

**UNITED STATES  
FEDERAL DEPOSIT INSURANCE CORPORATION  
Washington D.C.**

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Under Rule 14a-12

Signature Bank

\_\_\_\_\_  
(Name of Registrant as Specified In Its Charter)

\_\_\_\_\_  
(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

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- Fee paid previously with preliminary materials.
- Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:



To the Shareholders of Signature Bank,

Thank you for your ongoing support of and continued interest in Signature Bank. I am pleased to invite you to attend the Annual Meeting of Shareholders of Signature Bank to be held at the 101 Club, 101 Park Avenue, New York City, on April 15, 2005 at 10:00 a.m., local time.

The accompanying Notice of Annual Meeting of Shareholders and Proxy Statement explain the matters to be voted on at the meeting. As previously announced, our principal shareholder, Bank Hapoalim B.M. (“Bank Hapoalim”), has sold 15.2 million shares (or 51.8%) of Signature Bank’s common stock in a public offering and may sell or transfer the rest of the shares of our common stock it owns if the underwriter’s over-allotment option is exercised in full and the 2005 Special Bonus Plan proposed for adoption in this Proxy Statement is adopted. As more fully described in the accompanying Proxy Statement, the matters to be voted on include changes to our Organization Certificate and By-laws that will prepare us for no longer being majority-owned by Bank Hapoalim. Notwithstanding the public offering, Bank Hapoalim will beneficially own 59.6% of our common stock as of the record date and will be entitled to vote its shares at the Annual Meeting. Bank Hapoalim has indicated that it intends to vote its shares in favor of all of the director nominees and FOR each of the other proposals to be voted on at the Annual Meeting.

Your vote is important, regardless of the number of shares you own. On behalf of the Board of Directors, I urge you to mark, sign and return the enclosed proxy card as soon as possible, even if you plan to attend the Annual Meeting. You may, of course, revoke your proxy by notice in writing to Signature Bank’s Secretary at any time before the proxy is voted. You may also access the Notice of Annual Meeting of Shareholders and the Proxy Statement via the Internet at [www.signatureny.com](http://www.signatureny.com) under “*Investor Relations*.” Please read the enclosed Notice of Annual Meeting of Shareholders and Proxy Statement so you will be informed about the business to come before the meeting.

Sincerely,

/s/ Joseph J. DePaolo

Joseph J. DePaolo

*President, Chief Executive Officer and Director*

**SIGNATURE BANK**  
**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**  
**TO BE HELD ON APRIL 15, 2005**

To the Shareholders of Signature Bank,

The Annual Meeting of the holders of common stock of Signature Bank will be held at the 101 Club, 101 Park Avenue, New York City, on April 15, 2005 at 10:00 a.m., local time:

1. To consider and approve three amendments to the Organization Certificate of the Company to (i) increase the number of authorized shares of common stock that the Company is authorized to issue from 39,000,000 shares of common stock, \$0.01 par value per share, to 64,000,000 shares of common stock, \$0.01 par value per share; (ii) allow the Board of Directors to fix the number of shares included in any series of any class of preferred stock to be issued by the Company and to fix any or all of the designations, relative rights, preferences and limitations related to such series of preferred stock; and (iii) require the unanimous written consent of shareholders to take action without a meeting;
2. To consider and approve five amendments to the By-laws of the Company to (i) classify the Board of Directors into three separate classes with staggered terms of office, (ii) require the unanimous written consent of shareholders to take action without a meeting, (iii) eliminate the ability of the shareholders to remove members of the Board of Directors without cause, (iv) allow the Board of Directors to delegate its authority to an executive committee or any other committee of the Board of Directors except to the extent limited by Section 7012 of the Banking Law of the State of New York and (v) provide that an amendment of the By-law provisions regarding the classification of the Board of Directors and the removal of Directors by shareholders may only be made with the approval of either a majority of the members of the Board of Directors or the holders of 66⅔% of the shares of common stock entitled to vote;
3. To elect nine members of the Board of Directors to serve until their successors have been duly elected and qualified;
4. To approve the 2005 Special Bonus Plan, which will provide for special one-time bonuses to approximately 150 of our early employees out of cash and stock contributed to us by Hapoalim USA Holding Company, Inc., our principal shareholder;
5. To ratify the appointment of KPMG LLP, an independent registered public accounting firm, as the independent auditors for the year ending December 31, 2005; and
6. To transact such other business as may properly come before the meeting or any adjournment thereof.

The Board of Directors has fixed March 17, 2005 as the record date for the Annual Meeting with respect to this solicitation. Only holders of record of Signature Bank's common stock at the close of business on that date are entitled to notice of and to vote at the Annual Meeting or any adjournments thereof as described in the Proxy Statement.

Signature Bank's Annual Report to Shareholders for the year ended December 31, 2004 is enclosed.

**WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING IN PERSON, PLEASE SIGN, DATE AND RETURN THE ENCLOSED PROXY CARD IN THE ENCLOSED POSTAGE PAID ENVELOPE AS PROMPTLY AS POSSIBLE. A PROXY MAY BE REVOKED BY A SHAREHOLDER ANY TIME PRIOR TO ITS USE AS SPECIFIED IN THE ENCLOSED PROXY STATEMENT.**

By Order of the Board of Directors,  
/s/ Patricia E. Omella  
Patricia E. O'Melia  
*Secretary*

*This notice of Annual Meeting, Proxy Statement and form of proxy are being distributed on or about April 4, 2005 to Signature Bank shareholders of record.*

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**SIGNATURE BANK  
565 Fifth Avenue  
New York, NY 10017**

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**PROXY STATEMENT**

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The Board of Directors of Signature Bank is furnishing this Proxy Statement to solicit proxies for use at Signature Bank's Annual Meeting of Shareholders (the "2005 Annual Meeting"), to be held on April 15, 2005 at 10:00 a.m., local time, at the 101 Club, 101 Park Avenue, New York City, and at any adjournment of the meeting. Each valid proxy received in time will be voted at the meeting according to the choice specified, if any. A proxy may be revoked at any time before the proxy is voted as outlined below.

**ABOUT THE MEETING**

**What is the purpose of the Annual Meeting?**

At our 2005 Annual Meeting, shareholders will act upon the matters outlined in the notice of meeting on the cover page of this Proxy Statement, including:

1. The amendment of the Organization Certificate of the Company to (i) increase the number of authorized shares of common stock that the Company is authorized to issue from 39,000,000 shares of common stock, \$0.01 par value per share, to 64,000,000 shares of common stock, \$0.01 par value per share; (ii) allow the Board of Directors to fix the number of shares included in any series of any class of preferred stock to be issued by the Company and to fix any or all of the designations, relative rights, preferences and limitations related to such series of preferred stock; and (iii) require the unanimous written consent of shareholders to take action without a meeting;
2. The amendment of the By-laws of the Company to (i) classify the Board of Directors into three separate classes with staggered terms of office, (ii) require the unanimous written consent of shareholders to take action without a meeting, (iii) eliminate the ability of the shareholders to remove members of the Board of Directors without cause, (iv) allow the Board of Directors to delegate its authority to an executive committee or any other committee of the Board of Directors except to the extent limited by Section 7012 of the Banking Law of the State of New York (the "Banking Law") and (v) provide that an amendment of the By-law provisions regarding the classification of the Board of Directors and the removal of Directors by shareholders may only be made with the approval of either a majority of the members of the Board of Directors or the holders of 66 $\frac{2}{3}$ % of the shares of common stock entitled to vote;
3. The election of nine members of the Board of Directors to serve until their successors have been duly elected and qualified;
4. The approval of the 2005 Special Bonus Plan, which will provide for special one-time bonuses to approximately 150 of our early employees out of cash and stock contributed to us by Hapoalim USA Holding Company, Inc. ("Hapoalim USA"), our principal shareholder;
5. The ratification of the Company's independent auditors; and
6. The transaction of such other business as may properly come before the meeting or any adjournment thereof.

In addition, management will report on the performance of the Company and respond to questions from shareholders.

**Who is entitled to vote at the meeting?**

Only shareholders of record at the close of business on March 17, 2005, the record date for the meeting, are entitled to receive notice of and to participate in the 2005 Annual Meeting. If you were a shareholder of record on that date, you will be entitled to vote all of the shares that you held on that date at the meeting, or any postponements or adjournments of the meeting.

**What are the voting rights of the holders of Signature Bank common stock?**

Each outstanding share of Signature Bank common stock will be entitled to one vote on each matter considered at the meeting.

**Who can attend the meeting?**

All shareholders as of the record date, or their duly appointed proxies, may attend the 2005 Annual Meeting. If you attend, please note that you may be asked to present valid photo identification, such as a driver's license or passport. Cameras, recording devices and other electronic devices will not be permitted at the meeting. Please also note that if you hold your shares in "street name" (that is, through a broker or other nominee), you will need to bring a copy of a brokerage statement reflecting your stock ownership as of the record date and check in at the registration desk at the meeting.

**What constitutes a quorum?**

The presence at the meeting, in person or by proxy, of the holders of a majority of the votes represented by the common stock issued and outstanding on the record date will constitute a quorum, permitting the meeting to conduct its business. Proxies received but marked as withheld or abstentions and broker non-votes will be included in the calculation of the number of votes considered to be present at the meeting.

**How do I vote?**

If you complete and properly sign the accompanying proxy card and return it to the transfer agent, it will be voted as you direct. If you are a registered shareholder and attend the meeting, you may deliver your completed proxy card in person. "Street name" shareholders who wish to vote at the meeting will need to obtain a proxy form from the institution that holds their shares.

**Can I change my vote after I return my proxy card?**

Yes. Even after you have submitted your proxy, you may revoke or change your vote at any time before the proxy is exercised by filing with the Secretary of the Company either a notice of revocation or a duly executed proxy bearing a later date. The powers of the proxy holders will be suspended if you attend the meeting in person and so request, although attendance at the meeting will not by itself revoke a previously granted proxy.

**What are the Board of Directors' recommendations regarding the agenda items?**

Unless you give other instructions on your proxy card, the persons named as proxy holders on the proxy card will vote in accordance with the recommendations of the Board of Directors. The Board of Directors' recommendations are set forth together with the description of each item in this Proxy Statement. In summary, the Board of Directors recommends a vote:

- *for* the amendment of the Organization Certificate to (i) increase the number of authorized shares of common stock, \$0.01 par value per share, that the Company is authorized to issue from 39,000,000 shares, to 64,000,000 shares; (ii) allow the Board of Directors to fix the number of shares included in any series of any class of preferred stock to be issued by the Company and

to fix any or all of the designations, relative rights, preferences and limitations related to such series of preferred stock; and (iii) require the unanimous written consent of shareholders to take action without a meeting (see Proposal 1);

- for the amendment of the By-laws to (i) classify the Board of Directors into three separate classes with staggered terms of office, (ii) require the unanimous written consent of shareholders to take action without a meeting, (iii) eliminate the ability of the shareholders to remove members of the Board of Directors without cause, (iv) allow the Board of Directors to delegate its authority to an executive committee or any other committee of the Board of Directors except to the extent limited by Section 7012 of the Banking Law and (v) provide that an amendment of the By-law provisions regarding the classification of the Board of Directors and the removal of Directors by shareholders may only be made with the approval of either a majority of the members of the Board of Directors or the holders of 66⅔% of the shares entitled to vote (see Proposal 2);
- for the election of the nominees for the Board of Directors (see Proposal 3);
- for the approval of the 2005 Special Bonus Plan (see Proposal 4); and
- for ratification of the appointment of KPMG LLP as the Company's independent auditors for fiscal year 2005 (see Proposal 5).

With respect to any other matter that properly comes before the meeting, including an adjournment of the meeting to a later time, the proxy holders will vote as recommended by the Board of Directors or, if no recommendation is given, in their own discretion.

#### **How are votes counted?**

In the election of directors, you may vote "FOR" all of the nominees or your vote may be "WITHHELD" with respect to one or more of the nominees. For the other items of business, you may vote "FOR," "AGAINST" or "ABSTAIN." If you "ABSTAIN," the abstention has the same effect as a vote "AGAINST." If you provide specific instructions with regard to an item, your shares will be voted as you instruct on such item. If you sign your proxy card or voting instruction card without giving specific instructions, your shares will be voted in accordance with the recommendations of the Board of Directors.

#### **What vote is required to approve each item?**

*Amendment of the Organization Certificate.* The affirmative "FOR" vote of the holders of a majority of the outstanding shares entitled to vote will be required for approval. A properly executed proxy marked "ABSTAIN" with respect to this matter will not be voted and will therefore have the effect of a negative vote.

*Election of Directors.* The affirmative vote of a plurality of the votes cast at the meeting is required for the election of directors. In other words, the nine persons receiving the highest number of "FOR" votes at the 2005 Annual Meeting will be elected as directors. A properly executed proxy marked "WITHHELD" with respect to the election of one or more directors will not be voted with respect to the director or directors indicated, although it will be counted for purposes of determining whether there is a quorum present at the meeting.

*Other Items.* For each other item, the affirmative "FOR" vote of a majority of the votes cast on the item will be required for approval. A properly executed proxy marked "ABSTAIN" with respect to any such matter will not be voted, although it will be counted for purposes of determining whether there is a quorum present at the meeting.

If you hold your shares in “street name” through a broker or other nominee, your broker or nominee may not be permitted to exercise voting discretion with respect to certain matters. Thus, if you do not give your broker or nominee specific instructions, your shares may not be voted on those matters and will not be counted in determining the number of shares necessary for approval. Shares represented by such “broker non-votes” will, however, be counted in determining whether there is a quorum present at the meeting.

**What happens if additional matters are presented at the Annual Meeting?**

Other than the items of business described in this Proxy Statement, we are not aware of any other business to be acted upon at the 2005 Annual Meeting. If you grant a proxy, the persons named as proxy holders will have the discretion to vote your shares on any additional matters properly presented for a vote at the meeting, including an adjournment of the meeting to a later time. If for any unforeseen reason any of our nominees is not available as a candidate for director, the persons named as proxy holders will vote your proxy for such other candidate or candidates as may be nominated by the Board of Directors.

**Who will bear the cost of soliciting votes for the Annual Meeting?**

Signature Bank is making this solicitation and will pay the entire cost of preparing, assembling, printing, mailing and distributing these proxy materials and soliciting votes. In addition to the mailing of these proxy materials, the solicitation of proxies or votes may be made in person, by telephone or by electronic communication by our directors, officers and employees, who will not receive any additional compensation for such solicitation activities.

**Where can I find the voting results of the Annual Meeting?**

We intend to announce preliminary voting results at the 2005 Annual Meeting and publish the final results in our Quarterly Report on Form 10-Q for the fiscal period ending June 30, 2005.



## PRINCIPAL SHAREHOLDERS

### Beneficial Ownership Table

The table below sets forth, as of the record date for the 2005 Annual Meeting, information with respect to the beneficial ownership of Signature Bank’s common stock by:

- each of our directors and each of the executive officers named in the Summary Compensation Table under “Management—Executive Compensation;”
- each person who is known to be the beneficial owner of more than 5% of any class or series of our capital stock; and
- all of our directors and executive officers as a group.

The amounts and percentages of common stock beneficially owned are reported on the basis of applicable regulations governing the determination of beneficial ownership of securities. Under these rules, a person is deemed to be a beneficial owner of a security if that person has or shares voting power, which includes the power to vote or to direct the voting of such security, or investment power, which includes the power to dispose of or to direct the disposition of such security. A person is also deemed to be a beneficial owner of any securities of which that person has a right to acquire beneficial ownership within 60 days. Under these rules, more than one person may be deemed to be a beneficial owner of the same securities.

Bank Hapoalim has sold 15.2 million (or 51.8%) of the shares of our common stock beneficially owned by it and owned of record by Hapoalim USA (the “2005 Secondary Offering”). However, such disposition had not occurred as of the record date and Hapoalim USA will therefore be entitled to vote all of the shares held by it on the record date at the 2005 Annual Meeting. Hapoalim USA has advised us that it intends to vote in favor of each proposal set forth in this Proxy Statement.

<u>Name and Address of Beneficial Owner(1)</u>	<b>Shares of Common Stock Beneficially Owned on March 17, 2005</b>	
	<b>Number of Shares</b>	<b>Percentage of Class</b>
Hapoalim USA Holding Company Inc.(2) . . . . .	17,470,000	59.6%
Bank Hapoalim B.M.(2)(3)(4) . . . . .	17,470,000	59.6%
Gilder, Gagnon, Howe & Co. LLC(5) . . . . .	3,024,814	10.3%
Scott A. Shay . . . . .	283,334	*
Joseph J. DePaolo(6) . . . . .	156,399	*
Zvi Fuhrman . . . . .	1,000	*
John Tamberlane(6) . . . . .	77,286	*
Mark T. Sigona(6) . . . . .	35,673	*
David S. Bagatelle(6) . . . . .	41,286	*
Michael Merlo(6) . . . . .	30,283	*
Michael Sharkey(6) . . . . .	17,754	*
Moshe Amit . . . . .	—	—
Eric Howell . . . . .	8,667	*
Alfred DelBello(6) . . . . .	17,167	*
Yacov Levy(6) . . . . .	11,667	*
Dan Dankner . . . . .	—	—
Ann Kaplan(6) . . . . .	6,667	*
All current directors and executive officers as a group (14 persons)(5)	687,183	*

\* Less than 1%.

