

FORM 10-Q

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON D.C. 20429

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended: March 31, 2010

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 Company 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)

(646) 822-1500

(Company's telephone number, including area code)

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act):

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

CLASS OF COMMON STOCK

NUMBER OF SHARES OUTSTANDING – May 6, 2010

\$.01 Par Value per share

40,894,460

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Form 10-Q

Table of Contents

	Page
PART I. FINANCIAL INFORMATION	
Item 1. Financial Statements (unaudited)	
Consolidated Statements of Financial Condition	3
Consolidated Statements of Operations	4
Consolidated Statements of Changes in Shareholders' Equity	5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	29
Item 3. Quantitative and Qualitative Disclosures About Market Risk	46
Item 4. Controls and Procedures	47
PART II. OTHER INFORMATION	
Item 1. Legal Proceedings	48
Item 1A. Risk Factors	48
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	48
Item 3. Defaults Upon Senior Securities	48
Item 4. (Removed and Reserved)	48
Item 5. Other Information	48
Item 6. Exhibits	48
Signatures	

PART I. Financial Information
Item 1. Financial Statements (unaudited)

SIGNATURE BANK
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

	March 31, 2010 (unaudited)	December 31, 2009
<i>(dollars in thousands, except per share amounts)</i>		
ASSETS		
Cash and due from banks	\$ 250,327	95,746
Short-term investments	106,184	12,603
Total cash and cash equivalents	356,511	108,349
Securities available-for-sale (pledged \$1,715,949 at March 31, 2010 and \$1,584,371 at December 31, 2009)	3,900,578	3,837,583
Securities held-to-maturity (fair value \$346,173 at March 31, 2010 and \$290,608 at December 31, 2009; pledged \$199,460 at March 31, 2010 and \$194,336 at December 31, 2009)	350,657	295,984
Federal Home Loan Bank stock	21,881	23,906
Loans held for sale	209,411	293,207
Loans, net	4,431,856	4,320,978
Premises and equipment, net	30,786	31,802
Accrued interest and dividends receivable	45,685	43,193
Other assets	390,542	191,110
Total assets	\$ 9,737,907	9,146,112
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits		
Non-interest-bearing	1,875,314	1,969,734
Interest-bearing	6,022,407	5,252,812
Total deposits	7,897,721	7,222,546
Federal funds purchased and securities sold under agreements to repurchase	627,000	697,000
Federal Home Loan Bank advances	260,000	305,000
Other short-term borrowings	5,958	6,900
Accrued expenses and other liabilities	113,276	111,007
Total liabilities	8,903,955	8,342,453
Shareholders' equity		
Preferred stock, par value \$.01 per share; 61,000,000 shares authorized; none issued at March 31, 2010 and December 31, 2009	-	-
Common stock, par value \$.01 per share; 64,000,000 shares authorized; 40,785,590 and 40,619,557 shares issued and outstanding at March 31, 2010 and December 31, 2009	408	406
Additional paid-in capital	670,784	668,441
Retained earnings	193,558	171,464
Net unrealized depreciation on securities, net of tax	(30,798)	(36,652)
Total shareholders' equity	833,952	803,659
Total liabilities and shareholders' equity	\$ 9,737,907	9,146,112

See accompanying notes to Consolidated Financial Statements.

SIGNATURE BANK
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	<i>Three months ended March 31,</i>	
	2010	2009
<i>(dollars in thousands, except per share amounts)</i>		
INTEREST AND DIVIDEND INCOME		
Loans held for sale	\$ 1,005	705
Loans, net	60,991	47,655
Securities available-for-sale	43,162	37,068
Securities held-to-maturity	3,172	2,665
Other short-term investments	450	122
Total interest income	108,780	88,215
INTEREST EXPENSE		
Deposits	21,058	20,931
Federal funds purchased and securities sold under agreements to repurchase	6,395	7,213
Federal Home Loan Bank advances	2,570	2,569
Total interest expense	30,023	30,713
Net interest income before provision for loan losses	78,757	57,502
Provision for loan losses	11,233	9,595
Net interest income after provision for loan losses	67,524	47,907
NON-INTEREST INCOME		
Commissions	2,242	2,818
Fees and service charges	3,522	3,319
Net gains on sales of securities	12,668	2,609
Net gains on sales of loans	1,473	485
Other-than-temporary impairment losses on securities:		
Total impairment losses on securities	(22,552)	-
Portion of loss recognized in other comprehensive income (before taxes)	13,047	-
Net impairment losses on securities recognized in earnings	(9,505)	-
Net trading income	5	791
Other income	722	373
Total non-interest income	11,127	10,395
NON-INTEREST EXPENSE		
Salaries and benefits	24,311	20,473
Occupancy and equipment	3,686	3,362
Other general and administrative	11,747	10,156
Total non-interest expense	39,744	33,991
Income before income taxes	38,907	24,311
Income tax expense	16,813	9,699
Net income	22,094	14,612
Dividends on preferred stock and related discount accretion	-	12,202
Net income available to common shareholders	\$ 22,094	2,410
PER COMMON SHARE DATA		
Earnings per share – basic (1)	\$ 0.54	0.07
Earnings per share – diluted (1)	\$ 0.54	0.07

(1) For the three months ended March 31, 2009, includes the negative effect of the \$10.2 million deemed dividend associated with the difference between the redemption payment and the carrying value of the preferred stock repurchased from the United States Department of the Treasury. See Note 4 for further discussion.

See accompanying notes to Consolidated Financial Statements.

SIGNATURE BANK
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(unaudited)

Three months ended March 31, 2009

<i>(in thousands)</i>	Preferred stock	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Total shareholders' equity
Balance at December 31, 2008	\$ 109,314	352	534,458	116,707	(62,696)	698,135
Redemption of preferred stock (TARP)	(120,000)	-	(95)	-	-	(120,095)
Deemed dividend on preferred stock (TARP)	10,232	-	-	(10,232)	-	-
Dividends on preferred stock (TARP)	-	-	-	(1,817)	-	(1,817)
Amortization of discount on preferred stock (TARP)	454	-	-	(454)	-	-
Common stock issued	-	-	(5)	-	-	(5)
Stock options activity, net	-	-	267	-	-	267
Restricted stock activity, net	-	2	1,054	-	-	1,056
Comprehensive income, net of tax:						
Net income	-	-	-	14,612	-	14,612
Net change in unrealized depreciation on securities available-for-sale, net of tax of \$7,277	-	-	-	-	(9,179)	(9,179)
Reclassification adjustment for net gains on sale of securities included in net income, net of tax of \$1,153	-	-	-	-	(1,456)	(1,456)
Total comprehensive income, net of tax						3,977
Balance at March 31, 2009	\$ -	354	535,679	118,816	(73,331)	581,518

Three months ended March 31, 2010

<i>(in thousands)</i>	Preferred stock	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Total shareholders' equity
Balance at December 31, 2009	\$ -	406	668,441	171,464	(36,652)	803,659
Stock options activity, net	-	-	217	-	-	217
Restricted stock activity, net	-	2	2,154	-	-	2,156
Warrant auction costs (TARP)	-	-	(28)	-	-	(28)
Comprehensive income, net of tax:						
Net income	-	-	-	22,094	-	22,094
Net change in unrealized depreciation on securities, net of tax of \$(11,842)	-	-	-	-	14,880	14,880
Reclassification adjustment for net gains on sale of securities included in net income, net of tax of \$5,614	-	-	-	-	(7,054)	(7,054)
Other-than-temporary losses on securities available-for-sale related to noncredit factors, net of tax of \$5,782	-	-	-	-	(7,265)	(7,265)
Reclassification adjustment for other-than-temporary losses on securities available-for sale related to credit factors included in net income, net of tax of \$(4,212)	-	-	-	-	5,293	5,293
Total comprehensive income, net of tax						27,948
Balance at March 31, 2010	\$ -	408	670,784	193,558	(30,798)	833,952

See accompanying notes to Consolidated Financial Statements.

SIGNATURE BANK
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

<i>(in thousands)</i>	<i>Three months ended</i>	
	<i>March 31,</i>	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 22,094	14,612
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	1,405	1,346
Provision for loan losses	11,233	9,595
Net impairment losses on securities recognized in earnings	9,505	-
Net amortization/accretion of premium/(discount)	13,190	7,219
Stock-based compensation expense	1,483	1,180
Net gains on sales of securities and loans	(14,141)	(3,094)
Purchases and originations of loans held for sale	(135,188)	(83,497)
Proceeds from sales and principal repayments of loans held for sale	249,860	221,063
Net increase in accrued interest and dividends receivable	(2,439)	(505)
Deferred income tax benefit	(5,626)	(217)
Net increase in other assets	(198,465)	(50,209)
Net increase in accrued expenses and other liabilities	1,533	7,666
Net cash (used in) provided by operating activities	(45,556)	125,159
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of securities available-for-sale ("AFS")	(733,700)	(322,139)
Proceeds from sales of securities AFS	321,818	131,349
Maturities, redemptions, calls and principal repayments on securities AFS	320,219	177,275
Purchase of securities held-to-maturity ("HTM")	(64,665)	(27,395)
Maturities, redemptions, calls and principal repayments on securities HTM	9,690	21,971
Redemption of Federal Home Loan Bank stock	2,025	-
Net increase in loans	(122,111)	(103,920)
Net purchases of premises and equipment	(389)	(1,104)
Net cash used in investing activities	(267,113)	(123,963)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net (decrease) increase in non-interest-bearing deposits	(94,420)	151,716
Net increase in interest-bearing deposits	769,595	296,613
Net decrease in secured short-term borrowings	(115,942)	(106,257)
Tax benefit from stock-based compensation	736	77
Issuance of common stock and exercise of options	890	138
Warrant auction costs (TARP)	(28)	-
Redemption of preferred stock (TARP)	-	(120,095)
Dividends paid on preferred stock (TARP)	-	(1,817)
Net cash provided by financing activities	560,831	220,375
Net increase in cash and cash equivalents	248,162	221,571
Cash and cash equivalents at beginning of period	108,349	116,257
Cash and cash equivalents at end of period	\$ 356,511	337,828
Supplemental disclosures of cash flow information:		
Interest paid during the period	\$ 30,216	30,467
Income taxes paid during the period	14,939	8,947

See accompanying notes to Consolidated Financial Statements.

SIGNATURE BANK
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

In this quarterly report filed on Form 10-Q, except where the context otherwise requires, the “Bank,” the “Company,” “Signature,” “we,” “us,” and “our” refer to Signature Bank and its subsidiaries, including Signature Securities Group Corporation (“Signature Securities”).

1. Basis of Presentation and Consolidation

The accompanying unaudited 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. In the opinion of management, these financial statements have been prepared to reflect all adjustments necessary to present fairly the financial position and results of operations as of the dates and for the periods shown. All significant intercompany accounts and transactions have been eliminated in consolidation.

The results of operations and other data presented for the three months ended March 31, 2010 are not necessarily indicative of the results of operations that may be expected for the year ending December 31, 2010. The preparation of Consolidated Financial Statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates. The most significant estimates include the adequacy of the allowance for loan losses, valuation of securities, the evaluation of other-than-temporary impairment of securities, and income taxes. Current market conditions increase the risk and complexity of the judgments involved in these estimates.

You should read these unaudited Consolidated Financial Statements and related management’s discussion and analysis together with the financial information in our 2009 Annual Report on Form 10-K, previously filed with the Federal Deposit Insurance Corporation (“FDIC”). There have not been any significant changes in the factors or methodology used in determining our accounting estimates or applied in our critical accounting policies since December 31, 2009 that are material in relation to our financial condition or results of operations.

2. Critical Accounting Policies

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

The judgments used by management in applying the critical accounting policies may be affected by a further and prolonged deterioration in the economic environment, which may result in changes to future financial results. Specifically, subsequent evaluations of the loan portfolio, in light of the factors then prevailing, may result in significant changes in the allowance for loan losses 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 illiquidity or dislocation in marketplaces resulting in significantly depressed market prices thus leading to further impairments.

Allowance for Loan Losses

We consider our policies related to the allowance for loan losses as critical to our financial statement presentation. The allowance for loan losses is established through a provision for loan losses charged to current earnings. The amount maintained in the allowance reflects management’s continuing evaluation of the probable losses inherent in the loan portfolio. The allowance for loan losses is comprised of two components: specific allowances assigned to certain classified loans individually evaluated for impairment and allowances calculated based on formulas for pools of loans. Factors contributing to the determination of specific allowances include the creditworthiness of the borrower and, more specifically, changes in the expected future receipt of principal and interest payments and/or in the value of pledged collateral. An allowance is recorded when the carrying amount of the loan exceeds the discounted estimated cash flows using the loan’s initial effective interest rate or the fair value of the collateral for collateral dependent loans. For purposes of determining formulas for pools of loans, the portfolio is segregated by product types in order to recognize differing risk profiles among categories, and then further segregated by credit grades.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, prevailing economic conditions and industry data. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

In addition, bank regulators, as an integral part of their supervisory functions, periodically review our allowance for loan losses. These regulatory agencies may require us to increase our provision for loan losses or to recognize further provisions and/or loan charge-offs based upon their judgments, which may be different from ours. An increase in the allowance for loan losses required by these regulatory agencies could materially adversely affect our financial condition and results of operations.

Impairment of Investment Securities

We consider our policies related to the evaluation of securities for other-than-temporary impairment to be critical to our financial statement presentation. We regularly evaluate our securities to identify declines in fair value that are considered other-than-temporary. Our evaluation of securities for impairments is a quantitative and qualitative process, which is subject to risks and uncertainties. If the 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 cost, the probability of a near-term recovery in value, whether we intend to sell the security and whether it is more likely than not that we will be required to sell the security before full recovery of our investment or maturity. We also consider specific adverse conditions related to the financial health, projected cash flow and business outlook for the investee, including industry and sector performance, operational and financing cash flow factors and rating agency actions. Once a decline in fair value is determined to be other-than-temporary, for equity securities, an impairment charge is recorded through current earnings based upon the estimated fair value of the security at time of impairment and a new cost basis in the investment is established. For debt investment securities deemed to be other-than-temporarily impaired on or after April 1, 2009, the investment is written down to fair value with the estimated credit loss charged to current earnings and the noncredit-related impairment loss charged to other comprehensive income. Prior to April 1, 2009, the full amount of other-than-temporary impairment on debt securities (fair value) was charged to current earnings. We changed our accounting policy beginning April 1, 2009 in order to adopt new accounting requirements issued by the Financial Accounting Standards Board ("FASB") as discussed in Note 7. If market, industry and/or investee conditions deteriorate, we may incur future impairments.

