FORM 10-Q

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON D.C. 20429

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

For the quarterly period ended: June 30, 2017

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

For the transition period from __________ to _________

FDIC Certificate Number 57053

SIGNATURE BANK

(Exact name of Company as specified in its charter)

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

(646) 822-1500

(Company's telephone number, including area code)

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

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

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

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

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

Yes ☐ No ☒

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

CLASS OF COMMON STOCK	NUMBER OF SHARES OUTSTANDING – August 8, 2017
$.01 Par Value per share	**54,974,399**

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Form 10-Q

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

SIGNATURE BANK
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(dollars in thousands, except shares and per share amounts)		**June 30, 2017 (unaudited)**	**December 31, 2016**
ASSETS			
Cash and due from banks	$	489,888	499,856
Short-term investments		42,160	39,095
Total cash and cash equivalents		532,048	538,951
Securities available-for-sale		6,722,563	6,335,347
Securities held-to-maturity (fair value $2,051,815 at June 30, 2017 and $2,027,393 at December 31, 2016)		2,048,049	2,038,125
Federal Home Loan Bank stock		164,014	132,629
Loans held for sale		327,470	559,528
Loans and leases, net		30,203,170	28,829,670
Premises and equipment, net		56,337	50,698
Accrued interest and dividends receivable		103,317	102,963
Other assets		561,642	459,700
Total assets	$	40,718,610	39,047,611
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits			
Non-interest-bearing	$	10,570,920	10,520,529
Interest-bearing		22,598,073	21,340,731
Total deposits		33,168,993	31,861,260
Federal funds purchased and securities sold under agreements to repurchase		710,000	893,000
Federal Home Loan Bank borrowings		2,600,900	2,050,900
Subordinated debt		256,981	256,588
Accrued expenses and other liabilities		184,490	373,599
Total liabilities		36,921,364	35,435,347
Shareholders' equity			
Preferred stock, par value $.01 per share; 61,000,000 shares authorized; none issued at June 30, 2017 and December 31, 2016		-	-
Common stock, par value $.01 per share; 64,000,000 shares authorized; 54,974,399 shares issued and outstanding at June 30, 2017; 54,610,593 shares issued and outstanding at December 31, 2016		550	546
Additional paid-in capital		1,786,162	1,763,100
Retained earnings		2,051,205	1,903,332
Accumulated other comprehensive loss		(40,671)	(54,714)
Total shareholders' equity		3,797,246	3,612,264
Total liabilities and shareholders' equity	$	40,718,610	39,047,611

See accompanying notes to Consolidated Financial Statements.

SIGNATURE BANK
CONSOLIDATED STATEMENTS OF INCOME
(unaudited)

(dollars in thousands, except per share amounts)		*Three months ended June 30,* 2017	2016	*Six months ended June 30,* 2017	2016
INTEREST AND DIVIDEND INCOME					
Loans held for sale	$	860	742	2,244	1,991
Loans and leases, net		291,892	253,894	573,467	499,833
Securities available-for-sale		50,848	51,055	100,667	101,342
Securities held-to-maturity		14,784	16,044	29,797	32,333
Other investments		3,553	2,226	6,367	4,236
Total interest income		361,937	323,961	712,542	639,735
INTEREST EXPENSE					
Deposits		40,311	29,798	75,113	58,035
Federal funds purchased and securities sold under agreements to repurchase		2,025	3,099	5,416	6,167
Federal Home Loan Bank borrowings		8,756	6,510	15,772	12,669
Subordinated debt		3,605	2,906	7,245	2,906
Total interest expense		54,697	42,313	103,546	79,777
Net interest income before provision for loan and lease losses		307,240	281,648	608,996	559,958
Provision for loan and lease losses		187,590	33,269	207,220	53,081
Net interest income after provision for loan and lease losses		119,650	248,379	401,776	506,877
NON-INTEREST INCOME					
Commissions		3,051	2,619	6,058	5,326
Fees and service charges		6,067	5,451	12,015	10,601
Net gains on sales of securities		1,679	4,617	2,529	4,854
Net gains on sales of loans		1,956	1,354	4,453	2,981
Other-than-temporary impairment losses on securities:					
Total impairment losses on securities		(81)	(369)	(273)	(424)
Portion recognized in other comprehensive income (before taxes)		-	306	32	306
Net impairment losses on securities recognized in earnings		(81)	(63)	(241)	(118)
Other losses		(3,122)	(835)	(5,389)	(2,037)
Total non-interest income		9,550	13,143	19,425	21,607
NON-INTEREST EXPENSE					
Salaries and benefits		68,358	61,927	134,744	124,207
Occupancy and equipment		7,985	7,069	16,070	13,709
Data processing		5,464	4,874	10,773	9,759
FDIC assessment fees		6,839	4,302	12,981	9,285
Professional fees		2,667	2,304	6,040	4,190
Other general and administrative		24,960	11,833	38,863	23,485
Total non-interest expense		116,273	92,309	219,472	184,635
Income before income taxes		12,927	169,213	201,729	343,849
Income tax (benefit) expense		(1,030)	66,971	53,856	137,572
Net income	$	13,957	102,242	147,873	206,277
PER COMMON SHARE DATA					
Earnings per share – basic	$	0.26	1.91	2.74	3.88
Earnings per share – diluted	$	0.26	1.90	2.73	3.86

See accompanying notes to Consolidated Financial Statements.

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

	Three months ended June 30,		Six months ended June 30,	
(in thousands)	**2017**	**2016**	**2017**	**2016**
Net income	$ 13,957	102,242	147,873	206,277
Other comprehensive income, net of tax:				
Net unrealized gains on securities	10,403	18,313	23,310	85,090
Tax effect	(3,794)	(7,038)	(8,732)	(34,036)
Net of tax	6,609	11,275	14,578	51,054
Reclassification adjustment for net gains on sales of securities included in net income	(1,679)	(4,617)	(2,529)	(4,854)
Tax effect	622	1,846	947	1,942
Net of tax	(1,057)	(2,771)	(1,582)	(2,912)
Amortization of net unrealized loss on securities transferred to held-to-maturity	736	727	1,465	1,492
Tax effect	(270)	(288)	(549)	(597)
Net of tax	466	439	916	895
Other-than-temporary losses on securities related to noncredit factors	-	(306)	(32)	(306)
Tax effect	-	122	12	122
Net of tax	-	(184)	(20)	(184)
Reclassification adjustment for other-than-temporary impairment losses on securities related to credit factors included in net income	81	63	241	118
Tax effect	(29)	(25)	(90)	(47)
Net of tax	52	38	151	71
Total other comprehensive income, net of tax	6,070	8,797	14,043	48,924
Comprehensive income, net of tax	$ 20,027	111,039	161,916	255,201

See accompanying notes to Consolidated Financial Statements.

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CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(unaudited)

	Six months ended June 30, 2017					
(in thousands)		**Common stock**	**Additional paid-in capital**	**Retained earnings**	**Accumulated other comprehensive loss**	**Total shareholders' equity**
Balance at December 31, 2016	$	546	1,763,100	1,903,332	(54,714)	3,612,264
Common stock issued		-	-	-	-	-
Restricted stock activity, net		4	23,062	-	-	23,066
Stock warrant activity, net		-	-	-	-	-
Net Income		-	-	147,873	-	147,873
Other comprehensive income, net of tax		-	-		14,043	14,043
Balance at June 30, 2017	$	550	1,786,162	2,051,205	(40,671)	3,797,246

	Six months ended June 30, 2016						
(in thousands)		**Common stock**	**Additional paid-in capital**	**Retained earnings**	**Treasury stock**	**Accumulated other comprehensive income (loss)**	**Total shareholders' equity**
Balance at December 31, 2015	$	509	1,399,501	1,507,011	(5,684)	(9,503)	2,891,834
Common stock issued		24	318,631	-	-	-	318,655
Restricted stock activity, net		4	23,017	-	5,775	-	28,796
Stock warrant activity, net		-	91	-	(91)	-	-
Net Income		-	-	206,277	-	-	206,277
Other comprehensive income, net of tax		-	-	-	-	48,924	48,924
Balance at June 30, 2016	$	537	1,741,240	1,713,288	-	39,421	3,494,486

See accompanying notes to Consolidated Financial Statements.

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CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

(in thousands)	*Six months ended June 30,* 2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 147,873	206,277
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	5,756	4,859
Provision for loan and lease losses	207,220	53,081
Net impairment losses on securities recognized in earnings	241	118
Net amortization/accretion of premium/discount	56,042	52,375
Stock-based compensation expense	23,066	19,918
Net gains on sales of securities and loans	(6,982)	(7,835)
Purchases of loans held for sale	(1,004,009)	(923,136)
Proceeds from sales and principal repayments of loans held for sale	1,094,193	745,382
Net increase in accrued interest and dividends receivable	(354)	(5,691)
Deferred income tax expense (benefit)	24,512	(3,536)
Net increase in other assets	(137,002)	(94,906)
Net (decrease) increase in accrued expenses and other liabilities	(161,307)	31,564
Net cash provided by operating activities	249,249	78,470
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of securities available-for-sale ("AFS")	(880,464)	(724,760)
Proceeds from sales of securities AFS	75,636	116,725
Maturities, redemptions, calls and principal repayments on securities AFS	544,839	575,369
Purchases of securities held-to-maturity ("HTM")	(127,681)	(50,877)
Maturities, redemptions, calls and principal repayments on securities HTM	110,429	108,955
Purchases of Federal Home Loan Bank stock	(192,485)	-
Proceeds from redemptions of Federal Home Loan Bank stock	161,100	6,967
Net increase in loans and leases	(1,583,060)	(2,944,551)
Net purchases of premises and equipment	(11,395)	(7,071)
Net cash used in investing activities	(1,903,081)	(2,919,243)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in non-interest-bearing deposits	50,391	844,796
Net increase in interest-bearing deposits	1,257,342	1,960,055
Proceeds from the issuance of Federal Home Loan Bank borrowings	1,515,000	875,000
Repayment of Federal Home Loan Bank borrowings	(965,000)	(1,215,163)
Proceeds from the issuance of other borrowings	460,000	215,000
Repayment of other borrowings	(643,000)	(447,000)
Proceeds from the issuance of long-term debt, net	-	256,204
Tax benefit from stock-based compensation	-	8,879
Payments of employee taxes withheld from stock-based compensation	(27,804)	(26,968)
Issuance of common stock	-	318,654
Net cash provided by financing activities	1,646,929	2,789,457
Net decrease in cash and cash equivalents	(6,903)	(51,316)
Cash and cash equivalents at beginning of period	538,951	341,546
Cash and cash equivalents at end of period	$ 532,048	290,230
Supplemental disclosures of cash flow information:		
Interest paid during the period	$ 102,426	75,688
Income taxes paid during the period	$ 153,470	157,715
Non-cash investing activities:		
Transfer of loans to repossessed assets, at fair value	23,284	17,627

See accompanying notes to Consolidated Financial Statements.

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

1. Basis of Presentation and Consolidation

The accompanying unaudited Consolidated Financial Statements of the Bank have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") and practices within the banking industry. These financial statements have been prepared to reflect all adjustments necessary to present fairly the financial condition and results of operations as of the dates and for the periods shown. All significant intercompany accounts and transactions have been eliminated in consolidation. A reclassification was made to prior period financial statements to conform to the current period's presentation due to the adoption of ASU 2016-09, which required retrospective adoption of the classification of employee taxes paid within the Consolidated Statements of Cash Flows when an employer withholds shares for tax-withholding purposes.

The results of operations and other data presented for the quarter ended June 30, 2017 are not necessarily indicative of the results of operations that may be expected for the year ending December 31, 2017. The preparation of Consolidated Financial Statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates. The most significant estimates include the adequacy of the allowance for loan and lease losses ("ALLL" or the "allowance"), valuation of securities, and evaluation of other-than-temporary impairment (OTTI) of securities. Current market conditions increase the risk and complexity of the judgments involved in these estimates. See Critical Accounting Policies later in this report for additional information.

You should read these unaudited Consolidated Financial Statements and notes thereto and the related management's discussion and analysis together with the financial information in our 2016 Annual Report on Form 10-K, previously filed with the Federal Deposit Insurance Corporation ("FDIC"). There have not been any significant changes in the factors or methodology used in determining our accounting estimates or applied in our critical accounting policies since December 31, 2016 that are material in relation to our financial condition or results of operations.

2. Recent Accounting Pronouncements

(a) Not Yet Adopted

In May 2017, the FASB issued ASU No. 2017-09, *Compensation—Stock Compensation (Topic 718):* The standard clarifies when to account for a change to the terms or conditions of a share-based payment award as a modification. Under the new guidance, modification accounting is applied only if the fair value, the vesting conditions, and the classification of the award (as an equity or liability instrument) change as a result of the change in terms or conditions. For public business entities, the guidance is effective for fiscal years beginning after December 15, 2017, and interim periods therein. The ASU's amendments should be applied prospectively to awards modified on or after the effective date. Early adoption is permitted. The Company is currently evaluating the impact to its Consolidated Financial Statements; however, the impact is not expected to be material.

In March 2017, the FASB issued ASU No. 2017-08, *Receivables – Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities*. The standard shortens the amortization period for certain purchased callable debt securities held at a premium to the earliest call date. The guidance does not change the accounting for discount accretion. For public business entities, the guidance is effective for fiscal years beginning after December 15, 2018, and interim periods therein. Early adoption is permitted. The Company is currently evaluating the impact to its Consolidated Financial Statements; however, the impact is not expected to be material.

In August 2016, the FASB issued ASU No. 2016-15, *Classification of Certain Cash Receipts and Cash Payments—Statement of Cash Flows (Topic 230)*, which addresses several classification issues related to statement of cash flows presentation. The cash flow types impacted are: debt prepayment or debt extinguishment costs, settlement of zero-coupon bonds, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, proceeds from the settlement of corporate-owned life insurance policies, including bank-owned life insurance policies, distributions received from equity method investees, and beneficial interests in securitization transactions. The guidance also discusses separately identifiable cash flows and the application of the predominance principle for cash flows with multiple class types. The amendment is effective for interim and

annual periods beginning after December 15, 2017. Early adoption is permitted and the retrospective adoption method must be applied for each period presented upon adoption. An entity that elects early adoption must also adopt all of the amendments in the same period. The Company is currently evaluating the impact to its Consolidated Financial Statements; however, the impact is not expected to be material.

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

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

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

The standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years and requires a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. A prospective transition approach is required for debt securities for which an other-than-temporary impairment had been recognized before the effective date. Early adoption is permitted as of the fiscal years beginning after December 15, 2018. The CECL model represents a significant departure from current GAAP, and may result in material changes to the Company's accounting for financial instruments. The Company is currently evaluating the impact of this standard, initiating implementation efforts across the organization, and planning for loss modeling requirements consistent with lifetime expected loss estimates. Additionally, during the second quarter, the Company commenced a gap analysis to determine areas of focus for an effective adoption. The adoption of this standard could have a material impact on the Company's Financial Statements depending on the characteristics of our loan portfolio, as well as the current and forecasted economic conditions as of the date of adoption.

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

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

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The Company plans to adopt ASU No. 2014-09 effective January 1, 2018 using the modified retrospective method, which includes presenting the cumulative effect of initial adoption along with supplementary disclosures. The Company has completed its scoping related to the impact of adoption and determined the majority of our revenue streams are out of scope since our primary revenue streams are accounted for in accordance with financial instrument standards. However, we determined that fees and services charges related to deposit accounts, as well as commissions, are the two revenue streams that could be impacted most significantly. We are currently analyzing underlying client contracts to evaluate the impact upon adoption, if any. Additionally, the standard will also impact how the Company accounts for repossessed assets. Based on our current repossessed asset balance, we do not expect this impact to be material, but we will continue to re-assess on a quarterly basis. Overall, Management does not currently expect the adoption to have a material impact on the Company's Consolidated Financial Statements.

(b) Recently Adopted

In April 2016, the FASB issued ASU 2016-09, *Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*, which will simplify various aspects related to how share-based payments are accounted for and presented in the financial statements. Prospectively, excess tax benefits and certain tax deficiencies for share-based payments will be recorded as income tax expense or benefit within the Consolidated Statements of Income, rather than within Additional paid-in

capital. Other amendments include changes to the tax rate an employer can withhold for income taxes on vested awards without triggering application of liability accounting, accounting for forfeitures and certain changes to presentation in the statement of cash flows, and changes to the earnings per share calculation related to the excess tax benefit. The amendments were effective for interim and annual periods beginning after December 15, 2016. We adopted the applicable requirements for ASU 2016-09 on January 1, 2017 with no impact to our financial condition or results of operations. Upon adoption, the Company made an accounting policy election to account for forfeitures of restricted stock awards as they occur, as opposed to estimate forfeitures when recording compensation expense. The required statement of cash flow changes were also applied in the current period. The classification of employee taxes paid within the Consolidated Statements of Cash Flows when an employer withholds shares for tax-withholding purposes was adopted on a retrospective basis, as required by the ASU. Additionally, following the adoption of this standard and due to restricted stock vestings in the first and second quarters of 2017, tax benefits of $2.9 million and $3.6 million were recorded within Income tax expense (benefit) in the Consolidated Statements of Income.

In April 2015, the FASB issued ASU 2015-03, *Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*, to conform the presentation of debt issuance costs to that of debt discounts and premiums. The ASU requires that debt issuance costs related to a recognized debt liability be presented in the Consolidated Statements of Financial Condition as a direct reduction from the carrying amount of that debt liability. The guidance was effective January 1, 2016. As a result of the Bank's issuance of subordinated debt in April 2016, the associated debt issuance cost of $3.0 million was reported as a direct reduction to the debt carrying amount in the Consolidated Financial Statements. Since issuance, the original balance has amortized and therefore, reduced.

3. Earnings Per Share

The following table shows the computation of basic and diluted earnings per common and common equivalent share for the three and six months ended June 30, 2017 and 2016:

	Three months ended June 30,		*Six months ended June 30,*	
(in thousands, except per share amounts)	**2017**	**2016**	**2017**	**2016**
Net income	$ 13,957	102,242	147,873	206,277
Common and common equivalent shares:				
Weighted average common shares outstanding	54,083	53,668	53,902	53,126
Weighted average common equivalent shares	207	218	360	335
Weighted average common and common equivalent shares	54,290	53,886	54,262	53,461
Basic earnings per share	$ 0.26	1.91	2.74	3.88
Diluted earnings per share	$ 0.26	1.90	2.73	3.86

For the three and six months ended June 30, 2017 and 2016, there were no anti-dilutive options or warrants excluded from the computation of diluted earnings per share as their exercise price did not exceed the average market price of the Company's common shares.

4. Fair Value Measurements

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

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

- Level 1 – Valuations are based on quoted prices in active markets for identical assets or liabilities. Accordingly, valuation of these assets and liabilities does not entail a significant degree of judgment. Examples include most U.S. Treasury securities and exchange-traded equity securities.

- Level 2 – Valuations are based on either quoted prices in markets that are not considered to be active or significant inputs to the methodology that are observable, either directly or indirectly. Examples include U.S. Government Agency securities, municipal bonds, corporate bonds, certain residential and commercial mortgage-backed securities, deposits, and most structured notes.

- Level 3 – Valuations are based on inputs to the methodology that are unobservable and significant to the fair value measurement. These inputs reflect management's own judgments about the assumptions that market participants would use in pricing the assets and liabilities. Examples include certain commercial loans, certain residential and commercial mortgage-backed securities, private equity investments, and complex over-the-counter derivatives.

Valuation Methodology

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

We utilize independent third-party pricing sources to value most of our investment securities. In order to ensure the fair valuations obtained are appropriate, we typically compare data from two or more independent third-party pricing sources. If there is a price discrepancy greater than thresholds established by management between two pricing sources for an individual security, we utilize industry market spread data to assist in determining the most appropriate valuation. In addition, the third-party pricing sources have an established challenge process in place for all security valuations, which facilitates identification and resolution of potentially erroneous prices. We believe that the prices received from our pricing sources are representative of prices that would be received to sell the assets at the measurement date (exit prices) and are classified appropriately in the hierarchy.

The valuations provided by the pricing services are derived from quoted market prices or using matrix pricing. Matrix pricing is a valuation technique consistent with the market approach of determining fair value. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets. Matrix pricing is a mathematical technique used principally to value debt securities without relying exclusively on quoted prices of specific securities, but rather on the securities' relationship to other benchmark quoted securities. Most of our securities portfolio is priced using this method, and such securities are classified as Level 2.

Securities are classified within Level 3 of the valuation hierarchy in cases where there is limited activity or less transparency around inputs to the valuation. In these cases, the valuations are determined based upon an analysis of the cash flow structure and credit analysis for each position. Relative market spreads are utilized to discount the cash flow to determine current market values, as well as analysis of relative coverage ratios, credit enhancements, and collateral characteristics. Small Business Administration ("SBA") interest-only strip securities, pooled trust preferred securities, and private collateralized mortgage obligations ("CMOs") are all included in the Level 3 fair value hierarchy.

Markets for SBA interest-only strip securities are relatively inactive, with limited observable secondary market transactions. Our SBA interest-only strip securities are classified as other debt securities available-for-sale ("AFS") and reported at fair value, with changes in fair value recognized in accumulated other comprehensive loss. The securities are valued using Level 3 inputs and had fair values of $131.7 million at June 30, 2017 and $130.4 million at December 31, 2016. Since the cash flows of the SBA interest-only strip securities are guaranteed by the U.S. Government, there is limited credit risk involved. Therefore, the primary assumption built into the pricing model to generate the projected cash flows used to compute the fair values of the SBA interest-only strip securities is the discount yield. If the discount yield were to change by 100 basis points, the fair values of our SBA interest-only strip securities would increase or decrease accordingly by approximately 10%. The Bank determined the inputs to the discounted cash flow model based on historical performance and information provided by brokers.