- (1) Unless otherwise noted, the business address is c/o Signature Bank, 565 Fifth Avenue, New York, New York 10017.
- (2) The business address of Bank Hapoalim is 63-65 Yehuda Halevi Street, Tel-Aviv, 65781 Israel.
- (3) Represents shares of common stock held of record by Hapoalim USA. Hapoalim USA is an indirect wholly owned subsidiary of Bank Hapoalim.
- (4) Of the outstanding shares of Bank Hapoalim as of November 29, 2004, Arison Holdings held 18.7%, Dankner Group held 8.9%, Abramson Group held 2.1%, Shusterman Group held 1.8%, Hyperion Group held 2.6% and Steinhardt Group held 1.8%.
- (5) Pursuant to a Schedule 13G filed by Gilder, Gagnon, Howe & Co. LLC on February 23, 2005, the shares include 3,004,484 shares held in customer accounts over which partners and/or employees of Gilder, Gagnon, Howe & Co. LLC have discretionary authority to dispose of or direct the disposition of the shares and 20,330 shares held in account of the profit-sharing plan of Gilder, Gagnon, Howe & Co. LLC.
- (6) Includes, for each of the following persons, the respective number of shares of restricted stock and options exercisable currently or within 60 days:

<u>Name</u>	<u>Option Shares</u>	<u>Restricted Stock</u>
Scott A. Shay . . . . .	108,334	—
Joseph J. DePaolo . . . . .	133,334	8,065
Zvi Fuhrman . . . . .	—	—
John Tamberlane . . . . .	53,334	6,452
Mark T. Sigona . . . . .	23,334	4,839
David S. Bagatelle . . . . .	28,334	6,452
Michael Merlo . . . . .	20,000	4,033
Michael Sharkey . . . . .	13,334	2,420
Moshe Amit . . . . .	—	—
Eric Howell . . . . .	6,667	—
Alfred DelBello . . . . .	—	1,667
Yacov Levy . . . . .	—	1,667
Dan Dankner . . . . .	—	—
Ann Kaplan . . . . .	—	1,667

**Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's executive officers, directors and persons who own more than 10% of Signature Bank's common stock to file reports of ownership and changes in ownership with the SEC. These persons are required to provide Signature Bank with copies of all Section 16(a) forms that they file. Based solely on Signature Bank's review of these forms and other representations from the executive officers and directors, Signature Bank believes that all of the filing requirements were satisfied for fiscal year 2004.

## AMENDMENT OF THE ORGANIZATION CERTIFICATE

### (PROPOSAL NO. 1)

#### **Increase in the Number of Authorized Shares and Designation of Preferred Stock**

The Board of Directors has approved and recommends that the shareholders approve an amendment to the Organization Certificate to (i) increase the number of authorized shares of common stock that the Company is authorized to issue from 39,000,000 shares of common stock, \$0.01 par value per share, to 64,000,000 shares of common stock, \$0.01 par value per share; and (ii) allow the Board of Directors to fix the number of shares included in any series of any class of preferred stock to be issued by the Company and to fix any or all of the designations, relative rights, preferences and limitations related to such series of preferred stock.

The Board of Directors therefore recommends that holders of a majority of the shares eligible to vote adopt the following resolutions:

RESOLVED, that the Company's Organization Certificate be amended to replace the current Sections 3 and 4 with the following:

THIRD. That the amount of its authorized capital stock is One Million Two Hundred Fifty Thousand Dollars (\$1,250,000) and that the number of shares into which such capital stock is to be divided is One Hundred Twenty-Five Million (125,000,000) shares with a par value of One Cent (\$0.01) per share.

FOURTH. That the shares are to be classified as common and preferred, that the number of shares of common stock is Sixty-Four Million (64,000,000) with a par value of One Cent (\$0.01) per share and the number of shares of preferred stock is Sixty-One Million (61,000,000) with a par value of One Cent (\$0.01) per share and that the Board of Directors is authorized, subject to limitations prescribed by law and the provisions of this Section 4, to provide for the issuance of the shares of preferred stock in series, to fix the number of shares in any or all series of preferred stock to be issued and to fix any or all of the designations, relative rights, preferences and limitations of any or all series of preferred stock.

; and be it further

RESOLVED, that the Chairman of the Board, the President, the Chief Operating Officer, any Vice President or the Chief Financial Officer and the Secretary of the Company (each, an "Authorized Officer") be, and each of them hereby is, authorized and directed, for and on behalf and in the name of the Company, to execute the Restated Organization Certificate and deliver the Restated Organization Certificate to the Superintendent of Banks for the State of New York, and to take such actions in furtherance thereof, on behalf of the Company, as such Authorized Officer may deem necessary or advisable, including the delivery of any other necessary documents to the Superintendent of Banks for the State of New York.

If approved by the shareholders, the amendment to the Organization Certificate will be filed with the Banking Department of the State of New York promptly following the 2005 Annual Meeting.

Currently, the Company's authorized capital stock under its Organization Certificate is 100,000,000 shares, divided into two classes, of which 39,000,000 shares are common stock, \$0.01 par value per share, and 61,000,000 shares are preferred stock, \$0.01 par value per share. As of December 31, 2004, the Company had 29,315,000 shares of common stock outstanding and no shares of preferred stock outstanding. In addition, the Company has reserved 2,286,450 shares of common stock for issuance under the 2004 equity incentive plan. Accordingly, the Company has only 7,398,550 shares of authorized common stock available for use in the future. The Board of Directors believes it is advisable to authorize additional shares of common stock available for issuance for general corporate purposes

that the Board of Directors may hereafter determine to be in the best interests of the Company and its shareholders. Such purposes could include, without limitation, the raising of capital through the sale of common stock and other securities or rights convertible into or exercisable for common stock, stock dividends, stock splits, acquisitions, financing, employee benefit programs and other general corporate purposes.

The authorization of such shares will require no further action or authorization by the shareholders prior to the issuance of additional shares of common stock, unless required by applicable law or regulation. This will enable the Company to act promptly and with flexibility when and as the need arises to issue additional shares in the future without the delay necessitated by having to obtain a shareholders vote and to take advantage of changing market and financial conditions in a more timely manner. There are no present plans, understandings or agreements for, and the Company is not engaged in any negotiations that will involve, the issuance of common stock.

The authorization of additional shares of common stock will not, by itself, have any effect on the rights of the holders of existing common stock. Depending on the circumstances, any issuance of additional shares of common stock could affect the existing holders of shares of common stock by diluting the voting power and earnings per share of the common stock. Additionally, our Organization Certificate contains provisions which specifically deny the existing holders of shares of our common stock pre-emptive rights on future issuances of our common stock. Therefore, any future issuances of our common stock may result in a *material* dilution of the voting power of the existing holders of our common stock and may also result in a *material* dilution of earnings per share of common stock.

If Proposal No. 1 is not adopted, the Company will need to seek shareholder approval to authorize additional shares at such time as it has further need for the issuance of such shares. If such need arises outside of the annual meeting context, a special meeting of shareholders would be required and could delay a transaction that the Board of Directors believes is in the best interests of the Company.

This amendment of the Organization Certificate will also allow the Board of Directors to designate series of preferred stock and to set all of the relative rights and preferences of any series of preferred stock designated by the Board of Directors. Currently, the Board of Directors is authorized to designate series of preferred stock but is not authorized to designate the voting powers or conversion privileges for any such series of preferred stock without approval of the shareholders. This amendment, if approved, will conform the powers of the Board of Directors with the greatest powers granted to the Board of Directors by Section 5002 of the Banking Law, which allows the Board of Directors of a company to designate series of preferred stock and to set the relative rights and preferences of any series of preferred stock so designated.

The requirement of shareholder approval of voting and conversion privileges reflected the fact that our majority shareholder desired to have the ability to approve any preferred stock voting and conversion rights. Due to the sale by Bank Hapoalim of its controlling interest in us, the Board of Directors believes that it is appropriate to revert to the powers of the Board of Directors conferred by the Banking Law to set the rights and privileges of any preferred stock, including voting and conversion rights. The Board of Directors will be permitted to issue preferred stock from time to time for any proper corporate purpose including the raising of additional capital. Shares of preferred stock could be issued publicly or privately, in one or more series, and each series of preferred stock could rank senior to the Company's common stock with respect to dividends and liquidation rights. There are no present plans, understandings or agreements for, and the Company is not engaged in any negotiations that will involve, the issuance of preferred stock.

The possible overall effect of the issuance of preferred stock on the holders of the Company's common stock may include the dilution of their ownership interests in the Company, the continuation of the current management, the prevention of mergers with or business combinations and the discouragement of possible tender offers for shares of the Company's Common Stock.

Upon the conversion into common stock of shares of preferred stock issued with conversion rights, if any, the common shareholders' voting power and percentage ownership of the Company would be diluted and such issuances could have an adverse effect on the market price of the Company's common stock. Additionally, the issuance of shares of preferred stock with certain rights, preferences and privileges senior to those held by the common stock could diminish the common shareholders' rights to receive dividends if declared by the Board of Directors and to receive payments upon the liquidation of the Company.

The ability of the Board of Directors, without any additional shareholder approval, to issue shares of preferred stock with such rights, preferences, privileges and restrictions as determined by the Board of Directors could be employed as an anti-takeover device. The amendment is not presently intended for that purpose and is not proposed in response to any specific takeover threat known to the Board of Directors. In addition, any such issuance of preferred stock in the takeover context would be subject to compliance by the Board of Directors with applicable principles of fiduciary duty. To the extent the proposal may have anti-takeover effects, the proposal may encourage persons seeking to acquire the Company to negotiate directly with the Board of Directors, enabling the Board of Directors to consider the proposed transaction in a non-disruptive atmosphere and to discharge effectively its obligation to act on the proposed transaction in a manner that best serves all the shareholders' interests.

Attached as Annex A are excerpts of Sections Three and Four of our Organization Certificate as they currently exist and as they are proposed to be amended.

#### **Action by Shareholders Without a Meeting**

The Board of Directors has approved and recommends that shareholders approve an amendment to the Organization Certificate to require the written consent of the holders of all of the outstanding shares entitled to vote to take action without a meeting. The Board of Directors therefore recommends that the holders of a majority of the shares eligible to vote adopt the following resolutions:

RESOLVED, that the Company's Organization Certificate be amended to replace the current Section 11, which reads "Whenever the Stockholders are required or permitted to take any action by vote, such action may be taken, without a meeting, on written consent, setting forth the action to be taken, signed by the holders of a number of outstanding shares sufficient to otherwise approve such action, which number may be less than all of the shares," with the following:

"Whenever the Stockholders are required or permitted to take any action by vote, such action may be taken, without a meeting, by written consent, setting forth the action to be taken, signed by the holders of all outstanding shares entitled to vote thereon."

; and be it further

RESOLVED, that the Authorized Officers be, and each of them hereby is, authorized and directed, for and on behalf and in the name of the Company, to execute the Restated Organization Certificate and deliver the Restated Organization Certificate to the Superintendent of Banks for the State of New York, and to take such actions in furtherance thereof, on behalf of the Company, as such Authorized Officer may deem necessary or advisable, including the delivery of any other necessary documents to the Superintendent of Banks for the State of New York.

Unless otherwise provided in a company's organization certificate, the Banking Law permits any action required or permitted to be taken at a meeting to be taken without notice, without a meeting and without a shareholder vote if a written consent setting forth the action is signed by the holders of all of the outstanding shares entitled to vote, unless the company's organization certificate provides that the written consent of less than all outstanding shares is sufficient for action to be taken. The current

Organization Certificate of the Company permits action to be taken by the shareholders, without a meeting, upon the written consent of the holders of a sufficient number of shares to approve the action at a meeting of shareholders, which is less than all of the outstanding shares entitled to vote. The purpose of this proposal is to amend the Organization Certificate to remove this special provision and require the written consent of the holders of all of the outstanding shares entitled to vote. The adoption of this proposal will prevent the holders of a majority of the voting stock from using the written consent procedure to take shareholder action without affording all shareholders an opportunity to participate.

As of the Record Date, Hapoalim USA owned approximately 59.6% of the Company's outstanding stock and controls the requisite number of shares to otherwise take most shareholder actions without a meeting. However, as previously noted, Hapoalim USA sold 15.2 million shares (or 51.8%) of our common stock in an underwritten public offering, and may sell or transfer the rest of the shares of our common stock it owns if the underwriter's over-allotment option is exercised in full and the 2005 Special Bonus Plan is adopted. The Board of Directors believes that the shareholders of a publicly owned company should have an opportunity to participate in determining any proposed action and to express their views thereon at a shareholders' meeting. Thus, this amendment provides minority shareholders with the opportunity to review any proposed action, to express their views and to take any necessary action deemed appropriate by them.

This proposal would, if approved, require that any action required or permitted to be taken by the shareholders of the Company must be effected at a duly called and held annual or special meeting of the shareholders or by the written consent of the holders of all of the outstanding shares entitled to vote and may not be effected by any consent in writing by any shareholder acting alone. This could lengthen the amount of time required to take shareholder actions, which will ensure that shareholders will have sufficient time to weigh the arguments presented by both sides in connection with any contested shareholder vote. Proposal No. 2 seeks authority to make conforming changes to the By-laws of the Company to require the unanimous written consent of the shareholders to take action without a meeting.

**The Board of Directors recommends a vote "FOR" this proposal.**



## AMENDMENT OF THE BY-LAWS

### (PROPOSAL NO. 2)

#### **Classified Board of Directors**

The Company's Board of Directors has approved and recommends that shareholders approve an amendment to the Company's By-laws, as the Board of Directors of the Company determines to be in the best interests of the Company, to provide for the classification of the Company's Board of Directors into three classes of directors with staggered terms of office.

That resolution, which is being presented for approval by the shareholders at the 2005 Annual Meeting, recommended that the Company's By-laws be amended to replace Section 3.2 of the By-laws to provide for the classification of the Company's Board of Directors into three classes of directors with staggered terms of office, each of which is to be elected at the 2005 Annual Meeting. Set forth below is the proposed language to be used to replace Section 3.2 of the By-laws, which would establish a classified Board of Directors.

The directors shall be divided into three classes: Class I, Class II and Class III. Such classes shall be as nearly equal in number of directors as possible. Each director shall serve for a term ending on the third annual meeting of Stockholders following the annual meeting of Stockholders at which that director was elected; provided, however, that the directors designated as the initial Class I directors shall serve for a term expiring at the annual meeting of Stockholders next following the date of their designation as Class I directors, the directors designated as the initial Class II directors shall serve for a term expiring at the second annual meeting of Stockholders next following the date of their designation as Class II directors, and the directors designated as the initial Class III directors shall serve for a term expiring at the third annual meeting of Stockholders next following the date of their designation as Class III directors. For purposes hereof, the initial Class I, Class II and Class III directors shall be those directors elected at the 2005 Annual Meeting of Stockholders of the Company and designated as members of such class. Each director shall hold office until the annual meeting of Stockholders at which his term expires and, the foregoing notwithstanding, shall serve until his or her successor shall have been duly elected and qualified or until his or her earlier death, resignation or removal.

At each annual election after the 2005 Annual Meeting of Stockholders, the directors chosen to succeed those whose terms then expire shall be of the same class as the directors they succeed, unless, by reason of any intervening changes in the authorized number of directors, the Board of Directors shall have designated one or more directorships whose term then expires as directorships of another class in order to more nearly achieve equality of number of directors among the classes.

In the event of any change in the authorized number of directors, each director then continuing to serve as such shall nevertheless continue as a director of the class of which he or she is a member until the expiration of his or her current term, or his or her prior death, resignation or removal. The Board of Directors shall specify the class of which a newly created directorship shall be allocated.

The adoption of the proposed By-laws' amendment establishing a classified Board of Directors will classify the Company's Board of Directors into three classes, as nearly equal in number as possible, each of which, after an interim arrangement, will serve for three years, with one class being elected for a three-year term each year. One class would initially hold office for a one-year term of office expiring at our next annual meeting; another class would initially hold office for a two-year term, and the

remaining would initially hold office for a three-year term. If this proposal is approved, it is currently intended that Messrs. Amit, Dankner and Fuhrman will be Class I directors with their initial term expiring at our next annual meeting; Ms. Kaplan and Messrs. Levy and Tamberlane will be Class II directors with their initial term expiring at our annual meeting in 2007; and Messrs. DelBello, DePaolo and Shay will be Class III directors with their initial term expiring at our annual meeting in 2008. If this proposal is not adopted, all director nominees would continue to be elected to one-year terms. See Proposal 3 for further information.

This proposal is designed to assure continuity and stability in the Company's Board of Directors' leadership and policies, by ensuring that at any given time a majority of the Directors will have prior experience with the Company and therefore will be familiar with its business operations. The Board of Directors believes that such continuity and stability will facilitate long-term strategic planning and promote the creation of long-term value for the shareholders.

The Company's Board of Directors also believes that the classified Board of Directors proposal will assist in protecting the interests of the Company's shareholders in the event of an unsolicited offer for the Company by making an attempted takeover of the Company more difficult. The proposal is not, however, in response to any effort of which the Company is aware to accumulate the Company's stock or to obtain control of the Company. Rather, the Company's Board of Directors wishes to protect the shareholders' investments in the Company by ensuring that unsolicited bidders will not be in a position to place undue pressure on the Company's Board of Directors or shareholders. Presently, a change in control of the Board of Directors can be made by the holders of a majority of the Company's shares of common stock at a single annual meeting. If this proposal is approved, only one of the three classes of the classified Board of Directors will be elected annually and, therefore, at least two annual shareholders' meetings, instead of one, will be required to effect a change in control of the Company's Board of Directors through the normal election process.

One method for a takeover bidder to obtain control is to acquire a majority of the outstanding shares of a company through a tender offer or open market purchases and then using its voting power to elect its own slate of directors. This proposal will defeat this strategy. Potential bidders will therefore be more likely to negotiate with the existing Board of Directors regarding a change of control. The Board of Directors believes that the adoption of this proposal would properly condition a director's continued service upon his or her ability to serve rather than his or her position relative to a dominant shareholder. However, because of the additional time required to change control of the Board of Directors, this proposal will tend to perpetuate present management and will have the effect of making it more difficult to remove directors. Because the proposed classified Board of Directors will result in an increase in the amount of time required for a takeover bidder to obtain control of the Company without the cooperation of the Company's Board of Directors, even if the takeover bidder were to acquire a majority of the Company's outstanding voting stock, it will tend to discourage certain takeover bids, perhaps including some takeover bids that shareholders may believe would be in their best interests.

#### **Action by Shareholders Without a Meeting**

The Board of Directors has approved and recommends that shareholders approve an amendment to the By-laws to require the written consent of the holders of all of the outstanding shares entitled to vote to take action without a meeting. This amendment will conform the Company's By-laws with the Company's Organization Certificate, as it is proposed to be amended by Proposal 1.