Securities other than securitized financial assets that are in an unrealized loss position, are reviewed at least quarterly to determine if an other-than-temporary impairment is present based on certain quantitative and qualitative factors. The primary factors considered in evaluating whether a decline in value for these securities is other-than-temporary include: (a) the length of time and extent to which the fair value has been less than cost or amortized cost and the expected recovery period of the security, (b) the financial condition, credit rating, and future prospects of the issuer, (c) whether the debtor is current on contractually-obligated interest and principal payments, and (d) whether we intend to sell or whether we will be required to sell these instruments before recovery of their cost basis.

In performing our other-than-temporary impairment analysis for securitized financial assets with contractual cash flows (asset-backed securities, collateralized debt obligations, commercial mortgage-backed securities and mortgage-backed securities), we estimate future cash flows for each security based upon our best estimate of future delinquencies, estimated defaults, loss severity, and prepayments. We review the estimated cash flows to determine whether we expect to receive all originally scheduled 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.

Based on the adoption of the new accounting requirements as discussed in Note 7, the noncredit losses on previously other-than-temporarily impaired securities that were recorded in earnings were transferred from retained earnings to accumulated other comprehensive income. As a result, effective April 1, 2009, the amortized cost basis of those securities increased and therefore the accretion of discounts into interest income after that date has been, and is expected to remain, insignificant.

Equity securities, including FHLB stock, that are not quoted on an exchange and not considered to have a readily-determinable fair value are recorded at cost, less impairment (if any).

3. Recent Accounting Pronouncements

In June 2009, the FASB issued guidance which amends the derecognition guidance in Topic 860 (Transfers and Servicing) of the FASB Accounting Standards Codification ("ASC"). Its main provisions are as follows: (1) eliminates the concept of a qualified special purpose entity ("QSPE"); (2) requires a transferor to consider all arrangements made contemporaneously with or in anticipation of a transfer when determining whether derecognition is appropriate; (3) clarifies the requirement that a transferred financial asset be legally isolated from the transferor and any of its consolidated affiliates; (4) introduces the concept of a participating interest which is applied to transfers of portions of financial assets to determine derecognition eligibility; (5) modifies the conditions required for a transfer of financial assets to qualify as a sale; (6) changes the initial measurement guidance for asset transfers that qualify as sales; and (7) stipulates that guaranteed mortgage securitizations ("GMS") that fail to meet the conditions for sale accounting will result in the continued classification of the securitized mortgage loans as loans and will not enable a transferor to recognize a servicing asset or liability. The guidance is effective for financial asset transfers occurring in fiscal years beginning after November 15, 2009 (January 1, 2010 for calendar-year-end entities). We adopted these requirements on January 1, 2010 with no material impact to our Consolidated Financial Statements.

In January 2010, the FASB issued Accounting Standards Update 2010-06, which amends ASC Topic 820 (Fair Value Measurements and Disclosures) to add new requirements for disclosures about significant transfers into and out of Levels 1 and 2 and separate disclosures about purchases, sales, issuances and settlements relating to Level 3 measurements. It also requires disaggregation of fair value disclosures for each class of assets and liabilities and disclosures about inputs and valuation techniques used to measure fair value. The guidance is effective for the first reporting period (including interim periods) beginning after December 15, 2009, except for the requirement to provide Level 3 activity on a gross basis, which will be effective for fiscal years beginning after December 15, 2010 (including interim periods). In the period of initial adoption, entities are not required to provide the amended disclosures for any previous periods presented for comparative purposes. We adopted these requirements on January 1, 2010 and have provided the applicable disclosures in Note 6.

4. Repurchase of Preferred Stock

On December 12 2008, we completed the issuance of 120,000 shares 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 through the Troubled Asset Relief Program Capital Purchase Program (the "TARP Offering"). We used the proceeds from the TARP Offering to fund our continued loan growth, and we believe our active lending to credit-worthy borrowers during our participation in the program supported the U.S. Treasury's stated goal of increasing the flow of credit to both consumers and businesses.

On February 17, 2009, the American Recovery and Reinvestment Act of 2009 (the "Recovery Act") was enacted. The Recovery Act included limitations and other provisions that have affected the manner in which participants in the TARP Capital Purchase Program conduct their business. In light of the restrictions of the Recovery Act, on March 31, 2009, we repurchased the 120,000 shares of preferred stock we issued to the U.S. Treasury for \$120.0 million (the aggregate liquidation preference of such preferred stock) plus accrued and unpaid dividends of \$767,000. We believe exiting the program was in our best interest and the best interest of our shareholders and clients, and we remain "well capitalized" as defined for regulatory purposes. On March 12, 2010, the U.S. Treasury sold the ten-year warrant to purchase up to 595,829 shares of our common stock that was issued in connection with the TARP Offering through a modified "Dutch Auction" process. We did not repurchase any of the warrant auctioned by the U.S. Treasury.

5. Earnings Per Share

The following table shows the computation of basic and diluted earnings per common and common equivalent share for the three months ended March 31, 2010 and 2009:

<i>(in thousands, except per share amounts)</i>	<i>Three months ended March 31,</i>	
	2010	2009
Net income	\$ 22,094	14,612
Dividends on preferred stock and related discount accretion	-	12,202
Net income available to common shareholders	\$ 22,094	2,410
Common and common equivalent shares:		
Weighted average common shares outstanding	40,638	35,265
Weighted average common equivalent shares	597	282
Weighted average common and common equivalent shares	41,235	35,547
Basic earnings per share	\$ 0.54	0.07
Diluted earnings per share	\$ 0.54	0.07

The Bank recorded a \$10.2 million accelerated deemed dividend in the first quarter of 2009 to account for the difference between the book value and the carrying value of the preferred stock repurchased from the U.S. Treasury. In addition to the accelerated deemed dividend, a previously scheduled preferred dividend of \$1.5 million and the accretion of \$454,000 of preferred discount were also recorded, resulting in a total dividend and related costs of \$12.2 million during the first quarter of 2009.

As of March 31, 2009, outstanding options and warrants to purchase approximately 733,000 shares of the Bank's common stock at a weighted average price of \$29.46 were excluded from the computation of diluted earnings per share for the period then ended because the exercise prices of the stock options exceeded the average market prices of the Company's common shares. The outstanding options and warrants were primarily comprised of the 595,829 warrants issued to the U.S. Treasury with a strike price of \$30.21 and an expiration date in December 2018. There were no options excluded from the computation of diluted earnings per share at March 31, 2010.

6. 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 primary measure for accounting, such as investment securities classified as available-for-sale and derivatives. Certain other assets and liabilities are measured at fair value on a non-recurring basis and are subject to fair value adjustments in certain circumstances, such as when there is evidence of impairment.

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

- Level 1 – Valuations are based on quoted prices in active markets for identical assets or liabilities. Accordingly, valuation of these assets and liabilities does not entail a significant degree of judgment. Examples include most U.S. Government securities and exchange-traded equity securities.
- Level 2 – Valuations are based on either quoted prices in markets that are not considered to be active or significant inputs to the methodology that are observable, either directly or indirectly. Examples include U.S. Government Agency securities, municipal bonds, corporate bonds, certain residential and commercial mortgage-backed securities, deposits, and most structured notes.
- Level 3 – Valuations are based on inputs to the methodology that are unobservable and significant to the fair value measurement. These inputs reflect management's own judgments about the assumptions that market participants would use in pricing the assets and liabilities. Examples include certain commercial loans, certain residential and commercial mortgage-backed securities, private equity investments, and complex over-the-counter derivatives.

Valuation Methodology

The Bank has an established and well documented process for determining fair values. The Bank uses quoted market prices, when available, to determine fair value and classifies such items as Level 1. In many cases, the Bank utilizes valuation techniques, such as matrix pricing, to determine fair value, in which case the items are classified as Level 2. Fair value estimates may also be based upon internally-developed valuation techniques that use current market-based inputs such as discount rates, credit spreads, default and delinquency rates, and prepayment speeds. Items valued using internal valuation techniques are classified according to the lowest level input that is significant to the valuation, and are typically classified as Level 3.

We utilize independent third-party pricing sources to value most of our investment securities. Two independent third-party pricing sources are employed to value positions and validate market values. If there is a large price discrepancy between the two pricing services for an individual security, we utilize industry market spread data to assist in determining the most appropriate fair value. The valuations provided by the pricing services are derived from quoted market prices or using matrix pricing. Matrix pricing is a valuation technique consistent with the market approach of determining fair value. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets. Matrix pricing is a mathematical technique used principally to value debt securities without relying exclusively on quoted prices of specific securities, but rather on the securities' relationship to other benchmark quoted securities. Most of our securities portfolio is priced using this method, and such securities are classified as Level 2.

Securities are classified within Level 3 of the valuation hierarchy in cases where there is limited activity or less transparency around inputs to the valuation. In these cases, the valuations are determined based upon an analysis of the cash flow structure and credit analysis for each position. Relative market spreads are utilized to discount the cash flow to determine current market values, as well as analysis of relative coverage ratios, credit enhancements, and collateral characteristics.

The Bank determined that the SBA interest-only strip securities markets are currently inactive, as very limited secondary market activity is observed in the market based on consultation with brokers. Observable transactions on these securities are rare. Our

SBA interest-only strip securities, which are reported at fair value using Level 3 inputs to an internal valuation model, had fair values of \$96.3 million at March 31, 2010 and \$93.0 million at December 31, 2009. Since the cash flows of the SBA interest-only strip securities are guaranteed by the U.S. Government, there is virtually no risk involved in the cash flows. Therefore, the primary assumptions built into the pricing model to generate the projected cash flows used to compute the market values of the SBA interest-only strip securities are the discount yield and prepayment speeds. The Bank determined the inputs to the model based on historical performance and information provided by brokers.

Our derivatives are comprised of credit default swaps and interest rate derivatives. The fair value of our credit default swaps is determined by using externally-developed pricing models based on market observable inputs. The fair value of our interest rate derivatives is provided by a third party and validated using third-party inputs such as LIBOR, Swap and Treasury curves. The methods used to measure fair value of our derivatives are classified as Level 2.

Financial Instruments Measured at Fair Value on a Recurring Basis

The following table presents the assets and liabilities that are measured at fair value on a recurring basis as of March 31, 2010 and December 31, 2009, 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
March 31, 2010				
ASSETS				
Securities available-for-sale:				
Residential mortgage-backed securities:				
U.S. Government Agency	\$ -	30,128	-	30,128
Government-sponsored enterprises	-	783,264	-	783,264
Collateralized mortgage obligations:				
U.S. Government Agency	-	177,283	-	177,283
Government-sponsored enterprises	-	1,684,758	-	1,684,758
Private	-	781,871	5,405	787,276
Other debt securities:				
Commercial mortgage-backed securities	-	142,774	-	142,774
Single issuer trust preferred & corporate debt securities	-	97,261	-	97,261
Pooled trust preferred securities	-	-	10,074	10,074
Collateralized debt obligations	-	-	5,024	5,024
Other	-	71,991	96,251	168,242
Equity securities (1)	-	14,494	-	14,494
Total securities available-for-sale	-	3,783,824	116,754	3,900,578
Derivatives (interest rate caps)	-	130	-	130
Total assets	\$ -	3,783,954	116,754	3,900,708
LIABILITIES				
Derivatives (interest rate caps and credit default swap)	\$ -	183	-	183
Total liabilities	\$ -	183	-	183
December 31, 2009				
ASSETS				
Securities available-for-sale:				
Residential mortgage-backed securities:				
U.S. Government Agency	\$ -	40,467	-	40,467
Government-sponsored enterprises	-	875,552	-	875,552
Collateralized mortgage obligations:				
U.S. Government Agency	-	127,326	-	127,326
Government-sponsored enterprises	-	1,532,955	-	1,532,955
Private	-	772,929	5,773	778,702
Other debt securities:				
Commercial mortgage-backed securities	-	151,838	-	151,838
Single issuer trust preferred & corporate debt securities	-	88,874	-	88,874
Pooled trust preferred securities	-	-	11,149	11,149
Collateralized debt obligations	-	-	9,858	9,858
Other	-	109,912	96,665	206,577
Equity securities (1)	-	14,285	-	14,285
Total securities available-for-sale	-	3,714,138	123,445	3,837,583
Derivatives (interest rate caps)	-	225	-	225
Total assets	\$ -	3,714,363	123,445	3,837,808
LIABILITIES				
Derivatives (interest rate caps and credit default swaps)	\$ -	682	-	682
Total liabilities	\$ -	682	-	682

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

Changes in Level 3 Fair Value Measurements

The following table presents information for securities available-for-sale (“AFS”) measured at fair value on a recurring basis and classified by the Bank within Level 3 of the valuation hierarchy for the three months ended March 31, 2010 and 2009:

<i>(in thousands)</i>	<i>Three months ended March</i>	
	2010	2009
Beginning balance	\$ 123,445	126,936
Transfers into Level 3	-	23,788
Total gains or losses (realized/unrealized):		
Included in earnings	(9,505)	-
Included in accumulated other comprehensive income	6,147	(1,806)
Transfers out of Level 3	(3,333)	-
Ending balance	\$ 116,754	148,918

We recognize transfers between levels of the valuation hierarchy at the end of the reporting period.

Assets Measured at Fair Value on a Non-recurring Basis

Certain assets are measured at fair value on a non-recurring basis. These instruments 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 evidence of impairment or when an adjustment is required to reduce the carrying value to the lower of cost or fair value. These assets include collateral-dependent impaired loans, securities held-to-maturity (“HTM”), loans held-for-sale, other real estate owned, and certain long-lived assets.