Our pooled trust preferred securities are classified as AFS and had fair values of $22.1 million at June 30, 2017 and $17.1 million at December 31, 2016. Due to a relatively inactive market for pooled trust preferred securities with limited observable secondary market transactions, the fair values of these securities are determined using a discounted cash flow analysis. Unobservable inputs are used in the discounted cash flow model, the most significant of which is the market risk premium. If this assumption were to change by 300 basis points, the fair values of our Level 3 pooled trust preferred securities would increase or decrease accordingly by approximately 35%.

Level 3 private CMOs classified as AFS had fair values of $11.1 million at June 30, 2017 and $11.6 million at December 31, 2016. The fair values for these securities are determined based upon a discounted cash flow model, with the market risk premium as the most significant unobservable input. If this assumption were to change by 300 basis points, the fair values of our Level 3 private CMOs would increase or decrease accordingly by approximately 10%.

Financial Instruments Measured at Fair Value on a Recurring Basis

The following table presents the assets and liabilities that are measured at fair value on a recurring basis as of June 30, 2017 and December 31, 2016, classified according to the three-level valuation hierarchy:

(in thousands)	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Carrying Value
June 30, 2017				
ASSETS				
Securities available-for-sale:				
U.S. Treasury securities	$ 5,004	-	-	5,004
Residential mortgage-backed securities:				
U.S. Government Agency	-	25,808	-	25,808
Government-sponsored enterprises	-	1,396,443	-	1,396,443
Collateralized mortgage obligations:				
U.S. Government Agency	-	291,150	-	291,150
Government-sponsored enterprises	-	3,682,716	-	3,682,716
Private	-	374,140	11,144	385,284
Securities of U.S. states and political subdivisions:				
Municipal Bond - Taxable	-	8,182	-	8,182
Other debt securities:				
Commercial mortgage-backed securities	-	135,069	-	135,069
Single issuer trust preferred & corporate debt securities	-	425,744	-	425,744
Pooled trust preferred securities	-	-	22,111	22,111
Collateralized debt obligations	-	-	361	361
Other	-	192,073	131,679	323,752
Equity securities (1)	-	20,939	-	20,939
Total securities available-for-sale	5,004	6,552,264	165,295	6,722,563
Derivatives	-	2,648	-	2,648
Total assets	$ 5,004	6,554,912	165,295	6,725,211
LIABILITIES				
Derivatives	$ -	4,417	60	4,477
Total liabilities	$ -	4,417	60	4,477
December 31, 2016				
ASSETS				
Securities available-for-sale:				
U.S. Treasury securities	$ 1,999	-	-	1,999
Residential mortgage-backed securities:				
U.S. Government Agency	-	14,893	-	14,893
Government-sponsored enterprises	-	1,350,423	-	1,350,423
Collateralized mortgage obligations:				
U.S. Government Agency	-	332,042	-	332,042
Government-sponsored enterprises	-	3,403,766	-	3,403,766
Private	-	372,215	11,583	383,798
Securities of U.S. states and political subdivisions:				
Municipal Bond - Taxable	-	8,349	-	8,349
Other debt securities:	-	-	-	-
Commercial mortgage-backed securities	-	151,201	-	151,201
Single issuer trust preferred & corporate debt securities	-	402,888	-	402,888
Pooled trust preferred securities	-	-	17,084	17,084
Collateralized debt obligations	-	-	5,541	5,541
Other	-	112,324	130,372	242,696
Equity securities (1)	-	20,667	-	20,667
Total securities available-for-sale	1,999	6,168,768	164,580	6,335,347
Derivatives	-	2,238	-	2,238
Total assets	$ 1,999	6,171,006	164,580	6,337,585
LIABILITIES				
Derivatives	$ -	2,350	69	2,419
Total liabilities	$ -	2,350	69	2,419

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

Changes in Fair Value Measurements

We recognize transfers between levels of the valuation hierarchy at the end of reporting periods. There were no transfers of assets between Level 1 and Level 2 during the three and six months ended June 30, 2017 and 2016. Additionally, the following table presents information for AFS securities and derivatives measured at fair value on a recurring basis and classified by the Bank within Level 3 of the valuation hierarchy for the periods indicated:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	
(in thousands)	**AFS Securities**	**Derivative Liabilities**
Three months ended June 30, 2017		
Beginning balance - Level 3	$ 183,781	(57)
Formation of SBA interest-only strip securities	18,184	-
Transfers into Level 3	-	-
Transfers out of Level 3	-	-
Total gains or (losses) (realized/unrealized):		
Included in earnings:	-	-
Non-interest income	1,915	(3)
Interest income	(5,292)	-
Included in other comprehensive income	(2,053)	-
Sale of AFS securities	(31,240)	-
Ending balance - Level 3	$ 165,295	(60)
Three months ended June 30, 2016		
Beginning balance - Level 3	$ 196,369	(242)
Formation of SBA interest-only strip securities	23,150	-
Transfers into Level 3	-	-
Transfers out of Level 3	-	-
Total gains or (losses) (realized/unrealized):		
Included in earnings:		
Non-interest income	-	(33)
Interest income	(5,974)	-
Included in other comprehensive income	(1,581)	-
Sale of AFS securities	(4,044)	-
Ending balance - Level 3	$ 207,920	(275)

(in thousands)	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)		
		AFS Securities	Derivative Liabilities
Six months ended June 30, 2017			
Beginning balance - Level 3	$	164,580	(69)
Formation of SBA interest-only strip securities		55,708	-
Purchase of risk participation agreement		-	(38)
Transfers into Level 3		-	-
Transfers out of Level 3		-	-
Total gains or (losses) (realized/unrealized):			
Included in earnings:		-	-
Non-interest income		1,838	47
Interest income		(10,345)	-
Included in other comprehensive income		1,403	-
Sale of AFS securities		(47,889)	-
Ending balance - Level 3	$	165,295	(60)
Six months ended June 30, 2016			
Beginning balance - Level 3	$	167,093	(135)
Formation of SBA interest-only strip securities		57,510	-
Transfers into Level 3		-	-
Transfers out of Level 3		-	-
Total gains or (losses) (realized/unrealized):			
Included in earnings:			
Non-interest income		(54)	(140)
Interest income		(11,168)	-
Included in other comprehensive income		(141)	-
Sale of AFS securities		(5,320)	-
Ending balance - Level 3	$	207,920	(275)

Assets Measured at Fair Value on a Non-recurring Basis

Certain assets are measured at fair value on a non-recurring basis. These assets are not measured at fair value on an on-going basis but are subject to fair value adjustments only in certain circumstances, such as when there is impairment or when an adjustment is required to reduce the carrying value to the lower of cost or fair value. These assets may include collateral-dependent impaired loans, securities held-to-maturity ("HTM") that are other-than-temporarily impaired, loans held-for-sale, repossessed assets, and certain long-lived assets.

The following table presents the assets that were measured at fair value on a non-recurring basis as of June 30, 2017 and December 31, 2016, classified according to the three-level valuation hierarchy:

(in thousands)		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Carrying Value
June 30, 2017					
Collateral-dependent impaired loans:					
1-4 family residential property	$	-	-	772	772
Home equity lines of credit		-	-	1,349	1,349
Commercial and industrial (1)		-	-	348,614	348,614
Other repossessed assets		-	-	24,804	24,804
Total assets	$	-	-	375,539	375,539
December 31, 2016					
Collateral-dependent impaired loans:					
Commercial property	$	-	-	7,435	7,435
1-4 family residential property		-	-	1,185	1,185
Home equity lines of credit		-	-	3,200	3,200
Commercial and industrial (1)		-	-	173,068	173,068
Other repossessed assets		-	-	18,628	18,628
Total assets	$	-	-	203,516	203,516

(1) Includes $339.5 million and $162.5 million of taxi medallion loans as of June 30, 2017 and December 31, 2016, respectively.

Impaired loans that are secured by collateral ("collateral-dependent loans") are reported at the fair value of the underlying collateral, less selling costs, as applicable. Fair value estimates for collateral-dependent loans are determined based on individual appraisals that may be discounted by management for unobservable factors resulting from its knowledge of the property. In the table above, the predominance of the commercial and industrial loans are taxi medallion loans. To measure these collateral-dependent loans at fair value on a non-recurring basis, the taxi medallion fair value is based on the weighting of both recent market transfer values and a discounted cash flow model. The discounted cash flow model uses discount rates, fare/lease revenue and associated expenses such as vehicle costs, fuel, credit card processing fees, repair costs, insurance, as the most significant valuation inputs. See Note 7 to our Consolidated Financial Statements for further discussion.

Fair value adjustments for collateral-dependent impaired loans are recorded through direct loan charge-offs and/or through a specific allocation of the ALLL. During the three and six months ended June 30, 2017, we recorded fair value adjustments on collateral-dependent impaired loans totaling $189.4 million and $205.9 million, respectively, compared to fair value adjustments on collateral-dependent impaired loans totaling $16.2 million and $19.4 million recorded for the three and six months ended June 30, 2016. The current quarter adjustments principally related to the New York City taxi medallion portfolio due to charge-offs recorded in conjunction with the nonaccrual classification of all previously accruing taxi medallion loans as a result of a marked decline in the underlying collateral's fair value during the second quarter of 2017, and the resulting doubt regarding collectability of each loan within the portfolio. See Note 7 to our Consolidated Financial Statements for further discussion.

Repossessed assets are comprised of any property ("other real estate" or "ORE") or other asset acquired through loan restructurings, foreclosure proceedings, or acceptance of a deed-in-lieu of foreclosure. Repossessed assets are carried at the lower of cost or fair value, less estimated selling costs. Fair value is determined through current appraisals or, for taxi medallions, a combination of recent market transfer prices and a discounted cash flow approach. Fair value adjustments are reported through a valuation allowance against the asset.

During the three and six months ended June 30, 2017, we recorded fair value adjustments on taxi medallion repossessed assets totaling $11.5 million and $13.1 million respectively, compared to $742,000 during the three and six months ended June 30, 2016. Additionally, in conjunction with the repossession of $1.6 million and $22.3 million in additional taxi medallions during the three and six months ended June 30, 2017, respectively, we recorded charge-offs to the ALLL totaling $209,000 and $924,000, respectively. Comparatively, during the three and six months ended June 30, 2016, we repossessed $13.7 million in taxi medallions, which resulted in charge-offs of $356,000 to the ALLL. See the Asset Quality section within Management's Discussion and Analysis for additional information regarding repossessed assets.

Other Fair Value Disclosures

The preparation of financial statements in accordance with U.S. GAAP requires disclosure of the fair value of financial assets and liabilities, including those items that are not measured and reported at fair value on a recurring or non-recurring basis. The methodologies for estimating the fair value of financial assets and liabilities that are measured at fair value on a recurring or non-recurring basis are discussed above. The methodologies for estimating the fair value of other items, which are carried on the Consolidated Statements of Financial Condition at cost or amortized cost, are discussed below.

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

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

Federal Home Loan Bank stock, which is required as part of membership, has no trading market and is redeemable at par. Accordingly, its fair value is presented at the redemption (par) value.

Our loans held for sale consist of the government-guaranteed portion of SBA loans. The fair value of our loans held for sale approximates cost, as these loans have adjustable rates and are backed by the full faith and credit of the U.S. Government.

The estimated fair value of our loans and leases, net, is based on the discounted value of contractual cash flows using interest rates that approximate those offered for loans with similar maturities and collateral requirements to borrowers of comparable credit worthiness. Since this method of estimating fair value is based on a comparison to current market rates for similar loans, it does not fully incorporate an exit-value approach to estimating fair value, which would also consider adjustments for other factors such as liquidity and credit quality. The fair value estimate could be affected significantly by these other factors.

Deposits are mostly non-interest-bearing or NOW and money market deposits that bear floating interest rates that are re-priced based on market considerations and the Bank's strategy. Therefore, the carrying value approximates fair value. The carrying and fair values do not include the intangible fair value of core deposit relationships, which comprise a significant portion of our deposit base. Management believes that the Bank's core deposit relationships represent a relatively stable, low-cost source of funding that has a substantial intangible value separate from the deposit balances. Time deposits, 82.9% of which mature within one year, had a carrying value and estimated fair value of $1.44 billion at June 30, 2017. The estimated fair value is based on the discounted value of contractual cash flows using interest rates that approximated those offered for time deposits with similar maturities and terms.

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

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

		Estimated Fair Value Measurements			
(in thousands)	Carrying Amount	Total	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2017					
FINANCIAL ASSETS					
Cash and cash equivalents	$ 532,048	532,048	532,048	-	-
Securities available-for-sale	6,722,563	6,722,563	5,004	6,552,264	165,295
Securities held-to-maturity	2,048,049	2,051,815	-	2,051,815	-
Federal Home Loan Bank stock (1)	164,014	164,014	-	164,014	-
Loans held for sale	327,470	327,470	-	327,470	-
Loans and leases, net (2)	30,203,170	30,215,049	-	-	30,215,049
Derivatives	2,648	2,648	-	2,648	-
Total financial assets	$ 39,999,962	40,015,607	537,052	9,098,211	30,380,344
FINANCIAL LIABILITIES					
Deposits (3)	$ 33,168,993	33,166,211	-	33,166,211	-
Federal Home Loan Bank borrowings (4)	2,600,900	2,598,595	-	2,598,595	-
Broker repurchase agreements	250,000	250,955	-	250,955	-
Federal funds purchased	460,000	460,000	460,000	-	-
Subordinated debt	256,981	270,010	-	270,010	-
Derivatives	4,477	4,477	-	4,417	60
Total financial liabilities	$ 36,741,351	36,750,248	460,000	36,290,188	60
December 31, 2016					
FINANCIAL ASSETS					
Cash and cash equivalents	$ 538,951	538,951	538,951	-	-
Securities available-for-sale	6,335,347	6,335,347	1,999	6,168,768	164,580
Securities held-to-maturity	2,038,125	2,027,393	-	2,027,393	-
Federal Home Loan Bank stock (1)	132,629	132,629	-	132,629	-
Loans held for sale	559,528	559,528	-	559,528	-
Loans and leases, net (2)	28,829,670	28,577,663	-	-	28,577,663
Derivatives	2,238	2,238	-	2,238	-
Total financial assets	$ 38,436,488	38,173,749	540,950	8,890,556	28,742,243
FINANCIAL LIABILITIES					
Deposits (3)	$ 31,861,260	31,859,514	-	31,859,514	-
Federal Home Loan Bank borrowings (4)	2,050,900	2,050,687	-	2,050,687	-
Broker repurchase agreements	350,000	353,289	-	353,289	-
Federal funds purchased	543,000	543,000	543,000	-	-
Subordinated debt	256,588	265,841	-	265,841	-
Derivatives	2,419	2,419	-	2,350	69
Total financial liabilities	$ 35,064,167	35,074,750	543,000	34,531,681	69

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

(2) The estimated fair value measurements for loans and leases include adjustments related to market interest rates. No adjustments are made related to credit quality, liquidity, and to reflect the related allowances for loan and lease losses.

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

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

5. Securities

We generally invest in U.S. Government agency obligations, securities guaranteed by U.S. Government-sponsored enterprises, and other investment grade securities. The fair value of these investments fluctuates based on several factors, including general interest rate changes. For collateralized mortgage obligations and certain other debt securities, fair value fluctuates based on credit quality, changes in credit spreads, and the degree of market liquidity, among other factors.

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

	At June 30, 2017				*At December 31, 2016*			
(in thousands)	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
AVAILABLE-FOR-SALE								
U.S. Treasury securities	$ 4,996	13	(5)	5,004	2,000	-	(1)	1,999
Residential mortgage-backed securities:								
U.S. Government Agency	25,548	491	(231)	25,808	14,443	553	(103)	14,893
Government-sponsored enterprises	1,398,430	10,973	(12,960)	1,396,443	1,352,441	11,999	(14,017)	1,350,423
Collateralized mortgage obligations:								
U.S. Government Agency	293,147	2,703	(4,700)	291,150	332,886	3,588	(4,432)	332,042
Government-sponsored enterprises	3,718,456	17,697	(53,437)	3,682,716	3,451,257	14,670	(62,161)	3,403,766
Private	388,367	1,062	(4,145)	385,284	389,722	891	(6,815)	383,798
Securities of U.S. states and political subdivisions:								
Municipal Bond - Taxable	8,125	57	-	8,182	8,556	-	(207)	8,349
Other debt securities:								
Commercial mortgage-backed securities	133,111	2,111	(153)	135,069	149,862	1,906	(567)	151,201
Single issuer trust preferred & corporate debt securities	422,684	5,736	(2,676)	425,744	403,668	4,923	(5,703)	402,888
Pooled trust preferred securities	25,388	712	(3,989)	22,111	25,315	-	(8,231)	17,084
Collateralized debt obligations	361	-	-	361	4,457	1,084	-	5,541
Other	330,515	680	(7,443)	323,752	250,689	331	(8,324)	242,696
Equity securities (1)	21,989	-	(1,050)	20,939	21,731	-	(1,064)	20,667
Total available-for-sale	$ 6,771,117	42,235	(90,789)	6,722,563	6,407,027	39,945	(111,625)	6,335,347
HELD-TO-MATURITY								
Residential mortgage-backed securities:								
U.S. Government Agency	$ 4,760	47	(136)	4,671	5,286	50	(123)	5,213
Government-sponsored enterprises	410,284	4,003	(4,158)	410,129	416,415	4,168	(4,387)	416,196
Collateralized mortgage obligations:								
U.S. Government Agency	230,172	1,555	(2,880)	228,847	248,699	1,782	(3,538)	246,943
Government-sponsored enterprises	1,332,057	13,662	(12,460)	1,333,259	1,295,413	10,055	(21,228)	1,284,240
Private	3,307	-	(4)	3,303	3,652	-	(295)	3,357
Other debt securities:								
Commercial mortgage-backed securities	17,975	603	-	18,578	17,994	745	-	18,739
Single issuer trust preferred & corporate debt securities	48,664	3,502	-	52,166	48,800	2,031	(18)	50,813
Other	830	32	-	862	1,866	27	(1)	1,892
Total held-to-maturity	$ 2,048,049	23,404	(19,638)	2,051,815	2,038,125	18,858	(29,590)	2,027,393

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

On December 10, 2013, federal regulators issued a final rule implementing the "Volcker Rule" enacted as part of the Dodd-Frank Act. The Volcker Rule prohibits banking organizations and their affiliates from investing in and sponsoring certain types of funds, including a range of asset securitization structures, that do not meet the exemptive criteria for continued ownership (defined as "Covered Funds"). The Federal Reserve previously exercised its authority to extend the divestiture period for such pre-2014 investments to July 21, 2017. The Bank has limited activities that are impacted by the Volcker Rule, and the only prohibited activity relates to our holding of certain AFS securities in investment vehicles that meet the definition of Covered Funds and, therefore, must be divested on or before July 21, 2017. These securities, which are predominantly collateralized mortgage obligations, had a total fair value and amortized cost of $1.4 million as of June 30, 2017. As of July 21, 2017, the Bank held investments in Covered Funds consisting of four private CMO re-remic securities with a fair value of $193,000 and a book value of $192,000. These securities are expected to pay down in their entirety within the next few months. During the six months ended June 30, 2017, 12 Covered Fund securities were sold for a total gain of $73,000, and there were two Covered Fund securities sold during the six months ended June 30, 2016 for a total gain of $5,000.

Gross realized gains on sales of AFS securities during the three and six months ended June 30, 2017 were $2.4 million and $3.2 million, respectively, compared to $4.6 million and $4.9 million for the three and six months ended June 30, 2016, respectively.

There were gross realized losses totaling $680,000 for the three and six months ended June 30, 2017 related to the sale of one Covered Fund AFS security. There were no gross realized losses on sales of AFS securities for the three and six months ended June 30, 2016.

We use securities as collateral for debtor-in-possession deposit accounts in excess of FDIC insurance limits, clients' treasury tax and loan deposits, public deposits, securities sold under agreements to repurchase and borrowings from the Federal Home Loan Bank of New York. As of June 30, 2017 and December 31, 2016, the carrying value of our pledged securities totaled $3.44 billion and $3.76 billion, respectively.

During the three and six months ended June 30, 2017 and 2016, we recognized other-than-temporary impairment losses on debt securities as summarized in the tables below. With the exception of those securities that are issued by entities that constitute Covered Funds under the Volcker Rule, we do not intend to sell the securities for which we have recognized temporary impairment losses, and it is not more likely than not that we will be required to sell the securities prior to recovery.

(in thousands)	**Number of Securities**	**Total Other-than-temporary Impairment Losses**	**Less: Noncredit Portion Recognized in OCI**	**Net Impairment Losses Recognized in Earnings** (1)
Three months ended June 30, 2017				
AVAILABLE-FOR-SALE				
Collateralized debt obligations	1	$ (80)	-	(80)
Collateralized mortgage obligations	3	(1)	-	(1)
Total other-than-temporarily impaired securities	4	$ (81)	-	(81)
Three months ended June 30, 2016				
AVAILABLE-FOR-SALE				
Collateralized mortgage obligations	2	$ (369)	306	(63)
Total other-than-temporarily impaired securities	2	$ (369)	306	(63)

(1) The three months ended June 30, 2017 and June 30, 2016 include losses on CMOs that meet the definition of Covered Funds under the Volcker Rule totaling $1,000 and zero, respectively. The three months ended June 30, 2017 and June 30, 2016 include losses on CDOs that meet the definition of Covered Funds under the Volcker Rule totaling $80,000 and zero, respectively.

(in thousands)	**Number of Securities**	**Total Other-than-temporary Impairment Losses**	**Less: Noncredit Portion Recognized in OCI**	**Net Impairment Losses Recognized in Earnings** (1)
Six months ended June 30, 2017				
AVAILABLE-FOR-SALE				
Collateralized debt obligations	1	$ (157)	-	(157)
Collateralized mortgage obligations	5	(116)	32	(84)
Total other-than-temporarily impaired securities	6	$ (273)	32	(241)
Six months ended June 30, 2016				
AVAILABLE-FOR-SALE				
Collateralized debt obligations	1	$ (54)	-	(54)
Collateralized mortgage obligations	4	(370)	306	(64)
Total other-than-temporarily impaired securities	5	$ (424)	306	(118)

(1) The six months ended June 30, 2017 includes losses on CDOs and CMOs that meet the definition of Covered Funds under the Volcker Rule totaling $157,000 and $13,000, respectively. The six months ended June 30, 2016 includes losses on CDOs and CMOs that meet the definition of Covered Funds under the Volcker Rule totaling $54,000 and $1,000, respectively.