That resolution, which is being presented for approval by the shareholders at the 2005 Annual Meeting, recommended that the Company's By-laws be amended to replace the current Section 2.15 with the following:

Whenever the Stockholders are required or permitted to take any action by vote, such action may be taken, without a meeting, by written consent, setting forth the action to be taken, signed by the holders of all outstanding shares entitled to vote thereon.

Proposal No. 1 seeks to make conforming changes to the Organization Certificate. For information related to the possible effects that this amendment will have, see Proposal No. 1—"Action by Shareholders Without a Meeting."

### **Removal of Directors**

The Board of Directors has approved and recommends that shareholders approve an amendment to the By-laws to eliminate the ability of the shareholders to remove directors without cause.

That resolution, which is being presented for approval by the shareholders at the 2005 Annual Meeting, recommended that the Company's By-laws be amended to replace the current Section 3.6 with the following:

Subject to the provisions of Section 7006 of the Banking Law, any or all of the Directors may be removed for cause by vote of the Stockholders or by action of the Board.

The Company's Board of Directors also believes that the adoption of this proposal will assist in protecting the interests of the Company's shareholders in the event of an unsolicited offer for the Company by making an attempted takeover of the Company more difficult. One method for a takeover bidder to obtain control is to acquire a majority of the outstanding shares of a company through a tender offer or open market purchases and then using its voting power to remove the existing directors. Requiring cause in order to remove a director would defeat this strategy. Potential takeover bidders will therefore be more likely to negotiate with the existing Board of Directors regarding a change of control. The Board of Directors believes that the adoption of the proposed amendment to the Company's By-laws would properly condition a director's continued service upon his or her ability to serve rather than his or her position relative to a dominant shareholder.

However, the approval of this proposal would eliminate the right of the shareholders to remove directors without cause even if the shareholders believe such a change would be desirable. Removing a director where cause is required is more difficult, unless cause is readily apparent. If the shareholders cannot remove directors without cause, directors might be less responsive to shareholders. Moreover, this proposal may have the effect of delaying an ultimate change in existing management which might be desired by a majority of the shareholders.

### **Authority of Committees**

The Board of Directors has approved and recommends that shareholders approve an amendment to the By-laws to allow the Board of Directors to designate its authority to an executive committee or any other committee of the Board of Directors except to the extent limited by Section 7012 of the Banking Law.

That resolution, which is being presented for approval by the shareholders at the 2005 Annual Meeting, recommended that the Company's By-laws be amended to replace the current Section 4.1 with the following:

The Board, by resolution adopted by a majority of the Entire Board, may appoint an executive committee of at least five directors and other committees each consisting of at least three directors, from time to time, from its own members, for such purposes and with such powers as the Board may determine.

However, a committee may not:

1. Submit to Stockholders any action that needs Stockholders' approval under the Banking Law.
2. Fill vacancies of the Board of Directors or any of its committees.
3. Fix compensation of Directors for serving on the Board of Directors or any committee.
4. Amend or repeal these By-laws, or adopt new By-laws.
5. Amend or repeal any resolution of the Board of Directors which by its terms shall not be so amendable or repealable.

The adoption of this amendment will conform the ability of the Board of Directors to delegate its authority to a committee with the authority it is permitted to grant to a committee pursuant to Section 7012 of the Banking Law. Currently, the Board of Directors' ability to delegate its authority to a committee is qualified by provisions in the By-laws requiring the entire Board of Directors to authorize the distribution of assets or dividends and authorize or approve the issuance or sale of shares or determine the designation and relative rights, preferences and limitations of a class or series of shares. This amendment, if adopted, would allow the Board of Directors to delegate its authority to distribute assets or dividends, authorize the issuance or sale of shares and determine the designation and relative rights, preferences and limitations of any class or series of shares issued by the Company to a committee of the Board of Directors. If the amendment is not adopted, a committee could not take these actions and these actions would require the approval of a full Board of Directors, thereby denying the Company a convenience enjoyed by many other companies.

#### **Supermajority Voting Requirement for Certain By-laws Amendments**

The Board of Directors has approved and recommends that shareholders approve an amendment to the By-laws to require 66<sup>2</sup>/<sub>3</sub>% of the shareholders to approve an amendment to the provisions in the By-laws regarding the classification of the Board of Directors and the ability of shareholders to remove directors only for cause.

That resolution, which is being presented for approval by the shareholders at the 2005 Annual Meeting, recommended that the Company's By-laws be amended to replace the current Article IX with the following:

These By-laws may be altered, amended or repealed and new By-laws may be adopted by a vote of the holders of a majority of the shares entitled to vote in the election of Directors or by a vote of a majority of the Entire Board. Notwithstanding the preceding sentence, (x) none of the provisions of this Article IX shall be altered, amended or repealed by the Board, and no alteration, repeal or amendment of Section 3.14 that would have the effect of changing the notice requirement for meetings of the Board of Directors to approve or consider (i) the issuance of shares of common or preferred stock, (ii) an increase in the number of Directors on the

Board, or (iii) the filling of any vacancies on the Board of Directors shall be made by the Board and (y) the stockholders may not alter, amend or repeal Section 2.6, Section 3.2 or this clause (y) of Article IX of these By-laws unless such alteration, amendment or revocation is approved, at an annual meeting or any special meeting of the stockholders, by the holders of at least 66⅔% of the shares entitled to vote. Any By-laws adopted by the Board may be altered, amended or repealed by the Stockholders entitled to vote thereon. If any By-law regulating an impending election of Directors is adopted, altered, amended, supplemented or repealed by the Board, such By-law shall be set forth in the notice of the next meeting of Stockholders for election of Directors, together with a concise statement of the changes made.

Currently, the By-laws may be amended, altered or repealed by the Board of Directors or by the holders of a majority of the shares entitled to vote. If this amendment is adopted, the “supermajority” voting provisions may discourage or deter a person from attempting to obtain control of the Company by making it more difficult to amend those provisions of the Company’s By-laws (such as the provisions regarding staggered board terms and the removal of directors) that are designed to make a takeover attempt that does not have the approval of our Board of Directors more difficult. Adoption of the supermajority voting proposal requires only the approval of a majority of the outstanding shares of the Company’s common stock. If the supermajority voting proposal is adopted by less than a 66⅔% vote, shareholders having the same percentage of voting power as those who voted in favor of its adoption will not have sufficient voting power to alter, amend or repeal these provisions at a later date.

Attached as Annex B are excerpts of Articles Two, Three, Four and Nine of our By-laws as they currently exist and as they are proposed to be amended.

**The Board of Directors recommends a vote “FOR” this proposal.**

***Anti-Takeover***

A number of the proposed amendments to our Organization Certificate and our By-laws may be considered to have an anti-takeover effect as that term is understood under the securities laws. More specifically, the proposed amendment to our Organization Certificate which, if passed, would allow our Board of Directors to issue shares of preferred stock without shareholder approval and would allow the Board of Directors to set the rights, preferences, privileges, and restrictions of any shares of preferred stock issued may be used by the Board of Directors as an anti-takeover device. Please see “Proposal No. 1—Amendment of the Organization Certificate—Increase in the Number of Authorized Shares and Designation of Preferred Stock” for additional information.

Additionally, three of the proposed amendments to our By-laws may be considered to hinder the ability of a takeover bidder in obtaining control of the Company and our Board of Directors. The proposed amendment to our By-laws which, if passed, would create a classified Board of Directors with staggered terms of office can have the effect of defeating certain take-over attempts. Please see “Proposal No. 2—Amendment to By-Laws—Classified Board of Directors” for additional information. The proposed amendment to our By-laws which, if passed, would only allow the shareholders to remove directors for cause may be deemed to have an anti-takeover effect. Please see “Proposal No. 2—Amendment of the By-Laws—Removal of Directors” for additional information. Lastly, the proposal to require the holders of 66⅔% of the stock eligible to vote to approve the amendment of certain provisions of the Company’s By-laws may deter takeover bidders from making an unsolicited bid for control of the Company and the Board of Directors. Please see “Proposal No. 2—Amendment of the By-Laws—Supermajority Voting Requirement for Certain By-laws Amendments” for additional information.

## ELECTION OF DIRECTORS

### (PROPOSAL NO. 3)

At the 2005 Annual Meeting, nine directors are nominated to serve as Directors in the classes designated in Proposal No. 2, and the Board of Directors has endorsed such nominations, with the intention that if the proposed classified Board of Directors (Proposal No. 2) is not approved by the shareholders, the nominees will stand for election as Directors to hold office until the Company's next annual meeting of shareholders or until their respective successors have been elected and qualified. All of the nominees are currently directors of Signature Bank. The nine directors nominated for election at the 2005 Annual Meeting are:

1. Class I Directors (whose term will expire in 2006): Messrs. Amit, Dankner and Fuhrman
2. Class II Directors (whose term will expire in 2007): Ms. Kaplan and Messrs. Levy and Tamberlane
3. Class III Directors (whose term will expire in 2008): Messrs. DelBello, DePaolo and Shay

The persons named as proxies intend (unless authority is withheld) to vote for the election of all of the nominees as directors. Information regarding director nominees is set forth below.

If at the time of the 2005 Annual Meeting any of the nominees is unable or unwilling to serve as a director of Signature Bank, the persons named in the proxy intend to vote for such substitutes as may be nominated by our Board of Directors. Our Board of Directors knows of no reason why any nominee for director would be unable to serve as director.

**The Board of Directors recommends a vote "FOR" the election of all of the nominees.**

### DIRECTORS AND NOMINEES

#### Directors and Nominees

The following table sets forth information regarding our directors and nominees:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Scott A. Shay . . . . .	47	Chairman of the Board of Directors and Nominee
Joseph J. DePaolo . . . . .	45	President and Chief Executive Officer, Director and Nominee
Zvi Fuhrman . . . . .	56	Vice-Chairman, Director and Nominee
John Tamberlane . . . . .	63	Vice-Chairman, Director and Nominee
Moshe Amit . . . . .	69	Director and Nominee
Alfred DelBello . . . . .	70	Director and Nominee
Yacov Levy . . . . .	60	Director and Nominee
Dan Dankner . . . . .	44	Director and Nominee
Ann Kaplan . . . . .	58	Director and Nominee

*Scott A. Shay* has served as Chairman of the Board of Directors of Signature Bank since its inception. Since 1980 Mr. Shay has been involved in the investment banking and venture capital industries. Mr. Shay has been Managing Director of Ranieri & Co., Inc. and a partner of Hyperion Partners since 1988. Mr. Shay is also a director and officer of a general partner of CardWorks, L.P.

Prior to joining Ranieri & Co./Hyperion Partners, he served as a director and a senior member of the mergers and acquisitions department of Salomon Brothers, Inc. Mr. Shay serves on the Boards of Directors of Bank Hapoalim, our parent, Allied Healthcare International Inc. and Super Derivatives Inc. as well as an officer or director of other direct and indirect subsidiaries of Hyperion Partners, L.P. and Hyperion Partners II L.P. From December 1988 until February 2001, Mr. Shay served as a director of Bank United Corp. He was Chairman of the Bank United Corp. Audit Committee for six years.

*Joseph J. DePaolo* has been President and Chief Executive Officer and a Director of Signature Bank since its inception. Mr. DePaolo has also been Chairman of the Board of Directors of Signature Securities Group since its inception. Prior to joining Signature Bank and Signature Securities Group, Mr. DePaolo was a Managing Director and member of the Senior Management Committee of the Consumer Financial Services Division at Republic National Bank, which he joined in 1988. At Republic National Bank, Mr. DePaolo held numerous positions including First Vice President and Deputy Auditor, First Vice President and Senior Vice President of Consumer Banking, Managing Director and Chairman of Republic Financial Services Corporation (Republic National Bank's retail broker-dealer group) and Chairman of Republic Insurance Agency (Republic National Bank's retail insurance agency). Prior to joining Republic National Bank, Mr. DePaolo was a senior audit manager with KPMG Peat Marwick. Mr. DePaolo is a member of the New York State Society of CPAs.

*Zvi Fuhrman* has been a Vice-Chairman and a Director of Signature Bank since 2002. Mr. Fuhrman has been the Executive Vice President and Regional Manager—USA at Bank Hapoalim since September 2002. Prior thereto he was the General Manager of Bank Otsar Ha-Hayal, an Israeli commercial bank, since April 2000. Prior to joining Bank Otsar Ha-Hayal, Mr. Fuhrman was the Manager of the International Division at Bank Hapoalim, which he joined in 1975.

*John Tamberlane* has been a Vice-Chairman and a Director of Signature Bank since its inception, as well as a Director of Signature Securities since its inception. Prior to joining Signature Bank, Mr. Tamberlane was the President of the Consumer Financial Services Division and a Director of Republic National Bank, which he joined in 1980. As President of the Consumer Financial Services Division, Mr. Tamberlane managed the national mortgage banking division, retail broker-dealer division and retail branch network, which grew to the third largest branch network in the New York metropolitan area prior to its acquisition. In this capacity, he was also President of two independent bank subsidiaries of Republic National Bank: Manhattan Savings Bank and Williamsburgh Savings Bank. Mr. Tamberlane was also a member of the Asset/Liability Management Committee of Republic National Bank. Prior to joining Republic National Bank, he was employed with Bankers Trust.

*Moshe Amit* has been a Director of Signature Bank since November 2002. Mr. Amit was a Deputy Chief Executive Officer, Head of Corporate Area of Bank Hapoalim, since April 2002 until his retirement in December 2003. From 1994 to 2002, Mr. Amit was the Joint Managing Director, Head of Corporate Area of Bank Hapoalim. Mr. Amit joined Bank Hapoalim in 1960.

*Alfred DelBello* has been a Director of Signature Bank since January 2003. Since July 1995, Mr. DelBello has been a partner in the White Plains, New York based law firm of DelBello Donnellan Weingarten Tartaglia Wise & Wiederkehr, LLP. Mr. DelBello served as Lieutenant Governor of the State of New York from 1983 to 1985, as Westchester County Executive from 1974 to 1983 and as Mayor of Yonkers from 1970 to 1974. Mr. DelBello currently serves on the Board of Directors of the Westchester Land Trust and the Westchester County Association.

*Yacov Levy* has been a Director of Signature Bank since September 2003. Mr. Levy is the founder and Managing Partner of Levy Trajman Management Investment LLC and KerenTwo LLC, venture capital firms. In this capacity, he was also the Chairman of RealM Technologies Inc. from 1999 to 2001, a director in ClayCare Systems, Inc. from 1999 to 2000 and a director in Enfocus Software NV from 1999 to 2000. From 1993 to 1996 Mr. Levy served as Chief Executive Officer and Acting Chief

Financial Officer for Lernout & Hauspie Speech Products NV, a developer and licensor of speech technologies.

*Dan Dankner* has been a Director of Signature Bank since January 2002. Mr. Dankner has been a Vice-Chairman of the Board of Directors of Bank Hapoalim since April 1999. He is also a Director of Hapoalim USA, a wholly owned indirect subsidiary of Bank Hapoalim. Mr. Dankner is Co-Chairman of Israel Salt Industries, which he joined in 1990, Chairman of the Board of Directors of various other direct and indirect subsidiaries of Bank Hapoalim and Director of a number of other Israeli companies. Mr. Dankner is also a member of the Steering Committee of the Dankner Group, a conglomerate which has substantial investments in various entities, including in Bank Hapoalim, Salt Industries and Dankner Investments Ltd.

*Ann Kaplan* has been a Director of Signature Bank since March 2004. Ms. Kaplan is the Chair of Circle Financial Group, a membership organization that provides wealth management services, which she co-founded in May 2003. She is also an Adjunct Professor of Finance at the Columbia University School of Business. Ms. Kaplan was an Advisory Director of Goldman, Sachs & Co., which she joined in 1977, from 2002 until 2003. Ms Kaplan became a General Partner of Goldman, Sachs & Co. in 1990 and a Managing Director in 1999.



## EXECUTIVE OFFICERS

The following table sets forth information regarding our executive officers as of March 28, 2005:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Scott A. Shay . . . . .	47	Chairman of the Board of Directors
Joseph J. DePaolo . . . . .	45	President and Chief Executive Officer, Director
John Tamberlane . . . . .	63	Vice-Chairman, Director
Mark T. Sigona . . . . .	43	Executive Vice President and Chief Operating Officer
David S. Bagatelle . . . . .	41	Executive Vice President
Michael Merlo . . . . .	57	Executive Vice President and Chief Credit Officer
Michael Sharkey . . . . .	47	Senior Vice President and Chief Technology Officer
Eric R. Howell . . . . .	34	Senior Vice President and Chief Financial Officer

For the background information regarding Scott A. Shay, Joseph J. DePaolo and John Tamberlane, see “Directors and Nominees,” above.

*Mark T. Sigona* is Executive Vice President and Chief Operating Officer of Signature Bank. Most recently, he had been serving as Senior Vice President and Chief Financial Officer, a role he held since Signature Bank’s inception. Prior to joining Signature Bank, Mr. Sigona was a Senior Vice President and head of the Accounting Services Division of the Finance Group at Republic National Bank, which he joined in March 1989. At Republic National Bank, Mr. Sigona held numerous positions, including First Vice President of the Finance Division and Internal Audit Manager. Prior to joining Republic National Bank, Mr. Sigona was a supervising senior accountant at KPMG Peat Marwick.

*David S. Bagatelle* has been Executive Vice President of Signature Bank since its inception. Mr. Bagatelle has also been President and Chief Executive Officer and a Director of Signature Securities Group since its inception. Prior to joining Signature Bank, Mr. Bagatelle was a Managing Director at Republic National Bank, which he joined in 1993. At Republic National Bank, Mr. Bagatelle held numerous positions, including member of the Senior Management Committee of the Consumer Financial Services Division, and Vice-Chairman of the Board of Directors of Republic Financial Services Corporation, of which he was named President and Chief Executive Officer in 1998, and Vice-Chairman of Republic Insurance Agency. Prior to joining Republic National Bank, Mr. Bagatelle was a senior officer at M&T Bank Corporation. Mr. Bagatelle is a member of the American Institute of Certified Public Accountants and of the New Jersey State Society of CPAs.