The following tables present the assets measured at fair value on a non-recurring basis as of March 31, 2010 and December 31, 2009, 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
March 31, 2010				
Collateral-dependent impaired loans:				
Commercial property	\$ -	-	6,838	6,838
Construction and land	-	-	9,559	9,559
Commercial and industrial	-	-	7,738	7,738
Other real estate owned (1-4 family residential property)	-	-	700	700
Total assets	\$ -	-	24,835	24,835
December 31, 2009				
Collateralized mortgage obligations - Private (HTM)	\$ -	9,826	-	9,826
Collateral-dependent impaired loans:				
Commercial property	-	-	7,312	7,312
Construction and land	-	-	12,259	12,259
Commercial and industrial	-	-	5,739	5,739
Other real estate owned (1-4 family residential property)	-	-	700	700
Total assets	\$ -	9,826	26,010	35,836

HTM securities that are other-than-temporarily impaired are reported at their fair value determined based on the valuation methodology for investment securities, as previously described. In accordance with FASB requirements, for debt securities determined to be other-than-temporarily impaired, the investment is written down through current earnings by the impairment related to the estimated credit loss, while the noncredit related impairment is recognized in other comprehensive income. During the quarter ended March 31, 2010, we did not recognize other-than-temporary impairment on HTM debt securities.

Collateral-dependent impaired loans are reported at the fair value of the underlying collateral, which is determined based on individual appraisals that may be discounted by management for unobservable factors resulting from its knowledge of the property. Fair value adjustments for collateral-dependent impaired loans are reported through a specific allocation of the allowance for loan losses. During the quarters ended March 31, 2010 and 2009, fair value adjustments totaling \$2.1 million and \$3.0 million, respectively, were recorded on collateral-dependent impaired loans.

Other real estate owned represents real estate acquired as a result of foreclosure and is carried at the lower of cost or fair value, less estimated selling costs. Fair value is determined through current appraisals, and fair value adjustments are reported through a valuation allowance against the asset. During the quarter ended March 31, 2010, no fair value adjustments were recorded on other real estate owned. We did not own other real estate during the first quarter of 2009.

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, and have no effect on the financial position or results of operations in the current year or any future period. Fair value estimates are not necessarily representative of our total enterprise value. Fair value estimates, methods and assumptions are set forth below.

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

Federal Home Loan Bank stock is carried at cost, which equals its redemption value (par).

Our loans held for sale consist of the government-guaranteed portion of Small Business Administration ("SBA") loans. We estimate that fair value for 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 for our loans, net, was based on the discounted value of contractual cash flows using interest rates that approximated those offered for loans with similar maturities and collateral requirements to borrowers of comparable credit worthiness. Since this method of estimating fair value is based on a comparison to current market rates for similar loans, it does not fully incorporate an exit-value approach to estimating fair value.

Deposits are mostly non-interest-bearing or NOW and money market deposits that bear floating interest rates that are re-priced based on market considerations and the Bank's strategy. Therefore, the carrying value equals fair value. The carrying and fair values do not include the intangible fair value of core deposit relationships, which comprise a significant portion of our deposit base. Management believes that its 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, 75.2% of which mature within one year, had a carrying value of \$841.5 million and an estimated fair value of \$841.8 million at March 31, 2010. The estimated fair value is based on the discounted value of contractual cash flows using interest rates that approximated those offered for time deposits with similar maturities and terms.

The estimated fair value of borrowings is based on the discounted value of contractual cash flows using interest rates that approximate those offered for borrowings with similar maturities and collateral requirements.

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

<i>(in thousands)</i>	<i>March 31, 2010</i>		<i>December 31, 2009</i>	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial assets				
Cash and cash equivalents	\$ 356,511	356,511	108,349	108,349
Securities available-for-sale	3,900,578	3,900,578	3,837,583	3,837,583
Securities held-to-maturity	350,657	346,173	295,984	290,608
Federal Home Loan Bank stock	21,881	21,881	23,906	23,906
Loans held for sale	209,411	209,411	293,207	293,207
Loans, net	4,431,856	4,490,684	4,320,978	4,374,495
Derivatives	130	130	225	225
Total financial assets	\$ 9,271,024	9,325,368	8,880,232	8,928,373
Financial liabilities				
Deposits (1)	7,897,721	7,898,019	7,222,546	7,224,274
Repurchase agreements	627,000	655,429	627,000	658,044
Federal funds purchased	-	-	70,000	70,000
Federal Home Loan Bank advances	260,000	269,927	305,000	315,954
Other short-term borrowings	5,958	5,958	6,900	6,899
Derivatives	183	183	682	682
Total financial liabilities	\$ 8,790,862	8,829,516	8,232,128	8,275,853

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

7. Securities

We generally invest in U.S. Government agency obligations, 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 at March 31, 2010 and December 31, 2009:

	At March 31, 2010				At December 31, 2009			
	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								
Residential mortgage-backed securities:								
U.S. Government Agency	\$ 29,383	748	(3)	30,128	39,392	1,087	(12)	40,467
Government-sponsored enterprises	764,985	18,915	(636)	783,264	848,967	26,780	(195)	875,552
Collateralized mortgage obligations:								
U.S. Government Agency	175,143	2,697	(557)	177,283	126,064	1,784	(522)	127,326
Government-sponsored enterprises	1,657,742	29,157	(2,141)	1,684,758	1,508,496	26,569	(2,110)	1,532,955
Private	831,570	7,514	(51,808)	787,276	833,446	4,894	(59,638)	778,702
Other debt securities:								
Commercial mortgage-backed securities	143,376	1,028	(1,630)	142,774	151,492	1,640	(1,294)	151,838
Single issuer trust preferred & corporate debt securities	103,890	377	(7,006)	97,261	97,772	26	(8,924)	88,874
Pooled trust preferred securities	30,814	-	(20,740)	10,074	32,502	-	(21,353)	11,149
Collateralized debt obligations	7,816	-	(2,792)	5,024	15,854	-	(5,996)	9,858
Other	194,996	97	(26,851)	168,242	233,389	1,403	(28,215)	206,577
Equity securities (1)	14,900	-	(406)	14,494	14,757	-	(472)	14,285
Total available-for-sale	\$ 3,954,615	60,533	(114,570)	3,900,578	3,902,131	64,183	(128,731)	3,837,583
HELD-TO-MATURITY								
Residential mortgage-backed securities:								
U.S. Government Agency	\$ 4,361	70	-	4,431	4,954	61	-	5,015
Government-sponsored enterprises	11,477	502	-	11,979	12,657	502	-	13,159
Collateralized mortgage obligations:								
U.S. Government Agency	51,355	343	-	51,698	25,706	145	(119)	25,732
Government-sponsored enterprises	203,470	5,839	(5)	209,304	169,806	4,259	(41)	174,024
Private	13,872	-	(2,596)	11,276	14,213	-	(2,898)	11,315
Other debt securities:								
Commercial mortgage-backed securities	15,729	15	(48)	15,696	17,419	-	(93)	17,326
Collateralized debt obligations	8,099	-	(1,924)	6,175	8,137	644	(834)	7,947
Other	42,294	701	(7,381)	35,614	43,092	503	(7,505)	36,090
Total held-to-maturity	\$ 350,657	7,470	(11,954)	346,173	295,984	6,114	(11,490)	290,608

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

Gross realized gains on sales of AFS securities during the quarters ended March 31, 2010 and March 31, 2009 were \$12.7 million and \$2.6 million, respectively. Gross realized losses on sales of AFS securities during the quarter ended March 31, 2009 were \$8,000. No losses were realized on sales of AFS securities during the first quarter of 2010.

During the first quarter of 2010, we recognized other-than-temporary impairment totaling \$22.6 million, including \$18.9 million on six debt securities, which we do not intend to sell and for which it is not more likely than not that we will be required to sell the security prior to recovery, and \$3.6 million on one debt security on which the issuer defaulted. We recognized the credit component of the other-than-temporary impairment in earnings (\$9.5 million) and the noncredit component in other comprehensive income (\$13.0 million).

The following table summarizes the other-than-temporary impairment recognized in the first quarter of 2010:

<i>(in thousands)</i>	<i>Available-for-sale</i>		Total
	Collateralized Debt Obligations	Pooled Trust Preferred Securities	
Total other-than-temporary impairment losses	\$ (8,697)	(13,855)	(22,552)
Less: Portion of loss recognized in OCI (1)	712	12,335	13,047
Net impairment losses recognized in earnings (2)	\$ (7,985)	(1,520)	(9,505)

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

(2) Represents the credit component impact of the other-than-temporary impairment on AFS debt securities.

Activity related to the credit component recognized in pre-tax earnings on debt securities for which a portion of other-than-temporary impairment was recognized in other comprehensive income for the three months ended March 31, 2010 is as follows:

<i>(in thousands)</i>	Three months ended March 31, 2010
Credit component of all other-than-temporary impairment on debt securities as of December 31, 2009	\$ 29,091
Additions for the credit component on debt securities for which other-than-temporary impairment was previously recognized	9,505
Cumulative pre-tax credit losses, March 31, 2010	\$ 38,596

As of March 31, 2010, our securities for which other-than-temporary impairment has been recorded, where a portion of the loss was specifically related to credit, consisted of collateralized debt obligations ("CDOs"), pooled trust preferred securities, asset-backed securities, and non-agency mortgage-backed securities. When estimating the portion of loss attributable to credit, we use a discounted cash flow model that considers credit enhancement and structural protection. The estimation of cash flow incorporates numerous assumptions including default rates, severity estimates, recovery rates, prepayment speeds and structural enhancement characteristics. Assumptions will vary based upon the specific underlying characteristics and collateral profiles of the underlying securities. Specifically, assumptions will be determined based upon collateral vintage, borrower characteristic, geographical data and payment performance. Market data and third-party inputs are utilized to validate assumptions.

In our evaluation of bank-collateralized pooled trust preferred securities for other-than-temporary impairment, we considered various annual default scenarios. Additionally, the collateral was reviewed to determine if additional bank issuers should be assumed to be an immediate default or would cure (resume paying interest) based on Fitch credit scoring, TARP participation, 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 discount the cash flows to assess the amount of credit loss. During the three months ended March 31, 2010, four bank-collateralized pooled trust preferred securities classified as AFS, with an amortized cost of \$16.6 million after recording the other-than-temporary impairment, were deemed to have other-than-temporary impairment totaling \$13.9 million, of which \$1.5 million was due to estimated credit loss and was charged to earnings and \$12.3 million was recognized in other comprehensive income.

In our evaluation of CDOs for other-than-temporary impairment, we evaluated the collateral performance and structural credit enhancements for each security. During the first quarter of 2010, one CDO was liquidated based upon an event of default resulting in an other-than-temporary impairment charge of \$3.6 million related to credit, representing the entire fair value of the security. As a result of our evaluation of the remaining CDO portfolio for evidence of liquidation risk, during the three months ended March 31, 2010, two CDOs classified as AFS were deemed to have other-than-temporary impairment totaling \$5.1 million, of which \$4.4 million was due to estimated credit loss and was charged to earnings and \$712,000 was recognized in other comprehensive income. The amortized cost of these securities was \$3.1 million after recording the other-than-temporary impairment.

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

(in \$ (in thousands))	Less than 12 months		12 months or longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
March 31, 2010						
Temporarily-impaired securities						
Residential mortgage-backed securities:						
U.S. Government Agency	\$ -	-	147	(3)	147	(3)
Government-sponsored enterprises	146,108	(631)	316	(5)	146,424	(636)
Collateralized mortgage obligations:						
U.S. Government Agency	29,912	(235)	17,098	(322)	47,010	(557)
Government-sponsored enterprises	254,182	(1,769)	30,037	(372)	284,219	(2,141)
Private	186,453	(4,941)	191,221	(38,511)	377,674	(43,452)
Other debt securities:						
Commercial mortgage-backed securities	65,658	(1,614)	816	(16)	66,474	(1,630)
Single issuer trust preferred & corporate debt securities	11,679	(1,256)	66,037	(5,750)	77,716	(7,006)
Pooled trust preferred securities	-	-	5,349	(6,522)	5,349	(6,522)
Other	96,252	(827)	27,489	(12,833)	123,741	(13,660)
Equity securities (1)	6,441	(50)	8,054	(356)	14,495	(406)
Total temporarily-impaired securities	796,685	(11,323)	346,564	(64,690)	1,143,249	(76,013)
Other-than-temporarily impaired securities						
Collateralized mortgage obligations - private	582	(2,223)	29,926	(6,133)	30,508	(8,356)
Other debt securities:						
Pooled trust preferred securities	971	(4,935)	3,754	(9,283)	4,725	(14,218)
Collateralized debt obligations	-	-	5,024	(2,792)	5,024	(2,792)
Other	518	(1,681)	8,319	(11,510)	8,837	(13,191)
Total other-than-temporarily impaired securities	2,071	(8,839)	47,023	(29,718)	49,094	(38,557)
Total temporarily-impaired and other-than-temporarily impaired securities	\$ 798,756	(20,162)	393,587	(94,408)	1,192,343	(114,570)
December 31, 2009						
Temporarily-impaired securities						
Residential mortgage-backed securities:						
U.S. Government Agency	\$ 3,053	(8)	190	(4)	3,243	(12)
Government-sponsored enterprises	24,585	(190)	329	(5)	24,914	(195)
Collateralized mortgage obligations:						
U.S. Government Agency	8,995	(17)	18,025	(505)	27,020	(522)
Government-sponsored enterprises	191,605	(1,578)	35,013	(532)	226,618	(2,110)
Private	191,869	(6,419)	213,319	(44,152)	405,188	(50,571)
Other debt securities:						
Commercial mortgage-backed securities	60,153	(1,246)	1,256	(48)	61,409	(1,294)
Single issuer trust preferred & corporate debt securities	5,068	(37)	72,812	(8,836)	77,880	(8,873)
Pooled trust preferred securities	-	-	5,336	(6,558)	5,336	(6,558)
Other	-	-	26,610	(14,635)	26,610	(14,635)
Equity securities (1)	7,611	(321)	6,674	(151)	14,285	(472)
Total temporarily-impaired securities	492,939	(9,816)	379,564	(75,426)	872,503	(85,242)
Other-than-temporarily impaired securities						
Collateralized mortgage obligations - private	905	(1,983)	31,860	(7,084)	32,765	(9,067)
Other debt securities:						
Corporate debt securities	-	-	1,950	(51)	1,950	(51)
Pooled trust preferred securities	1,989	(4,423)	3,824	(10,372)	5,813	(14,795)
Collateralized debt obligations	-	-	9,859	(5,996)	9,859	(5,996)
Other	4,377	(5,874)	4,371	(7,706)	8,748	(13,580)
Total other-than-temporarily impaired securities	7,271	(12,280)	51,864	(31,209)	59,135	(43,489)
Total temporarily-impaired and other-than-temporarily impaired securities	\$ 500,210	(22,096)	431,428	(106,635)	931,638	(128,731)

