UNITED STATES
FEDERAL DEPOSIT INSURANCE CORPORATION
WASHINGTON, D.C. 20429

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2020
Or
☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

FDIC Certificate Number 57053

SIGNATURE BANK
(Exact name of registrant as specified in its charter)

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

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.01 par value per share	SBNY	NASDAQ Global Select Market
Depositary Shares, each representing a 1/40th interest in a share of 5.000% Noncumulative Perpetual Series A Preferred Stock, par value $0.01 per share	SBNYP	NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act:
NONE

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

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

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

Indicate by check mark whether the registrant has submitted electronically 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). Yes ☐ No ☐

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

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

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

The aggregate market value of the voting stock held by non-affiliates of the registrant, based on the closing sales price of the registrant's Common Stock as quoted on the NASDAQ Global Select Market on June 30, 2020 was $5.56 billion.

As of February 26, 2021, the Registrant had outstanding 57,624,911 shares of Common Stock.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement for Annual Meeting of Stockholders to be held April 22, 2021. (Part III)

SIGNATURE BANK
ANNUAL REPORT ON FORM 10-K
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2020

INDEX

PRIVATE SECURITIES LITIGATION REFORM ACT SAFE HARBOR STATEMENT

This Annual Report on Form 10-K and oral statements made from time-to-time by our representatives contain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 that are subject to risks and uncertainties. You should not place undue reliance on such statements because they are subject to numerous risks and uncertainties relating to our operations and the business environment in which we operate, all of which are difficult to predict and many of which are beyond our control. Forward-looking statements include information concerning our possible or assumed future results of operations, including descriptions of our business strategy, expectations, beliefs, projections, anticipated events or trends, growth prospects, financial performance, and the impact of the COVID-19 pandemic on each of the foregoing and on our business overall, as well as 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,” “target”, “goal”, “should,” “will,” or “would,” or the negative of these words and phrases or similar words and phrases.

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

- earnings growth;
- revenue growth;
- net interest margin;
- deposit growth, including short-term escrow deposits, brokered deposits and off-balance sheet deposits;
- future acquisitions;
- performance, credit quality and liquidity of investments made by us, including our investments in certain mortgage-backed and similar securities;
- loan and lease origination volume;
- the interest rate environment;
- non-interest income levels, including fees from product sales;
- credit performance of loans made by us;
- monetary and fiscal policies of the U.S. Government, including policies of the U.S. Treasury and the Board of Governors of the Federal Reserve System;
- our ability to maintain, generate and/or raise capital;
- changes in the regulatory environment and government intervention in the banking industry, including the impact of the Dodd-Frank Wall Street Reform, and the Economic Growth, Regulatory Relief 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;
- future dividends and share repurchases;
- other business operations and strategies;
- changes in federal, state or local tax laws; and
- the impact of new accounting pronouncements.

As you read and consider the forward-looking statements, you should understand that these statements are not guarantees of performance or results. They involve risks, uncertainties and assumptions and can change as a result of many possible events or factors, not all of which are known to us or in our control. All of these factors are subject to additional uncertainty in the context of the COVID-19 pandemic, which is having an unprecedented impact on all aspects of our operations, the financial services industry and the economy as a whole. Although we believe that these forward-looking statements are based on reasonable assumptions, beliefs and expectations, if a change occurs or our beliefs, assumptions or expectations were incorrect, our business, financial condition, liquidity or results of operations may vary materially from those expressed in our forward-looking statements. You should be aware that many factors could affect our actual financial results or results of operations and could cause actual results to differ materially from those in the forward-looking statements. See “Part I, Item 1A. – Risk Factors” for a discussion of the most significant risks that we face, including, without limitation, the following factors:

- disruption and volatility in global financial markets;
- changes in U.S. trade policies, including the imposition of tariffs;
- difficult market conditions adversely affecting our industry;
- fiscal challenges facing the U.S. government could negatively impact financial markets which in turn could have an adverse effect on our financial position or results of operations;
- our ability to maintain the continuity, integrity, security and safety of our operations;
-
- 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;
- the planned phase out of LIBOR as a financial benchmark presents risks to the financial instruments originated or held by us;
- competition with many larger financial institutions which have substantially greater financial and other resources than we have;
- government intervention in the banking industry, new legislation and government regulation;
- illiquid market conditions and downgrades in credit ratings;
- adverse developments in the residential mortgage market;
- inability of U.S. agencies or U.S. government-sponsored enterprises to pay or to guarantee payments on their securities in which we invest;
- material risks involved in commercial lending;
- a downturn in the economy and the real estate market of the New York metropolitan area or on the West Coast;
- 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 credit losses for loans and leases (“ACLLL”) may not be sufficient to absorb actual losses;
- our reliance on the Federal Home Loan Bank of New York for secondary and contingent liquidity sources;
- our dependence upon key personnel;
- our inability to acquire suitable private client banking teams or manage our growth;
- our charter documents and regulatory limitations may delay or prevent our acquisition by a third party;
- curtailment of government guaranteed loan programs could affect our SBA business;
- our use of brokered deposits and continuing to be “well-capitalized”;
- our extensive reliance on outsourcing to provide cost-effective operational support;

- system failures or breaches of our network security;
- data security breaches;
- decreases in trading volumes or prices;
- exposure to legal claims and litigation;
- our ability to pay cash dividends or engage in share repurchases is restricted;
- potential responsibility for environmental claims;
- climate change and related legislative and regulatory initiatives may result in operational changes and expenditures that could significantly impact our business;
- 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;
- fluctuations in FDIC insurance premiums;
- regulatory net capital requirements that constrain our brokerage business;
- soundness of other financial institutions;
- our ability to enter new markets successfully and capitalize on growth opportunities;
- changes in consumer spending, borrowing and savings habits;
- changes in our organization, compensation and benefit plans; and
- changes in the financial condition or future prospects of issuers of securities that we own.

See “Part I, Item 1A.– Risk Factors” for a full discussion of these risks.

You should keep in mind that any forward-looking statement made by us speaks only as of the date on which we make it. New risks and uncertainties arise from time to time, and it is impossible for us to predict these events or how they may affect us. We have no duty to, and do not intend to, and disclaim any obligation to, update or revise any industry information or forward-looking statements after the date on which they are made. In light of these risks and uncertainties, you should keep in mind that any forward-looking statement made in this document or elsewhere might not reflect actual results.

PART I

ITEM 1. BUSINESS

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

Introduction

We are a New York-based full-service commercial bank with 36 private client offices located throughout the metropolitan New York area, including those in Connecticut, as well as in California and North Carolina. Through its single-point-of-contact approach, 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 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 subsidiary, a licensed broker-dealer and investment adviser.

Through our 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 municipal finance.

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

Since commencing operations in May 2001, we have grown to $73.89 billion in assets, $63.32 billion in deposits, $48.83 billion in loans, $5.83 billion in equity capital and $4.80 billion in other assets under management as of December 31, 2020. We intend to continue our growth and maintain our position as a premier relationship-based financial services organization in the metropolitan New York area including those in Connecticut, as well as in California and North Carolina, as guided by our Chairman and senior management team who have extensive experience developing, managing and growing financial service organizations.

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

Recent Highlights

COVID-19 Pandemic

In March 2020, the World Health Organization declared COVID-19 a pandemic, and on March 13, 2020 the United States declared a national emergency with respect to COVID-19. The outbreak of COVID-19 has severely impacted global economic activity and caused significant volatility and negative pressure in financial markets. In response to the pandemic, we successfully implemented our contingency plans, which include remote working arrangements, modified hours in our private client offices, and phased return to work schedules while promoting social distancing. In addition, we continue to support our clients and employees who may be experiencing a financial hardship due to COVID-19. We provided payment deferrals as needed, have been participating in the Small Business Administration’s Paycheck Protection Program and in the Federal Reserve’s Main Street Lending Program for our eligible clients. We continue to closely monitor the rapid developments and uncertainties regarding the pandemic.

Because there have been no comparable recent global pandemics that resulted in similar global impact, we do not yet know the full extent of COVID-19’s effects on our business, operations, or the global economy as a whole. Any future development will be highly uncertain and cannot be predicted, including the scope and duration of the pandemic, the effectiveness of our remote working arrangements, third party providers’ ability to support our operation, and any actions taken by governmental authorities and other third parties in response to the pandemic. The uncertain future development of this crisis could materially and adversely affect our business, operations, operating results, financial condition, liquidity or capital levels.

For additional discussion of the impact of COVID-19 on our institution and the risks that it poses, see Item 1A "Risk Factors."

Coronavirus Aid, Relief, and Economic Security (CARES) Act

In March 2020, as a result of the COVID-19 pandemic, the CARES Act was passed by Congress and signed into law. The CARES Act includes funding for loans to be issued by financial institutions to small businesses through the Small Business Administration (SBA), known as the Paycheck Protection Program (PPP). These loans are to be provided for payroll and other permitted expenses during the COVID-19 pandemic and are 100% guaranteed by the SBA for small businesses who meet the necessary eligibility requirements. PPP loans are eligible to be forgiven if certain conditions are satisfied, at which time the SBA will make payment to the lender for the forgiven amounts. All PPP loans yield an interest rate of 1.00% and have a two or five-year term. The SBA also pays the originating bank a processing fee ranging from 1% to 5%, based on the size of the loan. In April 2020, Congress authorized additional funding for the PPP Program under the CARES Act. On July 4, 2020, the Paycheck Protection Extension Act, was signed into law, establishing August 8, 2020, as the new deadline to apply for a PPP loan. Although PPP loans originally had a minimum two-year term, all new originations now have a five year term.

On December 27, 2020, the Economic Aid Act was enacted as part of the Consolidated Appropriations Act ("CAA") for Fiscal Year 2021. The Economic Aid Act reopens the PPP to certain businesses that satisfy applicable eligibility criteria. Specifically, among other things, the Economic Aid Act: (i) extends the original PPP (or the "First Draw") deadline from August 8, 2020 to March 31, 2021; (ii) establishes "Second Draw" PPP loans, which enables certain entities to receive a second round of PPP credit; and (iii) appropriates $284.5 billion for "First Draw" and "Second Draw" PPP loans. On January 6, 2021, the SBA and the Department of the Treasury issued interim final rules and revised the borrower application forms for the PPP. The SBA resumed its acceptance of First Draw PPP loan applications on January 11, 2021 and began accepting applications for Second Draw PPP loans on January 13, 2021. Outstanding PPP loans totaled $1.87 billion as of December 31, 2020. With the re-opening of the PPP in January 2021 through the adoption of the Economic Aid Act and related SBA and Treasury Department rulemakings, the Bank has received and expects to receive additional "First Draw" and "Second Draw" PPP loan applications in the coming weeks.

Since its commencement, the PPP has generated considerable discussion regarding its operation, including reports that loans were going to larger companies, including public companies, diverting funds from the smaller businesses that were the program's intended beneficiaries and that certain bank lenders were favoring larger existing customers at the expense of smaller customers or potential borrowers with no previous connection to the banks. As a result, there has been litigation, including purported class actions, against lenders, borrowers, and the SBA itself. This has included litigation brought by plaintiffs alleging that banks owed them agent fees for borrowers they brought to the banks. There have also been criminal proceedings brought against potential and actual borrowers for fraud and misuse of loan proceeds. In July 2020, the SBA began releasing the names of and other information about borrowers receiving loans of $150,000 or more, which may focus more attention on the operation of the PPP.

Since the end of March 2020, the Bank has been working with borrowers negatively impacted by the COVID-19 pandemic. As of December 31, 2020, total principal and interest deferrals declined significantly to $1.31 billion, or 2.7% of total loans. Additionally, $3.22 billion, or 6.6% of total loans, is comprised of other COVID-19 related modifications, including $2.87 billion of modified interest-only payments. This compares to a peak level of total deferrals of $11.08 billion, or 24.5% of total loans, as of June 30, 2020, which were primarily comprised of principal and interest deferrals. Additionally, to encourage institutions to work with impacted borrowers, the CARES Act and banking regulatory agencies have provided relief from Troubled Debt Restructuring ("TDR") accounting. Loans modified as a result of COVID-19 that were current as of December 31, 2019 are exempt from TDR classification under US GAAP. Additionally, banking regulatory agencies issued interagency guidance that COVID-19 related short-term modifications (i.e., six months or less) granted to borrowers that were current as of the loan modification program implementation date are not TDRs. The CARES Act guidance applied to modifications made between March 1, 2020 and the earlier of December 31, 2020 or 60 days after the end of the COVID-19 national emergency. In December 2020, the signing of the Consolidated Appropriations Act, 2021 extended this guidance to modifications made until the earlier of January 1, 2022 or 60 days after the end of the COVID-19 national emergency. For past due status, the CARES Act also provides for lenders to continue to report loans in the same delinquency status they were in at the time of modification. The Bank has applied this guidance during 2020.

Also, the Federal Reserve, on its own and in cooperation with the Department of the Treasury, has established a number of financing and liquidity programs that are available to institutions like the Bank. These include the Main Street Lending Program ("MSLP"), which is intended to keep credit flowing to small and mid-sized businesses that were in sound financial condition before the coronavirus pandemic but now need financing to maintain operations. The Bank has registered as a lender in the MSLP. On July 28, 2020, the Federal Reserve announced the extension to December 31, 2020 of a number of financing and liquidity programs, including the MSLP, that were scheduled to expire on September 30, 2020. However, in guidance published effective as of November 25, 2020, the Federal Reserve indicated that the MSLP would terminate on December 31, 2020. This deadline was extended to January 8, 2021, when the MSLP terminated. Outstanding MSLP loans totaled $3.4 million as of December 31, 2020.

On May 15, 2020, the House of Representatives passed the HEROES Act, a $3 trillion relief bill that contained a number of financial services-related provisions, including, among other things, an expansion of the moratorium on evictions and mortgage foreclosures established under the CARES Act and the establishment of rental and homeowners assistance programs to be administered by federal and state agencies to provide direct aid to renters and homeowners adversely impacted by COVID-19.

On July 27, 2020, Senate Republicans released the HEALS Act, which, among other things, proposes a number of forms of direct assistance in the areas of healthcare, education and workplace safety. However, the proposal does not include the financial services related measures that have been proposed by the House of Representatives under the HEROES Act. Both legislative packages call for extensions of the PPP and would make varying adjustments to the program. In addition, on August 8, 2020, the President announced four actions addressing the continuation of certain unemployment benefits and potential payroll tax, student loan and renter eviction relief.

On December 27, 2020, the CAA 2021 was signed into law. Along with providing funding for normal government operations ($1.4 trillion), this bill provides for additional COVID-19 focused relief ($900 billion). The CAA extends certain provisions of the CARES Act, provides additional funding for others and contains new relief provisions. In addition, the CAA extends the PPP to March 31, 2021, increases its maximum loan amounts to $806.5 billion and permits eligible companies to obtain a second PPP loan ("second draw") under specified terms, with a maximum amount of $2 million.

For additional discussion of the impact of the PPP program on our institution and the risks that it poses, see Item 1A “Risk Factors.” For additional information related to TDRs, see Note 9 to our Consolidated Financial Statements.

West Coast Expansion

After opening our flagship office in San Francisco in February 2019, which marked the commencement of our West Coast operations, the Bank has executed on our proven model by attracting new leadership for our West Coast initiative and on-boarded 13 new private client banking teams during 2020 in the greater Los Angeles marketplace. Together with our San Francisco office, the Bank now has a total of 23 private banking teams, which consist of 76 banking professionals on the West Coast. Additionally, during 2020 we opened four new private client banking offices in Los Angeles with locations in Warner Center, Ontario, Newport Beach and Beverly Hills.

Subordinated Debt Offering

On October 6, 2020, the Bank completed a public offering of $375.0 million aggregate principal amount of Fixed-To-Floating Rate Subordinated Notes due October 15, 2030 (the “Notes”). The Notes accrue interest at a fixed rate of 4.00% per annum for the first five years until October 2025. After this date and for the remaining five years of the Notes’ term, interest will accrue at a floating rate of three-month AMERIBOR plus 389 basis points. Net proceeds from this offering will be used for general corporate purposes, including to support our growth.

Stock Repurchase Program

On October 17, 2018, the Bank’s stockholders approved the repurchase of common stock from the Bank’s shareholders in open market transactions in the aggregate purchase amount of up to $500.0 million. The timing of the execution of this plan, as well as the amount repurchased, will be at the discretion of our Board of Directors and management, and will be dependent upon then-existing conditions, including our financial condition and results of operations, capital requirements, commercial real estate concentration, contractual restrictions, business prospects and other factors considered relevant. Share buybacks are also subject to regulatory approvals, which were received for the repurchase program of up to $500.0 million in November 2018. We received shareholder and regulatory approval to continue the program in 2019.

On February 19, 2020, the Board of Directors approved an amendment to the stock repurchase program that restored the Bank’s share repurchase authorization to an aggregate purchase amount of up to $500.0 million from the $220.9 million that was remaining under the original authorization as of December 31, 2019. The amended stock repurchase program was approved by the shareholders in April 2020. The Bank has suspended any future repurchases of common stock given the COVID-19 circumstances since the end of the first quarter of 2020. As a result, no common stock was repurchased by the Bank during the remainder of 2020. During the third quarter of 2020, we received regulatory approval to extend the repurchase of the $170.8 million remaining under the original authorization to September 30, 2021. We plan to seek separate regulatory approval for the additional $279.1 million approved under the amended authorization. To date the Bank has repurchased 2,689,544 shares of common stock for a total of $329.2 million, and the amount remaining under the amended authorization was $450.0 million at December 31, 2020.

Preferred Stock Offering

On December 17, 2020, the Bank issued 5.00% Noncumulative Perpetual Series A Preferred Stock. Net proceeds, after underwriting discounts and expenses, were approximately $708.0 million. The public offering consisted of 29,200,000 depository shares, each representing A 1/40th interest in a share of the Series A Preferred Stock, at a public offering price of $25.00 per depository share. The Series A Preferred Stock is redeemable at the option of the Bank, subject to all applicable regulatory approvals, on or after December 30, 2025. See Note 17 to our Consolidated Financial Statements for additional information.

Common Stock Dividend

On January 20, 2021, the Bank declared a cash dividend of $0.56 per share, or a total of $30.1 million which was paid on February 12, 2021 to common stockholders of record at the close of business on February 1, 2021. The Bank also declared and paid a cash dividend of $0.56 per share, or a total of $30.0 million, for each of the first three quarters of 2020.

Any future determination to pay dividends will be at the discretion of our Board of Directors and will be dependent upon then-existing conditions, including our financial condition and results of operations, capital requirements, commercial real estate concentration, contractual restrictions, business prospects and other factors that the Board of Directors considers relevant.

Core Deposit Growth

During 2020, our deposits grew $22.93 billion, or 56.8%, to $63.32 billion. Deposits at December 31, 2020 included $3.84 billion of time deposits compared to $2.96 billion at year-end 2019. Core deposits, which exclude time deposits and brokered deposits, increased $22.05 billion, or 58.9%, during 2020 as a result of continued growth in our multitude of national businesses, including Fund Banking, Venture Banking, Digital Banking and Specialized Mortgage Banking Solutions, as well as Signet™, our state-of-the-art block-chain based payments platform. Further, we continued to add new private client banking teams in New York. All of these initiatives assist us in growing our client base, as well as deposits raised by our existing private client banking teams. We primarily focus our deposit gathering efforts in the greater New York, Los Angeles and San Francisco metropolitan markets, with money center banks, regional banks and community banks as our primary competitors.

In 2019, we expanded our deposit gathering efforts to the West Coast with the opening of our first full-service private client banking office in San Francisco and the addition of the Specialized Mortgage Servicing Banking team. In 2020, we opened four new private client banking offices and onboarded 13 private client banking teams in the Greater Los Angeles market place. In addition, we added five new teams to bolster our presence in the San Francisco market. We also added two additional teams in New York during 2020. We distinguish ourselves from competitors by focusing on our target market: privately owned businesses, their owners and their senior managers, as well as private equity firms and their general partners. This niche approach, coupled with our relationship-banking model, provides our clients with a personalized service, which we believe gives us a competitive advantage.

Our deposit mix has remained favorable, with non-interest-bearing and NOW deposits accounting for 29.6% of our total deposits and time deposits accounting for 2.57% of our total deposits as of December 31, 2020. Our average cost for total deposits was 0.59% for the year ended December 31, 2020.

Strategic Hires

During 2020, we increased our network of seasoned banking professionals by adding 20 private client banking teams and 34 new banking group directors, including the addition of the aforementioned new banking teams on the West Coast. Our full-time equivalent number of employees grew from 1,472 to 1,652 during 2020.