*Michael Merlo* is Executive Vice President and Chief Credit Officer of Signature Bank. Most recently, he had been serving as Senior Vice President and Chief Credit Officer, a role he held since Signature Bank’s inception. Prior to joining Signature Bank he was a Senior Vice President with Fleet Bank. He joined Fleet through the acquisition of NatWest Bank by Fleet Bank in 1992 and held various credit positions within both the Large Corporate and the Middle Market Groups. His last position at Fleet was Head of the Middle Market Group in Long Island with a staff of 26 reporting to him. Mr. Merlo serves on the Board of Directors of New York Institute of Technology where he is a member of the Audit, Finance and the Public Affairs committees.

*Michael Sharkey* was appointed to the role of Senior Vice President and Chief Technology Officer in November 2004. Most recently, he had been serving as Senior Vice President and Chief Operations Officer, a role he held since 2000. Before joining Signature Bank, Mr. Sharkey was an Associate Managing Director at Republic National Bank, which he joined in 1998. At Republic National Bank, Mr. Sharkey’s responsibilities included retail banking systems, banking product management, ATM/debit processing cards, pension products, check processing and systems liaison, branch review and control as well as disaster recovery coordination.

*Eric R. Howell* holds the position of Senior Vice President and Chief Financial Officer, a role to which he was appointed in November 2004. Prior to this appointment, he had been serving as Vice President of Finance and Controller for Signature Bank. He joined Signature Bank in 2000 as Vice President and Controller. Additionally, Mr. Howell has been serving as Chief Financial Officer of Signature Securities Group, the Bank's licensed broker-dealer and investment adviser. Prior to joining Signature, Mr. Howell was Controller at BlueStone Capital Partners, L.P. and its Trade.com division. Mr. Howell also was an Associate Managing Director at Republic National Bank of New York, which he joined in 1992.

## EXECUTIVE COMPENSATION

### Compensation Committee Interlocks and Insider Participation

None of our executive officers serves as a member of the Board of Directors or compensation committee of any entity that has one or more executive officers who also serve on our Board of Directors or compensation committee.

### Summary Compensation Table

The following table sets forth the cash and non-cash compensation paid by or incurred on behalf of Signature Bank to its Chief Executive Officer and four other most highly compensated executive officers during the years ended December 31, 2003 and 2004:

Name and Principal Position	Year	Annual Compensation		Other Annual Compensation \$(1)	Long Term Compensation Awards		All other compensation \$(2)
		Salary (\$)	Bonus (\$)		Restricted Stock Awards \$(1)	Securities Underlying Options (#)	
Scott A. Shay . . . . . Chairman of the Board of Directors	2004	288,710	250,000	—	—	325,000	—
	2003	250,000	250,000	—	—	—	—
Joseph J. DePaolo . . . . . President and Chief Executive Officer	2004	328,750	500,000	—	250,000	400,000	23,719
	2003	288,923	500,000	—	—	—	21,411
John Tamberlane . . . . . Vice-Chairman	2004	259,616	150,000	—	199,997	160,000	10,250
	2003	249,327	150,000	—	—	—	29,982
David S. Bagatelle . . . . . Executive Vice President	2004	244,039	105,000	—	199,997	85,000	10,250
	2003	234,731	125,000	—	—	—	13,131
Michael Merlo . . . . . Executive Vice President and Chief Credit Officer	2004	223,269	85,000	—	125,008	60,000	10,250
	2003	209,808	72,000	—	—	—	10,000

- (1) Includes the value of the following amount of shares of restricted stock granted to the respective executive in connection with our IPO: Mr. DePaolo, 16,129 shares; Mr. Tamberlane, 12,903 shares; Mr. Bagatelle, 12,903 shares; and Mr. Merlo, 8,065 shares. These shares of restricted stock vest equally over a two-year period.
- (2) Represents Company matching contributions under the Company's 401(k) Plan and payment of taxes on behalf of the executive with respect to benefits under disability and life insurance policies.



## Option/Restricted Stock Grants in 2004

The table below shows the option grants to the executive officers named in the Summary Compensation Table above during the fiscal year ended December 31, 2004:

Name	Individual Grants				Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term	
	Number of Securities Underlying Options/ Restricted Stock Granted (#)	Percentage of Total Options/ Restricted Stock Granted to Employees in Fiscal Year	Exercise or Base Price (\$/Sh)	Expiration Date	5%	10%
Scott A. Shay . . . . .	325,000 / —	24.85% / —	15.50	March 22, 2014 / —	—	—
Joseph J. DePaolo . . . . .	400,000 / 16,129	30.58% / 20.28%	15.50	March 22, 2014 / March 22, 2006	3,899,147	9,881,203
John Tamberlane . . . . .	160,000 / 12,903	12.23% / 16.23%	15.50	March 22, 2014 / March 22, 2006	1,559,659	3,952,481
David S. Bagatelle . . . . .	85,000 / 12,903	6.50% / 16.23%	15.50	March 22, 2014 / March 22, 2006	828,569	2,099,756
Michael Merlo . . . . .	60,000 / 8,065	4.59% / 10.14%	15.50	March 22, 2014 / March 22, 2006	584,872	1,482,180

## Aggregated Options/Restricted Stock Exercises in 2004 Year-End Values

The table below provides the number and value of unexercised options held by the executive officers named in the Summary Compensation Table above as of December 31, 2004. None of these executive officers exercised any options in 2004.

### Aggregated Option/Restricted Stock Exercises in Last Fiscal Year and Year-End Option/Restricted Stock Values

Name	Number of Securities Underlying Unexercised Options/Restricted Stock at Fiscal Year-End (#)		Value of Unexercised In-the-Money Options/Restricted Stock at Fiscal Year-End \$(1)	
	Exercisable	Unexercisable	Exercisable	Unexercisable
Scott A. Shay . . . . .	— / —	325,000 / —	— / —	5,479,500 / —
Joseph J. DePaolo . . . . .	— / —	400,000 / 16,129	— / —	6,744,000 / 521,934
John Tamberlane . . . . .	— / —	160,000 / 12,903	— / —	2,697,600 / 417,541
David S. Bagatelle . . . . .	— / —	85,000 / 12,903	— / —	1,433,400 / 417,541
Michael Merlo . . . . .	— / —	60,000 / 8,065	— / —	1,011,600 / 260,983

(1) Based on the closing price of our common stock on the Nasdaq National Market on December 31, 2004 of \$32.36 per share.

## Employment Agreements

### Employment Agreement with Joseph J. DePaolo

In connection with the consummation of our IPO, we entered into an employment agreement with Joseph J. DePaolo, which provides that Mr. DePaolo will continue to serve as our President and Chief Executive Officer for an initial three-year period beginning on the date of the consummation of our IPO (with automatic one-year renewals unless either party gives ninety (90) days' prior written notice of its intent to terminate the agreement) or until we terminate his employment or he resigns, if earlier. The agreement provides Mr. DePaolo with a base salary of \$325,000 per year (increased annually at our discretion), an annual bonus subject to meeting certain performance-based criteria (the target annual bonus for year-end 2004 and 2005 is \$465,000 if we meet net income performance objectives), participation in our 2004 equity incentive plan, and eligibility for our employee benefit plans and other

benefits provided in the same manner and to the same extent as to our other executive employees. Mr. DePaolo will receive life insurance with a death benefit equal to three times his annual base salary and long-term disability insurance up to the age of 65 in an amount not less than 50% of his annual base salary. In addition, under our 2004 equity incentive plan and in connection with our IPO, Mr. DePaolo was awarded 16,129 shares of restricted stock and an initial grant of 400,000 options with an exercise price of \$15.50, the fair market value on the date of the grant. Mr. DePaolo was also awarded 5,700 shares of restricted stock and was granted an additional 27,500 options with an exercise price of \$26.11 (the fair market value on the date of grant) in March 2005.

Mr. DePaolo's employment agreement provides that he will receive severance benefits if we voluntarily terminate his employment for any reason other than "cause" (as defined in the agreement) or if he terminates his employment for "good reason" (as defined in the agreement). In the event of such termination, Mr. DePaolo will be entitled to any earned but unpaid base salary, vacation time and vested benefits as required by the terms of any employee benefit plan or program and bonuses for completed fiscal years. Mr. DePaolo will also be entitled to an immediate lump sum severance payment equal to the greater of (x) the amount of base salary that Mr. DePaolo would have received had he remained employed through the scheduled conclusion of the employment period, and (y) two times his annual base salary, plus a pro-rata bonus for the year of termination based on the average of his bonuses for the prior two fiscal years. Mr. DePaolo will also be entitled to continued medical coverage for 18 months following his termination or until he becomes eligible for comparable coverage under another employer's health plans, if earlier.

Mr. DePaolo's employment agreement also contains confidentiality provisions and a covenant not to solicit employees or clients during his employment term and for a period of one year thereafter.

#### *Chairman Agreement with Scott A. Shay*

Shortly following the consummation of our IPO, we entered into a chairman agreement with Scott A. Shay, which provides that Mr. Shay will continue to serve as our Chairman for an initial three-year period beginning on the date of the consummation of our IPO (with automatic one-year renewals unless either party gives ninety (90) days' prior written notice of its intent to terminate the agreement) or until we terminate his service or he resigns, if earlier. The agreement provides that Mr. Shay will receive a base fee of \$300,000 per year (increased annually at our discretion), an annual bonus opportunity at 50% of the rate in effect for the Chief Executive Officer, subject to meeting certain performance-based criteria, participation in our 2004 equity incentive plan, and eligibility for our employee benefit plans and other benefits provided in the same manner and to the same extent as to our other executive employees.

Mr. Shay's chairman agreement provides that he will receive severance benefits if we voluntarily terminate his service for any reason other than "cause" (as defined in the agreement), in the event of his disability or death or if he terminates his service for "good reason" (as defined in the agreement). In the event of such termination, Mr. Shay will be entitled to any earned but unpaid base fees, vacation time, vested benefits as required by the terms of any employee benefit plan or program, bonuses for completed fiscal years, and an immediate lump sum severance payment equal to the greater of (x) the amount of base fees that Mr. Shay would have received had he remained Chairman through the scheduled conclusion of his term, and (y) two times his base fees, plus a pro-rata bonus for the year of termination based on the average of his bonuses for the prior two fiscal years.

Mr. Shay's chairman agreement also contains confidentiality provisions and a covenant not to solicit employees or clients during the term of his agreement and for a period of one year thereafter.

In addition, Mr. Shay received an initial grant of 325,000 options, with an exercise price of \$15.50 (the fair market value on the date of the grant), in connection with our IPO and received 4,300 shares

of restricted stock and 22,500 options, with an exercise price of \$26.11 (the fair market value on the date of the grant), in March 2005 under our 2004 incentive equity plan.

### **Change of Control Severance Plan**

In connection with our IPO, we adopted a Change of Control Severance Plan for Key Corporate Employees. The severance plan provides that covered executives will receive severance if a “change of control” occurs and their employment is terminated by Signature Bank for reasons other than for “cause” (as defined in the plan), disability or death, or if the covered executive terminates his employment with “good reason” (as defined in the plan) either (i) prior to such change of control at the request of a third party who has taken steps to effect a change of control or (ii) after such change of control but prior to the third anniversary thereof. A “change of control” will be deemed to have occurred under the severance plan upon (A) an acquisition by any person of 20% or more of either the outstanding shares or combined voting power of our securities, if Bank Hapoalim and its controlled affiliates do not thereafter own a greater percentage than any other person of our then outstanding voting securities; (B) Bank Hapoalim and its controlled affiliates do not own at least 50% of the combined voting power of our voting securities and there is a change in the majority of the members of our Board of Directors which is not approved by our pre-change Board of Directors; (C) a reorganization, merger or consolidation or sale or other disposition of all or substantially all of our assets, if upon consummation of such event our shareholders prior to the transaction as a group do not own at least 50% of the combined voting power of the outstanding voting securities of the resulting corporation, unless the beneficial owners of our common stock and voting securities will beneficially own at least 50% of the common stock and voting securities of the resulting corporation; no person will beneficially own more than 20% of the common stock or other voting securities of the resulting corporation; and at least a majority of the members of the board of the resulting corporation were members of our board prior to the transaction; or (D) our shareholders approve a complete liquidation or dissolution of the Company.

Upon such termination, an executive will receive a lump sum cash payment equal to (i) the executive’s accrued but unpaid base salary through the date of termination; (ii) a pro rata bonus for the year in which the termination occurs based on the greater of the executive’s highest bonus earned in the last three full fiscal years and the executive’s annual bonus for the most recently completed fiscal year less any previously paid bonus for such fiscal year plus any accrued vacation pay; (iii) an amount equal to one, one and one-half or two times (depending on the executive, and as determined by the compensation committee at the time it selects executives to participate in the severance plan) the executive’s base salary and highest annual bonus in the last three years; and (iv) continued welfare and fringe benefits for one, one and one-half or two years following termination of employment (or until the executive becomes eligible for comparable coverage under another employer’s health plans, if earlier).

Amounts payable under our severance plan are subject to reduction to the extent necessary to prevent an executive from receiving amounts that would constitute “excess parachute payments” under Sections 280G and 4999 of the Internal Revenue Code.

Our severance plan may at any time be terminated or amended by our Board of Directors, provided that the plan may not be terminated or amended in any manner which would impair the rights of any executive if such termination or amendment occurs in connection with, or in anticipation of, or following a change of control. The plan is binding on any successor to the Company, its assets or its businesses.

### *Amendments to the Change of Control Severance Plan*

Following the consummation of the 2005 Secondary Offering, the Change of Control Severance Plan was amended to (i) provide for awards to certain participants, upon termination or resignation, equal to one-half times to one times (depending on the participant's length of service to the Company) the participant's annual salary and highest bonus earned in the last three fiscal years and six to twelve months (depending on the participant's length of service to us) of continued health and fringe benefits, (ii) change the definition of "Good Reason" as it relates to certain senior management participants to include a termination by such participant, for any reason, during a window period from 90 to 120 days following a change of control, and (iii) provide that if amounts payable under the Change of Control Severance Plan would subject the participant to an excise tax on account of Sections 280G and 4999 of the Internal Revenue Code, the participant will be entitled to an additional payment from us to make him or her whole, on an after-tax basis in respect of his or her severance payment.

### **Equity Incentive Plan**

In connection with the consummation of our IPO, we adopted the Signature Bank 2004 Long-Term Incentive Plan for grants to be made to participants in anticipation of, and following, the IPO. The purpose of our 2004 equity incentive plan is to give us a competitive advantage 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 company shareholder value.

#### *Administration*

Our compensation committee administers our 2004 equity incentive plan. The Board of Directors may exercise any authority granted to the committee under the plan. The committee has the authority to determine the terms and conditions of any agreements evidencing any awards granted under our 2004 equity incentive plan, and to adopt, alter and repeal rules, guidelines and practices relating to our 2004 equity incentive plan.

#### *Eligibility*

Any of our employees, directors, officers or consultants who are or will be responsible for or contribute to the management, growth or profitability of the business of the Company or its subsidiaries or affiliates are eligible for awards under our 2004 equity incentive plan.

#### *Shares Subject to Our 2004 Equity Incentive Plan*

The number of shares of our common stock authorized for issuance under our 2004 equity incentive plan is 2,286,450. No participant may be granted options to purchase more than 1,000,000 shares of common stock in any one year. No more than 500,000 shares of restricted stock may be issued during the term of the 2004 equity incentive plan. If any award is forfeited, or if any option terminates, expires or lapses without being exercised, shares of common stock subject to such award will again be available for future awards. If there is any change in corporate capitalization, the committee in its sole discretion (subject to the approval of the Superintendent of Banks of the State of New York) may make substitutions or adjustments to the number of shares reserved for issuance under our 2004 equity incentive plan, the number of shares covered by awards then outstanding under our 2004 equity incentive plan, the limitations on awards under our 2004 equity incentive plan, the exercise price of outstanding options and such other equitable substitution or adjustments as it may determine to be appropriate. Options to purchase an aggregate of 1,307,000 shares of common stock, awards of a total of 64,516 shares of restricted stock to our executive officers and additional awards of a total of 15,000 shares of restricted stock to our directors who are not executive officers and are not affiliated

with Bank Hapoalim were granted under our 2004 equity incentive plan upon consummation of our IPO. In addition, in March 2005, we granted options to purchase an aggregate of 150,000 shares of common stock to our senior management, directors and other employees and awarded a total of 25,000 restricted stock awards that were granted to our executive officers. Options to purchase shares vest equally over three years. Awards of our restricted stock will vest equally over three years.

### *Stock Options*

The committee is authorized to grant options to purchase shares of common stock that are either “qualified,” which include those options that satisfy the requirements of Section 422 of the Internal Revenue Code for incentive stock options, or “nonqualified,” which include those options that are not intended to satisfy the requirements of Section 422 of the Internal Revenue Code. These options will be subject to the terms and conditions established by the committee. Under the terms of our 2004 equity incentive plan and unless the committee determines otherwise, the exercise price of the options will not be less than the fair market value of our common stock at the time of grant.

The term of the options will be fixed by the committee, but incentive stock options granted will generally terminate on the tenth anniversary of their grant, unless terminated earlier because of a participant’s termination of employment. Options will vest as set forth in the participant’s stock option agreement. Participants generally will exercise an option by delivery of a certified or bank check in an amount equal to the exercise price of that option. The committee may permit a participant to deliver unrestricted shares of common stock to exercise an option, provided the common stock delivered has been owned by the participant for at least six months or was previously acquired by the participant on the open market. To the extent permitted by applicable law, the committee may also allow the option price to be paid with the proceeds of a brokered sale or loan proceeds.

Under the terms of our 2004 equity incentive plan and unless a particular stock option agreement provides otherwise, (i) if a participant’s employment is terminated prior to the expiration of the options for any reason other than death, “disability” (as defined in the plan), retirement or “cause” (as defined in the plan), the exercisable portion of the option generally remains exercisable for 90 days; (ii) if a participant terminates employment due to disability, the exercisable portion of the option generally remains exercisable for the shorter of one year from the date of the termination of employment and the stated term of the option; (iii) if a participant terminates employment due to retirement, the exercisable portion of the option generally remains exercisable for the shorter of one year from the date of the participant’s retirement and the stated term of the option; (iv) if a participant terminates employment due to death or a participant dies within the three months following termination (other than due to disability or retirement), the participant’s options remain exercisable for the shorter of one year from the date of the participant’s death and the stated term of the option; (v) if a participant dies after a termination of employment due to disability or retirement and during the exercisable period, the exercisable portion of the option remains exercisable for the stated term of the option; and (vi) if a participant is terminated for cause, all options immediately terminate.