The following table presents a roll forward of activity related to the credit component of other-than-temporary impairments recognized in pre-tax earnings on debt securities held at period-end for which a portion of the impairment was recognized in other comprehensive income (loss) at period-end:

	Three months ended June 30,		Six months ended June 30,	
(in thousands)	**2017** (1)	**2016** (2)	**2017** (1)	**2016** (2)
Cumulative credit component of other-than-temporary impairment losses at beginning of period	$ 28,049	30,006	27,892	29,970
Additions for the credit component on debt securities for which other-than-temporary impairment was not previously recognized	-	-	-	-
Additions for the credit component on debt securities for which other-than-temporary impairment was previously recognized	81	63	241	118
Reduction for realized losses on debt securities sold, matured, and other	(7,916)	(1,927)	(7,919)	(1,946)
Cumulative credit component of other-than-temporary impairment losses at end of period	$ 20,214	28,142	20,214	28,142

(1) The cumulative credit component of other-than-temporary impairment losses at June 30, 2017 includes $6.1 million of losses on securities that meet the definition of Covered Funds under the Volcker Rule.

(2) The cumulative credit component of other-than-temporary impairment losses at June 30, 2016 includes $13.8 million of losses on securities that meet the definition of Covered Funds under the Volcker Rule.

When estimating the portion of other-than-temporary impairment loss attributable to credit, we use a discounted cash flow model that considers credit enhancement and structural protection. The estimation of cash flow incorporates numerous assumptions including default rates, severity estimates, recovery rates, prepayment speeds and structural enhancement characteristics. Assumptions will vary based upon the specific underlying characteristics and collateral profiles of the underlying securities. Specifically, assumptions are determined based upon collateral vintage, borrower characteristics, geographical data and payment performance. Market data and third-party inputs are utilized to validate assumptions. Subsequent assessments may result in additional estimated credit losses on previously impaired securities. These additional estimated credit losses are recorded as reclassifications from the portion of other-than-temporary impairment previously recognized in other comprehensive income (loss) to earnings in the period of such assessments. In our review of CDOs and CMOs for other-than-temporary impairment, we evaluated the collateral performance and structural credit enhancement assumptions, along with other market considerations, for each security. In our review of bank-collateralized pooled trust preferred securities for other-than-temporary impairment, we considered various annual default scenarios. Additionally, the collateral was reviewed to determine if additional bank issuers should be assumed to be an immediate default or would cure (resume paying interest) based on Fitch credit scoring, ratio of non-performing assets to tangible common equity and loan loss reserves, capital levels, and FDIC quarterly trends. Based on this review, we assumed that certain bank issuers on our watch list will default and others will cure in the future. Utilizing our assumptions, we then discounted the cash flows to assess the amount of credit loss.

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

(in thousands)	Less than 12 months		12 months or longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
June 30, 2017						
Temporarily-impaired securities						
U.S. Treasury securities	$ 1,995	(5)	-	-	1,995	(5)
Residential mortgage-backed securities:						
U.S. Government Agency	15,845	(192)	675	(39)	16,520	(231)
Government-sponsored enterprises	793,167	(11,453)	45,571	(1,507)	838,738	(12,960)
Collateralized mortgage obligations:						
U.S. Government Agency	106,229	(1,930)	44,417	(2,770)	150,646	(4,700)
Government-sponsored enterprises	1,929,303	(31,919)	510,812	(20,531)	2,440,115	(52,450)
Private	164,709	(1,506)	57,648	(1,052)	222,357	(2,558)
Other debt securities:						
Commercial mortgage-backed securities	27,481	(153)	-	-	27,481	(153)
Single issuer trust preferred & corporate debt securities	89,995	(809)	104,532	(1,867)	194,527	(2,676)
Pooled trust preferred securities	-	-	3,633	(2,078)	3,633	(2,078)
Other	131,737	(6,884)	152,404	(544)	284,141	(7,428)
Equity securities (1)	7,698	(162)	13,241	(888)	20,939	(1,050)
Total temporarily-impaired securities	3,268,159	(55,013)	932,933	(31,276)	4,201,092	(86,289)
Other-than-temporarily impaired securities						
Collateralized mortgage obligations:						
Government-sponsored enterprises	-	-	656	(987)	656	(987)
Private	219	(15)	14,655	(1,572)	14,874	(1,587)
Other debt securities:						
Pooled trust preferred securities	-	-	11,724	(1,911)	11,724	(1,911)
Other	-	-	8,699	(15)	8,699	(15)
Total other-than-temporarily impaired securities	219	(15)	35,734	(4,485)	35,953	(4,500)
Total temporarily-impaired and other-than-temporarily impaired securities	$ 3,268,378	(55,028)	968,667	(35,761)	4,237,045	(90,789)
December 31, 2016						
Temporarily-impaired securities						
U.S. Treasury securities	$ 998	(1)	-	-	998	(1)
Residential mortgage-backed securities:						
U.S. Government Agency	4,249	(57)	732	(46)	4,981	(103)
Government-sponsored enterprises	777,992	(12,910)	28,827	(1,107)	806,819	(14,017)
Collateralized mortgage obligations:						
U.S. Government Agency	130,012	(2,550)	17,426	(1,882)	147,438	(4,432)
Government-sponsored enterprises	2,254,657	(45,735)	304,617	(15,432)	2,559,274	(61,167)
Private	205,406	(2,773)	61,575	(1,779)	266,981	(4,552)
Securities of U.S. states and political subdivisions:						
Municipal Bond - Taxable	8,349	(207)	-	-	8,349	(207)
Other debt securities:						
Commercial mortgage-backed securities	48,750	(365)	6,625	(202)	55,375	(567)
Single issuer trust preferred & corporate debt securities	114,909	(2,471)	119,741	(3,232)	234,650	(5,703)
Pooled trust preferred securities	-	-	3,508	(2,237)	3,508	(2,237)
Other	184,920	(7,402)	22,299	(693)	207,219	(8,095)
Equity securities (1)	7,574	(206)	13,093	(858)	20,667	(1,064)
Total temporarily-impaired securities	3,737,816	(74,677)	578,443	(27,468)	4,316,259	(102,145)
Other-than-temporarily impaired securities						
Collateralized mortgage obligations:						
Government-sponsored enterprises	-	-	793	(994)	793	(994)
Private	268	(13)	21,180	(2,250)	21,448	(2,263)
Other debt securities:						
Pooled trust preferred securities	-	-	13,576	(5,994)	13,576	(5,994)
Other	-	-	11,354	(229)	11,354	(229)
Total other-than-temporarily impaired securities	268	(13)	46,903	(9,467)	47,171	(9,480)
Total temporarily-impaired and other-than-temporarily impaired securities	$ 3,738,084	(74,690)	625,346	(36,935)	4,363,430	(111,625)

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

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

	Less than 12 months		*12 months or longer*		*Total*	
(in thousands)	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
June 30, 2017						
Temporarily-impaired securities						
Mortgage-backed securities:						
U.S. Government Agency	$ -	-	3,419	(136)	3,419	(136)
Government-sponsored enterprises	166,889	(3,100)	26,769	(1,058)	193,658	(4,158)
Collateralized mortgage obligations:						
U.S. Government Agency	96,393	(1,425)	38,061	(1,455)	134,454	(2,880)
Government-sponsored enterprises	474,072	(7,316)	125,539	(5,144)	599,611	(12,460)
Other debt securities:						
Other	-	-	88	-	88	-
Total temporarily-impaired securities	737,354	(11,841)	193,876	(7,793)	931,230	(19,634)
Other-than-temporarily impaired securities						
Collateralized mortgage obligations - private	-	-	3,303	(4)	3,303	(4)
Total other-than-temporarily impaired securities	-	-	3,303	(4)	3,303	(4)
Total temporarily-impaired and other-than-temporarily impaired securities	$ 737,354	(11,841)	197,179	(7,797)	934,533	(19,638)
December 31, 2016						
Temporarily-impaired securities						
Mortgage-backed securities:						
U.S. Government Agency	$ -	-	3,863	(123)	3,863	(123)
Government-sponsored enterprises	157,946	(3,231)	28,969	(1,156)	186,915	(4,387)
Collateralized mortgage obligations:						
U.S. Government Agency	101,631	(2,485)	26,936	(1,053)	128,567	(3,538)
Government-sponsored enterprises	699,386	(13,645)	59,228	(7,583)	758,614	(21,228)
Other debt securities:						
Single issuer trust preferred & corporate debt securities	3,467	(18)	-	-	3,467	(18)
Other	-	-	816	(1)	816	(1)
Total temporarily-impaired securities	962,430	(19,379)	119,812	(9,916)	1,082,242	(29,295)
Other-than-temporarily impaired securities						
Collateralized mortgage obligations - private	-	-	3,357	(295)	3,357	(295)
Total other-than-temporarily impaired securities	-	-	3,357	(295)	3,357	(295)
Total temporarily-impaired and other-than-temporarily impaired securities	$ 962,430	(19,379)	123,169	(10,211)	1,085,599	(29,590)

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

Deterioration in general market conditions could have a negative effect on the projected cash flows and ultimate recoverability of our securities. If a security is deemed to be other-than-temporarily impaired, we are required to write down the security to fair value. Losses on securities that become other-than-temporarily impaired (where we do not intend to sell the security and it is not more likely than not that we will be required to sell before recovery of the security's amortized cost) are bifurcated with the credit portion of the loss recognized in earnings and the noncredit loss portion of the impairment recognized in other comprehensive income (loss), net of tax.

Our private CMOs and other debt securities are the securities in our portfolio that are the most exposed to impairment losses. In performing our other-than-temporary impairment analysis for these securities, we estimated future cash flows for each security based upon our best estimate of future delinquencies, estimated defaults, loss severity, and prepayments. We reviewed the estimated cash flows to determine whether we expect to receive all originally scheduled cash flows. Projected credit losses were compared to the current level of credit enhancement to assess whether the security is expected to incur losses in any future period and therefore would be deemed other-than-temporarily impaired as of June 30, 2017.

It is reasonably possible that the underlying collateral of these securities may perform at a level below our current expectations, which may result in adverse changes in cash flows for these securities and potential other-than-temporary impairment losses in the future. Events that may cause material declines in fair values for these securities include, but are not limited to, the deterioration of credit metrics, higher default levels, further illiquidity, or increased levels of losses in underlying collateral.

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

	June 30, 2017	
(in thousands)	**Amortized Cost**	**Fair Value**
AVAILABLE-FOR-SALE		
Due in one year or less	$ 51,594	52,092
Due after one year through five years	181,610	184,343
Due after five years through ten years	342,286	343,371
Due after ten years	6,173,638	6,121,818
Total available-for-sale debt securities (1)	$ 6,749,128	6,701,624
HELD-TO-MATURITY		
Due in one year or less	$ -	-
Due after one year through five years	28,188	29,170
Due after five years through ten years	83,817	86,303
Due after ten years	1,936,044	1,936,342
Total held-to-maturity debt securities	$ 2,048,049	2,051,815

(1) Excludes $20.9 million of equity securities reported in Securities available-for-sale in the Consolidated Statements of Financial Condition.

6. Loans and Leases, net

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

(in thousands)	**June 30, 2017**	**December 31, 2016**
Mortgage loans:		
Multi-family residential property	$ 14,559,576	14,366,520
Commercial property	8,594,734	7,994,707
1-4 family residential property	594,415	535,338
Home equity lines of credit	144,284	148,094
Construction and land	798,091	485,309
Total mortgage loans	24,691,100	23,529,968
Other loans:		
Other commercial and industrial	5,294,083	4,834,706
Taxi medallions	366,948	644,517
Consumer	8,609	10,268
Total other loans	5,669,640	5,489,491
Net deferred fees and costs	24,971	23,706
ALLL	(182,541)	(213,495)
Net loans	$ 30,203,170	28,829,670

In order to manage credit quality, we view the Bank's loan portfolio by various segments and classes of loans. For commercial loans, we assign individual credit ratings ranging from 1 (lowest risk) to 9 (highest risk) as an indicator of credit quality ("credit-rated commercial loans"). These ratings are based on specific risk factors including (i) historical and projected financial results of the borrower, (ii) market conditions of the borrower's industry that may affect the borrower's future financial performance, (iii) business experience of the borrower's management, (iv) nature of the underlying collateral, if any, and (v) history of the borrower's payment performance. Non-rated loans generally include commercial loans with outstanding principal balances below $100,000, overdrafts, residential mortgages, and consumer loans.

The following table summarizes our portfolio of commercial loans by credit rating as of the dates indicated:

(in thousands)	*Pass* **Rating 1-6**	*Special Mention* **Rating 7**	*Substandard* **Rating 8**	*Doubtful* **Rating 9**	**Non-rated**	**Total**
June 30, 2017						
Commercial loans secured by real estate:						
Multi-family residential property	$ 14,395,932	162,734	-	-	-	14,558,666
Commercial property	8,557,567	32,258	4,909	-	-	8,594,734
1-4 family residential property	480,040	4,450	-	-	40	484,530
Construction and land	773,091	-	25,000	-	-	798,091
Commercial and industrial loans:						
Taxi medallions	-	-	366,948	-	-	366,948
Other commercial and industrial	5,153,636	48,352	48,883	70	43,142	5,294,083
Total commercial loans	$ 29,360,266	247,794	445,740	70	43,182	30,097,052
December 31, 2016						
Commercial loans secured by real estate:						
Multi-family residential property	$ 14,213,937	123,510	28,113	-	-	14,365,560
Commercial property	7,963,472	1,040	30,195	-	-	7,994,707
1-4 family residential property	415,848	-	-	-	43	415,891
Construction and land	467,103	18,206	-	-	-	485,309
Commercial and industrial loans:						
Taxi medallions	379,536	57,873	207,108	-	-	644,517
Other commercial and industrial	4,703,894	29,094	53,526	153	48,039	4,834,706
Total commercial loans	$ 28,143,790	229,723	318,942	153	48,082	28,740,690

For consumer loans, including residential mortgages and home equity lines of credit, we consider the borrower's payment history and current payment performance as leading indicators of credit quality. Effective January 2016, we no longer originate personal residential mortgages and home equity lines of credit, though we continue to service the existing portfolios. A consumer loan is considered nonperforming generally when it becomes 90 days delinquent based on contractual terms, at which time the accrual of interest income is discontinued. In the case of residential mortgages and home equity lines of credit, exceptions may be made if the loan has sufficient collateral value, based on a current appraisal, and is in process of collection.

The following table summarizes our portfolio of consumer loans by performance status as of the dates indicated:

(in thousands)	**Performing**	**Nonperforming**	**Total**
June 30, 2017			
Residential mortgages	$ 108,806	1,989	110,795
Home equity lines of credit	139,953	4,331	144,284
Other consumer loans	8,608	1	8,609
Total consumer loans	$ 257,367	6,321	263,688
December 31, 2016			
Residential mortgages	$ 118,358	2,049	120,407
Home equity lines of credit	142,761	5,333	148,094
Other consumer loans	10,264	4	10,268
Total consumer loans	$ 271,383	7,386	278,769

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

(in thousands)	Past Due 30-89 Days	Past Due 90+ Days	Total Past Due	Current	Total Loans	Loans Past Due 90+ Days (1)	Non-accruing Loans
June 30, 2017							
Commercial loans							
Loans secured by real estate:							
Multi-family residential property	$ -	-	-	14,558,666	14,558,666	-	-
Commercial property	884	-	884	8,593,850	8,594,734	-	-
1-4 family residential property	46	4,490	4,536	479,994	484,530	4,450	40
Construction and land	-	-	-	798,091	798,091	-	-
Commercial and industrial loans:							
Taxi medallions	16,370	140,114	156,484	210,464	366,948	-	366,948
Other commercial and industrial	26,467	20,013	46,480	5,247,603	5,294,083	442	19,571
Consumer loans							
Residential mortgages	541	2,204	2,745	108,050	110,795	215	1,989
Home equity lines of credit	-	4,331	4,331	139,953	144,284	-	4,331
Consumer	563	1	564	8,045	8,609	-	1
Total	$ 44,871	171,153	216,024	30,144,716	30,360,740	5,107	392,880
December 31, 2016							
Commercial loans							
Loans secured by real estate:							
Multi-family residential property	$ 7,694	2,665	10,359	14,355,201	14,365,560	2,665	-
Commercial property	3,964	-	3,964	7,990,743	7,994,707	-	-
1-4 family residential property	219	43	262	415,629	415,891	-	43
Construction and land	-	-	-	485,309	485,309	-	-
Commercial and industrial loans:							
Taxi medallions	60,483	186,118	246,601	380,797	627,398	50,751	135,367
Other commercial and industrial	34,146	17,069	51,215	4,800,610	4,851,825	2,287	14,782
Consumer loans							
Residential mortgages	227	2,297	2,524	117,883	120,407	248	2,049
Home equity lines of credit	422	5,333	5,755	142,339	148,094	-	5,333
Other consumer	1,740	4	1,744	8,524	10,268	-	4
Total	$ 108,895	213,529	322,424	28,697,035	29,019,459	55,951	157,578

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

Nonaccrual loans at June 30, 2017 and December 31, 2016 totaled $392.9 million and $157.6 million, respectively. At June 30, 2017, $367.0 million of nonaccrual loans were secured by taxi medallions. The increase in nonaccrual loans was primarily attributable to the classification of all remaining taxi medallion loans as nonaccrual in the second quarter of 2017. This was directly a result of the significant decline in the underlying New York City taxi medallion collateral value during the quarter. Due to the decline in collateral values, management determined the collectability of all amounts due to be doubtful and portions of loans uncollectable to the extent not covered by the underlying collateral value. As a result of the increase in nonaccrual loans during the second quarter, $861,000 of accrued and unpaid interest income related to these loans was reversed. These nonaccrual loans will be accounted for using the cost recovery method and, as such, all interest and principal payments received will be applied to each loan’s principal balance. As our current cash flow models suggest medallion values in excess of recently observed transfer values, our current strategy to hold the taxi medallion portfolio until maturity remains unchanged. There were no commitments at June 30, 2017 to lend additional funds on nonaccrual loans. For further discussion, see Note 7 to our Consolidated Financial Statements.

At June 30, 2017, loans past due 90 days or more included one 1-4 family residential property loan totaling $4.5 million and five commercial and industrial loans totaling $442,000 that are well secured and in process of collection. At December 31, 2016, loans past due 90 days or more included three commercial and industrial loans totaling $1.5 million that are well secured and in process of collection, nine taxi medallion loans totaling $5.4 million for which we were awaiting additional information from certain third party servicers, as well as 75 taxi medallion loans totaling $45.3 million and one commercial real estate loan totaling $2.7 million that have matured, continue to make monthly payments and were in the normal course of renewal. All taxi medallion loans that were past due maturity at December 31, 2016 with respect to their contractual maturity continue to pay and were reported as impaired.

As of June 30, 2017 and December 31, 2016, the Bank held residential consumer mortgage loans in the process of foreclosure totaling $8.5 million and $8.9 million, respectively. The Bank did not hold any foreclosed residential real estate at June 30, 2017.

Other repossessed assets as of June 30, 2017 and December 31, 2016 totaled $28.6 million and $19.6 million, respectively. The June 30, 2017 repossessed asset balance principally consists of 115 taxi medallions, compared to 74 taxi medallions as of December 31, 2016.

As of June 30, 2017 and December 31, 2016, the Bank had pledged $5.47 billion and $5.11 billion, respectively, of commercial real estate loans through a blanket assignment to secure borrowings from the Federal Home Loan Bank ("FHLB"), although only approximately $2.65 billion and $2.13 billion, respectively, was required in connection with the outstanding FHLB borrowings.

Commercial loans (including commercial and industrial loans and loans to commercial borrowers that are secured by real estate) constitute a substantial portion of our loan portfolio. Substantially all of the real estate collateral for the loans in our portfolio is located within the New York metropolitan area. As a result, our financial condition and results of operations may be affected by changes in the economy and the real estate market of the New York metropolitan area. A prolonged period of economic recession or other adverse economic conditions in the New York metropolitan area may result in an increase in nonpayment of loans, a decrease in collateral value, and an increase in our ALLL.

7. Allowance for Loan and Lease Losses

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

	Credit-rated loans			Non-rated loans			
(in thousands)	Commercial Real Estate	1-4 Family Residential Property	Commercial & Industrial	Commercial	Residential Mortgages	Consumer	Total
Three months ended June 30, 2017							
Beginning balance - ALLL	$ 119,698	741	98,607	1,365	3,413	127	223,951
Provision	20,412	135	166,861	110	84	(12)	187,590
Charge-offs	-	-	(230,220)	(338)	-	(23)	(230,581)
Recoveries	40	-	1,422	71	36	12	1,581
Ending balance - ALLL	$ 140,150	876	36,670	1,208	3,533	104	182,541
Three months ended June 30, 2016							
Beginning balance - ALLL	$ 123,482	2,033	73,037	1,519	6,661	314	207,046
Provision	(26,734)	(521)	62,903	(173)	(2,080)	(126)	33,269
Charge-offs	-	-	(17,027)	(22)	-	-	(17,049)
Recoveries	298	60	1,039	161	21	33	1,612
Ending balance - ALLL	$ 97,046	1,572	119,952	1,485	4,602	221	224,878

	Credit-rated loans			Non-rated loans			
(in thousands)	Commercial Real Estate	1-4 Family Residential Property	Commercial & Industrial	Commercial	Residential Mortgages	Consumer	Total
Six months ended June 30, 2017							
Beginning balance - ALLL	$ 114,367	637	92,424	1,227	4,643	197	213,495
Provision	25,743	239	181,974	479	(1,181)	(34)	207,220
Charge-offs	-	-	(239,351)	(754)	-	(127)	(240,232)
Recoveries	40	-	1,623	256	71	68	2,058
Ending balance - ALLL	$ 140,150	876	36,670	1,208	3,533	104	182,541
Six months ended June 30, 2016							
Beginning balance - ALLL	$ 128,430	1,682	56,286	1,458	6,826	341	195,023
Provision	(31,685)	(79)	86,942	128	(2,095)	(130)	53,081
Charge-offs	-	(91)	(25,370)	(439)	(150)	(44)	(26,094)
Recoveries	301	60	2,094	338	21	54	2,868
Ending balance - ALLL	$ 97,046	1,572	119,952	1,485	4,602	221	224,878

The elevated charge-off and provision levels for the three and six month period ended June 30, 2017 continues to be driven by the taxi medallion portfolio.

