking organizations that are not subject to the advanced approaches capital rule. Under the proposed rulemaking, non-advanced approaches banking organizations would apply a simpler regulatory capital treatment for MSAs; certain DTAs arising from temporary differences; investments in the capital of unconsolidated financial institutions; and capital issued by a consolidated subsidiary of a banking organization and held by third parties. Specifically, the proposed rulemaking would eliminate: (i) the capital rule’s 10 percent common equity tier 1 capital deduction threshold that applies individually to MSAs, temporary difference DTAs, and significant investments in the capital of unconsolidated financial institutions in the form of common stock; (ii) the aggregate 15 percent common equity tier 1 capital deduction threshold that subsequently applies on a collective basis across such items; (iii) the 10 percent common equity tier 1 capital deduction threshold for non-significant investments in the capital of unconsolidated financial institutions; and (iv) the deduction treatment for significant investments in the capital of unconsolidated financial institutions not in the form of common stock. The capital rule would no longer have distinct treatments for significant and non-significant investments in the capital of unconsolidated financial institutions, but instead would require that non-advanced approaches banking organizations deduct from common equity tier 1 capital any amount of MSAs, temporary difference DTAs, and investments in the capital of unconsolidated financial institutions that individually exceeds 25 percent of common equity tier 1 capital. The proposed rulemaking also includes revisions to the treatment of certain acquisition, development, or construction exposures that are designed to address comments regarding the current definition of high volatility commercial real estate exposure under the capital rule’s standardized approach.

Also in 2017, the Basel Committee on Banking Supervision published the last version of the Basel III accord, generally referred to as “Basel IV.” The Basel Committee stated that a key objective of the revisions incorporated into the framework is to reduce excessive variability of risk-weighted assets, which will be accomplished by: enhancing the robustness and risk sensitivity of the standardized approaches for credit risk and operational risk—which will facilitate the comparability of banks’ capital ratios; constraining the use of internally modelled approaches; and complementing the risk-weighted capital ratio with a finalized leverage ratio and a revised and robust capital floor. Leadership of the federal banking agencies, who are tasked with implementing Basel IV, have supported the revisions, although their incorporation into to the existing regulatory capital framework described above is uncertain at this time.

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. The federal banking agencies published guidance regarding certain requirements of the LCR rule and the modified LCR rule in October 2017, but this guidance did not amend or materially alter the rules.

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. In June 2017, the Treasury Department recommended a delay in the implementation of the proposed NSFR out of concern that the rule could be duplicative of other liquidity requirements and could therefore impose unnecessary compliance costs. Accordingly, the prospects for final implementation of the NSFR are uncertain at this time.

Although the above-described rules are not, in general, applicable to us, the FDIC may, as a prudential matter, require banks without bank holding companies to satisfy the substance of these requirements. However, as noted below, Congress is considering increasing the asset threshold for designation as a “systemically important financial institution” (“SIFI”) from \$50 billion to \$250 billion in total consolidated assets and, if enacted as has been proposed, such a change may impact the asset thresholds applicable to the LCR, NSFR and similar rules, as well as the FDIC’s supervisory expectations with respect to the substance of such rules.

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, 2017, 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 DFS also has broad powers to enforce compliance with New York laws and regulations. The DFS and/or the FDIC examine us periodically for safety and soundness and for compliance with applicable laws.

Dodd-Frank Act

The Dodd-Frank Act, which was 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. In 2017, we submitted our stress testing results on July 28th based on data as of December 31, 2016, which we publicly disclosed on October 20, 2017. 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 Section 619 of the Dodd-Frank Act, or the so-called “Volcker Rule”. 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. 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 held certain securities in our available-for-sale investment portfolio that do not meet Volcker Rule exemptive criteria for continued ownership. These Covered Funds securities were predominantly collateralized mortgage obligations. We have divested ourselves of all of these securities, with the exception of a single security valued at less than \$20,000 as of December 31, 2017, that is expected to pay down in the first quarter of 2018. If the final position does not payoff by the end of the first quarter of 2018, the Bank will write-off

the remaining balance. As discussed below in the subsection titled “Future Legislation and Regulation,” reform of the Volcker Rule has been proposed by Congress and the Treasury Department; however the prospects for further action on such proposals are uncertain at this time. 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, 2017, \$11.35 billion, or 34.0%, 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. Notwithstanding the above, we may be required to obtain the regulatory approval of the DFS, the FDIC and the banking agencies of the states in which we seek to establish branch or other offices.

Consumer Financial Protection

Federal and state banking laws 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 (“HMDA”), 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, which were finalized in July 2017. The CFPB also issued interpretive guidance and updated model disclosure forms in 2017. 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.

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. The Bank is likely to continue to incur significant 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. Over the past several years, the CFPB has been very active in bringing enforcement actions against banks and nonbank 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, and state attorneys general also have been increasingly active in this area with respect to institutions over which they have jurisdiction. Notwithstanding our expectation of continued costs associated with consumer protection compliance and the historical trends of supervision and enforcement of consumer financial laws, the CFPB experienced a leadership change in late 2017 that, although subject to ongoing litigation, may impact the CFPB’s policies and supervision and enforcement priorities.

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 category. 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 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, the Department of Housing and Urban Development ("HUD") 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. Given recent leadership changes at the DOJ and CFPB, as well as changes in DOJ enforcement policies and priorities, the extent to which such coordination will continue to occur in the near term is uncertain. 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 ("BSA"), as amended by the USA PATRIOT Act, and implementing regulations issued by the FDIC and the Financial Crimes Enforcement Network ("FinCEN") of 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.

In 2016, the regulations implementing the BSA were amended by FinCEN to include express requirements regarding risk-based procedures for conducting ongoing customer due diligence. Such procedures require banks to take appropriate steps to understand the nature and purpose of customer relationships. In addition, absent an applicable exclusion, banks must identify and verify the identity of the beneficial owners of all legal entity customers at the time a new account is established. These requirements become effective in May 2018. We are likely to incur certain costs associated with the expansion of our AML program in accordance with these requirements.

Signature Bank also is subject to New York AML laws and regulations. In June 2016, the 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 compliance 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. The federal banking agencies have not yet taken further action on these proposed standards.

Signature Bank also is subject to New York financial privacy laws and regulations. On March 1, 2017, cybersecurity regulations issued by the DFS became effective. The cybersecurity regulations require banks, insurance companies, and other financial services institutions regulated by the 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. These regulations require each regulated entity to assess its specific risk profile and design a program that addresses its risks in a robust fashion and, like the DFS's enhanced anti-terrorism and AML requirements, the regulations impose an obligation to conduct an ongoing, comprehensive risk assessment and require each institution's board of directors, or a senior officer of the institution, to submit annual certifications of compliance with these requirements. The initial certification of compliance was submitted before the filing deadline in February 2018. 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. For purposes of the above, an “affiliate” does not include a subsidiary of the bank, unless the subsidiary is a financial subsidiary, is itself a depository institution, or is directly controlled by one or more affiliates of the parent bank or a shareholder, or group of shareholders, that controls the parent bank. In addition, the so-called “Super 23A” provisions of the Volcker Rule apply similar restrictions on transactions between a bank and any “covered fund” that the bank advises or sponsors.

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 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, and 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. The prospects for continued consideration of these proposed rules by the SEC and federal banking agencies are uncertain, but implementation of any final rules is not expected in the near term.

In October 2016, the 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. Incentive compensation and sales practices, particularly in connection with certain products and services that are viewed as high-risk from a supervisory perspective—such as cross-selling and overdraft services—continue to be priority issues on the examination and supervision agendas of the CFPB and the federal banking agencies.

In addition, the Tax Cuts and Jobs Act of 2017, which was signed into law in December 2017, contains certain provisions affecting performance-based compensation. Specifically, the pre-existing exception to the \$1 million deduction limitation applicable to performance-based compensation was repealed. This provision may reduce the deductibility of certain compensation arrangements of Bank management and employees, which would have an adverse effect on income tax expense and net income.

Regulation of Signature Securities

Signature Securities is registered as a broker-dealer with and subject to examination and 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 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 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 increased our deposit insurance assessments by \$5.7 million in 2017 compared 2016.

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.

Historically, deposit insurance premiums we have paid to the FDIC have been deductible for federal income tax purposes; however, the Tax Cuts and Jobs Act of 2017 disallows the deduction of such premium payments for banking organizations with total consolidated assets of \$50 billion or more. For banks with less than \$50 billion in total consolidated assets, such as ours, the premium deduction is phased out based on the proportion of a bank’s assets exceeding \$10 billion. Based on our projections for 2018, we anticipate an increase to our deposit insurance premium payments.

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 \$43.12 billion as of December 31, 2017, 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 imposes 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, 2016, our ratio of total commercial real estate loans to total risk-based capital was 554.2%, and as of December 31, 2017, that ratio had increased to 559.5%. From December 31, 2014 to December 31, 2017, the outstanding balance of our commercial real estate loan portfolio increased \$12.44 billion, or 96%. 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.

The DOL promulgated final rules in April 2016 regarding the provision of fiduciary investment advice to individual retirement accounts and retirement and savings plans covered by the Employee Retirement Income Security Act of 1974 (“ERISA”). Certain of the Bank’s advisory, brokerage and insurance services and activities will be impacted by these regulations, which are being phased into effect through July 1, 2019.

Future Legislation and Regulation

In 2017, the House of Representatives passed “The Financial CHOICE Act,” a comprehensive reform measure which would, if adopted as passed by the House of Representatives, modify or repeal several provisions of the Dodd-Frank Act and other existing financial services laws and regulations, and would therefore have a significant impact on banking and financial services regulation. The Senate continues to deliberate over legislation titled “The Economic Growth, Regulatory Relief and Consumer Protection Act,” which would have a similar, but more targeted, impact on the banking and financial services regulatory framework. The Senate legislation is focused more narrowly on improving consumer access to credit, providing regulatory relief for community banks and smaller financial institutions, and limiting the applicability of systemic risk designation and prudential regulatory standards to very large bank holding companies.

Although the bills vary in content, notable areas addressed by the legislation include revisions to the prudential rules governing bank holding companies and large financial institutions—including raising the asset threshold for designation as a SIFI from \$50 billion to \$250 billion in total consolidated assets—reform of TILA and the CFPB’s mortgage regulations—including the TILA/RESPA integrated mortgage disclosure rules—delayed implementation of regulations to be implemented under HMDA, regulatory relief for community banks and smaller financial institutions, and simplification of the Volcker Rule. To the extent that any financial regulatory reform measure is

enacted by Congress in 2018, it is more likely to reflect the narrower focus of the above-described Senate legislation.

The Administration continues to advocate for reform of the Dodd-Frank Act and the bank and financial services regulatory framework. In 2017, the Treasury Department, in response to an Executive Order issued by the President, released a report on the Administration's core principles of financial regulation. The report detailed several findings and recommendations, including but not limited to, capital, liquidity and leverage rules should be simplified to promote the flow of credit, consumer regulation and the structure and authority of the CFPB are in need of reform, the regulatory burden on community financial institutions should be eased, and Congress should play a more significant role in overseeing the federal banking agencies to ensure that regulations are better-tailored, more efficient and more effective.

Although significant changes to existing laws, regulations and policies may be finalized by Congress and/or the federal banking agencies and the CFPB, it is difficult to predict with precision the changes that will be implemented into law and when such changes may occur. Accordingly, 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 U.S. and global financial markets have improved substantially since the financial crisis credit markets have continued to experience periods of disruption and inconsistency 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. Concerns about the European Union ("EU"), including Britain's June 2016 referendum to exit the EU ("Brexit"), and the stability of the EU's sovereign debt, have caused uncertainty and disruption for financial markets globally. The ultimate outcome of the Brexit and the EU's financial support program, as well as 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, 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 may have an adverse impact on our industry.

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. In particular, we may face the following risks in connection with challenging market conditions:

- 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. Any significant losses on such loans 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 negatively 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.
- As discussed further below, shifts in prevailing interest rates and the value of domestic and foreign currencies may have an adverse effect on our earnings and capital and our ability to engage in lending activities. Moreover, prolonged periods of low prevailing interest rates may negatively impact our net interest margins, which may affect the profitability of our loan products and the Bank as a whole.

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 affected significantly 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. Interest rates have begun to move above their recent historical lows. Since December 2016, the Federal Reserve has raised its benchmark interest rate four times with an increase of a quarter of a percentage point each time. 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 including internet services, cryptocurrencies and payment systems. In addition to improving the ability to serve clients, the effective use of technology increases efficiency and enables financial institutions to reduce long-term costs. These technological advancements also have made it possible for

non-financial institutions, such as so-called “fintech companies” and marketplace lenders, to offer products and services that have traditionally been offered by financial institutions. Federal and state banking agencies continue to deliberate over the regulatory treatment of fintech companies, including whether the agencies are authorized to grant charters or licenses to such companies and whether it would be appropriate to do so in consideration of several regulatory and economic factors. 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. New technologies could require us to spend more to modify or adopt our products to attract and retain clients or to match products and services offered by our competitors, including fintech companies. Because many of our competitors have substantially greater resources to invest in technological improvements than we do, or, at present, operate in a less-burdensome regulatory environment, 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. Although the Dodd-Frank Act limited the ability of the federal government to provide emergency assistance to individual financial institutions, it is possible that the federal government could take certain steps to intervene in the banking industry in order to stabilize the financial system in the event of future disruptions. The federal government’s past actions have effected the competitive landscape in certain respects. For example, clients may view some of our competitors as being “too big to fail,” meaning that such competitors may thereby benefit from an implicit U.S. government guarantee beyond that provided to banks generally. Any such intervention, or the perception of the possibility of 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, at present, subject to regulatory capital limits or bank supervision, have become active competitors. In December 2016, the OCC announced that it would explore the possibility of using its chartering authority to grant certain fintech companies a special purpose national bank charter. The OCC has yet to adopt an official position on the use of its chartering authority for this purpose; however, if such a charter is eventually granted to fintech companies and used as a basis upon which to offer competing services, this 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 approximately 99% of our portfolio of investment securities was rated investment grade as of December 31, 2017, 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. Shifts in market conditions may create dislocations in the market for bank-collateralized pooled trust preferred securities and may limit other securities that we hold. Adverse market conditions that include bank failures could result in a significant decline in the fair value of these securities. We have in the past, and 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 significant decline in the underlying New York City taxi medallion collateral value. Continued adverse conditions could result in a further decline in the fair value of these medallions. We have in the past, and 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 may 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, and (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. Home values have declined significantly prior to and in the aftermath of the financial crisis. Although home prices have stabilized in many housing markets in recent years, 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, the residential mortgage market in the United States may experience a variety of difficulties related to changing economic conditions, including an increase in unemployment and under-employment rates, heightened defaults, credit losses and liquidity concerns. Historically, these disruptions have adversely affected the performance and fair value of many of the types of financial instruments in which we invest and similar future conditions may produce the same impact. 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 during the credit-crisis. In the aftermath of the financial crisis, the Federal Reserve took certain actions in an effort to ameliorate market conditions; however, its ability to do so in the future may be limited by political, economic and legal factors and any such efforts may be ineffective. While the housing market has stabilized and economic conditions improved, 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. In recent years, Fannie Mae and Freddie Mac were able to overcome the market disruptions of the economic crisis and have been profitable since 2013. However, 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. 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.

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, 2017, 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 acquisition, development and construction). Commercial loans generally involve a higher degree of credit risk than residential mortgage loans do, 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 increased competition from Transportation Network Companies within the taxi industry and the significant decline in the underlying New York City taxi medallion collateral value in 2017 caused

substantial doubt on the collectability of these loans. As a result, we placed the entire taxi medallion portfolio on nonaccrual and recorded \$276.4 million in write downs in 2017, primarily related to New York City taxi medallions. Our taxi medallion exposure reduced to \$309.9 million (or 4.86% of our commercial and industrial loans) as of December 31, 2017, compared to \$627.4 million (or 11.5%) at the end of the prior year. In 2017, we restructured \$188.4 million of these loans (or 60.8% of our total outstanding balance) as of December 31, 2017; we may need to restructure additional taxi medallion loans in 2018 if market conditions deteriorate. 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 and the real estate market of the New York metropolitan area may have a material adverse effect on our business.

As of December 31, 2017, approximately 82% of the collateral for the loans in our portfolio consisted of real estate. Substantially all of the collateral 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.

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 depository institutions that suffered significant losses during the economic crisis. While the issuers of our trust preferred securities have stabilized and recapitalized, should the economy weaken, credit risk may affect the value of our holdings, as 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 \$4.20 billion at December 31, 2017. 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, 2017, we held \$227.9 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 (as amended) 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 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, 2017, \$843.6 million, or 2.5% of our total deposit account balances consisted of brokered deposits, an increase of \$229.5 million or 37.4% when compared to \$614.1 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. Although we maintain contingency plans for the transitioning of outsourced activities to other third parties, 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, even if temporary, 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. In June 2017, the FDIC adopted supervisory guidance on model risk management which builds upon previously-issued risk management guidance and requires us to, among other things, validate third-party vendors and products in a manner consistent with FDIC supervisory expectations and our internal risk management protocols. 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 enhanced supervisory scrutiny or enforcement actions. These regulatory changes or enforcement actions could result in additional costs and 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 implemented and intend to continue to implement and enhance security technology and establish operational procedures to prevent such damage, there can be no assurance that these security measures will be successful in deterring or mitigating the effects of every cyber-threat that we face. 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 and result in the incurrence of significant costs, including those related to forensic analysis and legal counsel, each of which may be required to ascertain the extent of any potential harm to our customers or damage to our information systems and any legal or regulatory obligations that may result therefrom. The occurrence of a cyber-threat may therefore 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.

We are subject to laws regarding the privacy, information security and protection of personal information and any violation of these laws or an incident involving personal, confidential or proprietary information of individuals could damage our reputation and otherwise adversely affect our operations and financial condition.

Our business requires the collection and retention of large volumes of customer data, including personally identifiable information in various information systems that we maintain and in those maintained by third parties with whom we contract to provide data services. We also collect data regarding our employees, suppliers and other third-parties. We are subject to complex and evolving laws and regulations governing the privacy and protection of personal information of individuals (including customers, employees, suppliers and other third parties). For example, our business is subject to laws and regulations which, among other things: (i) impose certain limitations on our ability to share nonpublic personal information about our customers with nonaffiliated third parties; (ii) require that we provide certain disclosures to customers about our information collection, sharing and security practices and afford customers the right to “opt out” of any information sharing by us with nonaffiliated third parties (with certain exceptions); and (iii) require that we develop, implement and maintain a written comprehensive information security program containing appropriate safeguards based on our size and complexity, the nature and scope of our activities, and the sensitivity of customer information we process, as well as plans for

responding to data security breaches. Various state and federal banking regulators and states including the Department of Financial Services in New York, have also enacted data security breach notification requirements with varying levels of individual, consumer, regulatory or law enforcement notification in certain circumstances in the event of a security breach. Ensuring that our collection, use, transfer and storage of personal information complies with all applicable laws and regulations can increase our costs. Furthermore, we may not be able to ensure that all of our customers, suppliers, counterparties and other third parties have appropriate controls in place to protect the confidentiality of the information that they exchange with us, particularly where such information is transmitted by electronic means. If personal, confidential or proprietary information of customers or others were to be mishandled or misused, we could be exposed to litigation or regulatory sanctions under personal information laws and regulations. Concerns regarding the effectiveness of our measures to safeguard personal information, or even the perception that such measures are inadequate, could cause us to lose customers or potential customers for our products and services and thereby reduce our revenues. Accordingly, any failure or perceived failure to comply with applicable privacy or data protection laws and regulations may subject us to inquiries, examinations and investigations that could result in requirements to modify or cease certain operations or practices or in significant liabilities, fines or penalties, and could damage our reputation and otherwise adversely affect our operations and financial condition. Moreover, compliance with applicable regulations and mandates could add significantly to our operating expenses.

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 cash dividends. Furthermore, our ability to pay cash dividends is restricted.

We have not paid any cash dividends on our common stock to date. However, with the expected savings from the recently enacted Tax Cuts and Jobs Act of 2017, we may consider paying cash dividends on our common stock in the near future. However, we still intend to retain earnings to finance operations and the expansion of our business. Any return on your investment in our common stock must currently come from an increase in its market price, however, it could also come from cash dividends if we decide to declare a dividend in the future.

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 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 \$260.0 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. 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 depend upon the accuracy and completeness of information about clients and other third parties and 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

whether to extend credit or enter into other transactions with clients, as well as the terms of the credit. 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.

If the credit is extended to a business, we may 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. 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. In addition, 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.

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. Although we may employ certain mitigating tactics that could limit the extent of our loss exposure, we are nevertheless subject to the risks that are 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 Tax Cuts and Jobs Act of 2017, the full impact of which is subject to further evaluation and analysis, is likely to have both positive and negative effects on our financial performance. For example, we anticipate a reduction in our net corporate tax rate of 10%, which will have a favorable impact on our earnings and capital generation abilities. However, newly-enacted limitations on certain deductions, such as the deductions of FDIC deposit insurance premiums and performance-based compensation, will offset, in part, any increase in net earnings. The impact of the Tax Cuts and Jobs Act may differ from this amount, possibly materially, due to changes in interpretations or in assumptions that we have made, guidance or regulations that may be promulgated, and other actions that we may take as a result of the Tax Cuts and Jobs Act. Similarly, the Bank's customers are likely to experience varying effects from both the individual and business tax provisions of the Tax Cuts and Jobs Act and such effects, whether positive or negative, may have a corresponding impact on our business.

The Financial Accounting Standards Board's recently issued 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 the SEC change accounting regulations and reporting standards that govern our preparation of financial statements, and bank regulators often provide supervisory views and guidance 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.

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.