Private Client Banking Teams and Offices

As of December 31, 2020, we had 116 private client banking teams located throughout the metropolitan New York area, including those in Connecticut as well as in California and North Carolina. With the on-going consolidation of financial institutions in our marketplace and market segmentation by our competitors, we continue to actively recruit experienced private client banking teams with established client relationships that fit our niche market of privately owned businesses, their owners and senior managers. Our typical group director joins us with 20 years of experience in financial services and an established team of two to four additional professionals to assist with business development and client services. Each additional private client banking team brings client relationships that allow us to grow our core deposits as well as expand our lending opportunities.

We currently operate 36 private client offices in the metropolitan New York area, including those in Connecticut as well as in California and North Carolina. While our strategy does not call for us to have an expansive office presence, we will continue to add offices to meet the needs of the private client banking teams that we recruit.

Our Business Strategy

We intend to increase our presence as a premier relationship-based financial services organization serving the needs of privately owned business clients, their owners and their senior managers in major metropolitan areas by continuing to:

Focus on our niche market of privately owned businesses, their owners and their senior managers

We generally target closely held commercial clients with revenues of less than $200 million and fewer than 1,000 employees. Our business clients are principally representative of the New York, Los Angeles and San Francisco metropolitan area economy and include real estate owners/operators, real estate management companies, law firms, accounting firms, private equity firms and their general partners, residential and commercial mortgage servicers, entertainment business managers, medical professionals, retail establishments, money management firms and not-for-profit philanthropic organizations. We also target the owners and senior management of these businesses who typically have a net worth of between $500,000 and $20 million.

Provide our clients a wide array of high quality banking, brokerage and insurance products and services through our private client group structure and a seamless financial services solution

We offer a broad array of financial products and services with a seamless financial services solution through our private client banking team structure.

Most of our competitors that sell banking products as well as investment and insurance products do so based on a “silo” approach. In this approach, different sales people from different profit centers within the bank, brokerage firm or insurance company separately offer their particular products to the client. This approach creates client confusion as to who is servicing the relationship. Because no single relationship manager considers all of the needs of a client in the “silo” approach, some products and services may not be presented at all to the client. We market our banking, investment and insurance services seamlessly, thus avoiding the “silo” approach of many of our competitors in the major metropolitan areas we serve in New York and California. Our cash management, investment and insurance products and services are presented to clients by the private client banking team professional but provided or underwritten by others.

Our business is built around banking and investment private client groups. We believe that our ability to hire and retain top-performing relationship group directors is our major competitive advantage. Our group directors have primary responsibility for attracting client relationships and, on an on-going basis, through them and their groups, servicing those relationships. Our group directors are experienced financial service professionals who come from the following disciplines: private banking, middle market banking, high-end retail banking, investment and insurance and institutional brokerage. Our group directors each have their own private client banking team (typically two to four professionals) who assists the group director in business development and client service.

Recruit experienced, talented and motivated private client group directors who are top producers and who believe in our banking model

A key to our success in developing a relationship-based bank is our ability to recruit and retain experienced and motivated financial services professionals. We recruit group directors and private client banking teams who we believe are top performers. While recruitment channels differ and our recruitment efforts are largely opportunistic in nature, the continuing merger and acquisition activity in the New York and West Coast financial services marketplaces provides an opportunity to selectively target and recruit qualified teams. We believe the current market to be a favorable environment for locating and recruiting qualified private client banking teams. Our experience has been that such displacement and change leads select private client banking teams to smaller, less bureaucratic organizations such as Signature.

Offer incentive-based compensation that rewards private client banking teams for developing their business and retaining their clients

Our private client banking team variable compensation model adds to the foundation for our relationship-based banking discipline. A key part of our strategy for growing our business is the incentive-based compensation that we employ to help us retain our group directors while ensuring that they continue to develop their business and retain their clients. Under our private client banking team variable compensation model, annual bonuses are paid to members of the team based upon the profit generated from their business. In order to mitigate the inherent risk in our incentive-based compensation model, we have in place an internal control structure that includes segregation of duties and risk management review of compensation practices. For example, the underwriting and ultimate approval of any loan is performed by loan officers who are separate from the private client banking teams and report to our Chief Credit Officer and Chief Lending Officer.

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

Maintain a flat organization structure for business development purposes that provides our clients and group directors with direct access to senior management

Another key element of our strategy is our organizational structure. We operate with a flat organizational and reporting structure, through which our group directors report directly to senior management. More importantly, it gives our clients direct access to senior management.

Develop and maintain operations support that is client-centric and service oriented

We have made a significant investment in our infrastructure, including our support staff. Although we have centralized many of our critical operations, such as finance, information technology, client services, cash management services, loan administration and human resources, we have located some functions within the private client offices so they are closer to the group directors and our clients. For example, most of our private client offices have a senior lender on location, who is part of our credit group, to assist the private client banking teams with the lending process. We have also invested in our information technology infrastructure in recent years with the implementation of a new commercial loan servicing platform, a foreign exchange system, Signet, and a new commercial loan origination system. In addition, most of our private client offices have an investment group director or team that provides brokerage and/or insurance services, as necessary. We believe our existing infrastructure (physical and systems infrastructure, as well as people) can accommodate additional growth without substantial additional support area personnel or significant spending on technology and operations in the medium term.

Be committed to a sound risk management process while focusing on profitability

Risk management is an important element of our business. We evaluate the inherent risks that affect our business, including interest rate risk, credit risk, operational risk, regulatory risk, and reputation risk. We have a Chief Risk Officer whose responsibility is the oversight of our risk management processes. Additionally, members of our senior management group have significant experience in risk management, credit, operations, finance and auditing. We have put internal controls in place that help to mitigate the risks that affect our business. In addition, we have policies and procedures that further help mitigate risk and regulatory requirements that mandate that we evaluate, test and opine on the effectiveness of internal controls. No system of internal control or policies and procedures will ever totally eliminate risk. However, we believe that our risk management processes will help keep our risks to a manageable level.

Maintain an appropriate balance between cost control, incentive compensation and business expansion initiatives

We have established an internal approval process for capital and operating expenses. We maintain cost control practices and policies to increase efficiency of operations. A key expense for financial service companies is compensation. Controlling this expense is an important element in keeping overall expenses down. Our group directors and their teams receive base salaries and benefits; however, a significant portion of their compensation is variable and based upon the profit generated from the business they create. This variable compensation model helps us control expenses as employees do not receive variable compensation unless revenue is generated. Virtually all expenditures (both current and capital) in excess of certain thresholds must be approved by a member of senior management and are reviewed and approved by our Purchasing and Capital Expenditures Committee, which includes our Chief Operating Officer and our Chief Financial Officer.

We make extensive use of outsourcing to provide cost-effective operational support with service levels consistent with large-bank operations. We focus on our financial services business and have outsourced many of our key banking and brokerage systems to third-party providers. This has several advantages for an institution like ours, including the ability to cost-effectively utilize the latest technology to better serve, and stay focused on, the needs of our clients. Our key outsourcing partners include Fidelity Information Services and National Financial Services (the brokerage and investments systems division of Fidelity Investments). We maintain management oversight of these providers. Each of these providers was the subject of a due diligence investigation prior to their selection and continues to be reviewed on an on-going basis by Vendor Management.

Historical Developments

We were incorporated as a New York State-chartered bank in September 2000. On April 5, 2001, our date of inception, we received approval to commence operations from the New York State Banking Department (known as the New York State Department of Financial Services as of October 3, 2011). Since commencing operations on May 1, 2001, the following subsequent historical developments have occurred in relation to our ownership and capital structure:

- We completed our initial public offering in March 2004 and a follow-on offering in September 2004. Our common stock trades on the Nasdaq Global Select Market under the symbol “SBNY.”
- In March 2005, Bank Hapoalim B.M. sold its controlling stake in us in a secondary offering. After the offering, Bank Hapoalim beneficially owned 5.7% of our common stock on a fully diluted basis. Bank Hapoalim no longer owns any shares of our stock.
- In September 2008, we completed a public offering of 5,400,000 shares of our common stock generating net proceeds of $148.1 million.
- In December 2008, we issued 120,000 shares of senior preferred stock (with an aggregate liquidation preference of $120.0 million) and a warrant to purchase 595,829 common shares to the U.S. Treasury in the Troubled Asset Relief

Program Capital Purchase Program (the “TARP Capital Purchase Program”), for an aggregate purchase price of $120.0 million.

- In light of the restrictions of the American Recovery and Reinvestment Act of 2009, on March 31, 2009, we repurchased the 120,000 shares of preferred stock we issued to the U.S. Treasury for $120.0 million plus accrued and unpaid dividends of $767,000.
- In June 2009, we completed a public offering of 5,175,000 shares of our common stock generating net proceeds of $127.3 million.
- In March 2010, the U.S. Treasury sold, in a public offering, a warrant to purchase 595,829 shares of our common stock that was received from us in the TARP Capital Purchase Program. All warrants were either exercised or expired as of the December 12, 2018 expiration date.
- In July 2011, we completed a public offering of 4,715,000 shares of our common stock generating net proceeds of $253.3 million.
- In July 2014, we completed a public offering of 2,415,000 shares of our common stock generating net proceeds of $295.8 million.
- In February 2016, we completed a public offering of 2,366,855 shares of our common stock generating net proceeds of $318.7 million.
- In April 2016, the Bank issued $260.0 million of subordinated debt to institutional investors.
- In August 2018, the Bank paid its inaugural quarterly cash dividend to common shareholders. The Bank has declared and paid a quarterly cash dividend of $0.56 per share, or a total of approximately $31.0 million, each quarter beginning with the third quarter of 2018 through the third quarter of 2020. On January 20, 2021, the Bank declared its fourth quarter 2020 cash dividend of $0.56 per share to be paid on or after February 12, 2021 to common stockholders of record at the close of business on February 1, 2021.
- In October 2018, the Bank’s stockholders approved the repurchase of common stock from the Bank’s shareholders in open market transactions in the aggregate purchase amount of up to $500.0 million.
- On February 19, 2020, the Board of Directors approved an amendment to the stock repurchase program that restored the Bank’s share repurchase authorization to an aggregate purchase amount of up to $500.0 million, effectively increasing the stock repurchase program by $279.1 million. The amended stock repurchase program was approved by shareholders in April 2020. The Bank has suspended any future repurchases of common stock given the COVID-19 circumstances since the end of the first quarter of 2020. As a result, no common stock was repurchased by the Bank during the remainder of 2020. During the third quarter of 2020, we received regulatory approval to extend the repurchase of the $170.8 million remaining under the original authorization to September 30, 2021. We will seek separate regulatory approval for the additional $279.1 million approved under the amended authorization. To date the Bank has repurchased 2,689,544 shares of common stock for a total of $329.2 million, and the amount remaining under the amended authorization was $450.0 million at December 31, 2020.
- In November 2019, the Bank issued $200.0 million of subordinated debt.
- On October 6, 2020, the Bank issued $375.0 million of subordinated debt.
- On December 17, 2020, the Bank completed a public offering of 29,200,000 depositary shares of preferred stock generating net proceeds of $708.0 million.
- In February 2021, we completed a public offering of 4,025,000 shares of our common stock generating net proceeds of $709.0 million.

Products and Services

Business Clients

We offer a full range of products and services oriented to the needs of our business clients, including:

- Deposit products such as non-interest-bearing checking accounts, money market accounts, and time deposits;
- Escrow deposit services;
- Cash management services;
- Commercial loans and lines of credit for working capital and to finance internal growth, acquisitions and leveraged buyouts;
- Subscription lines of credit, management company lines of credit and general partner loans, specifically targeted to private equity firms and their general partners;
- Equipment finance and leasing products, including equipment transportation, commercial marine, and national franchise financing and/or leasing;
- Municipal finance and tax-exempt lending and leasing products to government entities;
- Venture banking products for technology and life science entrepreneurs throughout all stages of their life cycles;
- Asset-based lending;
- Pay Check Protection ("PPP") loans;
- Main Street Lending Program ("MSLP") Loans;
- Permanent real estate loans;
- Letters of credit;
- Investment products to help better manage idle cash balances, including money market mutual funds and short-term money market instruments;
- Business retirement accounts such as 401(k) plans;
- Business insurance products, including group health and group life products; and
- Signet – digital payments platform, which leverages blockchain technology, allowing our commercial clients to transact in a real-time and transparent manner.

Personal Clients

We offer a full range of products and services oriented to the needs of our high net worth personal clients, including:

- Interest-bearing and non-interest-bearing checking accounts, with optional features such as debit/ATM cards and overdraft protection and, for our top clients, rebates of certain charges, including ATM fees;
- Money market accounts and money market mutual funds;
- Time deposits;
- Personal loans, both secured and unsecured;
- Credit card accounts;
- Investment and asset management services; and
- Personal insurance products, including health, life and disability.

Deposit Products

The market for deposits continues to be very competitive. We primarily focus our deposit gathering efforts in the greater New York, Los Angeles and San Francisco metropolitan area markets with money center banks, regional banks and community banks as our primary competitors. In 2019, we expanded our deposit gathering efforts to the West Coast with the opening of our first full-service private client banking office in San Francisco and, further, with the addition of the Specialized Mortgage Servicing Banking team. In 2020, we on-boarded 13 private client banking teams in the Greater Los Angeles market place and an additional five teams to bolster our presence in the San Francisco market. We have also added two additional teams in New York. We distinguish ourselves from competitors by focusing on our target market: privately owned businesses, their owners and their senior managers as well as private equity firms and their general partners. This niche approach, coupled with our relationship-banking model, provides our clients with a personalized service, which we believe gives us a competitive advantage.

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

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

	December 31,			
	2020		***2019***	
(dollars in thousands)	**Amount**	**Percentage**	**Amount**	**Percentage**
Personal demand deposit accounts (1)	$ 1,330,516	2.10 %	912,372	2.26 %
Business demand deposit accounts (1)	17,131,455	27.06 %	12,029,609	29.79 %
Brokered demand deposit accounts (1)	295,800	0.47 %	74,950	0.19 %
Personal NOW	39,939	0.06 %	39,964	0.10 %
Business NOW	11,785,174	18.61 %	5,068,290	12.55 %
Brokered NOW	769,676	1.22 %	35,522	0.09 %
Rent security	308,748	0.49 %	334,062	0.83 %
Personal money market accounts	4,026,622	6.36 %	3,699,199	9.16 %
Business money market accounts	24,854,533	39.25 %	15,339,660	37.98 %
Brokered money market accounts	928,815	1.47 %	480,245	1.19 %
Personal time deposits	443,897	0.70 %	476,360	1.18 %
Brokered time deposits	1,183,412	1.87 %	1,314,013	3.25 %
Business time deposits	216,736	0.34 %	578,961	1.43 %
Total	$ 63,315,323	100.00 %	40,383,207	100.00 %
Demand deposit accounts (1)	$ 18,461,971	29.16 %	12,941,981	32.05 %
NOW	11,825,113	18.68 %	5,108,254	12.65 %
Money market accounts	29,189,903	46.10 %	19,372,921	47.97 %
Time deposits	1,627,309	2.57 %	1,790,373	4.43 %
Brokered deposits (2)	2,211,027	3.49 %	1,169,678	2.90 %
Total	$ 63,315,323	100.00 %	40,383,207	100.00 %
Personal	$ 5,840,974	9.22 %	5,127,895	12.70 %
Business	55,263,322	87.28 %	34,085,634	84.40 %
Brokered deposits (2)	2,211,027	3.50 %	1,169,678	2.90 %
Total	$ 63,315,323	100.00 %	40,383,207	100.00 %

(1) Non-interest bearing.

(2) Includes non-interest bearing deposits of $296.0 million and $74.9 million as of December 31, 2020 and 2019 , respectively.

Lending Activities

Our traditional commercial and industrial ("C&I") lending is generally limited to existing clients with whom we have or expect to have deposit and/or brokerage relationships in order to assist in monitoring and controlling credit risk. We target our lending to privately owned businesses, their owners and their senior managers, generally high net worth individuals who meet our credit standards. Since 2019, we have further expanded this target market to include private equity firms and their general partners to grow our fund banking business. In addition, we participated in the PPP under the Cares Act whereby unsecured loans to eligible small businesses are made and registered as a lender in the Main Street Lender Program ("MSLP"), which is intended to keep credit flowing to small and mid-sized businesses that were in sound financial condition before the coronavirus pandemic. Our credit standards are set by the Credit Committee of our Board of Directors (the "Credit Committee") with the assistance of our Chief Credit Officer and Chief Lending Officer, who are charged with ensuring that credit standards are met by loans in our portfolio. In addition, we have a credit authorization policy under which no single individual is authorized to approve a loan regardless of dollar amount. Smaller loans may be approved by concurring authorized officers. Larger loans require the approval of the Credit Committee. Our largest loan category requires the approval of our Board of Directors. Our credit standards for commercial borrowers reference numerous criteria with respect to the borrower, including historical and projected financial information, the strength of management, acceptable collateral and associated advance rates, and market conditions and trends in the borrower's industry. In addition, prospective loans are analyzed based on current industry concentrations in our loan portfolio to prevent an unacceptable concentration of loans in any particular industry. We believe our credit standards are similar to the standards generally employed by large nationwide banks in the markets we serve. We seek to differentiate ourselves from our competitors by focusing on and aggressively marketing to our core clients and accommodating, to the extent permitted by our credit standards, their individual needs. We generally limit unsecured lending for consumer loans to private banking clients who we believe demonstrate ample net worth, liquidity and repayment capacity.

We make loans that are appropriately collateralized under our credit standards. Approximately 98% of our funded loans are secured by collateral. Unsecured loans are typically made to individuals with substantial net worth.

Commercial and Industrial Loans

Our C&I loan portfolio is comprised of lines of credit for working capital and term loans to finance equipment and other business assets, along with commercial overdrafts. Our lines of credit for working capital are generally renewed on an annual basis and our term loans generally have terms of two to five years. C&I loans can be subject to risk factors unique to the business of each client. In order to mitigate these risks and better serve our clients, we seek to gain an understanding of the business of each client and the reliability of their cash flow, so that we can place appropriate value on collateral taken and structure the loan to maintain collateral values at appropriate levels. In analyzing credit risk, we generally focus on the business experience of our borrowers' management. We prefer to lend to borrowers with an established track record of loan repayment and predictable growth and cash flow. We also rely on the experience of our bankers and their relationships with our clients to aid our understanding of the client and its business. Our lines of credit typically are limited to a percentage of the value of the assets securing the line. Lines of credit are generally reviewed annually and are typically supported by accounts receivable, inventory and equipment. Depending on the risk profile of the borrower, we may require periodic aging of receivables, as well as borrowing base certificates representing current levels of inventory, equipment, and accounts receivable. Our term loans are typically also secured by the assets of our clients' businesses. Commercial borrowers are required to provide updated personal and corporate financial statements at least annually.

Our Fund Banking Division also provides subscription lines of credit, management company lines of credit and general partner loans, specifically targeted to private equity firms and their general partners. These lines of credit generally have terms of three to five years. The fund banking portfolio primarily consists of capital call lines of credit, which are revolving lines of credit to private investment funds used by the borrower to bridge their capital calls. Generally, the borrower is an investment fund limited partnership and associated loans are secured by a first lien on the right to make and receive capital calls, as well as the assets of the fund. Historically, these loans are some of the stronger underwritten loans in the banking industry. They have performed well during times of market and economic disruption, such as the 2008 credit crisis. Further, we have not yet received a deferral request since COVID-19.

At December 31, 2020, funded C&I loans totaled approximately 43% of our total funded loans. Loans extended to borrowers within the financial services industries include loans to finance working capital and equipment, as well as loans to finance investment and owner-occupied real estate. This also includes fund banking extensions of credit to private equity firms and their general partners.

The following table presents information regarding the distribution of our C&I loans among the various industries we had concentrations in as of December 31, 2020:

(dollars in thousands)	Loan Amount (1)	Percentage
Financial Services	$ 11,610,817	60.10 %
Transportation Services	1,161,719	6.01 %
Building and Construction Contractors	896,189	4.64 %
Real Estate and Real Estate Management	893,753	4.63 %
Manufacturing	783,336	4.06 %
Professional Services	567,169	2.94 %
Accommodation and Food Services	474,429	2.46 %
Private Households	421,846	2.18 %
Health Services	361,046	1.87 %
Wholesale Trade	356,174	1.84 %
Public Administration	325,753	1.69 %
Retail Trade	315,359	1.63 %
Recreational Services	262,652	1.36 %
Educational Services	245,474	1.27 %
Business Services	155,199	0.80 %
Audio/Video Services	141,144	0.73 %
Accomodation and Food Services	81,758	0.42 %
Utilities	77,661	0.40 %
Membership Organizations	64,067	0.33 %
Mining	52,870	0.27 %
Automotive Services	35,041	0.18 %
Agriculture	24,390	0.13 %
Personal Services	9,598	0.06 %
Total	$ 19,317,444	100.00 %

(1) Excludes Paycheck Protection Plan loans.