If a participant involuntarily terminates employment other than for “good reason” (as defined in a participant’s employment or consulting agreement), other than by us for cause, or due to death or disability, during the 24-month period following a “change in control” (as defined in the plan), the exercisable portion of the option generally remains exercisable for the shorter of the stated term of the option and the longer of one year from the date of the participant’s termination of employment or service and any other period provided in the plan or in the stock option agreement or an applicable employment or consulting agreement.

Options awarded under our 2004 equity incentive plan generally will not be assignable or transferable other than by will or by the laws of descent and distribution.

### *Federal Income Tax Consequences*

No income will be realized by a participant upon grant of a non-qualified stock option. Upon exercise of a non-qualified stock option, the participant will recognize ordinary compensation income in an amount equal to the excess, if any, of the fair market value of the underlying stock over the option exercise price (the “spread”) at the time of exercise. We will be able to deduct the spread for federal income tax purposes, subject to the possible limitations on deductibility under Sections 280G and 162(m) of the Code of compensation paid to executives designated in those sections. The participant’s tax basis in the underlying shares of our common stock acquired on the exercise of a non-qualified stock option will equal the exercise price plus the amount taxable as compensation to the participant.

The Internal Revenue Code requires that, for incentive stock option treatment, shares of our common stock acquired through exercise of an incentive stock option cannot be disposed of before two years from the date of grant of the option and one year from the date of exercise. Incentive stock option holders will generally incur no federal income tax liability at the time of grant or upon exercise of such options. However, the spread at exercise will be an “item of tax preference” which may give rise to “alternative minimum tax” liability for the taxable year in which the exercise occurs at the time of exercise. If the participant does not dispose of the shares of our common stock before two years following the date of grant and one year following the date of exercise, the difference between the exercise price and the amount realized upon disposition of the shares of our common stock will constitute long-term capital gain or loss, as the case may be. Assuming both holding periods are satisfied, no deduction will be allowed to us for federal income tax purposes in connection with the grant or exercise of the option. If, within two years following the date of grant or within one year following the date of exercise, the holder of shares of our common stock acquired through the exercise of an incentive stock option disposes of such shares of our common stock, the participant will generally realize ordinary taxable compensation at the time of such disposition equal to the difference between the exercise price and the lesser of the fair market value of the stock on the date of initial exercise or the amount realized on the subsequent disposition, and such amount will generally be deductible by the company for federal income tax purposes, subject to the possible limitations on deductibility under Sections 280G and 162(m) of the Code for compensation paid to executives designated in those sections.

### *Restricted Stock*

The committee is authorized to award restricted stock, including performance-based restricted stock. The awards of restricted stock will be subject to the terms and conditions established by the committee. Restricted stock is common stock that generally is non-transferable and is subject to other restrictions determined by the committee for a specified period. Unless the committee determines otherwise, or specifies otherwise in an award agreement, if the participant terminates employment during the restricted period, then any unvested restricted stock will be forfeited.

### *Performance Units*

The committee is authorized to award performance units, including qualified performance-based awards. The performance unit awards will be subject to the terms and conditions established by the committee. Unless the committee determines otherwise, or specifies otherwise in an award agreement, if the participant terminates employment during the period of time over which all or a portion of the performance units are to be earned, then any unvested performance units will be forfeited. At the expiration of the period of time over which the performance units are to be earned, the committee will determine the number of units which have been earned, and the participant will receive a number of shares of common stock equal to the number of units earned or an amount in cash equal to the fair market value of that number of shares, as the committee will elect.



### *Other Stock-Based Awards*

The committee may grant other types of equity-based awards based upon the company's common stock.

### *Tax Withholding*

A participant may be required to pay to us or make arrangements satisfactory to us to satisfy all federal, state and other withholding tax requirements related to awards under the 2004 equity incentive plan. Unless we determine otherwise, a participant may satisfy his or her withholding liability (but no more than the minimum required withholding liability) by delivery of shares of stock owned by the participant. To the extent permitted by law, we have the right to deduct any withholding taxes from any payment otherwise due to a participant.

### *Term and Amendment*

Our 2004 equity incentive plan has a term of ten years. Our Board of Directors may at any time amend, alter or discontinue our 2004 equity incentive plan. No amendment, alteration, discontinuation or termination will impair the rights of any participant or recipient of any award without the consent of the participant or recipient, nor will any amendment for which shareholder approval would be required be effective without receiving the necessary shareholder approval.

### *Change in Control*

Under the terms of our 2004 equity incentive plan, if there is a change in control, unless otherwise provided by the committee in any award agreement, any outstanding options will become fully vested and exercisable, any restrictions and deferral limitations applicable to restricted stock will lapse, and all performance units will be considered earned and payable in full and any deferral or other restrictions will lapse and such performance units will be settled in cash or shares of common stock as determined by the committee.

### **Equity Incentive Plan Information**

The following table shows the total number of outstanding options and shares available for other future issuances of options under our 2004 Equity Incentive Program, our only existing equity compensation plan as of December 31, 2004.

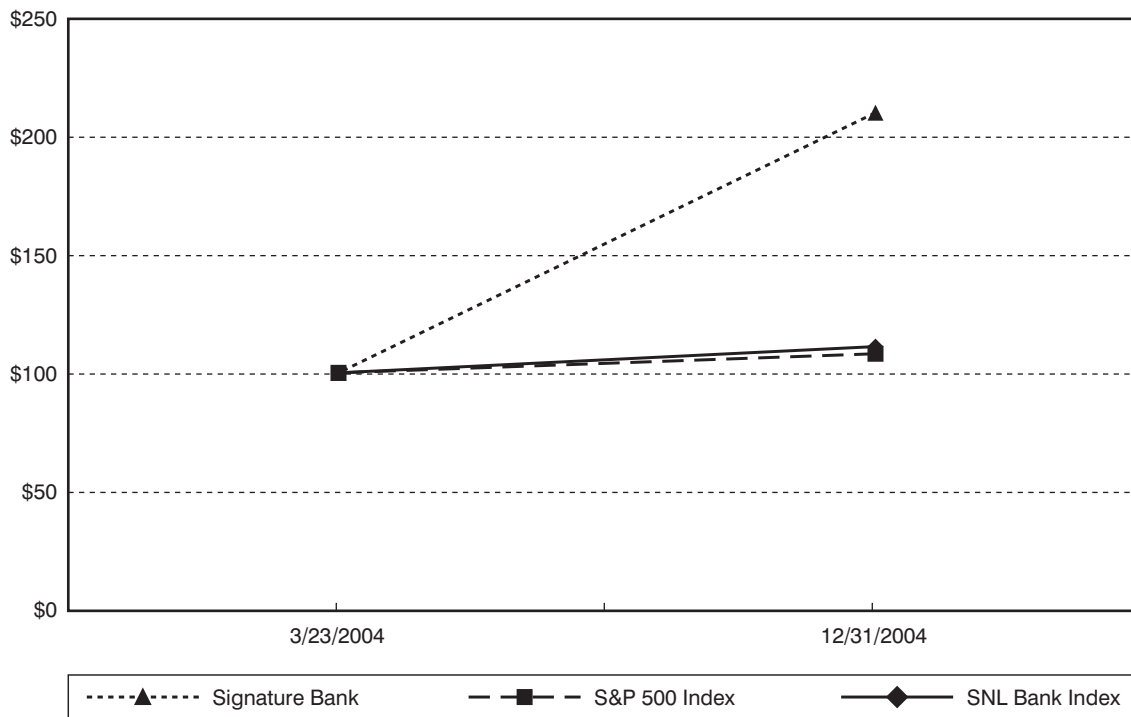
<u>Plan Category</u>	<u>A</u>	<u>B</u>	<u>C</u>
	<u>Securities To Be Issued Upon Exercise of Outstanding Options, Warrants and Rights</u>	<u>Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights</u>	<u>Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding securities reflected in column A)</u>
Equity Compensation Plans			
Approved by Security Holders(1) .	1,561,516	\$15.50	724,934
Equity Compensation Plans Not			
Approved Security Holders . . . . .	—	—	—
Total . . . . .	<u>1,561,516</u>	<u>\$15.50</u>	<u>724,934</u>

(1) Shares indicated are total grants under the 2004 Equity Incentive Plan.

### COMPARISON OF CUMULATIVE TOTAL RETURNS

The following graph compares the performance of the Company's common stock with the performance of the Standard & Poor's 500 Index and the SNL Bank Index.

The performance period that is reflected below assumes that \$100 was invested in our common stock and each of the indexes listed below on March 23, 2004. The performance of our common stock reflected below is not indicative of our future performance.



<u>Company Name/Index</u>	<u>Base March 23, 2004</u>	<u>December 31, 2004</u>
Signature Bank . . . . .	\$100	\$209
Standard & Poor's 500 Index . . . . .	100	108
SNL Bank Index . . . . .	100	111

*The Performance Graph does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other Signature Bank filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent we specifically incorporate this item therein by reference.*



## **REPORT OF THE COMPENSATION COMMITTEE ON EXECUTIVE COMPENSATION**

### **Overview**

The Compensation Committee of the Board of Directors provides overall oversight for our executive compensation policies. The current members of the Compensation Committee are the non-executive members of our Board of Directors: Moshe Amit, Dan Dankner, Alfred DelBello, Zvi Fuhrman, Ann Kaplan and Yacov Levy. This report relates to our compensation policy for our executive officers, including our Chief Executive Officer, for the year ended December 31, 2004.

### **Responsibilities, Philosophy and Criteria**

The responsibilities of the Compensation Committee include, among other responsibilities, reviewing and approving the corporate goals and objectives relevant to our Chief Executive Officer's compensation, and reviewing and making recommendations to the Board of Directors with respect to the compensation of our other executive officers.

Our executive compensation approach is intended to (i) provide competitive compensation and benefits to attract and retain the highest quality executive officers, (ii) provide variable pay opportunities through cash bonuses that reward our officers for superior performance and (iii) establish an appropriate relationship between executive compensation plans that align the performance goals of the plans with the Company's objectives and the creation of long-term shareholder value. Signature Bank supplements annual base compensation with an opportunity to earn cash bonuses based upon personal and corporate performance. In addition, our approach combines cash compensation with long-term incentive compensation in the form of stock option grants and restricted stock awards under our 2004 equity incentive plan.

The Company's overall performance is primarily evaluated based on the Company's financial and operating performance. Executive performance is evaluated on the basis of performance of the individual executive and the performance of the division or group he or she supervises, to the extent applicable. Other strategic achievements may be considered including our growth and operating performance.

The Compensation Committee also reviews compensation practices for our executives against comparable practices at peer companies in the banking industry. This peer group may change from year to year depending on changes in the marketplace, and may not correspond to the list of companies comprising the peer group used in the stock performance graph in this Proxy Statement.

### **Setting Executive Officer Compensation**

The annual salary of each of our executive officers (other than our Chief Executive Officer and Chairman) was determined based on the considerations described above. Our compensation packages for executive officers include stock option and restricted stock awards and annual cash bonuses. In connection with the consummation of our initial public offering, Signature Bank adopted the 2004 equity incentive plan and we approved the total stock option and restricted stock grants for our Chief Executive Officer and the four other most highly paid executive officers, among others, during fiscal year 2004 as detailed in the Summary Compensation Table under "Other Annual Compensation." In order to determine amounts of stock option and restricted stock awards, the Compensation Committee assesses responsibility and performance criteria appropriate to the executive officer in question to select performance-based targets, the achievement of which results in option and restricted stock awards. The size of the stock option or restricted stock awards for which an officer is eligible is determined principally by the level of responsibility for the Company's performance held by that officer.

Executive officers are eligible for participation in the Company-wide employee benefit programs that include medical, dental, vision, prescription drug, life insurance, accidental death and

dismemberment, short-term and long-term disability, flexible spending account, and other voluntary benefits. Executives are also eligible for participation in the Signature Bank 401(k) plan under which we currently provide a tiered matching feature: 100% of the first 3% contributed and 50% of the next 4% contributed.

### **Compensation of our Chief Executive Officer and our Chairman**

The compensation of our Chief Executive Officer and our Chairman is largely based on our contractual agreement with them. In connection with the consummation of our initial public offering, we entered into an employment agreement with Joseph J. DePaolo, our Chief Executive Officer. The agreement provides Mr. DePaolo with a base salary of \$325,000 per year (increased annually at our discretion), a target annual bonus, subject to meeting certain performance-based criteria, of \$465,000, participation in our 2004 equity incentive plan, and eligibility for our employee benefit plans and our benefits provided in the same manner and the same extent as to our other executive employees. The agreement provides that Mr. DePaolo will receive life insurance with a death benefit equal to three times his annual base salary and long-term disability insurance up to the age of 65 in an amount not less than 50% of his annual base salary. In light of our strong financial and operating performance during 2004, including the growth of our business and the successful completion of both our IPO and our follow-on offering, Mr. DePaolo was considered to have surpassed his performance expectations and was awarded a cash bonus in respect of 2004 of \$500,000. In addition, under our 2004 equity incentive plan and in connection with our initial public offering, Mr. DePaolo was awarded 16,129 shares of restricted stock and an initial grant of 400,000 options with an exercise price of \$15.50, the fair market value on the date of the grant. In March 2005, Mr. DePaolo also received 5,700 shares of restricted stock and options to purchase an additional 27,500 shares of common stock at an exercise price of \$26.11 (the fair market value on the date of grant) in respect of Mr. DePaolo's leadership and performance during 2004.

In connection with the consummation of our initial public offering, we also entered into an agreement with Scott A. Shay, our Chairman. The agreement provides that Mr. Shay will receive a base fee of \$300,000 per year (increased annually at our discretion), an annual bonus opportunity at 50% of the rate in effect for the Chief Executive Officer, subject to meeting net income targets, participation in our 2004 equity incentive plan, and eligibility in our employee benefit plans and other benefits provided in the same manner and to the same extent as to our other executive employees. In respect of 2004, Mr. Shay received his base fee of \$300,000 and a bonus equal to \$250,000. In both cases, these amounts were based on the terms of Mr. Shay's contract. In addition, under our 2004 equity incentive plan and in connection with our initial public offering, Mr. Shay was awarded an initial grant of 325,000 options with an exercise price of \$15.50, the fair market value on the date of the grant. In March 2005, Mr. Shay also received 4,300 shares of restricted stock and options to purchase 22,500 additional shares of common stock at an exercise price of \$26.11 per share (the fair market value on the date of grant) in respect of Mr. Shay's performance in 2004.

### **Compliance with Section 162(m) of the Internal Revenue Code**

Section 162(m) of the Internal Revenue Code of 1986, as amended, generally disallows a tax deduction to public companies for certain compensation in excess of \$1 million paid in any year to a company's chief executive officer and the four other most highly compensated officers. Certain compensation, including qualified performance-based compensation, will not be subject to the deduction limitation if certain requirements are met. The 2004 equity incentive plan is currently qualified so that awards under such Plan constitute performance-based compensation not subject to the deduction limit under Section 162(m). Although the Compensation Committee has not adopted any specific policy with respect to the application of Section 162(m), the Committee generally seeks to

structure any long-term incentive compensation granted to the Company's executive officers in a manner that is intended to avoid disallowance of deductions under Section 162(m).

COMPENSATION COMMITTEE

Moshe Amit  
Dan Dankner  
Alfred DelBello  
Zvi Fuhrman  
Ann Kaplan  
Yacov Levy

*The report of the Compensation Committee does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other Signature Bank filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent we specifically incorporate this item therein by reference.*

## REPORT OF THE EXAMINING COMMITTEE

The charter of the Examining Committee of the Board of Directors specifies that the purpose of the Examining Committee is to assist the Board of Directors in its oversight of:

- the integrity of the Company's financial statements and other financial information provided to the Company's shareholders, the public, any stock exchange and others;
- the Company's compliance with legal and regulatory requirements;
- the qualifications and independence of the Company's independent auditors;
- the audit of the Company's financial statements; and
- the performance of the Company's independent registered public accounting firm.

The full text of the Examining Committee's charter is attached as Exhibit A and is available on the Company's website ([www.signatureny.com](http://www.signatureny.com)) under "Investor Relations." In carrying out its responsibilities, the Examining Committee, among other things:

- monitors preparation of quarterly and annual financial reports by the Company's management;
- supervises the relationship between the Company and its independent registered public accounting firm, including: having direct responsibility for their appointment, compensation, retention and oversight; reviewing the scope of their audit services; approving significant non-audit services; and confirming the independence of the independent auditors; and
- oversees management's implementation and maintenance of effective systems of internal and disclosure controls, including review of the Company's policies relating to legal and regulatory compliance, ethics and conflicts of interests and review of the Company's internal auditing program.

The Examining Committee met 11 times during fiscal year 2004. The Examining Committee's meetings include, whenever appropriate, executive sessions with the Company's independent registered public accounting firm and with the Company's internal auditors, in each case without the presence of the Company's management.

As part of its oversight of the Company's financial statements, the Examining Committee reviews and discusses with both management and the Company's independent registered public accounting firm all annual and quarterly financial statements prior to their issuance. During fiscal year 2004, management (i) advised the Examining Committee that each set of financial statements reviewed had been prepared in accordance with accounting principles generally accepted in the United States of America and (ii) reviewed significant accounting and disclosure issues with the Examining Committee. These reviews included discussion with the independent registered public accounting firm of matters required to be discussed pursuant to *Statement on Auditing Standards No. 61 (Communication with Audit Committees)*, including the quality of the Company's accounting principles, the reasonableness of significant judgments and the clarity of disclosures in the financial statements. The Examining Committee also discussed with KPMG LLP matters relating to its independence, including a review of audit and non-audit fees and the written disclosures and letter from KPMG LLP to the Examining Committee pursuant to *Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees)*.

Taking all of these reviews and discussions into account, the undersigned Examining Committee members recommended to the Board of Directors that the Board of Directors approve the inclusion of

the Company's audited financial statements in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2004, for filing with the FDIC.