Signature Bank is subject to new and revised regulatory risk-based capital rules imposed by the FDIC. The FDIC's 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 a final rule on deposit insurance assessment rates for large and small insured depository institutions, which took effect on June 30, 2016. The final rule imposes 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 increased our deposit insurance assessments by \$5.7 million in 2017 compared 2016. 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 DFS, the Federal Reserve, the CFPB, the SEC and FINRA. In addition, we may be subject to inquiries or investigations conducted by the U.S. Department of Justice or State Attorneys General, either in connection with referrals made by our regulators or on an independent basis. 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 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 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, made extensive changes to the laws regulating financial services firms. The Dodd-Frank Act also required 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 held certain securities in our available-for-sale investment portfolio that did not meet Volcker Rule exemptive criteria for continued ownership, i.e., Covered Funds. These Covered Funds securities were predominantly collateralized mortgage obligations. We have divested ourselves of all of these securities, with the exception of a single security valued at less than \$20,000 as of December 31, 2017, that is expected to pay down in the first quarter of 2018. If the final position does not payoff by the end of the first quarter, the Bank will write-off the remaining balance. Several provisions of the Dodd-Frank Act may be reformed or repealed by Congress in 2018; however, the prospects for such activity remain uncertain due to the existence of competing legislative priorities and other economic and political factors. See “Risk Factors- Regulation and Supervision –Future Legislation and Regulation.”

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 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, which is currently at \$43.12 billion as of December 31, 2017. 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.

The President, senior members of the Administration, and senior members of Congress have advocated for substantial changes to the Dodd-Frank Act and other federal banking laws and regulations. Moreover, the federal banking agencies are presently experiencing leadership changes which could impact the supervision, enforcement and policies of such agencies. In 2017, Congress confirmed a new Comptroller of the Currency and a new Vice Chairman for Supervision at the Federal Reserve, the President nominated a new Chairman of the Federal Reserve and a new Chairman of the FDIC, and the Director of the CFPB resigned and was replaced by an interim Director. In addition, the senior staffs of these agencies have experienced significant turnover as a result of the change in the Administration. Consistent with the views of the Administration and Congress, certain members of the new leadership group described above have advocated for a reduction in financial services regulation, supervision and enforcement. As a result, certain new regulatory initiatives may be delayed or suspended and existing regulations may be re-evaluated. At this time, the full impact of these and other pending leadership changes, as well as the potential impact to financial services regulation to result from such changes, is uncertain.

It is difficult to predict the impact that any legislative or regulatory changes will have on our clients, competitors and on the financial services industry as a whole. In addition, although certain effects of the Tax Cuts and Jobs Act of 2017 are known, the full impact of the legislation is subject to further evaluation and analysis. 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, 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. See "Risk Factors-Regulation and Supervision—Future Legislation and Regulation."

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, 2017, \$11.31 billion, or 33.8%, 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
Representative Offices	
Manhattan	1
Brooklyn	1
San Francisco, CA	1
Bank and Brokerage Operations and Support	
Manhattan	2
Long Island	1
SBA & Institutional Trading	
Houston, TX	1
Signature Financial	
Bethel, CT	1
El Dorado Hills, CA	1
Littleton, CO	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

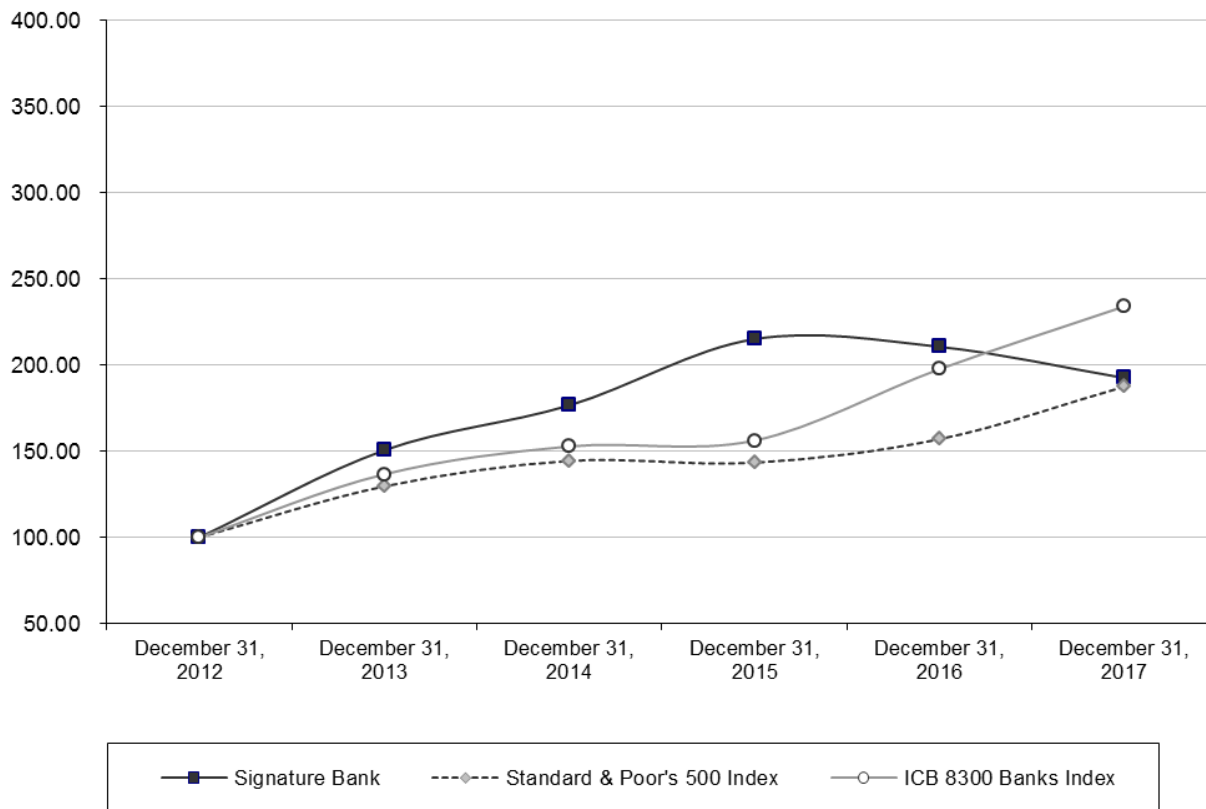
Our common stock is listed on the NASDAQ Global Select Market under the symbol "SBNY." As of December 31, 2017, 54,979,213 shares of our common stock were issued and 54,977,971 shares were outstanding. The following table lists, on a quarterly basis, the range of high and low intra-day sale prices per share of our common stock in U.S. dollars:

	Common Stock	
	High	Low
2017		
Fourth quarter	\$ 140.68	121.75
Third quarter	146.80	116.68
Second quarter	156.37	135.01
First quarter	164.23	138.70
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

On December 29, 2017, the last reported sale price of our common stock was \$137.26 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, 2012. The performance of our common stock reflected below is not indicative of our future performance.

	December 31, 2012	December 31, 2013	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017
Signature Bank	100.00	150.57	176.56	214.98	210.54	192.40
Standard & Poor's 500 Index	100.00	129.60	144.36	143.31	156.98	187.47
ICB 8300 Banks Index	100.00	136.62	152.78	156.15	197.60	233.94

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. Because of the expected savings from the recently enacted Tax Cuts and Jobs Act of 2017, we may consider paying cash dividends on our common stock in the near future. Any future determination to pay dividends will be at the discretion of our Board of Directors and will be dependent upon then existing conditions, including our financial condition and results of operations, capital requirements, contractual restrictions, business prospects and other factors that the Board of Directors considers relevant.

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

ITEM 6. SELECTED FINANCIAL DATA

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

<i>(dollars in thousands, except per share amounts)</i>	<i>At or for the years ended December 31,</i>				
	2017	2016	2015	2014	2013
SELECTED OPERATING DATA					
Interest income	\$ 1,470,169	1,317,151	1,106,948	924,273	755,150
Interest expense	232,583	169,909	129,847	123,122	106,807
Net interest income before provision for loan and lease losses	1,237,586	1,147,242	977,101	801,151	648,343
Provision for loan and lease losses	263,297	155,774	44,914	31,110	41,643
Net interest income after provision for loan and lease losses	974,289	991,468	932,187	770,041	606,700
Non-interest income:					
Net impairment losses on securities recognized in earnings	(633)	(427)	(963)	(1,724)	(6,149)
Total non-interest income	36,041	42,750	37,104	34,982	32,011
Non-interest expense	435,066	376,771	341,214	293,244	247,177
Income before income taxes	575,264	657,447	628,077	511,779	391,534
Income tax expense	188,055	261,123	255,012	215,075	162,790
Net income	\$ 387,209	396,324	373,065	296,704	228,744
PER COMMON SHARE DATA					
Earnings per share - basic	\$ 7.17	7.42	7.35	6.05	4.84
Earnings per share - diluted	\$ 7.12	7.37	7.27	5.95	4.76
BALANCE SHEET DATA					
Total assets	\$ 43,117,720	39,047,611	33,450,545	27,318,640	22,376,663
Securities available-for-sale	6,953,719	6,335,347	6,240,761	6,073,459	5,632,233
Securities held-to-maturity	1,996,376	2,038,125	2,133,144	2,208,551	2,175,844
Loans held for sale	432,277	559,528	456,358	548,297	420,759
Loans and leases, net	32,416,580	28,829,670	23,597,541	17,693,316	13,384,400
Allowance for loan and lease losses	195,959	213,495	195,023	164,392	135,071
Deposits	33,439,827	31,861,260	26,773,923	22,620,275	17,057,097
Borrowings	5,242,381	3,200,488	3,537,163	2,050,163	3,370,313
Shareholders' equity	4,031,691	3,612,264	2,891,834	2,496,238	1,799,939

(Continued on the next page)

At or for the years ended December 31,

(dollars in thousands, except per share amounts)

	2017	2016	2015	2014	2013
OTHER DATA					
Assets under management	\$ 3,607,453	\$ 3,354,085	\$ 5,207,906	\$ 3,566,595	\$ 2,240,723
Average interest-earning assets	\$ 40,174,810	\$ 36,004,958	\$ 29,962,220	\$ 24,340,755	\$ 19,324,652
Full-time employee equivalents	1,305	1,218	1,122	1,010	945
Private client offices	30	30	29	28	27
SELECTED FINANCIAL RATIOS					
Performance Ratios:					
Return on average assets	0.95%	1.09%	1.23%	1.20%	1.16%
Return on average shareholders' equity	10.13%	12.19%	13.85%	13.81%	13.26%
Yield on average interest-earning assets	3.66%	3.66%	3.69%	3.80%	3.91%
Yield on average interest-earning assets, tax-equivalent basis (1)	3.67%	3.66%	3.69%	3.80%	3.91%
Average rate on deposits and borrowings	0.64%	0.52%	0.47%	0.55%	0.60%
Net interest margin	3.08%	3.19%	3.26%	3.29%	3.36%
Net interest margin, tax-equivalent basis (1)	3.09%	3.19%	3.26%	3.29%	3.36%
Efficiency ratio (2)	34.16%	31.66%	33.64%	35.07%	36.33%
Asset Quality Ratios:					
Net charge-offs to average loans	0.92%	0.52%	0.07%	0.01%	0.12%
ALLL to total loans	0.60%	0.74%	0.82%	0.92%	1.00%
ALLL to non-accrual loans	59.94%	135.49%	271.22%	782.52%	430.96%
Non-accrual loans to total loans	1.00%	0.54%	0.30%	0.12%	0.23%
Non-performing assets to total assets	0.83%	0.46%	0.22%	0.08%	0.16%
Capital and Liquidity Ratios:					
Tier 1 Leverage Capital Ratio	9.72%	9.61%	8.87%	9.25%	8.54%
Common Equity Tier 1 Risk-Based Capital Ratio (3)	11.99%	11.92%	11.33%	-	-
Tier 1 Risk-Based Capital Ratio	11.99%	11.92%	11.33%	13.49%	14.07%
Total Risk-Based Capital Ratio	13.32%	13.46%	12.10%	14.39%	15.10%
Average equity to average assets	9.38%	8.93%	8.88%	8.69%	8.76%
Average tangible equity to average tangible assets (4)	9.31%	8.88%	8.88%	8.69%	8.76%
Per common share data:					
Number of weighted average common shares outstanding	54,001	53,406	50,739	49,066	47,267
Book value per common share	\$ 73.33	\$ 66.15	\$ 56.81	\$ 49.61	\$ 38.06

- (1) 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.
- (2) The efficiency ratio is considered a non-GAAP financial 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.
- (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) 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.

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 \$43.12 billion in assets, \$33.44 billion in deposits, \$32.61 billion in loans, \$4.03 billion in equity capital and \$3.61 billion in other assets under management as of December 31, 2017.

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 34.2% for the year ended December 31, 2017.

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 520 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 with respect to the size and number of client relationships, and geographically within the New York metropolitan area, as well as in areas with significant client synergies (i.e., the West Coast), 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(d) and Note 2(g) for our accounting policies related to Valuation and Impairment of Investment Securities and the ALLL, respectively.

New Accounting Standards

See Note 2(s) 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, 2017 compared to the year ended December 31, 2016 and for the year ended December 31, 2016 compared to the year ended December 31, 2015.

Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

Net Income

Net income for the year ended December 31, 2017 was \$387.2 million, or \$7.12 diluted earnings per share, compared to \$396.3 million, or \$7.37 diluted earnings per share, for the year ended December 31, 2016. The decrease in net income was primarily driven by an increase in the provision for loan losses and non-interest expense, as well as a decrease in loan prepayment penalty income, partially offset by increased net interest income, fueled by strong deposit and loan growth. The returns on average shareholders' equity and average total assets for the year ended December 31, 2017 were 10.13% and 0.95%, compared to 12.19% and 1.09% for the year ended December 31, 2016.

<i>(in thousands)</i>	<i>Years ended December 31,</i>	
	2017	2016
Interest income	\$ 1,470,169	1,317,151
Interest expense	232,583	169,909
Net interest income before provision for loan and lease losses	1,237,586	1,147,242
Provision for loan and lease losses	263,297	155,774
Non-interest income:		
Net impairment losses on securities recognized in earnings	(633)	(427)
Total non-interest income	36,041	42,750
Non-interest expense	435,066	376,771
Income tax expense	188,055	261,123
Net income	\$ 387,209	396,324

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, 2017 and 2016:

	Years ended December 31,					
	2017			2016		
	Average Balance	Interest Income/ Expense	Average Yield/ Rate	Average Balance	Interest Income/ Expense	Average Yield/ Rate
<i>(dollars in thousands)</i>						
INTEREST-EARNING ASSETS						
Short-term investments	\$ 462,351	5,017	1.09%	493,646	2,456	0.50%
Investment securities	8,948,973	269,624	3.01%	8,695,632	267,406	3.08%
Commercial loans, mortgages and leases (1)(2)	30,299,144	1,184,911	3.91%	26,212,811	1,032,829	3.94%
Residential mortgages and consumer loans (1)	267,757	10,147	3.79%	297,478	11,235	3.78%
Loans held for sale	196,585	4,334	2.20%	305,391	4,572	1.50%
Total interest-earning assets	40,174,810	1,474,033	3.67%	36,004,958	1,318,498	3.66%
Non-interest-earning assets	578,233			410,764		
Total assets	\$ 40,753,043			36,415,722		
INTEREST-BEARING LIABILITIES						
Interest-bearing deposits						
NOW and interest-bearing demand	\$ 3,864,932	29,915	0.77%	3,591,984	16,573	0.46%
Money market	17,086,353	125,014	0.73%	15,399,825	94,294	0.61%
Time deposits	1,504,887	16,900	1.12%	1,286,775	12,418	0.97%
Non-interest-bearing demand deposits	10,702,062	-	-	9,469,240	-	-
Total deposits	33,158,234	171,829	0.52%	29,747,824	123,285	0.41%
Subordinated debt	256,953	14,535	5.66%	180,120	10,202	5.66%
Other borrowings	3,143,218	46,219	1.47%	2,781,305	36,422	1.31%
Total deposits and borrowings	36,558,405	232,583	0.64%	32,709,249	169,909	0.52%
Other non-interest-bearing liabilities and shareholders' equity						
	4,194,638			3,706,473		
Total liabilities and shareholders' equity	\$ 40,753,043			36,415,722		
OTHER DATA						
Net interest income / interest rate spread (2)		1,241,450	3.03%		1,148,589	3.14%
Tax-equivalent adjustment		(3,864)			(1,347)	
Net interest income, as reported		<u>1,237,586</u>			<u>1,147,242</u>	
Net interest margin			3.08%			3.19%
Tax-equivalent effect			0.01%			-
Net interest margin on a fully tax-equivalent basis (2)			3.09%			3.19%
Ratio of average interest-earnings assets to average interest-bearing liabilities			109.89%			110.08%

(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. The effect of nonperforming assets is included in the table below.

	<i>Year ended December 31, 2017 vs. 2016</i>		
<i>(in thousands)</i>	Change Due to Rate	Change Due to Volume	Total Change
INTEREST INCOME			
Short-term investments	\$ 2,717	(156)	2,561
Investment securities	(5,573)	7,791	2,218
Commercial loans, mortgages and leases (1)	(8,926)	161,008	152,082
Residential mortgages and consumer loans	34	(1,122)	(1,088)
Loans held for sale	1,391	(1,629)	(238)
Total interest income	(10,357)	165,892	155,535
INTEREST EXPENSE			
Interest-bearing deposits			
NOW and interest-bearing demand	12,083	1,259	13,342
Money market	20,393	10,327	30,720
Time deposits	2,377	2,105	4,482
Total interest-bearing deposits	34,853	13,691	48,544
Subordinated debt	(19)	4,352	4,333
Borrowings	5,058	4,739	9,797
Total interest expense	39,892	22,782	62,674
Net interest income	\$ (50,249)	143,110	92,861

(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, 2017 was \$1.24 billion, an increase of \$90.3 million, or 7.87%, over the year ended December 31, 2016. The increase in net interest income for 2017 was largely driven by increases in average interest-earning assets and average deposits, which increased \$4.17 billion and \$3.41 billion, respectively, compared to the previous year. However, this increase was offset by a 12 basis point increase in average cost of funds to 0.64% for the year ended 12/31/2017 compared to 0.52% in the prior year. The increase in net interest income is further offset by a reduction in prepayment penalty income, lower asset yields on our investment portfolio due to the flat yield curve and lower replacement rates, as well as the commercial loan yield impact of placing the entire taxi medallion portfolio on non-accrual in the second quarter of 2017. These same factors contributed to the ten basis point decline in net interest margin on a tax-equivalent basis to 3.09% for 2017, when compared to the prior year.

Total investment securities averaged \$8.95 billion for the year ended December 31, 2017, compared to \$8.70 billion for the year ended December 31, 2016. The overall yield on the securities portfolio for the year ended December 31, 2017 was 3.01%, lower when compared to the 3.08% of previous year due to the aforementioned flat yield curve and lower replacement rates. 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, 2017, the baseline average duration of our investment securities portfolio was approximately 3.28 years, compared to 3.71 years at December 31, 2016.

Total commercial loans, mortgages and leases averaged \$30.30 billion for the year ended December 31, 2017, an increase of \$4.09 billion or 15.6% over the year ended December 31, 2016. The average yield on this portfolio decreased three basis points to 3.91% when compared to the year ended December 31, 2016. The decrease in average yield is primarily driven by the impact of placing the entire tax medallion portfolio on non-accrual in the second quarter of 2017, along with a \$5.3 million decrease in prepayment penalty income when compared to the prior year. Prepayment penalty income was \$26.8 million for the year ended December 31, 2017, compared to \$32.1 million for the prior 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 \$196.6 million and \$305.4 million for the years ended December 31, 2017 and 2016, respectively.

Average total deposits and borrowings increased \$3.85 billion, or 11.8%, to \$36.56 billion during the year ended December 31, 2017, compared to \$32.71 billion for the previous year. Overall cost of funding was 0.64% during 2017, increasing 12 basis points from 0.52% in 2016, primarily due to the increase in market interest rates in 2017 and the full year impact of the April 2016 issuance of subordinated debt.

For the year ended December 31, 2017, average non-interest-bearing demand deposits were \$10.70 billion, compared to \$9.47 billion for the year ended December 31, 2016, an increase of \$1.23 billion, or 13.0%. Non-interest-bearing demand deposits continue to comprise a significant component of our deposit mix, representing 34.0% of all deposits at December 31, 2017. Additionally, average NOW and interest-bearing demand and money market accounts totaled \$20.95 billion for the year ended December 31, 2017, an increase of \$1.96 billion, or 10.3%, over the year ended December 31, 2016. 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 2017 rise in market interest rates, our funding cost for money market accounts increased to 0.73% for the year ended December 31, 2017 compared to 0.61% for the prior year. Our funding cost for NOW and interest-bearing demand accounts was 0.77% for the year ended December 31, 2017 compared to 0.46% for the year ended December 31, 2016.

Average time deposits, which are relatively short-term in nature, totaled \$1.50 billion for the year ended December 31, 2017 and carried an average cost of 1.12% in 2017, up 15 basis points from 0.97% in 2016. 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, 2017, average total borrowings were \$3.40 billion, compared to \$2.96 billion for the previous year, an increase of \$438.7 million, or 14.8%. The increase in average total borrowings, when compared to the previous year, reflects funding needs as a result of our continued loan growth. At December 31, 2017, total borrowings represent approximately 13.6% of all funding liabilities, compared to 9.1% at December 31, 2016. The average cost of our total borrowings was 1.79% for 2017, up 22 basis points from 1.57% in 2016. 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 \$263.3 million for the year ended December 31, 2017, compared to \$155.8 million for the prior year, an increase of \$107.5 million, or 69.0%. The increased provision was largely due to the increase in net charge-offs related to the NYC taxi medallion portfolio driven by a significant decline in the underlying collateral value during 2017. Additionally, all remaining taxi medallion loans were placed on nonaccrual in 2017 due to the heightened economic stress at an individual borrower level, which contributed to the increased provision. As of December 31, 2017, the NYC taxi medallion portfolio was written down to estimated fair value of \$312,000 per medallion, net of selling costs, and the Chicago taxi medallion portfolio was written down to \$46,000, net of selling costs. As a result, the Bank significantly reduced its net exposure to the taxi medallion portfolio to \$309.9 million at the end of 2017, of which, \$276.8 million and \$32.5 million were related to NYC and Chicago taxi medallions, respectively. This increase in provision was partially offset by the absence of 2016 charge-off activity related to the Chicago taxi medallion portfolio due to a significant decline in the underlying collateral value in the prior year, as well as the payment default of two of the Bank's largest relationships.