Real Estate Loans

Our real estate loan portfolio includes loans secured by commercial property, multi-family residential property, 1-4 family residential property, and acquisition, development and construction. We also provide temporary financing for commercial and residential property. Our permanent real estate loans generally have terms of up to ten years. We generally avoid longer term loans for commercial real estate held for investment. Our permanent real estate loans have both floating and fixed rates. Depending on the financial status of the borrower, we may require periodic appraisals of the property to verify the ongoing adequacy of the collateral. At December 31, 2020, funded real estate loans totaled approximately $28.92 billion, representing approximately 59.2% of our total funded loans.

The following table shows the distribution of our real estate loans by collateral type as of December 31, 2020:

(dollars in thousands)	Loan Amount	Percentage
Multi-family residential property	$ 15,171,520	52.46 %
Commercial property	11,802,673	40.81 %
Acquisition, development and construction loans	1,367,896	4.73 %
1-4 family residential property	494,680	1.71 %
Home equity lines of credit	82,553	0.29 %
Total	$ 28,919,322	100.00 %

Personal residential real estate loans, or first and second mortgage loans for residential properties, are not a core part of our business. Historically, we originated these loans to borrowers who were typically high net worth individuals from our private client services. However, we no longer originate these loans, though we expect to continue to service the remaining portfolio until maturity.

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 ACLLL.

Letters of Credit

We issue standby or performance letters of credit, and can service the international needs of our clients through correspondent banks. At December 31, 2020, our commitments under letters of credit totaled $741.3 million.

Consumer Loans

Our personal loan portfolio consists of personal lines of credit and loans to acquire personal assets. Our personal lines of credit generally have terms of one year and our term loans usually have terms of three to five years. Our lines of credit typically have floating interest rates. If the financial situation of the client is sufficient, we will grant unsecured lines of credit. We also examine the personal liquidity of our individual borrowers, in some cases requiring agreements to maintain a minimum level of liquidity, to ensure that the borrower has sufficient liquidity to repay the loan. At December 31, 2020, our consumer loans totaled $7.0 million, representing less than 0.01% of our total funded loans.

Investment and Asset Management Products and Services

Investment and asset management products and services are provided through our subsidiary, Signature Securities. Signature Securities is a licensed broker-dealer and is a member of the Financial Industry Regulatory Authority, Inc. ("FINRA") and the Securities Investor Protection Corporation ("SIPC"). Signature Securities is an introducing firm and, as such, clears its trades through National Financial Services, LLC, a wholly-owned subsidiary of Fidelity Investments. Signature Securities is also registered as an investment adviser. Our investment group directors work with our clients to define objectives, goals and strategies for their investment portfolios, whether our clients are looking for a relationship based provider or are looking for assistance with a particular transaction.

We offer a wide array of asset management and investment products, including the ability to purchase and sell all types of individual securities such as equities, options, fixed income securities, mutual funds, and annuities. We offer our clients an asset management program whereby we work with our clients to tailor their asset allocation according to their risk profile and then invest the client's assets either directly with a select group of high quality money managers, no load mutual funds, or a combination of both. We contract with a third party to perform investment manager due diligence for us on these money managers and mutual funds. We offer no proprietary products or services. We do not perform and we do not provide our clients with our own branded investment research. Instead, we have contracted with a number of third-party research providers and are able to provide our clients with traditional Wall Street research from a number of sources.

We also offer retirement products such as individual retirement accounts ("IRAs") and administrative services for retirement vehicles such as pension, profit sharing, and 401(k) plans to our clients. These products are not proprietary products.

Signature Securities offers wealth management services to our high net worth personal clients. Together with our client and their other professional advisors, including attorneys and certified public accountants, we develop a sophisticated financial plan that can include estate planning, business succession planning, asset protection, investment management, family office advisory services, bill payment, art and collectible advisory services and concentrated stock services.

SBA Loans and Pools

We are an active participant in the SBA loan and SBA pool secondary market by purchasing, securitizing, and selling the guaranteed portions of SBA Section 7(a) loans. Most SBA Section 7(a) loans have adjustable rates and float at a spread to the prime rate and reset monthly or quarterly. SBA loans consist of a guaranteed portion of the loan and an un-guaranteed balance, which typically represents 25% of the original balance that is retained by the originating lender. The guaranteed portions of SBA loans are backed by the full faith and credit of the U.S. government and, therefore, have minimal credit risk and carry a 0% risk weight for capital purposes. At December 31, 2020, we had $407.4 million in SBA loans held for sale, representing approximately 0.9% of our total funded loans, compared to $290.6 million at December 31, 2019.

The Bank purchases, sells and assembles SBA loans and pools. We are one of the largest SBA pool assemblers in the United States. Our primary business in the SBA related transactions is to be an active participant in the SBA loan and pool secondary market by purchasing, securitizing and selling the government guaranteed portions of the SBA loans. Signature Bank is approved by the SBA as a pool assembler.

We purchase the guaranteed portion of SBA loans from various SBA lender clients. Once purchased, we typically warehouse the guaranteed loan for approximately 30 to 180 days. From this warehouse, we aggregate like SBA loans by similar characteristics into pools for securitization and sale to the secondary market. In order to meet the SBA's rate requirement, we may strip excess servicing from loans with different coupons to create a pool at a common rate. This has resulted in the creation of two assets: a par pool and excess servicing strips. Excess servicing represents the portion of the coupon stripped from a loan. At December 31, 2020, the carrying amount of our SBA excess servicing strip assets totaled $223.1 million.

Colson Services Corp. ("Colson") is the third party government appointed fiscal and transfer agent for the SBA's Secondary Market Program. As the designated servicer, Colson provides transaction processing, record keeping and loan servicing functions, including document review and custody, payment collection and disbursement, and data collection and exchange for us.

Insurance Services

We offer our business and private clients a wide array of individual and group insurance products, including health, life, disability and long-term care insurance products through our subsidiary, Signature Securities. We do not underwrite insurance policies. We only act as an agent in offering insurance products and services underwritten by insurers that we believe are the best for our clients in each category.

Competition

There is significant competition among commercial banking institutions in the New York and California metropolitan areas. We compete with other bank holding companies, national and state-chartered commercial banks, savings and loan associations, consumer finance companies, credit unions, securities brokerage firms, insurance companies, mortgage banking companies, money market mutual funds, asset-based non-bank lenders, and other financial institutions. Many of these competitors have substantially greater financial resources, lending limits and larger office networks than we do and are able to offer a broader range of products and services than we can. Because we compete against larger institutions, our failure to compete effectively for deposits, loans, and other clients in our markets could cause us to lose market share, slow our growth rate and may have an adverse effect on our financial condition and results of operations.

The market for banking and brokerage services is extremely competitive and allows consumers to access financial products and compare interest rates and services from numerous financial institutions located across the United States. As a result, clients of all financial institutions, including those within our target market, are sensitive to competitive interest rate levels and services. Our future success in attracting and retaining client deposits depends, in part, on our ability to offer competitive rates and services. Our clients are particularly attracted to the level of personalized service we provide. Our business could be impaired if our clients believe other banks provide better service or if they come to believe that higher rates are more important to them than better service.

Marketplace

The majority of our business is located in the New York metropolitan area. We believe the New York metropolitan area economy presents an attractive opportunity to further grow an independent financial services company oriented to the needs of the New York metropolitan area economic marketplace. The New York Metropolitan Statistical Area ("MSA") is, by far, the largest market in the United States for bank deposits. The MSA of New York, Newark and Jersey City is – with approximately $2.3 trillion in total deposits, as of June 30, 2020 – approximately three times larger than the second largest MSA in the U.S. (Sioux Falls, South Dakota). We recently entered the Los Angeles and San Francisco MSAs, which represent the fourth and eighth largest markets in the U.S. at $676 billion and $510 billion, respectively. The New York MSA is also home to the largest number of businesses with fewer than 500 employees in the nation.

As of December 31, 2020, we operated 36 private client offices in the New York metropolitan area, including Connecticut, and in California and North Carolina. These 36 offices housed a total of 116 private client banking teams. In 2019, we expanded our operations to the West Coast with the opening of our first full-service private client banking office in San Francisco and the addition of the Specialized Mortgage Servicing Banking team in July 2019. In 2020, we opened four new private client banking offices and onboarded 13 private client banking teams in the Greater Los Angeles market place. In addition, we added five new teams to bolster our presence in the San Francisco market. We also added two additional teams in New York during 2020. As part of the continuing development of our business strategy, we expect to add additional private client banking teams in 2021. We believe these additional teams will allow us to expand our current operations in the New York metropolitan area, as well as on the West Coast.

Information Technology and System Security

We rely on industry leading technology companies to deliver software, support and certain disaster recovery services. Our core banking application software (Demand Deposit, Savings, Commercial Loans, General Ledger, Teller, and Internet Banking) is provided by Fidelity Information Services.

Our information technology environment includes the Fidelity Information Services' technology centers in Little Rock, Arkansas, Brown Deer, Wisconsin and Phoenix, Arizona. A combination of backup power generation, uninterruptible power systems and 24 hour a day monitoring of the facility perimeters, hardware, operating system software, network connectivity, and building environmental systems minimizes the risk of any serious outage or security breach. For disaster recovery purposes, full redundancy of the Little Rock and Brown Deer technology centers are provided through separate facilities located in Jacksonville, Florida and Wisconsin.

Our core brokerage systems are provided by and run at our clearing firm, National Financial Services, LLC, a subsidiary of Fidelity Global Brokerage Group, Inc. Our personnel connect to the system via both dedicated and internet based connections to National Financial Services in Boston, Massachusetts.

Employees and Human Capital Resources

At December 31, 2020, we employed approximately 1,652 full-time equivalent employees, 1,006 of whom were officers. None of our employees are represented by a collective bargaining agreement. We consider our relations with our employees to be good.

We encourage and support the growth and development of our employees and, wherever possible, seek to fill positions by promotion and transfer from within the organization. Continual learning and career development are advanced through annual performance and development conversations with employees, internally developed training programs, customized corporate training engagements and seminars, conferences, and other training events employees are encouraged to attend in connection with their job duties.

Our human capital objectives include attracting, training, motivating, rewarding and retaining our employees. The safety, health and wellness of our employees is a top priority. The COVID-19 pandemic presented a unique challenge with regard to maintaining employee safety while continuing successful operations. Through teamwork and the adaptability of our management and staff, we were able to transition during the peak of the pandemic, over a short period of time, to remote working arrangements, modified hours in our private client offices, and phased return to work schedules while promoting social distancing. All employees are asked not to come to work when they experience signs or symptoms of a possible COVID-19 illness and have been provided paid time off to cover compensation during such absences. On an ongoing basis, we further promote the health and wellness of our employees by strongly encouraging work-life balance, offering flexible work schedules, and keeping the employee portion of health care premiums to a minimum.

We recognize that diversity and inclusion are critical to the success of any organization. Diversity and inclusion initiatives are a priority for us, and these initiatives permeate every aspect of our institution, including our corporate culture, client-facing teams, and human capital objectives. During 2020, we hired a chief corporate social impact officer and formed a Social Impact Committee of our Board of Directors responsible for enhancing our diversity and inclusion initiatives and further integrating these initiatives into our culture to foster a more diverse, stronger and inclusive workforce.

Employee retention helps us operate efficiently and achieve one of our business objectives, which is being a high-level service provider. We believe our commitment to our core values (integrity, collaboration, adaptability, respect and excellence) as well as actively prioritizing concern for our employees' well-being, supporting our employees' career goals, offering competitive wages and providing valuable fringe benefits aids in the retention of our top-performing employees.

Regulation and Supervision

The following is a general summary of the material aspects of certain statutes and regulations applicable to Signature Bank and its subsidiaries. These summary descriptions are not complete, and you should refer to the full text of the statutes, regulations, and corresponding guidance for more information. These statutes and regulations are subject to change, and additional statutes, regulations, and corresponding guidance may be adopted. We are unable to predict these future changes or the effects, if any, that these changes could have on the business, revenues, and results of Signature Bank and its subsidiaries.

As a state-chartered bank, the deposits of which are insured by the FDIC, we and our subsidiaries are subject to a comprehensive system of bank supervision administered by federal and state banking agencies. Because we are chartered under the laws of the State of New York, the New York State Department of Financial Services ("DFS") is our primary regulator. We are also subject to the laws and regulations of the other states in which we do business. The FDIC is our primary federal banking regulator because we are not a member of the Federal Reserve System. We also are subject to enforcement and rulemaking authorities of the Bureau of Consumer Financial Protection (commonly referred to as the "CFPB") for financial products and services under its jurisdiction. These regulators oversee our compliance with applicable federal, New York and other state laws and regulations governing our activities, operations, and business. We are not controlled by a parent holding company, which would be subject to primary federal supervision by the Board of Governors of Federal Reserve System ("Federal Reserve") as a bank holding company. As a bank without a bank holding company, a relatively simple capital and corporate structure, and a traditional lending and deposit-taking business model, Signature Bank in certain respects is subject to somewhat less burdensome federal bank regulatory requirements than larger banks with more complex structures and activities and banks that are subsidiaries of bank holding companies. We are, however, subject to the disclosure and regulatory requirements of the Securities Exchange Act of 1934, as administered by the FDIC, certain investment advice rules promulgated by the Department of Labor ("DOL"), and the rules adopted for The Nasdaq Stock Market LLC that are applicable to listed companies.

The primary purpose of the U.S. system of bank supervision is to ensure the safety and soundness of banks in order to protect depositors, the FDIC insurance fund, and the financial system generally. It is not primarily intended to protect the interest of shareholders. Thus, if we were to violate banking law and regulations, including engaging in unsafe or unsound practices, we could be subject to enforcement actions and other sanctions that could be detrimental to shareholders. See "Risk Factors—We are subject to significant government regulation."

Safety and Soundness Regulation

New York law governs our authority to engage in deposit-taking, lending, investing, and other activities. New York law also imposes restrictions intended to ensure our safety and soundness, including limitations on the amount of money we can lend to a single borrower (generally, 15% of capital; 25% if the loan is secured by certain types of collateral), prohibitions on engaging in activities such as investing in equity securities or non-financial commodities, and prohibitions on making loans secured by our own capital stock.

The federal banking agencies have also adopted guidelines establishing safety and soundness standards for all insured depository institutions. The safety and soundness guidelines relate to our internal controls, information systems, internal audit systems, loan underwriting and documentation, compensation, and interest rate exposure. The standards assist the federal banking agencies with early identification and resolution of problems at insured depository institutions. If we were to fail to meet these standards, the FDIC could require us to submit a compliance plan and take enforcement action if an acceptable compliance plan were not submitted.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") provided the federal banking agencies with additional latitude to monitor the systemic safety of the financial system and take responsive action, which have, and could continue to include, imposing restrictions on the business activities of the Bank. In addition, the Dodd-Frank Act authorized the federal regulators to impose various new assessments and fees, which impacted the Bank's operational costs.

The FDIC's special assessment enacted in connection with the increase of the minimum for the DIF reserve ratio to 1.35% was reached in September 2018. See "—Deposit Premiums and Assessments."

The FDIC, as a supervisory matter, expects us to have governance, internal control, compliance, and supervisory programs consistent with our size and activities. As of December 31, 2020, the Bank reported $73.89 billion in total consolidated assets. As the Bank continues to grow in size and expand the scope of our operations, the FDIC will generally expect us to develop and implement enhanced governance, internal control, compliance, and supervisory programs, to implement select banking regulations that apply to an institution of our size or structure, and to incur the costs to implement, staff, and maintain those programs. For instance, the FDIC's regulations under the Federal Deposit Insurance Act ("FDI Act") require insured depository institutions with $50 billion or more in total assets, including the Bank to periodically submit resolution plans to the FDIC to address procedures for the resolution of the institution in the event of its failure. In June 2019, the FDIC issued an advance notice of proposed rulemaking regarding potential amendments to such requirements. Under the proposal, the FDIC would establish tiered resolution planning requirements based on factors including asset size and complexity, among others, and would revise the frequency and content of plan submissions for larger, more complex institutions that would remain subject to resolution planning requirements under the amended regulations. The FDIC has requested public comment on whether the $50 billion asset threshold should continue to apply in light of the modifications to Dodd-Frank Act resolution planning requirements, which are discussed below. Because it has less than $100 billion in total consolidated assets, the Bank is not currently required to submit a resolution plan but may again be required to do so once a final rule is adopted. The prospects and timing for the adoption of a final rule, as well as the potential application of any final rule to the Bank, are uncertain at this time.

In May 2018, the Economic Growth, Regulatory Relief and Consumer Protection Act (the "Economic Growth Act") was enacted into law. Among other things, the Economic Growth Act raised the total asset threshold from $50 billion to $250 billion for automatic applicability of several regulatory requirements established under the Dodd-Frank Act known as "enhanced prudential standards" which include requirements related to company-run stress testing, leverage limits, liquidity requirements, and resolution planning requirements for bank holding companies. On October 15, 2019, the FDIC adopted a final rule implementing portions of the Economic Growth Act which, among other things, raised the minimum asset threshold for covered banks to conduct stress tests from $10 billion to $250 billion in total consolidated assets. As a result of this final rule, Signature Bank no longer will be subject to the stress testing requirements established by the Dodd-Frank Act until it accumulates $250 billion in total consolidated assets. See "—Capital Planning and Stress Testing." However, the Bank will continue to perform capital stress testing on a situational and idiosyncratic basis, such as during our annual capital planning and budgeting processes.

Under the Economic Growth Act, the Federal Reserve maintains the authority to apply such requirements on a tailored basis to bank holding companies with total consolidated assets of $100 billion or more to address financial stability risks or safety and soundness concerns. Specifically, for banking organizations that maintain between $100 billion and $250 billion in total consolidated assets, the Federal Reserve can subject such banking organizations to certain enhanced prudential standards, including the requirements described above, and in some cases the application of the enhanced prudential standards is based on whether such organizations also maintain $75 billion or more in weighted average short-term wholesale funding, non-bank assets, off-balance sheet exposures, or cross-jurisdictional activity, as applicable. This framework was implemented by a final rule adopted by the federal banking agencies in November 2019. Under the new framework, depository institutions without a holding company but with greater than $100 billion in total consolidated assets are subject to additional reporting obligations, but otherwise generally are not subject to heightened regulatory expectations until accumulating $75 billion or more in the same risk-based measures (i.e., weighted short-term wholesale funding, nonbank assets, off-balance sheet exposure, cross-jurisdictional activities) or $250 billion or more in total consolidated assets. The regulatory relief mandated by the Economic Growth Act and its implementing regulations with respect to bank holding companies with less than $100 billion in total consolidated assets may ultimately impact the FDIC's supervisory expectations with respect to banks of our asset size that do not have a holding company in order to avoid unnecessary burdens for depository institutions and to ensure consistency with the regulatory treatment of bank holding companies of a similar asset size. To the extent that we were to cross the $100 billion asset threshold, this may further impact the FDIC's supervisory expectations in the interest of ensuring consistent regulatory treatment.

The Economic Growth Act also enacted several important changes in certain technical compliance areas, for which the banking agencies have now issued certain corresponding guidance and/or proposed and interim final rules, including:

- Prohibiting federal banking regulators from imposing higher capital standards on High Volatility Commercial Real Estate ("HVCRE") exposures unless they are for acquisition, development or construction ("ADC"), and clarifying ADC status;
- Requiring the federal banking agencies to amend the liquidity coverage ratio rule ("LCR") such that all qualifying investment-grade, liquid and readily-marketable municipal securities are treated as level 2B liquid assets (i.e., assets with a lesser degree of liquidity and more volatility than level 2A assets, which include, for example, certain government securities, covered bonds and corporate debt securities), making them more attractive investment alternatives; however, the LCR rule, as well as a related rule governing an institution's net stable funding ratio ("NSFR"), will not apply until we either (1) have $100 billion or more in total consolidated assets and $75 billion in weighted short-term wholesale funding, nonbank assets, off-balance sheet exposures or cross-jurisdictional activity or (2) have $250 billion in total consolidated assets;

- Exempting from appraisal requirements certain transactions involving real property in rural areas and valued at less than $400,000; and
- Directing the CFPB to provide guidance on the applicability of the Truth in Lending Act (“TILA”)- Real Estate Settlement Procedures Act (“RESPA”) Integrated Disclosure rule (the “TRID Rule”) to mortgage assumption transactions and construction-to-permanent home loans, as well the extent to which lenders can rely on model disclosures that do not reflect recent regulatory changes.