EXAMINING COMMITTEE

Yacov Levy (Chairman)  
Alfred DelBello  
Ann Kaplan

*The report of the Examining Committee does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other Signature Bank filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent we specifically incorporate this item therein by reference.*

## CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

### **Outsourcing Agreement**

On May 1, 2001, we entered into an outsourcing agreement, which was subsequently amended and restated on January 1, 2004 and further amended in March 2005, with Bank Hapoalim under which Bank Hapoalim provides to us various back office support services, such as information technology, accounts payable processing, money transfer services, office services, loan processing services, letter of credit facility services, legal services, correspondent banking services, internal auditing, human resources services and credit review services. We reimburse Bank Hapoalim for the cost of services provided to us on terms negotiated on an arm's length basis. The term of the agreement is for one year subject to automatic renewals unless either party gives notice of non-renewal to the other. We incurred expenses of \$5.1 million in the year ended December 31, 2004, \$4.6 million in 2003 and \$3.6 million in 2002 under this agreement. Bank Hapoalim has agreed not to discontinue these services prior to September 30, 2006 (in the case of information technology services) or March 31, 2006 (in the case of all other services). Over the next 18 months we expect to transition all of the services provided by Bank Hapoalim to other third parties or to internalize them. We believe that we will be able to find either other outsourcing providers or develop functions in-house on a cost effective basis with no interruption of services to our clients.

### **Loans to Directors and Executive Officers**

We have made loans or otherwise extended credit to Messrs. DePaolo, Merlo, Sharkey, Bagatelle and Howell, of which only the loans to Messrs. DePaolo, Bagatelle and Howell were outstanding as of December 31, 2004. In each case, the loans or other extensions of credit were made in the ordinary course of business, on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons, and did not involve more than the normal risk of collectibility or present other unfavorable features.

### **Networking Agreement**

On April 18, 2001, we entered into a networking agreement under which Signature Securities provides securities brokerage and investment advisory services to our clients through the operation of offices located on our premises. These services enable our clients to purchase securities and insurance products and obtain personalized investment advice from personnel registered with the NASD. The term of the agreement is for one year subject to automatic renewals for one-year periods unless either party gives notice of non-renewal to the other. Either party may terminate the agreement with or without cause upon 60 days' written notice prior to the expiration of its term, in which event the agreement will terminate 60 days after the date of this notice. Signature Securities reimburses us for the compensation of NASD registered representatives and the costs and expenses generated by the business conducted pursuant to this agreement. Signature Securities agreed to indemnify Signature Bank under certain circumstances. No payments were made or expenses incurred in 2004 under this agreement.

### **Signature Securities—Bank Hapoalim Brokerage Agreement**

Effective May 31, 2003, Signature Securities and Bank Hapoalim New York branch entered into a brokerage agreement under which Signature Securities carries out certain fixed income securities transactions on behalf of clients of Bank Hapoalim. The agreement authorizes Signature Securities to open or close one or more accounts with clearing firms and place or withdraw orders with clearing firms. Bank Hapoalim New York branch pays Signature Securities a fee at the rate of \$250,000 per year, payable monthly. This fee may be reduced to \$200,000 per year if Signature Securities, with the agreement of Bank Hapoalim, only hires one broker dedicated to the handling of the transactions under this agreement. Signature Securities is responsible for paying clearing firms for services provided and does not share in any commissions that Bank Hapoalim New York branch receives from its clients.

Bank Hapoalim New York branch may terminate the agreement in its sole discretion with two weeks' notice, but no advance notice is required if Signature Securities is in breach of the agreement. Signature Securities may terminate the agreement upon three months' notice.

#### **Signature Securities—Bank Hapoalim Client Agreement**

On April 25, 2003, Signature Securities and Bank Hapoalim entered into a client agreement under which Signature Securities was appointed to act as agent for Bank Hapoalim in connection with the purchase and sale of certain equity securities and to open and close brokerage accounts with National Financial Services and place or withdraw orders and provide information to National Financial Services. Bank Hapoalim pays Signature Securities the fees and charges incurred in the account pursuant to an agreed-upon fee schedule. Signature Securities is responsible for paying National Financial Services for its services. Signature Securities agreed to indemnify Bank Hapoalim under this agreement under certain circumstances. Either party may terminate the agreement in its sole discretion at any time. We received revenues of approximately \$1.2 million in the year ended December 31, 2004 under this agreement.

#### **Signature Securities—Signature Bank Brokerage and Consulting Agreement**

On August 6, 2001, Signature Bank and Signature Securities entered into a Brokerage and Consulting Agreement under which Signature Securities locates SBA loans and US Department of Agriculture loans for purchase by Signature Bank and identifies investors interested in purchasing SBA loans, SBA loan pools, USDA loans or mortgages from Signature Bank. Signature Securities also advises Signature Bank on how to pool SBA loans for itself and for investors interested in purchasing these pools. The term of the agreement is for one year subject to automatic renewals unless either party gives notice of non-renewal to the other at least 60 days prior to the end of any term. Either party may terminate this agreement with or without cause upon 60 days' written notice, in which event the agreement will terminate 60 days after the date of this notice. Signature Bank pays Signature Securities monthly commissions on the purchase of SBA loans, SBA loan pools, USDA loans and mortgages as well as a fee for consulting services and related expenses. Signature Bank incurred expenses to Signature Securities of \$4.4 million in the year ended December 31, 2004 under this agreement.

#### **Tax Sharing Agreement**

Prior to our IPO, Hapoalim USA was the common parent of an affiliated group of corporations that includes Signature Bank, Signature Securities and their subsidiaries. Hapoalim USA will file a consolidated federal income tax return on behalf of the group that included Signature Bank, Signature Securities and their subsidiaries through the date of our IPO. Accordingly, Hapoalim USA, Signature Bank and Signature Securities are parties to a Tax Allocation Agreement. In connection with our IPO, Hapoalim USA, Signature Bank and Signature Securities entered into a Tax Sharing Agreement, which amended and restated the Tax Allocation Agreement. Under the Tax Sharing Agreement, Signature Bank and Signature Securities will make payments to Hapoalim USA. Such payments will not be in excess of the tax liabilities of Signature Bank, Signature Securities and their respective subsidiaries, if such tax liabilities had been computed on a stand-alone basis, including taking into account favorable tax attributes, such as net operating loss carryforwards. Following our IPO, Signature Bank and its subsidiaries are no longer part of the consolidated group for which Hapoalim USA is the common parent. The Tax Sharing Agreement is not in effect for those periods occurring after a deconsolidation and Signature Bank will receive no payment for any tax attributes actually utilized by Hapoalim USA in its consolidated tax return, regardless of whether such attributes had reduced Signature Bank's liability to Hapoalim USA under the Tax Sharing Agreement.



## **Lease Transactions**

On April 4, 2001, Bank Hapoalim and Signature Bank entered into a sublease under which Bank Hapoalim subleases to Signature Bank a portion of the premises that Bank Hapoalim leases at 1177 Avenue of the Americas in New York City. The initial fixed rent for the sublease is \$81,315 per year with increases not to exceed Signature Bank's proportionate share of the rent payable by Bank Hapoalim to the lessor. The term of the sublease expires on August 30, 2009.

On March 1, 2003, Bank Hapoalim and Signature Bank entered into a sublease, which was amended and restated as of March 1, 2004, under which Bank Hapoalim subleases to Signature Bank the premises at 70 West 36th Street in New York City. Signature Bank pays Bank Hapoalim \$156,400 per year for the subleased premises. The term of the sublease expires on February 28, 2006.

On April 5, 2002, Signature Bank entered into an approximately 15-year lease with Franklin Avenue Plaza LLC for the premises located at 1225 Franklin Avenue, Garden City, NY. Under this lease, Signature Bank pays Franklin Avenue Plaza an annual base rent which increases every year up to a maximum amount of \$365,000 for the final year of the lease and also agrees to pay certain taxes and other charges related to the leased property. The payment by Signature Bank of all amounts payable to Franklin Avenue Plaza under this lease is guaranteed by Bank Hapoalim in an amount not to exceed \$5 million pursuant to a Limited Guaranty issued on May 29, 2002 by Bank Hapoalim. Signature Bank pays Bank Hapoalim an annual fee under this Limited Guaranty payable at the beginning of each year in an amount equal to 0.25% of the gross remaining amount of all cumulative rent payments for the remainder of the term of the lease. Signature Bank has incurred expenses of approximately \$10,900 under this Limited Guaranty through December 31, 2004.

## **Other**

One of our directors, Alfred DelBello, is a partner in a law firm that has in the past rendered certain legal services to Signature Bank.

Bank Hapoalim sold 15.2 million shares of our common stock on March 31, 2005 pursuant to an underwritten public offering, and may sell or transfer the rest of the shares of our common stock it owns if the underwriter's over-allotment option is exercised in full and the 2005 Special Bonus Plan is adopted.

## **CORPORATE GOVERNANCE PRINCIPLES AND BOARD OF DIRECTORS MATTERS**

Signature Bank is committed to having sound corporate governance principles. Having such principles is essential to running Signature Bank's business efficiently and to maintaining Signature Bank's integrity in the marketplace.

## **Controlled Company Exemption**

Under the Nasdaq Marketplace Rules, the Company is considered a "controlled company," as defined in Rule 4350(c)(5) of the Nasdaq Marketplace Rules because Bank Hapoalim indirectly owns more than a majority of the voting power in the Company. Therefore, we are exempt from the requirements of Rule 4350(c) requiring (i) a majority of independent directors on the Board of Directors; (ii) compensation of our executive officers determined by a majority of the independent directors or a compensation committee composed solely of independent directors; and (iii) director nominees selected, or recommended for the Board of Directors' selection, either by a majority of the independent directors or a nominating committee composed solely of independent directors. The controlled company exemption does not modify the independence requirements for our Examining Committee. As a result of the 2005 Secondary Offering, we are no longer considered a "controlled company." As a result, we will no longer be exempt from the requirements of Rule 4350(c) described above. We expect to be in full compliance with all such requirements prior to the expiration of applicable grace periods.



## **Director Independence**

The Board of Directors has evaluated all relationships between each director and the Company and has determined that Alfred DelBello, Yacov Levy and Ann Kaplan are “independent directors” as defined in the Nasdaq Marketplace Rules.

## **Board of Directors Structure and Committee Composition**

During fiscal year 2004, our Board of Directors had nine directors and the following two Board of Directors committees: the Examining Committee and the Compensation Committee. The membership during the last fiscal year and the functions of each of the committees are described below. Each of the committees operates under a written charter adopted by the Board of Directors. The committee charters are available on the Company’s website ([www.signatureny.com](http://www.signatureny.com)) under “Investor Relations.” During fiscal year 2004, the Board of Directors held 14 meetings. During this period, all of the directors attended or participated in more than 75% of the aggregate of the total meetings held of the Board of Directors and the total number of meetings held by all committees of the Board of Directors, except for Mr. Dankner. Directors are encouraged to attend annual meetings of Signature Bank shareholders.

### *Examining Committee*

The Examining Committee’s duties and responsibilities are set forth in the charter of the Examining Committee and include the general oversight of the integrity of Signature Bank’s financial statements, Signature Bank’s compliance with legal and regulatory requirements, the independent registered public accounting firm’s qualifications and independence, the performance of Signature Bank’s internal audit function and risk management. Among other responsibilities, the Examining Committee prepares the Examining Committee report for inclusion in the annual proxy statement; annually reviews the Examining Committee charter and the committee’s performance; appoints, evaluates and determines the compensation of Signature Bank’s registered public accounting firm; reviews and approves the scope of the annual audit, the audit fee and the financial statements; reviews Signature Bank’s disclosure controls and procedures, internal controls, information security policies, internal audit function, and corporate policies with respect to financial information and earnings guidance; oversees investigations into complaints concerning financial matters; and reviews other risks that may have a significant impact on Signature Bank’s financial statements. The Examining Committee works closely with management as well as Signature Bank’s registered public accounting firm. The Examining Committee has the authority to obtain advice and assistance from, and receive appropriate funding from Signature Bank for, outside legal, accounting or other advisors as the Examining Committee deems necessary to carry out its duties. The functions of the Examining Committee are further described in this Proxy Statement under “Report of Examining Committee.” The members of the Examining Committee are Ms. Kaplan & Messrs. DelBello and Levy. The Board of Directors has determined that none of these individuals has a relationship with the Company that would interfere with the exercise of independent judgement in carrying out their responsibilities and that each one of them therefore is considered to be an independent director under the Nasdaq National Marketplace Rules. The Board of Directors has also determined that Mr. Levy is a “financial expert” under the SEC rules. The charter of the Examining Committee is attached as Exhibit A and is available on the Company’s website ([www.signatureny.com](http://www.signatureny.com)) under “Investor Relations.”

### *Compensation Committee*

The Compensation Committee consists of all of Signature Bank’s non-employee directors. The Compensation Committee’s duties and responsibilities are set forth in the charter of the Compensation Committee and include discharging the Board of Directors’ responsibilities relating to compensation of Signature Bank’s executive officers; producing an annual report on executive compensation for

inclusion in Signature Bank's Proxy Statement; approving the compensation for Signature Bank's Chief Executive Officer; recommending, on an annual basis, to the Board of Directors the compensation for Signature Bank's executive officers; reviewing and making recommendations to the Board of Directors with respect to policies relating to compensation; making recommendations to the Board of Directors with respect to equity compensation plans; and administering the 2004 equity incentive plan and the change in control severance plan for key employees. The functions of the Compensation Committee are further described in this Proxy Statement under "Report of the Compensation Committee on Executive Compensation." The charter of the Compensation Committee is available on the Company's website ([www.signatureny.com](http://www.signatureny.com)) under "Investor Relations."

### **Directors' Compensation**

In 2004, independent directors received an annual fee of \$20,000, payable \$5,000 per quarter, and an additional fee of \$1,000 for each Board of Directors meeting they attended (\$400 if they attended telephonically). In addition, they received \$750 for each committee meeting they attended and the Chairman of the Examining Committee received an annual fee of \$7,500. In 2005, directors will receive an annual fee of \$26,000, payable \$6,500 per quarter, and an additional fee of \$1,250 for each Board of Directors meeting they attend (\$500 if they attend telephonically). In addition, they will receive \$900 for each committee meeting they attend and the Chairman of the Examining Committee will receive an additional annual fee of \$9,000. Directors are reimbursed for out-of-pocket expenses incurred in connection with attending meetings of the Board of Directors and its committees. In addition, directors who are not executive officers and are not affiliated with our parent company, Bank Hapoalim, received a total of 15,000 shares of restricted stock granted under our 2004 equity incentive plan in connection with our initial public offering. These shares will vest equally over three years. In addition, each will receive in March 2005 1,000 restricted stock options and 500 restricted shares of common stock. These options and shares of common stock will vest over three years.

### **Consideration of Director Nominees**

As a Controlled Company under the Nasdaq Marketplace Rules we are currently exempt from the Nasdaq Marketplace Rules that require director nominees to be selected or recommended by a majority of the independent directors or a Nominating Committee comprised solely of independent directors. The Board of Directors does not delegate the responsibility of nominating potential new directors to a separate Nominating Committee because the Board of Directors believes that all directors should be involved in this process. In addition, the By-laws of the Company specify procedures for shareholders to nominate one or more persons for election as directors at an annual meeting. The Board of Directors has not yet considered adopting a written charter or policy for considering nominees recommended by shareholders in addition to those procedures already contained in the By-laws of the Company.

#### *Shareholder Nominees*

The policy of the Board of Directors relating to shareholder nominations of candidates for membership to the Board of Directors is to consider properly and timely submitted nominations as described below under "Identifying and Evaluating Nominees for Directors." In evaluating such nominations, the Board of Directors seeks to achieve a balance of knowledge, experience and capability on the Board of Directors and to address the membership criteria set forth under "Director Qualifications" below. Any shareholder nominations proposed for consideration by the Board of

Directors should include the nominee's name and qualifications for Board of Directors membership and should be addressed to:

Corporate Secretary  
Signature Bank  
565 Fifth Avenue  
New York, NY 10017

In addition, the By-laws of Signature Bank permit shareholders to nominate directors for consideration at an annual shareholders meeting. For a description of the process for nominating directors or other shareholders proposals in accordance with Signature Bank's By-laws, see "Shareholder Proposals" in this Proxy Statement.

#### *Identifying and Evaluating Nominees for Directors*

The Board of Directors utilizes a variety of methods for identifying and evaluating nominees for director. The Board of Directors from time to time assesses the appropriate size of the Board of Directors, and whether any vacancies on the Board of Directors are expected due to retirement or otherwise. In the event that vacancies are anticipated, or otherwise arise, the Board of Directors considers various potential candidates for director. Candidates may come to the attention of the Board of Directors through current Board of Directors members, professional search firms, shareholders or other persons. These candidates are evaluated at meetings of the Board of Directors and may be considered at any point during the year. As described above, the Board of Directors considers properly submitted shareholder nominations as candidates for the Board of Directors. Following verification of the shareholder status of persons proposing candidates, properly submitted recommendations will be aggregated and considered by the Board of Directors at a meeting prior to the issuance of the Proxy Statement for Signature Bank's annual meeting. If any materials are provided by a shareholder in connection with the nomination of a director candidate, such materials will be forwarded to the Board of Directors. The Board of Directors also reviews materials provided by professional search firms or others in connection with a nominee who is not proposed by a shareholder. In evaluating such nominations, the Board of Directors seeks to achieve a balance of knowledge, experience and capability on the Board of Directors.

#### *Director Qualifications*

The Board of Directors uses a number of criteria to determine the qualification of a director nominee for the Board of Directors. The minimum criteria used by the Board of Directors consists of the following:

- Directors should be of the highest ethical character and share the mission, vision and values of Signature Bank;
- Directors should have reputations, both personal and professional, consistent with the image and reputation of Signature Bank;
- Directors should be highly accomplished in their respective fields, with superior credentials and recognition;
- Each director should have relevant expertise and experience, and be able to offer advice and guidance to the chairman and the chief executive officer based on that expertise and experience; and
- Each director should have the ability to exercise sound business judgment.