Our ALLL decreased \$17.5 million to \$196.0 million at December 31, 2017 from \$213.5 million at December 31, 2016. The decrease is primarily attributable to taxi medallion charge-offs during 2017 due to the placement of the entire portfolio on nonaccrual and a significant decline in collateral value, partially offset by an increase in reserves due to growth in the Bank's commercial real estate and commercial and industrial portfolios.

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,					
	2017			2016		
<i>(dollars in thousands)</i>	Loan Amount	Allowance Amount	Allowance as a % of Loan Amount	Loan Amount	Allowance Amount	Allowance as a % of Loan Amount
Mortgage loans:						
Multi-family residential property	\$ 14,512,051	82,554	0.57%	13,504,619	63,855	0.47%
Commercial property	8,902,027	53,283	0.60%	7,606,868	38,761	0.51%
1-4 family residential property	621,377	2,311	0.37%	529,228	2,107	0.40%
Home equity lines of credit	133,268	1,994	1.50%	148,094	3,182	2.15%
Acquisition, development and construction loans	2,018,901	15,844	0.78%	1,799,848	11,966	0.66%
Other loans:						
Commercial and industrial	6,070,217	39,837	0.66%	4,793,135	35,159	0.73%
New York City taxi medallions	276,800	-	0.00%	567,925	44,319	7.80%
Chicago taxi medallions	32,509	-	0.00%	55,216	12,152	22.01%
Philadelphia taxi medallions	585	-	0.00%	4,258	1,797	42.20%
Consumer	15,310	136	0.89%	10,268	197	1.92%
Total	\$ 32,583,045	195,959	0.60%	29,019,459	213,495	0.74%

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, 2017, non-interest income was \$36.0 million, a decrease of \$6.7 million, or 15.7%, when compared with 2016. The decrease in non-interest income was driven by a \$3.7 million decrease in net gains on sales of securities, which was due to the absence of a number of 2016 sales that resulted in gains as the Bank capitalized on current market conditions at the time. Further contributing to this decrease is a \$7.3 million increase in other losses from amortization of low income housing tax credit investments. This decrease was

partially offset by a \$2.5 million increase in net gains on sale of loans and a \$1.7 million increase in fees and service charges due to the Bank's continued growth.

Non-Interest Expense

Non-interest expense increased \$58.3 million, or 15.5%, to \$435.1 million for the year ended December 31, 2017 from \$376.8 million for the year ended December 31, 2016. This increase was mainly driven by a \$26.8 million increase in salaries and benefits mostly attributable to the addition of four 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 \$5.7 million rise in FDIC assessment fees driven by our deposit growth and a \$15.5 million increase in other general and administrative expenses, which was primarily attributable to a \$12.3 million increase in repossessed taxi medallion fair value adjustments. Further contributing to the increase is a \$2.4 million increase in professional fees associated with risk management and compliance related activities, a \$2.3 million increase in information technology fees due to additional client activity as a result of our growth, as well as a \$3.0 million increase in occupancy and equipment expenses resulting from the continued 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, 2017, our total unrecognized compensation cost related to unvested restricted shares was \$77.2 million, which is expected to be recognized over a weighted-average period of 1.83 years. During the years ended December 31, 2017 and 2016, we recognized compensation expense of \$46.4 million and \$41.7 million, respectively, for restricted shares. The total fair value of restricted shares that vested during the years ended December 31, 2017 and 2016 was \$59.5 million and \$58.5 million, respectively.

Income Taxes

We recognized income tax expense for the year ended December 31, 2017 of \$188.1 million reflecting an effective tax rate of 32.7%, compared to \$261.1 million for the year ended December 31, 2016 reflecting an effective tax rate of 39.7%.

The decrease in income tax expense for the year ended December 31, 2017, when compared to the previous year was primarily due to the decrease in pretax income during the year, as well as a \$15.1 million net tax benefit not previously recorded associated with the reduction from the NYC tax base of net interest income earned on qualified affordable housing and low income community related loans in accordance with legislation enacted in 2015 impacting the 2015 and 2016 tax years. For 2017, the net tax benefit related to qualified affordable housing and low income community related loans is approximately \$7.3 million. Current year income tax expense also includes a net tax benefit of \$2.0 million related to the impact of recently enacted Federal corporate tax reform primarily related to the revaluation of deferred tax assets and liabilities, partially offset by the tax reform impact on other comprehensive income ("OCI") as a result of a deferred tax asset remeasurement related to the net unrealized loss of our available-for-sale ("AFS") securities. Finally, income tax expense also includes a benefit of \$6.5 million related the vesting of stock-based compensation as a result of the 2017 adoption of the new stock-based compensation standard.

The newly issued ASU 2018-02, *Income Statement –Reporting Comprehensive Income (Topic 220)* provides entities an option to reclassify tax effects stranded in accumulated other comprehensive income as a result of the 2017 Tax Cuts and Jobs Act to retained earnings. Early adoption is permitted as of December 31, 2017, prior to the issuance of the related financial statements. The Company elected not to reclassify as of December 31, 2017. See Note 2(s) for additional information.

Considering the impacts of the recently enacted Federal corporate tax reform, the Bank anticipates its 2018 estimated effective tax rate to be approximately 27 percent.

Segment Results

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, 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:

	<i>Year ended December 31, 2017</i>			
<i>(in thousands)</i>	Commercial Banking	Specialty Finance	Eliminations (1)	Consolidated
Net interest income	\$ 1,159,208	78,378	-	1,237,586
Provision for (recovery of) loan and lease losses	44,283	219,014	-	263,297
Total non-interest income	31,486	4,579	(24)	36,041
Total non-interest expense	392,041	43,049	(24)	435,066
Income (loss) before income taxes	754,370	(179,106)	-	575,264
Total assets	\$ 43,388,741	4,063,495	(4,334,516)	43,117,720

(1) Eliminations related to intercompany funding

	<i>Year ended December 31, 2016</i>			
<i>(in thousands)</i>	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

Commercial Banking

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

<i>(in thousands)</i>	<i>Years ended December 31,</i>	
	2017	2016
Net interest income	\$ 1,159,208	1,065,872
Provision for (recovery of) loan and lease losses	44,283	(20,174)
Total non-interest income	31,486	39,293
Total non-interest expense	392,041	353,481
Income (loss) before income taxes	754,370	771,858
Total assets	\$ 43,388,741	39,081,992

Commercial Banking net interest income was \$1.16 billion for the year ended December 31, 2017, an increase of \$93.3 million, or 8.8%, when compared to \$1.07 billion in the prior year. This increase was primarily due to growth in average interest-earning assets, partially offset by an increase in average deposits, a reduction in prepayment penalty income, as well as lower asset yields on our investment portfolio due to the flat yield curve and lower replacement rates, as well as an increase in the funding cost of total deposits and borrowings as a result of an increase in market interest rates.

The provision for loan and lease losses increased \$64.5 million, or over 100%, to a \$44.3 million reserve build, compared to a \$20.2 million reserve release in the prior year. The increase was primarily due to the absence of the 2016 change in estimate related to the commercial real estate portfolio, which resulted in a reserve release of \$25.7 million, portfolio growth, as well as an increase in qualitative reserves primarily related to the economic conditions and the loan review qualitative factors. 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 \$392.0 million for the year ended December 31, 2017, an increase of \$38.5 million, or 10.9%, when compared to \$353.5 million in the prior year. The increase was primarily attributable to an increase in salaries and benefits expense due to the addition of new private client banking teams and an increase in compensation costs driven by the growth of our business. Further contributing is an increase in occupancy and equipment expense, information technology costs and FDIC assessment fees, which were also attributable to the continued growth of our business, as well as an increase in professional fees associated with risk management and compliance related activities.

The increase of \$4.31 billion in total assets, or 11.0%, from \$39.08 billion as of December 31, 2016 to \$43.39 billion as of December 31, 2017 was primarily attributable to growth in our commercial real estate and commercial and industrial loan portfolios.

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.

<i>(in thousands)</i>	<i>Years ended December 31,</i>	
	2017	2016
Net interest income	\$ 78,378	81,370
Provision for (recovery of) loan and lease losses	219,014	175,948
Total non-interest income	4,579	3,491
Total non-interest expense	43,049	23,324
Income (loss) before income taxes	(179,106)	(114,411)
Total assets	\$ 4,063,495	3,440,329

Specialty Finance net interest income was \$78.4 million for the year ended December 31, 2017, a decrease of \$3.0 million when compared to \$81.4 million in the prior year. The decrease is primarily attributable to the decline in interest income as a result of an increase in nonaccrual loans, primarily taxi medallion loans.

The provision for loan and lease losses increased \$43.1 million, or 24.5%, to \$219.0 million for the year ended December 31, 2017 from \$175.9 million for the year ended December 31, 2016. The increase was primarily attributable to charge-offs related to the NYC taxi medallion portfolio during 2017 as a result of the collateral value decline and an increase in nonaccrual loans during the current year, partially offset by the absence of the 2016 provision related to the Chicago taxi medallion 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 \$43.1 million for the year ended December 31, 2017, an increase of \$19.8 million, or 84.6%, when compared to \$23.3 million in the prior year. The increase was primarily attributable to repossessed NYC taxi medallion fair value adjustments of \$15.0 million for the year ended December 31, 2017.

The increase of \$623.2 million in total assets, or 18.1%, from \$3.44 billion as of December 31, 2016 to \$4.06 billion as of December 31, 2017 was primarily attributable to growth in our equipment leasing portfolios, partially offset by the reduction of taxi medallion balances due to charge-offs and the application of principal and interest payments to the related nonaccrual loan balances.

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.

<i>(in thousands)</i>	<i>Years ended December 31,</i>	
	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)	Balance	Income/	Yield/	Balance	Income/	Yield/
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		<u>1,147,242</u>			<u>977,101</u>	
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. The effect of nonperforming assets is included in the table below.

Year ended December 31,
2016 vs. 2015

<i>(in thousands)</i>	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:

	<i>December 31,</i>					
	<i>2016 (1)</i>			<i>2015 (1)</i>		
<i>(dollars in thousands)</i>	Loan Amount	Allowance Amount	Allowance as a % of Loan Amount	Loan Amount	Allowance Amount	Allowance as a % of Loan Amount
Mortgage loans:						
Multi-family residential property	\$ 13,504,619	63,855	0.47%	11,201,592	77,366	0.70%
Commercial property	7,606,868	38,761	0.51%	6,109,635	43,295	0.71%
1-4 family residential property	529,228	2,107	0.40%	533,416	3,573	0.67%
Home equity lines of credit	148,094	3,182	2.15%	163,191	4,931	3.02%
Acquisition, development and construction loans	1,799,847	11,966	0.66%	1,009,666	8,018	0.73%
Other loans:						
Commercial and industrial	4,793,135	35,159	0.73%	3,952,122	34,334	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	\$ 29,019,458	213,495	0.74%	23,773,035	195,023	0.82%

(1) Certain loans were reclassified from other categories and included with construction loans as acquisition, development and construction loans.

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 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:

<i>(in thousands)</i>	<i>Year ended December 31, 2016</i>			
	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

<i>(in thousands)</i>	<i>Year ended December 31, 2015</i>			
	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.

<i>(in thousands)</i>	<i>Years ended December 31,</i>	
	2016	2015
Net interest income	\$ 1,065,872	895,741
Provision for 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 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.

<i>(in thousands)</i>	<i>Years ended December 31,</i>	
	2016	2015
Net interest income	\$ 81,370	81,360
Provision for 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 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.

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, 2017, our total securities portfolio was \$8.95 billion and primarily consisted of mortgage-backed securities (“MBSs”) and collateralized mortgage obligations (“CMOs”) issued by U.S. Government agencies (\$528.4 million), government-sponsored enterprises (\$6.88 billion), and private issuers (\$402.7 million). As of December 31, 2017, 92.6% of our securities portfolio had a AAA credit rating, 96.9% had a credit rating of A or better, and 99.0% was rated investment grade or better. Overall, our securities portfolio had a weighted average duration of 3.28 years and a weighted average life of 4.89 years as of December 31, 2017. 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, 2017, the net unrealized loss on securities, net of tax effect, was \$68.9 million as reflected in accumulated other comprehensive loss, compared to a net unrealized loss of \$54.7 million at December 31, 2016. 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 and 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 previously 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 in investment vehicles that do not meet Volcker Rule exemptive criteria for continued ownership. We held certain securities in our available-for-sale investment portfolio that did not meet Volcker Rule exemptive criteria for continued ownership. These Covered Funds securities were predominantly collateralized mortgage obligations. We have divested ourselves of all of these securities, with the exception of a single security valued at less than \$20,000 as of December 31, 2017, that is expected to pay down in the first quarter of 2018. If the final position does not payoff by the end of the first quarter, the Bank will write-off the remaining balance. During the twelve months ended December 31, 2017, 15 Covered Fund securities were sold for a total loss of \$283,000, compared to two securities sold for a total gain of \$5,000 for the twelve months ended December 31, 2016.

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

<i>(in thousands)</i>	<i>December 31,</i>					
	<i>2017</i>		<i>2016</i>		<i>2015</i>	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
AVAILABLE-FOR-SALE						
U.S. Treasury securities	\$ 24,831	24,726	2,000	1,999	2,000	1,990
Residential mortgage-backed securities:						
U.S. Government Agency	32,260	32,282	14,443	14,893	19,515	20,163
Government-sponsored enterprises	1,505,352	1,494,890	1,352,441	1,350,423	1,385,222	1,404,696
Collateralized mortgage obligations:						
U.S. Government Agency	249,906	245,724	332,886	332,042	430,327	432,977
Government-sponsored enterprises	3,787,233	3,713,775	3,451,257	3,403,766	3,086,799	3,088,027
Private	401,343	399,684	389,722	383,798	430,091	425,110
Securities of U.S. states and political subdivisions:						
Municipal Bond - Taxable	7,506	7,550	8,556	8,349	9,915	9,835
Other debt securities:						
Commercial mortgage-backed securities	127,791	128,213	149,862	151,201	208,118	207,603
Single issuer trust preferred & corporate debt securities	398,157	400,823	403,668	402,888	384,585	387,500
Pooled trust preferred securities	21,159	18,356	25,315	17,084	25,408	18,497
Collateralized debt obligations	-	-	4,457	5,541	4,511	5,227
Other	474,691	466,636	250,689	242,696	229,475	223,628
Equity securities (1)	22,243	21,060	21,731	20,667	16,212	15,508
Total available-for-sale	\$ 7,052,472	6,953,719	6,407,027	6,335,347	6,232,178	6,240,761
HELD-TO-MATURITY						
Residential mortgage-backed securities:						
U.S. Government Agency	\$ 43,322	43,197	5,286	5,213	6,797	6,797
Government-sponsored enterprises	378,149	376,570	416,415	416,196	435,284	438,751
Collateralized mortgage obligations:						
U.S. Government Agency	207,027	203,631	248,699	246,943	297,252	298,456
Government-sponsored enterprises	1,297,857	1,284,875	1,295,413	1,284,240	1,322,331	1,320,660
Private	2,985	3,002	3,652	3,357	4,418	4,093
Other debt securities:						
Commercial mortgage-backed securities	17,916	18,206	17,994	18,739	18,051	19,036
Single issuer trust preferred & corporate debt securities	48,529	52,980	48,800	50,813	45,589	46,672
Other	591	626	1,866	1,892	3,422	3,448
Total held-to-maturity	\$ 1,996,376	1,983,087	2,038,125	2,027,393	2,133,144	2,137,913

(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, 2017:

Credit Rating	Percentage of Portfolio
AAA	92.58%
AA	1.08%
A	3.28%
BBB	2.07%
Below BBB	0.99%
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, 2017:

Interest Rate Shock	Estimated Fair Value Change
-100 basis points	2.68%
+100 basis points	(3.49%)
+200 basis points	(8.49%)
+300 basis points	(13.62%)
+400 basis points	(18.69%)

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, 2017. Due to prepayments of collateral underlying the securities, actual maturity may differ from contractual maturity.

<i>(dollars in thousands)</i>	Amortized Cost	Fair Value	Average Yield
Less than one year			
U.S. Treasury securities	\$ 11,847	11,833	1.50%
Mortgage-backed securities	151	151	6.00%
Collateralized mortgage obligations	339	340	5.20%
Other securities (1)	30,156	30,385	4.07%
Total	\$ 42,493	42,709	3.37%
One year to less than five years			
U.S. Treasury securities	\$ 12,984	12,893	1.54%
Mortgage-backed securities	94	99	5.29%
Collateralized mortgage obligations	2,096	2,090	2.63%
Other securities	240,643	243,860	3.22%
Total	\$ 255,817	258,942	3.13%
Five years to less than 10 years			
Mortgage-backed securities	\$ 4,489	4,603	3.37%
Collateralized mortgage obligations	157,068	157,193	3.11%
Other securities	240,339	241,412	3.40%
Total	\$ 401,896	403,208	3.29%
10 years and longer			
Mortgage-backed securities	\$ 1,954,349	1,942,086	2.88%
Collateralized mortgage obligations	5,786,848	5,691,068	2.77%
Securities of U.S. states and political subdivisions	7,506	7,550	3.25%
Other securities	577,696	570,183	3.52%
Total	\$ 8,326,399	8,210,887	2.85%
All maturities			
U.S. Treasury securities	\$ 24,831	24,726	1.52%
Mortgage-backed securities	1,959,083	1,946,939	2.89%
Collateralized mortgage obligations	5,946,351	5,850,691	2.78%
Securities of U.S. states and political subdivisions	7,506	7,550	3.25%
Other securities (1)	1,088,834	1,085,840	3.44%
Total	\$ 9,026,605	8,915,746	2.88%

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

Loan Portfolio

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

(dollars in thousands)	December 31,									
	2017		2016		2015		2014		2013	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Mortgage loans:										
Multi-family residential property	\$ 14,512,051	44.03%	13,504,619	45.74%	11,201,592	46.33%	8,380,473	45.73%	6,568,570	47.31%
Commercial property	8,902,027	27.00%	7,606,868	25.77%	6,109,635	25.27%	4,188,042	22.85%	3,074,869	22.15%
1-4 family residential property	621,377	1.88%	529,228	1.79%	533,416	2.21%	463,420	2.53%	346,795	2.50%
Home equity lines of credit	133,268	0.40%	148,094	0.50%	163,191	0.68%	160,890	0.88%	170,441	1.23%
Acquisition, development and construction loans	2,018,901	6.12%	1,799,848	6.10%	1,009,666	4.18%	428,668	2.34%	282,663	2.04%
Other loans:										
Commercial and industrial	6,380,111	19.35%	5,420,534	18.36%	4,745,821	19.63%	4,206,478	22.95%	3,053,139	21.99%
Commercial - SBA guaranteed portion	387,012	1.17%	502,240	1.70%	401,084	1.66%	486,750	2.66%	375,501	2.70%
Consumer	15,310	0.05%	10,268	0.04%	9,714	0.04%	10,245	0.06%	11,479	0.08%
Sub-total / Total	32,970,057	100.00%	29,521,699	100.00%	24,174,119	100.00%	18,324,966	100.00%	13,883,457	100.00%
Premiums, deferred fees and costs	74,759		80,994		74,803		81,039		56,773	
Total	\$ 33,044,816		29,602,693		24,248,922		18,406,005		13,940,230	

Total loans increased by \$3.44 billion to \$33.04 billion at December 31, 2017 from \$29.60 billion at December 31, 2016. Our total loan-to-deposit ratio, excluding loans held for sale, increased to 97.5% at December 31, 2017 from 91.2% at December 31, 2016.

Beginning in 2017, to better align with recent regulatory guidance, the Bank began using the acquisition, development and construction caption. Historically, only construction loans were reported within this line. The Bank reviewed its loan portfolio in 2017 to identify acquisition and development loans. Therefore, certain loans were reclassified from other categories and included with construction loans as acquisition, development and construction loans. These loans were also reclassified in the prior periods. The amounts reclassified were \$1.31 billion, \$933.7 million, \$363.8 million, and \$157.3 million as of December 31, 2016, 2015, 2014, and 2013, respectively.

Additionally, 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, and \$519.3 million as of December 31, 2015, 2014, and 2013, 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, 2017, 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 1.1% of outstanding loan balances. Our fully unsecured loan portfolio represented 1.2% of our total outstanding loan portfolio at December 31, 2017. 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:

<i>(in thousands)</i>	<i>Pass</i> Rating 1-6	<i>Special Mention</i> Rating 7	<i>Substandard</i> Rating 8	<i>Doubtful</i> Rating 9	Non-rated	Total
December 31, 2017						
Commercial loans secured by real estate:						
Multi-family residential property	\$ 14,402,185	109,866	-	-	-	14,512,051
Commercial property	8,850,017	20,246	31,764	-	-	8,902,027
1-4 family residential property	510,381	6,036	-	-	-	516,417
Acquisition, development and construction loans	1,851,333	136,168	31,400	-	-	2,018,901
Commercial and industrial loans:						
Taxi medallions	-	-	309,894	-	-	309,894
Other commercial and industrial	5,873,181	90,594	46,045	32	60,365	6,070,217
Total commercial loans	\$ 31,487,097	362,910	419,103	32	60,365	32,329,507
December 31, 2016						
Commercial loans secured by real estate:						
Multi-family residential property	\$ 13,377,036	123,510	3,113	-	-	13,503,659
Commercial property	7,575,633	1,040	30,195	-	-	7,606,868
1-4 family residential property	409,738	-	-	-	43	409,781
Acquisition, development and construction loans	1,756,642	18,206	25,000	-	-	1,799,848
Commercial and industrial loans:						
Taxi medallions	379,536	57,873	207,108	-	-	644,517
Other commercial and industrial	4,645,205	29,094	53,526	153	48,039	4,776,017
Total commercial loans	\$ 28,143,790	229,723	318,942	153	48,082	28,740,690

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 and home equity lines of credit, though we continue to service the existing portfolios. 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:

<i>(in thousands)</i>	Performing	Nonperforming	Total
December 31, 2017			
Residential mortgages	\$ 103,825	1,135	104,960
Home equity lines of credit	129,376	3,892	133,268
Other consumer loans	15,310	-	15,310
Total consumer loans	\$ 248,511	5,027	253,538
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

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

<i>(in thousands)</i>	<i>As of December 31, 2017</i>			Total
	Within One Year	One to Five Years	After Five Years	
Loan Type				
Commercial and industrial	\$ 1,608,742	3,395,322	1,376,047	6,380,111
Acquisition, development and construction loans	508,036	961,581	549,284	2,018,901
Total	\$ 2,116,778	4,356,903	1,925,331	8,399,012

The following table presents commercial and industrial loans and acquisition, development and construction loans at fixed and variable rates contractually maturing after December 31, 2018:

<i>(in thousands)</i>	<i>Maturing After December 31, 2018</i>		
	Fixed	Variable	Total
Loan Type			
Commercial and industrial	\$ 4,139,549	631,820	4,771,369
Acquisition, development and construction loans	1,355,401	155,464	1,510,865
Total	\$ 5,494,950	787,284	6,282,234

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. Additionally, other considerations are made in determining whether a loan

should be classified as nonaccrual, including whether the loan is to a borrower in an industry experiencing economic stress, whether the borrower is experiencing other issues such as inadequate cash-flow, or the nature of the underlying collateral and whether it is susceptible to deterioration in realizable value.