Federal law generally limits the equity investments of state-chartered banks insured by the FDIC to those that are permissible for national banks. Under regulations dealing with equity investments, an insured state bank generally may not, directly or indirectly, acquire or retain any equity investment of a type, or in an amount, that is not permissible for a national bank. An insured state bank is not prohibited from, among other things: (i) acquiring or retaining a majority interest in a subsidiary that is engaged in permissible activities; (ii) investing as a limited partner in a partnership the sole purpose of which is direct or indirect investment in the acquisition, rehabilitation, or new construction of a qualified housing project, provided that such limited partnership investments may not exceed 2% of the bank’s total assets; (iii) acquiring up to 10% of the voting stock of a company that solely provides or reinsures liability insurance for directors, trustees or officers, or blanket bond group insurance coverage for insured depository institutions; and (iv) acquiring or retaining the voting shares of a depository institution if certain requirements are met. As noted, the direct or indirect activities conducted by a state bank as principal are similarly generally limited to those of a national bank; however, the FDIC may, in certain cases, approve of a bank’s direct or indirect conduct of otherwise impermissible activities. For instance, an insured state bank may establish a subsidiary to engage in an activity that generally is not permissible for the parent bank, such as owning and investing equity securities as principal, provided that the activity does not propose a significant risk to the Deposit Insurance Fund (the “DIF”) and the bank is in compliance with applicable regulatory capital standards.

Restrictions on Dividends and Other Distributions

On July 18, 2018, the Bank declared its inaugural quarterly cash dividend of $0.56 per share, or a total of $31.0 million, which was paid on August 15, 2018 to our common shareholders of record at the close of business on August 1, 2018. The Bank has declared and paid a quarterly cash dividend of $0.56 per share, or approximately $31.0 million each quarter, beginning with the third quarter of 2018 through the fourth quarter of 2020. On January 20, 2021, the Bank declared a cash dividend of $0.56 per share, payable on or after February 12, 2021 to common stockholders of record at the close of business on February 1, 2021.

Payments of dividends on our common stock, and on the Series A Preferred Stock, may be subject to the prior approval of the DFS and of the FDIC. Under New York law, we are prohibited from declaring a dividend so long as there is any impairment of our capital stock. In addition, we would be required to obtain the approval of the DFS if the total of all our dividends declared in any calendar year would exceed the total of our net profits for that year combined with retained net profits of the preceding two years, less any required transfer to surplus or a fund for the retirement of any preferred stock. We would also be required to obtain the approval of the FDIC prior to declaring a dividend if after paying the dividend we would be undercapitalized, significantly undercapitalized, or critically undercapitalized. See "—Prompt Corrective Action and Enforcement Powers." In addition, the FDIC has stated that excessive dividends can negate strong earnings performance and result in a weakened capital position and that dividends generally can be disbursed, in reasonable amounts, only after losses are eliminated and necessary reserves and prudent capital levels are established.

In addition, on October 17, 2018, Bank stockholders approved our common stock repurchase program which provides the Bank the ability to repurchase common stock from shareholders in the open market up to $500.0 million. Share buybacks are also subject to regulatory approval, which were received for the repurchase program of up to $500.0 million in November 2018. We received shareholder and regulatory approval to continue the program in 2019. As of March 31, 2020 the Bank has repurchased 2,689,544 shares of common stock for a total of $329.2 million. On February 19, 2020, the Board of Directors approved an amendment to the stock repurchase program that restored the Bank's share repurchase authorization to an aggregate purchase amount of up to $500.0 million from the $220.9 million that was remaining under the original authorization as of December 31, 2019. The amended stock repurchase program was approved by the shareholders in April 2020. The Bank has suspended any future repurchases of common stock given the COVID-19 circumstances since the end of the first quarter of 2020. As a result, no common stock was repurchased by the Bank during the remainder of 2020. During the third quarter of 2020, we received regulatory approval to extend the repurchase of the $170.8 million remaining under the original authorization to September 30, 2021. We will seek separate regulatory approval for the additional $279.1 million approved under the amended authorization. To date the Bank has repurchased 2,689,544 shares of common stock for a total of $329.2 million, and the amount remaining under the amended authorization was $450.0 million at December 31, 2020.

On June 25, 2020, the Federal Reserve released the results of stress tests and sensitivity analyses of 34 large banking organizations (comprised of a combination of organizations with between $100 billion and $250 billion in total consolidated assets and those with $250 billion or more in total consolidated assets or with material levels of other risk factors) in light of the economic conditions resulting from the COVID-19 pandemic. In order to ensure the resiliency of large banking organizations during the ongoing economic and financial market recovery, including in the event of prolonged periods of high unemployment and/or severe or unanticipated economic shocks, the Federal Reserve required such organizations in the third quarter of 2020 to preserve capital by suspending share repurchases, capping dividend payments, and allowing dividends according to a formula based on recent income. Large banking organizations also are were required to re-evaluate their long-term capital plans to reflect current stresses and revised projections. In addition, also as a result of the above-described stress test results, on August 10, 2020 the Federal Reserve announced individual large bank capital requirements effective October 1, 2020. The stress capital buffer for these institutions, which must be at least 2.5%, was set at a higher level for most large banks, in many cases over 5.0%. On September 30, 2020, the Federal Reserve announced that the above-described capital preservation measures would continue through the end of 2020. In addition, in mid-September, the Federal Reserve released hypothetical economic scenarios for a second round of stress testing of large banking organizations. The Federal Reserve released the results of those stress tests on December 18, 2020, in connection with which the Federal Reserve declared that, in light of ongoing economic uncertainty, the restrictions on distributions established in the second half of 2020 would continue into 2021, with certain modifications. Specifically, for the first quarter of 2021, both dividends and share repurchases are limited to an amount based on the bank's income over the past year. If a firm does not earn income, it will not be able to pay a dividend or make repurchases. These requirements apply only to large banking organizations and therefore do not presently apply to the Bank; however, the possibility exists that the federal banking agencies may at a later date impose similar restrictions on smaller banking organizations, including the Bank.

Any future determination to pay dividends or repurchase shares will be at the discretion of our Board of Directors and will be dependent upon then-existing conditions, including our financial condition and results of operations, capital requirements, commercial real estate concentration, contractual restrictions, business prospects and other factors that the Board of Directors considers relevant.

Capital and Related Requirements

We are subject to comprehensive capital adequacy requirements intended to protect against losses that we may incur. FDIC capital adequacy regulations require that we maintain a minimum ratio of qualifying total capital to total risk-weighted assets (including off-balance sheet items) of 8.0%, and a ratio of Tier 1 capital to total risk-weighted assets of 6.0%. Tier 1 capital is generally defined as the sum of core capital elements less goodwill and certain other deductions. Core capital includes common shareholders' equity, non-cumulative perpetual preferred stock, and minority interests in equity accounts of consolidated subsidiaries. Total capital includes Tier 1 capital, a limited amount of allowances for credit losses for loans and leases, perpetual preferred stock, and subordinated debt. At December 31, 2020, our total risk-based capital ratio was 13.54%, and our Tier 1 risk-based capital ratio was 9.87%. We are also required to maintain a minimum leverage capital ratio—the ratio of Tier 1 capital (net of intangibles) to adjusted total assets—of 4.0%. At December 31, 2020, our leverage capital ratio was 8.55%. In addition, we must maintain a minimum common equity tier 1 capital ratio of 4.50%. Common equity Tier 1 capital is a subset of Tier 1 capital that, for us, consists of common stock instruments that meet the eligibility criteria in FDIC regulations, retained earnings, accumulated other comprehensive income (loss) and common equity Tier 1 minority interest. At December 31, 2020, our common equity Tier 1 capital ratio was 9.87%.

The FDIC's current capital rules implement the "Basel III" regulatory capital reforms and changes required by the Dodd-Frank Act. "Basel III" refers to two consultative documents released by the Basel Committee on Banking Supervision ("BCBS") in December 2009, a rules text released in December 2010 and revised in June 2011, and loss absorbency rules issued in January 2011, which include significant changes to bank capital, leverage, and liquidity requirements.

The FDIC's final capital rules included new risk-based capital and leverage ratios, which where phased-in to effect over a multi-year period, and refine the definition of what constitutes "capital" for purposes of calculating those ratios. Full implementation of the capital rules for all institutions began on January 1, 2019. The 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. 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 was 1.875% for 2018 and is currently 2.500%. As the capital rules are now fully implemented, the following effective minimum capital ratios currently apply: (i) a common equity Tier 1 capital ratio (plus capital conservation buffer) of 7.0%, (ii) a Tier 1 capital ratio (plus capital conservation buffer) of 8.5%, and (iii) a total capital ratio (plus capital conservation buffer) 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 apply the countercyclical buffer only to "advanced approaches banks" (i.e., banking organizations with $250 billion or more in total assets or $100 billion or more in total consolidated assets and $75 billion or more in short-term wholesale funding, non-bank assets, off-balance sheet exposures, or cross-jurisdictional activities), 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 approaches rules." Based on our current capital composition and levels, we believe that we are in compliance with the requirements as set forth in the final rules as they are presently in effect.

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

In July 2019, the federal banking agencies adopted a final rule simplifying certain aspects of the capital rules, the key elements of which apply solely to banking organizations that are not subject to the advanced approaches capital rule. Under the final rule, non-advanced approaches banking organizations, such as Signature Bank, will apply a simpler regulatory capital treatment for MSAs; certain DTAs arising from temporary differences; investments in the capital of unconsolidated financial institutions other than those currently applied; and capital issued by a consolidated subsidiary of a banking organization and held by third parties (often referred to as minority interest) that is includable in regulatory capital. Specifically, the final rule eliminates: (i) the capital rule's 10.0% common equity tier 1 capital deduction threshold that applies individually to MSAs, temporary difference DTAs, and significant investments in the capital of unconsolidated financial institutions in the form of common stock; (ii) the aggregate 15.0% common equity tier 1 capital deduction threshold that subsequently applies on a collective basis across such items; (iii) the 10.0% common equity tier 1 capital deduction threshold for non-significant investments in the capital of unconsolidated financial institutions; and (iv) the deduction treatment for significant investments in the capital of unconsolidated financial institutions not in the form of common stock. The capital rule will no longer have distinct treatments for significant and non-significant investments in the capital of unconsolidated financial institutions, but instead will require that non-advanced approaches banking organizations deduct from common equity tier 1 capital any amount of MSAs, temporary difference DTAs, and investments in the capital of unconsolidated financial institutions that individually exceeds 25.0% of common equity tier 1 capital.

Relatedly, in December 2019, the federal banking agencies issued a final rule on the capital treatment of HVCRE exposures which brought the regulatory definition of HVCRE exposure in line with the statutory definition of HVCRE ADC in the Economic Growth Act. The final rule also clarifies the capital treatment for loans that finance the development of land under the revised HVCRE exposure definition and establishes the requirements for certain exclusions from HVCRE exposure capital treatment.

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

Government and Regulatory Response to the COVID-19 Pandemic

In response to the COVID-19 pandemic, Congress, through the enactment of the CARES Act and, more recently, the Economic Aid Act, and the federal banking agencies, through rulemaking, interpretive guidance and modifications to agency policies and procedures, have taken a series of actions to address regulatory capital, liquidity risk management, financial management and reporting, and operational considerations for banking organizations. Notable developments include the following.

- On March 15, 2020, the Federal Reserve issued a statement encouraging banks to use their capital and liquidity buffers to lend to households and businesses impacted by the COVID-19 pandemic. The following day, the Federal Reserve issued a statement encouraging banks to access the Federal Reserve's discount window to assist with capital and liquidity management in light of the increased credit needs of banking customers.
- On March 17, 2020, the federal banking agencies issued an interim final rule revising the definition of "eligible retained income" for banking organizations subject to the capital rules. To reduce the likelihood of significant limitations on banking organizations' capital distributions in light of COVID-19-related reductions in capital ratios, the interim final rule amends the definition of "eligible retained income" as the greater of (1) a banking organization's net income for the four preceding calendar quarters, net of any distributions and associated tax effects not already reflected in net income, and (2) the average of a banking organization's net income over the preceding four quarters. A final rule making this interim rule permanent was adopted on August 26, 2020.
- The CARES Act allows financial institutions to elect to suspend the application of US Generally Accepted Accounting Principles ("GAAP") to any loan modification related to COVID-19 from treatment as a troubled debt restructuring ("TDR") for the period between March 1, 2020 and the earlier of (i) 60 days after the end of the national emergency proclamation or (ii) December 31, 2020. A financial institution may elect to suspend GAAP only for a loan that was not more than 30 days past due as of December 31, 2019. In addition, the temporary suspension of GAAP does not apply to any adverse impact on the credit of a borrower that is not related to COVID-19. The suspension of GAAP is applicable for the entire term of the modification, including an interest rate modification, a forbearance agreement, a repayment plan, or other agreement that defers or delays the payment of principal and/or interest. Accordingly, a financial institution that elects to suspend GAAP should not be required to increase its reported TDRs at the end of the period of relief, unless the loans require further modification after the expiration of that period.
- The CARES Act amends Section 1105 of the Dodd-Frank Act to authorize the FDIC to establish a new Temporary Liquidity Guarantee Program ("TLGP"), as well as a new Transaction Account Guarantee ("TAG") program, with expiration established at the end of 2020. The TAG program applies only to amounts in non-interest-bearing transaction accounts, such as demand deposit accounts and NOW accounts; however, under the TLGP, the FDIC can guarantee other forms of insured depository institution indebtedness. The FDIC has yet to implement or release

interpretive guidance on these programs; however, similar programs were implemented by the FDIC in response to the 2008 financial crisis.

- The Federal Reserve, on its own and in cooperation with the Department of the Treasury, established a number of financing and liquidity programs that are available to institutions like the Bank. These include the MSLP, which was intended to keep credit flowing to small and mid-sized businesses that were in sound financial condition before the coronavirus pandemic but needed financing to maintain operations. The Bank registered as a lender in the MSLP. The MSLP has terminated.
- The Economic Aid Act was enacted on December 27, 2020 as part of the Consolidated Appropriations Act for Fiscal Year 2021. The Economic Aid Act reopens the PPP to certain businesses that satisfy applicable eligibility criteria. Specifically, among other things, the Economic Aid Act: (i) extends the original PPP (or the “First Draw”) deadline from August 8, 2020 to March 31, 2021; (ii) establishes “Second Draw” PPP loans, which enables certain entities to receive a second round of PPP credit; (iii) appropriates $284.5 billion for “First Draw” and “Second Draw” PPP loans; and (iv) extended the suspension of GAAP to COVID-19 related modifications until the earlier of January 1, 2022 or 60 days after the end of the COVID-19 national emergency. On January 6, 2021, the SBA and the Department of the Treasury issued interim final rules and revised the borrower application forms for the PPP. The SBA resumed its acceptance of First Draw PPP loan applications on January 11, 2021 and began accepting applications for Second Draw PPP loans on January 13, 2021.

For additional information regarding actions taken by regulatory agencies to provide relief to consumers who have been adversely impacted by the COVID-19 pandemic, see the discussion below under “Consumer Financial Protection.” For a description of the PPP and the MSLP programs, both of which we participate in as a lender, see “— Recent Highlights — Coronavirus Aid, Relief, and Economic Security (“CARES”) Act and Other Regulatory Actions”.

Current Expected Credit Loss Treatment

In June 2016, the Financial Accounting Standards Board (“FASB”) issued an accounting standard update, “Financial Instruments-Credit Losses (Topic 326), *Measurement of Credit Losses on Financial Instruments*,” which replaced the legacy "incurred loss” model for recognizing credit losses with an “expected loss” model referred to as the Current Expected Credit Loss (“CECL”) model. Under the CECL model, we are required to present certain financial assets carried at amortized cost, such as loans and leases held for investment and held-to-maturity debt securities, at the net amount expected to be collected. The measurement of expected credit losses is to be based on information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount.

In October 2019, four federal banking agencies issued a request for comment on a proposed interagency policy statement on the new CECL methodology. The policy statement proposes to harmonize the agencies’ policies on allowances for credit losses with the FASB’s new accounting standards. Specifically, the statement (1) updates concepts and practices from prior policy statements issued in December 2006 and July 2001 and specifies which prior guidance documents are no longer relevant; (2) describes the appropriate CECL methodology, in light of Topic 326, for determining allowances for credit losses (“ACLs”) on financial assets measured at amortized cost, net investments in leases, and certain off-balance sheet credit exposures; and (3) describes how to estimate an ACL for an impaired available-for-sale debt security in line with Topic 326. The proposed policy statement would be effective at the time that each institution adopts the new standards required by the FASB.

The CARES Act provides that banks or bank holding companies (or their affiliates) are not required to comply with CECL, until the earlier of (i) the end of the national emergency proclamation or (ii) December 31, 2020. On March 27, 2020, in an effort to allow banking organizations to focus on their lending operations in response to the COVID-19 pandemic, the federal banking agencies issued an interim final rule providing that banking organizations that implement CECL before the end of 2020 have the option to delay, for two years, an estimate of CECL's effect on regulatory capital, relative to the incurred loss methodology's effect on regulatory capital, followed by a three-year transition period. On March 31, 2020, the federal banking agencies issued a joint statement clarifying the interaction of the CARES Act, the interim final rule, and the regulatory capital rules. On May 8, 2020, the federal banking agencies issued a final interagency policy statement on Allowances for Credit Losses. The policy statement describes the measurement of expected credit losses using the CECL methodology and updates concepts and practices detailed in existing supervisory guidance that remains applicable. It will be effective at the time an institution adopts the credit losses accounting standard, which may be delayed as described above. At the same time, the agencies also finalized interagency guidance on credit review systems, which presents principles for establishing a system of independent, ongoing credit risk review in accordance with safety and soundness standards. On August 26, 2020, the federal banking agencies adopted a final rule, substantially similar to the March interim final rule, except that the final rule applies to all financial institutions, unlike the interim final rule, which only applied to banks that were required to convert to CECL in 2020.

The Bank’s adoption of CECL resulted in a $45.8 million, or 18.2% increase in our allowance for credit losses, including the impact of $4.6 million to our allowance for unfunded commitments. The allowance for credit losses for unfunded commitments is recorded in accrued expenses and other liabilities. As of adoption, our allowance for credit losses for loans and leases (“ACLLL”) increased $41.2 million, or 16.5%. The increase at adoption was the result of estimating credit losses over a loan’s full expected life under CECL rather than a point in time estimate of incurred losses to date under legacy GAAP. Further contributing to the overall increase in our ACLLL during the first, second, third and fourth quarters of 2020 was a provision for credit losses for loans and leases of $66.8 million, $93.0 million, $52.7 million, and $35.6 million, respectively, wholly attributable to COVID-19 and its impact on the US Economy. In recent quarters, the portfolio mix of our loan growth has continued to shift from commercial real estate to fund banking. As fund banking loans generally possess stronger credit quality, as evident in the portfolio risk rating composition, a lower loss rate is ascribed, which partially offset the impact of COVID-19. On March 27, 2020, the Federal Reserve, FDIC and OCC issued an interim final rule that delays the estimated impact on regulatory capital stemming from the implementation of CECL for a transition period of up to five years, and we elected to utilize this five-year transition period option.

Prompt Corrective Action and Enforcement Powers

We are also subject to FDIC regulations that apply to every FDIC-insured commercial bank and thrift institution, a system of mandatory and discretionary supervisory actions that generally become more severe as the capital levels of an individual institution decline. The regulations establish five capital categories for purposes of determining our treatment under these prompt corrective action ("PCA") provisions: "well capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized," or "critically undercapitalized." As of December 31, 2020, the capital ratios of Signature Bank exceeded the minimum ratios established for a "well capitalized" institution.

Under the current PCA capital category definitions, we will be categorized as "well capitalized" if we (i) have a total risk-based capital ratio of 10.0% or greater; (ii) have a Tier 1 risk-based capital ratio of 8.0% or greater; (iii) have a common equity Tier 1 risk-based capital ratio of 6.5% or greater; (iv) have a leverage ratio of 5.0% or greater; and (v) are not subject to any written agreement, order, capital directive, or PCA directive issued by the FDIC to meet and maintain a specific capital level.