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

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

	<i>Less than 12 months</i>		<i>12 months or longer</i>		<i>Total</i>	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
<i>(in thousands)</i>						
March 31, 2010						
Temporarily-impaired securities						
Collateralized mortgage obligations:						
Government-sponsored enterprises	\$ 9,550	(5)	-	-	9,550	(5)
Private	-	-	3,818	(232)	3,818	(232)
Other debt securities:						
Commercial mortgage-backed securities	-	-	5,911	(48)	5,911	(48)
Other	-	-	24,821	(7,381)	24,821	(7,381)
Total temporarily-impaired securities	9,550	(5)	34,550	(7,661)	44,100	(7,666)
Other-than-temporarily impaired securities						
Collateralized mortgage obligations - private	-	-	7,458	(2,364)	7,458	(2,364)
Collateralized debt obligations	6,175	(1,924)	-	-	6,175	(1,924)
Total other-than-temporarily impaired securities	6,175	(1,924)	7,458	(2,364)	13,633	(4,288)
Total temporarily-impaired and other-than-temporarily impaired securities	\$ 15,725	(1,929)	42,008	(10,025)	57,733	(11,954)
December 31, 2009						
Temporarily-impaired securities						
Collateralized mortgage obligations:						
U.S. Government Agency	\$ 19,483	(119)	-	-	19,483	(119)
Government-sponsored enterprises	17,030	(41)	-	-	17,030	(41)
Private	-	-	4,124	(263)	4,124	(263)
Other debt securities:						
Commercial mortgage-backed securities	-	-	17,326	(93)	17,326	(93)
Other	-	-	25,491	(7,505)	25,491	(7,505)
Total temporarily-impaired securities	36,513	(160)	46,941	(7,861)	83,454	(8,021)
Other-than-temporarily impaired securities						
Collateralized mortgage obligations - private	-	-	7,191	(2,635)	7,191	(2,635)
Collateralized debt obligations	4,733	(834)	-	-	4,733	(834)
Total other-than-temporarily impaired securities	4,733	(834)	7,191	(2,635)	11,924	(3,469)
Total temporarily-impaired and other-than-temporarily impaired securities	\$ 41,246	(994)	54,132	(10,496)	95,378	(11,490)

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>March 31, 2010</i>	
	Amortized Cost	Fair Value
AVAILABLE-FOR-SALE		
Due in one year or less	\$ 132,645	131,904
Due after one year through five years	33,775	33,574
Due after five years through ten years	434,126	438,812
Due after ten years	3,339,169	3,281,794
Total available-for-sale debt securities	\$ 3,939,715	3,886,084
HELD-TO-MATURITY		
Due after one year through five years	\$ 2,215	2,279
Due after five years through ten years	37,203	38,621
Due after ten years	311,239	305,273
Total held-to-maturity debt securities	\$ 350,657	346,173

The unrealized losses in our securities portfolio are primarily due to the prevailing interest rate environment, wider credit spreads on securities, and reduced levels of liquidity in the mortgage and credit markets. Sharp declines in residential home values, increased unemployment, a slowdown in consumer spending, and contraction in the credit markets, among other factors, led to decreased market liquidity for certain assets, increased credit risk for certain securities in our portfolio, and the corresponding widening of credit spreads.

In performing our other-than-temporary impairment analysis for private collateralized mortgage obligations and other debt securities, which had a total temporary unrealized loss position of \$79.9 million at March 31, 2010, we estimated future cash flows for each security based upon our best estimate of future delinquencies, estimated defaults, loss severity, and prepayments. We reviewed the estimated cash flows to determine whether we expect to receive all originally scheduled cash flows. Projected credit losses were compared to the current level of credit enhancement to assess whether the security is expected to incur losses in any future period and therefore would be deemed other-than-temporarily impaired at March 31, 2010. Based on our review, we have determined that the estimated future cash flows were not less than amortized cost; therefore, the decline in fair value of these securities is attributable to a substantial widening of interest rate spreads across market sectors related to the continued illiquidity and uncertainty of the securities markets. Since we have no intent to sell and we believe it is not more likely than not that we will be required to sell these investments before recovery of their amortized cost basis, we do not consider these securities to be other-than-temporarily impaired as of March 31, 2010.

Continued deterioration in general market conditions could have a negative effect on the projected cash flows and ultimate recoverability of our securities. If a security is deemed to be other-than-temporarily impaired, we are required to write down the security to fair value. Losses on securities that become other-than-temporarily impaired (where we do not intend to sell the security and it is not more likely than not that we will be required to sell the security prior to recovery of the security's amortized cost) are bifurcated with the credit portion of the loss recognized in earnings and the noncredit loss portion of the impairment recognized in other comprehensive income, net of tax. The private collateralized mortgage obligations and other debt securities, with total unrealized losses of \$43.7 million and \$36.2 million, respectively, at March 31, 2010, are the securities in our portfolio that are the most exposed to impairment losses.

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.

8. Loans, net

The types of loans at March 31, 2010 and December 31, 2009 are summarized as follows:

<i>(in thousands)</i>	March 31, 2010	December 31, 2009
Loans secured by real estate:		
Commercial property	\$ 1,565,327	1,492,877
Multi-family residential property	1,223,986	1,153,610
1-4 family residential property	262,955	260,986
Construction and land	164,330	178,740
Home equity lines of credit	174,974	170,891
Total loans secured by real estate	3,391,572	3,257,104
Other loans:		
Commercial and industrial	1,056,257	1,067,457
Consumer	46,553	54,601
Total other loans	1,102,810	1,122,058
Less:		
Net deferred fees and costs	(2,572)	(3,064)
Allowance for loan losses	(59,954)	(55,120)
Net loans	\$ 4,431,856	4,320,978

Non-accrual loans at March 31, 2010 and December 31, 2009 totaled \$44.4 million and \$46.6 million, respectively. If all non-accrual loans outstanding at March 31, 2010 had been performing in accordance with their original terms, we would have recorded interest income, with respect to such loans, of approximately \$886,000 for the three months ended March 31, 2010 (none of which was recorded as income during the quarter). In addition, there were no commitments at March 31, 2010 to lend additional funds on non-accrual loans.

Accruing loans past due 90 days or more at March 31, 2010 and December 31, 2009 totaled \$10.9 million and \$16.4 million, respectively. This category includes U.S. Government guaranteed SBA loans, which totaled \$2.1 million and \$3.9 million at March 31, 2010 and December 31, 2009, respectively, along with matured performing loans in the normal process of renewal, which totaled \$750,000 and \$990,000 at March 31, 2010, and December 31, 2009, respectively. Additionally, as of March 31, 2010, this category includes a fully-secured \$2.0 million commercial and industrial loan that was paid in full during May 2010, along with \$3.9 million of 1-4 family mortgages and \$1.7 million of home equity lines of credit that are in process of collection and well secured, based on a current appraisal. At December 31, 2009, \$8.8 million of 1-4 family mortgages and \$1.7 million of home equity lines of credit were included in the total accruing loans past due 90 days or more.

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. 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, such as the one we are facing now, may result in an increase in nonpayment of loans, a decrease in collateral value, and an increase in our allowance for loan losses.

9. Allowance for Loan Losses

Changes in the allowance for loan losses are as follows:

<i>(in thousands)</i>	<i>Three months ended</i>	
	March 31, 2010	March 31, 2009
Balance at beginning of period	\$ 55,120	36,987
Provision for loan losses	11,233	9,595
Loans charged off	(6,775)	(7,205)
Recoveries of loans previously charged off	376	55
Balance at end of period	\$ 59,954	39,432

Impaired loans at March 31, 2010 and December 31, 2009 totaled \$44.4 million and \$46.6 million, respectively, with related allowances for losses of \$13.8 million and \$13.0 million, respectively, which are included in the overall allowance for loan losses. Average impaired loans for the quarters ended March 31, 2010 and 2009 totaled \$45.5 million and \$38.5 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 \$886,000 and \$664,000 for the quarters ended March 31, 2010 and 2009, respectively (none of which was recorded as income in the respective quarters).

10. Deposits

The types of deposits are summarized as follows at:

<i>(in thousands)</i>	March 31, 2010	December 31, 2009
Demand - non-interest-bearing	\$ 1,875,314	1,969,734
NOW	677,699	687,396
Money market and other	4,503,251	3,799,423
Time deposits	822,841	755,929
Brokered time deposits	18,616	10,064
Total deposits	\$ 7,897,721	7,222,546

11. Borrowings

Federal Funds Purchased

The following is a summary of Federal Funds purchased at or for the three months ended:

<i>(dollars in thousands)</i>	March 31, 2010	December 31, 2009
Period-end balance	\$ -	70,000
Maximum amount outstanding at any month-end	\$ -	70,000
Average outstanding balance	\$ 12,740	6,471
Weighted-average interest rate paid	0.12%	0.13%
Weighted-average interest rate at period-end	-	0.07%

Securities Sold Under Agreements to Repurchase

The following is a summary of securities sold under agreements to repurchase at or for the three months ended:

<i>(dollars in thousands)</i>	March 31, 2010	December 31, 2009
Period-end balance	\$ 627,000	627,000
Maximum amount outstanding at any month-end	\$ 627,000	627,000
Average outstanding balance	\$ 627,000	627,000
Weighted-average interest rate paid	4.08%	4.20%
Weighted-average interest rate at period-end	4.08%	4.08%

Federal Home Loan Bank Advances

The following is a summary of Federal Home Loan Bank ("FHLB") advances at or for the three months ended:

<i>(dollars in thousands)</i>	March 31, 2010	December 31, 2009
Period-end balance	\$ 260,000	305,000
Maximum amount outstanding at any month-end	\$ 260,000	305,000
Average outstanding balance	\$ 262,611	260,761
Weighted-average interest rate paid	3.91%	4.03%
Weighted-average interest rate at period-end	3.95%	3.42%

Other Short-Term Borrowings

The following is a summary of Federal Reserve Treasury Tax and Loan borrowings at or for the three months ended:

<i>(dollars in thousands)</i>	March 31, 2010	December 31, 2009
Period-end balance	\$ 5,958	6,900
Maximum amount outstanding at any month-end	\$ 7,260	7,000
Average outstanding balance	\$ 6,397	6,642
Weighted-average interest rate paid	-	0.03%
Weighted-average interest rate at period-end	-	-

12. Stock-Based Compensation

We have an equity incentive plan designed to assist in attracting, retaining and motivating officers, employees, directors and/or consultants and to provide us and our subsidiaries and affiliates with a stock plan providing incentives directly related to increases in our shareholder value.

Activity related to the equity incentive plan for the three months ended March 31, 2010 is summarized as follows:

	<i>Three months ended</i> March 31, 2010
Shares available for future awards at beginning of the period	1,359,560
Options	
Granted	-
Forfeited or expired	500
Shares sold to cover minimum tax withholding and/or option price upon exercise	5,611
Restricted stock	
Granted	(274,663)
Forfeited	-
Shares sold to cover minimum tax withholding upon vesting	58,529
Shares available for future awards at end of the period	1,149,537

Stock Options

As of March 31, 2010, all outstanding options were fully vested and exercisable. Accordingly, no additional compensation cost will be expensed for these options. During the three months ended March 31, 2010, we recognized no compensation expense with respect to stock options. All options granted under the equity incentive plan expire ten years from the date of grant. At the time of grant, all options vested in whole or in part over three years from the date of issuance.

The following table summarizes information regarding the stock option component of the 2004 equity incentive plan for the quarter ended March 31, 2010:

	<i>Three months ended March 31, 2010</i>	
	Shares Underlying Options	Weighted Average Exercise Price
Outstanding at beginning of period	1,070,500	\$ 16.93
Granted	-	-
Exercised	(7,750)	19.73
Forfeited or expired	(500)	15.50
Outstanding at end of period	1,062,250	\$ 16.91

The total intrinsic value of stock options exercised during the three months ended March 31, 2010 was \$145,000 and the cash received from those exercises was \$153,000. Available authorized common shares are issued for stock options exercised.

The following is a summary of outstanding and exercisable stock options as of March 31, 2010:

Exercise Price	At March 31, 2010	Weighted Average Remaining Contractual Life
\$ 15.50	919,750	3.98 years
24.09	7,500	5.13 years
24.98	1,750	5.56 years
26.11	124,000	4.98 years
26.87	9,100	5.30 years
28.97	150	5.65 years
	<u>1,062,250</u>	4.11 years

As of March 31, 2010, the intrinsic value of options outstanding and exercisable was \$21.4 million.

Restricted Stock

The following table summarizes information regarding the restricted stock component of the equity incentive plan for the quarter ended March 31, 2010:

	<i>Three months ended March 31, 2010</i>	
	Shares	Weighted Average Grant Price
Outstanding at beginning of period	727,208	\$ 27.22
Granted	274,663	38.22
Vested	(158,283)	28.63
Forfeited	-	-
Outstanding at end of period	<u>843,588</u>	<u>\$ 30.54</u>

As of March 31, 2010, there was \$23.6 million of total unrecognized compensation cost related to unvested restricted shares that is expected to be recognized over a weighted-average period of 4.99 years. During the three months ended March 31, 2010, we recognized compensation expense of \$1.5 million for unvested restricted shares. The total fair value of restricted shares that vested during the three months ended March 31, 2010 was \$6.0 million.

13. Derivative Instruments

Credit Default Swaps

We use credit default swaps as part of a program intended to economically hedge credit risk associated with certain corporate debt securities in our investment securities portfolio. We do not apply hedge accounting to any of our credit default swaps. At March 31, 2010, we had one swap with a total notional amount of \$3.0 million. At December 31, 2009, we had two swaps with a total notional amount of \$8.0 million. The fair value of our credit default swaps totaled (\$38,000) and (\$438,000) at March 31, 2010 and December 31, 2009, respectively, and was included in Accrued Expenses and Other Liabilities in our Consolidated Statements of Financial Condition. During the quarters ended March 31, 2010, and 2009, our credit default swaps resulted in trading losses of (\$33,000), and gains of \$791,000, respectively, reported in Net Trading Income in our Consolidated Statements of Operations.