The Board of Directors also considers such other relevant factors as it deems appropriate, including the current composition of the Board of Directors, the balance of management and independent directors, the need for Examining Committee and industry expertise and the evaluations of

other prospective nominees. After completing the interview and evaluation process that the Board of Directors deems appropriate, it makes a recommendation to the full Board of Directors as to the persons who should be nominated by the Board of Directors, and the Board of Directors determines the nominees after considering the recommendation and the report of the Board of Directors.

### **Executive Sessions**

As required by the Nasdaq Marketplace Rules, our independent directors hold meetings in executive session at which only independent directors are present. Such meetings are held periodically, and other meetings may be called at the request of the independent members of the Board of Directors.

### **Advisory Board**

We have established an advisory board whose function is to provide the Board of Directors and senior management with advice on strategic direction and business development initiatives. Our advisory board is currently composed of the following individuals:

Stanley Kreitman	Chairman of the Board of Directors of PMCC Financial Corp. and Vice-Chairman of Manhattan Associates, a merchant banking firm.
Lewis S. Ranieri	Chairman and director of Franklin Bank Corp. Chairman and director of American Financial Realty Trust. Founder of the private investment limited partnerships of Hyperion Partners.
Michael Steinhardt	Retired hedge fund manager. Philanthropist. Founder of Steinhardt Partners and the Jewish Life Network.
John Sullivan	Former President, Chief Executive Officer and Director of Hamilton Bancorp; former President, Chief Operating Officer and Director of River Bank America; former President, Chief Executive Officer and Director of Continental Bank; former Chairman of the Board of Directors of Olympian Bank; currently, an independent consultant to the financial services industry.

Mr. Kreitman and Mr. Sullivan each received options to purchase 2,000 shares of our common stock under our equity incentive plan in connection with our IPO.

### **Communications with the Board of Directors**

Signature Bank's Board of Directors has adopted a policy regarding shareholder access to the Board of Directors to ensure that shareholders may communicate directly with the Board of Directors. All written communications should be directed to the Company's Secretary at: Corporate Secretary, Signature Bank, 565 Fifth Avenue, New York, NY 10017 and should prominently indicate on the outside of the envelope that it is intended for one of the following: the Board of Directors, the Examining Committee or the Compensation Committee. Each written communication intended for the Board of Directors or one of the committees and received by the Secretary will be forwarded to the specified party following its clearance through normal security procedures. The written communication will not be opened, but rather will be forwarded unopened to the intended recipients.

### **Codes of Ethics**

We believe that each of our employees and directors shall maintain high ethical standards. We have adopted our Code of Business Conduct and Ethics applicable to our employees and directors and our Code of Ethics for the Principal Executive Officer and Senior Financial Officers. These codes are available on our website ([www.signatureny.com](http://www.signatureny.com)) under "Investor Relations," and in print upon any written request by a shareholder. The Company intends to post at this location on its website any amendments to or waivers from the provisions of these codes.

## **APPROVAL OF 2005 SPECIAL BONUS PLAN**

### **(PROPOSAL No. 4)**

#### **Description of the Plan**

Subject to shareholder approval, the 2005 Special Bonus Plan will provide special one-time bonuses to our early employees. Hapoalim USA will contribute shares of common stock and cash with which to pay these bonuses. Approximately 150 employees are eligible for and will receive awards under the plan. Hapoalim USA owned 60% of the shares of our common stock on the record date for the 2005 Annual Meeting and intends to vote in favor of the 2005 Special Bonus Plan. As a result, its vote in favor of this proposal will be sufficient to approve the plan.

Upon completion of the offering and shareholder approval of the 2005 Special Bonus Plan, Hapoalim USA will contribute 146,420 shares of common stock and an amount of cash equal to \$12 million less the value of the stock contributed (determined based on the fair market value of our common stock in the 2005 Secondary Offering). No additional shares of common stock or cash will be provided by the Company beyond what is provided by Hapoalim USA. Shares included in awards under the 2005 Special Bonus Plan are subject to a one-year holding period and may not be sold by the participant during that time. However, the shares will be fully vested when awarded and are therefore not subject to forfeiture in the event of the participant's subsequent termination of employment.

Awards under the 2005 Special Bonus Plan will be paid in the form of cash, or a combination of cash and stock in respect of our senior management. Payment of awards will be made as soon as practicable following shareholder approval. Awards under the 2005 Special Bonus Plan will total \$12 million (in stock and cash) less the employer portion of any employment taxes. If the shareholders do not approve the 2005 Special Bonus Plan, no awards will be paid.

The selling shareholder's contribution will be recorded by us as a contribution to capital, and awards granted pursuant to the 2005 Special Bonus Plan will be recorded as compensation expense. As a result, we expect to incur an additional \$12.0 million in compensation expense (principally in the second quarter of 2005) that will reduce our net income by approximately \$10.0 million, or \$0.34 per share, during the same period. The actual amount recorded as a contribution and as compensation expense will depend on the value of our stock on the day the plan is approved by our shareholders.

Approximately 40% of the value of the awards to senior management will be in the form of stock. As a result, a substantial portion of after-tax value of the awards to senior management will be in the form of stock subject to the one-year holding period referred to above.

#### **New Plan Benefits**

The following table sets forth a summary of the payments in respect of awards that will be made under the 2005 Special Bonus Plan to our Chief Executive Officer, our four other most highly compensated executive officers during the year ended December 31, 2004 and each of the other persons or groups of persons specified. The awards are based on allocations determined by Hapoalim

USA. Neither Mr. Shay nor any of our non-executive directors will receive awards under the 2005 Special Bonus Plan.

<u>Name and Position</u>	<u>Total Value of Award</u>	<u>Number of shares included in Award(1)</u>
Scott A. Shay . . . . . Chairman of the Board of Directors	—	—
Joseph J. DePaolo . . . . . President and Chief Executive Officer	\$3,500,000	50,000
John Tamberlane . . . . . Vice-Chairman	1,500,000	21,430
David S. Bagatelle . . . . . Executive Vice President	1,000,000	14,285
Michael Merlo . . . . . Executive Vice President and Chief Credit Officer	1,000,000	14,285
All Executive Officers as a group(2) . . . . .	9,500,000	135,710
Non-executive Directors as a group . . . . .	—	—
Non-executive officer employees as a group(3) . . . . .	2,500,000	10,710

(1) The value of the shares included in this column are also included in the “Total Value of Award” column.

(2) Includes each of the individuals named in the table plus Mark Sigona, who will receive a total award of \$1.5 million, including 21,430 shares, and Eric Howell, who will receive a total award of \$500,000, including 7,140 shares, and one additional executive officer.

(3) Includes approximately 140 persons.

The full text of the 2005 Special Bonus Plan as it is proposed to be adopted is attached as Exhibit B.

**The Board of Directors recommends a vote “FOR” this proposal.**

**RATIFICATION OF INDEPENDENT AUDITORS  
(PROPOSAL NO. 5)**

The Examining Committee has selected the firm of KPMG LLP, an independent registered public accounting firm, as our independent auditors for the year ending December 31, 2005. KPMG LLP has audited our financial statements since our inception.

A representative of KPMG LLP will be present at the 2005 Annual Meeting, will be offered the opportunity to make a statement if he or she desires to do so and will be available to respond to appropriate questions. In the event the appointment is not ratified, the Examining Committee will consider the appointment of other independent auditors.

**The Board of Directors recommends a vote “FOR” this proposal.**

**PRINCIPAL AUDITOR FEES AND SERVICES**

The Examining Committee, Signature’s audit committee, has appointed KPMG LLP as Signature Bank’s independent auditors for the fiscal year ending December 31, 2005. Representatives of KPMG LLP will be present at the 2005 Annual Meeting, will have the opportunity to make a statement if they desire to do so and will be available to respond to appropriate questions.

**Fees Incurred by Signature Bank for KPMG LLP**

The following table shows the fees billed to Signature Bank for the audit and other services provided by KPMG LLP for fiscal 2004 and 2003:

	2004	2003
Audit Fees(1) . . . . .	\$334,000	\$125,000
Audit-Related Fees(2) . . . . .	370,000	—
Tax Fees . . . . .	—	—
All Other Fees . . . . .	—	—
Total . . . . .	\$704,000	\$125,000

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- (1) Audit fees represent fees for professional services provided in connection with the audit of our financial statements and review of our quarterly financial statements and audit services provided in connection with other statutory or regulatory filings.
  - (2) For fiscal 2004, audit-related fees consisted primarily of accounting consultations concerning financial accounting and reporting standards, internal control reviews and other related services.

The Examining Committee approves all audit-related and non-audit services not prohibited by law to be performed by Signature Bank’s independent auditors. The Examining Committee determined that the provision of such services by KPMG LLP was compatible with the maintenance of such firm’s independence in the conduct of its audit functions.



## OTHER MATTERS

### Other Matters

Management does not know of any other matters to be considered at the 2005 Annual Meeting. If any other matters do properly come before the meeting, persons named in the accompanying form of proxy intend to vote on those matters as recommended by the Board of Directors or, if no recommendation is given, in their own discretion.

### Annual Report on Form 10-K

Signature Bank will provide upon request and without charge to each shareholder receiving this Proxy Statement a copy of Signature Bank's Annual Report on Form 10-K for the fiscal year ended December 31, 2004, including the financial statements included therein, as filed with the FDIC on or about the date of this Proxy Statement. Signature Bank's Annual Report on Form 10-K serves as the Company's annual disclosure statement as required by 12 C.F.R. § 350, et seq. of the FDIC Rules and Regulations.

### Available Information

The Company's internet address is *www.signatureny.com*. We make available on our website under "Investor Relations" our Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports as soon as reasonably practicable after we file such material with, or furnish it to, the FDIC. Our Code of Ethics for the Principal Executive Officer and Senior Financial Officers is available on our website under "Investor Relations" and in print upon any request by a shareholder. The charters of our compensation and examining committees are also available on our website under "Investor Relations." In addition, Signature Bank will furnish copies of its Annual Report on Form 10-K and any exhibits thereto upon written request to Investor Relations, Signature Bank, 565 Fifth Avenue, New York, NY 10017.

### Shareholder Proposals

We anticipate that the 2006 Annual Meeting of Shareholders will be held in the first four months of 2006. Any shareholders who intend to present proposals at the 2006 Annual Meeting, and who wish to have such proposal included in Signature Bank's Proxy Statement for the 2006 Annual Meeting, must follow the procedures prescribed in Rule 14a-8 of the Exchange Act of 1934, as well as the provisions of our By-laws. To be considered timely, a proposal for inclusion in our Proxy Statement and form of proxy submitted pursuant to Rule 14a-8 for our 2006 Annual Meeting must be received by January 16, 2006. Under our By-laws, shareholder nominees or other proper business proposals must be made by timely written notice given by or on behalf of a shareholder of record of the Company to the Secretary of the Company. In the case of nomination of a person for election to the Board of Directors or other business to be conducted at the annual meeting of shareholders, notice shall be considered timely if it is received not less than 90 nor more than 120 days prior to the first anniversary of the date on which the Company first mailed its proxy materials for the prior year's annual meeting of shareholders, except in the case where the Company did not mail proxy materials in connection with the prior year's annual meeting. The notice is required to comply with each of the procedural and informational requirements set forth in our By-laws. The requirements in our By-laws are separate from, and in addition to, the requirements in Regulation 14A under the Securities Exchange Act of 1934 that a shareholder must meet in order to have a shareholder proposal included in the Company's Proxy Statement. To be considered timely under our By-laws, a proposal for business at our 2006 annual meeting must be received no earlier than December 5, 2005 and no later than January 16, 2006. For information about the policies of the Company's Board of Directors relating to shareholder nominees, see "Consideration of Director Nominees" in this Proxy Statement.

By Order of the Board of Directors,

/s/ Patricia E. Omelin

Patricia E. O'Melia  
Secretary

## Annex A—Amendments to Sections Three and Four of the Organization Certificate

### Current

**THIRD.** That the amount of its authorized capital stock is One Million Dollars (\$1,000,000) and that the number of shares into which such capital stock is to be divided is One Hundred Million (100,000,000) shares with a par value of One Cent (\$0.01) per share.

**FOURTH.** That the shares are to be classified as common and preferred, that the number of shares of common stock is Thirty-Nine Million (39,000,000) with a par value of One Cent (\$0.01) per share and the number of shares of preferred stock is Sixty-One Million (61,000,000) with a par value of One Cent (\$0.01) per share and that the Board of Directors is authorized, subject to limitations prescribed by law and the provisions of this Section 4, to provide for the issuance of the shares of preferred stock in series and by filing a certificate of amendment pursuant to the applicable law of the state of New York. The Board of Directors is not authorized to designate voting powers or conversion privileges for any series or shares of preferred stock without approval of the shareholders.

Subject to the foregoing, the authority of the Board of Directors with respect to each series shall include determination of the following:

- (a) The number of shares constituting that series and the distinctive designation of that series;
- (b) The dividend rate on the shares of that series, whether dividends shall be cumulative, and, if so, from which date or dates, and the relative rights of priority, if any, of payment of dividends on shares of that series;
- (c) Whether or not the shares of that series shall be redeemable, and, if so, the terms and conditions of such redemption, including the date or date upon or after which they shall be redeemable, and the amount per share payable in case of redemption, which amount may vary under different conditions and at different redemption dates;
- (d) Whether that series shall have a sinking fund for the redemption or purchase of shares of that series and, if so, the terms and amount of such sinking fund;
- (e) The rights of the shares of that series in the event of voluntary or involuntary liquidation, dissolution or winding up of the Bank, and the relative rights of priority, if any, of payment of shares of that series; and
- (f) Any other relative rights, preferences and limitations of that series.

### Proposed

**THIRD.** That the amount of its authorized capital stock is One Million Two Hundred Fifty Thousand Dollars (\$1,250,000) and that the number of shares into which such capital stock is to be divided is One Hundred Twenty-Five Million (125,000,000) shares with a par value of One Cent (\$0.01) per share.

**FOURTH.** That the shares are to be classified as common and preferred, that the number of shares of common stock is Sixty-Four Million (64,000,000) with a par value of One Cent (\$0.01) per share and the number of shares of preferred stock is Sixty-One Million (61,000,000) with a par value of One Cent (\$0.01) per share and that the Board of Directors is authorized, subject to limitations prescribed by law and the provisions of this Section 4, to provide for the issuance of the shares of preferred stock in series, to fix the number of shares in any or all series of preferred stock to be issued and to fix any or all of the designations, relative rights, preferences and limitations of any or all series of preferred stock.

## Annex B—Amendments to Articles Two, Three, Four and Nine of the By-Laws

Current	Proposed
<p><b>2.15 Action without Meeting.</b> Whenever the stockholders are required or permitted to take any action by vote, such action may be taken, without a meeting, on written consent, setting forth the action to be taken, signed by the holders of a number of outstanding shares sufficient to otherwise approve such action, which number may be less than all of the shares.</p>	<p><b>2.15 Action Without Meeting.</b> Whenever the Stockholders are required or permitted to take any action by vote, such action may be taken, without a meeting, by written consent, setting forth the action to be taken, signed by the holders of all outstanding shares entitled to vote thereon.</p>
<p><b>3.2 Number; Qualification; Term of Office.</b> The number of Directors constituting the Board shall be no less than seven or more than 30 members. Subject to the provisions of the preceding sentence and of Section 7002(2) of the Banking Law, the number of Directors shall be nine initially and may thereafter be changed from time to time by action of a majority of the Entire Board. Each Director shall be at least 18 years of age. At least one-half of the Directors shall be citizens of the United States at the time of their election and during their continuation in office in accordance with Section 7001(2)(a) of the Banking Law. No more than one-third of the Directors shall be active Officers or employees of the Bank in accordance with Section 7001(4) of the Banking Law. Directors need not be Stockholders. Each Director shall be elected to hold office until the annual meeting of Stockholders next following such Director's election and until such Director's successor shall have been elected and shall qualify, or until such Director's earlier death, resignation or removal.</p>	<p><b>3.2 Number; Qualification; Term of Office.</b> The number of Directors constituting the Board shall be no less than seven or more than 30 members. Subject to the provisions of the preceding sentence and of Section 7002(2) of the Banking Law, the number of Directors shall be nine initially and may thereafter be changed from time to time by action of a majority of the Entire Board. Each Director shall be at least 18 years of age. At least one-half of the Directors shall be citizens of the United States at the time of their election and during their continuation in office in accordance with Section 7001(2)(a) of the Banking Law. No more than one-third of the Directors shall be active Officers or employees of the Bank in accordance with Section 7001(4) of the Banking Law. Directors need not be Stockholders.</p> <p>The directors shall be divided into three classes: Class I, Class II and Class III. Such classes shall be as nearly equal in number of directors as possible. Each director shall serve for a term ending on the third annual meeting of Stockholders following the annual meeting of Stockholders at which that director was elected; provided, however, that the directors designated as the initial Class I directors shall serve for a term expiring at the annual meeting of Stockholders next following the date of their designation as Class I directors, the directors designated as the initial Class II directors shall serve for a term expiring at the second annual meeting of Stockholders next following the date of their designation as Class II directors, and the directors designated as the initial Class III directors shall serve for a term expiring at the third annual meeting of Stockholders next following the date of their designation as Class III directors. For purposes hereof, the initial Class I, Class II and Class III directors shall be those directors elected at the 2005 Annual Meeting of</p>

**3.6 Removal.** Subject to the provisions of Section 7006 of the Banking Law, (a) any or all of the Directors may be removed for cause by vote of the Stockholders or by action of the Board and (b) any or all of the Directors may be removed without cause by vote of the Stockholders.

**4.1 Committees.** The Board, by resolution adopted by a majority of the Entire Board, may appoint an executive committee of at least five directors and other committees each consisting of at least three directors, from time to time, from its own members, for such purposes and with such powers as the Board may determine.

However, a committee may not:

1. Authorize distributions of assets or dividends.
2. Approve any action required to be approved by Stockholders or submit to the Stockholders any action that requires their approval.

Stockholders of the Company and designated as members of such class. Each director shall hold office until the annual meeting of Stockholders at which his or her term expires and, the foregoing notwithstanding, shall serve until his or her successor shall have been duly elected and qualified or until his or her earlier death, resignation or removal.