Over the last year and a half, the volume of taxi medallion transfers has declined from historical levels and risk premiums increased. Additionally, there is no market for new issues due to the absence of new financing. Due to these factors, amongst others, management employs an alternative valuation methodology. Specifically, a discounted cash flow model developed by an independent third party and recent market transactions, as applicable, are used to establish a fair value range and determine collateral values. During the three and six months ended June 30, 2017, Chicago collateral values, after selling costs, remained stable, while New York City (NYC) collateral values declined.

In Chicago, market transactions continued to remain at consistent levels resulting in minimal value change. However, in NYC, several transactions were noted ranging from approximately $200,000 to $500,000. Both recent transfer prices and the discounted cash flow model valuation output were weighted to derive the final value of $358,000, net of selling costs, which represented a

significant decline from the prior quarter. Due to the recent increase in transfer activity in NYC, management weighted the observable transactions more heavily than prior periods.

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

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

		Credit-rated loans			Non-rated loans			
(in thousands)		Commercial Real Estate	1-4 Family Residential Property	Commercial & Industrial	Commercial	Residential Mortgages	Consumer	Total
As of June 30, 2017								
ALLL:								
Individually evaluated for impairment	$	-	-	7,643	59	3,075	-	10,777
Collectively evaluated for impairment		140,150	876	29,027	1,149	458	104	171,764
Recorded investment in loans:								
Individually evaluated for impairment		3,626	4,450	401,313	118	7,151	1	416,659
Collectively evaluated for impairment		23,947,865	480,040	5,216,576	43,064	247,928	8,608	29,944,081
As of December 31, 2016								
ALLL:								
Individually evaluated for impairment	$	24	-	34,695	101	3,382	2	38,204
Collectively evaluated for impairment		114,343	637	57,729	1,126	1,261	195	175,291
Recorded investment in loans:								
Individually evaluated for impairment		10,548	-	299,683	202	8,137	4	318,574
Collectively evaluated for impairment		22,835,028	415,848	5,131,501	47,880	260,364	10,264	28,700,885

A loan is considered impaired when, based on current information and events, it is probable that we will be unable to collect all amounts due in accordance with the original contractual terms of the loan agreement, including scheduled principal and interest payments. In determining whether a loan is impaired, we review the payment performance and we consider a loan to be impaired once it is placed on nonaccrual status. A loan may also be considered impaired if it is past due maturity and is not well-secured and in the process of collection. In addition, if a loan is restructured as troubled debt, we consider the loan impaired during the year of restructuring. In subsequent years, we do not consider the restructured loan as impaired if it was restructured at a market rate and continues to perform in accordance with the modified terms. Other TDR loans, however, are reported as such for as long as the loan remains outstanding.

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

	June 30, 2017			December 31, 2016		
(in thousands)	**Unpaid Principal Balance**	**Recorded Investment**	**Related Allowance**	**Unpaid Principal Balance**	**Recorded Investment**	**Related Allowance**
With no related allowance recorded:						
Commercial loans secured by real estate:						
Commercial property	$ 3,626	3,626	-	7,435	7,435	-
Construction and land	-	-	-	-	-	-
Multi-family residential property	-	-	-	-	-	-
1-4 family residential property	4,450	4,450	-	-	-	-
Commercial and industrial loans	732,914	379,480	-	229,591	107,564	-
With an allowance recorded:						
Commercial loans secured by real estate:						
Multi-family residential property	-	-	-	3,113	3,113	24
1-4 family residential property	40	40	20	43	43	21
Commercial and industrial loans	21,910	21,910	7,682	193,110	192,278	34,775
Residential mortgages	2,719	1,989	1,010	3,569	2,804	1,249
Home equity lines of credit	5,175	5,161	2,065	5,350	5,333	2,133
Other consumer loans	1	1	-	4	4	2
Total:						
Commercial loans secured by real estate	8,116	8,116	20	10,591	10,591	45
Commercial and industrial loans	754,824	401,390	7,682	422,701	299,842	34,775
Residential mortgages	2,719	1,989	1,010	3,569	2,804	1,249
Home equity lines of credit	5,175	5,161	2,065	5,350	5,333	2,133
Other consumer loans	1	1	-	4	4	2
Total impaired loans	$ 770,835	416,657	10,777	442,215	318,574	38,204

The following table summarizes the average recorded investment of impaired loans and interest income recognized on impaired loans for the periods indicated:

	Three months ended June 30, 2017		*Three months ended June 30, 2016*		*Six months ended June 30, 2017*		*Six months ended June 30, 2016*	
(in thousands)	**Average Recorded Investment**	**Interest Income Recognized**	**Average Recorded Investment**	**Interest Income Recognized**	**Average Recorded Investment**	**Interest Income Recognized**	**Average Recorded Investment**	**Interest Income Recognized**
With no related allowance recorded:								
Commercial loans secured by real estate:								
Commercial property	$ 5,513	34	3,707	74	6,154	68	2,471	139
Construction and land	-	-	-	-	-	-	-	-
Multi-family residential property	-	-	-	-	-	-	-	-
1-4 family residential property	5,022	56	-	-	3,348	112	-	-
Commercial and industrial loans	248,516	23	87,182	225	201,532	45	70,061	605
With an allowance recorded:								
Commercial loans secured by real estate:								
Commercial property	-	-	5,493	24	-	-	7,391	45
Construction and land	-	-	-	-	-	-	-	-
Multi-family residential property	-	-	3,113	24	1,038	-	3,113	59
1-4 family residential property	41	-	47	-	42	-	1,404	-
Commercial and industrial loans	129,318	151	166,043	973	150,304	303	167,293	1,925
Residential mortgages	2,139	-	2,889	5	2,361	-	2,830	11
Home equity lines of credit	4,751	14	5,341	-	4,945	28	5,578	-
Other consumer loans	1	-	8	-	2	-	9	-
Total:								
Commercial loans secured by real estate	10,576	90	12,360	122	10,582	180	14,379	243
Commercial and industrial loans	377,834	174	253,225	1,198	351,836	348	237,354	2,530
Residential mortgages	2,139	-	2,889	5	2,361	-	2,830	11
Home equity lines of credit	4,751	14	5,341	-	4,945	28	5,578	-
Other consumer loans	1	-	8	-	2	-	9	-
Total	$ 395,301	278	273,823	1,325	369,726	556	260,150	2,784

For economic reasons and to maximize the recovery of loans, we may work with borrowers experiencing financial difficulties, and will consider modifications to a borrower's existing loan terms and conditions that we would not otherwise consider, commonly referred to TDR loans. Our TDR loans consist of those loans where we modify the contractual terms of the loan, such as (i) a deferral of the loan's principal amortization through either interest-only or reduced principal payments, (ii) a reduction in the loan's contractual interest rate or (iii) an extension of the loan's contractual term.

The following table presents loans that were classified as TDRs during the three and six months ended June 30, 2017 and 2016. The pre-modification balances represent the recorded investment immediately prior to modification, and the post-modification balances represent the recorded investment as of the dates indicated:

	Three months ended June 30, 2017			*Three months ended June 30, 2016*		
(dollars in thousands)	**Number of Loans**	**Pre-Modification Balance**	**Post-Modification Balance**	**Number of Loans**	**Pre-Modification Balance**	**Post-Modification Balance**
Commercial and industrial loans:						
Commercial and industrial	4	$ 4,304	3,683	2	$ 900	692
Taxi medallions	132	81,671	47,571	25	14,847	14,847
Consumer loans:						
Home equity lines of credit	1	834	831	-	-	-
Total	137	$ 86,809	52,085	27	$ 15,747	15,539

	Six months ended June 30, 2017			*Six months ended June 30, 2016*		
(dollars in thousands)	**Number of Loans**	**Pre-Modification Balance**	**Post-Modification Balance**	**Number of Loans**	**Pre-Modification Balance**	**Post-Modification Balance**
Commercial loans secured by real estate:						
1-4 family residential property	1	$ 4,450	4,450	-	$ -	-
Commercial and industrial loans:						
Commercial and industrial	5	4,768	3,918	14	6,165	5,889
Taxi medallions	241	153,885	90,276	41	24,027	23,863
Consumer loans:						
Home equity lines of credit	2	1,231	1,215	-	-	-
Total	249	$ 164,334	99,859	55	$ 30,192	29,752

The following tables summarize how the TDR loans recorded during three and six months ended June 30, 2017 and 2016 were modified:

(in thousands)		Term Extension	Term Extension with Other Concession (1)	Deferred Principal Amortization	Deferred Principal Amortization with Other Concession (1)	Total
Three months ended June 30, 2017						
Commercial and industrial loans:						
Commercial and industrial	$	850	-	2,833	-	3,683
Taxi medallions		-	47,571	-	-	47,571
Consumer loans:						
Home equity lines of credit		-	-	-	831	831
Total	$	850	47,571	2,833	831	52,085
Three months ended June 30, 2016						
Commercial and industrial loans:						
Commercial and industrial	$	-	-	692	-	692
Taxi medallions		-	-	-	14,847	14,847
Total	$	-	-	692	14,847	15,539

(in thousands)		Term Extension	Term Extension with Other Concession (1)	Deferred Principal Amortization	Deferred Principal Amortization with Other Concession (1)	Total
Six months ended June 30, 2017						
Commercial loans secured by real estate:						
1-4 family residential property	$	4,450	-	-	-	4,450
Commercial and industrial loans:						
Commercial and industrial		1,085	-	2,833	-	3,918
Taxi medallions		-	90,276	-	-	90,276
Consumer loans:						
Home equity lines of credit		-	-	-	1,215	1,215
Total	$	5,535	90,276	2,833	1,215	99,859
Six months ended June 30, 2016						
Commercial loans secured by real estate:						
Commercial and industrial	$	1,013	-	692	4,184	5,889
Commercial and industrial loans:						
Taxi medallions		-	-	-	23,863	23,863
Total	$	1,013	-	692	28,047	29,752

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

Our impaired loans at June 30, 2017 and December 31, 2016 include TDR loans totaling $188.0 million and $145.3 million, respectively. The increase in TDR loans was primarily driven by the restructure of 236 NYC medallion loans totaling $119.9 million. This was partially offset by taxi medallion related charge-offs off $65.7 million, the foreclosure of five taxi medallions totaling $3.0 million, and the full payoff of four TDRs totaling $8.1 million, principally consisting of one commercial property loan for $3.8 million and one multi-family loan for $3.1 million. During the year of restructuring, we consider a TDR loan impaired. In subsequent years, we do not consider the restructured loan impaired if it was restructured at a market rate and continues to perform in accordance with its modified terms. Other TDR loans, however, are reported as such for as long as the loan remains outstanding. For all loans classified as a TDR, we record an impairment loss, if any, based on the present value of expected future cash flows discounted at the original loan's effective interest rate, or, if the loan is collateral dependent, based on the fair value of the collateral less estimated costs to sell, if appropriate.

As of June 30, 2017, we had 102 taxi medallion relationships and loans, totaling $37.0 million, and seven other commercial and industrial loans totaling $6.8 million that were modified as a TDR within the previous 12 months that subsequently defaulted on payments. As of June 30, 2016, we had 44 taxi medallion relationships, comprised of 64 loans, totaling $30.8 million that were modified as a TDR within the previous 12 months that subsequently defaulted on payments.

For the three months ended June 30, 2017 and 2016, we recorded interest income on impaired loans during the period of impairment totaling $716,000 and $1.3 million, respectively. If all impaired loans had been performing in accordance with their original terms, we would have recorded interest income, with respect to such loans, of approximately $2.2 million and $3.3 million for the three months ended June 30, 2017 and 2016, respectively.

For the six months ended June 30, 2017 and 2016, we recorded interest income on impaired loans during the period of impairment totaling $1.5 million and $2.7 million, respectively. If all impaired loans had been performing in accordance with their original terms, we would have recorded interest income, with respect to such loans, of approximately $4.0 million and $5.7 million for the six months ended June 30, 2017 and 2016, respectively.

8. Deposits

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

(in thousands)		June 30, 2017	December 31, 2016
Non-interest-bearing demand	$	10,527,824	10,468,790
NOW and interest-bearing demand		3,889,967	3,908,436
Money market		17,126,852	15,950,567
Time deposits		978,414	919,349
Brokered deposits (1)		645,936	614,118
Total deposits	$	33,168,993	31,861,260

(1) Includes non-interest bearing deposits of $43.1 million and $51.7 million as of June 30, 2017 and December 31, 2016, respectively.

9. Repurchase Agreements

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

	As of June 30, 2017						
(in thousands)		2017	2018	2019	2020	2021	Total
Repurchase agreements with brokers (1):							
Government-sponsored enterprise securities							
Mortgage-backed securities	$	135,250	75,000	-	18,000	-	228,250
Collateralized mortgage obligations		9,750	-	-	12,000	-	21,750
Total repurchase agreements with brokers		145,000	75,000	-	30,000	-	250,000
Repurchase agreements with FHLB (2):							
Government-sponsored enterprise securities							
Mortgage-backed securities		7,750	-	-	-	-	7,750
Collateralized mortgage obligations		17,250	-	-	-	-	17,250
Total repurchase agreements with FHLB		25,000	-	-	-	-	25,000
Total repurchase agreements	$	170,000	75,000	-	30,000	-	275,000

	As of December 31, 2016						
(in thousands)		2017	2018	2019	2020	2021	Total
Repurchase agreements with brokers (1):							
Government-sponsored enterprise securities							
Mortgage-backed securities	$	183,000	75,000	-	15,000	-	273,000
Collateralized mortgage obligations		62,000	-	-	15,000	-	77,000
Total repurchase agreements with brokers		245,000	75,000	-	30,000	-	350,000
Repurchase agreements with FHLB (2):							
Government-sponsored enterprise securities							
Mortgage-backed securities		22,500	-	-	-	-	22,500
Collateralized mortgage obligations		52,500	-	-	-	-	52,500
Total repurchase agreements with FHLB		75,000	-	-	-	-	75,000
Total repurchase agreements	$	320,000	75,000	-	30,000	-	425,000

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

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

Collateral for these types of transactions typically consists of government agency and government-sponsored enterprise securities. Securities collateralizing these agreements are classified as Securities available-for-sale or Securities held-to-maturity in the Consolidated Statements of Financial Condition. The amount of excess collateral required is governed by each individual contract. The primary risk associated with these repurchase agreements is the requirement to pledge a balance of market value based collateral in excess of the borrowed amount. The excess collateral pledged represents an unsecured exposure to the lending counterparty. As the market value of the collateral changes, additional collateral may need to be pledged. In accordance with our policies, eligible counterparties are defined and monitored to minimize exposure. As of June 30, 2017, all repurchase agreements were collateralized with government-sponsored enterprise securities.

10. Equity Incentive Plan

We have an equity incentive plan designed to assist us in attracting, retaining and motivating officers, employees, directors and/or consultants and to provide us and our subsidiaries and affiliates with incentives directly related to increases in our shareholder value. Activity related to the equity incentive plan for the three and six months ended June 30, 2017 is summarized as follows:

	Three months ended June 30, 2017	Six months ended June 30, 2017
Shares available for future awards at beginning of period	1,551,497	1,763,026
Restricted stock		
Granted	(291)	(364,877)
Forfeited	636	1,071
Shares sold to cover minimum tax withholding upon vesting	40,985	193,607
Shares available for future awards at end of period	1,592,827	1,592,827

Restricted Stock

The following table summarizes information regarding outstanding grants of restricted stock for the three and six months ended June 30, 2017:

	Three months ended June 30, 2017		*Six months ended June 30, 2017*	
	Shares	**Weighted Average Grant Price**	**Shares**	**Weighted Average Grant Price**
Outstanding at beginning of period	954,143	$ 121.74	926,123	$ 113.35
Granted	291	145.28	364,877	145.28
Vested	(77,150)	26.90	(413,281)	106.01
Forfeited	(636)	143.59	(1,071)	139.03
Outstanding at end of period	876,648	130.08	876,648	130.08

As of June 30, 2017, our total unrecognized compensation cost related to unvested restricted shares was $99.6 million, which is expected to be recognized over a weighted-average period of 2.33 years. During the three and six months ended June 30, 2017, we recognized compensation expense of $12.4 million and $23.1 million, respectively, for restricted shares. The total fair value of restricted shares that vested during the three and six months ended June 30, 2017 was $10.7 million and $59.5 million, respectively.

11. Accumulated Other Comprehensive Income (Loss)

The following table presents information regarding items reclassified out of Accumulated Other Comprehensive Income (Loss) ("AOCI") during the three and six months ended June 30, 2017 and 2016:

(in thousands) **Details About AOCI**	*Three months ended June 30, 2017* **Amount Reclassified Out of AOCI**	*Three months ended June 30, 2016* **Amount Reclassified Out of AOCI**	**Affected Line Item in the Consolidated Statement of Operations**
Net unrealized gains on AFS securities	$ 1,679	4,617	Net gains on sales of securities
	(81)	(63)	Net other-than-temporary impairment losses on securities recognized in earnings
Total reclassifications, before tax	1,598	4,554	
	(593)	(1,821)	Income tax expense
Total reclassifications, net of tax	$ 1,005	2,733	

(in thousands) **Details About AOCI**	*Six months ended June 30, 2017* **Amount Reclassified Out of AOCI**	*Six months ended June 30, 2016* **Amount Reclassified Out of AOCI**	**Affected Line Item in the Consolidated Statement of Operations**
Net unrealized gains on AFS securities	$ 2,529	4,854	Net gains on sales of securities
	(241)	(118)	Net other-than-temporary impairment losses on securities recognized in earnings
Total reclassifications, before tax	2,288	4,736	
	(857)	(1,895)	Income tax expense
Total reclassifications, net of tax	$ 1,431	2,841	

The following table presents changes in AOCI, net of tax, for the three and six months ended June 30, 2017 and 2016:

(in thousands)		AFS Securities	HTM Securities Transferred from AFS	Total
Three months ended June 30, 2017				
Balance at March 31, 2017	$	(35,284)	(11,457)	(46,741)
Net change in unrealized gain (loss)		6,609	-	6,609
Amortization of net unrealized loss on securities transferred to HTM		-	466	466
Amounts reclassified out of AOCI		(1,005)	-	(1,005)
Net current period other comprehensive income		5,604	466	6,070
Balance at June 30, 2017	$	(29,680)	(10,991)	(40,671)
Three months ended June 30, 2016				
Balance at March 31, 2016	$	43,840	(13,216)	30,624
Net change in unrealized gain (loss)		11,091	-	11,091
Amortization of net unrealized loss on securities transferred to HTM		-	439	439
Amounts reclassified out of AOCI		(2,733)	-	(2,733)
Net current period other comprehensive income		8,358	439	8,797
Balance at June 30, 2016	$	52,198	(12,777)	39,421

(in thousands)		AFS Securities	HTM Securities Transferred from AFS	Total
Six months ended June 30, 2017				
Balance at December 31, 2016	$	(42,807)	(11,907)	(54,714)
Net change in unrealized gain (loss)		14,558	-	14,558
Amortization of net unrealized loss on securities transferred to HTM		-	916	916
Amounts reclassified out of AOCI		(1,431)	-	(1,431)
Net current period other comprehensive income		13,127	916	14,043
Balance at June 30, 2017	$	(29,680)	(10,991)	(40,671)
Six months ended June 30, 2016				
Balance at December 31, 2015	$	4,169	(13,672)	(9,503)
Net change in unrealized gain (loss)		50,870	-	50,870
Amortization of net unrealized loss on securities transferred to HTM		-	895	895
Amounts reclassified out of AOCI		(2,841)	-	(2,841)
Net current period other comprehensive income		48,029	895	48,924
Balance at June 30, 2016	$	52,198	(12,777)	39,421

12. Segment Reporting

On an annual basis, we reevaluate our segment reporting conclusions. Based on our internal operating structure and the relative significance of the specialty finance business, we determined our operations are organized into two reportable segments representing our core businesses – Commercial Banking and Specialty Finance.