Interest Rate Caps

In April 2009, we entered into two back-to-back \$10.0 million notional amount interest rate caps to facilitate a client need. We do not apply hedge accounting to any of our interest rate caps. At March 31, 2010, the net fair value of the interest caps was (\$15,000), of which \$130,000 was included in Other Assets and (\$145,000) was included in Accrued Expenses and Other Liabilities in our Consolidated Statements of Financial Condition. At December 31, 2009, the net fair value of the interest caps was (\$18,000), of which \$225,000 was included in Other Assets and (\$243,000) was included in Accrued Expenses and Other Liabilities. During the quarter ended March 31, 2010, the interest rate caps resulted in a trading gain of \$3,000 reported in Net Trading Income in our Consolidated Statements of Operations.

Foreign Exchange

We periodically enter into back-to-back foreign exchange spot transactions to facilitate client needs. At March 31, 2010, there were no outstanding foreign exchange positions. During the quarter ended March 31, 2010, foreign exchange spot trading resulted in a gain of \$35,000 reported in Net Trading Income in our Consolidated Statements of Operations.

14. Segment Reporting

We operate two principal lines of business, the Bank and Signature Securities. The Bank offers a wide variety of business and personal banking products and services. Signature Securities offers investment, brokerage, asset management, and insurance products and services.

The following table presents certain information regarding our reportable segments:

<i>(in thousands)</i>	<i>At or for the three months ended March 31,</i>	
	2010	2009
The Bank		
Interest income	\$ 108,775	88,208
Interest expense	30,023	30,713
Non-interest income	9,184	8,760
Non-interest expense (1)	49,963	41,926
Income tax expense	16,805	9,704
Net income	\$ 21,168	14,625
Total assets	\$ 9,736,977	7,425,808
Signature Securities		
Interest income	\$ 5	7
Interest expense	-	-
Non-interest income (2)	1,943	1,635
Fee income from the Bank	2,133	883
Non-interest expense	3,147	2,543
Income tax expense (benefit)	8	(5)
Net income (loss)	\$ 926	(13)
Total assets	\$ 5,362	3,379

(1) For purposes of this disclosure, non-interest expense includes the provision for loan losses.

(2) Includes fee and other income from external clients.

The following table sets forth reconciliations of net interest income, non-interest income, non-interest expense, net income (loss), and total assets for reportable segments to the unaudited Consolidated Financial Statement totals:

<i>(in thousands)</i>	<i>At or for the three months ended March 31,</i>	
	2010	2009
Net interest income:		
Bank	\$ 78,752	57,495
Signature Securities	5	7
Consolidated	\$ 78,757	57,502
Non-interest income:		
Bank	\$ 9,184	8,760
Signature Securities	4,076	2,518
Eliminations	(2,133)	(883)
Consolidated	\$ 11,127	10,395
Non-interest expense (1):		
Bank	\$ 49,963	41,926
Signature Securities	3,147	2,543
Eliminations	(2,133)	(883)
Consolidated	\$ 50,977	43,586
Net income (loss):		
Bank	\$ 21,168	14,625
Signature Securities	926	(13)
Consolidated	\$ 22,094	14,612
Total assets:		
Bank	\$ 9,736,977	7,425,808
Signature Securities	5,362	3,379
Eliminations	(4,432)	(3,790)
Consolidated	\$ 9,737,907	7,425,397

(1) For purposes of this disclosure, non-interest expense includes the provision for loan losses.

15. Accumulated Other Comprehensive Loss

The following table presents changes in accumulated other comprehensive loss for the periods indicated:

<i>(in thousands)</i>	<i>Three months ended</i>	
	March 31, 2010	March 31, 2009
Accumulated other comprehensive loss at beginning of period, net of tax	\$ (36,652)	(62,696)
Net change in unrealized gains and losses on securities (1)	13,675	(16,456)
Net realized (gains) losses reclassified into earnings (2)	(3,163)	(2,609)
Tax effect	(4,658)	8,430
Accumulated other comprehensive loss at end of period, net of tax	\$ (30,798)	(73,331)

- (1) For the three months ended March 31, 2010, includes the \$13.0 million noncredit component of other-than-temporary impairment losses recognized on available-for-sale debt securities. For additional information on these impairments, see Note 7 - Securities.
- (2) This line item includes (gains) losses on securities available-for-sale and impairment charges. These amounts are reclassified into earnings upon sale of the related security or upon recognition of an other-than-temporary impairment.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

PRIVATE SECURITIES LITIGATION REFORM ACT SAFE HARBOR STATEMENT

This Quarterly Report on Form 10-Q 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 those statements because they are subject to numerous uncertainties and factors relating to our operations and the business environment, 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," "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 experience in the industry as well as our perception of historical trends, current conditions, expected future developments and other factors we believe are appropriate under the circumstances including those related to:

- earnings growth;
- revenue growth;
- deposit growth;
- short-term escrow deposit growth;
- off-balance sheet deposit growth;
- future acquisitions;
- performance, credit quality and liquidity of investments made by us, including our investments in certain mortgage-backed and similar securities;
- loan origination volume;
- the interest rate environment;
- non-interest income levels, including fees from product sales;
- credit performance on loans made by us;
- our ability to maintain, generate and/or raise capital;
- changes in the regulatory environment and government intervention in the banking industry;
- Federal Deposit Insurance Corporation insurance assessments;
- margins on sales or securitizations of loans;
- market share;
- expense levels;
- hiring of new private client banking teams;
- results from new business initiatives;
- other business operations and strategies; and
- impact of new accounting pronouncements.

As you read and consider forward-looking statements, you should understand that these statements are not guarantees of performance or results. They involve risks, uncertainties, and assumptions and can change as a result of many possible events or factors, not all of which are known to us or in our control. Although we believe that these forward-looking statements are based on reasonable assumptions, beliefs, and expectations, if a change occurs or our beliefs, assumptions, or expectations were incorrect, our business, financial condition, liquidity or results of operations may vary materially from those expressed in our forward-looking statements. You should be aware that many factors could affect our actual financial results or results of operations and could cause actual results to differ materially from those in the forward-looking statements. These factors include the risks discussed under the section entitled "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2009, as well as:

- general business conditions, economic uncertainty or slowdown, including the current significant slowdown in the housing sector and the overall economy;
- changes in interest rates, loan demand, real estate values, and competition, which can materially affect origination levels and gain on sale results in our mortgage business, as well as other aspects of our financial performance;
- the level of defaults, losses and prepayments on loans made by us, whether held in portfolio or sold in the whole loan secondary markets, which can materially affect charge-off levels and required credit loss reserve levels;
- changes in accounting principles, policies, and guidelines;

- adverse changes or conditions in capital or financial markets, which can adversely affect our ability to sell loans on a timely basis or at prices which are acceptable to us, as well as other aspects of our financial performance;
- adverse changes, conditions, or volatility in securities marketplaces, which can impact the values of our securities portfolio;
- actions by rating agencies and the effects of these actions on our businesses, operations, funding requirements, and investments;
- risks and uncertainties related to acquisitions, including related integration and restructuring activities, and changes in our mix of product offerings;
- risks and uncertainties related to off-balance sheet financial instruments such as commitments to extend credit, stand-by letters of credit, and unused balances under confirmed letters of credit;
- changes in any applicable law, rule, regulation or practice with respect to tax or legal issues, whether of general applicability or specific to our subsidiaries and us;
- other economic, competitive, governmental, regulatory and technological factors affecting our operations, pricing, products and services; and
- governmental intervention in capital markets, including actions taken to stabilize the economic environment.

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, update or revise the 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.

Company Background

We are a New York-based full-service commercial bank with 23 private client offices located in the New York metropolitan area serving the needs of privately-owned business clients and their owners and senior managers. We offer a wide variety of business and personal banking products and services through the Bank as well as investment, brokerage, asset management and insurance products and services through our wholly-owned subsidiary, Signature Securities, a licensed broker-dealer and investment adviser. Through Signature Securities, we also purchase, securitize and sell the guaranteed portions of U.S. Small Business Administration ("SBA") loans.

U.S. Treasury Programs

In response to the global financial crisis experienced over the last two years, several Federal programs were implemented that were designed to purchase assets from, provide equity capital to, and guarantee the liquidity of the industry. On October 3, 2008, the Emergency Economic Stabilization Act of 2008 ("EESA") was signed into law, authorizing the United States Department of the Treasury (the "U.S. Treasury") to, among other things, purchase up to \$700 billion of mortgages, mortgage-backed securities, and certain other financial instruments from financial institutions for the purpose of stabilizing and providing liquidity to the U.S. financial markets. We have not as of yet participated, and do not expect to participate, in the sale of any of our assets into this program. EESA also immediately increased the FDIC deposit insurance limit on deposit accounts from \$100,000 to \$250,000 through December 31, 2009 and removed the insurance limits on transaction accounts, including demand deposit accounts and low-interest NOW accounts. Subsequently, in May 2009, the \$250,000 deposit insurance limit was extended through December 31, 2013, and in April 2010, the unlimited coverage of transaction accounts was extended through December 31, 2010, with the possibility of extending this coverage through December 31, 2011.

During the fourth quarter of 2009, the FDIC adopted a rule that required FDIC-insured depository institutions to prepay their quarterly risk-based assessments for the fourth quarter of 2009, and for all of 2010, 2011, and 2012, on December 30, 2009. Our prepaid assessment amount for the fourth quarter of 2009 and all of 2010 was based on our total base assessment rate in effect on September 30, 2009. For purposes of calculating the prepayment amount, the September 30, 2009, rate was increased by three basis points for all of 2011 and 2012, and our third quarter 2009 assessment base was increased quarterly by an estimated five percent annual growth rate through the end of 2012. Our total prepaid assessment was \$31.4 million, which we recorded as a prepaid expense (asset) as of December 31, 2009. As of December 31, 2009, we recorded an expense for our regular quarterly assessment for the fourth quarter of 2009 and an offsetting credit to the prepaid expense, which we will continue for each quarter going forward until the prepaid asset is exhausted. During the first quarter of 2010, we expensed \$2.3 million of the prepaid asset.

During October 2008, the U.S. Treasury announced that it would purchase equity stakes in a wide variety of banks and thrifts. Under this program, known as the Troubled Asset Relief Program Capital Purchase Program (the "TARP Capital Purchase Program"), the U.S. Treasury announced it would make capital available to U.S. financial institutions by purchasing preferred stock from the institutions. In conjunction with these purchases of preferred stock, the U.S. Treasury would receive warrants to purchase common stock with an aggregate market price equal to 15% of the preferred stock investment. Participating financial institutions are required to adopt the U.S. Treasury's standards for executive compensation and corporate governance for the period during which the Treasury holds the preferred stock issued under the TARP Capital Purchase Program. On October 28, 2008, we submitted an application for voluntary participation in the TARP Capital Purchase Program, which was approved for an amount equal to approximately 3.0% of our risk-weighted assets.

On December 12, 2008, we completed the issuance of 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 through the TARP Capital Purchase Program (the "TARP Offering"). We began to use the proceeds from the TARP Offering to fund our continued loan growth, and we believe our active lending to credit-worthy borrowers during our participation in the program supported the U.S. Treasury's stated goal of increasing the flow of credit to both consumers and businesses.

On February 17, 2009, the American Recovery and Reinvestment Act of 2009 (the "Recovery Act") was enacted. The Recovery Act included limitations and other provisions that may have affected the manner in which participants in the TARP Capital Purchase Program conduct their business. In light of the restrictions of the Recovery Act, on March 31, 2009, we repurchased the 120,000 shares of preferred stock we issued to the U.S. Treasury for \$120.0 million (the aggregate liquidation preference of such preferred stock) plus accrued and unpaid dividends of \$767,000. We believe exiting the program was in our best interest and the best interest of our shareholders and clients, and we remain significantly above "well capitalized" as defined for regulatory purposes. On March 12, 2010, the U.S. Treasury sold the ten-year warrant to purchase up to 595,829 shares of our common stock that was issued in connection with the TARP Offering through a modified "Dutch Auction" process. We did not repurchase any of the warrant auctioned by the U.S. Treasury.

RESULTS OF OPERATIONS

FINANCIAL SUMMARY

	<i>Three months ended</i>		
	March 31, 2010	December 31, 2009	March 31, 2009
<i>(dollars in thousands, except ratios and per share amounts)</i>			
PER COMMON SHARE			
Net income - basic (1)	\$ 0.54	\$ 0.52	\$ 0.07
Net income - diluted (1)	\$ 0.54	\$ 0.51	\$ 0.07
Average shares outstanding - basic	40,638	40,618	35,265
Average shares outstanding - diluted	41,235	41,114	35,547
Book value	\$ 20.45	\$ 19.79	\$ 16.44
SELECTED FINANCIAL DATA			
Return on average total assets	0.95%	0.93%	0.82%
Return on average shareholders' equity	10.94%	10.55%	9.26%
Return on average common shareholders' equity (1)	10.94%	10.55%	1.69%
Efficiency ratio (2)	44.22%	45.00%	50.06%
Yield on interest-earning assets	4.85%	4.90%	5.16%
Yield on interest-earning assets, tax-equivalent basis (3)	4.85%	4.90%	5.17%
Cost of deposits and borrowings	1.42%	1.52%	1.92%
Net interest margin	3.51%	3.48%	3.37%
Net interest margin, tax-equivalent basis (3)	3.51%	3.48%	3.37%

(1) For the three months ended March 31, 2009, includes the negative effect of the \$10.2 million deemed dividend associated with the difference between the redemption payment and the carrying value of the preferred stock repurchased from the U.S. Treasury.

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

(3) Presented using a 35 percent federal tax rate.

CAPITAL RATIOS

	March 31, 2010	December 31, 2009	March 31, 2009
Tangible common equity	8.56%	8.79%	7.83%
Tier one leverage	9.10%	9.39%	9.00%
Tier one risk-based	13.66%	13.57%	13.44%
Total risk-based	14.62%	14.47%	14.25%

Net Income

Net income available to common shareholders for the first quarter of 2010 was \$22.1 million, or \$0.54 diluted earnings per share, compared to \$2.4 million, or \$0.07 diluted earnings per share, for the first quarter of 2009.