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

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

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

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

In addition to measures taken under the PCA provisions, insured banks may be subject to potential actions by the federal regulators for unsafe or unsound practices in conducting their businesses or for violations of any law, rule, regulation or any condition imposed in writing by the agency or any written agreement with the agency. Enforcement actions may include the issuance of cease and desist orders, the imposition of civil money penalties, the issuance of directives to increase capital, formal and informal agreements, or removal and prohibition orders against "institution-affiliated" parties, and termination of insurance of deposits. The DFS also has broad powers to enforce compliance with New York laws and regulations. The DFS and/or the FDIC examine us periodically for safety and soundness and for compliance with applicable laws.

Capital Planning and Stress Testing

As discussed above, the Economic Growth Act raised the asset threshold for required Dodd-Frank Act Stress Tests ("DFAST") from $10 billion to $250 billion for insured depository institutions and bank holding companies and made the requirement "periodic" rather than "annual." The Federal Reserve plans to continue capital stress testing of bank holding companies with total consolidated assets above $100 billion under its Comprehensive Capital Analysis and Review ("CCAR"), and the Economic Growth Act provides the Federal Reserve with discretion to subject bank holding companies with more than $100 billion in total assets to enhanced supervision on a tailored basis. Notwithstanding the regulatory relief mandated under the Economic Growth Act, the federal banking agencies indicated through interagency guidance that the capital planning and risk management practices of institutions with total assets less than $100 billion would continue to be reviewed through the regular supervisory process. The Bank will continue to perform capital stress testing on a situational and idiosyncratic basis, such as during our annual capital planning and budgeting processes.

The Dodd-Frank Act also required 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, and which require banks to publish a summary of the results of the stress tests. As discussed above, these requirements were modified in certain aspects by the Economic Growth Act and its implementing regulations. Under its stress testing regulations, the FDIC requires 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. This process involves the input of Senior Management, Risk Management, and Finance, along with third-party consultants. The Risk Committee of the Board of Directors receives quarterly updates as to the progress and challenges in complying with this new regulatory requirement.

Although Signature Bank will continue to monitor and stress test its capital in a manner consistent with the safety and soundness expectations of the federal banking agencies and in accordance with applicable internal processes, due to the above-described changes to the DFAST requirements, Signature Bank will no longer be required to file and report annual company-run stress tests until the revised minimum asset threshold is reached. As noted above, however, stress testing requirements and the capital preservation and liquidity management expectations of the federal banking agencies may be adjusted temporarily in the near-term and applied to a broader range of banking organizations, including the Bank, due to the economic conditions caused by the COVID-19 pandemic.

The Volcker Rule

Section 619 of the Dodd-Frank Act, known as the “Volcker Rule,” prohibits (subject to certain exceptions) banks and their affiliates from engaging in short-term proprietary trading in securities and derivatives and from investing in and sponsoring certain unregistered investment companies defined in the rule as “covered funds” (including not only such things as hedge funds, commodity pools and private equity funds, but also a range of asset securitization structures that do not meet exemptive criteria in the final rules). The federal banking agencies, the Securities and Exchange Commission (“SEC”) and the Commodity Futures Trading Commission (“CFTC”) adopted a final rule implementing the Volcker rule in December 2013. Banks were required to conform their activities and investments to the requirements of the final rule by July 21, 2015. The final rule also requires banks to develop compliance and control programs, including board of directors oversight, appropriate for the size of the bank and the types and complexity of its activities.

Under the Economic Growth Act, banks with fewer than $10 billion in total consolidated assets that also do not exceed certain trading asset and trading liability thresholds are exempt from Volcker Rule requirements. Signature Bank has assets in excess of $10 billion and will therefore not benefit from this general exemption. The Economic Growth Act also amends the Volcker Rule’s restriction on sponsoring hedge funds and private equity funds to permit such funds to share the name or a variation of the same name of the banking entity that is an investment adviser to the fund provided that (1) the investment adviser is not a bank, bank holding company or a foreign banking organization that is treated as a bank holding company under the International Banking Act of 1978, (2) the investment adviser does not share the same name, or a variation of the same name, as a bank, bank holding company or a foreign banking organization that is treated as a bank holding company under the International Banking Act of 1978, and (3) the name does not contain the word “bank”. In July 2019, the federal banking agencies, the SEC and the CFTC adopted a final rule implementing these changes.

In October 2019, the agencies adopted a final rule modifying the Volcker Rule’s implementing regulations to impose certain simplified and streamlined compliance requirements. Among other things, the final rule: (i) revises the regulatory definition of “trading account” by establishing a new presumption regarding the application of the “short-term intent” prong of the definition, clarifying that firms that are subject to the “market risk capital rule” prong are not subject to the short-term intent prong, and allowing firms to opt into the market risk rule prong; (ii) revises the regulatory definition of “trading desk” by adopting a multi-factor definition based on the same criteria typically used to establish trading desks for other operational, management, and compliance purposes; (iii) revises the exclusion from the regulatory definition of “proprietary trading” for liquidity management and adopts several new exclusions (including those for error trades and error-correcting trades, customer-driven matched swap transactions, mortgage servicing assets and mortgage servicing rights hedging activities, and purchasing or selling financial instruments that would not be accounted for as trading assets or liabilities on applicable reporting forms); (iv) streamlines applicable exemptions for underwriting and market-making related activities, risk-mitigating hedging activities, and activities conducted solely outside the United States; (v) tailors compliance program obligations based principally on trading assets and liabilities and eliminates the CEO attestation requirement for all banking entities except those with significant trading assets and liabilities (firms with $20 billion or more in trading assets and liabilities will be subject to heightened compliance requirements); and (vi) revises the metrics reporting obligation requirements to eliminate certain metrics, require reporting on a quarterly schedule, and to apply only to banking entities that have significant trading assets and liabilities. The final rule became effective on January 1, 2020 and the compliance date for the final rule was January 1, 2021.

Separately, on June 25, 2020, the federal banking agencies, the SEC and the CFTC finalized amendments to the “covered fund” prohibitions set forth under the Volcker Rule, which became effective on October 1, 2020. Among other things, the cover funds rule revised the loan securitization exemption from the “covered fund” prohibition to allow a loan securitization pool to include a limited amount of non-securities assets; limited the extraterritorial impact of the Volcker Rule on foreign funds offered outside the United States by modifying the exemptions provided under the Volcker Rule for “foreign excluded funds” and “foreign public funds”; established new exclusions from the definition of “covered fund” for “venture capital funds,” “credit funds” that invest in a portfolio of loans, leases, cash, money market mutual funds and cash equivalents, “family wealth management” vehicles, and “customer facilitation” special purpose entities for transactions with specific customers; established exemptions from the Volcker Rule’s “Super-23A” affiliate transaction restrictions for “low risk” transactions between a banking entity and its advised or sponsored covered fund based on exemptions set forth in the Federal Reserve’s Regulation W as well as for payments, collections and settlements; and reversed a previous interpretation provided in the Volcker Rule’s original adopting release that certain “parallel” investments by a banking entity into portfolio assets alongside a “covered fund” are investments in the “covered fund” for purposes of the Volcker Rule’s investment cap.

Deposit Account Restrictions

Since 2011, financial institutions have been able to pay interest on demand deposit accounts. As of December 31, 2020, $18.76 billion, or 29.6%, of our total deposits were held in non-interest bearing demand deposit accounts. Thus far, the change has not had a meaningful effect on our business.

On April 24, 2020, the Federal Reserve announced an interim final rule amending its Regulation D to delete the six-per-month limit on convenient transfers from the "savings deposit" definition (which includes money market deposit accounts). The interim final rule allows banks immediately to suspend enforcement of the six transfer limit and to allow their customers to make an unlimited number of convenient transfers and withdrawals from their savings deposits at a time when financial events associated with the coronavirus pandemic have made such access more urgent. Although adopted to address the economic and financial market conditions relating to the COVID-19 pandemic, this amendment is permanent. We note that, although no longer required by rule, the Bank has elected to reinstitute the six transfer limit formerly imposed by Regulation D.

Interstate Branching

Applicable federal law governing interstate branching generally permits a bank in one state to establish a de novo branch in another host state if state banks chartered in such host state would also be permitted to establish a branch in that state. Under these amendments, Signature Bank is permitted to establish branch offices in other states in addition to our existing New York branch offices. In addition, to the extent permitted under the New York Banking Law and applicable host state law, the Bank is permitted to establish non-branch offices in other states, such as loan production offices or representative offices. We may be required to obtain the regulatory approval of the DFS, the FDIC and the banking agencies of the states in which we seek to establish branches or other offices. In February 2015, the Bank officially opened its first full-service private client banking office in Greenwich, CT. In February 2019, the Bank officially opened its first full-service private client banking office in San Francisco. In February 2020, the Bank officially opened its first private client banking office in Charlotte, NC. During 2020, the Bank officially opened four new private client banking offices in Los Angeles.

Consumer Financial Protection

Federal and state banking laws require us to take steps to protect consumers. Bank regulatory agencies are increasingly focusing attention on compliance with consumer protection laws and regulations. These laws include disclosures regarding truth in lending, truth in savings, and funds availability.

To promote fairness and transparency for mortgages, credit cards, and other consumer financial products and services, the Dodd-Frank Act established the CFPB. This agency is responsible for various functions, including conducting financial education programs; collecting, investigating, and responding to consumer complaints; and interpreting and enforcing federal consumer financial laws, as defined by the Dodd-Frank Act, that, among other things, govern the provision of deposit accounts along with mortgage origination and servicing. Some federal consumer financial laws enforced by the CFPB include the Equal Credit Opportunity Act of 1974 (“ECOA”), TILA, the Truth in Savings Act, the Home Mortgage Disclosure Act (“HMDA”), RESPA, the Fair Debt Collection Practices Act, and the Fair Credit Reporting Act (“FCRA”). Regulations implemented under these statutes that apply to the Bank’s retail banking activities include Regulation B (ECOA), Regulation C (HMDA), Regulation V (FCRA), Regulation X (RESPA), Regulation Z (TILA), and the TRID Rule (implemented under TILA and RESPA). The CFPB also is permitted to prevent any institution under its authority from engaging in an unfair, deceptive, or abusive act or practice regarding the CFPB’s standards for enforcing the UDAAP prohibition. Over the course of the past several years, the CFPB has been particularly active—through rulemaking and the publication of interpretive guidance—in the areas of mortgage origination and servicing. See “Risk Factors—Risks Relating to Our Industry—New regulations could restrict our ability to originate, service, and sell mortgage loans.”

The CFPB has the authority to take supervisory and enforcement action against banks and other financial services companies under the agency’s jurisdiction that fail to comply with federal consumer financial laws. As an insured depository institution with total assets of more than $10 billion, the Bank is subject to the CFPB’s supervisory and enforcement authorities. The Dodd-Frank Act also permits states to adopt stricter consumer protection laws and state attorneys general to enforce consumer protection rules issued by the CFPB. Further to this point, in April 2019, the DFS announced the creation of a new Consumer Protection and Financial Enforcement Division with responsibility for protecting and educating consumers and investigating consumer fraud and financial crimes.

The Bank is likely to continue to incur significant costs related to consumer protection compliance, including but not limited to potential costs associated with CFPB examinations, regulatory and enforcement actions and consumer-oriented litigation. The CFPB historically has been active in bringing enforcement actions against banks and nonbank financial institutions to enforce consumer financial laws, and has developed a number of new enforcement theories and applications of these laws; however, other federal financial regulatory agencies, including the FDIC, and state attorneys general and regulatory agencies, including the DFS, also have been increasingly active in this area with respect to institutions over which they have jurisdiction.

In response to financial pressures caused by the COVID-19 pandemic, the CARES Act creates a forbearance program for impacted borrowers and imposes a temporary 60-day moratorium on foreclosures and foreclosure-related evictions in respect of “federally backed mortgage loans,” which include loans secured by a first or subordinate lien on residential 1-to-4-family real property that have been purchased by Fannie Mae or Freddie Mac, are insured by the Department of Housing and Urban Development (“HUD”), the Department of Veteran’s Affairs, or the United States Department of Agriculture (“USDA”), are guaranteed under certain provisions of the National Housing Act or the Housing and Community Development Act, or were made directly by the USDA. On June 17, 2020, the date of expiration of the statutory relief described above, the Federal Housing Finance Agency (“FHFA”) announced that Fannie Mae and Freddie Mac would extend their single-family moratorium on foreclosures and evictions until at least August 31, 2020, and on January 19, 2021, the FHFA announced an additional extension of this moratorium through February 28, 2021. Similarly, FHA announced on December 21, 2020 an extension of its moratorium for FHA-insured loans also to February 28, 2021. In addition, the CARES Act established a forbearance program for multifamily mortgage loan borrowers experiencing financial hardship as a result of COVID-19. Any "multifamily borrower" with a "federally backed multifamily mortgage loan" (i.e., a loan that is secured by a first or subordinate lien on residential multifamily (5+) real property and that is insured, assisted, or purchased by Fannie Mae, Freddie Mac, or HUD) that experiences a financial hardship during the COVID-19 pandemic may request a forbearance. A "multifamily borrower" is a borrower of a residential mortgage loan that is secured by a lien against a property comprising five or more dwelling units. On December 23, 2020, the FHFA announced an extension of its forbearance program for qualifying multifamily properties through March 31, 2021.

Moreover, on January 20, 2021, President Biden issued an Executive Order extending the federal eviction moratorium issued through the Centers for Disease Control and Prevention—which was recently extended by Congress through January 31, 2021—through March 31, 2021. As part of the COVID-19 relief package proposed by the Administration, this eviction moratorium would be further extended through September 30, 2021 if adopted as proposed. In addition, President Biden requested that the federal agencies discussed above continue to extend the moratorium on foreclosures on federally-guaranteed mortgages until at least March 31, 2021.

On February 16, 2021, the Administration, together with HUD, the Department of Veterans Affairs and the Department of Agriculture, took action to further extend and expand COVID-19 mortgage forbearance and foreclosure relief programs administered by those agencies. Specifically, this joint action (i) extended the foreclosure moratorium for relevant borrowers through June 30, 2021; (ii) extended the mortgage payment forbearance enrollment window until June 30, 2021 for relevant borrowers who wish to request forbearance; and (iii) provided up to six months of additional mortgage payment forbearance, in three-month increments, for relevant borrowers who entered forbearance on or before June 30, 2020. Consistent with these measures, FHFA announced in connection with its most recent extension of foreclosure and eviction protection for borrowers with mortgage loans guaranteed by Fannie Mae or Freddie Mac that borrowers who had entered forbearance for a period that is scheduled to expire may be eligible for an extension of the forbearance period for up to three additional months.

In addition, in certain states in which we do business or in which our borrowers and loan collateral are located, temporary bans on evictions and foreclosures have been enacted through a mix of executive orders, regulations, and judicial orders. For example, the DFS has taken certain actions to provide relief to mortgage loan borrowers impacted by COVID-19. On March 19, 2020, the DFS issued a directive to DFS-supervised mortgage servicers to undertake certain efforts to assist such borrowers, including forbearing mortgage payments for up to 90 days, waiving late fees, electing not to report late payments to credit rating agencies, and postponing foreclosures and evictions for up to 90 days. In addition, on June 17, 2020, New York Governor Andrew Cuomo signed legislation that expands mortgage forbearance available for those experiencing financial hardship during the COVID-19 crisis. The legislation applies to those who have mortgages with state-regulated financial institutions and is intended to be an expansion of the CARES Act’s mortgage forbearance provisions. The legislation provides up to one year of forbearance if the borrower’s hardship persists and provides flexible payment options. In addition, on December 28, 2020, Governor Cuomo signed the COVID-19 Emergency Eviction and Foreclosure Prevention Act of 2020, which prevents residential evictions, foreclosure proceedings, credit discrimination and negative credit reporting related to the COVID-19 pandemic. Of note, this legislation imposes a moratorium on residential foreclosure proceedings and evictions until May 1, 2021. On August 31, 2020, the California Legislature passed legislation extending an existing moratorium on evictions through January 31, 2021, provided that renters pay a portion of their rent for the period between September 1, 2020 and January 31, 2021. The legislation also requires servicers of residential mortgages, including those on real property containing up to four dwelling units, to comply with certain standards when notifying and communicating with borrowers who have experienced a COVID-19-related financial hardship and may be pursuing forbearances or other loss mitigation options.

Corporate Governance

Our Chief Executive Officer and Chief Financial Officer are required to certify that our quarterly and annual reports do not contain any untrue statement of a material fact. Rules adopted by the SEC under the Sarbanes-Oxley Act have several requirements, including having these officers certify that: they are responsible for establishing, maintaining and regularly evaluating the effectiveness of our internal control over financial reporting; they have made certain disclosures to our auditors and the audit committee of the Board of Directors about our internal control over financial reporting; and they have included information in our quarterly and annual reports about their evaluation and whether there have been changes in our internal control over financial reporting or in other factors that could materially affect internal control over financial reporting.

Community Reinvestment Act and Fair Lending

We are subject to certain requirements and reporting obligations under the Community Reinvestment Act ("CRA"). The CRA generally requires federal banking agencies to evaluate the record of a financial institution in meeting the credit needs of its local communities, including low- and moderate-income neighborhoods. The CRA further requires the agencies to take into account our record of meeting community credit needs when evaluating applications for, among other things, new branches or mergers. We are also subject to analogous state CRA requirements in New York, California and other states in which we may establish branch offices. The performance standards and examination frequency of CRA evaluations differ depending on whether a bank falls into the small or large bank category. The FDIC's most recent CRA examination concluded as on February 8, 2016, and the most recent New York State examination concluded on December 31, 2014. Signature Bank was evaluated under the large bank standards. In measuring our compliance with these CRA obligations, the regulators rely on a performance-based evaluation system that bases our CRA rating on our actual lending service and investment performance. In connection with their assessments of CRA performance, the FDIC and DFS assign a rating of "outstanding," "satisfactory," "needs to improve," or "substantial noncompliance." Signature Bank received a "satisfactory" CRA Assessment Rating from both regulatory agencies in its most recent examinations.

In December 2019, the OCC and the FDIC released a notice of proposed rulemaking representing the first major revision of the federal interagency CRA regulations in nearly 25 years. Among other things, the proposed rule provided for objective numerical metrics for quantifying CRA performance, procedures to facilitate the identification of qualifying CRA activities, and, in the case of institutions with a majority of their deposits outside of traditional, facilities-based assessment areas, assessment areas based on the locations of significant levels of retail domestic deposits. The proposal also provided for the periodic publication of a non-exhaustive list of examples of qualifying activities. In addition, the proposed revision imposed significant additional reporting and information collection requirements on covered institutions. The Federal Reserve, although it has expressed interest in CRA reform, was not part of this effort.

The OCC adopted a final rule on May 20, 2020 that was generally consistent with the proposed rule, although it added some clarifications and transitional relief. The FDIC, however, did not join in the final rule and has indicated it is not ready to adopt a final rule at this time, particularly in light of the ongoing pandemic. Members of Congress and community groups have expressed hostility to the new rule, and have raised the possibility of repealing it through legislative action. In light of this uncertainty, and the fact that the FDIC has not yet taken action on new rule, it is impossible to predict the substance and timing of a revised CRA rule.

Fair lending laws prohibit discrimination in the provision of banking services, and the enforcement of these laws has been an increasing focus for the CFPB, HUD and other regulators. Fair lending laws include ECOA, the Fair Housing Act of 1968, and, at the state level, Section 296-A of the New York Executive Law and, in California, the California Fair Employment and Housing Act and the Unruh Civil Rights Act. These laws generally outlaw discrimination in credit and residential real estate transactions on the basis of prohibited factors including, among others, race, color, national origin, gender, and religion. A lender may be liable for policies that result in a disparate treatment of or have a disparate impact on a protected class of applicants or borrowers. If a pattern or practice of lending discrimination is alleged by a regulator, then that agency may refer the matter to the U.S. Department of Justice ("DOJ") for investigation. In December 2012, the DOJ and CFPB entered into a Memorandum of Understanding under which the agencies have agreed to share information, coordinate investigations and have generally committed to strengthen their coordination efforts; however, such coordination has been less extensive under the current leadership of the DOJ and the CFPB. The extent to which coordination between the two agencies will occur in the future is uncertain. Signature Bank is required to have a fair lending program that is of sufficient scope to monitor the inherent fair lending risk of the institution and that appropriately remediates issues which are identified.