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:

<i>(dollars in thousands)</i>	<i>December 31,</i>				
	2017	2016	2015	2014	2013
Nonaccrual assets:					
Loans					
Taxi medallions	\$ 121,464	85,357	28,755	-	-
Other	13,297	15,086	17,651	13,843	21,414
Troubled debt restructured loans					
Taxi medallions	188,430	50,010	20,354	-	-
Other	3,727	7,125	5,145	7,165	9,928
Investment securities, at fair value	75	662	629	948	4,778
Other repossessed assets					
Taxi medallions	28,583	19,580	1,872	-	-
Other	250	53	454	245	800
Total nonperforming assets	\$ 355,826	177,873	74,860	22,201	36,920
Accruing troubled debt restructured loans	\$ 28,106	88,158	160,899	36,125	33,098
Accruing loans past due 90 days or more (1):					
Loans (2)	\$ 6,331	55,951	3,525	1,839	1,288
Loans held for sale (3)	\$ 37	795	2,436	1,407	1,151
Other taxi medallion loans 30-89 days past due maturity (4)	\$ -	24,564	4,939	-	-
Asset Quality Ratios:					
Total nonaccrual loans to total loans	1.00%	0.54%	0.30%	0.12%	0.23%
Total nonperforming assets to total assets	0.83%	0.46%	0.22%	0.08%	0.16%
ALLL to nonaccrual loans	59.94%	135.49%	271.22%	782.52%	430.96%

(1) See Note 7 for full delinquency status of our loan portfolio.

(2) Includes \$45.3 million of taxi medallion loans past due maturity of 90 days or more that were considered impaired as December 31, 2016. The balances in all other periods do not contain impaired loans.

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

(4) Considered impaired as of December 31, 2016.

Significant nonaccrual loans at December 31, 2017 consisted of \$309.9 million in loans secured by taxi medallions (commercial and industrial loans), comprised of 789 New York City related loans totaling \$276.8 million, 293 Chicago related loans totaling \$32.5 million and five Philadelphia related loans totaling \$585,000. During 2017, all remaining taxi medallion loans were placed on nonaccrual as a result of the significant decline in the underlying NYC taxi medallion collateral value. Due to the decline in collateral values, management determined the collectability of all amounts due to be doubtful and portions of loans uncollectable to the extent not covered by the underlying collateral value. Other significant nonaccrual loans include six commercial and industrial loans totaling \$6.2 million, three commercial real estate loans totaling \$3.4 million, and four home equity lines of credit totaling \$2.3 million. Each nonaccrual loan is being actively managed by the Bank, and the ALLL includes a specific allocation for each such loan, when appropriate.

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 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, 2017 consisted of one bank-collateralized pooled trust preferred security totaling \$75,000. This security is classified as nonperforming because of delinquent payments as a result of payment deferrals. 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, 2017, loans past due 90 days or more included 14 commercial and industrial loans totaling \$3.3 million, four loans secured by 1-4 family residential property totaling \$2.3 million, and one commercial real estate loan for \$559,000 that are well secured and in process of collection. At December 31, 2016, loans past due 90 days or more included three commercial and industrial loans totaling \$1.5 million that were well secured and in process of collection, nine taxi medallion loans totaling \$5.4 million for which we were 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 matured, continued to make monthly payments and were in the normal course of renewal. All taxi medallion loans that were past due maturity at December 31, 2016 with respect to their contractual maturity continued to pay and were reported as impaired. This included loans past due 90 days or more, as well as those 30 to 89 days past due. 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 were past due maturity, the difference between cash basis and accrual basis recognition is inconsequential.

The \$75.0 million increase in TDRs from \$145.3 million as of December 31, 2016 to \$220.3 million as of December 31, 2017, was primarily driven by the restructure of 393 NYC medallion loans totaling \$133.3 million, seven other commercial and industrial loans totaling \$3.8 million, one commercial real estate loan totaling \$6.4 million, one commercial loan secured by 1-4 family property totaling \$4.2 million, and two home equity lines of credit totaling \$373,000. This was partially offset by taxi medallion related charge-offs of \$44.6 million, the foreclosure of taxi medallions totaling \$3.7 million, and the full payoff of seven TDRs totaling \$9.5 million. The remainder of the activity relates to continued payment reductions.

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 TDRs 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, (iii) principal forgiveness or (iv) 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 TDRs and the related financial effects, see Note 8 to our Consolidated Financial Statements.

Our repossessed assets as of December 31, 2017 and December 31, 2016 totaled \$28.8 million and \$19.6 million, respectively. The increase was primarily driven by the repossession of taxi medallions with a fair value of \$27.1 million, partially offset by \$15.0 million in fair value adjustments related to repossessed taxi medallions and the transfer of repossessed taxi medallions to nonaccrual loans totaling \$3.1 million.

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, 2017, 2016, and 2015, our ALLL totaled \$196.0 million, \$213.5 million, and \$195.0 million, respectively, which represents 0.60%, 0.74%, and 0.82% 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, 2017, 2016, and 2015, we recorded provisions of \$263.3 million, \$155.8 million, and

\$44.9 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 increase in the provision for the year ended December 31, 2017, when compared to the prior year, was nearly all driven by the NYC taxi medallion portfolio as the related taxi medallion value declined significantly during 2017 resulting in impairment of the remainder of the portfolio, as all taxi medallion loans were placed on nonaccrual due to the heightened economic stress at an individual borrower level.

As a result of the decline in the underlying NYC taxi medallion collateral value and our ongoing assessment of the related distressed market, in mid-2017 the remaining taxi medallion portfolio was placed on nonaccrual. When evaluating the impact of the updated collateral value at that time, due to the decline in value, individual borrower loan-to-value (LTV) ratios increased significantly. For perspective, at a portfolio level prior to charge-off, the remaining accruing portfolio weighted average LTV was approximately 170% at the time of evaluation. As a result of individual borrower LTV ratios, management determined the collectability of all amounts due to be doubtful as the high individual LTV ratios suggest heightened economic stress for each individual borrower. As a result of the change in market conditions, all taxi medallion loans were placed on nonaccrual and charged down to collateral value as they were deemed uncollectible based on recent market activity. This, combined with the continued decline in the underlying NYC taxi medallion collateral value, resulted in an increase in the provision during 2017. The increase was partially offset by the absence of the 2016 provision related to the Chicago taxi medallion portfolio and its associated underlying collateral value decline and the impact on specific reserves and charge-offs.

As it relates to the underlying taxi medallion collateral value used in these calculations, due to distressed market conditions, management continues to employ a valuation methodology that leverages both a discounted cash flow model and market transactions. Both outputs are independently calculated and weighted together to derive the final medallion values used. See Note 8 for additional information.

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			Total
	Commercial Real Estate	1-4 Family Residential Property	Commercial & Industrial	Commercial	Residential Mortgages (1)	Consumer	
<i>(in thousands)</i>							
As of December 31, 2017							
ALLL:							
Individually evaluated for impairment	\$ -	-	3,960	37	2,139	-	6,136
Collectively evaluated for impairment	151,680	1,521	34,325	1,516	645	136	189,823
Recorded investment in loans:							
Individually evaluated for impairment	9,961	4,236	335,727	74	5,026	-	355,024
Collectively evaluated for impairment	25,423,018	512,181	5,984,019	60,291	233,202	15,310	32,228,021
As of December 31, 2016							
ALLL:							
Individually evaluated for impairment	\$ 24	-	34,695	101	3,382	2	38,204
Collectively evaluated for impairment	114,557	627	57,525	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	22,899,827	409,738	5,072,812	47,880	260,364	10,264	28,700,885

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:

<i>(dollars in thousands)</i>	December 31,									
	2017		2016		2015		2014		2013	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Mortgage Loans:										
Multi-family residential property	\$ 82,554	44.54%	63,855	46.54%	77,366	47.12%	61,398	46.98%	47,114	48.63%
Commercial property	53,283	27.32%	38,761	26.21%	43,295	25.70%	32,169	23.48%	27,392	22.76%
1-4 family residential property	2,311	1.91%	2,107	1.82%	3,573	2.24%	7,178	2.60%	3,600	2.57%
Home equity lines of credit	1,994	0.41%	3,182	0.51%	4,931	0.69%	3,522	0.90%	1,406	1.26%
Acquisition, development and construction	15,844	6.19%	11,966	6.20%	8,018	4.25%	3,358	2.40%	2,911	2.09%
Other loans:										
Commercial and industrial	39,837	18.63%	35,159	16.52%	34,334	16.62%	47,924	19.04%	49,128	18.45%
New York City tax medallions	-	0.85%	44,319	1.96%	14,536	2.60%	3,841	3.52%	1,907	2.89%
Chicago tax medallions	-	0.10%	12,152	0.19%	8,107	0.71%	4,502	0.98%	808	1.20%
Philadelphia tax medallions	-	0.00%	1,797	0.01%	522	0.03%	42	0.04%	37	0.06%
Consumer	136	0.05%	197	0.04%	341	0.04%	458	0.06%	768	0.08%
Total	\$ 195,959	100.00%	213,495	100.00%	195,023	100.00%	164,392	100.00%	135,071	100.00%

Summary of Loan Loss Experience

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

<i>(dollars in thousands)</i>	Years ended December 31,					
	2017	2016	2015	2014	2013	
Beginning balance - ALLL	\$ 213,495	195,023	164,392	135,071	107,433	
Charge-offs:						
Credit-rated commercial loans	(282,600)	(141,981)	(19,732)	(4,586)	(14,137)	
Non-rated commercial loans	(1,148)	(1,041)	(1,209)	(1,297)	(1,384)	
Residential mortgages	(571)	(151)	(1,103)	(1,597)	(753)	
Consumer loans	(218)	(195)	(186)	(380)	(407)	
Total charge-offs	(284,537)	(143,368)	(22,230)	(7,860)	(16,681)	
Recoveries:						
Credit-rated commercial loans	2,954	5,152	5,950	4,764	1,309	
Non-rated commercial loans	573	812	1,171	701	1,166	
Residential mortgages	76	21	656	460	33	
Consumer loans	101	81	170	146	168	
Total recoveries	3,704	6,066	7,947	6,071	2,676	
Net charge-offs	(280,833)	(137,302)	(14,283)	(1,789)	(14,005)	
Provision	263,297	155,774	44,914	31,110	41,643	
Ending balance - ALLL	\$ 195,959	213,495	195,023	164,392	135,071	
Ratios:						
ALLL to total loans		0.60%	0.74%	0.82%	0.92%	1.00%
Net charge-offs to average loans		0.92%	0.52%	0.07%	0.01%	0.12%

Our net charge-offs during 2017 increased to \$280.8 million compared to \$137.3 million for the prior year. Significant charge-offs during 2017 consisted of 1,081 tax medallion loans totaling \$276.4 million with \$252.3 million related to the NYC tax medallion portfolio and \$20.9 million related to the Chicago tax medallion portfolio.

Net Deferred Tax Liability

At December 31, 2017, we had a net deferred tax liability of \$2.0 million. The following table presents the components of our net deferred tax liability as of the dates indicated:

<i>(in thousands)</i>	<i>December 31,</i>	
	2017	2016
DEFERRED TAX ASSETS		
Allowance for loan and lease losses	\$ 56,587	88,541
Income on leased assets	57,253	55,038
Write-down for other-than-temporary impairment of securities	3,763	11,605
Unearned compensation - restricted stock	10,917	14,621
Non-accrual interest	670	923
Other	6,952	3,417
Total deferred tax assets recognized in earnings	136,142	174,145
Net unrealized losses on securities available-for-sale	29,275	29,727
Net unrealized losses on securities transferred to held-to-maturity	5,440	9,042
Total deferred tax assets	170,857	212,914
DEFERRED TAX LIABILITIES		
Depreciation - leased assets	136,581	138,244
Prepaid expenses	755	1,098
Deferred income	23,967	-
Other	11,535	13,372
Total deferred tax liabilities	172,838	152,714
Net deferred tax (liability) asset	\$ (1,981)	60,200

In accordance with GAAP, as of December 31, 2017, we revalued our federal deferred tax assets and liabilities in consideration of the Tax Cuts and Jobs Act of 2017. The revaluation resulted in a \$2.0 million decrease to our net deferred tax liability. For more information, refer to the income taxes discussion in Results of Operations for the year ended December 31, 2017, as well as Note 15.

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 exclude time deposits and brokered deposits, increased \$1.31 billion to \$31.64 billion as of December 31, 2017 from \$30.32 billion as of December 31, 2016. 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:

<i>(dollars in thousands)</i>	<i>December 31,</i>			
	<i>2017</i>		<i>2016</i>	
	Amount	Percentage	Amount	Percentage
Personal demand deposit accounts (1)	\$ 908,543	2.72%	826,382	2.59%
Business demand deposit accounts (1)	10,399,871	31.10%	9,642,408	30.26%
Brokered demand deposit accounts (1)	44,624	0.13%	51,739	0.16%
Rent security	231,192	0.69%	199,243	0.63%
Personal NOW	56,748	0.17%	51,167	0.16%
Business NOW	3,598,951	10.76%	3,857,269	12.11%
Personal money market accounts	4,091,155	12.23%	4,073,418	12.78%
Business money market accounts	12,353,360	36.95%	11,677,906	36.66%
Brokered money market accounts	175,028	0.52%	137,871	0.43%
Personal time deposits	274,165	0.82%	298,742	0.94%
Business time deposits	682,253	2.04%	620,607	1.95%
Brokered time deposits	623,937	1.87%	424,508	1.33%
Total	\$ 33,439,827	100.00%	31,861,260	100.00%
Demand deposit accounts (1)	\$ 11,308,414	33.82%	10,468,790	32.85%
NOW	3,655,699	10.93%	3,908,436	12.27%
Money market accounts	16,675,707	49.87%	15,950,567	50.07%
Time deposits	956,418	2.86%	919,349	2.89%
Brokered deposits (2)	843,589	2.52%	614,118	1.92%
Total	\$ 33,439,827	100.00%	31,861,260	100.00%
Personal	\$ 5,330,611	15.94%	5,249,709	16.47%
Business	27,265,627	81.54%	25,997,433	81.61%
Brokered deposits (2)	843,589	2.52%	614,118	1.92%
Total	\$ 33,439,827	100.00%	31,861,260	100.00%

(1) Non-interest bearing.

(2) Includes non-interest bearing deposits of \$44.6 million and \$51.7 million as of December 31, 2017 and December 31, 2016, respectively.

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

<i>(dollars in thousands)</i>	<i>Years ended December 31,</i>			
	<i>2017</i>		<i>2016</i>	
	Average Balance	Average Rate	Average Balance	Average Rate
NOW and interest-bearing demand	\$ 3,864,932	0.77%	3,591,984	0.46%
Money market	17,086,353	0.73%	15,399,825	0.61%
Time deposits	1,504,887	1.12%	1,286,775	0.97%
Non-interest-bearing demand deposits	10,702,062	-	9,469,240	-
Total deposits	\$ 33,158,234	0.52%	29,747,824	0.41%

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

<i>(in thousands)</i>	December 31, 2017	
Three months or less	\$	726,348
Over three months through six months		258,229
Over six months through one year		388,074
Over one year		106,943
Total (1)	\$	1,479,594

(1) Includes brokered time deposits of \$592.1 million.

Borrowings

The following table presents information regarding our borrowings:

<i>(dollars in thousands)</i>	<i>At or for the year ended December 31,</i>					
	<i>2017</i>		<i>2016</i>		<i>2015</i>	
	Amount	Weighted Average Rate	Amount	Weighted Average Rate	Amount	Weighted Average Rate
Federal Home Loan Bank advances	\$ 4,195,000	1.65%	1,975,900	1.17%	2,270,163	0.93%
Federal Home Loan Bank repurchase agreements	-	0.00%	75,000	1.98%	450,000	1.11%
Repurchase agreements	75,000	2.34%	350,000	2.76%	420,000	2.63%
Federal funds purchased	715,000	1.58%	543,000	0.79%	397,000	0.54%
Subordinated debt (1)	260,000	5.30%	260,000	5.30%	-	0.00%
Total borrowings	\$ 5,245,000	1.83%	3,203,900	1.63%	3,537,163	1.11%
Maximum total outstanding at any month-end	\$ 5,245,000		3,722,000		3,537,163	
Average balance	\$ 3,400,171		2,961,425		2,109,763	
Average rate		1.79%		1.57%		1.28%

(1) Excludes \$2.6 million and \$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 as of December 31, 2017 and 2016, respectively.

At December 31, 2017, our borrowings were \$5.25 billion, or 13.6% of our funding liabilities, compared to \$3.20 billion, or 9.1% of our funding liabilities, at December 31, 2016. The increase in our borrowings, when compared to December 31, 2016, primarily reflects the use of \$2.14 billion in additional FHLB borrowings to assist in the funding of our strong loan growth in 2017. 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 \$227.9 million in Federal Home Loan Bank of New York ("FHLB") capital stock as required collateral for our outstanding borrowing position with the FHLB. Based on our financial condition, our asset size, the available capacity under our repurchase agreement lines and our FHLB line, and the amount of securities and loans available for pledging, we estimate our available consolidated capacity for additional borrowings to be approximately \$6.93 billion at December 31, 2017.

On April 19, 2016, the Bank issued \$260.0 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 \$2.6 million.

The following table presents the maturity or re-pricing of our borrowings at December 31, 2017:

<i>Maturity or repricing period (in thousands)</i>					
3 months or less	3 - 12 months	1 - 3 years	Over 3 years (1)	Total	
\$ 2,060,000	1,550,000	1,335,000	300,000	5,245,000	

(1) Excludes \$2.6 million of deferred issuance costs reported as a direct reduction to the subordinated debt carrying amount in the Consolidated Statements of Financial Condition.

Fair Value of Financial Instruments

Our AFS securities, which represent \$6.95 billion of the Bank's total assets at December 31, 2017, are carried at fair value. Held-for-sale loans totaling \$432.3 million at December 31, 2017, 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. This technique leverages observable inputs including quoted prices for similar assets, benchmark yield curves, and other market corroborated inputs. Most of our securities portfolio is priced using this method, and as such, these 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, 2017:

<i>(in thousands)</i>	<i>Payments due by period</i>				Total
	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years	
Borrowings (1)	\$ 3,610,000	1,335,000	40,000	260,000	5,245,000
Operating leases	23,579	48,128	43,271	103,282	218,260
Investments in qualified affordable housing projects	-	134,289	23,924	28,126	186,339
Information technology contract	12,822	25,300	9,186	-	47,308
Total contractual cash obligations	\$ 3,646,401	1,542,717	116,381	391,408	5,696,907

(1) Excludes \$2.6 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 \$260.0 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:

<i>(in thousands)</i>	<i>December 31,</i>	
	2017	2016
Unused commitments to extend credit	\$1,352,032	1,310,736
Financial standby letters of credit	497,581	376,660
Commercial and similar letters of credit	18,002	17,801
Other	1,559	1,482
Total	\$1,869,174	1,706,679

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 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 2017, the federal banking agencies adopted a final rule to extend the regulatory capital treatment applicable during 2017 under the capital rules for certain items, including regulatory capital deductions, risk weights, and certain minority interest limitations. The relief provided under the final rule applies to banking organizations that are not subject to the capital rules’ advanced approaches, such as our Bank. Specifically, the final rule extends the current regulatory capital treatment of mortgage servicing assets (“MSAs”), deferred tax assets (“DTAs”) arising from temporary differences that could not be realized through net operating loss carrybacks, significant investments in the capital of unconsolidated financial institutions in the form of common stock, non-significant investments in the capital of unconsolidated financial institutions, significant investments in the capital of unconsolidated financial institutions that are not in the form of common stock, and common equity tier 1 minority interest, tier 1 minority interest, and total capital minority interest exceeding the capital rules’ minority interest limitations.

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, 2017, 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, 2017:

	<i>Actual</i>		<i>Required for Capital Adequacy Purposes</i>		<i>Required to be Well Capitalized</i>	
	<i>Amount</i>	<i>Ratio</i>	<i>Amount</i>	<i>Ratio</i>	<i>Amount</i>	<i>Ratio</i>
<i>(dollars in thousands)</i>						
Total capital (to risk-weighted assets)	\$ 4,553,605	13.32%	2,735,682	8.00%	3,419,603	10.00%
Tier 1 capital (to risk-weighted assets)	4,099,327	11.99%	2,051,762	6.00%	2,735,682	8.00%
Common equity Tier 1 capital (to risk-weighted assets)	4,099,327	11.99%	1,538,821	4.50%	2,222,742	6.50%
Tier 1 leverage capital (to average assets)	4,099,327	9.72%	1,687,292	4.00%	2,109,115	5.00%

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

	<i>Actual</i>		<i>Required for Capital Adequacy Purposes</i>		<i>Required to be Well Capitalized</i>	
	<i>Amount</i>	<i>Ratio</i>	<i>Amount</i>	<i>Ratio</i>	<i>Amount</i>	<i>Ratio</i>
<i>(dollars in thousands)</i>						
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)	3,665,855	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%

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 \$260.0 million of subordinated debt to institutional investors further strengthening our Tier 2 capital position.

We have never declared or paid any cash dividends on our common stock. Because of the expected savings from the recently enacted Tax Cuts and Jobs Act of 2017, we may consider paying cash dividends on our common stock or we may consider a common stock buyback program in the near future. Any future determination to pay dividends or buy back shares 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.