The Bank recorded a \$10.2 million non-cash accelerated deemed dividend in the first quarter of 2009 to account for the difference between the book value and the carrying value of the preferred stock repurchased from the U.S. Treasury. The difference between net income and net income available to common shareholders in 2009 is attributable to the recognition of the \$10.2 million non-cash accelerated deemed dividend, combined with the previously scheduled preferred dividend of \$1.5 million and the accretion of \$454,000 of the preferred stock discount, resulting in a total dividend and related costs of \$12.2 million during the first quarter of 2009. Excluding the effect of the non-cash accelerated deemed dividend of \$10.2 million, net income available to common shareholders for the three months ended March 31, 2009 was \$14.6 million, or \$0.41 diluted earnings per share.

Returns on average shareholders' equity and average total assets for the first quarter of 2010 were 10.94% and 0.95%, respectively, compared to returns on average shareholders' equity and average total assets of 9.26% and 0.82%, respectively, for the first quarter of 2009.

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 three months ended March 31, 2010 and March 21, 2009:

	Three months ended March 31, 2010			Three months ended March 31, 2009		
	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	\$ 177,013	80	0.18%	64,330	44	0.28%
Investment securities	4,292,101	46,704	4.35%	3,197,386	39,811	4.98%
Commercial loans and commercial mortgages (1) (2) (3)	4,062,781	55,737	5.56%	3,191,549	42,642	5.42%
Residential mortgages (1) (2)	177,033	2,188	4.94%	180,179	2,545	5.65%
Consumer loans (1) (2)	184,515	3,066	6.74%	148,394	2,502	6.84%
Loans held for sale	197,153	1,005	2.07%	145,698	705	1.96%
Total interest-earning assets	9,090,596	108,780	4.85%	6,927,536	88,249	5.17%
Non-interest-earning assets	384,993			299,976		
Total assets	\$ 9,475,589			7,227,512		
INTEREST-BEARING LIABILITIES						
Interest-bearing deposits						
NOW accounts	692,948	1,121	0.66%	457,626	1,279	1.13%
Money market accounts	4,222,752	15,271	1.47%	2,705,844	14,221	2.13%
Time deposits	821,712	4,666	2.30%	773,081	5,431	2.85%
Non-interest-bearing deposits	1,900,217	-	-	1,539,120	-	-
Total deposits	7,637,629	21,058	1.12%	5,475,671	20,931	1.55%
Borrowings	908,748	8,965	4.00%	1,017,228	9,782	3.90%
Total deposits and borrowings	8,546,377	30,023	1.42%	6,492,899	30,713	1.92%
Other non-interest-bearing liabilities and shareholders' equity	929,212			734,613		
	\$ 9,475,589			7,227,512		
OTHER DATA						
Tax-equivalent basis						
Net interest income / interest rate spread		78,757	3.43%		57,536	3.25%
Net interest margin			3.51%			3.37%
Tax-equivalent adjustment / effect						
Net interest income / interest rate spread		-	-		(34)	(0.01)%
Net interest margin			-			-
As reported						
Net interest income / interest rate spread		78,757	3.43%		57,502	3.24%
Net interest margin			3.51%			3.37%
Ratio of average interest-earning assets to average interest-bearing liabilities			106.37%			106.69%

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

(2) Loan interest income includes net amortization of deferred fees and costs of approximately \$740,000 and \$723,000 for the three months ended March 31, 2010 and 2009, respectively.

(3) Includes interest income on certain tax-exempt assets presented on a tax-equivalent basis using a 35 percent federal tax rate.

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 interest rate) and changes in interest rates (changes in interest rates multiplied by the current period's average balance). Changes that are caused by a combination of interest rate and volume are allocated proportionately to both changes in volume and changes in interest rate. For purposes of calculating the changes in our net interest income, non-performing assets are included in the appropriate balance and shown as a change due to rate.

<i>Three months ended</i>			
<i>March 31, 2010 vs. 2009</i>			
<i>(in thousands)</i>	Change Due to Rate	Change Due to Volume	Total Change
INTEREST INCOME			
Short-term investments	\$ (41)	77	36
Investment securities	(6,737)	13,630	6,893
Commercial loans and commercial mortgages	1,455	11,640	13,095
Residential mortgages	(313)	(44)	(357)
Consumer loans	(45)	609	564
Loans held for sale	51	249	300
Total interest income	(5,630)	26,161	20,531
INTEREST EXPENSE			
NOW accounts	(816)	658	(158)
Money market accounts	(6,922)	7,972	1,050
Time deposits	(1,107)	342	(765)
Total deposits	(8,845)	8,972	127
Borrowings	226	(1,043)	(817)
Total interest expense	(8,619)	7,929	(690)
Net interest income	\$ 2,989	18,232	21,221

Net interest income for the first quarter of 2010 was \$78.8 million, an increase of \$21.3 million, or 37.0%, compared to \$57.5 million in the first quarter of 2009. The increase in net interest income was largely driven by increases in average interest-earning assets and average deposits, each of which increased \$2.16 billion for the quarter ended March 31, 2010, compared to the same period a year ago. Furthermore, net interest income for the first quarter of 2010 was positively impacted by lower rates paid on deposits.

Total average investment securities were \$4.29 billion for the quarter ended March, 2010, compared to \$3.20 billion for the first quarter of 2009. The overall yield on our investment securities portfolio was 4.35% in the current quarter, down 63 basis points from the comparable quarter a year ago. The decline in yield was predominantly due to the reinvestment of principal pay-downs from higher-yielding securities in a low interest rate environment. Additionally, yields in the 2010 first quarter were negatively affected by increased premium amortization associated with principal reductions due to Freddie Mac's repurchase of delinquent underlying mortgages in securities issued by them. Our portfolio primarily consists of high quality mortgage-backed securities, collateralized debt obligations 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 short duration securities that, by their nature, have lower yields. At March 31, 2010, the baseline average duration of our investment securities portfolio was approximately 2.64 years, compared to 1.87 years at March 31, 2009.

Total commercial loans and commercial mortgages averaged \$4.06 billion in the first quarter of 2010, an increase of \$871.2 million, or 27.3%, when compared to the first quarter of 2009. The average yield on this portfolio increased to 5.56%, up 14 basis points from the same quarter last year. The increase in average yield is primarily due to wider credit spreads and less competitive pricing pressures brought on by reduced lending competition. In order to assist in monitoring and controlling credit risk, we primarily lend to existing clients of our Bank with whom we have or expect to have deposit and/or brokerage relationships. We target our lending to privately-owned businesses, their owners and senior managers who are generally high net worth individuals who meet our credit standards.

Average non-interest-bearing demand deposits for the first quarter of 2010 were \$1.90 billion, an increase of \$361.1 million, or 23.5%, when compared to the first quarter of 2009. Non-interest-bearing demand deposits continue to comprise a significant component of our deposit mix, representing 23.7% of all deposits at March 31, 2010. Additionally, average NOW and interest-bearing checking and money market accounts totaled \$4.92 billion for the first quarter of 2010, an increase of \$1.75 billion, or 55.4%, when compared to the first quarter of 2009. Core deposits have provided us with a source of stable, low cost funding, which has positively affected our net interest margin and income. Additionally, short-term escrow deposits have provided us with low cost funding and have assisted in net interest margin expansion. As a result of lower short-term interest rates as well as a significant decrease in competitive pricing, our funding cost for NOW accounts decreased to 0.66% for the first quarter of 2010 compared to 1.13% in the first quarter of 2009, and our funding cost for money market accounts decreased to 1.47% for the first quarter of 2010 compared to 2.13% in the first quarter of 2009.

For the first quarter of 2010, average total borrowings decreased \$108.5 million, or 10.7%, to \$908.7 million compared to \$1.02 billion for the first quarter of 2009. The average cost of total borrowings was 4.00% and 3.90% for the first quarters of 2010 and 2009, respectively. The decrease in average borrowings was driven by the growth in average deposits, while the increase in the average cost of total borrowings reflects the repayment of lower cost short-term borrowing positions.

Provision for Loan Losses

Our provision for loan losses was \$11.2 million for the quarter ended March 31, 2010, compared to \$9.6 million for the same quarter last year, an increase of \$1.6 million, or 17.1%. The increase was predominantly driven by loan portfolio growth and an increase in provisions to recognize the effect of the current economic environment on our portfolio.

For additional information about the provision for loan losses, see the discussion of asset quality and the allowance for loan losses later in this report.

Non-Interest Income

Non-interest income for the first quarter of 2010 was \$11.1 million, an increase of \$732,000, or 7.0%, when compared with the first quarter of 2009. The increase in non-interest income was predominantly due to an increase in net gains on sales of securities and loans, which was partially offset by decreases in commissions and trading income, as well as the recognition of net other-than-temporary impairment losses on securities in the first quarter of 2010.

During the first quarter of 2010, net gains on sales of securities increased \$10.1 million to \$12.7 million when compared with the first quarter of 2009. With the Federal Reserve's announcement that they would end their quantitative easing program on March 31, 2010, and overall tight mortgage spreads, the Bank set out to capitalize on gains in its securities portfolio with the expectation of more advantageous reinvestment opportunities in the coming quarters. Additionally, during the first quarter of 2010, the Bank recognized through earnings net other-than temporary impairment losses totaling \$9.5 million, while no impairment losses were recognized during the 2009 first quarter. These impairment losses were predominantly on collateralized debt obligations and bank-collateralized pooled trust preferred securities. For further discussion of our other-than-temporary impairment losses, see Note 7 to our Consolidated Financial Statements.

Non-interest income for the first quarter of 2010 was also impacted by a decrease in commissions and trading income. When compared to the first quarter of 2009, commissions that we earn on off-balance sheet money market funds decreased by \$891,000 to \$296,000. Given the unusually low interest rate environment, commissions on off-balance sheet money market funds have been reduced and, for some funds, eliminated in order to maintain positive yields on those funds. Should the unusually low interest rate environment continue for an extended period of time, we may experience a further decline in our commission income. Additionally, trading income decreased by \$786,000 during the first quarter of 2010, when compared to the same period last year, primarily due to a realized loss of \$422,000 on a credit default swap used to economically hedge credit risks associated with bank corporate debt securities and a \$421,000 unrealized mark-to-market loss on credit default swaps.

Non-Interest Expense

Non-interest expense increased \$5.8 million, or 16.9%, to \$39.7 million for the quarter ended March 31, 2010 from \$34.0 million for the first quarter last year. This increase was driven by a \$3.8 million increase in salaries and benefits primarily attributable to the addition of 12 private client banking teams. Additionally, other general and administrative expenses increased \$1.6 million, reflecting a \$1.2 million increase in FDIC deposit insurance costs as further described below.

For the first quarter of 2010, our base FDIC deposit insurance assessment increased \$812,000 to \$2.5 million when compared to the first quarter last year as a result of our increased level of deposits. In addition, effective January 1, 2010, the FDIC increased the assessment rates for participation in the Transaction Account Guarantee Program, which provides a full guarantee above the existing \$250,000 deposit insurance limit for funds held at participating FDIC-insured depository institutions in non-interest-bearing transaction accounts and NOW accounts that pay up to 50 basis points ("guaranteed accounts"). As a participant in this program,

the increased assessment rate combined with increased deposits resulted in an additional expense of \$412,000 for the first quarter of 2010 when compared to the first quarter last year. The Transaction Account Guarantee Program, which was initially scheduled to terminate on June 30, 2010, has been extended through December 31, 2010, with the possibility of extending through December 31, 2011. Beginning July 1, 2010, the guaranteed accounts will include non-interest bearing transaction accounts and NOW accounts that pay up to 25 basis points. We will continue participating in this program through the extended period.

Stock-Based Compensation

We recognize compensation expense in our statement of operations for all stock-based compensation awards over the requisite service period with a corresponding credit to equity, specifically additional paid-in capital. Compensation expense is measured based on grant date fair value and is included in salaries and benefits (non-interest expense).

As of March 31, 2010, there was \$23.6 million of total unrecognized compensation cost related to unvested restricted shares that is expected to be recognized over a weighted-average period of 4.99 years. During the quarter ended March 31, 2010, we recognized compensation expense of \$1.5 million for nonvested restricted shares. The total fair value of restricted shares that vested during the quarter ended March 31, 2010 was \$6.0 million.

Income Taxes

The provision for income taxes for the quarter ended March 31, 2010 was \$16.8 million and consisted of current expense of \$22.4 million and a net deferred benefit of \$5.6 million. For the quarter ended March 31, 2009, the income tax provision was \$9.7 million and included \$9.9 million of current expense and a net deferred benefit of \$217,000.

The increase in current income tax expense was primarily driven by an increase in our pre-tax income, combined with reduced tax benefits received on income from our real estate investment trust ("REIT") subsidiary. In April 2007, the State of New York enacted tax legislation that included, for companies with average assets in excess of \$8 billion, a four-year phase out of the tax benefit received on income from REIT subsidiaries. We anticipate our average assets for 2010 will exceed \$8.0 billion, and as a result, the income tax benefit we receive on income from our REIT subsidiary was limited beginning with the first quarter of 2010. Accordingly, our effective tax rate for the quarter ended March 31, 2010 was 43.2% compared to 39.9% for the first quarter last year.

FINANCIAL CONDITION

Securities Portfolio

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

At March 31, 2010, our total securities portfolio was \$4.25 billion compared to \$4.13 billion at December 31, 2009. Our portfolio primarily consists of mortgage-backed securities ("MBSs") and collateralized mortgage obligations ("CMOs") issued by U.S. Government agencies (\$263.1 million), government-sponsored enterprises (\$2.68 billion), and private issuers (\$801.1 million). Overall, our securities portfolio had a weighted average duration of 2.64 years and a weighted average life of 3.81 years as of March 31, 2010. 89.5% of our securities portfolio had a AAA credit rating and 93.7% had a credit rating of A or better as of March 31, 2010. In addition, 95.5% of our securities portfolio was rated investment grade or better at March 31, 2010, compared to 95.2% at December 31, 2009. For further discussion of our investment securities and the related determination of fair value, see Note 6 and Note 7 to our Consolidated Financial Statements.

The agency MBS portfolio primarily consists of adjustable-rate hybrid securities, fixed rate balloon, and seasoned 15-year structures. The agency CMO portion of our portfolio primarily consists of short duration planned amortization and sequential structures, collateralized by conforming first lien residential mortgages. The private CMO portfolio consists of prime borrowers with seasoned underlying mortgages and supportive credit enhancement. The weighted average age of the underlying collateral is approximately 71 months with a weighted average loan to value ratio of approximately 54% of original appraised values. The weighted average FICO score of the borrowers was approximately 730 at origination of the loan. The Private CMO sector is diversified with a weighted average holding of \$3.1 million per issue. Our asset-backed portfolio primarily consists of intermediate term fixed rate AAA and floating rate AA/A rated credit card, auto and home equity collateralized securities and collateralized debt obligations.