At each annual election after the 2005 Annual Meeting of Stockholders, the directors chosen to succeed those whose terms then expire shall be of the same class as the directors they succeed, unless, by reason of any intervening changes in the authorized number of directors, the Board of Directors shall have designated one or more directorships whose term then expires as directorships of another class in order to more nearly achieve equality of number of directors among the classes.

In the event of any change in the authorized number of directors, each director then continuing to serve as such shall nevertheless continue as a director of the class of which he or she is a member until the expiration of his or her current term, or his or her prior death, resignation or removal. The Board of Directors shall specify the class of which a newly created directorship shall be allocated.

**3.6 Removal.** Subject to the provisions of Section 7006 of the Banking Law, any or all of the Directors may be removed for cause by vote of the Stockholders or by action of the Board.

**4.1 Committees.** The Board, by resolution adopted by a majority of the Entire Board, may appoint an executive committee of at least five directors and other committees each consisting of at least three directors, from time to time, from its own members, for such purposes and with such powers as the Board may determine.

However, a committee may not:

1. Submit to Stockholders any action that needs Stockholders' approval under the Banking Law.
2. Fill vacancies on the Board of Directors or any of its committees.

- | Current   | Proposed  |
|---|---|
| 3. Fill vacancies on the Board or any of its committees.  | 3. Fix compensation of Directors for serving on the Board of Directors or any committee.                                |
| 4. Adopt, amend, or repeal these By-laws or adopt new by-laws.  | 4. Amend or repeal these By-laws, or adopt new By-laws.   |
| 5. Authorize or approve the issuance or sale, or contract for sale, of shares, or determine the designation and relative rights, preferences, and limitations of a class or series of shares. | 5. Amend or repeal any resolution of the Board of Directors which by its terms shall not be so amendable or repealable. |
| 6. Amend or repeal any resolution of the Board that by its terms is not amendable or repealable.  |   |
| 7. Take any action that is expressly required to be taken at a meeting of the Board or by a specified proportion of the directors.  |   |
| 8. Fix compensation of Directors for serving on the Board or any committee.   |   |

**Article IX Amendments.** These By-laws may be altered, amended, or repealed and new By-laws may be adopted by a vote of the holders of shares entitled to vote in the election of Directors or by a vote of a majority of the Entire Board. Notwithstanding the preceding sentence, none of the provisions of this Article 9 shall be altered, amended or repealed by the Board, and no alteration, repeal or amendment of Section 3.14 that would have the effect of changing the notice requirement for meetings of the Board of Directors to approve or consider (i) the issuance of shares of common or preferred stock, (ii) an increase in the number of Directors on the Board, or (iii) the filling of any vacancies on the Board of Directors shall be made by the Board. Any By-laws adopted by the Board may be altered, amended or repealed by the Stockholders entitled to vote thereon. If any By-law regulating an impending election of Directors is adopted, altered, amended, supplemented or repealed by the Board, such By-law shall be set forth in the notice of the next meeting of Stockholders for election of Directors, together with a concise statement of the changes made.

**Article IX. Amendments.** These By-laws may be altered, amended or repealed and new By-laws may be adopted by a vote of the holders of a majority of the shares entitled to vote in the election of Directors or by a vote of a majority of the Entire Board. Notwithstanding the preceding sentence, (x) none of the provisions of this Article IX shall be altered, amended or repealed by the Board, and no alteration, repeal or amendment of Section 3.14 that would have the effect of changing the notice requirement for meetings of the Board of Directors to approve or consider (i) the issuance of shares of common or preferred stock, (ii) an increase in the number of Directors on the Board, or (iii) the filling of any vacancies on the Board of Directors shall be made by the Board and (y) the stockholders may not alter, amend or repeal Section 2.6, Section 3.2 or this clause (y) of Article IX of these By-laws unless such alteration, amendment or revocation is approved, at an annual meeting or any special meeting of the Stockholders, by the holders of at least 66⅔% of the shares entitled to vote. Any By-laws adopted by the Board may be altered, amended or repealed by the Stockholders entitled to vote thereon. If any By-law regulating an impending election of Directors is adopted, altered, amended, supplemented or repealed by the Board, such By-law shall be set forth in the notice of the next meeting of Stockholders for election of Directors, together with a concise statement of the changes made.

## EXAMINING COMMITTEE CHARTER

### I. Purpose

The primary purpose of the Examining Committee is to act as audit committee and oversee (a) the accounting and financial reporting processes of the Bank, including the integrity of the financial statements and other financial information provided by the Bank to its stockholders, the public, any stock exchange and others, (b) the Bank's compliance with legal and regulatory requirements, (c) the independent auditors' qualifications and independence, (d) the audit of the Bank's financial statements and (e) the performance of the independent auditors, each in accordance with Rule 10A-3 under the Securities Exchange Act of 1934, as amended, and Nasdaq Marketplace Rule 4350(d).

Although the Examining Committee has the powers and responsibilities set forth in this Charter, the role of the Examining Committee is oversight. Consequently, it is not the duty of the Examining Committee to conduct audits or to determine that the Bank's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of management and the independent auditors.

### II. Organization

The Examining Committee shall consist of three or more directors, each of whom shall satisfy the independence, financial literacy and experience requirements of Section 10A of the Securities Exchange Act, Nasdaq and any other regulatory requirements, subject to the cure periods permitted by Nasdaq; provided that one director who does not satisfy the applicable independence requirements of Nasdaq may be appointed to and serve on the Examining Committee, subject to compliance with the requirements of NASD Rule 4350(d)(2)(B). At least one member of the Examining Committee shall have past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in such individual's financial sophistication (including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities).

The members of the Examining Committee shall be appointed by the Board. Members of the Examining Committee may be removed at any time by action of the Board. The Examining Committee's chairperson shall be designated by the Board or, if it does not do so, the members of the Examining Committee shall elect a chairperson by a vote of the majority of the full Examining Committee. No member of the Examining Committee shall have participated in the preparation of the financial statements of the Bank or any current subsidiary at any time during the past three years.

### III. Meetings

The Examining Committee shall meet at least four times per year on a quarterly basis, or more frequently as circumstances require. As part of its job to foster open communication, the Examining Committee shall meet at least quarterly with management, the chief internal auditor and the independent auditors in separate executive sessions to discuss any matters that the Examining Committee or each of these groups believe should be discussed privately.

### IV. Authority and Responsibilities

In recognition of the fact that the independent auditors are ultimately accountable to the Examining Committee, the Examining Committee shall (a) have the sole authority and responsibility to select, evaluate and, where appropriate, replace the independent auditors (or to nominate the



independent auditors for stockholder approval), (b) approve all audit engagement fees and terms and all non-audit engagements with the independent auditors and (c) perform such other duties and responsibilities set forth under the Securities Exchange Act. The Examining Committee may consult with management and the internal audit group but shall not delegate these responsibilities.

To fulfill its responsibilities, the Examining Committee shall:

**With respect to the independent auditors:**

1. Be directly responsible for the appointment, compensation, retention and oversight of the work of the independent auditors (including resolution of disagreements between management and the independent auditors regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attestation services for the Bank.
2. Have the sole authority to review in advance, and grant any appropriate pre-approvals, of (a) all auditing services to be provided by the independent auditors and (b) all non-audit services to be provided by the independent auditors as permitted by Section 10A of the Securities Exchange Act, and, in connection therewith, to approve all fees and other terms of engagement. The Examining Committee shall also review and approve disclosures required to be included in Federal Deposit Insurance Corporation (“FDIC”) periodic reports filed under Section 13(a) of the Securities Exchange Act, and the rules and regulations promulgated thereunder, as incorporated by cross-reference by § 335.101 of the FDIC Regulations, with respect to audit and non-audit services.
3. Evaluate on an annual basis the performance of the independent auditors, including the lead audit partner, and present the conclusions of such evaluation to the Board. In making its evaluation, the Examining Committee should take into account the opinions of management and the Bank’s internal auditors.
4. Ensure that the independent auditors submit to the Examining Committee on an annual basis a written statement consistent with Independent Standards Board Standard No. 1, discuss with the independent auditors any disclosed relationships or services that may impact the objectivity and independence of the independent auditors and satisfy itself as to the independent auditors’ independence.
5. At least annually, obtain and review an annual report from the independent auditors describing (a) the independent auditors’ internal quality control procedures and (b) any material issues raised by the most recent internal quality control review, or peer review, of the independent auditors, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the independent auditors, and any steps taken to deal with any such issues.
6. Confirm compliance with the “lead partner,” the “concurring partner” and the other “audit partner” rotation requirements of Regulation S-X. Consider whether, in order to assure continuing auditor independence, it is appropriate to adopt a policy of rotating the independent auditors on a regular basis.
7. Review all reports required to be submitted by the independent auditors to the Examining Committee under Section 10A of the Securities Exchange Act.
8. Review, based upon the recommendation of the independent auditors and the chief internal auditor, the scope and plan of the work to be done by the independent auditors.



**With respect to the annual financial statements:**

9. Review and discuss with management, the internal audit group and the independent auditors the Bank's annual audited financial statements, including disclosures made in "Management's Discussion and Analysis of Financial Condition and Results of Operations."
10. Discuss with the independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61, as amended, relating to the conduct of the audit.
11. Recommend to the Board, if appropriate, that the Bank's annual audited financial statements be included in the Bank's annual report on Form 10-K for filing with the FDIC.
12. Prepare the report required by the FDIC to be included in the Bank's periodic reports, annual proxy statement and any other reports of the Examining Committee required by applicable securities laws or stock exchange listing requirements or rules.

**With respect to quarterly financial statements:**

13. Review and discuss with management, the internal audit group and the independent auditors the Bank's quarterly financial statements, including disclosures made in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the independent auditors' review of the quarterly financial statements, prior to submission to stockholders, any governmental body, any stock exchange or the public.

**Annual reviews:**

14. Discuss with management and the independent auditors major issues regarding accounting principles used in the preparation of the Bank's financial statements, including any significant changes in the Bank's selection or application of accounting principles. Review and discuss analyses prepared by management and/or the independent auditors setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative approaches under GAAP.
15. Prior to the filing of any audited financial statements with the FDIC, review with the independent auditors (i) all critical accounting policies and practices used by the Bank, (ii) all alternative accounting treatments of financial information within GAAP related to material items that have been discussed with management, including the ramifications of the use of such alternative treatments and disclosures and the treatment preferred by the independent auditors and (iii) other material written communications between the independent auditors and management.

**Periodic reviews:**

16. Periodically meet separately with each of management, the independent auditors and the internal audit group. At such meetings review (a) any significant disagreement between management and the independent auditors or the internal audit group in connection with the preparation of the financial statements, (b) any difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information and (c) management's response to each.
17. Periodically review with the independent auditor any other audit problems or difficulties (including accounting adjustments that were noted or proposed by the independent auditor but passed by management (due to immateriality or otherwise)), communications between the audit engagement team and the independent auditor's national office regarding auditing or accounting issues and management or internal control letters issued, or proposed to be issued, by the auditor to the Bank) and management's response to such letters.

18. Periodically discuss with the independent auditors, without management being present, (a) their judgments about the quality and appropriateness of the Bank's accounting principles and financial disclosure practices as applied in its financial reporting and (b) the completeness and accuracy of the Bank's financial statements.
19. Consider and approve, if appropriate, significant changes to the Bank's accounting principles and financial disclosure practices as suggested by the independent auditors, management or the internal audit group. Review with the independent auditors, management and the internal audit group, at appropriate intervals, the extent to which any changes or improvements in accounting or financial practices, as approved by the Examining Committee, have been implemented.
20. Review and discuss with management, the internal audit group, the independent auditors and the Bank's in-house and independent counsel, as appropriate, any legal, regulatory or compliance matters that could have a significant impact on the Bank's financial statements, including applicable changes in regulatory and accounting initiatives, standards or rules.

**Discussions with management:**

21. Review and discuss with management the Bank's earnings press releases, including the use of non-GAAP financial measures (as defined in Regulation G), as well as financial information and earnings guidance provided to analysts and rating agencies. Such discussions may be done generally (i.e., discussion of the types of information to be disclosed and the types of presentations to be made).
22. Review and discuss with management all material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the Bank with unconsolidated entities or other persons, that may have a material current or future effect on financial condition, changes in financial condition, results of operations, liquidity, capital resources, capital reserves or significant components of revenues or expenses.
23. Review and discuss with management the Bank's major risk exposures and the steps management has taken to monitor, control and manage such exposures, including the Bank's risk assessment and risk management guidelines and policies.

**With respect to the internal audit function and internal controls:**

24. Review, based upon the recommendation of the independent auditors and the chief internal auditor, the scope and plan of the work to be done by the internal audit group and the responsibilities, budget and staffing needs of the internal audit group.
25. Review and approve the appointment and replacement of the Bank's chief internal auditor.
26. Review on an annual basis the performance of the internal audit group.
27. In consultation with the independent auditors and the internal audit group, review the adequacy of the Bank's internal control structure and procedures designed to insure compliance with laws and regulations, and any special audit steps adopted in light of material control deficiencies.
28. Establish procedures for (a) the receipt, retention and treatment of complaints received by the Bank regarding accounting, internal accounting controls or auditing matters and (b) the confidential, anonymous submission by employees of the Bank of concerns regarding the questionable accounting or auditing matters.
29. Review, as appropriate, the elements required for FDICIA compliance, including (i) the internal control report prepared by management, including management's assessment of the effectiveness of the Bank's internal control over financial reporting, (ii) the independent

auditors' attestation, and report, on the assessment made by management and (iii) the FDICIA testing process.

30. Review with management and the independent auditors any reports or disclosure submitted by management to the Examining Committee as contemplated by the Certifications required under Section 302 of the Sarbanes-Oxley Act of 2002.

**Other:**

31. Review and approve all related-party transactions.
32. Review and approve (a) any amendment to or waiver from the Bank's code of ethics for the chief executive officer and senior financial officers and (b) any public disclosure made regarding such change or waiver.
33. Review and reassess the adequacy of this Charter annually and recommend to the Board any changes deemed appropriate by the Examining Committee.
34. Review its own performance annually.
35. Report regularly to the Board. Review with the full Board any issues that have arisen with respect to the quality or integrity of the Bank's financial statements, quality and adequacy of the Bank's internal controls, the Bank's compliance with legal or regulatory requirements, the performance and independence of the Bank's independent auditors or the performance of the internal audit group.
36. Perform any other activities consistent with this Charter, the Bank's By-laws and governing law, as the Examining Committee or the Board deems necessary or appropriate.

**V. Former Employees of the Independent Auditor**

The Examining Committee shall be required to preapprove the hiring of any employee or former employee of the independent auditor who was a member of the Bank's audit engagement team within the preceding two fiscal years. The Examining Committee shall not approve the hiring of any individual for a financial reporting oversight role if such person is or was an employee of the independent auditor and was a member of the Bank's audit engagement team within the preceding two fiscal years unless (A) (i) such individual is to be employed for a limited period of time due to an emergency or unusual situation and (ii) the Examining Committee determines that the hiring of such individual is in the best interests of the Bank's shareholders or (B) such individual becomes employed by the Bank as a result of a business combination and the Examining Committee was made aware of such individual's prior relationship with the Bank as a member of its audit engagement team.

**VI. Resources**

The Examining Committee shall have the authority to retain independent legal, accounting and other consultants to advise the Examining Committee. The Examining Committee may request any officer or employee of the Bank or the Bank's outside counsel or independent auditors to attend a meeting of the Examining Committee or to meet with any members of, or consultants to, the Examining Committee.

The Examining Committee shall determine the extent of funding necessary for payment of (a) compensation to the independent auditors engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Bank, (b) compensation to any independent legal, accounting and other consultants retained to advise the Examining Committee and (c) ordinary administrative expenses of the Examining Committee that are necessary or appropriate in carrying out its duties.

**2005 SPECIAL BONUS PLAN**

The 2005 Special Bonus Plan (the "Plan") is being provided and funded through (i) cash and (ii) shares of common stock, par value \$.01 per share ("Common Stock") of Signature Bank, a New York State chartered bank created under and governed by the banking laws of New York (the "Company") being made available by Hapoalim USA Holdings Company, Inc. ("Hapoalim"). The effectiveness of the Plan is subject to approval of the stockholders of the Company, in accordance with all applicable laws, regulations, and stock exchange rules and listing standards ("Shareholder Approval").

Upon the completion of (i) the sale by Hapoalim of its Common Stock interests in the Company that reduces its ownership interest in the Company to less than 10% of the Company's outstanding Common Stock as of the date of such transaction (the "Offering") and (ii) Shareholder Approval of the Plan, Hapoalim will make available for payments of bonus awards under the Plan 146,420 shares of Common Stock and an amount of cash equal to \$12 million less the value of the shares of Common Stock contributed (determined based upon the public offering price in the Offering).

As soon as practicable following Shareholder Approval, bonus awards will be paid to selected employees of the Company in the amount and form as determined by Hapoalim. Shares of Common Stock delivered to such employees in respect of bonus awards under the Plan, shall be fully vested and earned when delivered. No share of Common Stock delivered to an employee in respect of a bonus award under the Plan, may prior to the first anniversary of the consummation of the Offering be transferred by the employee by means of a sale, assignment, exchange, encumbrance, hypothecation, pledge or otherwise and any such purported sale, assignment, exchange, encumbrance, hypothecation or pledge shall be null and void and unenforceable against the Company. Shares of Common Stock so delivered shall, if certificated bear the following legend:

Transfer of the certificate and shares represented hereby is restricted pursuant to the terms of the 2005 Special Bonus Plan. Copies of the 2005 Special Bonus Plan are on file at the offices of Signature Bank.

and if not certificated shall be subject to a similar restriction.

Amounts paid with respect to bonus awards shall be subject to deduction for all federal, state, local and other taxes required by law to be withheld with respect to such bonus awards as well as the Company's portion of any applicable employment or payroll taxes.

The Plan is not intended to be subject to the Employee Retirement Income Security Act of 1974, as amended.

The Plan shall be governed by and construed in accordance with the laws of the State of New York, without reference to principles of conflict of laws.

The Plan is effective upon Shareholder Approval.