Anti-Money Laundering Regulation

We must also comply with the anti-money laundering ("AML") provisions of the Bank Secrecy Act ("BSA"), as amended by the USA PATRIOT Act, and implementing regulations issued by the FDIC and the Financial Crimes Enforcement Network ("FinCEN") of the U.S. Department of the Treasury. As a result, we must obtain and maintain certain records when opening accounts, monitor account activity for suspicious transactions, impose a heightened level of review on private banking accounts opened by non-U.S. persons and, when necessary, make certain reports to law enforcement or regulatory officials that are designed to assist in the detection and prevention of money laundering and terrorist financing activities. To this end, we are also required to maintain an anti-money laundering compliance program that includes policies, procedures, and internal controls; the appointment of an anti-money laundering compliance officer; an internal training program; and internal audits.

FinCEN's regulations implementing the BSA include express requirements regarding risk-based procedures for conducting ongoing customer due diligence. Such procedures require banks to take appropriate steps to understand the nature and purpose of customer relationships. In addition, absent an applicable exclusion, banks must identify and verify the identity of the beneficial owners of all legal entity customers at the time a new account is established. We have incurred, and are likely to continue to incur, certain costs associated with the expansion and maintenance of our AML program in accordance with maintaining our AML program in ongoing compliance with applicable regulatory requirements as they may evolve from time to time.

On January 1, 2021, Congress overrode former President Trump's veto and thereby enacted the National Defense Authorization Act, which enacted the most significant overhaul of the BSA and related anti-money laundering laws since the USA PATRIOT Act. Notable amendments include (i) significant changes to the collection of beneficial ownership and the establishment of a beneficial ownership registry, which requires corporate entities (generally, any corporation, LLC, or other similar entity with 20 or fewer employees and annual gross income of $5 million or less) to report beneficial ownership information to FinCEN (which will be maintained by FinCEN and made available upon request to financial institutions); (ii) enhanced whistleblower provisions, which provide that one or more whistleblowers who voluntarily provide original information leading to the successful enforcement of violations of the AML laws in any judicial or administrative action brought by the Secretary of the Treasury or the Attorney General resulting in monetary sanctions exceeding $1 million (including disgorgement and interest but excluding forfeiture, restitution, or compensation to victims) will receive not more than 30 percent of the monetary sanctions collected and will receive increased protections; (iii) increased penalties for violations of the BSA; (iv) improvements to existing information sharing provisions that permit financial institutions to share information relating to SARs with foreign branches, subsidiaries, and affiliates (except those located in China, Russia, or certain other jurisdictions) for the purpose of combating illicit finance risks; and (v) expanded duties and powers of FinCEN. Many of the amendments, including those with respect to beneficial ownership, require the Department of Treasury and the Financial Crimes Enforcement Network to promulgate rules.

Signature Bank also is subject to New York AML laws and regulations. In June 2016, the DFS adopted a final rule that requires certain New York-regulated financial institutions, including Signature Bank, to comply with enhanced anti-terrorism and AML requirements beginning in 2017. The rule adds, among other AML program requirements, greater specificity to certain transaction monitoring and filtering requirements and the obligation to conduct an ongoing, comprehensive risk assessment and expressly eliminates a regulated institution's ability to adjust its monitoring and filtering programs to limit the number of alerts generated. Effective April 2018, the rule also required chief compliance officers to submit certifications of compliance with these requirements annually. Signature Bank has incurred, and likely will continue to incur, additional cost in complying with these requirements.

In December 2019, three federal banking agencies and FinCEN issued a joint statement clarifying the compliance procedures and reporting requirements that banks must follow for customers engaged in the growth or cultivation of hemp, including a clear statement that banks need not file a SAR on customers engaged in the growth or cultivation of hemp in accordance with applicable laws and regulations. This statement does not apply to cannabis-related business; therefore, the statement pertains only to customers who are lawfully growing or cultivating hemp and are not otherwise engaged in unlawful or suspicious activity.

Cybersecurity and Data Privacy

Under privacy protection provisions of the Gramm-Leach-Bliley Act of 1999 and related regulations, we are limited in our ability to disclose non-public information about consumers to nonaffiliated third parties. These limitations require disclosure of privacy policies to consumers and, in some circumstances, allow consumers to prevent disclosure of certain personal information to a nonaffiliated third party. Federal banking agencies, including the FDIC, have adopted guidelines for establishing information security standards and cybersecurity programs for implementing safeguards under the supervision of the board of directors. These guidelines, along with related regulatory materials, increasingly focus on risk management and processes related to information technology and the use of third parties in the provision of financial services. In October 2016, the federal banking agencies issued an advance notice of proposed rulemaking on enhanced cybersecurity risk-management and resilience standards that would apply to large and interconnected banking organizations and to services provided by third parties to these firms. If adopted as proposed, these enhanced standards would apply to depository institutions, and depository institution holding companies with total consolidated assets of $50 billion or more, including the Bank. However, the federal banking agencies have not yet taken further action on these proposed standards and it is not clear whether the asset threshold set in the advanced notice of proposed rulemaking, among other aspects of the proposal, would be included in any future rulemaking.

On December 15, 2020, the federal banking agencies announced the issuance of a notice of proposed rulemaking that, if adopted, would impose upon banking organizations and their service providers new notification requirements for significant cybersecurity incidents. Specifically, the proposed rule would require banking organizations to notify their primary federal regulator promptly, and not later than 36 hours after, the discovery of a "computer-security incident" that rises to the level of a "notification incident" within the meaning attributed to those terms by the proposed rule. Banks' service providers would be required under the proposed rule to notify any affected bank to or on behalf of which it provides services "immediately" after experiencing any incident that the service provider believes "in good faith could disrupt, degrade, or impair service provided by that entity to the bank for four or more hours." The prospects and timing for the adoption of the proposed cybersecurity incident notification requirements (which are similar in certain respects to those which currently apply to the Bank under the DFS's cybersecurity regulations, as discussed below), is not certain at this time.

The Bank is also subject to New York cybersecurity and data privacy laws and regulations, including the cybersecurity requirements for financial services companies established by the DFS and the New York State security breach notification law, which was amended and expanded in July 2019. The DFS's cybersecurity regulations require banks, insurance companies, and other financial services institutions regulated by the DFS to establish and maintain a cybersecurity program designed to protect consumers and ensure the safety and soundness of New York State's financial services industry. These regulations require each regulated entity to assess its specific risk profile and design a program that addresses its risks in a robust fashion and, like the DFS's enhanced anti-terrorism and AML requirements, the regulations impose an obligation to conduct an ongoing, comprehensive risk assessment and require each institution's board of directors, or a senior officer of the institution, to submit annual certifications of compliance with these requirements. The Bank must certify its compliance with the cybersecurity regulations to the DFS on an annual basis. In addition, the "SHIELD Act," which was enacted in July 2019, amended New York's existing data breach notification law to expand the scope of protected "private information" and reportable data security breaches and to require covered institutions to adopt reasonable data security safeguards.

In addition, other state cybersecurity and data privacy laws and regulations may expose the Bank to risk and result in certain risk management costs. Notably, the California Consumer Privacy Act of 2018 (the "CCPA"), which became effective on January 1, 2020, gives California residents the right to request disclosure of information collected about them, and whether that information has been sold or shared with others, the right to request deletion of personal information (subject to certain exceptions), the right to opt out of the sale of personal information, and the right not to be discriminated against for exercising these rights. The CCPA also created a private right of action with statutory damages for data security breaches, thereby increasing potential liability associated with a data breach, which has triggered a number of class actions against other companies since January 1, 2020. On November 3, 2020, the California electorate approved Proposition 24, a ballot initiative that established the California Privacy Rights Act (the "CPRA"). The CPRA, much of which will not become operative until January 1, 2023, amends the scope and several of the substantive requirements of the CCPA, as well as certain mechanisms for administration and enforcement of the statute. Although the Bank may enjoy several fairly broad exemptions from the CCPA's privacy requirements, those exemptions do not extend to the private right of action for a data security breach. The CCPA, including any amendments thereto or final regulations implemented thereunder, as well as other similar state data privacy laws and regulations, may require the establishment by the Bank of certain regulatory compliance and risk management controls.

Transactions with Related Parties

Transactions between banks and their affiliates are limited by Sections 23A and 23B of the Federal Reserve Act. An affiliate of a bank is any company or entity that controls, is controlled by or is under common control with the bank. In a holding company context, the parent bank holding company and any companies which are controlled by such parent holding company are affiliates of the bank.

Generally, Sections 23A and 23B of the Federal Reserve Act and Regulation W (i) limit the extent to which the bank or its subsidiaries may engage in "covered transactions" with any one affiliate to an amount equal to 10% of such institution's capital stock and surplus, and contain an aggregate limit on all such transactions with all affiliates to an amount equal to 20% of such institution's capital stock and surplus and (ii) require that all such transactions be on terms substantially the same, or at least as favorable, to the institution or subsidiary as those provided to non-affiliates. The term "covered transaction" includes the making of loans, purchase of assets, issuance of a guarantee and other similar transactions. In addition, loans or other extensions of credit by the financial institution to the affiliate are required to be collateralized in accordance with the requirements set forth in Section 23A of the Federal Reserve Act. For purposes of the above, an "affiliate" does not include a subsidiary of the bank, unless the subsidiary is a financial subsidiary or a subsidiary formed under Section 24 of the FDI Act for the purpose of holding and investing as principal in equity securities, is itself a depository institution, or is directly controlled by one or more affiliates of the parent bank or a shareholder, or group of shareholders, that controls the parent bank. In addition, the so-called "Super 23A" provisions of the Volcker Rule apply similar restrictions on transactions between a bank and any "covered fund" that the bank advises or sponsors.

In March 2020, the Federal Reserve issued to certain banks a temporary waiver of the limitations set forth under Section 23A of the Federal Reserve Act and Regulation W in order to allow such banks to purchase certain assets from affiliated broker-dealers and money market mutual funds. The relief afforded by such waivers will expire within a prescribed period as set forth in the institution's waiver letter as measured from the date of issuance.

The Sarbanes-Oxley Act and Loans to Insiders

The Sarbanes-Oxley Act of 2002 generally prohibits loans by a company to its executive officers and directors. However, the law contains a specific exception for loans by a depository institution to its executive officers and directors in compliance with federal banking laws, assuming such loans are also permitted under the law of the institution's chartering state. The Federal Reserve Act and its implementing Regulation O also provide limitations on the ability of Signature Bank to extend credit to executive officers, directors and 10% shareholders ("insiders"). The law limits both the individual and aggregate amount of loans Signature Bank may make to insiders based, in part, on Signature Bank's capital position and requires certain Board approval procedures to be followed. Such loans are required to be made on terms substantially the same as those offered to unaffiliated individuals and not involve more than the normal risk of repayment. There is an exception for loans made pursuant to a benefit or compensation program that is widely available to all employees of the institution and does not give preference to insiders over other employees. Loans to executive officers are further limited to specific categories. In addition, the Federal Reserve has provided relief to banks lending under the PPP (see "— Recent Developments — Coronavirus Aid, Relief, and Economic Security ("CARES") Act and Other Regulatory Actions"), by issuing an Interim Final Rule exempting certain PPP loans from the definition of "extension of credit" for purposes of Regulation O's restrictions on loans to insiders (although not for purposes of certain additional restrictions applicable to loans to executive officers). The Interim Final Rule granted an exemption for loans made through June 30, 2020, but did not address the extension of the original June 30, 2020 PPP loan application deadline until August 8, 2020. However, on July 17, 2020, the Federal Reserve issued a second Interim Final Rule expanding the exemption provided under the initial Interim Final Rule to apply to PPP loans made through August 8, 2020.

Change in Control

The approval of the DFS is required before any person or group of persons deemed to be acting in concert may acquire “control” of a banking institution, which includes Signature Bank. “Control” is defined as the possession, directly or indirectly, of the power to direct or cause the direction of management and policies of a banking institution through ownership of stock or otherwise and is presumed to exist if, among other things, any company owns, controls, or holds the power to vote 10% or more of the voting stock of a banking institution. As a result, any person or company that seeks to acquire 10% or more of our outstanding common stock must obtain prior regulatory approval.

In addition to the New York requirements, the federal Bank Holding Company Act prohibits a company from, directly or indirectly, acquiring 25% or more (5% if the acquirer is a bank holding company) of any class of our voting stock or obtaining the ability to control in any manner the election of a majority of our directors or otherwise directing the management or policies of our company without prior application to and the approval of the Federal Reserve. Moreover, under the Change in Bank Control Act, any person or group of persons acting in concert who intends to acquire 10% or more of any class of our voting stock or otherwise obtain control over us would be required to provide prior notice to and obtain the non-objection of the FDIC.

In January 2020, the Federal Reserve adopted a final rule for control and divestiture proceedings under the under the Bank Holding Company Act of 1956, as amended, and the Home Owners’ Loan Act. The final rule does not apply to control determinations under the Change in Bank Control Act, Sections 23A and 23B of the Federal Reserve Act and its implementing Regulation W, or Regulation O. Under the final rule, control determinations are to be made according to a more rules-based methodology. The final rule establishes a general three-prong test for determining whether a company controls a bank or savings association. Pursuant to this test, a company controls another company if the first company, directly or indirectly or acting through one or more other persons, (i) owns, controls or has power to vote 25% or more of any class of voting securities of the second company, (ii) controls in any manner the election of a majority of the directors of the other company, or (iii) based on the facts and circumstances of the investment, directly or indirectly exercises a "controlling influence" over the management or policies of the other company. The final rule includes rebuttable presumptions of control based on a tiered framework focused on equity ownership, business relationships, control over the election of directors, director and senior management interlocks, as well as business terms and contractual arrangements. In addition to the rebuttable presumptions under the tiered framework, the final rule includes other rebuttable presumptions of control and non-control focused on prior control relationships, management agreements, investment adviser arrangements, consolidation under generally accepted accounting principles, and equity ownership levels. As a general matter, the tiers will vary based on percentage of voting ownership with additional requirements to qualify for the rebuttable presumption at voting ownership levels of 5% or greater, 10% or greater, and 15% or greater. The final rule became effective on September 30, 2020.

Incentive Compensation

Guidelines adopted by the federal banking agencies pursuant to the FDI Act prohibit excessive compensation as an unsafe and unsound practice and describe compensation as excessive when the amounts paid are unreasonable or disproportionate to the services performed by an executive officer, employee, director or principal shareholder.

In June 2010, the federal banking agencies jointly adopted the Guidance on Sound Incentive Compensation Policies intended to ensure that banking organizations do not undermine the safety and soundness of such organizations by encouraging excessive risk-taking. This guidance, which covers all employees that have the ability to expose the organization to material amounts of risk, either individually or as part of a group, is based upon the key principles that a banking organization’s incentive compensation arrangements should (i) provide employee incentives that appropriately balance risk in a manner that does not encourage employees to expose their organizations to imprudent risk, (ii) be compatible with effective controls and risk management, and (iii) be supported by strong corporate governance, including active and effective oversight by the organization’s board of directors. Any deficiencies in the Bank’s compensation practices could lead to supervisory or enforcement actions by the FDIC.

Section 956 of the Dodd-Frank Act requires the federal banking agencies and the SEC to establish joint regulations or guidelines prohibiting incentive-based payment arrangements at specified regulated entities, such as us, having at least $1 billion in total assets that encourage inappropriate risk-taking by providing an executive officer, employee, director or principal shareholder with excessive compensation, fees, or benefits or that could lead to material financial loss to the entity. In addition, these regulators must establish regulations or guidelines requiring enhanced disclosure to regulators of incentive-based compensation arrangements. The federal banking agencies proposed such regulations in April 2011 and issued a second proposed rule in April 2016. The second proposed rule would apply to all banks, among other institutions, with at least $1 billion in average total consolidated assets, and would go beyond the Guidance on Sound Incentive Compensation Policies discussed above to prohibit certain types and features of incentive-based compensation arrangements, require incentive-based compensation arrangements to adhere to certain basic principles, and require appropriate board or committee oversight and recordkeeping and disclosures to the appropriate agency. In addition, institutions with at least $50 billion in average total consolidated assets would be subject to additional compensation-related requirements and prohibitions. The prospects for continued consideration of these proposed rules by the SEC and federal banking agencies are uncertain, but implementation of any final rules is not expected in the near term.

In October 2016, the DFS also announced a renewed focus on employee incentive arrangements and issued new guidance to New York State-regulated banks to ensure that these arrangements do not encourage inappropriate practices. The guidance listed adapted versions of the key principles from the Guidance on Sound Incentive Compensation Policies as minimum requirements and advised these banks that incentive compensation arrangements must be subject to effective risk management, oversight, and control. In November 2016, the CFPB issued similar guidance to financial services companies, including the entities that it supervises. Incentive compensation and sales practices, particularly in connection with certain products and services that are viewed as high-risk from a supervisory perspective—such as cross-selling and overdraft services—continue to be priority issues on the examination and supervision agendas of the CFPB and the federal banking agencies.

In addition, the Tax Cuts and Jobs Act of 2017 (“TCJA”), which was signed into law in December 2017, contains certain provisions affecting performance-based compensation. Specifically, the pre-existing exception to the $1.0 million deduction limitation applicable to performance-based compensation was repealed. The deduction limitation is now applied to all compensation exceeding $1.0 million, for the Bank’s covered employees, regardless of how it is classified, which would have an adverse effect on income tax expense and net income.

Regulation of Signature Securities

Signature Securities is registered as a broker-dealer with and subject to examination and supervision by the SEC. The SEC is the federal agency primarily responsible for the regulation of broker-dealers. Signature Securities is also subject to regulation by one of the brokerage industry’s self-regulatory organizations, the Financial Industry Regulatory Authority (“FINRA”). As a registered broker-dealer, Signature Securities is subject to the SEC’s uniform net capital rule. The purpose of the net capital rule is to require broker-dealers to have at all times enough liquid assets to satisfy promptly the claims of clients if the broker-dealer goes out of business. If Signature Securities fails to maintain the required net capital, the SEC and FINRA may impose regulatory sanctions including suspension or revocation of its broker-dealer license. A change in the net capital rules, the imposition of new rules, or any unusually large charge against Signature Securities’ net capital could limit its operations. As a subsidiary of Signature Bank, Signature Securities is also subject to regulation and supervision by the DFS. Signature Securities currently is permitted to act as a broker and as a dealer in certain bank eligible securities.

The SEC and FINRA each have taken actions to mitigate the impact of the COVID-19 pandemic, including, among others, the following: the extension of filing deadlines for required reports; relief from procedural requirements associated with public disclosures and regulatory applications; the adoption of temporary amendments to regulatory requirements and processes relating to capital formation and certain securities processing services that have been impacted by the pandemic; and establishing processes for remote dispute resolution proceedings, testing and examinations. These actions may be extended and new relief may be provided based on the duration of the pandemic.

In June 2018, the U.S. Court of Appeals for the Fifth Circuit issued a mandate vacating the DOL’s “fiduciary rule” and related prohibited transaction exemptions, which had been enacted initially in 2016. However, on June 29, 2020, the DOL released a proposed prohibited transaction class exemption and associated guidance, intended as the “fiduciary rule[s]” replacement. If adopted, the exemption would allow investment advice fiduciaries to IRAs and ERISA plans (and similar tax-favored accounts) to receive variable compensation and other transaction-based fees in connection with providing investment advice as a fiduciary. Also, if adopted, the exemption would also allow investment advice fiduciaries to engage in certain principal transactions, without violating the prohibited transaction rules of ERISA and the IRS Code. Further, under the proposal, fiduciary status would be determined under the long-standing five-part test and, unlike the “fiduciary rule”, the regulatory definition of "fiduciary" is not expanded. To the extent that the DOL proceeds with this rulemaking or other rulemakings,, Signature Securities likely will undertake certain measures to comply with the rule on a transitional basis; however, to date, our brokerage and investment advisory services and activities have not been affected by the DOL’s rulemaking initiative. On June 5, 2019, the SEC adopted Regulation Best Interest (“Reg BI”). Reg BI establishes a “best interest” standard of conduct for broker-dealers and associated persons when they make a recommendation to a retail customer of any securities transaction or investment strategy involving securities, including recommendations of types of accounts. The new rule requires Signature Securities to review and possibly modify our compliance activities, which is causing us to incur certain additional compliance costs. In addition, state laws that impose a fiduciary duty also may require monitoring, as well as require that we undertake additional compliance measures.