At March 31, 2010 we owned bank-collateralized pooled trust preferred securities with a current amortized cost of \$30.8 million and a fair value of \$10.1 million. We continue to closely monitor these securities and, other than five bank-collateralized pooled trust preferred securities for which we have recorded other-than-temporary impairment losses, we believe the declines in fair value are temporary. We have no intent to sell these securities and we believe it is not more likely than not that we will be required to sell these investments before recovery of their amortized cost basis. In the event these securities demonstrate an adverse change in expected cash flows and we no longer expect to recover the amortized cost basis, we would recognize additional other-than-temporary impairment losses through earnings.

Unrealized depreciation on AFS securities, net of tax effect, decreased from \$36.7 million at December 31, 2009 to \$30.8 million at March 31, 2010, as reflected in accumulated other comprehensive loss. The value of our AFS securities is affected by several factors, including credit spreads, interest rate environment, unemployment rates, delinquencies and defaults on the mortgages underlying such obligations, changes in interest rates resulting from expiration of the fixed rate portion of adjustable rate mortgages ("ARMs"), changing home prices, market liquidity for such obligations, and uncertainties in respect of government-sponsored enterprises such as Fannie Mae and Freddie Mac, which guarantee many of our obligations. The estimated effect of possible changes in interest rates on our earnings and equity is discussed in "Item 3. Quantitative and Qualitative Disclosures About Market Risk."

Loan Portfolio

The following table presents information regarding the composition of our loan portfolio, including loans held for sale, as of March 31, 2010 and December 31, 2009:

<i>(dollars in thousands)</i>	<i>March 31, 2010</i>		<i>December 31, 2009</i>	
	Amount	Percentage	Amount	Percentage
Loans secured by real estate:				
Commercial property	\$ 1,565,327	33.38%	1,492,877	32.05%
Multi-family residential property	1,223,986	26.10%	1,153,610	24.78%
1-4 family residential property	262,955	5.61%	260,986	5.61%
Construction and land	164,330	3.50%	178,740	3.84%
Home equity lines of credit	174,974	3.73%	170,891	3.67%
Other loans:				
Commercial and industrial	1,056,257	22.52%	1,067,457	22.93%
Commercial - SBA guaranteed portion	195,420	4.17%	276,802	5.95%
Consumer	46,553	0.99%	54,601	1.17%
Sub-total / Total	4,689,802	100.00%	4,655,964	100.00%
Premiums, deferred fees and costs	11,419		13,341	
Total	\$ 4,701,221		4,669,305	

Total loans increased by \$31.9 million to \$4.70 billion at March 31, 2010 from \$4.67 billion at December 31, 2009. Our total loan-to-deposit ratio, excluding loans held for sale, decreased to 56.9% at March 31, 2010, from 60.6% at December 31, 2009. We continue to predominantly restrict lending to existing clients in our market area with whom we have or expect to have deposit and/or brokerage relationships to assist us in monitoring and controlling credit risk.

As of March 31, 2010, 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, such as the one we are facing now, may result in an increase in nonpayment of loans, a decrease in collateral value, and an increase in our allowance for loan losses.

Asset Quality

Non-performing Assets

Non-performing assets include non-accrual loans and investment securities and other real estate owned. Loans are generally placed in non-accrual status upon becoming 90 days past due as to interest or principal. Single family property loans are considered for non-accrual status after becoming three payments past due as to interest or principal. We generally do not place single family property loans on non-accrual status if there is sufficient collateral value, based on a current appraisal, and the loan is in process of collection. Consumer loans that are not secured by real estate, however, are generally placed in non-accrual status when deemed uncollectible; such loans are generally charged off when they reach 180 days past due.

At the time a loan is placed in non-accrual status, the accrued but uncollected interest receivable is reversed and accounted for on a cash basis or cost recovery basis, until qualifying for return to accrual status. Management's classification of a loan as non-accrual does not necessarily indicate that the principal of the loan is uncollectible in whole or in part.

The following table summarizes our non-performing assets, accruing loans that were 90 days past due as to principal or interest, and certain asset quality indicators as of the dates indicated:

<i>(dollars in thousands)</i>	March 31, 2010	December 31, 2009	March 31, 2009
Non-accrual loans	\$ 44,427	46,606	45,092
Non-accrual investment securities, at fair value	7,458	8,216	1,350
Other real estate owned	700	700	-
Total non-performing assets	\$ 52,585	55,522	46,442
Troubled debt restructured loans	\$ -	-	-
Accruing loans past due 90 days or more	\$ 10,930	16,377	9,713
Asset Quality Ratios:			
Non-performing loans to total loans	0.99%	1.07%	1.26%
Non-performing assets to total assets	0.54%	0.61%	0.63%
Allowance for loan losses to non-performing loans	134.95%	118.27%	87.45%

Included in the non-accrual loan balance at March 31, 2010 were two construction loans totaling \$10.6 million, two commercial real estate loans totaling \$7.4 million, and four commercial and industrial loans totaling \$11.2 million. Each of these non-accrual loans is being actively managed by the Bank and the allowance for loan losses includes a specific allocation for each of them.

Non-accrual investment securities at March 31, 2010 were classified as non-performing given their deferral of interest payments. These securities consisted of six bank-collateralized pooled trust preferred securities and one asset-backed security with fair values totaling \$5.2 million and \$2.3 million, respectively.

Accruing loans past due 90 days or more, which are not included in the non-performing category, are presented in the above table. As of March 31, 2010, these loans include (i) U.S. Government guaranteed SBA loans totaling \$2.1 million, (ii) a fully-secured \$2.0 million commercial and industrial loan that was paid in full during May 2010, (iii) matured performing loans in the normal process of renewal totaling \$750,000, and (iv) 1-4 family mortgages and home equity lines of credit, totaling \$5.6 million, that are well secured and in process of collection.

Summary of Loan Loss Experience

The table below presents a summary of our allowance for loan losses, loan loss experience, and provision for loan losses for the periods indicated:

<i>(in thousands)</i>	<i>Three months ended</i>	
	<i>March 31,</i>	
	2010	2009
Beginning balance - Allowance for loan losses	\$ 55,120	36,987
Loans charged-off:		
Loans secured by real estate:		
Commercial property	180	-
1-4 family residential property	250	-
Commercial and industrial loans	6,177	7,138
Consumer loans	168	67
Total loans charged-off	6,775	7,205
Recoveries of loans charged-off:		
Commercial and industrial loans	294	52
Consumer loans	82	3
Total recoveries of loans charged-off	376	55
Net charge-offs	6,399	7,150
Provision for loan losses	11,233	9,595
Ending balance - Allowance for loan losses	\$ 59,954	39,432
Allowance for loan losses to total loans	1.33%	1.11%
Quarterly net charge-offs to average loans (annualized)	0.59%	0.82%

For the quarter ended March 31, 2010, net charge-offs were \$6.4 million compared to \$7.2 million for the same quarter last year. Significant charge-offs for the three months ended March 31, 2010 consisted of four commercial and industrial loans totaling \$4.4 million. The remainder of the 2010 charge-offs were primarily comprised of small business and overdraft line of credit relationships, for which the individual charge-off did not exceed \$500,000.

Allowance for Loan Losses

Our allowance for loan losses increased \$4.8 million, or 8.8%, to \$60.0 million at March 31, 2010 from \$55.1 million at December 31, 2009. This increase was primarily driven by management's assessment of the inherent and specific risks of loan losses relative to the growth of our loan portfolio and the continued effect of the weakened economic environment on our portfolio. The following table allocates the allowance for loan losses based on our judgment of inherent losses in each respective area according to our methodology for allocating reserves.

<i>(dollars in thousands)</i>	<i>March 31, 2010</i>			<i>December 31, 2009</i>		
	Loan Amount	Allowance Amount	Allowance as a % of Loan Amount	Loan Amount	Allowance Amount	Allowance as a % of Loan Amount
Loans secured by real estate:						
Commercial property	\$ 1,565,327	12,984	0.83%	1,492,877	10,778	0.72%
Multi-family residential property	1,223,986	5,906	0.48%	1,153,610	5,088	0.44%
1-4 family residential property	262,955	1,607	0.61%	260,986	1,576	0.60%
Construction and land	164,330	5,543	3.37%	178,740	4,027	2.25%
Home equity lines of credit	174,974	1,098	0.63%	170,891	631	0.37%
Commercial & Industrial Loans	1,056,257	31,902	3.02%	1,067,457	32,216	3.02%
Consumer loans	46,553	914	1.96%	54,601	804	1.47%
Total	\$ 4,494,382	59,954	1.33%	4,379,162	55,120	1.26%

In determining the allowance for loan losses, management considers the imprecision inherent in the process of estimating credit losses. A portion of the allowance is based on management's review of factors affecting the determination of probable losses inherent in the portfolio that are not necessarily captured by the application of historical loss experience factors, such as the current regional economic environment.

Net Deferred Tax Asset

At March 31, 2010, net deferred tax assets were \$72.4 million, primarily consisting of \$24.5 million related to the unrealized loss on AFS securities, \$18.0 million related to other-than-temporary impairment losses on securities, and \$25.4 million related to the allowance for loan losses. Net deferred tax assets at December 31, 2009 totaled \$71.5 million, of which \$29.2 million related to the unrealized loss on AFS securities, \$13.8 million related to other-than-temporary impairment losses on securities, and \$23.2 million related to the allowance for loan losses.

At March 31, 2010, after considering all available positive and negative evidence, management concluded that a valuation allowance for deferred tax assets was not necessary because it was more likely than not that these tax benefits will be fully realized. We will continue to monitor the need for a valuation allowance going forward; however, we do not expect to need one based upon projected profitability and taxable income in the carry-back period. Net deferred tax assets are reflected in Other Assets in our Consolidated Statements of Financial Condition.

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

The market for deposits in New York continues to be very competitive. We primarily focus our deposit gathering efforts in the greater New York metropolitan area market with money center banks, regional banks and community banks as our primary competitors. We distinguish ourselves from competitors by focusing only on our target market: privately-owned businesses and their owners and senior managers. This niche approach, coupled with our relationship-banking model, provides our clients with a personalized service, which we believe gives us a competitive advantage.

We offer a variety of deposit products to our clients at interest rates that are competitive with other banks. Our business deposit products include commercial checking accounts, money market accounts, escrow deposit accounts, lockbox accounts, cash concentration accounts and other cash management products. Our personal deposit products include checking accounts, money market accounts and certificates of deposit. We also allow our personal and business deposit clients to access their accounts, transfer funds, pay bills and perform other account functions over the Internet and through ATM machines.

At March 31, 2010, we maintained approximately 64,000 deposit accounts, compared to approximately 61,500 accounts at December 31, 2009. Excluding brokered deposits, total deposits at March 31, 2010 and December 31, 2009 were \$7.88 billion and \$7.21 billion, respectively. During the first three months of 2010, total deposits reflected movements of short-term escrow deposits, which totaled \$459.6 million and \$379.4 million at March 31, 2010 and December 31, 2009, respectively. The majority of short-term escrows outstanding at March 31, 2010, due to their nature, are expected to be released during the first quarter of 2010. Excluding the short-term escrow deposits and brokered CDs at March 31, 2010 and December 31, 2009, total core deposits increased approximately \$586.4 million during the first quarter of 2010 as a result of deposit gathering efforts by our private client teams.

The following table presents the composition of our deposits and deposit products as of March 31, 2010 and December 31, 2009:

<i>(dollars in thousands)</i>	<i>March 31, 2010</i>		<i>December 31, 2009</i>	
	Amount	Percentage	Amount	Percentage
Personal demand deposit accounts (1)	\$ 182,299	2.31%	203,204	2.81%
Business demand deposit accounts (1)	1,693,015	21.44%	1,766,530	24.46%
Rent security	39,551	0.50%	37,707	0.52%
Personal NOW	75,421	0.95%	115,476	1.60%
Business NOW	602,278	7.63%	571,920	7.92%
Personal money market accounts	1,303,727	16.51%	1,085,782	15.03%
Business money market accounts	3,159,973	40.00%	2,675,934	37.05%
Personal time deposits	491,786	6.23%	481,555	6.67%
Business time deposits	331,055	4.19%	274,374	3.80%
Brokered time deposits	18,616	0.24%	10,064	0.14%
Total	\$ 7,897,721	100.00%	7,222,546	100.00%
Demand deposit accounts (1)	\$ 1,875,314	23.75%	1,969,734	27.27%
NOW	677,699	8.58%	687,396	9.52%
Money market accounts	4,503,251	57.01%	3,799,423	52.60%
Time deposits	822,841	10.42%	755,929	10.47%
Brokered time deposits	18,616	0.24%	10,064	0.14%
Total	\$ 7,897,721	100.00%	7,222,546	100.00%
Personal	\$ 2,053,233	26.00%	1,886,017	26.11%
Business	5,825,872	73.76%	5,326,465	73.75%
Brokered time deposits	18,616	0.24%	10,064	0.14%
Total	\$ 7,897,721	100.00%	7,222,546	100.00%

(1) Non-interest bearing.

Borrowings

At March 31, 2010, our borrowings were \$893.0 million, or 10.2% of our funding liabilities, compared to \$1.01 billion, or 12.3% of our funding liabilities, at December 31, 2009. These borrowings are collateralized by our mortgage-backed and collateralized mortgage obligation securities. We also hold \$11.7 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 with the FHLB, and the amount of securities available for pledging, we estimate our available consolidated borrowing capacity to be approximately \$1.68 billion at March 31, 2010.

The following table shows the maturity or re-pricing of our borrowings at March 31, 2010:

<i>Maturity or repricing period (in thousands)</i>				
3 months or less	3 - 12 months	1 - 3 years	Over 3 years	Total
\$ 5,958	172,000	360,000	355,000	892,958

Other Assets

Other assets at March 31, 2010 and December 31, 2009 were \$390.5 million and \$191.1 million, respectively. The increase in other assets for the first quarter of 2010 was primarily due to a \$101.6 million increase in receivables from unsettled sales of AFS securities, along with a \$62.7 million receivable related to Freddie Mac's repurchase of delinquent mortgages underlying securities issued by them.