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.

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. On July 28, 2017, we submitted our stress testing results on data as of December 31, 2016. We publicly disclosed our results for the severely adverse scenario on October 20, 2017. 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. While the Bank may raise funds through a common stock offering or debt issuance 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 our historical common stock offerings, as well as the 2016 subordinated debt issuance.

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, 2017, our FHLB borrowings totaled \$4.20 billion with an average rate of 1.65% that mature by March 29, 2021. We had no securities sold under repurchase agreements to the FHLB as of December 31, 2017.

We also have repurchase agreement lines with several leading financial institutions totaling \$2.23 billion. At December 31, 2017, we had \$75.0 million of securities sold under repurchase agreements to one of these institutions. These borrowings have an average rate of 2.34% and mature by August 2018.

Based on our financial condition, our asset size, the available capacity under our repurchase agreement lines and our FHLB line, and the amount of securities and loans available for pledging, we estimate our available consolidated capacity for additional borrowings to be approximately \$6.93 billion as of December 31, 2017.

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 within the next year. Additionally, as mentioned earlier in the ‘Capital and Related Requirements’ section, Congress is considering increasing the asset threshold for designation as a SIFI from \$50 billion to \$250 billion in total consolidated assets and, if enacted as has been proposed, such a change may impact the asset thresholds applicable to the LCR and similar rules, as well as the FDIC’s supervisory expectations with respect to the substance of such rules.

We have never declared or paid any cash dividends on our common stock. Because of the expected savings from the recently enacted Tax Cuts and Jobs Act of 2017, we may consider paying cash dividends on our common stock or we may consider a common stock buyback program in the near future. Any future determination to pay dividends or buy back shares 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.

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, 2017, 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 by 100, 200, 300 and 400 basis points and decreased by 100 basis points, 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 and decreased by 100 basis points (“shock scenario”).

The following table indicates the sensitivity of projected annualized net interest income to the interest rate movements described above at December 31, 2017:

<i>(dollars in thousands)</i>	Adjusted Net Interest Income	Change from Base
Ramp scenario:		
Base	\$ 1,270,107	-
Down 100 basis points	1,252,310	(1.4)%
Up 100 basis points	1,258,663	(0.9)%
Up 200 basis points	1,228,785	(3.3)%
Up 300 basis points	1,200,125	(5.5)%
Up 400 basis points	1,170,358	(7.9)%
Shock scenario:		
Base	\$ 1,270,107	-
Down 100 basis points	1,259,231	(0.9)%
Up 100 basis points	1,247,748	(1.8)%
Up 200 basis points	1,198,309	(5.7)%
Up 300 basis points	1,151,949	(9.3)%
Up 400 basis points	1,102,080	(13.2)%

We also use a simulation model to measure the impact that hypothetical market interest rate changes will have on the net present value of assets and liabilities, which is defined as market value of equity. At December 31, 2017, 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 and decreased by 100 basis points.

The following table indicates the sensitivity of market value of equity at December 31, 2017 to the interest rate movements described above (base case market value of equity is \$6.68 billion):

<i>(dollars in thousands)</i>	Sensitivity	Change from Base
Down 100 basis points	\$ (335,824)	(5.0)%
Up 100 basis points	(3,106)	(0.1)%
Up 200 basis points	(222,277)	(3.3)%
Up 300 basis points	(577,270)	(8.6)%
Up 400 basis points	(956,173)	(14.3)%

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, 2017, 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, 2017 is effective using these criteria.

The Company's internal control over financial reporting as of December 31, 2017 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, 2017. 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

To the Shareholders and Board of Directors
Signature Bank:

Opinion on Internal Control Over Financial Reporting

We have audited Signature Bank and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated statements of financial condition of the Company as of December 31, 2017 and 2016, 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, 2017, and the related notes (collectively, the consolidated financial statements), and our report dated March 1, 2018 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

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 are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. 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 of internal control over financial reporting 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.

Definition and Limitations of Internal Control Over Financial Reporting

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.

KPMG LLP

New York, New York
March 1, 2018

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Incorporated by reference to Signature Bank's Proxy Statement for the Annual Meeting of Stockholders to be held April 25, 2018.

ITEM 11. EXECUTIVE COMPENSATION

Incorporated by reference to Signature Bank's Proxy Statement for the Annual Meeting of Stockholders to be held April 25, 2018.

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

Incorporated by reference to Signature Bank's Proxy Statement for the Annual Meeting of Stockholders to be held April 25, 2018.

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

Incorporated by reference to Signature Bank's Proxy Statement for the Annual Meeting of Stockholders to be held April 25, 2018.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Incorporated by reference to Signature Bank's Proxy Statement for the Annual Meeting of Stockholders to be held April 25, 2018.

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-56. 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 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	Certificate of Amendment to the Bank's Restated Organization Certificate. (Incorporated by reference from Annex A to the 2017 Definitive Proxy Statement on Schedule 14A, filed with the Federal Deposit Insurance Corporation on March 10, 2017.)
3.4	Amended and Restated By-laws of the Registrant. (Incorporated by reference to Signature Bank's Current Report on Form 8-K filed on January 23, 2018.)
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 B to the 2017 Definitive Proxy Statement on Schedule 14A, filed with the Federal Deposit Insurance Corporation on March 10, 2017.)
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.)

Exhibit No.	Exhibit
21.1	Subsidiaries of Signature Bank
31.1	Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

SIGNATURES

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

SIGNATURE BANK

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

Date: March 1, 2018

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on March 1, 2018 by the following persons on behalf of the registrant in the capacities indicated.

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

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Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors
Signature Bank:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statements of financial condition of Signature Bank and subsidiaries (the Company) as of December 31, 2017 and 2016, 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, 2017, and the related notes (collectively, the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2017, 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) (PCAOB), the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated March 1, 2018 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

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 are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

KPMG LLP

We have served as the Company's auditor since 2001.

New York, New York
March 1, 2018

SIGNATURE BANK
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

	<i>December 31,</i>	
	2017	2016
<i>(dollars in thousands, except shares and per share amounts)</i>		
ASSETS		
Cash and due from banks	\$ 290,078	499,856
Short-term investments	45,388	39,095
Total cash and cash equivalents	335,466	538,951
Securities available-for-sale	6,953,719	6,335,347
Securities held-to-maturity (fair value \$1,983,087 at December 31, 2017 and \$2,027,393 at December 31, 2016)	1,996,376	2,038,125
Federal Home Loan Bank stock	227,920	132,629
Loans held for sale	432,277	559,528
Loans and leases, net	32,416,580	28,829,670
Premises and equipment, net	61,571	50,698
Accrued interest and dividends receivable	117,070	102,963
Other assets	576,741	459,700
Total assets	\$ 43,117,720	39,047,611
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits		
Non-interest-bearing	\$ 11,353,038	10,520,529
Interest-bearing	22,086,789	21,340,731
Total deposits	33,439,827	31,861,260
Federal funds purchased and securities sold under agreements to repurchase	790,000	893,000
Federal Home Loan Bank borrowings	4,195,000	2,050,900
Subordinated debt	257,381	256,588
Accrued expenses and other liabilities	403,821	373,599
Total liabilities	39,086,029	35,435,347
Shareholders' equity		
Preferred stock, par value \$.01 per share; 61,000,000 shares authorized; none issued at December 31, 2017 and December 31, 2016	-	-
Common stock, par value \$.01 per share; 64,000,000 shares authorized; 54,979,213 shares issued and 54,977,971 outstanding at December 31, 2017; 54,610,593 shares issued and outstanding at December 31, 2016	550	546
Additional paid-in capital	1,809,642	1,763,100
Retained earnings	2,290,537	1,903,332
Treasury stock, 1,242 shares at December 31, 2017 and none at December 31, 2016	(171)	-
Accumulated other comprehensive loss	(68,867)	(54,714)
Total shareholders' equity	4,031,691	3,612,264
Total liabilities and shareholders' equity	\$ 43,117,720	39,047,611

See accompanying notes to Consolidated Financial Statements.

SIGNATURE BANK
CONSOLIDATED STATEMENTS OF INCOME

	<i>Years ended December 31,</i>		
	2017	2016	2015
<i>(dollars in thousands, except per share amounts)</i>			
INTEREST AND DIVIDEND INCOME			
Loans held for sale	\$ 4,334	4,572	3,885
Loans and leases, net	1,191,194	1,042,717	839,782
Securities available-for-sale	201,657	198,001	191,661
Securities held-to-maturity	58,855	62,834	66,633
Other investments	14,129	9,027	4,987
Total interest income	1,470,169	1,317,151	1,106,948
INTEREST EXPENSE			
Deposits	171,829	123,285	102,905
Federal funds purchased and securities sold under agreements to repurchase	9,695	11,857	13,885
Federal Home Loan Bank borrowings	36,524	24,565	13,057
Subordinated debt	14,535	10,202	-
Total interest expense	232,583	169,909	129,847
Net interest income before provision for loan and lease losses	1,237,586	1,147,242	977,101
Provision for loan and lease losses	263,297	155,774	44,914
Net interest income after provision for loan and lease losses	974,289	991,468	932,187
NON-INTEREST INCOME			
Commissions	12,299	11,474	11,418
Fees and service charges	23,557	21,846	21,515
Net gains on sales of securities	3,963	7,711	1,209
Net gains on sales of loans	9,218	6,750	7,107
Other-than-temporary impairment losses on securities:			
Total impairment losses on securities	(654)	(986)	(2,264)
Portion recognized in other comprehensive income (before taxes)	21	559	1,301
Net impairment losses on securities recognized in earnings	(633)	(427)	(963)
Other losses	(12,363)	(4,604)	(3,182)
Total non-interest income	36,041	42,750	37,104
NON-INTEREST EXPENSE			
Salaries and benefits	273,240	246,406	230,081
Occupancy and equipment	32,141	29,140	26,024
Information technology	22,623	20,343	16,649
FDIC assessment fees	26,996	21,265	15,885
Professional fees	12,021	9,671	9,460
Other general and administrative	68,045	49,946	43,115
Total non-interest expense	435,066	376,771	341,214
Income before income taxes	575,264	657,447	628,077
Income tax expense	188,055	261,123	255,012
Net income	\$ 387,209	396,324	373,065
PER COMMON SHARE DATA			
Earnings per share – basic	\$ 7.17	7.42	7.35
Earnings per share – diluted	\$ 7.12	7.37	7.27

See accompanying notes to Consolidated Financial Statements.

SIGNATURE BANK
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

<i>(in thousands)</i>	<i>At or for the years ended December 31,</i>		
	2017	2016	2015
Net income	\$ 387,209	396,324	373,065
Other comprehensive income, net of tax:			
Net unrealized gains (losses) on securities	(22,015)	(72,418)	(40,020)
Tax effect	8,163	30,032	16,248
Net of tax	(13,852)	(42,386)	(23,772)
Reclassification adjustment for net gains on sales of securities included in net income	(3,963)	(7,711)	(1,209)
Tax effect	1,470	3,198	493
Net of tax	(2,493)	(4,513)	(716)
Amortization of net unrealized loss on securities transferred to held-to-maturity	2,872	3,015	3,468
Tax effect	(1,065)	(1,250)	(1,408)
Net of tax	1,807	1,765	2,060
Other-than-temporary losses on securities related to noncredit factors	(21)	(559)	(1,301)
Tax effect	8	232	532
Net of tax	(13)	(327)	(769)
Reclassification adjustment for other-than-temporary impairment losses on securities related to credit factors included in net income	633	427	963
Tax effect	(235)	(177)	(393)
Net of tax	398	250	570
Total other comprehensive loss, net of tax	(14,153)	(45,211)	(22,627)
Comprehensive income, net of tax	\$ 373,056	351,113	350,438

See accompanying notes to Consolidated Financial Statements.

SIGNATURE BANK
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

<i>(in thousands)</i>	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Accumulated other comprehensive income (loss)	Total shareholders' equity
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
Common stock issued	-	-	-	-	-	-
Stock options activity, net	-	-	-	-	-	-
Restricted stock activity, net	4	46,371	-	-	-	46,375
Stock warrant activity, net	-	171	-	(171)	-	-
Other	-	-	(4)	-	-	(4)
Net income	-	-	387,209	-	-	387,209
Other comprehensive loss, net of tax	-	-	-	-	(14,153)	(14,153)
Balance at December 31, 2017	\$ 550	1,809,642	2,290,537	(171)	(68,867)	4,031,691

See accompanying notes to Consolidated Financial Statements.

SIGNATURE BANK
CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>(in thousands)</i>	<i>Years ended December 31,</i>		
	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$ 387,209	396,324	373,065
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	12,193	10,086	9,044
Provision for loan and lease losses	263,297	155,774	44,914
Net impairment losses on securities recognized in earnings	633	427	963
Net amortization/accretion of premium/discount	115,442	106,257	103,519
Stock-based compensation expense	46,375	41,656	34,674
Net gains on sales of securities and loans	(13,181)	(14,461)	(8,316)
Deferred income tax expense	58,127	8,712	1,326
Federal tax reform impact on OCI remeasurement	14,100	-	-
Purchases of loans held for sale	(2,112,418)	(1,894,896)	(1,462,091)
Proceeds from sales and principal repayments of loans held for sale	1,910,133	1,660,081	1,469,648
Net increase in accrued interest and dividends receivable	(14,107)	(8,957)	(14,319)
Net increase in other assets	(179,222)	(47,752)	(84,766)
Net increase in accrued expenses and other liabilities	2,395	99,010	71,272
Net cash provided by operating activities	490,976	512,261	538,933
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of securities available-for-sale ("AFS")	(1,634,890)	(1,632,908)	(1,401,685)
Proceeds from sales of securities AFS	103,532	204,668	80,302
Maturities, redemptions, calls and principal repayments on securities AFS	1,136,146	1,308,463	1,116,972
Purchases of securities held-to-maturity ("HTM")	(201,605)	(171,129)	(112,625)
Maturities, redemptions, calls and principal repayments on securities HTM	228,238	252,383	173,161
Purchases of Federal Home Loan Bank stock	(621,560)	(322,441)	(68,067)
Proceeds from redemptions of Federal Home Loan Bank stock	526,269	344,217	-
Net increase in loans and leases	(3,855,016)	(5,386,218)	(5,947,834)
Net purchases of premises and equipment	(23,066)	(16,623)	(12,209)
Net cash used in investing activities	(4,341,952)	(5,419,588)	(6,171,985)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net increase in non-interest-bearing deposits	832,509	1,953,229	1,502,341
Net increase in interest-bearing deposits	746,058	3,134,108	2,651,307
Proceeds from the issuance of Federal Home Loan Bank borrowings	3,660,000	1,225,000	1,935,000
Repayment of Federal Home Loan Bank borrowings	(1,515,900)	(1,894,263)	(550,000)
Proceeds from the issuance of other borrowings	715,000	568,000	397,000
Repayment of other borrowings	(818,000)	(492,000)	(295,000)
Proceeds from the issuance of subordinated debt, net	-	256,032	-
Tax benefit from stock-based compensation	-	8,878	10,145
Payments of employee taxes withheld from stock-based compensation	27,828	26,965	24,388
Issuance of common stock	-	318,786	343
Other	(4)	(3)	(4)
Net cash provided by financing activities	3,647,491	5,104,732	5,675,520
Net (decrease) increase in cash and cash equivalents	(203,485)	197,405	42,468
Cash and cash equivalents at beginning of year	538,951	341,546	299,078
Cash and cash equivalents at end of year	\$ 335,466	538,951	341,546
Supplemental disclosures of cash flow information:			
Interest paid during the year	\$ 229,738	158,838	129,882
Income taxes paid during the year	\$ 177,142	265,781	229,952
Non-cash investing activities:			
Transfer of loans to repossessed assets, at fair value	\$ 35,154	19,061	2,388

See accompanying notes to Consolidated Financial Statements.

SIGNATURE BANK
Notes to Consolidated Financial Statements

(1) Organization

Signature Bank (the “Bank” and together with its subsidiaries, the “Company,” “we,” or “us”) is a New York State chartered bank. On April 5, 2001, the Bank received its charter from the New York State Banking Department (now known as the New York State Department of Financial Services) and commenced business on May 1, 2001. The Bank currently operates 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. Two reclassifications were made to prior period financial statements to conform to the current period’s presentation: (1) due to the adoption of ASU 2016-09, which required retrospective adoption of the classification of employee taxes paid within the Consolidated Statements of Cash Flows when an employer withholds shares for tax-withholding purposes; and (2) to better align with recent regulatory guidance, the Bank began using the acquisition, development and construction loan caption when presenting the loan portfolio breakdown in Note 7 and 8.

(b) 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 portfolio’s general reserve loss factors. See Note 8 to our Consolidated Financial Statements for further discussion.

(c) 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, 2017 consisted of cash and due from banks of \$290.1 million, interest-bearing deposits with banks of \$7.0 million and money market mutual funds of \$38.4 million. 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.

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 \$377.1 million and \$388.3 million for the periods that included December 31, 2017 and 2016, respectively.

(d) 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). This technique leverages observable inputs including quoted prices for similar assets, benchmark yield curves, and other market corroborated inputs. In cases where there is little, if any, related market activity, fair value estimates are based upon internally-developed valuation techniques and assumptions 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 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).

(e) 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.

(f) 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. Other factors are also considered in determining whether a loan should be classified as nonaccrual, including whether the loan is to a borrower in an industry experiencing economic stress, whether the borrower is experiencing other issues such as inadequate cash-flow, or the nature of the underlying collateral and whether it is susceptible to deterioration in realizable value. 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 can 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.

(g) 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 by credit rating, 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 99% of our total loan portfolio, excluding loans held for sale, as of December 31, 2017. 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 our loan portfolio, the existence and effects of credit concentrations, the trend and severity of our problem loans, along with other external factors such as competition and legal and regulatory requirements. These qualitative adjustments reflect the imprecision that is inherent in the estimation of probable loan losses, and are intended to ensure adequacy of the overall allowance amount.

Our internal review process results in the periodic review of assigned credit ratings to reflect changes in specific risk factors. Commercial lines of credit are generally issued with terms of one year, and upon annual renewal, our lenders perform a full review of the specific risk factors to assess the appropriateness of the assigned credit ratings. Furthermore, loans classified as special mention, substandard or doubtful are placed on our internal watch list, and our lenders perform a credit rating review on a quarterly basis (special mention loans) or monthly basis (substandard and doubtful loans). In addition, our Risk Management function performs periodic credit reviews that provide an independent evaluation of the assigned credit ratings. These reviews 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% of our total loan portfolio, excluding loans held for sale, as of December 31, 2017.

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 \$750,000, 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 \$750,000, a specific allowance is recorded when the carrying amount of the loan exceeds the discounted estimated cash flows using the loan's original 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. 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 distressed nature of the current taxi medallion market, the related collateral fair value is derived for each medallion type using both recent market transfer activity, to the extent available, as well as a 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 transactions which are confirmed through third party sources to not be orderly (e.g., non-arms-length), if any. 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 estimated fair value within the established range for each medallion type, a weight is ascribed to each valuation output dependent on recent market transfer activity with consideration both to the transfer value range, as well as transfer volume.

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 disagree with our methodology, which could result in changes to our current ALLL estimates or processes and result in an increase to our provision for loan and lease losses or the recognition of further loan charge-offs based upon their judgments, which may be different from ours. An increase in the ALLL as a result of these judgments 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 TDRs, however, are reported as such for as long as the loan remains outstanding.

(h) 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.

(i) 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.

(j) 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.

(k) 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.

(l) 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 \$63.5 million at December 31, 2017, and \$63.8 million at December 31, 2016. There was no deferred acquisition cost as of December 31, 2017 and 2016. Our investment in BOLI generated income of \$ 2.2 million, \$2.9 million, and \$1.6 million for the years ended December 31, 2017, 2016, and 2015, respectively.

(m) Repossessed Assets

Reposessed assets are comprised of any property ("other real estate" or "ORE") or other asset acquired through loan restructurings, foreclosure proceedings, or acceptance of a deed-in-lieu of foreclosure. Repossessed assets are included in Other assets in the Consolidated Statements of Financial Condition and are carried at fair value, less estimated selling costs at the date of acquisition. Any valuation adjustments at the date of acquisition are recorded to the ALLL. Following foreclosure, management periodically performs a valuation of the property, and the asset is carried at the lower of the carrying amount or fair value, less estimated selling costs. Expenses incurred to maintain reposessed assets, unrealized losses resulting from write-downs after the date of acquisition, and realized gains and losses upon sale of the assets are included in other general and administrative expense and other losses, as appropriate. As of December 31, 2017 and 2016, our reposessed assets totaled \$28.8 million and \$19.6 million, respectively, and consisted primarily of taxi medallions.

(n) 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, 2017. 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.

(o) 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.

Uncertain tax positions are recognized if they are more likely than not to be sustained upon examination, based on the technical merits of the position. The amount of tax benefit recognized is the largest amount of benefit that is greater than 50% likely of being realized upon settlement. We account for interest and penalties (if any) as a component of income tax expense in the Consolidated Statements of Income.

(p) 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. If the status of the recipient of an equity award changes from employee to non-employee and the vesting likelihood changes from improbable to probable, the modification is treated as a forfeiture of the old award and issuance of a new award. The full amount of compensation cost related to the new award will be measured under ASC 505-50, *Equity-Based Payments to Non-employees*, and recognized prospectively over the required requisite service period. As of December 31, 2017, 2016, and 2015, 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

(q) 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.

(r) 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.

(s) New Accounting Standards

(i) Not Yet Adopted

In February 2018, the FASB issued ASU 2018-03, *Technical Corrections and Improvements to Financial Instruments –Overall (Topic 825)*. The standard amended the new guidance issued in ASU 2016-01 on recognizing and measuring financial instruments. ASU 2018-03 clarified that entities measuring an equity security using the measurement alternative may change its measurement approach to a fair value method in accordance with *Topic 820, Fair Value Measurement*, through an irrevocable election that would apply to that security and all identical or similar investments of the same issuer. It also clarified that the adjustments made under the measurement alternative are intended to reflect the fair value of the security as of the date that the observable transaction for a similar security took place. In addition, the new standard clarified that the prospective transition approach for equity securities without a readily determinable fair value in ASU 2016-01 is meant only for equity securities an entity may elect to measure using the measurement alternative. This ASU is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years beginning after June 15, 2018. Early adoption is permitted. The Company is currently evaluating the impact to its Consolidated Financial Statements. However, the impact is not expected to be material.