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

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

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

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

The following table presents financial data of our reportable segments (intersegment assets have not been eliminated):

	At or for the three months ended June 30,		*At or for the six months ended June 30,*	
(in thousands)	**2017**	**2016**	**2017**	**2016**
Commercial Banking				
Interest income	$ 342,880	303,595	672,874	598,819
Interest expense	54,697	42,313	103,546	79,776
Provision for (recovery of) loan and lease losses	19,973	(29,931)	27,004	(33,658)
Non-interest income	8,578	12,383	17,598	20,146
Non-interest expense	97,816	85,147	192,625	171,627
Income (loss) before income taxes	$ 178,972	218,449	367,297	401,220
Total assets	$ 40,966,946	36,504,196	40,966,946	36,504,196
Specialty Finance				
Interest income	$ 28,120	27,260	56,828	54,437
Interest expense	9,063	6,894	17,160	13,522
Provision for (recovery of) loan and lease losses	167,617	63,200	180,216	86,739
Non-interest income	978	760	1,839	1,461
Non-interest expense	18,463	7,162	26,859	13,008
Income (loss) before income taxes	$ (166,045)	(49,236)	(165,568)	(57,371)
Total assets	$ 3,616,611	3,271,441	3,616,611	3,271,441

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

	At or for the three months ended June 30,		At or for the six months ended June 30,	
(in thousands)	**2017**	**2016**	**2017**	**2016**
Net interest income:				
Commercial Banking	$ 288,183	261,282	569,328	519,043
Specialty Finance	19,057	20,366	39,668	40,915
Consolidated	$ 307,240	281,648	608,996	559,958
Provision for (recovery of) loan and lease losses:				
Commercial Banking	$ 19,973	(29,931)	27,004	(33,658)
Specialty Finance	167,617	63,200	180,216	86,739
Consolidated	$ 187,590	33,269	207,220	53,081
Non-interest income:				
Commercial Banking	$ 8,578	12,383	17,598	20,146
Specialty Finance	978	760	1,839	1,461
Eliminations (1)	(6)	-	(12)	-
Consolidated	$ 9,550	13,143	19,425	21,607
Non-interest expense:				
Commercial Banking	$ 97,816	85,147	192,625	171,627
Specialty Finance	18,463	7,162	26,859	13,008
Eliminations (1)	(6)	-	(12)	-
Consolidated	$ 116,273	92,309	219,472	184,635
Income (loss) before income taxes:				
Commercial Banking	$ 178,972	218,449	367,297	401,220
Specialty Finance	(166,045)	(49,236)	(165,568)	(57,371)
Consolidated	$ 12,927	169,213	201,729	343,849
Total assets:				
Commercial Banking	$ 40,966,946	36,504,196	40,966,946	36,504,196
Specialty Finance	3,616,611	3,271,441	3,616,611	3,271,441
Eliminations (1)	(3,864,947)	(3,228,802)	(3,864,947)	(3,228,802)
Consolidated	$ 40,718,610	36,546,835	40,718,610	36,546,835

(1) Eliminations primarily related to intercompany funding.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

PRIVATE SECURITIES LITIGATION REFORM ACT SAFE HARBOR STATEMENT

This Quarterly Report on Form 10-Q and oral statements made from time-to-time by our representatives contain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 that are subject to risks and uncertainties. You should not place undue reliance on such statements because they are subject to numerous risks and uncertainties relating to our operations and the business environment in which we operate, all of which are difficult to predict and many of which are beyond our control. Forward-looking statements include information concerning our possible or assumed future results of operations, including descriptions of our business strategy, expectations, beliefs, projections, anticipated events or trends, growth prospects, financial performance, and similar expressions concerning matters that are not historical facts. These statements often include words such as "may," "believe," "expect," "anticipate," "potential," "opportunity," "intend," "plan," "estimate," "could," "project," "seek," "should," "will," or "would," or the negative of these words and phrases or similar words and phrases.

All forward-looking statements may be impacted by a number of risks and uncertainties. These statements are based on assumptions that we have made in light of our industry experience as well as our perception of historical trends, current conditions, expected future developments and other factors we believe are appropriate under the circumstances including, without limitation, those related to:

- earnings growth;
- revenue growth;
- net interest margin;
- deposit growth, including short-term escrow deposits, brokered deposits and off-balance sheet deposits;
- future acquisitions;
- performance, credit quality and liquidity of investments made by us, including our investments in certain mortgage-backed and similar securities;
- loan and lease origination volume;
- the interest rate environment;
- non-interest income levels, including fees from product sales;
- credit performance on loans made by us;
- monetary and fiscal policies of the U.S. Government, including policies of the U.S. Treasury and the Board of Governors of the Federal Reserve System;
- our ability to maintain, generate and/or raise capital;
- changes in the regulatory environment and government intervention in the banking industry, including the impact of the Dodd-Frank Wall Street Reform and Consumer Protection Act;
- Federal Deposit Insurance Corporation insurance assessments;
- margins on sales or securitizations of loans;
- market share;
- expense levels;
- hiring of new private client banking teams;
- results from new business initiatives;
- other business operations and strategies;
- changes in federal, state, or local tax laws; and
- the impact of new accounting pronouncements.

As you read and consider forward-looking statements, you should understand that these statements are not guarantees of performance or results. They involve risks, uncertainties and assumptions and can change as a result of many possible events or factors, not all of which are known to us or in our control. Although we believe that these forward-looking statements are based on reasonable assumptions, beliefs, and expectations, if a change occurs or our beliefs, assumptions, or expectations were incorrect, our business, financial condition, liquidity or results of operations may vary materially from those expressed in our forward-looking statements. You should be aware that many factors could affect our actual financial results or results of operations and could cause actual results to differ materially from those in the forward-looking statements including, without limitation, the following factors:

- disruption and volatility in global financial markets;
- difficult market conditions adversely affecting our industry;
- monetary and currency fluctuations;
- local, national and global political and macroeconomic uncertainty and volatility;
- our inability to successfully implement our business strategy;
- our inability to successfully integrate new business lines into our existing operations;

- changes to existing statutes and regulations or the way in which they are interpreted and applied by courts or governmental agencies;
- our vulnerability to changes in interest rates;
- our vulnerability to changes in inflation;
- competition with many larger financial institutions which have substantially greater financial and other resources than we have;
- government intervention in the banking industry, new legislation and government regulation;
- illiquid market conditions and downgrades in credit ratings;
- adverse developments in the residential mortgage market;
- inability of U.S. agencies or U.S. government-sponsored enterprises to pay or to guarantee payments on their securities in which we invest;
- material risks involved in commercial lending;
- a downturn in the economy of the New York metropolitan area;
- a downturn in the economy of the United States;
- under-collateralization of our loan portfolio due to a material decline in the value of real estate;
- risks associated with our loan portfolio growth;
- our failure to effectively manage our credit risk;
- lack of seasoning of mortgage loans underlying our investment portfolio;
- our allowance for loan and lease losses ("ALLL") may not be sufficient to absorb actual losses;
- our reliance on the Federal Home Loan Bank of New York for secondary and contingent liquidity sources;
- our dependence upon key personnel;
- our inability to acquire suitable private client banking teams or manage our growth;
- our charter documents and regulatory limitations may delay or prevent our acquisition by a third party;
- curtailment of government guaranteed loan programs could affect our SBA business;
- our use of brokered deposits and continuing to be "well-capitalized";
- our extensive reliance on outsourcing to provide cost-effective operational support;
- system failures or breaches of our network security;
- decreases in trading volumes or prices;
- exposure to legal claims and litigation;
- potential responsibility for environmental claims;
- downgrades of our credit rating;
- our inability to raise additional funding needed for our operations;
- inflation or deflation;
- misconduct of employees or their failure to abide by regulatory requirements;
- fraudulent or negligent acts on the part of our clients or third parties;
- failure of our brokerage clients to meet their margin requirements;
- severe weather;
- acts of war or terrorism;
- technological changes;
- work stoppages, financial difficulties, fire, earthquakes, flooding or other natural disasters;
- changes in federal, state or local tax laws;
- changes in accounting standards, policies, and practices or interpretation of new or existing standards, policies, and practices, as may be adopted by the bank regulatory agencies, the Financial Accounting Standards Board, or the Securities and Exchange Commission (the "SEC");
- changes in our reputation and negative public opinion;
- increases in FDIC insurance premiums;
- regulatory net capital requirements that constrain our brokerage business;
- soundness of other financial institutions;
- our ability to enter new markets successfully and capitalize on growth opportunities;
- changes in consumer spending, borrowing and savings habits;
- changes in our organization, compensation and benefit plans; and
- changes in the financial condition or future prospects of issuers of securities that we own.

These factors include the risks discussed under the section entitled "Item 1A. - Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2016, as well as the same section later in this report.

You should keep in mind that any forward-looking statement made by us speaks only as of the date on which we make it. New risks and uncertainties arise from time to time, and it is impossible for us to predict these events or how they may affect us. We have no

duty to, and do not intend to, and disclaim any obligation to, update or revise any industry information or forward-looking statements after the date on which they are made. In light of these risks and uncertainties, you should keep in mind that any forward-looking statement made in this document or elsewhere might not reflect actual results.

Company Background

We are a New York-based full-service commercial bank with 30 private client offices located in the New York metropolitan area, offering a wide variety of business and personal banking products and services. The Bank's growing network of private client banking teams serves the needs of privately owned businesses, their owners and senior managers.

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

We provide brokerage, asset management and insurance products and services through our Signature Securities Group Corporation ("Signature Securities") subsidiary, a licensed broker-dealer and investment adviser. Additionally, through Signature Securities, we purchase, securitize and sell the guaranteed portions of U.S. Small Business Administration ("SBA") loans.

Through our Signature Public Funding Corp. ("Signature Public Funding") subsidiary based in Towson, Maryland, we provide a range of municipal finance and tax-exempt lending and leasing products to government entities throughout the country, including state and local governments, school districts, fire and police and other municipal entities. The subsidiary is overseen by the management team of Signature Financial who has extensive experience in the municipal finance space.

Critical Accounting Policies

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

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

Allowance for Loan and Lease Losses

The ALLL is established through a provision for loan and lease losses charged to current earnings. The ALLL is maintained at a level estimated by management to absorb probable losses inherent in the loan portfolio and is based on management's continuing evaluation of the portfolio, the related risk characteristics, and the overall economic and environmental conditions affecting the portfolio. This estimation is inherently subjective as it requires measures that are susceptible to significant revision as more information becomes available.

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

More specifically, to determine the general reserve portion of our ALLL, we segment the loan portfolio into various components and apply various loss factors to estimate the amount of probable losses. The largest segment of our loan portfolio is comprised of credit-rated commercial loans, comprising 99.0% of our total loan portfolio, excluding loans held for sale, as of June 30, 2017. Our credit-rated commercial loans are further segmented by portfolio including commercial real estate loans, commercial and industrial loans, and commercial loans secured by 1-4 family residential property. Certain commercial and industrial loans are analyzed on a more granular level such as specialty finance loans and taxi medallion loans. For each loan portfolio segment, a credit rating is assigned based on a review of specific risk factors including (i) historical and projected financial results of the borrower, (ii) market

conditions of the borrower's industry that may affect the borrower's future financial performance, (iii) business experience of the borrower's management, (iv) nature of the underlying collateral, if any, and (v) history of the borrower's payment performance.

When assigning a credit rating to a loan, we use an internal nine-level rating system in which a rating of one carries the lowest level of credit risk and is used for borrowers exhibiting the strongest financial condition. Loans rated one through six are deemed to be of acceptable quality and are considered "Pass." Loans that are deemed to be of questionable quality are rated seven (special mention). Loans with adverse classifications (substandard or doubtful) are rated eight or nine, respectively. A loan is considered substandard if it is inadequately protected by the current net worth and paying capacity of the borrower, or by the collateral pledged. Substandard loans are characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected. Loans classified as doubtful have all of the weaknesses inherent in those classified substandard with the added characteristic that the weaknesses present make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

The outstanding amounts of credit-rated commercial loans within each loan portfolio segment are aggregated by credit rating, and we estimate the allowance for losses for each credit rating within each portfolio using loss factors based on the portfolio's historical loss experience. We supplement our historical loss experience by considering qualitative factors that may cause estimated losses to differ from our historical losses. These qualitative factors are intended to address developing external and environmental trends, and include adjustments for items such as changes in current economic and business conditions, changes in the nature and volume of our loan portfolio, the existence and effects of credit concentrations, the trend and severity of our problem loans, along with other external factors such as competition and legal and regulatory requirements. These qualitative adjustments reflect the imprecision that is inherent in the estimation of probable loan losses, and are intended to ensure adequacy of the overall allowance amount.

Our internal review process results in the periodic review of assigned credit ratings to reflect changes in specific risk factors. Commercial lines of credit are generally issued with terms of one year, and upon annual renewal, our lenders perform a full review of the specific risk factors to assess the appropriateness of the assigned credit ratings. Furthermore, loans classified as special mention, substandard or doubtful are placed on our internal watch list, and our lenders perform a credit rating review on a quarterly basis (special mention loans) or monthly basis (substandard and doubtful loans). In addition, our Risk Management function performs periodic credit reviews that provide an independent evaluation of the assigned credit ratings. These reviews include those loans with higher-risk attributes, such as loan facilities with delinquencies, and generally cover, in aggregate, between 30-40% of the commercial loan portfolio, including a large sample of commercial loans over $500,000 with adverse credit ratings, as well as pass/watch ratings, on an annual basis. The results of these credit reviews are presented to both the Risk and the Credit Committees of the Board of Directors.

Our methodology to determine the ALLL for the non-rated segments of our loan portfolio is based on historical loss experience and qualitative factors. Non-rated loans include commercial loans with outstanding principal balances below $100,000, overdrafts, residential mortgages, and consumer loans. The outstanding amounts of loans in each of these segments are aggregated, and we apply percentages based on historical losses and assess qualitative factors by segment to estimate the required allowance. Non-rated loans comprise 1.0% of our total loan portfolio, excluding loans held for sale, as of June 30, 2017.

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

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

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

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

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

- Changes in the quality of our loan review system;

- Changes in the value of underlying collateral;

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

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

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

We also assess the need for a specific allowance on impaired loans. A loan is considered impaired when, based on current information and events, it is probable that we will be unable to collect all amounts due in accordance with the original contractual

terms of the loan agreement, including scheduled principal and interest payments. We consider all nonaccrual loans to be impaired loans, and the related specific allowances for losses are determined on an individual (non-homogeneous) basis. Factors contributing to the determination of specific allowances on impaired loans include the creditworthiness of the borrower and, more specifically, changes in the expected future receipt of principal and interest payments or, for collateral-dependent loans, the value of pledged collateral. We charge off loans, or portions of loans, in the period that such loans, or portions thereof, are deemed uncollectible. For collateral-dependent impaired loans in excess of $500,000, we generally record a charge-off when the carrying amount of the loan exceeds the fair value of collateral less estimated selling costs, if appropriate. For non-collateral dependent loans in excess of $500,000, a specific allowance is recorded when the carrying amount of the loan exceeds the discounted estimated cash flows using the loan's initial effective interest rate. In developing the estimated cash flows (or expected future receipt of principal and interest payments), weight is given to the evidence consistent with the extent to which it can be verified objectively. In addition, all information is considered, including environmental factors, such as existing industry, geographical, economic and political factors. For smaller impaired loans, in the absence of other factors affecting the collectability of the loan, we generally determine the amount of specific allowance using estimated loss percentages based on the amount of time the loan has been impaired.

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

The methodology used in the periodic review of reserve adequacy, which is performed at least quarterly, is designed to be responsive to changes in portfolio credit quality and inherent credit losses. The changes are reflected in both the pooled formula reserve and in specific reserves as the collectability of larger classified loans is regularly recalculated with new information as it becomes available. Management is primarily responsible for assessing the overall adequacy of the allowance on a quarterly basis. In addition, reserve adequacy is also assessed by an internal Loan Quality Review Committee, which includes members of senior management, accounting, credit and risk management, and is presented to our Board of Directors for their review and consideration on a quarterly basis. Reserve adequacy is also assessed by our independent risk management function, which performs independent credit reviews and a validation of the allowance model employed.

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

For economic reasons and to maximize the recovery of loans, we may work with borrowers experiencing financial difficulties and will consider modifications to a borrower's existing loan terms and conditions that we would not otherwise consider, commonly referred to as troubled debt restructurings ("TDRs"). We record a provision for impairment loss associated with TDRs, if any, based on the present value of expected future cash flows discounted at the original loan's effective interest rate or, if the loan is collateral dependent, based on the fair value of the collateral less estimated costs to sell, if appropriate. At the time of restructuring, we determine whether a TDR loan should accrue interest based on the accrual status of the loan immediately prior to modification. Additionally, an accruing loan that is modified as a TDR may remain in accrual status if, based on a credit analysis, collection of principal and interest in accordance with the modified terms is reasonably assured, and the borrower demonstrated sustained historical repayment performance for a reasonable period prior to modification. A nonaccrual TDR loan will be returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured. Additionally, there should be a sustained period of repayment performance (generally a period of six months) by the borrower in accordance with the modified contractual terms. In years after the year of restructuring, the loan is not reported as a TDR loan if it was restructured at a market interest rate and it is performing in accordance with its modified terms. Other TDR loans, however, are reported as such for as long as the loan remains outstanding.

Valuation and Impairment of Investment Securities

The Bank uses various inputs to determine the fair value of its investment portfolio, which are classified within a three-level fair value hierarchy based on the transparency and reliability of inputs to valuation methodologies. To the extent they are available, we use quoted market prices (Level 1) to determine fair value. If quoted market prices are not available, we use valuation techniques such as matrix pricing to determine fair value (Level 2). In cases where there is little, if any, related market activity, fair value estimates are based upon internally-developed valuation techniques and assumptions, such as discount rates, credit spreads, default and delinquency rates, and prepayment speeds (Level 3). A significant degree of judgment is involved in valuing investments using Level 3 inputs, and the use of different assumptions could have a positive or negative effect on our financial condition or results of operations. See Note 4 to our Consolidated Financial Statements for more details on our security valuation techniques.

We regularly evaluate our securities to identify declines in fair value that are considered other-than-temporary. Our evaluation of securities for impairments is a quantitative and qualitative process, which is subject to risks and uncertainties. If the amortized cost of an investment exceeds its fair value, we evaluate, among other factors, general market conditions, the duration and extent to which the fair value is less than amortized cost, the probability of a near-term recovery in value, whether we intend to sell the security and whether it is more likely than not that we will be required to sell the security before full recovery of our investment or maturity. We also consider specific adverse conditions related to the financial health, projected cash flow and business outlook for the investee, including industry and sector performance, operational and financing cash flow factors and rating agency actions. Once a decline in fair value is determined to be other-than-temporary, for equity securities, an impairment charge is recorded through current earnings based upon the estimated fair value of the security at time of impairment and a new cost basis in the investment is established. For debt investment securities deemed to be other-than-temporarily impaired, the investment is written down to fair value with the estimated credit loss charged to current earnings and the noncredit-related impairment loss charged to other comprehensive income (loss).

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

In performing our other-than-temporary impairment analysis for securitized financial assets with contractual cash flows (asset-backed securities, collateralized debt obligations, commercial mortgage-backed securities and mortgage-backed securities), we estimate future cash flows for each security based upon our best estimate of future delinquencies, estimated defaults, loss severity, and prepayments. We review the estimated cash flows to determine whether we expect to receive all originally expected cash flows. Projected credit losses are compared to the current level of credit enhancement to assess whether the security is expected to incur losses in any future period and therefore would be deemed other-than-temporarily impaired.

RESULTS OF OPERATIONS

(in thousands, except ratios and per share amounts)	Three months ended June 30, 2017	Three months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2016
PER COMMON SHARE				
Net income - basic	$ 0.26	$ 1.91	$ 2.74	$ 3.88
Net income - diluted	$ 0.26	$ 1.90	$ 2.73	$ 3.86
Weighted average shares outstanding - basic	54,083	53,668	53,902	53,126
Weighted average shares outstanding - diluted	54,290	53,886	54,262	53,461
Book value	$ 69.07	$ 65.09	$ 69.07	$ 65.09
SELECTED FINANCIAL DATA				
Return on average total assets	0.14%	1.14%	0.75%	1.18%
Return on average shareholders' equity	1.48%	11.98%	8.05%	12.99%
Efficiency ratio (1)	36.70%	31.31%	34.92%	31.75%
Yield on interest-earning assets	3.65%	3.66%	3.64%	3.71%
Yield on interest-earning assets, tax-equivalent basis (2)	3.66%	3.66%	3.65%	3.71%
Cost of deposits and borrowings	0.61%	0.53%	0.58%	0.51%
Net interest margin	3.10%	3.18%	3.12%	3.25%
Net interest margin, tax-equivalent basis (2)(3)	3.11%	3.19%	3.12%	3.25%

(1) The efficiency ratio is considered a non-GAAP fianancial measure and is calculated by dividing non-interest expense by the sum of net interest income before provision for loan and lease losses and non-interest income. This ratio is a metric used by management to evaluate the performance of the Bank's business activities. A decrease in our efficiency ratio represents improvement.

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

(3) See "Net Interest Income" for related calculation.

CAPITAL RATIOS

	June 30, 2017	March 31, 2017	December 31, 2016	June 30, 2016
Tangible common equity (4)	9.26%	9.27%	9.21%	9.52%
Tier 1 leverage	9.52%	9.61%	9.61%	9.60%
Common equity Tier 1 risk-based	11.68%	12.05%	11.92%	12.01%
Tier 1 risk-based	11.68%	12.05%	11.92%	12.01%
Total risk-based	13.03%	13.57%	13.46%	13.69%

(4) We define tangible common equity as the ratio of total tangible common equity to total tangible assets (the "TCE ratio"). Tangible common equity is considered to be a non-GAAP financial measure and should be considered in addition to, not as a substitute for or superior to, financial measures determined in accordance with GAAP. The TCE ratio is a metric used by management to evaluate the adequacy of our capital levels. In addition to tangible common equity, management uses other metrics, such as Tier 1 capital related ratios, to evaluate capital levels.

Net Income

Net income for the second quarter of 2017 was $14.0 million, or $0.26 diluted earnings per share, compared to $102.2 million, or $1.90 diluted earnings per share, for the second quarter of 2016. Net income for the six months ended June 30, 2017 was $147.9 million, or $2.73 diluted earnings per share, compared to $206.3 million, or $3.86 diluted earnings per share, for the six months ended June 30, 2016. The decreases in net income were due to an increase of $154.3 million in the provision for loan losses during the second quarter of 2017 nearly all attributable to the New York City taxi medallion portfolio, partially offset by the increase in interest income from continuing deposit and loan growth.

Returns on average shareholders' equity and average total assets for the second quarter of 2017 were 1.48% and 0.14%, respectively, compared to 11.98% and 1.14% for the second quarter last year. Returns on average shareholders' equity and average total assets for the six months ended June 30, 2017 were 8.05% and 0.75%, respectively, compared to 12.99% and 1.18%, for the same period last year.