Fair Value of Financial Instruments

Our AFS securities, which represent \$3.90 billion of the Company's total assets at March 31, 2010, are carried at fair value. Held-for-sale loans are carried at the lower of cost or fair value.

U.S. GAAP establishes a three-level fair value hierarchy that prioritizes techniques used to measure the fair value of assets and liabilities, based on the transparency and reliability of inputs to valuation methodologies. An instrument's categorization within the hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Therefore, for assets classified in Levels 1 and 2 of the hierarchy where inputs are principally based on observable market data, there is less judgment applied in arriving at a fair value measurement. For instruments classified within Level 3 of the hierarchy, judgments are more significant.

Where available, the fair value of AFS securities is based upon valuations obtained from third-party pricing sources. In order to ensure the fair valuations obtained are appropriate, we typically compare data from two or more independent third-party pricing sources. If there is a large price discrepancy between the two pricing sources for an individual security, we utilize industry market spread data to assist in determining the most appropriate valuation.

The valuations provided by the pricing services are derived from quoted market prices or using matrix pricing. Matrix pricing is a valuation technique consistent with the market approach of determining fair value. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets. Matrix pricing is a mathematical technique used principally to value debt securities without relying exclusively on quoted prices of specific securities, but rather on the securities' relationship to other benchmark quoted securities. Most of our securities portfolio is priced using this method.

Securities are classified within Level 3 of the valuation hierarchy in cases where there is limited activity or less transparency around inputs to the valuation. In these cases, we determine fair value based upon in-depth analysis of the cash flow structure and credit analysis for each position. Relative market spreads are utilized to discount the cash flow to determine current market values, as well as analysis of relative coverage ratios, credit enhancements, and collateral characteristics.

Our held-for-sale loans predominately consist of variable rate SBA loans, which are fully guaranteed by the U.S. Government. Accordingly, the cost of these loans typically approximates fair value. We validate the fair value of these loans through our active market participation in the SBA secondary market, where we are one of the top market makers in the industry.

We believe our valuation methods are appropriate and consistent with other market participants; however, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. For further discussion of the determination of fair value, see Note 6 to our Consolidated Financial Statements.

Contractual Obligations

The following table presents our significant contractual obligations as of March 31, 2010:

<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	
Information technology contract	\$ 3,412	7,242	951	-	11,605
Borrowings	177,958	360,000	175,000	180,000	892,958
Operating leases	10,854	21,924	21,463	22,518	76,759
Total contractual cash obligations	\$ 192,224	389,166	197,414	202,518	981,322

Off-Balance Sheet Arrangements

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

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

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

A summary of our commitments and contingent liabilities is as follows:

<i>(in thousands)</i>	March 31, 2010	December 31, 2009
Unused commitments to extend credit	\$ 558,935	519,102
Financial standby letters of credit	188,280	193,342
Commercial and similar letters of credit	18,400	15,808
Other	603	732
Total	\$ 766,218	728,984

Commitments to extend credit consist of agreements having fixed expiration or other termination clauses and may require payment of a fee. Total commitment amounts may not necessarily represent future cash requirements. We evaluate each client's creditworthiness on a case-by-case basis. Upon the extension of credit, we will obtain collateral, if necessary, based on our credit evaluation of the counterparty. Collateral held varies but may include deposits held in financial institutions, commercial properties, residential properties, accounts receivable, property, plant and equipment and inventory.

We recognize a liability at the inception of the guarantee that is equivalent to the fee received from the guarantor. This liability is amortized over the life of the guarantee on a straight-line basis. At March 31, 2010 and December 31, 2009, we had deferred revenue for commitment fees paid for the issuance of standby letters of credit in the amounts of \$530,000 and \$639,000, respectively.

Standby letters of credit are conditional commitments issued by us to guarantee the performance of a client's obligation to a third party. Standby letters of credit are primarily used to support clients' business trade transactions and may require payment of a fee. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to clients. We had liabilities for credit losses on standby letters of credit totaling \$289,000 and \$326,000, at March 31, 2010 and December 31, 2009, respectively.

At March 31, 2010 and December 31, 2009, we had commitments to sell residential mortgage loans and SBA loans totaling zero and \$1.3 million, respectively.

Capital Resources

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

We are required by FDIC regulations to maintain a minimum ratio of qualifying total capital to total risk-weighted assets (including off-balance sheet items) of 8%, at least one-half of which must be in the form of Tier 1 capital, and a ratio of Tier 1 capital to total risk-weighted assets of 4%. Tier 1 capital is generally defined as the sum of core capital elements less goodwill and certain other deductions. Core capital includes common shareholders' equity, non-cumulative perpetual preferred stock and minority interests in equity accounts of consolidated subsidiaries. Supplementary capital, which qualifies as Tier 2 capital and counts towards total capital subject to certain limits, includes allowances for loan losses, perpetual preferred stock, subordinated debt and certain hybrid instruments.

We are also required to maintain a certain leverage capital ratio - the ratio of Tier 1 capital (net of intangibles) to adjusted total assets. Banks that have received the highest rating of five categories used by regulators to rate banks and are not anticipating or experiencing any significant growth must maintain a leverage capital ratio of at least 3.0%. All other institutions must maintain a minimum leverage capital ratio of 4.0%.

For an institution to be considered "well capitalized" by the FDIC, it must maintain a minimum leverage capital ratio of 5.0% and a minimum risk-based capital ratio of 10.0%, of which at least 6.0% must be Tier 1 capital.

The actual capital amounts and ratios set forth in the following table demonstrate that we are “well capitalized” under the capital adequacy guidelines outlined above:

<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
As of March 31, 2010:						
Total capital (to risk-weighted assets)	\$ 924,587	14.62%	506,072	8.00%	632,590	10.00%
Tier 1 capital (to risk-weighted assets)	864,344	13.66%	253,036	4.00%	379,554	6.00%
Tier 1 leverage capital (to average assets)	864,344	9.10%	380,129	4.00%	475,161	5.00%
As of December 31, 2009:						
Total capital (to risk-weighted assets)	\$ 895,503	14.47%	495,248	8.00%	619,060	10.00%
Tier 1 capital (to risk-weighted assets)	840,057	13.57%	247,624	4.00%	371,436	6.00%
Tier 1 leverage capital (to average assets)	840,057	9.39%	357,918	4.00%	447,397	5.00%

Our capital on December 31, 2009 includes \$127.3 million from the sale of common stock in a public offering completed on June 8, 2009. The net proceeds from the offering are being used to support a significant level of private client banking team growth, fund the opening of new offices and to originate and retain loans of a size and type that will allow us to accommodate the needs of our targeted clients, which are privately-owned businesses, their owners and their senior managers.

Liquidity

Liquidity is the measurement of our ability to meet our cash needs. Our objective in managing liquidity is to maintain our ability to meet loan commitments and deposit withdrawals, purchase investments and pay other liabilities in accordance with their terms, without an adverse impact on our current or future earnings. Our liquidity management is guided by policies developed and monitored by our asset/liability management committee and approved by our Board of Directors. The asset/liability management committee consists of, among others, our Chairman, President and Chief Executive Officer, Vice-Chairman, Chief Operating Officer, Chief Financial Officer and Treasurer. These policies take into account the marketability of assets, the source and stability of deposits, our wholesale borrowing capacity and the amount of our loan commitments. For the quarters ended March 31, 2010 and 2009, our primary source of liquidity has been core deposit growth.

Additionally, we have borrowing sources available to supplement deposit flows. These borrowing sources include the FHLB and securities sold under repurchase agreements. We also have access to the brokered deposit market, through which we have numerous alternatives and significant capacity, if needed.

Credit availability at the FHLB is based on our financial condition, asset size, and the amount of collateral we hold at the FHLB. At March 31, 2010, our FHLB borrowings included \$260.0 million in advances with an average rate of 3.95% that mature by September 1, 2017.

Also, we have repurchase agreement lines with several leading financial institutions totaling \$1.46 billion. At March 31, 2010, we had \$627.0 million of securities sold under repurchase agreements to five of these institutions.

Based on our financial condition, our asset size, the available capacity under our repurchase agreement lines and with the FHLB, and the amount of securities available for pledging, we estimate our available consolidated capacity for additional borrowings to be approximately \$1.68 billion as of March 31, 2010.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market risk is defined as the sensitivity of income, fair market values and capital to changes in interest rates, foreign currency exchange rates, commodity prices and other relevant market prices and rates. The primary risk to which we are exposed is interest rate movement inherent in our lending, investment management, deposit taking and borrowing activities. Substantially all of our interest rate risk arises from these activities which are entered into for purposes other than trading.

The principal objective of asset/liability management is to manage the sensitivity of net income to changes in interest rates. Asset/liability management is governed by policies approved by our Board of Directors. Our Board of Directors has delegated the day-to-day oversight of this function to our asset/liability management committee. Senior management and our Board of Directors, on an ongoing basis, review our overall interest rate risk position and strategies.

Interest Rate Risk Management

Our asset/liability management committee seeks to manage our interest rate risk by structuring our balance sheet to maximize net interest income while maintaining an acceptable level of risk exposure to changes in market interest rates. The achievement of this goal requires a balance among liquidity, interest rate risk and profitability considerations. The committee meets regularly to review the sensitivity of assets and liabilities to interest rate changes, deposit rates and trends, the book and market values of assets and liabilities, unrealized gains and losses, purchase and sales activities and the maturities of investments and borrowings.

We use various asset/liability strategies to manage and control the interest rate sensitivity of our assets and liabilities. These strategies include pricing of loans and deposit products, adjusting the terms of loans and borrowings and managing the deployment of our securities and short-term assets to reduce or increase the mismatches in interest rate re-pricing.

To effectively measure and manage interest rate risk, we use simulation analysis to determine the impact on net interest income under various interest rate scenarios. Based on these simulations, we quantify interest rate risk and develop and implement appropriate strategies. At March 31, 2010, we used a simulation model to analyze net interest income sensitivity to a parallel and sustained shift in interest rates derived from the current treasury and LIBOR yield curves, in which the base market interest rate forecast was increased by 100, 200, and 300 basis points. Given the current low interest rate environment, including the Federal Funds rate and other short-term interest rates, we did not analyze net interest income sensitivity to a downward market interest rate forecast.

The following table indicates the sensitivity of projected annualized net interest income to the interest rate movements described above at March 31, 2010:

<i>(dollars in thousands)</i>	Adjusted Net Interest Income	Percentage Change from Base
Interest Rate Scenario:		
Up 300 basis points	\$ 318,193	(1.23)
Up 200 basis points	325,472	1.03
Up 100 basis points	328,860	2.08
Base	322,143	-

We also use a simulation model to measure the impact that market interest rate changes will have on the net present value of assets and liabilities, which is defined as market value of equity. At March 31, 2010, we used a simulation model to analyze the market value of equity sensitivity to a parallel and sustained shift in interest rates derived from the current treasury and LIBOR yield curves. For rising interest rate scenarios, the base market interest rate forecast was increased by 100, 200 and 300 basis points. Given the current low interest rate environment, including the Federal Funds rate and other short-term interest rates, we did not analyze the market value of equity sensitivity to a downward market interest rate forecast.

The following table indicates the sensitivity of market value of equity to the interest rate movements described above:

<i>(dollars in thousands)</i>	Sensitivity	Percentage Change from Base
Interest Rate Scenario:		
Up 300 basis points	\$ (293,745)	(27.76)
Up 200 basis points	(194,104)	(18.34)
Up 100 basis points	(80,312)	(7.59)
Base	-	-

The market value of equity sensitivity analysis assumes an immediate parallel shift in interest rates and yield curves. All results are within parameters approved by our Board of Directors. When compared to prior years, the higher percentage changes from base seen in the rising interest rate scenarios at March 31, 2010 reflect the absolute change in rates to the current low interest rate environment.

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 4. Controls and Procedures

(a) *Disclosure 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.

(b) *Internal Control Over Financial Reporting.* There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

It should be noted that any system of controls, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system are met. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of future events. Because of these and other inherent limitations of control systems, there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

PART II. Other Information

Item 1. 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 financial condition, results of operations, and liquidity.

Item 1A. Risk Factors

See "Risk Factors" in Part I -- Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2009 for information on risk factors. We do not believe there were any material changes in the status of our risk factors from those previously disclosed and described in our Annual Report on Form 10-K for the year ended December 31, 2009.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

During the first quarter of 2010, we issued an aggregate of 166,033 shares of our common stock as a result of the exercise of options and the vesting of restricted shares pursuant to our Amended and Restated 2004 Equity Incentive Plan in reliance on the exemption provided by Section 3(a)(2) of the Securities Act of 1933. The aggregate consideration received through the exercise of options to purchase 7,750 shares of common stock was \$153,000. The proceeds were used for general corporate purposes.

Item 3. Defaults Upon Senior Securities

None.

Item 4. (Removed and Reserved)

Item 5. Other Information

None.

Item 6. Exhibits

(a) The following exhibits are submitted herewith:

Exhibit Number	Description of Exhibit
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 Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of the Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: May 7, 2010

Signature Bank

/s/ JOSEPH J. DEPAOLO

Joseph J. DePaolo
President and
Chief Executive Officer

/s/ ERIC R. HOWELL

Eric R. Howell
Executive Vice President and
Chief Financial Officer

Exhibit Index

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**Certification Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002**

I, Joseph J. DePaolo, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Signature Bank;
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: May 7, 2010

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

**Certification Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002**

I, Eric R. Howell, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Signature Bank;
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: May 7, 2010

By: /s/ ERIC R. HOWELL

Eric R. Howell

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**

In connection with the Quarterly Report of Signature Bank (the "Company") on Form 10-Q for the period ending March 31, 2010, as filed with the Federal Deposit Insurance Corporation on the date hereof (the "Report"), I, Joseph J. DePaolo, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

May 7, 2010

/s/ JOSEPH J. DEPAOLO

Joseph J. DePaolo
President and
Chief Executive Officer

**Certification
Pursuant To 18 U.S.C. Section 1350,
As Adopted Pursuant To
Section 906 of The Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report of Signature Bank (the "Company") on Form 10-Q for the period ending March 31, 2010, as filed with the Federal Deposit Insurance Corporation on the date hereof (the "Report"), I, Eric R. Howell, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

May 7, 2010

/s/ ERIC R. HOWELL

Eric R. Howell
Executive Vice President and
Chief Financial Officer