In February 2018, the FASB issued ASU 2018-02, *Income Statement –Reporting Comprehensive Income (Topic 220)*. The standard provides entities an option to reclassify tax effects stranded in accumulated other comprehensive income as a result of the Tax Cuts and Jobs Act enacted in December 2017 to retained earnings as compared to income tax expense. This ASU is effective for fiscal years beginning after December 15, 2018 with early adoption allowed for reporting periods for which financial statements have not yet been issued or made available for issuance. The new standard can be applied either (1) in the period of adoption or (2) retrospectively to each period in which the effect of the change in the federal income tax rate is recognized. Management is currently assessing whether to elect to reclassify the stranded OCI to retained earnings as permitted by ASU 2018-02. Therefore, this standard had no impact on the Company's consolidated financial statements as of December 31, 2017.

In May 2017, the FASB issued ASU 2017-09, *Compensation—Stock Compensation (Topic 718)*: The standard clarifies when to account for a change to the terms or conditions of a share-based payment award as a modification. Under the new guidance, modification accounting is applied only if the fair value, the vesting conditions, and the classification of the award (as an equity or liability instrument) change as a result of the change in terms or conditions. Subsequent to year-end, the Company adopted ASU 2017-09 as of January 1, 2018. The ASU's amendments will be applied prospectively to awards modified on or after the effective date. The impact to our Consolidated Financial Statements is not expected to be material.

In March 2017, the FASB issued ASU 2017-08, *Receivables – Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities*. The standard shortens the amortization period for certain purchased callable debt securities held at a premium to the earliest call date. The guidance does not change the accounting for discount accretion. For public business entities, the guidance is effective for fiscal years beginning after December 15, 2018, and interim periods therein. Early adoption is permitted. The Company has completed its scoping related to the impact of adoption and is currently evaluating the impact to its Consolidated Financial Statements. However, the impact is not expected to be material.

In November 2016, the FASB issued ASU 2016-18, *Restricted Cash*. This ASU will amend the guidance in ASC Topic 230, Statement of Cash Flows, and is intended to reduce the diversity in the classification and presentation of changes in restricted cash on the statement of cash flows. The amendments within this ASU will require that the reconciliation of the beginning-of-period and end-of-period cash and cash equivalents amounts shown on the statement of cash flows include restricted cash and restricted cash equivalents. If restricted cash and restricted cash equivalents are presented separately from cash and cash equivalents on the balance sheet, an entity will be required to reconcile the amounts presented on the statement of cash flows to the amounts on the balance sheet. An entity will also be required to disclose information regarding the nature of the restrictions. ASU 2016-18 requires retrospective application and is effective for fiscal years beginning after December 15, 2017 and interim periods within those fiscal years. Subsequent to year-end, the Company adopted ASU 2016-18 as of January 1, 2018. The adoption of ASU 2016-18 will have no impact on the Company's consolidated financial statements in future filings.

In August 2016, the FASB issued ASU 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. Subsequent to year-end, the Company adopted ASU 2016-15 as of January 1, 2018 and the retrospective adoption method will be applied for each period presented upon adoption beginning with our first quarter 2018 Form 10-Q filing. The impact to our Consolidated Financial Statements is not 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 of this standard, initiating implementation efforts across the organization, and planning for loss modeling requirements consistent with lifetime expected loss estimates.

The Company completed its gap analysis and identified areas of focus for an effective adoption in the fourth quarter of 2017. We expect to devote a significant amount of time to model selection and development in 2018. The adoption of this standard could have a material impact on the Company’s Financial Statements depending on the characteristics of our loan portfolio, as well as the current and forecasted economic conditions as of the date of adoption.

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 our 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 Company adopted ASU 2016-01 as of January 1, 2018. The initial adoption impact was limited to an immaterial reclassification from accumulated other comprehensive loss to retained earnings of unrealized losses related to the in-scope equity securities.

In May 2014, the FASB issued ASU 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. Subsequent to year-end, the Company adopted ASU 2014-09 as of January 1, 2018 using the modified retrospective method, which includes presenting the cumulative effect of initial adoption along with supplementary disclosures. The Company determined the majority of our revenue streams are out of scope since our primary revenue streams are accounted for in accordance with financial instrument standards. With respect to the two revenue streams that are in-scope, fees and services charges related to deposit accounts, as well as commissions, the Bank determined that there is little to no impact on the recognition of revenues due to the short duration of the related contracts with customers and the transactional nature of the related fees.

However, the standard will impact how we account for certain bank/seller financed sales of repossessed assets. Specifically, to the extent uncertainty exists related to collectability of financing payments at the time of sale consummation, the repossessed asset will remain on the balance sheet until that uncertainty is resolved. Under current GAAP in this situation, the Bank derecognizes the repossessed asset and a nonaccrual loan is recorded on the balance sheet. In addition, if a sale is financed by the Bank and financing terms are not consistent with market terms, a transaction price adjustment may be required. Both of these factors could impact the sale of the repossessed asset in a distressed market (i.e., taxi medallions). The cumulative impact from existing bank/seller financed sales of repossessed assets upon initial adoption on January 1, 2018 was immaterial. Potential impact of future bank/seller financed sales of repossessed assets subsequent to the adoption could vary depending on the specific terms of the sale/financing and the collectability assessment of the financed amount. Overall, the adoption did not have a material impact on the Company's Consolidated Financial Statements.

(ii) Recently Adopted

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. Prospectively, 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. 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, and changes to the earnings per share calculation related to the excess tax benefit. The amendments were effective for interim and annual periods beginning after December 15, 2016. We adopted the applicable requirements for ASU 2016-09 on January 1, 2017 with no impact to our financial condition or results of operations. Upon adoption, the Company made an accounting policy election to account for forfeitures of restricted stock awards as they occur, as opposed to estimate forfeitures when recording compensation expense. The required statement of cash flow changes were also applied in the current period. The classification of employee taxes paid within the Consolidated Statements of Cash Flows when an employer withholds shares for tax-withholding purposes was adopted on a retrospective basis, as required by the ASU. Additionally, following the adoption of this standard and due to restricted stock vestings in 2017, a tax benefit of \$6.5 million was recorded within Income tax expense (benefit) in the Consolidated Statements of Income.

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 \$2.6 million is 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.

(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. This technique leverages observable inputs including quoted prices for similar assets, benchmark yield curves, and other market corroborated inputs. Most of our securities portfolio is priced using this method, and as such, these 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 loss. The securities are valued using Level 3 inputs and had fair values of \$124.9 million at December 31, 2017 and \$130.4 million at December 31, 2016. 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 5%. The Bank determined the inputs to the discounted cash flow model based on historical performance and information provided by brokers.

Our pooled trust preferred securities are classified as AFS and had fair values of \$18.4 million at December 31, 2017 and \$17.1 million at December 31, 2016. 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 35%.

Level 3 private CMOs classified as AFS had fair values of \$11.3 million at December 31, 2017 and \$11.6 million at December 31, 2016. 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, 2017 and 2016, classified according to the three-level valuation hierarchy:

<i>(in thousands)</i>	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Carrying Value
December 31, 2017				
ASSETS				
Securities available-for-sale:				
U.S. Treasury securities	\$ 24,726	-	-	24,726
Residential mortgage-backed securities:				
U.S. Government Agency	-	32,282	-	32,282
Government-sponsored enterprises	-	1,494,890	-	1,494,890
Collateralized mortgage obligations:				
U.S. Government Agency	-	245,724	-	245,724
Government-sponsored enterprises	-	3,713,775	-	3,713,775
Private	-	388,425	11,259	399,684
Securities of U.S. states and political subdivisions:				
Municipal Bond - Taxable	-	7,550	-	7,550
Other debt securities:				
Commercial mortgage-backed securities	-	128,213	-	128,213
Single issuer trust preferred & corporate debt securities	-	400,823	-	400,823
Pooled trust preferred securities	-	-	18,356	18,356
Other	-	341,761	124,875	466,636
Equity securities (1)	-	21,060	-	21,060
Total securities available-for-sale	24,726	6,774,503	154,490	6,953,719
Derivatives	-	2,373	-	2,373
Total assets	\$ 24,726	6,776,876	154,490	6,956,092
LIABILITIES				
Derivatives	\$ -	2,673	27	2,700
Total liabilities	\$ -	2,673	27	2,700
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

(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, 2017 and 2016. Additionally, the following table presents information for AFS securities and derivatives measured at fair value on a recurring basis and classified by the Bank within Level 3 of the valuation hierarchy for the periods indicated:

<i>(in thousands)</i>	<i>Fair Value Measurements Using Significant Unobservable Inputs (Level 3)</i>	
	AFS Securities	Derivative Liabilities
Year ended December 31, 2017		
Beginning balance - Level 3	\$ 164,580	(69)
Formation of SBA interest-only strip securities	87,557	-
Purchase of risk participation agreement	-	(38)
Transfers into Level 3	-	-
Transfers out of Level 3	-	-
Total gains or (losses) (realized/unrealized):		
Included in earnings		
Non-interest income	2,914	80
Interest income	(21,377)	-
Included in other comprehensive income	(1,595)	-
Sale of AFS securities	(77,589)	-
Ending balance - Level 3	\$ 154,490	(27)
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)

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 table presents the assets that were measured at fair value on a non-recurring basis as of December 31, 2017 and 2016, classified according to the three-level valuation hierarchy:

<i>(in thousands)</i>	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Carrying Value
December 31, 2017				
Collateral-dependent impaired loans:				
1-4 family residential property	\$ -	-	325	325
Home equity lines of credit	-	-	765	765
Commercial and industrial (1)	-	-	301,649	301,649
Other repossessed assets	-	-	28,230	28,230
Total assets	\$ -	-	330,969	330,969
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

(1) Includes \$297.7 million and \$162.5 million of taxi medallion loans as of December 31, 2017 and 2016, 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 a discounted cash flow model. The discounted cash flow model uses 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, 2017, 2016, and 2015, we recorded fair value adjustments on collateral-dependent impaired loans totaling \$243.4 million, \$91.0 million and \$25.1 million, respectively. The current year adjustments principally related to the New York City taxi medallion portfolio due to the significant decline in the underlying collateral value throughout the year. Also contributing was the nonaccrual classification of all previously accruing taxi medallion loans as a result of doubt regarding collectability of each loan within the portfolio. 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, 2017, 2016 and 2015, we recorded negative fair value adjustments of \$15.0 million, \$2.7 million, and zero on repossessed assets. In conjunction with the repossession of \$33.3 million and \$31.7 million in additional taxi medallions during the years ended December 31, 2017 and 2016, respectively, we recorded charge-offs to the ALLL totaling \$665,000 and \$1.6 million, respectively.

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.

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, 91.9% of which mature within one year, had a carrying value and estimated fair value of \$1.45 billion at December 31, 2017. 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 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 estimated fair value of our subordinated debt is based on a quoted market price.

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

(in thousands)	Carrying Amount	Total	Estimated Fair Value Measurements		
			Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2017					
FINANCIAL ASSETS					
Cash and cash equivalents	\$ 335,466	335,466	335,466	-	-
Securities available-for-sale	6,953,719	6,953,719	24,726	6,774,503	154,490
Securities held-to-maturity	1,996,376	1,983,087	-	1,983,087	-
Federal Home Loan Bank stock (1)	227,920	227,920	-	227,920	-
Loans held for sale	432,277	432,277	-	432,277	-
Loans and leases, net (2)	32,416,580	32,406,977	-	-	32,406,977
Derivatives	2,373	2,373	-	2,373	-
Total financial assets	\$ 42,364,711	42,341,819	360,192	9,420,160	32,561,467
FINANCIAL LIABILITIES					
Deposits (3)	\$ 33,439,827	33,435,263	-	33,435,263	-
Federal Home Loan Bank borrowings	4,195,000	4,185,541	-	4,185,541	-
Broker repurchase agreements	75,000	75,179	-	75,179	-
Federal funds purchased	715,000	715,000	715,000	-	-
Subordinated debt	257,381	267,924	-	267,924	-
Derivatives	2,700	2,700	-	2,673	27
Total financial liabilities	\$ 38,684,908	38,681,607	715,000	37,966,580	27
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

(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,							
	2017				2016			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<i>(in thousands)</i>								
AVAILABLE-FOR-SALE								
U.S. Treasury securities	\$ 24,831	-	(105)	24,726	2,000	-	(1)	1,999
Residential mortgage-backed securities:								
U.S. Government Agency	32,260	376	(354)	32,282	14,443	553	(103)	14,893
Government-sponsored enterprises	1,505,352	7,351	(17,813)	1,494,890	1,352,441	11,999	(14,017)	1,350,423
Collateralized mortgage obligations:								
U.S. Government Agency	249,906	920	(5,102)	245,724	332,886	3,588	(4,432)	332,042
Government-sponsored enterprises	3,787,233	7,334	(80,792)	3,713,775	3,451,257	14,670	(62,161)	3,403,766
Private	401,343	1,213	(2,872)	399,684	389,722	891	(6,815)	383,798
Securities of U.S. states and political subdivisions:								
Municipal Bond - Taxable	7,506	44	-	7,550	8,556	-	(207)	8,349
Other debt securities:								
Commercial mortgage-backed securities	127,791	949	(527)	128,213	149,862	1,906	(567)	151,201
Single issuer trust preferred & corporate debt securities	398,157	4,492	(1,826)	400,823	403,668	4,923	(5,703)	402,888
Pooled trust preferred securities	21,159	491	(3,294)	18,356	25,315	-	(8,231)	17,084
Collateralized debt obligations	-	-	-	-	4,457	1,084	-	5,541
Other	474,691	1,053	(9,108)	466,636	250,689	331	(8,324)	242,696
Equity securities (1)	22,243	-	(1,183)	21,060	21,731	-	(1,064)	20,667
Total available-for-sale	\$ 7,052,472	24,223	(122,976)	6,953,719	6,407,027	39,945	(111,625)	6,335,347
HELD-TO-MATURITY								
Residential mortgage-backed securities:								
U.S. Government Agency	\$ 43,322	61	(186)	43,197	5,286	50	(123)	5,213
Government-sponsored enterprises	378,149	2,802	(4,381)	376,570	416,415	4,168	(4,387)	416,196
Collateralized mortgage obligations:								
U.S. Government Agency	207,027	480	(3,876)	203,631	248,699	1,782	(3,538)	246,943
Government-sponsored enterprises	1,297,857	6,981	(19,963)	1,284,875	1,295,413	10,055	(21,228)	1,284,240
Private	2,985	17	-	3,002	3,652	-	(295)	3,357
Other debt securities:								
Commercial mortgage-backed securities	17,916	290	-	18,206	17,994	745	-	18,739
Single issuer trust preferred & corporate debt securities	48,529	4,451	-	52,980	48,800	2,031	(18)	50,813
Other	591	35	-	626	1,866	27	(1)	1,892
Total held-to-maturity	\$ 1,996,376	15,117	(28,406)	1,983,087	2,038,125	18,858	(29,590)	2,027,393

(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 and 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 previously 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 in investment vehicles that meet the definition of Covered Funds. These Covered Funds securities were either divested by the divestiture deadline in July 2017 or shortly thereafter with the exception of one private CMO re-REMIC security with a fair value and book value of less than \$20,000 as of December 31, 2017. This security is expected to pay down in its entirety within the next few months. If the final position does not payoff by the end of the first quarter, the Bank will write-off the remaining balance. During the twelve months ended December 31, 2017, 15 Covered Fund securities were sold for a total loss of \$283,000, compared to two securities sold for a total gain of \$5,000 for the twelve months ended December 31, 2016.

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, 2017 and 2016, the carrying value of our pledged securities totaled \$3.32 billion and \$3.76 billion, respectively.

During the years ended December 31, 2017, 2016 and 2015, we recognized other-than-temporary impairment losses on debt securities as summarized in the tables below. We do not intend to sell the securities for which we have recognized temporary impairment losses, and it is not more likely than not that we will be required to sell the securities prior to recovery.

<i>(in thousands)</i>	Number of Securities	Total Other-than-temporary Impairment Losses	Less: Noncredit Portion Recognized in OCI	Net Impairment Losses Recognized in Earnings (1)
December 31, 2017				
AVAILABLE-FOR-SALE				
Collateralized debt obligations	1	\$ (517)	-	(517)
Collateralized mortgage obligations	6	(137)	21	(116)
Total other-than-temporarily impaired securities	7	\$ (654)	21	(633)
December 31, 2016				
AVAILABLE-FOR-SALE				
Collateralized debt obligations	1	\$ (54)	-	(54)
Pooled trust preferred securities	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)

(1) The year ended December 31, 2017 includes losses on CDOs and CMOs that meet the definition of Covered Funds under the Volcker Rule totaling \$517,000 and \$13,000, respectively. 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 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, 2017	
Cumulative credit component of other-than-temporary impairment losses at beginning of period	\$ 27,982
Additions for the credit component on debt securities for which other-than-temporary impairment was not previously recognized	-
Additions for the credit component on debt securities for which other-than-temporary impairment was previously recognized	633
Reduction for realized losses on debt securities sold, matured, and other	(15,583)
Cumulative credit component of other-than-temporary impairment losses at end of period (1)	\$ 13,032
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 (2)	\$ 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 (3)	\$ 29,970

(1) The cumulative credit component of other-than-temporary losses at December 31, 2017 includes \$3,000 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, 2016 includes \$13.8 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, 2015 includes \$13.9 million of losses on securities that meet the definition of Covered Funds under the Volcker Rule.

When estimating the portion of other-than-temporary impairment loss attributable to credit, we use a discounted cash flow model that considers credit enhancement and structural protection. The estimation of cash flow incorporates numerous assumptions including default rates, severity estimates, recovery rates, prepayment speeds and structural enhancement characteristics. Assumptions will vary based upon the specific underlying characteristics and collateral profiles of the underlying securities. Specifically, assumptions are determined based upon collateral vintage, borrower characteristics, geographical data and payment performance. Market data and third-party inputs are utilized to validate assumptions. Subsequent assessments may result in additional estimated credit losses on previously impaired securities. These additional estimated credit losses are recorded as reclassifications from the portion of other-than-temporary impairment previously recognized in other comprehensive income (loss) to earnings in the period of such assessments. In our review of CDOs and CMOs for

other-than-temporary impairment, we evaluated the collateral performance and structural credit enhancement assumptions, along with other market considerations, for each security. In our review of bank-collateralized pooled trust preferred securities for other-than-temporary impairment, we considered various annual default scenarios. Additionally, the collateral was reviewed to determine if additional bank issuers should be assumed to be an immediate default or would cure (resume paying interest) based on Fitch credit scoring, ratio of non-performing assets to tangible common equity and loan loss reserves, capital levels, and FDIC quarterly trends. Based on this review, we assumed that certain bank issuers on our watch list will default and others will cure in the future. Utilizing our assumptions, we then discounted the cash flows to assess the amount of credit loss.

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

	<i>Less than 12 months</i>		<i>12 months or longer</i>		<i>Total</i>	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
<i>(in thousands)</i>						
December 31, 2017						
Temporarily-impaired securities						
U.S. Treasury securities	\$ 23,730	(102)	996	(3)	24,726	(105)
Residential mortgage-backed securities:						
U.S. Government Agency	19,053	(210)	3,224	(144)	22,277	(354)
Government-sponsored enterprises	512,169	(4,369)	537,447	(13,444)	1,049,616	(17,813)
Collateralized mortgage obligations:						
U.S. Government Agency	79,591	(1,186)	77,200	(3,916)	156,791	(5,102)
Government-sponsored enterprises	1,463,939	(18,013)	1,658,095	(61,923)	3,122,034	(79,936)
Private	136,929	(781)	101,843	(1,658)	238,772	(2,439)
Other debt securities:						
Commercial mortgage-backed securities	20,533	(59)	26,985	(468)	47,518	(527)
Single issuer trust preferred & corporate debt securities	40,355	(201)	115,954	(1,625)	156,309	(1,826)
Pooled trust preferred securities	-	-	3,958	(1,673)	3,958	(1,673)
Other	290,086	(315)	135,031	(8,793)	425,117	(9,108)
Equity securities (1)	-	-	21,059	(1,183)	21,059	(1,183)
Total temporarily-impaired securities	2,586,385	(25,236)	2,681,792	(94,830)	5,268,177	(120,066)
Other-than-temporarily impaired securities						
Collateralized mortgage obligations:						
Government-sponsored enterprises	-	-	584	(856)	584	(856)
Private	1,783	(37)	13,430	(396)	15,213	(433)
Other debt securities:						
Pooled trust preferred securities	-	-	3,672	(1,621)	3,672	(1,621)
Total other-than-temporarily impaired securities	1,783	(37)	17,686	(2,873)	19,469	(2,910)
Total temporarily-impaired and other-than-temporarily impaired securities	\$ 2,588,168	(25,273)	2,699,478	(97,703)	5,287,646	(122,976)

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

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

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).

	<i>Less than 12 months</i>		<i>12 months or longer</i>		<i>Total</i>	
	<i>Fair Value</i>	<i>Unrealized Losses</i>	<i>Fair Value</i>	<i>Unrealized Losses</i>	<i>Fair Value</i>	<i>Unrealized Losses</i>
<i>(in thousands)</i>						
December 31, 2017						
Temporarily-impaired securities						
Mortgage-backed securities:						
U.S. Government Agency	\$ -	-	2,984	(186)	2,984	(186)
Government-sponsored enterprises	32,163	(146)	144,750	(4,235)	176,913	(4,381)
Collateralized mortgage obligations:						
U.S. Government Agency	48,242	(515)	84,940	(3,361)	133,182	(3,876)
Government-sponsored enterprises	491,071	(6,282)	354,927	(13,681)	845,998	(19,963)
Total temporarily-impaired securities	571,476	(6,943)	587,601	(21,463)	1,159,077	(28,406)
Total temporarily-impaired and other-than-temporarily impaired securities	\$ 571,476	(6,943)	587,601	(21,463)	1,159,077	(28,406)
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)

The unrealized losses in our securities portfolio are primarily due to the effects of the higher prevailing interest rates since the 2016 presidential election. In addition, the low short-term rates continue to pressure our floating rate legacy structures purchased 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 as of December 31, 2017.