Net Interest Income

Net interest income is the difference between interest earned on assets and interest incurred on liabilities. The following table presents an analysis of net interest income by each major category of interest-earning assets and interest-bearing liabilities for the quarters ended June 30, 2017 and 2016:

	Three months ended June 30, 2017			*Three months ended June 30, 2016*		
(dollars in thousands)	**Average Balance**	**Interest Income/ Expense**	**Average Yield/ Rate**	**Average Balance**	**Interest Income/ Expense**	**Average Yield/ Rate**
INTEREST-EARNING ASSETS						
Short-term investments	$ 528,169	1,358	1.03%	446,254	546	0.49%
Investment securities	8,889,069	67,827	3.05%	8,838,625	68,779	3.11%
Commercial loans, mortgages and leases (1) (2)	29,899,100	290,189	3.89%	25,749,690	251,240	3.92%
Residential mortgages and consumer loans (1)	271,284	2,561	3.79%	301,430	2,894	3.86%
Loans held for sale	159,497	860	2.16%	276,256	742	1.08%
Total interest-earning assets	39,747,119	362,795	3.66%	35,612,255	324,201	3.66%
Non-interest-earning assets	568,253			401,871		
Total assets	$ 40,315,372			36,014,126		
INTEREST-BEARING LIABILITIES						
Interest-bearing deposits						
NOW and interest-bearing demand	$ 3,832,360	6,654	0.70%	3,510,696	3,939	0.45%
Money market	17,062,993	29,735	0.70%	14,850,446	22,717	0.62%
Time deposits	1,469,043	3,922	1.07%	1,256,480	3,142	1.01%
Non-interest-bearing demand deposits	10,592,678	-	-	9,461,144	-	-
Total deposits	32,957,074	40,311	0.49%	29,078,766	29,798	0.41%
Long-term debt	256,851	3,605	5.61%	205,882	2,906	5.65%
Other borrowings	2,927,435	10,781	1.48%	3,082,813	9,609	1.25%
Total deposits and borrowings	36,141,360	54,697	0.61%	32,367,461	42,313	0.53%
Other non-interest-bearing liabilities and shareholders' equity	4,174,012			3,646,665		
Total liabilities and shareholders' equity	$ 40,315,372			36,014,126		
OTHER DATA						
Net interest income / interest rate spread (2)		308,098	3.05%		281,888	3.13%
Tax-equivalent adjustment		(858)			(240)	
Net interest income, as reported		307,240			281,648	
Net interest margin			3.10%			3.18%
Tax-equivalent effect			0.01%			0.01%
Net interest margin on a fully tax-equivalent basis (2)			3.11%			3.19%
Ratio of average interest-earning assets to average interest-bearing liabilities			109.98%			110.02%

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

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

The following table presents an analysis of net interest income by each major category of interest-earning assets and interest-bearing liabilities for the six months ended June 30, 2017 and 2016:

(dollars in thousands)	Six months ended June 30, 2017			Six months ended June 30, 2016		
	Average Balance	Interest Income/ Expense	Average Yield/ Rate	Average Balance	Interest Income/ Expense	Average Yield/ Rate
INTEREST-EARNING ASSETS						
Short-term investments	$ 471,649	2,142	0.92%	419,500	1,019	0.49%
Investment securities	8,842,191	134,689	3.05%	8,743,452	136,892	3.13%
Commercial loans, mortgages and leases (1) (2)	29,615,113	569,780	3.88%	24,918,212	494,397	3.99%
Residential mortgages and consumer loans (1)	274,420	5,201	3.82%	304,524	5,841	3.86%
Loans held for sale	219,105	2,244	2.07%	295,719	1,991	1.35%
Total interest-earning assets	39,422,478	714,056	3.65%	34,681,407	640,140	3.71%
Non-interest-earning assets	553,844			396,750		
Total assets	$ 39,976,322			35,078,157		
INTEREST-BEARING LIABILITIES						
Interest-bearing deposits						
NOW and interest-bearing demand	$ 3,793,164	11,875	0.63%	3,216,304	7,229	0.45%
Money market	16,872,945	55,904	0.67%	14,891,820	44,966	0.61%
Time deposits	1,451,516	7,334	1.02%	1,175,688	5,840	1.00%
Non-interest-bearing demand deposits	10,492,211	-	-	9,100,203	-	-
Total deposits	32,609,836	75,113	0.46%	28,384,015	58,035	0.41%
Long-term debt	256,754	7,245	5.64%	102,942	2,906	5.65%
Other borrowings	3,001,291	21,188	1.42%	3,042,137	18,836	1.25%
Total deposits and borrowings	35,867,881	103,546	0.58%	31,529,094	79,777	0.51%
Other non-interest-bearing liabilities and shareholders' equity	4,108,441			3,549,063		
Total liabilities and shareholders' equity	$ 39,976,322			35,078,157		
OTHER DATA						
Net interest income / interest rate spread (2)		610,510	3.07%		560,363	3.20%
Tax-equivalent adjustment		(1,514)			(405)	
Net interest income, as reported		608,996			559,958	
Net interest margin			3.12%			3.25%
Tax-equivalent effect			-			-
Net interest margin on a fully tax-equivalent basis (2)			3.12%			3.25%
Ratio of average interest-earning assets to average interest-bearing liabilities			109.91%			110.00%

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

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

Interest income and interest expense are affected both by changes in the volume of interest-earning assets and interest-bearing liabilities and by changes in yields and interest rates. The table below analyzes the impact of changes in volume (changes in average outstanding balances multiplied by the prior period's rate) and changes in interest rate (changes in interest rates multiplied by the current period's average balance). Changes that are caused by a combination of interest rate and volume changes are allocated proportionately to both changes in volume and changes in interest rate. For purposes of calculating the changes in our net interest income, the effect of nonperforming assets is included in the change due to rate.

	Three months ended June 30, 2017 vs. 2016			*Six months ended June 30, 2017 vs. 2016*		
(in thousands)	**Change Due to Rate**	**Change Due to Volume**	**Total Change**	**Change Due to Rate**	**Change Due to Volume**	**Total Change**
INTEREST INCOME						
Short-term investments	$ 712	100	812	996	127	1,123
Investment securities	(1,345)	393	(952)	(3,749)	1,546	(2,203)
Commercial loans, mortgages and leases (1)	(1,537)	40,486	38,949	(17,807)	93,190	75,383
Residential mortgages and consumer loans	(44)	(289)	(333)	(63)	(577)	(640)
Loans held for sale	432	(314)	118	769	(516)	253
Total interest income	(1,782)	40,376	38,594	(19,854)	93,770	73,916
INTEREST EXPENSE						
Interest-bearing deposits						
NOW and interest-bearing demand	2,354	361	2,715	3,349	1,297	4,646
Money market	3,633	3,385	7,018	4,956	5,982	10,938
Time deposits	248	532	780	124	1,370	1,494
Total interest-bearing deposits	6,235	4,278	10,513	8,429	8,649	17,078
Long-term debt	(20)	719	699	(3)	4,342	4,339
Other borrowings	1,656	(484)	1,172	2,605	(253)	2,352
Total interest expense	7,871	4,513	12,384	11,031	12,738	23,769
Net interest income	$ (9,653)	35,863	26,210	(30,885)	81,032	50,147

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

Net interest income for the second quarter of 2017 was $307.2 million, an increase of $25.6 million, or 9.1%, compared to $281.6 million for the second quarter of 2016. Net interest income for the six months ended June 30, 2017 was $609.0 million, an increase of $49.0 million, or 8.8%, compared to $560.0 million in the first six months of 2016. The increases in net interest income were largely driven by increases in average interest-earning assets, which, when compared to the same periods last year, increased $4.13 billion for the second quarter of 2017 and $4.74 billion for the six months ended June 30, 2017. These increases were partially offset by the reversal of interest income for taxi medallion loans placed on nonaccrual in the second quarter of 2017, increases in average deposits of $3.88 billion and $4.23 billion for the three and six month periods ended June 30, 2017, respectively, as well as the effect of the April 2016 subordinated debt issuance. These same factors contributed to the eight basis point and 13 basis point decline in net interest margin on a tax-equivalent basis to 3.11% and 3.12% for the three and six months ended June 30, 2017, respectively, when compared to the same periods last year.

Total investment securities averaged $8.89 billion in the quarter ended June 30, 2017, compared to $8.84 billion for the second quarter of 2016. The overall yield on our investment securities portfolio was 3.05% in the current quarter, down six basis points when compared to the second quarter last year, primarily due to lower reinvestment rates. Our portfolio primarily consists of high quality and highly-rated mortgage-backed securities, commercial mortgage-backed securities, and collateralized mortgage obligations issued by government agencies, government-sponsored enterprises, and private issuers. We mitigate extension risk through our overall strategy of purchasing relatively stable duration securities that, by their nature, have lower yields. At June 30, 2017, the baseline average duration of our investment securities portfolio was 3.24 years, compared to 2.60 years at June 30, 2016.

Total commercial loans, mortgages and leases averaged $29.90 billion in the second quarter of 2017, an increase of $4.15 billion, or 16.1%, when compared to the second quarter of 2016. The average yield on this portfolio decreased three basis points to 3.89% from the second quarter last year. The decrease in average yield primarily reflects the impact of refinance activity over the last year and the continued low interest rate environment, partially offset by a slight increase of $1.1 million in prepayment penalty income when compared to the second quarter of 2016. Prepayment penalty income was $7.2 million for the quarter ended June 30, 2017, compared to $6.1 million for the same period last year. Our commercial real estate loans (including multi-family loans) normally have a term of ten years, with a fixed rate of interest in years one through five and a rate that either adjusts annually or is fixed for

the five years that follow. Loans that prepay in the first five years generate prepayment penalties ranging from one to five percentage points of the then-current loan balance, depending on the remaining term of the loan. If a loan is still outstanding in the sixth year and the borrower selects the fixed rate option, the prepayment penalties typically reset to a range of one to five percentage points over years six through ten. It is difficult to predict the level of prepayment activity in future periods as it depends on market conditions, real estate values, the actual or perceived direction of market interest rates and the contractual repricing and maturity dates of commercial real estate loans.

Average non-interest-bearing demand deposits for the second quarter of 2017 were $10.59 billion, an increase of $1.13 billion, or 12.0%, when compared to the second quarter of 2016. Non-interest-bearing demand deposits continue to comprise a significant component of our deposit mix, representing 31.9% of all deposits at June 30, 2017. Additionally, average NOW and interest-bearing demand and money market accounts totaled $20.90 billion for the second quarter of 2017, an increase of $2.53 billion, or 13.8%, when compared to the second quarter of 2016. Core deposits have provided us with a source of stable and relatively low cost funding, which has positively affected our net interest margin and income. As a result of the current competitive environment, our funding cost for money market accounts increased to 0.70% for the quarter ended June 30 2017 compared to 0.62% for the second quarter of 2016. Our funding cost for NOW and interest-bearing demand accounts was 0.70% for the second quarter of 2017 compared to 0.45% for the second quarter of 2016.

For the second quarter of 2017, average total borrowings decreased $104.4 million, or 3.2.%, to $3.18 billion compared to $3.29 billion for the second quarter of 2016. The decrease in average total borrowings, when compared to the second quarter of 2016, was driven by deposit growth. The average cost of total borrowings was 1.81% and 1.53% for the second quarters of 2017 and 2016, respectively. The increase in the average cost of borrowings reflects higher replacement rates for matured term borrowings.

Provision for Loan and Lease Losses

Our provision for loan and lease losses was $187.6 million for the quarter ended June 30, 2017, compared to $33.3 million for the second quarter last year, an increase of $154.3 million or over 100%. For the six months ended June 30, 2017, our provision for loan and lease losses was $207.2 million, compared to $53.1 million for the same period last year, an increase of $154.1 million, or over 100%. For the three and six month periods ended June 30, 2017, the increased provision was nearly all driven by the NYC taxi medallion portfolio as the related taxi medallion value declined significantly during the second quarter resulting in impairment of the remainder of the portfolio. All taxi medallion loans were placed on nonaccrual due to the heightened economic stress at an individual borrower level.

The remaining NYC taxi medallion portfolio net exposure is $324.5 million. In Chicago, the remaining taxi medallion portfolio net exposure is $39.7 million.

For additional information about the provision for loan and lease losses, as well as the increase in taxi medallion nonaccrual loans and charge-offs, see the discussion of asset quality and the ALLL later in this report, as well as in Note 7 to our Consolidated Financial Statements.

Non-Interest Income

For the quarter ended June 30 2017, non-interest income was $9.6 million, a decrease of $3.6 million, or 27.3%, when compared to the second quarter of last year. The decrease was due to a $2.9 million decline in net gains on sales of securities and an increase in other losses of $2.3 million from additional amortization of low income housing tax credit investments. This decrease was partially offset by increases in fees and service charges of $616,000 and an increase in gains on sales of loans of $602,000.

For the six months ended June 30, 2017, non-interest income was $19.4 million, a decrease of $2.2 million, or 10.1%, when compared to the same period last year. The decrease was due to a $2.3 million decline in net gains on sales of securities and an increase in other losses of $3.7 million from additional amortization of low income housing tax credit investments. This decrease was partially offset by increase in net gains on sales of loans of $1.5 million and commissions of $1.4 million.

Non-Interest Expense

For the quarter ended June 30, 2017 non-interest expense was $116.3 million, an increase of $24.0 million, or 26.0%, when compared to the same period last year. This increase was attributable to an increase of $12.6 million in other general and administrative expenses as a result of $11.5 million in fair value adjustments related to repossessed New York City taxi medallions. The increased non-interest expense also reflects an increase of $6.4 million in salaries and benefits mostly attributable to the addition of new private client banking teams along with increased compensation costs driven by the continued growth of our business. Further contributing to this is a $2.5 million increase in FDIC assessment fees driven by our deposit growth and additional expenses incurred as a result of late 2016 assessment changes enacted when the Deposit Insurance Fund reserve ratio surpassed 1.15%, as well as a $916,000 increase in occupancy and equipment expenses due to the expansion of existing offices.

For the six months ended June 30, 2017, non-interest expense was $219.5 million, an increase of $34.8 million, or 18.9%, when compared to the same period last year. This increase was primarily attributable to an increase of $14.3 million in other general and administrative expenses as a result of $13.1 million in fair value adjustments related to repossessed New York City taxi medallions. The increase was also driven by an increase of $10.5 million in salaries and benefits mostly attributable to the addition of new private client banking teams along with increased compensation costs driven by the continued growth of our business. Further contributing to this is a $3.7 million increase in FDIC assessment fees driven by our deposit growth and additional expenses incurred as a result of late 2016 assessment changes enacted when the Deposit Insurance Fund reserve ratio surpassed 1.15%, as well as a $2.4 million increase in occupancy and equipment expenses due to the expansion of existing offices.

Stock-Based Compensation

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

As of June 30, 2017, our total unrecognized compensation cost related to unvested restricted shares was $99.6 million, which is expected to be recognized over a weighted-average period of 2.33 years. During the three and six months ended June 30, 2017, we recognized compensation expense of $12.4 million and $23.1 million, respectively, for restricted shares. The total fair value of restricted shares that vested during the three and six months ended June 30, 2017 was $10.7 million and $59.5 million, respectively.

Income Taxes

The income tax benefit for the quarter ended June 30, 2017 was $1.0 million reflecting an effective tax rate of (7.97)%, compared to income tax expense of $67.0 million for the quarter ended June 30, 2016 reflecting an effective tax rate of 39.6%. The current quarter tax benefit and the decrease from the same period last year was primarily due to the impact of NYC taxi medallion portfolio charge-offs during the quarter. Also included in the current quarter income tax provision is a benefit of $3.6 million related to the second quarter 2017 vesting of restricted stock awards due to the 2017 adoption of the new stock-based compensation standard, ASU 2016-09, *Improvements to Employee Share-Based Payment Accounting*. This discrete item does not impact our 2017 annual estimated effective tax rate.

For the six months ended June 30, 2017, the provision for income taxes was $53.9 million reflecting an effective tax rate of 26.7%, compared to $137.6 million for the six months ended June 30, 2016 reflecting an effective tax rate of 40.0%. The decrease was primarily due to the second quarter 2017 NYC taxi medallion charge-offs. Income tax expense for the first half of 2017 also includes a $14.7 million net benefit not previously recorded associated with the reduction from the NYC tax base of net interest income earned on qualified affordable housing and low income community related loans in accordance with legislation enacted in 2015 impacting the 2015 and 2016 tax years. While the tax benefits associated with 2015 and 2016 will not impact our 2017 annual estimated effective tax rate, this reduction as it relates to the current year will have a positive prospective impact. In addition, income tax expense reflects a benefit of $6.5 million related the vesting of stock-based compensation as a result of the 2017 adoption of the new stock-based compensation standard. This discrete item does not impact our 2017 annual estimated effective tax rate.

For additional information about the provision for loan and lease losses, as well as the increase in taxi medallion charge-offs, see the discussion of asset quality and the ALLL later in this report, as well as in Note 7 to our Consolidated Financial Statements.

Segment Results

On an annual basis, we reevaluate our segment reporting conclusions. Based on our internal operating structure and the relative significance of the specialty finance business, our operations are organized into two reportable segments representing our core businesses – Commercial Banking and Specialty Finance.

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

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

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

(in thousands)		Commercial Banking	Specialty Finance	Eliminations (1)	Consolidated
Three months ended June 30, 2017					
Net interest income	$	288,183	19,057	-	307,240
Provision for (recovery of) loan and lease losses		19,973	167,617	-	187,590
Total non-interest income		8,578	978	(6)	9,550
Total non-interest expense		97,816	18,463	(6)	116,273
Income (loss) before income taxes		178,972	(166,045)	-	12,927
Total assets	$	40,966,946	3,616,611	(3,864,947)	40,718,610
Three months ended June 30, 2016					
Net interest income	$	261,282	20,366	-	281,648
Provision for (recovery of) loan and lease losses		(29,931)	63,200	-	33,269
Total non-interest income		12,383	760	-	13,143
Total non-interest expense		85,147	7,162	-	92,309
Income (loss) before income taxes		218,449	(49,236)	-	169,213
Total assets	$	36,504,196	3,271,441	(3,228,802)	36,546,835

(1) Eliminations primarily related to intercompany funding.

(in thousands)		Commercial Banking	Specialty Finance	Eliminations (1)	Consolidated
Six months ended June 30, 2017					
Net interest income	$	569,328	39,668	-	608,996
Provision for (recovery of) loan and lease losses		27,004	180,216	-	207,220
Total non-interest income		17,598	1,839	(12)	19,425
Total non-interest expense		192,625	26,859	(12)	219,472
Income (loss) before income taxes		367,297	(165,568)	-	201,729
Total assets	$	40,966,946	3,616,611	(3,864,947)	40,718,610
Six months ended June 30, 2016					
Net interest income	$	519,043	40,915	-	559,958
Provision for (recovery of) loan and lease losses		(33,658)	86,739	-	53,081
Total non-interest income		20,146	1,461	-	21,607
Total non-interest expense		171,627	13,008	-	184,635
Income (loss) before income taxes		401,220	(57,371)	-	343,849
Total assets	$	36,504,196	3,271,441	(3,228,802)	36,546,835

(1) Eliminations primarily related to intercompany funding.

Commercial Banking

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

(in thousands)		At or for the three months ended June 30, 2017	2016	At or for the six months ended June 30, 2017	2016
Net interest income	$	288,183	261,282	569,328	519,043
Provision for (recovery of) loan and lease losses		19,973	(29,931)	27,004	(33,658)
Total non-interest income		8,578	12,383	17,598	20,146
Total non-interest expense		97,816	85,147	192,625	171,627
Income (loss) before income taxes		178,972	218,449	367,297	401,220
Total assets	$	40,966,946	36,504,196	40,966,946	36,504,196

Commercial Banking net interest income was $288.2 million for the quarter ended June 30, 2017, an increase of $26.9 million, or 10.3%, when compared to $261.3 million for the same period a year ago. For the six months ended June 30, 2017, net interest income was $569.3 million, an increase of $50.3 million, or 9.7%, when compared to $519.0 million for the same period a year ago. This increase was primarily due to growth in average interest-earning assets, partially offset by an increase in average deposits, the effect of the April 2016 subordinated debt issuance, and a decline in prepayment penalty income.

The provision for loan and lease losses increased $49.9 million, or over 100%, to a $20.0 million reserve build for the quarter ended June 30, 2017 compared to a $29.9 million reserve release for the quarter ended June 30, 2016. For the six months ended June 30, 2017, the provision for loan and lease losses increased $60.7 million, or over 100%, to a $27.0 million reserve build, compared to a $33.7 million reserve release for the same period last year. The increase was primarily due to the absence of the second quarter 2016 change in estimate related to the commercial real estate portfolio, which resulted in a reserve release of $25.7 million, portfolio growth, as well as an increase in qualitative reserves related to the economic conditions qualitative factor.

Non-interest expense was $97.8 million for the quarter ended June 30, 2017, an increase of $12.7 million, or 14.9%, when compared to $85.1 million for the quarter ended June 30, 2016. For the six months ended June 30, 2017, non-interest expense was $192.6 million, an increase of $21.0 million, or 12.2%, when compared to the same period last year. The increase was primarily attributable to an increase in salaries and benefits expense due to the addition of new private client banking teams and an increase in compensation costs driven by the growth of our business. Further contributing is an increase in occupancy and equipment expense and FDIC assessment fees, which were also attributable to the continued growth of our business, as well as an increase in professional fees associated with risk management and compliance related activities.

The increase of $4.47 billion in total assets, or 12.2%, from $36.50 billion as of June 30, 2016 to $40.97 billion as of June 30, 2017, was primarily attributable to growth in our commercial real estate loan portfolio.

Specialty Finance

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

(in thousands)		At or for the three months ended June 30, 2017	2016	At or for the six months ended June 30, 2017	2016
Net interest income	$	19,057	20,366	39,668	40,915
Provision for (recovery of) loan and lease losses		167,617	63,200	180,216	86,739
Total non-interest income		978	760	1,839	1,461
Total non-interest expense		18,463	7,162	26,859	13,008
Income (loss) before income taxes		(166,045)	(49,236)	(165,568)	(57,371)
Total assets	$	3,616,611	3,271,441	3,616,611	3,271,441

Specialty Finance net interest income was $19.1 million for the quarter ended June 30, 2017, a decrease of $1.3 million when compared to $20.4 million for the same period a year ago. For the six months ended June 30, 2017, net interest income was $39.7 million, a decrease of $1.2 million, or 3.1%, when compared to $40.9 million for the same period a year ago. The decrease is primarily attributable to the decline in interest income as a result of an increase in nonaccrual loans, primarily taxi medallion loans.