Signature Securities is also subject to state insurance regulation. In July 2004, Signature Securities received approval from the New York State Banking Department and the New York State Department of Insurance (the pre-2011 predecessor agencies of the DFS) to act as an agent in the sale of insurance products. Signature Securities’ insurance activities are subject to extensive regulation under the laws of the various states where its clients are located. The applicable laws and regulations vary from state to state, and, in every state of the United States, an insurance broker or agent is required to have a license from that state. These licenses may be denied or revoked by the appropriate governmental agency for various reasons, including the violation of state regulations and conviction for crimes.

Deposit Premiums and Assessments

Under FDIC regulations, we are required to pay premiums to the DIF to insure our deposit accounts. The FDIC utilizes a risk-based premium system in which an institution pays premiums for deposit insurance on the institution's average consolidated total assets minus average tangible equity. For large insured depository institutions, generally defined as those with at least $10 billion in total assets, the assessment rate schedules combine regulatory ratings, PCA capital evaluations, and financial measures into two scorecards, one for most large insured depository institutions and another for highly complex insured depository institutions, to calculate assessment rates. A highly complex institution is generally defined as an insured depository institution with more than $50 billion in total assets that is controlled by a parent company with more than $500 billion in total assets. The assessment rate schedule includes an adjustment for significant amounts of brokered deposits applicable to large institutions that are either less than well capitalized or have a composite rating of "3," "4," or "5" under the Uniform Financial Institution Rating System. For such an institution, an assessment rate adjustment applies when its ratio of brokered deposits to domestic deposits is greater than 10%.

The Dodd-Frank Act increased the minimum for the DIF reserve ratio, the ratio of the amount in the DIF to insured deposits from 1.15% to 1.35% and required that the ratio reach 1.35% by September 30, 2020. Banks with total assets of $10 billion or more are responsible for funding this increase. In March 2016, the FDIC adopted a final rule, which took effect on June 30, 2016, imposing a surcharge on banks with at least $10 billion in total assets at an annual rate of four and one-half basis points applied to the institution's assessment base (with certain adjustments) in order to reach a DIF reserve ratio of 1.35%. In conjunction with this surcharge, a new assessment rate schedule for the regular surcharge was implemented. Under the newly effective assessment rate schedules, the total base assessment rates for large and highly complex institutions range from one to 40 basis points. In total, the changes to the FDIC's assessments decreased our deposit insurance assessments by $1.7 million in 2018 compared to 2017. On September 30, 2018, the DIF reserve ratio reached 1.36%, exceeding the statutorily required minimum reserve ratio of 1.35% ahead of the September 30, 2020 deadline required under the Dodd-Frank Act. FDIC regulations provide that, upon reaching the minimum, surcharges on insured depository institutions with total consolidated assets of $10 billion or more will cease. The last quarterly surcharge was reflected in Signature Bank's December 2018 assessment invoice, which covered the assessment period from July 1 through September 30. March 2019 assessment invoices, which cover the assessment period from October 1, 2018, through December 31, 2018, no longer included a quarterly surcharge. Assessment rates, which declined for all banks when the reserve ratio first surpassed 1.15% in the third quarter of 2016, are expected to remain unchanged. Assessment rates are scheduled to decrease when the reserve ratio exceeds 2%.

On June 26, 2020, the FDIC published a final rule to mitigate the deposit insurance assessment effects of banks' participation in the COVID-19 related PPP, Paycheck Protection Program Liquidity Facility ("PPPLF"), and Money Market Mutual Fund Liquidity Facility ("MMLF"). As described under "— Recent Developments — Coronavirus Aid, Relief, and Economic Security ("CARES") Act and Other Regulatory Actions," the Bank is a PPP lender. Absent such relief, we could be subject to increased deposit insurance assessments as a result. The final rule (i) removes the effect of participation in the PPP on various risk measures used to calculate a bank's assessment rate; (ii) removes the effect of participation in the PPP on certain adjustments to a bank's assessment rate; (iii) provides an offset to a bank's assessment for the increase to its assessment base attributable to participation in the PPP; and (iv) removes the effect of participation in the PPP when classifying banks as small, large, or highly complex for assessment purposes. The final rule is effective retroactively as of April 1, 2020 to ensure that changes to deposit insurance assessment calculations apply to banks' assessments starting in the second quarter of 2020. As a result of these changes, the Bank's deposit insurance assessment for the second quarter of 2020 was reduced by $133,000 or approximately $530,000 annually.

In addition, all FDIC-insured institutions are required to pay assessments to the FDIC to fund interest payments on bonds issued by the Financing Corporation ("FICO"), an agency of the federal government established to recapitalize the Federal Savings and Loan Insurance Corporation. The FICO assessment rates, which are determined quarterly, averaged 0.565 basis points of insured deposits on an annualized basis in fiscal year 2016. All FICO bonds matured by the first half of 2019.

Historically, deposit insurance premiums we have paid to the FDIC have been deductible for federal income tax purposes; however, the Tax Cuts and Jobs Act of 2017 disallows the deduction of such premium payments for banking organizations with total consolidated assets of $50 billion or more. We reached $50 billion in total consolidated assets as of December 31, 2019, therefore we lost full deductibility of our entire FDIC assessment expense in 2020. This disallowance has been phased in over the last two years.

Regulation of Brokered Deposits

Section 29 of the FDI Act establishes, among other things, a general prohibition on the acceptance by any insured depository institution that is not well capitalized of any deposit obtained, directly or indirectly, by or through any "deposit broker." This statutory prohibition is further implemented through the regulations of the FDIC and, historically, numerous published and unpublished FDIC staff interpretations of the statute and the FDIC's regulation. As discussed further below, the FDIC recently finalized substantial amendments to its brokered deposits regulation.

In January 2015, the FDIC issued guidance on brokered deposits regulation, which it updated in June 2016, that reiterated the FDIC's views that use of brokered deposits to fund unsound or rapid expansion of loans and investment portfolios has contributed to institutions' weakened financial and liquidity positions over successive economic cycles and that the overuse of brokered deposits and the improper management of brokered deposits by problem institutions have contributed to bank failures and losses to the DIF. In December 2018, the FDIC published an advanced notice of proposed rulemaking soliciting public comment on its regulation of brokered deposits in light of the impact of changes in technology, business models and financial products in the decades since the adoption of statutory restrictions on banks' acceptance of brokered deposits. In December 2019, the FDIC issued a notice of proposed rulemaking on its brokered deposits regulation. The proposal sought to clarify and modernize the FDIC's existing regulatory framework. Notable aspects of the proposal include provisions (i) defining the operative prongs of the definition of "deposit broker" (including the meaning of "facilitating" the placement of deposits within the scope of the "deposit broker" definition), (ii) creating three general tests to determine the application of the "primary purpose" exception to such definition, (iii) establishing an application process for entities seeking to rely upon the "primary purpose" exception, and (iv) permitting wholly-owned subsidiaries of insured depository institutions to take advantage of exception for insured depository institutions with respect to funds placed with such institution (the so-called "own bank" exception).

On December 15, 2020, the FDIC adopted a final rule amending its brokered deposits framework. The final rule deviated from the proposed rule in several respects. In brief, the final rule makes the following notable changes to the FDIC's brokered deposits regulation: (i) the definition of "deposit broker" is amended to exclude persons who have an exclusive deposit placement arrangement with a single bank; (ii) a person is viewed as "facilitating" the placement of deposits, and therefore is a "deposit broker," if the person (a) has legal authority, contractual or otherwise, to close a deposit account or move a third party's funds to another bank; (b) is involved in negotiating or setting rates, fees, terms or conditions for a deposit account; or (c) engages in "matchmaking" as defined and interpreted in the final rule; (iii) notice and application processes, and related reporting requirements, are established for certain deposit placement arrangements that are eligible for reliance upon the "primary purpose" exception; and (iv) several specially designated "primary purpose" exceptions are established, including exceptions for deposit placement arrangements whereby (a) less than 25% of the total assets that a person has "under administration" for its customers are placed with banks, and (b) 100% of depositors' funds that that a person places, or assists in placing, with banks are placed into transactional accounts that do not pay fees, interest or other remuneration to the depositor.

The final rule is scheduled to take effect on April 1, 2021 and will be reflected in Call Report data due June 30, 2021; however, full compliance with the final rule is not required until January 1, 2022. Under the amended brokered deposits regulation, the range of activities viewed as deposit brokerage will be modified, which could have an impact on the Bank's deposit premiums, capital and liquidity risk management planning, and regulatory monitoring and reporting obligations. However, due to the recency of the final rule, it may be subject to further review and approval by incoming Administration officials and could be withdrawn and revised through additional notice-and-comment rulemaking. In addition, the final rule could be subject to review and disapproval by Congress under the Congressional Review Act. See "Risk Factors—Government and Regulation Risks Related to Our Business—The Bank faces risks related to the adoption of future legislation and potential changes in federal regulatory agency leadership, policies and priorities."

Other Regulatory Requirements

Federal banking laws and regulations apply increasingly stringent regulatory and supervisory requirements to banks or bank holding companies that cross total asset thresholds of $10 billion, $50 billion, $100 billion and $250 billion. Signature Bank is positioned to be subject, in some instances, to somewhat lighter federal bank regulatory requirements than larger banks and banks that are subsidiaries of registered bank holding companies. As an organization with a bank as its top-level company and with a relatively simple business model, Signature Bank, at its asset size of $73.89 billion as of December 31, 2020, is, and in the foreseeable future expects to be, subject to only some of these escalating requirements.

The FDI Act, as administered by the FDIC, restricts the acceptance of brokered deposits and imposes certain restrictions on deposit interest rates. Banks that do not maintain their regulatory capital above the level required to be "well capitalized" face tiered limits on their ability to accept or renew deposits classified as "brokered deposits". "Adequately capitalized" banks may not accept or renew brokered deposits unless they obtain a waiver from the FDIC. Brokered deposits include deposits obtained through a "deposit broker," which is broadly defined under the FDI Act and existing FDIC rules and interpretations. In some circumstances, employees of a bank and its subsidiaries can be treated as deposit brokers and the customer deposits that they are involved in servicing can be treated as brokered deposits. The Economic Growth Act established that reciprocal deposits are not treated as brokered deposits in the case of a "well capitalized" institution that received an "outstanding" or "good" rating on its most recent examination to the extent the amount of such deposits does not exceed the lesser of $5 billion or 20% of the bank's total liabilities. In December 2018, the FDIC published a final rule implementing these statutory changes. See "—Deposit Premiums and Assessments" for a discussion of the brokered-deposit assessment rate adjustment applicable to certain institutions.

The Gramm-Leach-Bliley Act of 1999 eliminated most of the barriers to affiliations among banks, securities firms, insurance companies, and other financial companies previously imposed under federal banking laws if certain criteria are satisfied. Certain subsidiaries of well-capitalized and well-managed banks may be treated as "financial subsidiaries," which are generally permitted to engage in activities that are financial in nature, including securities underwriting, dealing, and market making; sponsoring mutual funds and investment companies; and activities that the Federal Reserve has determined to be closely related to banking.

Commercial real estate loans represent a significant portion of our loan portfolio. As of December 31, 2019, our ratio of total commercial real estate loans to total risk-based capital was 480.2%, and as of December 31, 2020, that ratio had decreased to 376.4%. From December 31, 2017 to December 31, 2020, the outstanding balance of our commercial real estate loan portfolio increased $1.66 billion, or 6.5%. Due to the risks associated with this type of lending, in 2006, the federal banking agencies, including the FDIC, issued guidance on commercial real estate concentration risk management. Under this guidance, a bank’s commercial real estate lending exposure may receive increased supervisory scrutiny under certain circumstances, including where total commercial real estate loans represent 300% or more of an institution’s total risk-based capital and the outstanding balance of the commercial real estate loan portfolio has increased by 50% or more during the preceding 36 months. In December 2015, the agencies released a new statement on prudent risk management for commercial real estate lending. In this statement, the agencies expressed concerns about easing commercial real estate underwriting standards, directed financial institutions to maintain underwriting discipline and exercise risk management practices to identify, measure, and monitor lending risks, and indicated that they will continue to pay special attention to commercial real estate lending activities and concentration going forward.

The FDIC regulates its supervised institutions’ relationships with and management of third parties. Federal banking guidance requires us to conduct due diligence and oversight in third-party business relationships and to control risks in the relationship to the same extent as if the activity were directly performed by the Bank. In July 2016, the FDIC proposed new Guidance for Third-Party Lending to set forth safety and soundness and consumer compliance measures FDIC-supervised institutions should follow when lending through a business relationship with a third party.

The Bank is required to implement and maintain business continuity and disaster recovery plans to ensure its resilience and continued operations in the event of significant business disruptions related to cybersecurity events, natural disasters and other potentially catastrophic events. Such plans are intended to be aligned with banking organizations’ risk profiles and roles within the overall financial services sector. Plans must contain proactive measures to safeguard banking organizations’ employees, customers, products and establish response procedures in the event of significant business disruptions. On March 6, 2020, in response to the onset of the COVID-19 pandemic, the Federal Financial Institution Examination Council (“FFIEC”) (comprised of the Federal Reserve, the FDIC, the OCC, the National Credit Union Administration and the CFPB) updated its business continuity planning guidance to include additional considerations related to pandemic planning. The guidance identifies actions beyond a traditional business continuity planning that should be taken to address certain unique challenges posed by pandemics. Specifically, a financial institution's planning should provide for, among other things; a preventative program (including monitoring of potential outbreaks, educating employees, providing appropriate hygiene training and tools, and coordinating with critical service providers); a documented strategy that provides for scaling the institution's pandemic efforts to be consistent with the effects of a particular stage of a pandemic outbreak; a comprehensive framework of facilities, systems, or procedures that provide the firm with the capability to continue critical operations during prolonged staff shortages; and a testing program to ensure that the planning practices and capabilities are effective and will allow critical operations to continue.

The Bank has entered into certain financial contracts that utilize the soon-to-be-discontinued London Interbank Offered Rate (“LIBOR”). On July 1, 2020, the FFIEC published guidance for financial institutions on the supervisory, risk management and planning considerations relating to the transition away from LIBOR as a reference rate for a variety of financial contracts. On November 30, 2020, the federal banking agencies published a joint statement on the LIBOR transition in which the agencies expressed their view that any financial institution which enters into new financial contracts that use LIBOR as a reference rate after December 31, 2021 would create safety and soundness risks. Accordingly, the banking agencies encouraged institutions to cease entering into new contracts that use LIBOR as a reference rate as soon as practicable and in any event by December 31, 2021. The joint statement also provided that financial contracts entered into before December 31, 2021 should either utilize a reference rate other than LIBOR or have robust fallback language that includes a clearly defined alternative reference rate after LIBOR’s discontinuation.

ITEM 1A. RISK FACTORS

Risk Factor Summary

We are providing the following summary of the risk factors contained in our Form 10-K to enhance the readability and accessibility of our risk factor disclosures. We encourage our stockholders to carefully review the full risk factors contained in this Form 10-K in their entirety for additional information regarding the risks and uncertainties that could cause our actual results to vary materially from recent results or from our anticipated future results.

Risks Related to the COVID-19 Pandemic

- The COVID-19 pandemic has adversely impacted our business and financial results, and the ultimate impact will depend on future developments, which are highly uncertain and cannot be predicted, including the scope and duration of the pandemic and actions taken currently or in the future by governmental authorities in response to the pandemic.

Risks Related to Market and Liquidity Risks Related to Our Business

- Volatility in global financial markets might continue and the federal government may continue to take measures to intervene.
- Changes in U.S. trade policies, including the imposition of tariffs and retaliatory tariffs, may adversely impact our business, financial condition and results of operations.
- Difficult market conditions may have an adverse impact on our industry.
- Fiscal challenges facing the U.S. government could negatively impact financial markets which in turn could have an adverse effect on our financial position or results of operations.
- Our operations are affected significantly by interest rate levels and we are vulnerable to changes in interest rates.
- The planned phase out of LIBOR as a financial benchmark presents risks to the financial instruments originated or held by Signature Bank.
- We are vulnerable to illiquid market conditions, resulting in the potential for significant declines in the fair value of our investment portfolio.
- We primarily invest in mortgage-backed obligations and such obligations may be impacted by market dislocations, declining home values and prepayment risk, which may lead to volatility in cash flow and market risk and declines in the value of our investment portfolio.
- Adverse developments in the residential mortgage market may adversely affect the value of our investment portfolio.
- If the U.S. agencies or U.S. government-sponsored enterprises were unable to pay or to guarantee payments on their securities in which we invest, our results of operations would be adversely affected.
- The vast majority of our business operations and substantially all of our real estate collateral are concentrated in the New York metropolitan area, and a downturn in the economy and the real estate market of the New York metropolitan area, as well as changes in rent regulation laws, may have a material adverse effect on our business.
- Inflation or deflation could adversely affect our business and financial results.

Risks Related to Strategic Risks Related to Our Business

- We may be unable to successfully implement our growth strategy.
- We may be unable to successfully integrate new business lines into our existing operations.
- We compete with many larger financial institutions which have substantially greater financial and other resources than we have.
- Government intervention in the banking industry has the potential to change the competitive landscape.
- We may not be able to acquire suitable client relationship groups or manage our growth.
- Provisions in our charter documents may delay or prevent our acquisition by a third party.
- There are substantial regulatory limitations on changes in control of the Bank.

Risks Related to Operational Risks Related to Our Business

- We are vulnerable to downgrades in credit ratings for securities within our investment portfolio.
- There are material risks involved in commercial lending, which generally involves a higher risk than residential mortgage loans, that could adversely affect our business.
- As the size of our loan portfolio grows, the risks associated with our loan portfolio may be exacerbated.
- Our failure to effectively manage our credit risk could have a material adverse effect on our financial condition and results of operations.
- Lack of seasoning of the mortgage loans underlying our investment portfolio may increase the risk of credit defaults in the future.
- Our Allowance for Credit Losses for Loans and Leases ("ACLLL") may not be sufficient to absorb actual losses.
- We rely on the Federal Home Loan Bank of New York for secondary and contingent liquidity sources.
- We are dependent upon key personnel.
- Curtailment of government guaranteed loan programs could affect our SBA business.
- We rely extensively on outsourcing to provide cost-effective operational support.
- Decreases in trading volumes or prices could harm the business and profitability of Signature Securities.
- Our ability to pay cash dividends or engage in share repurchases is restricted.
- The loss of our deposit clients or substantial reduction of our deposit balances could force us to fund our business with more expensive and less stable funding sources.

- Downgrades of our credit rating could negatively affect our funding and liquidity by reducing our funding capacity and increasing our funding costs.
- We may not be able to raise the additional funding needed for our operations.
- Our business may be adversely impacted by severe weather, acts of war or terrorism, public health issues and other external events.
- Other changes in accounting standards or interpretation in new or existing standards could materially affect our financial results.
- Negative public opinion could damage our reputation and adversely affect our earnings.
- FDIC insurance premiums fluctuate materially, which could negatively affect our profitability.
- The soundness of other financial institutions could adversely affect us.

Risks Related to Government and Regulation Risks Related to Our Business

- We are subject to significant government regulation.
- We are subject to stringent regulatory capital requirements, which may adversely impact our return on equity, require us to raise additional capital, or constrain us from obtaining deposits, paying dividends or repurchasing shares.
- The Dodd-Frank Act may continue to affect our results of operations, financial condition or liquidity.
- We use brokered deposits to fund a portion of our activities and the loss of our ability to accept or renew brokered deposits could have an adverse effect on us.
- Regulations could restrict our ability to service and sell mortgage loans.
- We will be expected to make additional expenditures on enhanced governance, internal control, compliance, and supervisory programs and to comply with additional regulations as we surpassed $50 billion in assets.
- Recent financial services regulatory relief measures have not eliminated many of the aspects of the Dodd-Frank Act that have increased our compliance costs.
- Changes in the federal, state or local tax laws may negatively impact our financial performance.
- Regulatory net capital requirements significantly affect and often constrain our brokerage business.
- The repeal of federal prohibitions on the payment of interest on demand deposits could increase our interest expense.
- We are subject to various legal claims and litigation. Our management of the risk of system failures or breaches of our network security is increasingly subject to regulation and could subject us to increased operating costs, as well as litigation and other liabilities.
- We are subject to laws regarding the privacy, information security and protection of personal information and any violation of these laws or an incident involving personal, confidential or proprietary information of individuals could damage our reputation and otherwise adversely affect our operations and financial condition.
- We may be responsible for environmental claims.
- Climate change and related legislative and regulatory initiatives may result in operational changes and expenditures that could significantly impact our business.
- The misconduct of employees or their failure to abide by regulatory requirements is difficult to detect and deter.
- We depend upon the accuracy and completeness of information about clients and other third parties and are subject to losses resulting from fraudulent or negligent acts on the part of our clients or other third parties.
- The failure of our brokerage clients to meet their margin requirements may cause us to incur significant liabilities.
- The Bank faces risks related to the adoption of future legislation and potential changes in federal regulatory agency leadership, policies and priorities.