It is reasonably possible that the underlying collateral of these securities may perform at a level below our current expectations, which may result in adverse changes in cash flows for these securities and potential other-than-

temporary impairment losses in the future. Events that may cause material declines in fair values for these securities include, but are not limited to, the deterioration of credit metrics, higher default levels, further illiquidity, or increased levels of losses in underlying collateral.

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

<i>(in thousands)</i>	<i>December 31, 2017</i>	
	Amortized Cost	Fair Value
AVAILABLE-FOR-SALE		
Due in one year or less	\$ 42,493	42,709
Due after one year through five years	227,798	230,342
Due after five years through ten years	320,835	320,398
Due after ten years	6,439,103	6,339,210
Total available-for-sale debt securities (1)	\$ 7,030,229	6,932,659
HELD-TO-MATURITY		
Due in one year or less	\$ -	-
Due after one year through five years	28,019	28,600
Due after five years through ten years	81,061	82,810
Due after ten years	1,887,296	1,871,677
Total held-to-maturity debt securities	\$ 1,996,376	1,983,087

(1) Excludes \$21.1 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, 2017 and 2016, Signature Bank was in compliance with the FHLB’s minimum investment requirement with stock investments of \$227.9 million and \$132.6 million, respectively, carried at cost on the Consolidated Statements of Financial Condition. Collateral pledged for outstanding FHLB borrowings at December 31, 2017 and 2016 included \$188.8 million and \$92.3 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, 2017.

(6) Loans Held for Sale

Loans held for sale at December 31, 2017 and 2016 were \$432.3 million and \$559.5 million, respectively. Gains on sales associated with the securitization of pooled loans and sale of mortgage loans for the years ended December 31, 2017, 2016 and 2015 amounted to \$6.8 million, \$5.1 million and \$7.1 million, respectively.

We are an active participant in the SBA loan and SBA pool secondary market by purchasing, securitizing, and selling the guaranteed portions of SBA loans. Most SBA loans have adjustable rates and float at a spread over

prime and reset monthly or quarterly. The guaranteed portions of SBA loans are backed by the full faith and credit of the U.S. Government and therefore carry a 0% risk weight for regulatory capital purposes.

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

(7) Loans and Leases, Net

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

<i>(in thousands)</i>	December 31, 2017	December 31, 2016
Mortgage loans:		
Multi-family residential property	\$ 14,512,051	13,504,619
Commercial property	8,902,027	7,606,868
1-4 family residential property	621,377	529,228
Home equity lines of credit	133,268	148,094
Acquisition, development and construction loans	2,018,901	1,799,848
Total mortgage loans	26,187,624	23,588,657
Other loans:		
Other commercial and industrial	6,070,217	4,776,017
Taxi medallions	309,894	644,517
Consumer	15,310	10,268
Total other loans	6,395,421	5,430,802
Net deferred fees and costs	29,494	23,706
ALLL	(195,959)	(213,495)
Net loans	\$ 32,416,580	28,829,670

As of December 31, 2017 and 2016, commercial and industrial loans include overdrafts of commercial deposit accounts totaling \$53.8 million and \$40.6 million, respectively, and other consumer loans include overdrafts of personal deposit accounts totaling \$9.5 million and \$4.0 million, respectively.

Beginning in 2017, to better align with recent regulatory guidance, the Bank began using the acquisition, development and construction caption. Historically, only construction loans were reported within this line. The Bank reviewed its loan portfolio in 2017 to identify acquisition and development loans. Therefore, certain loans were reclassified from other categories and included with construction loans as acquisition, development and construction loans. These loans were also reclassified in the prior periods. As of December 31, 2016, \$1.31 billion was reclassified.

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:

<i>(in thousands)</i>	<i>Pass</i> Rating 1-6	<i>Special Mention</i> Rating 7	<i>Substandard</i> Rating 8	<i>Doubtful</i> Rating 9	Non-rated	Total
December 31, 2017						
Commercial loans secured by real estate:						
Multi-family residential property	\$ 14,402,185	109,866	-	-	-	14,512,051
Commercial property	8,850,017	20,246	31,764	-	-	8,902,027
1-4 family residential property	510,381	6,036	-	-	-	516,417
Acquisition, development and construction loans	1,851,333	136,168	31,400	-	-	2,018,901
Commercial and industrial loans:						
Taxi medallions	-	-	309,894	-	-	309,894
Other commercial and industrial	5,873,181	90,594	46,045	32	60,365	6,070,217
Total commercial loans	\$ 31,487,097	362,910	419,103	32	60,365	32,329,507
December 31, 2016						
Commercial loans secured by real estate:						
Multi-family residential property	\$ 13,377,036	123,510	3,113	-	-	13,503,659
Commercial property	7,575,633	1,040	30,195	-	-	7,606,868
1-4 family residential property	409,738	-	-	-	43	409,781
Acquisition, development and construction loans	1,756,642	18,206	25,000	-	-	1,799,848
Commercial and industrial loans:						
Taxi medallions	379,536	57,873	207,108	-	-	644,517
Other commercial and industrial	4,645,205	29,094	53,526	153	48,039	4,776,017
Total commercial loans	\$ 28,143,790	229,723	318,942	153	48,082	28,740,690

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 and home equity lines of credit, though we continue to service the existing portfolios. 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:

<i>(in thousands)</i>	Performing	Nonperforming	Total
December 31, 2017			
Residential mortgages	\$ 103,825	1,135	104,960
Home equity lines of credit	129,376	3,892	133,268
Other consumer loans	15,310	-	15,310
Total consumer loans	\$ 248,511	5,027	253,538
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

Loans to related parties include loans to directors and their related companies and our executive officers that are made in the ordinary course of business. Related party loans totaled \$26.7 million and \$12.8 million at December 31, 2017 and 2016, respectively, and all related party loans are current as to payments.

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

<i>(in thousands)</i>	Past Due 30-89 Days	Past Due 90+ Days	Total Past Due	Current	Total Loans	Loans Past Due 90+ Days (1)	Non-accruing Loans
December 31, 2017							
Commercial loans							
Loans secured by real estate:							
Multi-family residential property	\$ 7,167	-	7,167	14,504,884	14,512,051	-	-
Commercial property	753	559	1,312	8,900,715	8,902,027	559	-
1-4 family residential property	-	1,800	1,800	514,617	516,417	1,800	-
Acquisition, development and construction loans	-	-	-	2,018,901	2,018,901	-	-
Commercial and industrial loans:							
Taxi medallion loans	31,308	138,936	170,244	139,650	309,894	-	309,894
Other commercial and industrial loans	35,205	9,510	44,715	6,025,502	6,070,217	3,316	11,997
Consumer loans							
Residential mortgages	157	1,163	1,320	103,640	104,960	656	1,135
Home equity lines of credit	899	3,892	4,791	128,477	133,268	-	3,892
Consumer loans	736	-	736	14,574	15,310	-	-
Total	\$ 76,225	155,860	232,085	32,350,960	32,583,045	6,331	326,918
December 31, 2016							
Commercial loans							
Loans secured by real estate:							
Multi-family residential property	\$ 7,694	2,665	10,359	13,493,300	13,503,659	2,665	-
Commercial property	3,964	-	3,964	7,602,904	7,606,868	-	-
1-4 family residential property	219	43	262	409,519	409,781	-	43
Acquisition, development and construction loans	-	-	-	1,799,848	1,799,848	-	-
Commercial and industrial loans:							
Taxi medallions	60,483	186,118	246,601	380,797	627,398	50,751	135,367
Other commercial and industrial	34,146	17,069	51,215	4,741,921	4,793,136	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
Other consumer	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

(1) The Bank's policy is to recognize interest income on these loans on an accrual basis. For taxi medallion loans that were past due maturity as of December 31, 2016, the difference between cash basis and accrual basis recognition is inconsequential.

Nonaccrual loans at December 31, 2017 and December 31, 2016 totaled \$326.9 million and \$157.6 million, respectively. At December 31, 2017, \$309.9 million of nonaccrual loans were secured by taxi medallions. The increase in nonaccrual loans was primarily attributable to the classification of all remaining taxi medallion loans as nonaccrual in 2017, or \$238.5 million. This was directly a result of the significant decline in the underlying New York City taxi medallion collateral value. Due to the decline in collateral values, at that time, management determined the collectability of all amounts due to be doubtful and portions of loans uncollectable to the extent not covered by the underlying collateral value. These nonaccrual loans are accounted for using the cost recovery method and, as such, all interest and principal payments received will be applied to each loan's principal balance until the cost is recovered. Additionally, the Bank sold \$4.1 million of repossessed taxi medallions which were recorded as nonaccrual loans under the cost recovery method. Our current strategy to hold the taxi medallion portfolio until maturity remains unchanged.

The increase in nonaccrual loans was partially offset by \$6.7 million of principal and interest payments applied to the principal balance of taxi medallion nonaccrual loans, as well as the repossession of \$22.4 million in taxi medallion loans during the year. The remainder of the activity was primarily related to taxi medallion loan related charge-offs.

There were no commitments at December 31, 2017 to lend additional funds on nonaccrual loans. For further discussion, see Note 8 to our Consolidated Financial Statements.

At December 31, 2017, loans past due 90 days or more included 14 commercial and industrial loans totaling \$3.3 million, four loans secured by 1-4 family residential property totaling \$2.3 million, and one commercial real estate loan for \$559,000 that are well secured and in process of collection. At December 31, 2016, loans past due 90 days or more included three commercial and industrial loans totaling \$1.5 million that were well secured and in process of collection, nine taxi medallion loans totaling \$5.4 million for which we were 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 matured, continued to make monthly payments and were in the normal course of renewal. All taxi medallion loans that were past due maturity at December 31, 2016 with respect to their contractual maturity continued to pay and were reported as impaired.

As of December 31, 2017 and 2016, the Bank held residential consumer mortgage loans in the process of foreclosure totaling \$8.2 million and \$8.9 million, respectively. The Bank did not hold any foreclosed residential real estate at December 31, 2017 and 2016. Other repossessed assets as of December 31, 2017 and December 31, 2016 totaled \$28.8 million and \$19.6 million, respectively. The December 31, 2017 repossessed asset balance principally consists of 130 taxi medallions, compared to 74 taxi medallions as of December 31, 2016.

As of December 31, 2017 and December 31, 2016, the Bank had pledged \$6.25 billion and \$5.11 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:

(in thousands)	Credit-rated loans			Non-rated loans			Total
	Commercial Real Estate	1-4 Family Residential Property	Commercial & Industrial	Commercial	Residential Mortgages	Consumer	
For the year ended December 31, 2017							
Beginning balance - ALLL	\$ 114,581	627	92,220	1,227	4,643	197	213,495
Provision	37,225	894	225,585	901	(1,364)	56	263,297
Charge-offs	(166)	-	(282,434)	(1,148)	(571)	(218)	(284,537)
Recoveries	40	-	2,914	573	76	101	3,704
Ending balance - ALLL	\$ 151,680	1,521	38,285	1,553	2,784	136	195,959
For the year ended December 31, 2016							
Beginning balance - ALLL	\$ 128,672	1,657	56,069	1,458	6,826	341	195,023
Provision	(14,222)	(999)	173,080	(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	\$ 114,581	627	92,220	1,227	4,643	197	213,495
For the year ended December 31, 2015							
Beginning balance - ALLL	\$ 96,918	5,146	54,107	2,233	5,530	458	164,392
Provision	31,798	(1,782)	13,993	(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	\$ 128,672	1,657	56,069	1,458	6,826	341	195,023

The increase in charge-off and provision levels for the year ended December 31, 2017 principally relates to the New York City (NYC) taxi medallion portfolio, partially offset by the absence of the 2016 charge-off and provision activity related to the Chicago taxi medallion portfolio.

Over the last two years, the NYC and Chicago taxi medallion markets have been distressed. As a result, medallion transfer volumes declined as compared to historical levels and risk premiums increased. Additionally, there is no market for new issues due to the absence of new financing. However, in Chicago, recent transfer volumes have increased to near historical levels and transfer values are consistent. Therefore, the Bank exclusively utilizes observable data to measure the related fair value. In NYC, while transfer volumes have also increased, the range of value is wide. Due to these factors, among others, management employs an alternative valuation methodology. Specifically, a discounted cash flow model developed by a third party and recent market transactions, as applicable, are weighted to establish a fair value estimate and determine collateral values.

In Chicago, market transactions continued to remain at relatively consistent levels resulting in a minimal value decline to \$46,000, net of selling costs, as of December 31, 2017. However, in NYC, several transactions were noted ranging from approximately \$150,000 to \$628,000. Both recent transfer prices and the discounted cash flow model valuation output were weighted to derive an estimated fair value of \$312,000, net of selling costs, which represented a significant decline from December 31, 2016.

As a result of the year to date decline in the underlying NYC taxi medallion collateral value and our ongoing assessment of the related distressed market, the remaining taxi medallion portfolio was placed on nonaccrual during 2017. When evaluating the impact of the updated collateral value, due to the decline in value, individual borrower loan-to-value (LTV) ratios increased significantly. For perspective, at a portfolio level prior to charge-off, the remaining accruing portfolio weighted average LTV was approximately 170%. As a result of individual borrower LTV ratios, management determined the collectability of all amounts due to be doubtful as the high individual LTV ratios suggest heightened economic stress for each individual borrower. As a result of the change in market conditions during the year, all taxi medallion loans were placed on nonaccrual.

Additionally, for the year ended December 31, 2016, there 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. At the time, 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:

(in thousands)	Credit-rated loans			Non-rated loans			Total
	Commercial Real Estate	1-4 Family Residential Property	Commercial & Industrial	Commercial	Residential Mortgages (1)	Consumer	
As of December 31, 2017							
ALLL:							
Individually evaluated for impairment	\$ -	-	3,960	37	2,139	-	6,136
Collectively evaluated for impairment	151,680	1,521	34,325	1,516	645	136	189,823
Recorded investment in loans:							
Individually evaluated for impairment	9,961	4,236	335,727	74	5,026	-	355,024
Collectively evaluated for impairment	25,423,018	512,181	5,984,019	60,291	233,202	15,310	32,228,021
As of December 31, 2016							
ALLL:							
Individually evaluated for impairment	\$ 24	-	34,695	101	3,382	2	38,204
Collectively evaluated for impairment	114,557	627	57,525	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	22,899,827	409,738	5,072,812	47,880	260,364	10,264	28,700,885

(1) Includes Home equity lines of credit.

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 TDRs, 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, 2017			December 31, 2016		
	Unpaid Principal Balance	Recorded Investment	Related Allowance	Unpaid Principal Balance	Recorded Investment	Related Allowance
<i>(in thousands)</i>						
With no related allowance recorded:						
Commercial loans secured by real estate:						
Commercial property	\$ 9,961	9,961	-	7,435	7,435	-
1-4 family residential property	4,236	4,236	-	-	-	-
Commercial and industrial loans	649,801	320,938	-	229,591	107,564	-
With an allowance recorded:						
Commercial loans secured by real estate:						
Multi-family residential property	-	-	-	3,113	3,113	24
1-4 family residential property	-	-	-	43	43	21
Commercial and industrial loans	15,350	14,863	3,997	193,110	192,278	34,775
Residential mortgages	1,790	1,134	582	3,569	2,804	1,249
Home equity lines of credit	3,905	3,892	1,557	5,350	5,333	2,133
Other consumer loans	-	-	-	4	4	2
Total:						
Commercial loans secured by real estate	14,197	14,197	-	10,591	10,591	45
Commercial and industrial loans	665,151	335,801	3,997	422,701	299,842	34,775
Residential mortgages	1,790	1,134	582	3,569	2,804	1,249
Home equity lines of credit	3,905	3,892	1,557	5,350	5,333	2,133
Other consumer loans	-	-	-	4	4	2
Total impaired loans	\$ 685,043	355,024	6,136	442,215	318,574	38,204

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,					
	2017		2016		2015	
(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	\$ 7,680	235	4,464	192	6,068	122
Acquisition, development and construction loans	-	-	-	-	36	-
Multi-family residential property	-	-	-	-	2,849	140
1-4 family residential property	3,746	187	-	-	4,644	24
Commercial and industrial loans	198,518	234	83,147	2,712	20,152	791
Home equity lines of credit	-	-	-	-	398	-
With an allowance recorded:						
Commercial loans secured by real estate:						
Commercial property	-	-	4,434	130	6,825	258
Multi-family residential property	623	-	3,113	107	3,218	134
1-4 family residential property	33	-	860	-	866	-
Commercial and industrial loans	157,455	1,260	164,158	3,899	81,167	1,437
Residential mortgages	1,994	-	2,827	24	3,014	20
Home equity lines of credit	4,690	-	5,488	-	6,566	80
Other consumer loans	1	-	7	-	34	-
Total:						
Commercial loans secured by real estate	12,082	422	12,871	429	24,506	678
Commercial and industrial loans	355,973	1,494	247,305	6,611	101,319	2,228
Residential mortgages	1,994	-	2,827	24	3,014	20
Home equity lines of credit	4,690	-	5,488	-	6,964	80
Other consumer loans	1	-	7	-	34	-
Total	\$ 374,740	1,916	268,498	7,064	135,837	3,006

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 troubled debt restructuring loans ("TDRs"). Our TDRs 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, (iii) principal forgiveness or (iv) an extension of the loan's contractual maturity date.

The following table presents loans that were classified as TDRs during the years ended December 31, 2017, 2016, and 2015. 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, 2017			December 31, 2016			December 31, 2015		
	Number of Loans	Pre-Modification Balance	Post-Modification Balance	Number of Loans	Pre-Modification Balance	Post-Modification Balance	Number of Loans	Pre-Modification Balance	Post-Modification Balance
<i>(dollars in thousands)</i>									
Commercial loans secured by real estate:									
Commercial property	1	\$ 6,372	6,372	-	-	-	-	-	-
1-4 family residential property	1	4,450	4,236	-	-	-	-	-	-
Commercial and industrial loans:									
Commercial and industrial	7	11,504	3,845	19	18,591	16,526	14	13,603	14,101
Taxi medallions	409	212,068	133,853	91	61,834	53,718	178	148,083	147,411
Consumer loans:									
Home equity lines of credit	2	1,231	373	1	962	940	-	-	-
Residential mortgages	-	-	-	-	-	-	1	495	486
Total	420	\$ 235,625	148,679	111	81,387	71,184	193	162,181	161,998

The following table summarizes how the TDRs loans recorded for the years ended December 2017, 2016, and 2015 were modified:

<i>(in thousands)</i>	Term Extension	Term Extension with Other Concession (1)	Deferred Principal Amortization	Deferred Principal Amortization with Other Concession (1)	Rate Reduction	Total
December 31, 2017						
Commercial loans secured by real estate:						
Commercial property	\$ -	-	6,372	-	-	6,372
1-4 family residential property	4,236	-	-	-	-	4,236
Commercial and industrial loans:						
Commercial and industrial	3,845	-	-	-	-	3,845
Taxi medallions	-	133,853	-	-	-	133,853
Consumer loans:						
Home equity lines of credit	-	-	-	373	-	373
Total	\$ 8,081	133,853	6,372	373	-	148,679
December 31, 2016						
Commercial and industrial loans:						
Commercial and industrial	\$ 1,863	-	2,609	12,054	-	16,526
Taxi medallions	-	-	14,455	30,335	8,928	53,718
Consumer loans:						
Residential mortgages	940	-	-	-	-	940
Total	\$ 2,803	-	17,064	42,389	8,928	71,184
December 31, 2015						
Commercial and industrial loans:						
Commercial and industrial	\$ 9,015	-	1,320	3,766	-	14,101
Taxi medallions	-	-	-	147,411	-	147,411
Consumer loans:						
Residential mortgages	-	486	-	-	-	486
Total	\$ 9,015	486	1,320	151,177	-	161,998

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

Our impaired loans at December 31, 2017 and December 31, 2016 include TDRs totaling \$220.3 million and \$145.3 million, respectively. The increase in TDRs was primarily driven by the restructure of 393 NYC medallion loans totaling \$133.3 million, seven other commercial and industrial loans totaling \$3.8 million, one commercial real estate loan totaling \$6.4 million, one commercial loan secured by 1-4 family property totaling \$4.2 million, and two home equity line of credits totaling \$373,000. This was partially offset by taxi medallion related charge-offs of \$44.6 million, the foreclosure of taxi medallions totaling \$3.7 million, and the full payoff of seven TDRs totaling \$9.5 million. The remainder of the activity relates to continued payment reductions.

During the year of restructuring, we consider a TDR 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 TDRs, 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, 2017, we had 88 taxi medallion relationships (and loans) totaling \$29.1 million that were modified as a TDR within the previous 12 months that subsequently defaulted on payments. As of December 31, 2016, we had 16 taxi medallion relationships and 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 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.

For the years ended December 31, 2017, 2016 and 2015, we recorded interest income on impaired loans during the period of impairment totaling \$1.9 million, \$7.1 million and \$3.0 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 \$8.7 million, \$8.3 million, and \$6.2 million for the years ended December 31, 2017, 2016 and 2015, respectively. Average impaired loans for the years ended December 31, 2017, 2016 and 2015 totaled \$374.7 million, \$268.5 million, and \$135.8 million, respectively.

(9) Premises and Equipment

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

<i>(in thousands)</i>	<i>December 31,</i>	
	2017	2016
Leasehold improvements	\$ 74,147	63,983
Furniture, fixtures and equipment	68,513	56,347
	142,660	120,330
Less accumulated depreciation and amortization	(81,089)	(69,632)
Premises and equipment, net	\$ 61,571	50,698

Depreciation and amortization expense totaled \$12.2 million, \$10.1 million and \$9.0 million for the years ended December 31, 2017, 2016 and 2015, respectively.

(10) Deposits

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

<i>(in thousands)</i>	<i>December 31,</i>	
	2017	2016
Non-interest-bearing demand	\$ 11,308,414	10,468,790
NOW and interest-bearing demand	3,655,699	3,908,436
Money market	16,675,707	15,950,567
Time deposits	956,418	919,349
Brokered deposits (1)	843,589	614,118
Total deposits	\$ 33,439,827	31,861,260

(1) Includes non-interest bearing deposits of \$44.6 million and \$51.7 million as of December 31, 2017 and December 31, 2016, respectively.