The provision for loan and lease losses increased $104.4 million, or over 100%, to $167.6 million for the quarter ended June 30, 2017. For the six months ended June 30, 2017, the provision for loan and lease losses increased $93.5 million, or over 100%, to $180.2 million. The increase was nearly all attributable to charge-offs related to the NYC taxi medallion portfolio during the second quarter of 2017 as a result of the collateral value decline and an increase in nonaccrual loans during the quarter. For additional information about the provision for loan and lease losses, as well as the increase in nonaccrual loans secured by taxi medallions and related charge-offs, see the discussion of asset quality and the ALLL later in this report, as well as in Note 7 to our Consolidated Financial Statements.

Non-interest expense was $18.5 million for the quarter ended June 30, 2017, an increase of $11.3 million, or over 100%, when compared to $7.2 million for the same period a year ago. For the six months ended June 30, 2017, non-interest expense was $26.9 million, an increase of $13.9 million, or over 100%, when compared to $13.0 million for the same period a year ago. The increase was primarily attributable to repossessed NYC taxi medallion fair value adjustments of $11.5 million and $13.1 million for the three and six months ended June 30, 2017, respectively.

The increase of $345.2 million in total assets, or 10.6%, from $3.27 billion as of June 30, 2016 to $3.62 billion as of June 30 2017, was primarily attributable to growth in our equipment leasing portfolios, partially offset by taxi medallion charge-offs.

FINANCIAL CONDITION

Securities Portfolio

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

At June 30, 2017, our total securities portfolio was $8.77 billion and primarily consisted of mortgage-backed securities (“MBSs”) and collateralized mortgage obligations (“CMOs”) issued by U.S. Government agencies ($551.9 million), government-sponsored enterprises ($6.82 billion), and private issuers ($377.4 million). As of June 30, 2017, 91.9% of our securities portfolio had a AAA credit rating, 96.5% had a credit rating of A or better, and 98.9% was rated investment grade or better. Overall, our securities portfolio had a weighted average duration of 3.24 years and a weighted average life of 5.03 years as of June 30, 2017. For further discussion of our investment securities and the related determination of fair value, see Notes 4 and 5 to our Consolidated Financial Statements.

The agency MBS portfolio primarily consists of adjustable-rate hybrid securities, fixed-rate balloon and seasoned 15-year structures. The agency CMO portion of our portfolio primarily consists of short duration planned amortization and sequential structures, collateralized by conforming first lien residential mortgages. The private CMO portfolio consists of prime borrowers with seasoned underlying mortgages and supportive credit enhancement. Our asset-backed portfolio primarily consists of intermediate term fixed rate AAA and floating rate AA/A rated credit card, auto and home equity collateralized securities and collateralized debt obligations.

At June 30, 2017, the net unrealized loss on securities, net of tax effect, was $40.7 million as reflected in accumulated other comprehensive loss, compared to a net unrealized loss of $54.7 million at December 31, 2016. The fair value of our AFS securities is affected by several factors, including (i) credit spreads, (ii) the interest rate environment, (iii) unemployment rates, (iv) delinquencies and defaults on the mortgages underlying such obligations, (v) changes in interest rates resulting from expiration of the fixed rate portion of adjustable rate mortgages, (vi) changing home prices, (vii) market liquidity for such obligations, and (viii) uncertainties with respect to government-sponsored enterprises such as Fannie Mae and Freddie Mac, which guarantee many of the debt securities we own. The estimated effect of possible changes in interest rates on our earnings and equity is discussed in “Item 3. Quantitative and Qualitative Disclosures About Market Risk.”

On December 10, 2013, federal regulators issued a final rule implementing the "Volcker Rule" enacted as part of the Dodd-Frank Act. The Volcker Rule prohibits banking organizations and their affiliates from investing in and sponsoring certain types of funds, including a range of asset securitization structures, that do not meet the exemptive criteria for continued ownership (defined as "Covered Funds"). The Federal Reserve previously exercised its authority to extend the divestiture period for such pre-2014 investments to July 21, 2017. The Bank has limited activities that are impacted by the Volcker Rule, and the only prohibited activity relates to our holding of certain AFS securities in investment vehicles that meet the definition of Covered Funds and, therefore, must be divested on or before July 21, 2017. These securities, which are predominantly collateralized mortgage obligations, had a total fair value and amortized cost of $1.4 million as of June 30, 2017. As of July 21, 2017, the Bank held investments in Covered Funds consisting of four private CMO re-remic securities with a fair value of $193,000 and a book value of $192,000. These securities are expected to pay down in the next few months. During the six months ended June 30, 2017, 12 Covered Fund securities were sold for a total gain of $21,000, and there were two Covered Fund securities sold during the six months ended June 30, 2016 for a total gain of $5,000.

We continue to closely monitor the securities in our investment portfolio, and other than those securities for which we have recorded other-than-temporary impairment losses, we believe the declines in fair value are temporary. With the exception of those securities that are issued by entities that constitute Covered Funds under the Volcker Rule, we have no intent to sell these securities, and we believe it is not more likely than not that we will be required to sell these investments before recovery of their amortized cost basis. In the event these securities demonstrate an adverse change in expected cash flows and we no longer expect to recover the amortized cost basis or if we change our intent to hold these securities, we would recognize additional other-than-temporary impairment losses through earnings.

Loan Portfolio

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

	June 30, 2017		*December 31, 2016*	
(dollars in thousands)	**Amount**	**Percentage**	**Amount**	**Percentage**
Mortgage loans:				
Multi-family residential property	$ 14,559,576	47.50%	14,366,520	48.68%
Commercial property	8,594,734	28.04%	7,994,707	27.08%
1-4 family residential property	594,415	1.94%	535,338	1.81%
Home equity lines of credit	144,284	0.47%	148,094	0.50%
Construction and land	798,091	2.60%	485,309	1.64%
Other loans:				
Commercial and industrial	5,294,083	17.27%	4,834,706	16.38%
Taxi medallions	366,948	1.20%	644,517	2.18%
Commercial - SBA guaranteed portion	292,266	0.95%	502,240	1.70%
Consumer	8,609	0.03%	10,268	0.03%
Sub-total / Total	30,653,006	100.00%	29,521,699	100.00%
Premiums, deferred fees and costs	60,175		80,994	
Total	$ 30,713,181		29,602,693	

Total loans increased by $1.11 billion to $30.71 billion at June 30, 2017 from $29.60 billion at December 31, 2016. Our total loan-to-deposit ratio, excluding loans held for sale, increased to 91.6% as of June 30, 2017 from 91.2% at December 31, 2016.

Substantially all of the collateral for our loans secured by real estate is located within the New York metropolitan area. As a result, our financial condition and results of operations may be affected by changes in the economy and the real estate market of the New York metropolitan area. A prolonged period of economic recession or other adverse economic conditions in the New York metropolitan area may result in an increase in nonpayment of loans, a decrease in collateral value, and an increase in our ALLL.

We only securitize the U.S. Government guaranteed portion of SBA loans, and we have not securitized any of our loans secured by real estate. As a result, we have not made any representations to, and do not have obligations to, third-party purchasers regarding any such loans.

In order to manage credit quality, we view the Bank's loan portfolio by various segments and classes of loans. For commercial loans, we assign individual credit ratings ranging from 1 (lowest risk) to 9 (highest risk) as an indicator of credit quality. These ratings are based on specific risk factors, including (i) historical and projected financial results of the borrower, (ii) market conditions

of the borrower's industry that may affect the borrower's future financial performance, (iii) business experience of the borrower's management, (iv) nature of the underlying collateral, if any, and (v) history of the borrower's payment performance.

The following table summarizes our portfolio of commercial loans by credit rating as of the dates indicated:

(in thousands)	*Pass* Rating 1-6	*Special Mention* Rating 7	*Substandard* Rating 8	*Doubtful* Rating 9	Non-rated	Total
June 30, 2017						
Commercial loans secured by real estate:						
Multi-family residential property	$ 14,395,932	162,734	-	-	-	14,558,666
Commercial property	8,557,567	32,258	4,909	-	-	8,594,734
1-4 family residential property	480,040	4,450	-	-	40	484,530
Construction and land	773,091	-	25,000	-	-	798,091
Commercial and industrial loans:						
Taxi medallions	-	-	366,948	-	-	366,948
Other commercial and industrial	5,153,636	48,352	48,883	70	43,142	5,294,083
Total commercial loans	$ 29,360,266	247,794	445,740	70	43,182	30,097,052
December 31, 2016						
Commercial loans secured by real estate:						
Multi-family residential property	$ 14,213,937	123,510	28,113	-	-	14,365,560
Commercial property	7,963,472	1,040	30,195	-	-	7,994,707
1-4 family residential property	415,848	-	-	-	43	415,891
Construction and land	467,103	18,206	-	-	-	485,309
Commercial and industrial loans:						
Taxi medallions	379,536	57,873	207,108	-	-	644,517
Other commercial and industrial	4,703,894	29,094	53,526	153	48,039	4,834,706
Total commercial loans	$ 28,143,790	229,723	318,942	153	48,082	28,740,690

For consumer loans, including residential mortgages and home equity lines of credit, we consider the borrower's payment history and current payment performance as leading indicators of credit quality. Effective January 2016, we no longer originate personal residential mortgages and home equity lines of credit, though we continue to service the existing portfolios. A consumer loan is considered nonperforming generally when it becomes 90 days delinquent based on contractual terms, at which time the accrual of interest income is discontinued. In the case of residential mortgages and home equity lines of credit, exceptions may be made if the loan has sufficient collateral value, based on a current appraisal, and is in process of collection.

The following table summarizes our portfolio of consumer loans by performance status as of the dates indicated:

(in thousands)	Performing	Nonperforming	Total
June 30, 2017			
Residential mortgages	$ 108,806	1,989	110,795
Home equity lines of credit	139,953	4,331	144,284
Other consumer loans	8,608	1	8,609
Total consumer loans	$ 257,367	6,321	263,688
December 31, 2016			
Residential mortgages	$ 118,358	2,049	120,407
Home equity lines of credit	142,761	5,333	148,094
Other consumer loans	10,264	4	10,268
Total consumer loans	$ 271,383	7,386	278,769

Asset Quality

Nonperforming Assets

Nonperforming assets include nonaccrual loans and investment securities as well as other real estate owned and other repossessed assets. Loans are generally placed on nonaccrual status upon becoming 90 days past due, or three months delinquent for single family property loans, based on contractual terms. In the case of commercial loans and loans secured by real estate, exceptions may be made if the loan has sufficient collateral value, based on a current appraisal, and is in process of collection. Consumer loans that are not secured by real estate, however, are generally placed on nonaccrual status when deemed uncollectible; such loans are generally charged off when they reach 180 days past due. Additionally, other considerations are made in determining whether a loan should be classified as nonaccrual, including whether the loan is to a borrower in an industry experiencing economic stress, whether the borrower is experiencing other issues such as inadequate cash-flow, or the nature of the underlying collateral and whether it is susceptible to deterioration in realizable value.

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

The following table summarizes our nonperforming assets, accruing troubled debt restructured loans, loans that were 90 days past due as to principal or interest, other impaired loans, and certain asset quality indicators as of the dates indicated:

(dollars in thousands)		**June 30, 2017**	**March 31, 2017**	**December 31, 2016**	**June 30, 2016**
Nonaccrual assets:					
Loans					
Taxi medallions	$	211,238	96,971	85,357	68,933
Other		17,434	16,441	15,086	20,245
Troubled debt restructured loans					
Taxi medallions		155,710	107,582	50,010	35,962
Other		8,498	4,944	7,125	4,320
Investment securities, at fair value		436	713	662	522
Repossessed assets					
Taxi medallions		27,314	37,376	19,580	14,957
Other		1,312	78	53	2,739
Total nonperforming assets	$	421,942	264,105	177,873	147,678
Accruing troubled debt restructured loans	$	23,777	99,302	88,158	153,117
Accruing loans past due 90 days or more (1):					
Loans (2)	$	5,107	41,567	55,951	25,345
Loans held for sale (3)		74	1,221	795	871
Other taxi medallion loans 30-89 days past due maturity (4)		-	9,752	24,564	21,076
Asset Quality Ratios:					
Total nonaccrual loans to total loans		1.29%	0.75%	0.54%	0.48%
Total nonperforming assets to total assets		1.04%	0.66%	0.46%	0.40%
ALLL to nonaccrual loans		46.46%	99.12%	135.49%	173.70%

(1) See Note 6 for full delinquency status of our loan portfolio.

(2) Includes $30.7 million and $45.3 million of taxi medallion loans past due maturity of 90 days or more that were considered impaired as of March 31, 2017 and December 31, 2016, respectively.

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

(4) Considered impaired as of March 31, 2017 and December 31, 2016.

Significant nonaccrual loans at June 30, 2017 consisted of $366.9 million in loans secured by taxi medallions (commercial and industrial loans), comprised of 826 New York City related loans totaling $325.2 million, 299 Chicago related loans totaling $41.0 million and five Philadelphia related loans totaling $773,000. During the second quarter of 2017, all remaining taxi medallion loans were placed on nonaccrual as a result of the significant decline in the underlying NYC taxi medallion collateral value. Due to the decline in collateral values, management determined the collectability of all amounts due to be doubtful and portions of loans uncollectable to the extent not covered by the underlying collateral value. Other significant nonaccrual loans include three

commercial real estate loans totaling $3.4 million, four home equity lines of credit totaling $2.3 million, and one other commercial and industrial loan totaling $1.3 million. Each nonaccrual loan is being actively managed by the Bank, and the ALLL includes a specific allocation for each such loan, when appropriate.

Nonaccrual investment securities at June 30, 2017 consisted of one collateralized debt obligation and one bank-collateralized pooled trust preferred security totaling $436,000. These securities are classified as nonperforming because of delinquent payments as a result of payment deferrals.

At June 30, 2017, loans past due 90 days or more included one 1-4 family residential property loan totaling $4.5 million and five commercial and industrial loans totaling $442,000 that are well secured and in process of collection. At December 31, 2016, loans past due 90 days or more included three commercial and industrial loans totaling $1.5 million that were well secured and in process of collection, nine taxi medallion loans totaling $5.4 million for which we were awaiting additional information from certain third party servicers, as well as 75 taxi medallion loans totaling $45.3 million and one commercial real estate loan totaling $2.7 million that matured, continued to make monthly payments and were in the normal course of renewal. All taxi medallion loans that were past due maturity with respect to their contractual maturity continue to pay and were reported as impaired. This included loans past due 90 days or more, as well as those 30 to 89 days past due. The Bank's policy is to recognize interest income on certain loans past due 90 days or more on an accrual basis. For taxi medallion loans that were past due maturity, the difference between cash basis and accrual basis recognition is inconsequential.

The $42.7 million increase in TDR loans from $145.3 million as of December 31, 2016 to $188.0 million as of June 30, 2017, was primarily due to the restructure of 236 NYC taxi medallion loans totaling $119.9 million. This was partially offset by charge-offs related to the taxi medallion portfolio of $65.7 million, the foreclosure of five taxi medallions totaling $3.0 million, and the full payoff of one commercial property loan for $3.8 million and one multi-family loan for $3.1 million. The $23.8 million decrease in TDR loans from $211.8 million as of March 31, 2017 to $188.0 million as of June 30, 2017 was primarily attributable to charge-offs of $64.0 million related to the taxi medallion portfolio and the full payoff of three loans totaling $5.2 million, principally consisting of one commercial property loan for $3.8 million. This decrease was partially offset by the addition of $52.1 million in TDRs, principally 129 NYC taxi medallion loans totaling $47.3 million.

For economic reasons and to maximize the recovery of loans, we may work with borrowers experiencing financial difficulties and will consider modifications to a borrower's existing loan terms and conditions that we would not otherwise consider, commonly referred to as TDRs. Our TDR loans consist of those loans where we modify the contractual terms of the loan, such as (i) a deferral of the loan's principal amortization through either interest-only or reduced principal payments, (ii) a reduction in the loan's contractual interest rate or (iii) an extension of the loan's contractual term. For a summary of our accounting methodologies relating to TDRs, see the Allowance for Loan and Lease Losses section of our Critical Accounting Policies. Additionally, for a discussion of our TDR loans and the related financial effects, see Note 7 to our Consolidated Financial Statements.

Our repossessed assets as of June 30, 2017 and December 31, 2016 totaled $28.6 million and $19.6 million, respectively. The decrease was primarily driven by $13.1 million in fair value adjustments related to repossessed taxi medallions during the year, partially offset by the repossession of 43 taxi medallions with a fair value of $21.9 million.

Allowance for Loan and Lease Losses

Our ALLL is maintained at a level estimated by management to absorb probable losses inherent in the loan portfolio and is based on management's continuing evaluation of the portfolio, the related risk characteristics, and the overall economic conditions affecting the loan portfolio. The estimation is inherently subjective as it requires measurements that are susceptible to significant revision as more information becomes available. At June 30, 2017 and December 31, 2016, our ALLL totaled $182.5 million and $213.5 million, respectively, which represents 0.60% and 0.74% of total loans and leases (excluding loans held for sale), respectively. The decrease is related to the taxi medallion related charge-offs during the second quarter of 2017. For a summary of our accounting methodologies relating to the ALLL, see the Allowance for Loan and Lease Losses section of our Critical Accounting Policies.

The provision for loan and lease losses is a charge to earnings to maintain the ALLL at a level consistent with management's assessment of the loan portfolio in light of current economic conditions and market trends. For the quarters ended June 30, 2017 and 2016, we recorded provisions of $187.6 million and $33.3 million, respectively. For the six months ended June 30, 2017, our provision for loan and lease losses was $207.2 million, compared to $53.1 million for the same period last year. These provisions were made to reflect management's assessment of the inherent and specific risk of losses relative to the growth of the portfolio. The increase in the provision for the three and six month periods ended June 30, 2017 was nearly all driven by the NYC taxi medallion portfolio as the related taxi medallion value declined significantly during the second quarter resulting in impairment of the remainder of the portfolio as all taxi medallion loans were placed on nonaccrual due to the heightened economic stress at an individual borrower level.

More specifically, as a result of the current quarter's decline in the underlying NYC taxi medallion collateral value and our ongoing assessment of the related distressed market, the remaining taxi medallion portfolio was placed on nonaccrual. When evaluating the impact of the updated collateral value, due to the decline in value, individual borrower loan-to-value (LTV) ratios increased significantly. For perspective, at a portfolio level prior to charge-off, the remaining accruing portfolio weighted average LTV was

approximately 170%. As a result of individual borrower LTV ratios, management determined the collectability of all amounts due to be doubtful as the high individual LTV ratios suggest heightened economic stress for each individual borrower. As a result of the change in market conditions during the quarter, all taxi medallion loans were placed on nonaccrual and charged down to collateral value as they were deemed uncollectible based on recent market activity.

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

	Credit-rated loans			Non-rated loans			
(in thousands)	Commercial Real Estate	1-4 Family Residential Property	Commercial & Industrial	Commercial	Residential Mortgages	Consumer	Total
As of June 30, 2017							
ALLL:							
Individually evaluated for impairment	$ -	-	7,643	59	3,075	-	10,777
Collectively evaluated for impairment	140,150	876	29,027	1,149	458	104	171,764
Recorded investment in loans:							
Individually evaluated for impairment	3,626	4,450	401,313	118	7,151	1	416,659
Collectively evaluated for impairment	23,947,865	480,040	5,216,576	43,064	247,928	8,608	29,944,081
As of December 31, 2016							
ALLL:							
Individually evaluated for impairment	$ 24	-	34,695	101	3,382	2	38,204
Collectively evaluated for impairment	114,343	637	57,729	1,126	1,261	195	175,291
Recorded investment in loans:							
Individually evaluated for impairment	10,548	-	299,683	202	8,137	4	318,574
Collectively evaluated for impairment	22,835,028	415,848	5,131,501	47,880	260,364	10,264	28,700,885

The following table allocates our ALLL to the respective portfolio categories:

	June 30, 2017			*December 31, 2016*		
(dollars in thousands)	**Loan Amount**	**Allowance Amount**	**Allowance as a % of Loan Amount**	**Loan Amount**	**Allowance Amount**	**Allowance as a % of Loan Amount**
Mortgage loans:						
Multi-family residential property	$ 14,559,576	83,414	0.57%	14,366,520	71,053	0.49%
Commercial property	8,594,734	49,377	0.57%	7,994,707	40,801	0.51%
1-4 family residential property	594,415	2,035	0.34%	535,338	2,117	0.40%
Home equity lines of credit	144,284	2,392	1.66%	148,094	3,182	2.15%
Construction and land	798,091	7,361	0.92%	485,309	2,514	0.52%
Other loans:						
Commercial and industrial	5,294,082	35,962	0.68%	4,851,824	35,363	0.73%
New York City taxi medallions	325,223	677	0.21%	567,925	44,319	7.80%
Chicago taxi medallions	40,953	1,217	2.97%	55,216	12,152	22.01%
Philadelphia taxi medallions	773	2	0.26%	4,258	1,797	42.20%
Consumer	8,609	104	1.21%	10,268	197	1.92%
Total	$ 30,360,740	182,541	0.60%	29,019,459	213,495	0.74%

Summary of Loan Loss Experience

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

	At or for the three months ended June 30,		At or for the six months ended June 30,	
(dollars in thousands)	**2017**	**2016**	**2017**	**2016**
Beginning balance - ALLL	$ 223,951	207,046	213,495	195,023
Charge-offs:				
Credit-rated commercial loans	(230,220)	(17,027)	(239,351)	(25,461)
Non-rated commercial loans	(338)	(22)	(754)	(439)
Residential mortgages	-	-	-	(150)
Consumer loans	(23)	-	(127)	(44)
Total charge-offs	(230,581)	(17,049)	(240,232)	(26,094)
Recoveries:				
Credit-rated commercial loans	1,462	1,397	1,663	2,455
Non-rated commercial loans	71	161	256	338
Residential mortgages	36	21	71	21
Consumer loans	12	33	68	54
Total recoveries	1,581	1,612	2,058	2,868
Net charge-offs	(229,000)	(15,437)	(238,174)	(23,226)
Provision	187,590	33,269	207,220	53,081
Ending balance - ALLL	$ 182,541	224,878	182,541	224,878
Ratios:				
ALLL to total loans	0.60%	0.84%	0.60%	0.84%
Net charge-offs to average loans, annualized	3.04%	0.24%	1.61%	0.19%

For the three and six months ended June 30, 2017, net charge-offs were $229.0 million and $238.2 million, respectively, compared to $15.4 million and $23.2 million for the same periods last year. Significant charge-offs during the quarter ended June 30, 2017, consisted of 854 New York City taxi medallion loans totaling $213.1 million.