The aggregate amounts of time deposits in denominations of \$100,000 or more at December 31, 2017 and 2016 were \$1.48 billion and \$1.24 billion, respectively. Time deposit accounts with balances of \$250,000 or more totaled \$886.3 million and \$770.2 million at December 31, 2017 and 2016, respectively.

At December 31, 2017, the scheduled maturities of time deposits are as follows:

<i>(in thousands)</i>	Amount
2018	\$ 1,451,801
2019	76,215
2020	31,113
2021	4,480
2022	16,736
Total time deposits (1)	\$ 1,580,345

(1) Includes brokered time deposits of \$623.9 million as of December 31, 2017.

At December 31, 2017 and 2016, we had approximately \$53.8 million and \$50.7 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 \$5.4 million, \$5.3 million and \$4.8 million, respectively, for the years ended December 31, 2017, 2016 and 2015.

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

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

<i>(dollars in thousands)</i>	<i>December 31,</i>	
	2017	2016
Federal Funds Purchased		
Year-end balance	\$ 715,000	\$ 543,000
Maximum amount outstanding at any month-end	\$ 715,000	\$ 543,000
Average outstanding balance	\$ 335,317	\$ 191,754
Weighted-average interest rate paid	1.16%	0.58%
Weighted-average interest rate at year-end	1.58%	0.79%
Securities Sold Under Agreements to Repurchase		
Year-end balance	\$ 75,000	\$ 350,000
Maximum amount outstanding at any month-end	\$ 350,000	\$ 395,000
Average outstanding balance	\$ 228,342	\$ 390,724
Weighted-average interest rate paid	2.54%	2.75%
Weighted-average interest rate at year-end	2.34%	2.76%

During the years ended December 31, 2017, 2016, and 2015, we recorded interest expense on federal funds purchased and securities sold under agreements to repurchase with brokers totaling \$9.70 million, \$11.9 million, and \$13.9 million, respectively. The Bank also had repurchase agreements with the FHLB as of December 31, 2016. For further information regarding our repurchase agreements with the FHLB, see Note 13 to our Consolidated Financial Statements.

At December 31, 2017, securities with a fair value of \$131.0 million and a carrying value of \$131.3 million were pledged to meet our collateral requirement of \$80.3 million on repurchase agreements with brokers. 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.

The federal funds purchased at December 31, 2017 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:

<i>(in thousands)</i>		2018
December 31, 2017		
Repurchase agreements with brokers (1):		
Government-sponsored enterprise securities		
Mortgage-backed securities	\$	75,000
Total repurchase agreements with brokers	\$	75,000

	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	-
Collateralized mortgage obligations		62,000	-	-	15,000	-
Total repurchase agreements with brokers	\$	245,000	75,000	-	30,000	-

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

Collateral for these types of transactions 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, 2017, 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:

<i>(dollars in thousands)</i>	<i>December 31,</i>	
	2017	2016
FHLB Advances		
Year-end balance	\$ 4,195,000	\$ 1,975,900
Maximum amount outstanding at any month-end	\$ 4,195,000	\$ 2,280,000
Average outstanding balance	\$ 2,560,791	\$ 1,951,423
Weighted-average interest rate paid	1.40%	1.09%
Weighted-average interest rate at year-end	1.65%	1.17%
FHLB Repurchase Agreements		
Year-end balance	\$ -	\$ 75,000
Maximum amount outstanding at any month-end	\$ 25,000	\$ 450,000
Average outstanding balance	\$ 18,767	\$ 247,404
Weighted-average interest rate paid	3.70%	1.36%
Weighted-average interest rate at year-end	0.00%	1.98%

During the years ended December 31, 2017, 2016, and 2015, interest expense recorded on FHLB borrowings totaled \$36.5 million, \$24.6 million, and \$13.1 million, respectively.

As of December 31, 2017, securities with a fair value of \$1.07 billion and carrying value of \$1.08 billion, and \$6.25 billion of commercial real estate loans pledged through a blanket assignment, were available to meet collateral requirements of approximately \$3.95 billion on FHLB borrowings. 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.

FHLB advances as of December 31, 2017 have contractual maturities as follows:

<i>(in thousands)</i>	Amount
2018	\$ 2,820,000
2019	1,230,000
2020	105,000
2021	40,000
2022	-
Total FHLB advances	\$ 4,195,000

At December 31, 2017, there are no long-term FHLB advances that are callable by the FHLB for redemption prior to their maturity date.

At December 31, 2017, we had no securities sold under repurchase agreements to the FHLB. As such, no collateral was pledged for FHLB repurchase agreements. At December 31, 2016, all repurchase agreements accounted for as secured borrowings were scheduled to mature in 2017. These were collateralized with government-sponsored enterprise securities, of which \$22.5 million were collateralized by mortgage-backed securities and \$52.5 million by collateralized mortgage obligations.

(14) Subordinated Debt

On April 19, 2016, the Bank issued \$260.0 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 \$2.6 million.

(15) Income Taxes

Provision for Income Taxes

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

<i>(in thousands)</i>	<i>Years ended December 31,</i>		
	2017	2016	2015
FEDERAL			
Current expense	\$ 127,813	186,213	188,024
Deferred income tax expense (benefit)	40,307	7,328	(1,889)
Total federal	\$ 168,120	193,541	186,135
STATE AND LOCAL			
Current expense	\$ 2,115	66,198	65,662
Deferred income tax expense	17,820	1,384	3,215
Total state and local	\$ 19,935	67,582	68,877
TOTAL			
Current expense	\$ 129,928	252,411	253,686
Deferred income tax expense	58,127	8,712	1,326
Total	\$ 188,055	261,123	255,012

Current year income tax expense includes a net tax benefit of \$2.0 million related to the impact of recently enacted Federal corporate tax reform primarily related to the revaluation of deferred tax assets and liabilities, partially offset by the tax reform impact on other comprehensive income ("OCI") as a result of a deferred tax asset remeasurement related to the net unrealized loss of our available-for-sale ("AFS") securities.

The newly issued ASU 2018-02, *Income Statement –Reporting Comprehensive Income (Topic 220)* provides entities an option to reclassify tax effects stranded in accumulated other comprehensive income as a result of the 2017 Tax Cuts and Jobs Act to retained earnings. Early adoption is permitted as of December 31, 2017, prior to the issuance of the related financial statements. The Company elected not to reclassify as of December 31, 2017. See Note 2(s) for additional information.

Deferred Tax Assets and Liabilities

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

<i>(in thousands)</i>	<i>December 31,</i>	
	2017	2016
DEFERRED TAX ASSETS		
Allowance for loan and lease losses	\$ 56,587	88,541
Income on leased assets	57,253	55,038
Write-down for other-than-temporary impairment of securities	3,763	11,605
Unearned compensation - restricted stock	10,917	14,621
Non-accrual interest	670	923
Other	6,952	3,417
Total deferred tax assets recognized in earnings	136,142	174,145
Net unrealized losses on securities available-for-sale	29,275	29,727
Net unrealized losses on securities transferred to held-to-maturity	5,440	9,042
Total deferred tax assets	170,857	212,914
DEFERRED TAX LIABILITIES		
Depreciation - leased assets	136,581	138,244
Prepaid expenses	755	1,098
Deferred income	23,967	-
Other	11,535	13,372
Total deferred tax liabilities	172,838	152,714
Net deferred tax (liability) asset	\$ (1,981)	60,200

In accordance with GAAP, as of December 31, 2017, we revalued our federal deferred tax assets and liabilities in consideration of the Tax Cuts and Jobs Act of 2017. The revaluation resulted in a \$2.0 million decrease to our net deferred tax liability.

Effective Tax Rate

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

<i>(dollars in thousands)</i>	Years ended December 31,					
	2017		2016		2015	
	Expense (Benefit)	Rate	Expense (Benefit)	Rate	Expense (Benefit)	Rate
Statutory federal income tax expense	\$ 201,342	35%	230,107	35%	219,828	35%
State and local income taxes, net of federal income tax benefit	29,503	5%	43,928	7%	44,769	7%
Low income housing federal tax credits	(17,259)	(3%)	(12,622)	(2%)	(10,873)	(2%)
Stock based compensation	(5,491)	(1%)	-	*	-	*
Tax exempt income	(2,586)	*	(1,470)	*	(347)	*
2015 & 2016 NYC affordable housing tax benefit	(15,070)	(3%)	-	*	-	*
Federal excise tax on deferred income	2,815	*	-	*	-	*
Federal tax reform impact on OCI	14,101	2%	-	*	-	*
DTA Remeasurement - Federal tax reform	(18,874)	(3%)	-	*	-	*
Other items, net	(426)	*	1,180	*	1,635	(1)%
Effective income tax expense	\$ 188,055	32%	261,123	40%	255,012	41%

* - Less than 1%.

Unrecognized Tax Benefits

We recognized immaterial liabilities for unrecognized tax benefits related to uncertain tax positions as of December 31, 2017. 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 2014 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, 2017 and 2016 is summarized as follows:

	Years ended December 31,	
	2017	2016
Shares available for future awards at beginning of the year	1,763,026	1,887,772
Restricted stock		
Granted	(433,067)	(356,666)
Forfeited	70,096	3,240
Shares sold to cover minimum tax withholding upon vesting	157,676	228,680
Shares available for future awards at end of the year	1,557,731	1,763,026

Restricted Stock

The following table summarizes information regarding outstanding grants of restricted stock for the years ended December 31, 2017 and 2016:

	Years ended December 31,			
	2017		2016	
	Shares	Weighted Average Grant Price	Shares	Weighted Average Grant Price
Outstanding at beginning of the year	926,123	\$ 113.35	986,569	\$ 93.61
Granted	433,067	144.02	356,666	140.61
Vested	(413,281)	106.01	(413,872)	89.76
Forfeited	(70,096)	122.16	(3,240)	115.74
Outstanding at end of the year	<u>875,813</u>	<u>\$ 131.28</u>	<u>926,123</u>	<u>\$ 113.35</u>

The driver of the 2017 forfeiture is a Type III modification (improbable-to-probable vesting) of an award related to the retirement of our former Chief Credit Officer, who will be required to provide services to the Bank over a two-year period for vesting to occur. The modified award is presented in the granted line item within the table above.

As of December 31, 2017, our total unrecognized compensation cost related to unvested restricted shares was \$77.2 million, which is expected to be recognized over a weighted-average period of 1.83 years. During the years ended December 31, 2017, 2016, and 2015, we recognized compensation expense of \$46.4 million, \$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, 2017, 2016 and 2015 were \$59.5 million, \$58.5 million, and \$54.3 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, 2017 and 2016:

	Years ended December 31,		Affected Line Item in the Consolidated Statement of Income
	2017	2016	
(in thousands) Details About AOCI	Amount Reclassified Out of AOCL	Amount Reclassified Out of AOCL	
Net unrealized gains on AFS securities	\$ 3,963	7,711	Net gains on sales of securities
	(633)	(427)	Net impairment losses on securities recognized in earnings
Total reclassifications, before tax	3,330	7,284	
	(1,235)	(3,021)	Income tax expense
Total reclassifications, net of tax	<u>\$ 2,095</u>	<u>4,263</u>	

The following table presents changes in AOCL, net of tax, for the years ended December 31, 2017 and 2016:

<i>(in thousands)</i>	AFS Securities	HTM Securities Transferred from AFS	Total
For the year ended December 31, 2017			
Balance at December 31, 2016	\$ (42,807)	(11,907)	(54,714)
Net change in unrealized gains or losses	(13,865)	-	(13,865)
Amortization of net unrealized loss on securities transferred to HTM	-	1,807	1,807
Amounts reclassified out of AOCL	(2,095)	-	(2,095)
Net current period other comprehensive income (loss)	(15,960)	1,807	(14,153)
Balance at December 31, 2017	\$ (58,767)	(10,100)	(68,867)
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 income (loss)	(46,976)	1,765	(45,211)
Balance at December 31, 2016	\$ (42,807)	(11,907)	(54,714)

(18) Earnings Per Share

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

<i>(in thousands, except per share amounts)</i>	<i>Years ended December 31,</i>		
	2017	2016	2015
Net income	\$ 387,209	396,324	373,065
Common and common equivalent shares:			
Weighted average common shares outstanding	54,001	53,406	50,739
Weighted average common equivalent shares	417	405	563
Weighted average common and common equivalent shares	54,418	53,811	51,302
Basic earnings per share	\$ 7.17	7.42	7.35
Diluted earnings per share	\$ 7.12	7.37	7.27

For the years ended December 31, 2017, 2016 and 2015, 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 2033. Our premises are used principally for private client offices and administrative operations. Rental expense for our premises for the years ended December 31, 2017, 2016, and 2015 totaled \$27.7 million, \$25.1 million and \$21.9 million, respectively.

The required minimum rental payments under the terms of the non-cancelable leases at December 31, 2017 are summarized as follows:

<i>(in thousands)</i>	Amount
2018	\$ 23,579
2019	24,652
2020	23,476
2021	21,815
2022	21,456
Thereafter	103,282
Total	\$ 218,260

(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 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, 2017 are as follows:

<i>(in thousands)</i>	Amount
2018	\$ 12,822
2019	12,650
2020	12,650
2021	4,593
2022	4,593
Thereafter	-
Total	\$ 47,308

(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:

<i>(in thousands)</i>	<i>December 31,</i>	
	2017	2016
Unused commitments to extend credit	\$1,352,032	1,310,736
Financial standby letters of credit	497,581	376,660
Commercial and similar letters of credit	18,002	17,801
Other	1,559	1,482
Total	\$1,869,174	1,706,679

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, 2017 and December 31, 2016, our reserves for losses on unused commitments to extend credit totaled \$773,000 and \$1.1 million, 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 client. This liability is amortized over the term of the guarantee on a straight-line basis. At December 31, 2017 and December 31, 2016, we had deferred revenue for commitment fees paid for the issuance of standby letters of credit in the amounts of \$1.4 million and \$1.3 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 \$165,000 and \$199,000 at December 31, 2017 and 2016, respectively. We recorded provisions for losses related to standby letters of credit totaling \$(34,000), \$64,000 and \$10,000 for the years ended December 31, 2017, 2016 and 2015, respectively. During the years ended December 31, 2017 and 2016, there were no charge-offs recorded on standby letters of credit.

At December 31, 2017 and 2016, we had commitments to sell loans totaling \$9.1 million and \$3.4 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 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, 2017 and 2016, 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, 2017:

<i>(dollars in thousands)</i>	<i>Actual</i>		<i>Required for Capital Adequacy Purposes</i>		<i>Required to be Well Capitalized</i>	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital (to risk-weighted assets)	\$ 4,553,605	13.32%	2,735,682	8.00%	3,419,603	10.00%
Tier 1 capital (to risk-weighted assets)	4,099,327	11.99%	2,051,762	6.00%	2,735,682	8.00%
Common equity Tier 1 capital (to risk-weighted assets)	4,099,327	11.99%	1,538,821	4.50%	2,222,742	6.50%
Tier 1 leverage capital (to average assets)	4,099,327	9.72%	1,687,292	4.00%	2,109,115	5.00%

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

<i>(dollars in thousands)</i>	<i>Actual</i>		<i>Required for Capital Adequacy Purposes</i>		<i>Required to be Well Capitalized</i>	
	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)	3,665,855	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%

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 \$260.0 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 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 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. Because of the expected savings from the recently enacted Tax Cuts and Jobs Act of 2017, we may consider paying cash dividends on our common stock in the near future. 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):

<i>(in thousands)</i>	<i>At or for the years ended December 31,</i>		
	2017	2016	2015
Commercial Banking			
Interest income	\$ 1,391,792	1,235,781	1,025,588
Interest expense	232,584	169,909	129,847
Provision for (recovery of) loan and lease losses	44,283	(20,174)	15,783
Non-interest income	31,486	39,293	34,405
Non-interest expense	392,041	353,481	317,296
Income (loss) before income taxes	754,370	771,858	597,067
Total assets	\$ 43,388,741	39,081,992	33,401,329
Specialty Finance			
Interest income	\$ 117,053	109,578	103,626
Interest expense	38,675	28,208	22,266
Provision for (recovery of) loan and lease losses	219,014	175,948	29,131
Non-interest income	4,579	3,491	2,699
Non-interest expense	43,049	23,324	23,918
Income (loss) before income taxes	(179,106)	(114,411)	31,010
Total assets	\$ 4,063,495	3,440,329	3,173,198

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

<i>(in thousands)</i>	<i>At or for the years ended December 31,</i>		
	2017	2016	2015
Net interest income:			
Commercial Banking	\$ 1,159,208	1,065,872	895,741
Specialty Finance	78,378	81,370	81,360
Consolidated	\$ 1,237,586	1,147,242	977,101
Provision for (recovery of) loan and lease losses:			
Commercial Banking	\$ 44,283	(20,174)	15,783
Specialty Finance	219,014	175,948	29,131
Consolidated	\$ 263,297	155,774	44,914
Non-interest income:			
Commercial Banking	\$ 31,486	39,293	34,405
Specialty Finance	4,579	3,491	2,699
Eliminations	(24)	(34)	-
Consolidated	\$ 36,041	\$ 42,750	\$ 37,104
Non-interest expense:			
Commercial Banking	\$ 392,041	353,481	317,296
Specialty Finance	43,049	23,324	23,918
Eliminations	(24)	(34)	-
Consolidated	\$ 435,066	\$ 376,771	\$ 341,214
Income (loss) before income taxes:			
Commercial Banking	\$ 754,370	771,858	597,067
Specialty Finance	(179,106)	(114,411)	31,010
Consolidated	\$ 575,264	657,447	628,077
Total assets:			
Commercial Banking	\$ 43,388,741	39,081,992	33,401,329
Specialty Finance	4,063,495	3,440,329	3,173,198
Eliminations (1)	(4,334,516)	(3,474,710)	(3,123,982)
Consolidated	\$ 43,117,720	39,047,611	33,450,545

(1) Eliminations related to intercompany funding

(22) Quarterly Data (unaudited)

<i>(dollars in thousands, except per share amounts)</i>	March 31	June 30	September 30	December 31
2017 QUARTER				
Interest income	\$ 350,605	361,937	370,669	386,958
Interest expense	48,850	54,695	61,851	67,187
Net interest income	301,755	307,242	308,818	319,771
Provision for loan and lease losses	19,630	187,590	14,340	41,737
Net interest income after provision for loan and lease losses	282,125	119,652	294,478	278,034
Non-interest income	9,875	9,550	8,119	8,497
Other-than-temporary impairment losses on securities, net	(159)	(81)	(361)	(32)
Non-interest income excluding other-than-temporary impairment losses on securities	10,034	9,631	8,480	8,529
Non-interest expense	103,200	116,274	105,628	109,964
Income before taxes	188,800	12,928	196,969	176,567
Income tax expense (benefit)	54,886	(1,030)	72,498	61,701
Net income	\$ 133,914	13,958	124,471	114,866
Basic earnings per common share	\$ 2.49	0.26	2.30	2.12
Diluted earnings per common share	\$ 2.48	0.26	2.29	2.11
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 (benefit)	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

Exhibit Index

<u>Exhibit No.</u>	<u>Exhibit</u>
3.1	Restated Organization Certificate. (Incorporated by reference to Signature Bank's Quarterly Report on Form 10-Q for the period ended June 30, 2005.)
3.2	Certificate of Amendment 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	Certificate of Amendment to the Bank's Restated Organization Certificate. (Incorporated by reference from Annex A to the 2017 Definitive Proxy Statement on Schedule 14A, filed with the Federal Deposit Insurance Corporation on March 10, 2017.)
3.4	Amended and Restated By-laws of the Registrant. (Incorporated by reference to Signature Bank's Current Report on Form 8-K filed on January 23, 2018.)
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 B to the 2017 Definitive Proxy Statement on Schedule 14A, filed with the Federal Deposit Insurance Corporation on March 10, 2017.)
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.

SUBSIDIARIES OF SIGNATURE BANK

As of March 1, 2018, 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

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, 2017;
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, 2018

/s/ JOSEPH J. DEPAOLO

Joseph J. DePaolo

President, Chief Executive Officer and Director

CERTIFICATION

I, Vito Susca, certify that:

1. I have reviewed this annual report on Form 10-K of Signature Bank for the fiscal year ended December 31, 2017;
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, 2018

/s/ VITO SUSCA

Vito Susca

Executive Vice President and Chief Financial Officer

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

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

The Annual Report on Form 10-K for the year ended December 31, 2017 (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, 2018

/s/ JOSEPH J. DEPAOLO

Joseph J. DePaolo
President, Chief Executive Officer and Director

Dated: March 1, 2018

/s/ VITO SUSCA

Vito Susca
Executive Vice President and Chief Financial Officer

The foregoing certification is being furnished solely pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code) and is not being filed as part of the Form 10-K or as a separate disclosure document.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Scott A. Shay

Co-founder & Chairman of the Board of Directors
Signature Bank

Kathryn A. Byrne, CPA

Partner
MAZARS USA 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

Eric R. Howell

Executive Vice President – Corporate & Business Development

Peter S. Quinlan

Executive Vice President & Treasurer

Vito Susca

Executive Vice President & Chief Financial Officer

Thomas Kasulka

Executive Vice President & Chief Lending Officer

Michael Sharkey

Senior Vice President & Chief Technology Officer

Brian Twomey

Senior Vice President & Chief Credit 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

900 Stewart Avenue, Garden City
53 North Park Avenue, Rockville Centre
68 South Service Road, Melville
923 Broadway, Woodmere
40 Cattermill Road, Great Neck
100 Jericho Quadrangle, Jericho
360 Motor Parkway, Hauppauge
58 South Service Road, Melville
(Accommodation Office)

Connecticut

75 Holly Hill Lane, Greenwich

California

The Flood Building
870 Market Street, Suite 784
San Francisco, CA 94102
(Accommodation Office)

Signature Securities Group

Institutional Trading
9 Greenway Plaza, Suite 3120
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 25, 2018, 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, 2017, included herein.



SIGNATURE BANK

565 Fifth Avenue
New York, NY 10017

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