Deposits

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

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

Core deposits, which excludes time and brokered deposits, increased $1.21 billion to $31.54 billion as of June 30, 2017 from $30.33 billion as of December 31, 2016. The increase is due to the addition of new private client banking teams, as well as additional deposits garnered by our existing private client banking teams.

The following table presents the composition of our deposit accounts as of the dates indicated:

	June 30, 2017		*December 31, 2016*	
(dollars in thousands)	**Amount**	**Percentage**	**Amount**	**Percentage**
Personal demand deposit accounts (1)	$ 820,916	2.47%	826,382	2.59%
Business demand deposit accounts (1)	9,706,908	29.27%	9,642,408	30.26%
Brokered demand deposit accounts (1)	43,096	0.13%	51,739	0.16%
Rent security	210,120	0.63%	199,243	0.63%
Personal NOW	46,892	0.14%	51,167	0.16%
Business NOW	3,843,075	11.59%	3,857,269	12.11%
Personal money market accounts	4,063,723	12.25%	4,073,418	12.78%
Business money market accounts	12,853,009	38.75%	11,677,906	36.66%
Brokered money market accounts	138,712	0.42%	137,871	0.43%
Personal time deposits	290,947	0.88%	298,742	0.94%
Business time deposits	687,467	2.07%	620,607	1.95%
Brokered time deposits	464,128	1.40%	424,508	1.33%
Total	$ 33,168,993	100.00%	31,861,260	100.00%
Demand deposit accounts (1)	$ 10,527,824	31.74%	10,468,790	32.85%
NOW	3,889,967	11.73%	3,908,436	12.27%
Money market accounts	17,126,852	51.63%	15,950,567	50.07%
Time deposits	978,414	2.95%	919,349	2.89%
Brokered deposits (2)	645,936	1.95%	614,118	1.92%
Total	$ 33,168,993	100.00%	31,861,260	100.00%
Personal	$ 5,222,478	15.74%	5,249,709	16.47%
Business	27,300,579	82.31%	25,997,433	81.61%
Brokered deposits (2)	645,936	1.95%	614,118	1.92%
Total	$ 33,168,993	100.00%	31,861,260	100.00%

(1) Non-interest bearing.

(2) Includes non-interest bearing deposits of $43.1 million and $51.7 as of June 30, 2017 and December 31, 2016, respectively.

Borrowings

At June 30, 2017, our borrowings were $3.57 billion, or 9.7% of our funding liabilities, compared to $3.20 billion, or 9.1% of our funding liabilities, at December 31, 2016. These borrowings, excluding our issued subordinated debt, are typically collateralized by mortgage-backed and collateralized mortgage obligation securities, along with commercial real estate loans. We also hold $164.0 million in Federal Home Loan Bank of New York ("FHLB") capital stock as required collateral for our outstanding borrowing position with the FHLB. Based on our financial condition, our asset size, the available capacity under our repurchase agreement lines and our FHLB line, and the amount of securities and loans available for pledging, we estimate our available consolidated capacity for additional borrowings to be approximately $8.84 billion at June 30, 2017.

Additionally, in 2016, the Bank issued $260 million aggregate principal amount of Variable Rate Subordinated Notes due April 19, 2026 (the "Notes") to institutional investors. The Notes accrue interest at a fixed rate of 5.30% for the first five years until April 2021. After this date and for the remaining five years of the Notes' term, interest will accrue at a variable rate of LIBOR plus 3.92%. Additionally, during the variable interest rate period and at the Bank's option, the Notes can be prepaid by the Bank. Net proceeds from this offering were used for general corporate purposes and to facilitate our continued growth. Subordinated debt is reported in the Consolidated Statements of Financial Condition net of deferred issuance costs of $3.0 million.

The following table presents the maturity or re-pricing of our borrowings as of June 30, 2017:

(in thousands)

3 months or less	3 - 12 months	1 - 3 years	Over 3 years	Total (1)
$ 925,900	1,180,000	1,105,000	360,000	3,570,900

(1) Excludes $3.0 million of deferred issuance costs reported as a direct reduction to the debt carrying amount in the Consolidated Statements of Financial Condition.

Fair Value of Financial Instruments

Our AFS securities, which represent $6.72 billion of the Company's total assets at June 30, 2017, are carried at fair value. Held-for-sale loans totaling $327.5 million at June 30, 2017, are carried at the lower of cost or fair value.

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

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

The valuations provided by the pricing services are derived from quoted market prices or using matrix pricing. Matrix pricing is a valuation technique consistent with the market approach of determining fair value. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets. Matrix pricing is a mathematical technique used principally to value debt securities without relying exclusively on quoted prices of specific securities, but rather on the securities' relationship to other benchmark quoted securities. Most of our securities portfolio is priced using this method, and such securities are classified as Level 2.

Securities are classified within Level 3 of the valuation hierarchy in cases where there is limited activity or less transparency around inputs to the valuation. In these cases, the valuations are determined based upon analysis of the cash flow structure and credit analysis for each position. Relative market spreads are utilized to discount the cash flow to determine current market values, as well as analysis of relative coverage ratios, credit enhancements, and collateral characteristics. SBA interest-only strip securities, pooled trust preferred securities, and private CMOs are all included in the Level 3 fair value hierarchy.

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

We believe our valuation methods are appropriate and consistent with other market participants; however, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. For further discussion of the determination of fair value, see Note 4 to our Consolidated Financial Statements.

Contractual Obligations

The following table presents our significant contractual obligations as of June 30, 2017:

	Payments due by period				
(in thousands)	**Less than 1 year**	**1 - 3 years**	**3 - 5 years**	**More than 5 years**	**Total**
Borrowings (1)	$ 2,105,900	1,105,000	100,000	260,000	3,570,900
Operating leases	21,967	45,667	39,799	98,628	206,061
Investments in qualified affordable housing projects	23,644	66,897	12,399	21,112	124,052
Information technology contract	14,176	25,597	14,940	540	55,253
Total contractual cash obligations	$ 2,165,687	1,243,161	167,138	380,280	3,956,266

(1) Excludes $3.0 million of deferred issuance costs reported as a direct reduction to the subordinated debt carrying amount in the Consolidated Statements of Financial Condition.

Off-Balance Sheet Arrangements

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

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

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

The following table presents a summary of our commitments and contingent liabilities:

(in thousands)	**June 30, 2017**	**December 31, 2016**
Unused commitments to extend credit	$ 1,347,982	1,310,736
Financial standby letters of credit	402,000	376,660
Commercial and similar letters of credit	18,580	17,801
Other	1,212	1,482
Total	$ 1,769,774	1,706,679

Commitments to extend credit consist of agreements having fixed expiration or other termination clauses and may require payment of a fee. Total commitment amounts may not necessarily represent future cash requirements. We evaluate each client's creditworthiness on a case-by-case basis. Upon the extension of credit, we will obtain collateral, if necessary, based on our credit evaluation of the counterparty. Collateral held varies but may include deposits held in financial institutions, real estate, accounts receivable, property, plant and equipment and inventory. At June 30, 2017 and December 31, 2016, our reserves for losses on unused commitments to extend credit totaled $907,000 and $1.1 million, respectively, and are included in Accrued expenses and other liabilities in our Consolidated Statements of Financial Condition.

We recognize a liability at the inception of the guarantee that is equivalent to the fee received from the guarantor. This liability is amortized over the term of the guarantee on a straight-line basis. At June 30, 2017 and December 31, 2016, we had deferred revenue for commitment fees paid for the issuance of standby letters of credit in the amounts of $1.5 million and $1.3 million, respectively.

Standby letters of credit are conditional commitments issued by us to guarantee the performance of a client's obligation to a third party. Standby letters of credit are primarily used to support clients' business trade transactions and may require payment of a fee. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to clients. We had a reserve for credit losses on standby letters of credit totaling $166,000 and $199,000 as of June 30, 2017 and December 31, 2016, respectively. During the quarters ended June 30, 2017 and 2016, there were no charge-offs recorded on standby letters of credit.

As of June 30, 2017 and December 31, 2016, we had commitments to sell loans totaling $10.7 million and $3.4 million, respectively.

Capital Resources

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

Basel III Requirements

On July 9, 2013, the FDIC approved final rules that substantially amended the regulatory risk-based capital rules applicable to Signature Bank, effective beginning January 1, 2015. The FDIC's final capital rules include new risk-based capital and leverage ratios, which are being phased in from 2015 to 2019, and refine the definition of what constitutes "capital" for purposes of calculating those ratios. The new minimum capital-level requirements applicable to Signature Bank under the final rules represented the following changes to the bank's capital adequacy requirements: (i) a new common equity Tier 1 risk-based capital ratio; (ii) an increase in the Tier 1 risk-based capital ratio minimum requirement from 4.0% to 6.0%; and (iii) a Tier 1 leverage ratio minimum requirement of 4.0% for *all* institutions, where prior to January 1, 2015, banks that received the highest rating of five categories used by regulators to rate banks and were not anticipating or experiencing any significant growth were required to maintain a leverage capital ratio of at least 3.0%.

The final rules also established a "capital conservation buffer" above the new regulatory minimum capital requirements, which must consist entirely of common equity Tier 1 capital, to be phased over several years. The phase-in of the capital conservation buffer began on January 1, 2016, at a level of 0.625% of risk-weighted assets for 2016 and increased to 1.250% for 2017. The minimum buffer then will be 1.875% for 2018 and 2.500% for 2019 and thereafter, resulting in the following effective minimum capital ratios beginning in 2019: (i) a common equity Tier 1 capital ratio of 7.0%, (ii) a Tier 1 capital ratio of 8.5%, and (iii) a total capital ratio of 10.5%. Under the final rules, institutions are subject to limitations on paying dividends, engaging in share repurchases, and paying discretionary bonuses if their capital levels fall below the buffer amount. These limitations establish a maximum percentage of eligible retained income that could be utilized for such actions.

Basel III provided discretion for regulators to impose an additional buffer, the "countercyclical buffer," of up to 2.5% of common equity Tier 1 capital to take into account the macro-financial environment and periods of excessive credit growth. However, the final rules permit the countercyclical buffer to be applied only to "advanced approach banks" (i.e., banks with $250 billion or more in total assets or $10 billion or more in total foreign exposures), which currently excludes Signature Bank. The final rules also implement revisions and clarifications consistent with Basel III regarding the various components of Tier 1 capital, including common equity, unrealized gains and losses, as well as certain instruments that will no longer qualify as Tier 1 capital, some of which will be phased out over time.

The final rules set forth certain changes for the calculation of risk-weighted assets, which we have been required to utilize since January 1, 2015. The standardized approach final rule utilizes an increased number of credit risk exposure categories and risk weights, and also addresses: (i) an alternative standard of creditworthiness consistent with Section 939A of the Dodd-Frank Act; (ii) revisions to recognition of credit risk mitigation; (iii) rules for risk weighting of equity exposures and past due loans; (iv) revised capital treatment for derivatives and repo-style transactions; and (v) disclosure requirements for top-tier banking organizations with $50 billion or more in total assets that are not subject to the "advance approach rules" that apply to banks with greater than $250 billion in consolidated assets. Based on our current capital composition and levels, we believe that we are in compliance with the requirements as set forth in the final rules as they are presently in effect.

We are also subject to FDIC regulations that apply to every FDIC-insured commercial bank and thrift institution, a system of mandatory and discretionary supervisory actions that generally become more severe as the capital levels of an individual institution decline. The regulations establish five capital categories for purposes of determining our treatment under these prompt corrective action ("PCA") provisions: "well capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized," or "critically undercapitalized."

As of January 1, 2015, the definitions of these capital categories changed in accordance with the federal banking agencies' final rule to implement Basel III and new minimum leverage and risk-based capital requirements. Under the revised PCA capital category definitions, we will be categorized as "well capitalized" if we (i) have a total risk-based capital ratio of 10.0% or greater; (ii) have a Tier 1 risk-based capital ratio of 8.0% or greater; (iii) have a common equity Tier 1 risk-based capital ratio of 6.5% or greater; (iv) have a leverage ratio of 5.0% or greater; and (v) are not subject to any written agreement, order, capital directive, or PCA directive issued by the FDIC to meet and maintain a specific capital level.

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

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

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

We will be categorized as “critically undercapitalized” and subject to provisions mandating appointment of a conservator or receiver if we have a ratio of “tangible equity” to total assets that is 2.0% or less. “Tangible equity” generally includes core capital plus cumulative perpetual preferred stock.

The capital amounts and ratios presented in the following table demonstrate that we were “well capitalized” as of June 30, 2017:

	Actual		*Required for Capital Adequacy Purposes*		*Required to be Well Capitalized*	
(dollars in thousands)	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
Total capital (to risk-weighted assets)	$ 4,277,414	13.03%	2,627,027	8.00%	3,283,784	10.00%
Tier 1 capital (to risk-weighted assets)	3,836,819	11.68%	1,970,270	6.00%	2,627,027	8.00%
Common equity Tier 1 capital (to risk-weighted assets)	3,836,819	11.68%	1,477,703	4.50%	2,134,459	6.50%
Tier 1 leverage capital (to average assets)	3,836,819	9.52%	1,611,867	4.00%	2,014,834	5.00%

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

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

Stress Testing

The Dodd-Frank Act requires banks with total consolidated assets of more than $10 billion to conduct annual stress tests. The Dodd-Frank Act also requires the FDIC, in coordination with federal financial regulatory agencies, to issue regulations establishing methodologies for stress testing that provide for at least three different sets of conditions, including baseline, adverse, and severely adverse. The regulations must also require banks to publish a summary of the results of the stress tests. In October 2012, the FDIC issued a final rule regarding annual stress tests requiring a bank subject to the rule to assess the quarterly impact of stress scenarios on the bank’s capital over a horizon of nine quarters.

The Bank has developed a process to comply with the stress testing requirements, which involves Senior Management, Risk Management, and Finance, along with third-party consultants who assist in this process. The Risk Committee of the Board of Directors receives quarterly updates as to the progress and challenges in complying with this new regulatory requirement.

On July 28, 2016, we submitted our stress testing results on data as of December 31, 2015, which we publicly disclosed on October 24, 2016. The stress testing results affirm the adequacy of the Bank’s capital, even under severe economic conditions. For 2017, we submitted our stress testing results on July 28th based on data as of December 31, 2016. Public disclosure is expected by October 31, 2017.

Liquidity

Liquidity is the measurement of our ability to meet our cash needs. Our objective in managing liquidity is to maintain our ability to meet loan commitments and deposit withdrawals, purchase investments and pay other liabilities in accordance with their terms, without an adverse impact on our current or future earnings. Our liquidity management is guided by policies developed and monitored by our asset/liability management committee and approved by our Board of Directors. The asset/liability management committee consists of, among others, our Chairman, President and Chief Executive Officer, Vice Chairman, Chief Operating Officer, Chief Financial Officer and Treasurer. These policies take into account the marketability of assets, the source and stability of deposits, our wholesale borrowing capacity and the amount of our loan commitments. While the Bank may raise funds through a common stock offering or debt issuance to facilitate continued growth, our primary source of liquidity has been core deposit growth.

Additionally, we have borrowing sources available to supplement deposit flows, including the FHLB and repurchase agreement lines with other financial institutions. We also have access to the brokered deposit market, through which we have numerous alternatives and significant capacity, if needed. We also opportunistically access capital markets from time to time to obtain additional capital to support our growth as evidenced by our historical common stock offerings, as well as the 2016 subordinated debt offering.

Credit availability at the FHLB is based on our financial condition, our asset size and the amount of collateral we hold at the FHLB. At June 30 2017, our FHLB borrowings totaled $2.60 billion with an average rate of 1.43% that mature by March 29, 2021. Included in this total is $2.58 billion of securities sold under repurchase agreements to the FHLB.

We also have repurchase agreement lines with several leading financial institutions totaling $2.23 billion. At June 30, 2017, we had $250.0 million of securities sold under repurchase agreements to four of these institutions. These borrowings have an average rate of 2.25% and mature by November 2020.

Based on our financial condition, our asset size, the available capacity under our repurchase agreement lines and our FHLB line, and the amount of securities and loans available for pledging, we estimate our available consolidated capacity for additional borrowings to be approximately $8.84 billion as of June 30, 2017.

The federal banking agencies in September 2014 issued a final rule that implements a new "liquidity coverage ratio" ("LCR Rule") based upon Basel III requirements that for the first time regulate bank liquidity in detail. The LCR Rule does not apply to depository institutions, including Signature Bank, with less than $50 billion in consolidated assets. Based on our anticipated rate of growth, we do not expect that the LCR rule will impact our operations or financial condition within the next year.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

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

Interest Rate Risk Management

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

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

To effectively measure and manage interest rate risk, we use simulation analysis to determine the impact on net interest income under various hypothetical interest rate scenarios. Based on these simulations, we quantify interest rate risk and develop and implement appropriate strategies. As of June 30, 2017, we used a simulation model to analyze net interest income sensitivity to both (i) a parallel shift in interest rates, in which the base market interest rate forecast was increased in quarterly increments over the first twelve months, followed by rates holding constant thereafter (“ramp scenario”) and (ii) a parallel and sustained shift in interest rates, in which the base market interest rate forecast was immediately increased by 100, 200, 300 and 400 basis points (“shock scenario”). Given the exceptionally low interest rate environment, including the federal funds rate and other short-term interest rates, we did not analyze net interest income sensitivity to a downward market interest rate forecast.

The following table indicates the sensitivity of projected annualized net interest income to the interest rate movements described above at June 30, 2017:

(dollars in thousands)	**Adjusted Net Interest Income**	**Change from Base**
Ramp scenario:		
Base	$ 1,201,843	-
Up 100 basis points	1,190,803	(0.9)%
Up 200 basis points	1,163,195	(3.2)%
Up 300 basis points	1,134,221	(5.6)%
Up 400 basis points	1,104,380	(8.1)%
Shock scenario:		
Base	$ 1,201,843	-
Up 100 basis points	1,183,449	(1.5)%
Up 200 basis points	1,143,509	(4.9)%
Up 300 basis points	1,102,956	(8.2)%
Up 400 basis points	1,059,092	(11.9)%

We also use a simulation model to measure the impact that hypothetical market interest rate changes will have on the net present value of assets and liabilities, which is defined as market value of equity. As of June 30, 2017, we used a simulation model to analyze the market value of equity sensitivity to a parallel and sustained shift in interest rates, in which the base market interest rate forecast was immediately increased by 100, 200, 300 and 400 basis points. Given the current low interest rate environment, including the federal funds rate and other short-term interest rates, we did not analyze the market value of equity sensitivity to a downward market interest rate forecast.

The following table indicates the sensitivity of market value of equity at June 30, 2017 to the interest rate movements described above (base case market value of equity is $6.20 billion):

(dollars in thousands)	Sensitivity	Change from Base
Up 100 basis points	$ 63,986	1.0%
Up 200 basis points	(105,131)	(1.7)%
Up 300 basis points	(432,250)	(7.0)%
Up 400 basis points	(784,168)	(12.7)%

The market value of equity sensitivity analysis assumes an immediate parallel shift in interest rates and yield curves. The computation of prospective effects of hypothetical interest rate changes is based on numerous assumptions, including relative levels of interest rates, asset prepayments, deposit decay and changes in re-pricing levels of deposits to general market rates, and should not be relied upon as indicative of actual results. Further, the computations do not take into account any actions that we may undertake in response to future changes in interest rates.

ITEM 4. CONTROLS AND PROCEDURES

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

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

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

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

ITEM 1A. RISK FACTORS

For information on risk factors, see "Risk Factors" in Part I -- Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2016. We do not believe there were any material changes in the status of our risk factors from those previously disclosed and described in our Annual Report on Form 10-K for the year ended December 31, 2016.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

During the second quarter of 2017, we issued an aggregate of 291 shares of our common stock to certain participants under our Amended and Restated 2004 Equity Incentive Plan (the “Equity Incentive Plan”) as a result of the granting of restricted shares pursuant to the Equity Incentive Plan in reliance on the exemption provided by Section 3(a)(2) of the Securities Act of 1933.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

(a) The following exhibits are submitted herewith:

Exhibit Number	Description of Exhibit
31.1	Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

SIGNATURES

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

Date: August 9, 2017

Signature Bank

/s/ JOSEPH J. DEPAOLO

Joseph J. DePaolo
President and Chief Executive Officer

/s/ VITO SUSCA

Vito Susca
Senior Vice President and Chief Financial Officer

EXHIBIT INDEX

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Exhibit 31.1

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

I, Joseph J. DePaolo, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Signature Bank;

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

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

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

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

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

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

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

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

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

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

Date: August 9, 2017

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

Exhibit 31.2

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

I, Vito Susca, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Signature Bank;

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

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

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

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

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

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

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

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

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

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

Date: August 9, 2017

/s/ VITO SUSCA
Vito Susca
Senior Vice President and Chief Financial Officer

Exhibit 32

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

In connection with the Quarterly Report on Form 10-Q of Signature Bank (the "Company") for the period ended June 30, 2017, as filed with the Federal Deposit Insurance Corporation on the date hereof (the "Report"), Joseph J. DePaolo, as Chief Executive Officer of the Company, and Vito Susca, as Chief Financial Officer of the Company, each hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 9, 2017

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

/s/ VITO SUSCA
Vito Susca
Senior Vice President and Chief Financial Officer