Risk Factors

If any of the following risks actually occur, our business, financial condition or operating results could be materially adversely affected. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations. As a result, we cannot predict every risk factor, nor can we assess the impact of all of the risk factors on our businesses or to the extent to which any factor, or combination of factors, may impact our financial condition and results of operations.

Risks Related to the COVID-19 Pandemic

The COVID-19 pandemic has adversely impacted our business and financial results, and the ultimate impact will depend on future developments, which are highly uncertain and cannot be predicted, including the scope and duration of the pandemic and actions taken currently or in the future by governmental authorities in response to the pandemic.

The COVID-19 pandemic is creating extensive disruptions to the global economy, to businesses and to the lives of individuals throughout the world. Governments, businesses, and the public are taking unprecedented actions to contain the spread of COVID-19 and to mitigate its effects, including quarantines, travel bans, shelter-in-place orders, closures of businesses and schools, fiscal stimulus, and legislation designed to deliver monetary aid and other relief to those adversely impacted by the pandemic. Although in various locations some of the activity restrictions listed above have been relaxed in progressive steps, in many geographies the number of individuals diagnosed with COVID-19 has significantly increased in recent months causing a freezing or, in a growing number of geographies, reversal of the relaxation of activity restrictions. Moreover, although multiple COVID-19 vaccines have received regulatory approval and currently are being distributed to certain at-risk populations, it is too early to know how quickly these vaccines can be distributed to the broader population and how effective they will be in mitigating the adverse social and economic effects of the pandemic. While the scope, duration, and full effects of COVID-19 are rapidly evolving and not fully known, the pandemic and related efforts to contain it have markedly reduced and disrupted global economic activity, adversely affected the functioning of financial markets, impacted interest rates, increased economic and market uncertainty, and disrupted trade and supply chains. And while there have been trillions of dollars in economic stimulus packages initiated by the Federal Reserve and other areas of the federal government, including the $2 trillion CARES Act, the $900 billion relief package in the form of the Economic Aid Act and potential additional stimulus and COVID-19-related relief that will be considered by Congress early in 2021, in an effort to counteract the significant economic disruption from COVID-19, and further action has been taken by the Federal Reserve and other areas of the federal government, there can be no assurance that these packages will be sufficient, or produce positive results quickly enough, to stimulate the economy, and additional governmental stimulus and related interventions may be needed.

- <u>*Credit Risk*</u>

Our risks of timely loan repayment and the value of collateral supporting the loans are affected by the strength of our borrowers' businesses. Concern about the spread of COVID-19 has caused and is likely to continue to cause business shutdowns, limitations on commercial activity and financial transactions, labor shortages, supply chain interruptions, increased unemployment and commercial and residential property vacancy rates, reduced profitability and ability for property owners to make mortgage payments and lessees to make rent payments, and overall economic and financial market instability, all of which may cause our clients to be unable to make scheduled loan payments. If the effects of COVID-19 result in widespread and sustained repayment shortfalls on loans in our portfolio, we could incur significant delinquencies, foreclosures and credit losses, particularly if the available collateral is insufficient to cover our exposure. The future effects of COVID-19 on economic activity could negatively affect the collateral values associated with our existing loans, the ability to liquidate the real estate collateral securing our residential and commercial real estate loans, our ability to maintain loan origination volume and to obtain additional financing, the future demand for or profitability of our lending and services, and the financial condition and credit risk of our clients. Further, in the event of delinquencies, regulatory changes and policies designed to protect borrowers may slow or prevent us from making our business decisions or may result in a delay in our taking certain remediation actions, such as foreclosure. In addition, we have unfunded commitments to extend credit to clients. During a challenging economic environment like the current one, our clients are more dependent on our credit commitments and increased borrowings under these commitments could adversely impact our liquidity. Furthermore, in an effort to support our communities during the pandemic, we have participated in and intended to continue our participation in the PPP under the CARES Act and the Economic Aid Act. Through the PPP, unsecured loans are originated to eligible small businesses. PPP loans are subject to regulatory requirements that require deferral of loan payments for a specified time or that would limit our ability to pursue all available remedies in the event of a loan default. If the borrower under the PPP loan fails to qualify for loan forgiveness, we are at the heightened risk of holding these loans at unfavorable interest rates as compared to the loans to clients that we would have otherwise extended credit. While the PPP loans are guaranteed by the Small Business Administration, various regulatory requirements will apply to our ability to seek recourse under the guarantees, and related procedures are currently subject to uncertainty. If a borrower defaults under a PPP loan, these requirements and uncertainties may result in our inability to fully recover against the loan guaranty or to seek full recourse against the borrower. Additionally, the PPP loans are not secured by an interest in a borrower's assets or otherwise backed by personal guarantees.

- *Strategic Risk*

Our success may be affected by a variety of external factors that may affect the price or marketability of our products and services, changes in interest rates that may increase our funding costs, reduced demand for our financial products due to economic conditions and the various response of governmental and nongovernmental authorities. The COVID-19 pandemic has significantly increased economic and demand uncertainty and has led to disruption and volatility in the global capital markets. Furthermore, many of the governmental actions have been directed toward curtailing household and business activity to contain COVID-19. These actions have been rapidly expanding in scope and intensity. For example, in many of our markets, local governments have acted to temporarily close or restrict the operations of most businesses. Our relationships with existing clients who applied for but are not eligible for PPP loans may have been adversely affected by restrictions on our ability to make PPP loans to such clients. Further, our relationships with clients who received PPP loans from us may be adversely affected to the extent a client's PPP loan is not eligible for forgiveness, in whole or in part. The future effects of COVID-19 on economic activity could negatively affect the future banking products we provide, including a decline in the originating of loans and potential loss of clients.

- *Operational Risk*

Current and future restrictions on our workforce's access to our facilities could limit our ability to meet client servicing expectations and have a material adverse effect on our operations. We rely on business processes and branch activity that largely depend on people and technology, including access to information technology systems as well as information, applications, payment systems and other services provided by third parties. In response to COVID-19, we have modified our business practices with a portion of our employees working remotely from their homes to have our operations uninterrupted as much as possible. Further, technology in employees' homes may not be as robust as in our offices and could cause the networks, information systems, applications, and other tools available to employees to be more limited or less reliable than in our offices. The continuation of these work-from-home measures also introduces additional operational risk, including increased cybersecurity risk. These cyber risks include greater phishing, malware, and other cybersecurity attacks, vulnerability to disruptions of our information technology infrastructure and telecommunications systems for remote operations, increased risk of unauthorized dissemination of confidential information, limited ability to restore the systems in the event of a systems failure or interruption, greater risk of a security breach resulting in destruction or misuse of valuable information, and potential impairment of our ability to perform critical functions, including wiring funds, all of which could expose us to risks of data or financial loss, litigation and liability and could seriously disrupt our operations and the operations of any impacted clients.

Moreover, we rely on many third parties in our business operations, including the appraiser of the real property collateral, vendors that supply essential services such as loan servicers, providers of financial information, systems and analytical tools and providers of electronic payment and settlement systems, and local and federal government agencies, offices, and courthouses. In light of the developing measures responding to the pandemic, many of these entities may limit the availability and access of their services. For example, loan origination could be delayed due to the limited availability of real estate appraisers for the collateral. Loan closings could be delayed related to reductions in available staff in recording offices or the closing of courthouses in certain counties, which slows the process for title work, mortgage and UCC filings in those counties. If the third-party service providers continue to have limited capacities for a prolonged period or if additional limitations or potential disruptions in these services materialize, it may negatively affect our operations.

Further, during the period from April 3, 2020 through December 31, 2020, we processed more than 5,500 applications for PPP loans, which resulted in significant demands and pressures on our operations. In addition, with the re-opening of the PPP in January 2021 through the adoption of the Economic Aid Act and related SBA and Treasury Department rulemakings, the Bank has received additional "First Draw" and "Second Draw" PPP loan applications and expects to receive additional loan applications in the coming weeks. During the period from January 11, 2021 through February 23, 2021, we processed more than 3,000 applications for PPP loans, which continued to result in significant demands and pressures on our operations. In light of the speed at which the PPP was implemented, particularly due to the "first come first served" nature of the program, the loans originated under this program may present potential fraud risk, increasing the risk that loan forgiveness may not be obtained by the borrowers and that the guaranty may not be honored. In addition, there is risk that the borrowers may not qualify for the loan forgiveness feature due to the conduct of the borrower after the loan is originated. These factors may result in us having to hold a significant amount of these low-yield loans on our books for a significant period of time. We will continue to face increased operational demands and pressures as we monitor and service our book of PPP loans, process applications for loan forgiveness and pursue recourse under the SBA guarantees and against borrowers for PPP loan defaults. As a result of participation in the PPP, we may be subject to litigation and claims by borrowers under the PPP loans that we have made, as well as investigation and scrutiny by our regulators, Congress, the Small Business Administration, the U.S. Treasury Department and other government agencies.

Regardless of whether these claims and investigations are founded or unfounded, if such claims and investigations are not resolved in a timely manner favorable to us, they may result in significant costs and liabilities (including increased legal and professional services costs) and/or adversely affect the market perception of us and our products and services.

- *Interest Rate Risk*

Our net interest income, lending activities, deposits and profitability could be negatively affected by the COVID-19 pandemic's impact on interest rates, including if interest rates remain low or become more volatile. In March 2020, the Federal Reserve lowered the target range for the federal funds rate to a range from 0 to 0.25 percent, citing concerns about the impact of COVID-19 on markets and stress in the energy sector. Throughout 2020, the Federal Open Market Committee has elected to continue to follow this approach as pandemic-related risks to the economy are likely to persist for the foreseeable future. Lower rates on loans and securities may reduce the spread between the rates we pay on deposits and the rates at which we can invest those funds. In addition, a prolonged period of extremely volatile and unstable market conditions would likely increase our funding costs and negatively affect market risk mitigation strategies. For instance, as of December 31, 2020, approximately 88% of our total deposits of $63.32 billion are not FDIC-insured, and if a significant portion of these deposits were withdrawn we might need to replace them with more expensive funding. Higher income volatility from changes in interest rates and spreads to benchmark indices could cause a loss of future net interest income and a decrease in current fair market values of our assets. Fluctuations in interest rates will impact both the level of income and expense recorded on most of our assets and liabilities and the market value of all interest-earning assets and interest-bearing liabilities, which in turn could have a material adverse effect on our net income, operating results, or financial condition.

- *Regulatory Risk*

There have been a number of recent bank regulatory actions and legislative changes intended to help mitigate the adverse economic impact of COVID-19 on borrowers, including mandates requiring financial institutions to work constructively with borrowers affected by COVID-19. In addition, states, including New York and California, have adopted, through a mix of executive orders, regulations, and judicial orders, temporary bans on evictions and foreclosures, and flexibility regarding rental payments, such as the use of security deposits to pay rent. At the federal level, Section 4022 of the CARES Act allows borrowers with federally-backed one-to-four family mortgage loans experiencing a financial hardship due to COVID-19 to request forbearance, regardless of delinquency status, for up to 360 days. Although the statutory period for relief under this provision has expired, the federal agencies responsible for its implementation have extended the period of relief, which at present is February 28, 2021. In addition, under Section 4023 of the CARES Act, until the earlier of December 31, 2020 or the date the national emergency declared by the President terminates, borrowers with federally-backed multifamily mortgage loans whose payments were current as of February 1, 2020, but who have since experienced financial hardship due to COVID-19, may request a forbearance for up to 90 days. Borrowers receiving such forbearance may not evict or charge late fees to tenants for its duration. On December 23, 2020, the FHFA announced an extension of its forbearance program for qualifying multifamily properties through March 31, 2021. Moreover, on January 20, 2021, President Biden issued an Executive Order extending the federal eviction moratorium issued through the Centers for Disease Control and Prevention—which was recently extended by Congress through January 31, 2021—through March 31, 2021. As part of the COVID-19 relief package proposed by the Administration, this eviction moratorium would be further extended through September 30, 2021 if adopted as proposed. In addition, President Biden requested that the federal agencies discussed above continue to extend the moratorium on foreclosures on federally-guaranteed mortgages until at least March 31, 2021. Since then, the FHFA and the Federal Housing Administration ("FHA") have extended their moratoria to that date.

On June 17, 2020, Governor Andrew Cuomo signed legislation that expands mortgage forbearance available for those experiencing financial hardship during the COVID-19 crisis in New York State. The legislation applies to those who have mortgages with state-regulated financial institutions and is intended to be an expansion of the CARES Act's mortgage forbearance provisions. The legislation provides up to one year of forbearance if the borrower's hardship persists and provides flexible payment options. Further, on December 28, 2020, Governor Cuomo signed the COVID-19 Emergency Eviction and Foreclosure Prevention Act of 2020, which prevents residential evictions, foreclosure proceedings, credit discrimination and negative credit reporting related to the COVID-19 pandemic. Of note, this legislation imposes a moratorium on residential foreclosure proceedings and evictions until May 1, 2021. Similar forbearance initiatives have been adopted in California and other states, and are under consideration in several states. These regulatory, legislative and judicial actions may be expanded, extended and amended as the pandemic and its economic impact develop. As a result of the forbearance and mitigation programs described above, we expect a significant decline in borrower loan payments, which may have a material impact on our earnings.

Because there have been no comparable recent global pandemics that resulted in similar global impact, we do not yet know the full extent of COVID-19's effects on our business, operations, or the global economy as a whole. Any future development will be highly uncertain and cannot be predicted, including the scope and duration of the pandemic, the effectiveness of our remote working arrangements, third party providers' ability to support our operation, and any actions taken by governmental authorities and other third parties in response to the pandemic. The uncertain future development of this crisis could materially and adversely affect our business, operations, operating results, financial condition, liquidity or capital levels.

Market and Liquidity Risks Related to Our Business

Volatility in global financial markets might continue and the federal government may continue to take measures to intervene.

The federal government may, in response to economic downturns, take significant measures in the area of financial policy and banking regulation that may impact our business and the markets in which we compete. These have included such measures as the enactment of the Emergency Economic Stabilization Act of 2008 and the Dodd-Frank Act, taken in response to the financial crisis that began in late 2007, as well as the adoption of accommodative monetary policy. Federal financial regulators also may take a variety of regulatory and supervisory actions in respect of banks and other financial institutions in response to such events. Although the U.S. and global financial markets have been relatively stable in recent years, credit and capital markets have continued to experience periods of disruption and inconsistency following adverse changes in the global economy. We cannot predict the federal government's responses to any further dislocation and instability in the global economy, and potential future government responses and changes in law or regulation may affect our business, results of operations and financial conditions.

Additionally, economic conditions throughout the world remain uncertain. Concerns about the European Union ("EU"), including Britain's departure from the EU ("Brexit") and the stability of the EU's sovereign debt, have caused uncertainty and disruption for financial markets globally. The ultimate effects of Brexit and the EU's financial support program, as well as the impact of any anticipated and future changes in global fiscal and monetary policy, are difficult to predict and may further deteriorate economic conditions or increase volatility in financial markets. We hold corporate debt securities issued by U.S. financial institutions that have material exposure to foreign countries. As such, deterioration of the economic conditions or increase in volatility of financial markets outside of the United States could have an adverse effect on the issuers of corporate debt that we hold. If such an effect were to negatively impact the ability of such issuers to pay their debts, it could have an adverse effect on our results of operations and financial condition. Global volatility may also produce exchange rate fluctuations and currency devaluations that negatively affect our business. Furthermore, a slowdown or deterioration of economic conditions in other parts of the world may have an adverse effect on economic conditions in the United States, which could materially and adversely affect our financial condition and results of operations. We cannot predict the federal government's response to any dislocation or instability in the United States, and potential future government responses and changes in law or regulation may affect our business, results of operations and financial condition.

Changes in U.S. trade policies, including the imposition of tariffs and retaliatory tariffs, may adversely impact our business, financial condition and results of operations.

There continues to be discussion and dialogue regarding potential changes to U.S. trade policies, legislation, treaties and tariffs with countries such as China and those located in the EU. Tariffs and retaliatory tariffs have been imposed, and additional tariffs and retaliatory tariffs have been proposed. Such tariffs, retaliatory tariffs or other trade restrictions on products and materials that our customers import or export could cause the prices of our customers' products to increase, which could reduce demand for such products, or reduce our customers' margins, and adversely impact their revenues, financial results and ability to service debt. This, in turn, could adversely affect our financial condition and results of operations. In addition, to the extent changes in the political environment have a negative impact on us or on the markets in which we operate our business, results of operations and financial condition could be materially and adversely impacted in the future. Although it is possible that the trade policies of the incoming Administration will deviate, perhaps substantially, from those of the prior Administration, it remains unclear what the U.S. government or foreign governments will or will not do with respect to tariffs already imposed, additional tariffs that may be imposed, or international trade agreements and policies.

Difficult market conditions may have an adverse impact on our industry.

Uncertainty and deterioration in market conditions may have adverse effects on certain industries, may have an adverse effect on certain regional or national economic conditions in the United States, and may have an adverse effect on the market for commercial and industrial loans. In particular, we may face the following risks in connection with challenging market conditions:

- Commercial loans (including commercial and industrial loans and loans secured by commercial real estate) and multi-family mortgage loans constitute a substantial portion of our loan activity and loan portfolio. Difficult market conditions could have an adverse impact on the ability of borrowers, especially industries that are more exposed to those conditions, to make timely loan payments, which could lead to losses on such loans. Any significant losses on such loans could adversely affect our financial condition and results of operations.
- Market developments may affect confidence levels and may cause declines in credit usage and adverse changes in payment patterns, as well as increases in delinquencies and default rates, which we expect would negatively impact our provision for credit losses on loans and leases.
- The process we use to estimate losses inherent in our credit exposure requires difficult, subjective, and complex judgments, including forecasts of economic conditions and how these economic predictions might impair the ability of our borrowers to repay their loans, which may no longer be capable of accurate estimation which may, in turn, impact the reliability of the process.

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

Fiscal challenges facing the U.S. government could negatively impact financial markets which in turn could have an adverse effect on our financial position or results of operations.

Many of our investment securities are issued by the U.S. government and government agencies and sponsored entities. As a result of uncertain domestic political conditions, including the federal government shutdown in 2019 and potential future federal government shutdowns, the possibility of the federal government defaulting on its obligations for a period of time due to debt ceiling limitations or other unresolved political issues, investments in financial instruments issued or guaranteed by the federal government pose economic and liquidity risks. Following the government shutdown in 2011, Standard & Poor's lowered its long term sovereign credit rating on the United States from AAA to AA+. A further downgrade or a downgrade by other rating agencies, as well as sovereign debt issues facing the governments of other countries, could have a material adverse impact on financial markets and economic conditions in the United States and worldwide. In addition, the U.S. government and the governments of other countries took steps to stabilize the financial system, including investing in financial institutions, and implementing programs to improve general economic conditions, but there can be no assurances that these efforts will restore long-term stability and that they will not result in adverse unintended consequences.

Our operations are affected significantly by interest rate levels and we are vulnerable to changes in interest rates.

We incur interest rate risk. Our income and cash flows and the value of our assets depend to a great extent on the difference between the interest rates we earn on interest-earning assets, such as loans and investment securities, and the interest rates we pay on interest-bearing liabilities such as deposits and borrowings. These rates are highly sensitive to many factors beyond our control, including general economic conditions and policies of various governmental and regulatory agencies, particularly of the Federal Reserve. Changes in monetary policy, including changes in interest rates, significantly influence the interest we earn on our loans and investment securities and the amount of interest we pay on deposits and borrowings. Although the Federal Reserve cut its benchmark short-term interest rate three times in 25 basis point increments in 2019, reversing nearly all of 2018's rate increases of 100 basis points; interest rates had moved above their recent historical lows after the Financial crisis of 2007 due to the rate increases since 2016; specifically, one 25 basis point increase in fiscal 2016 and three 25 basis point increases in fiscal 2017. However, in response to the economic conditions resulting from the outbreak of the COVID-19 pandemic, the Federal Reserve's target federal funds rate is been reduced nearly to 0%. Accordingly, the yield on our assets may decline to a greater extent than the decline in our cost of interest-bearing liabilities which, in turn, could reduce our net interest margin and spread and net income.

The Bank also entered into several interest rate swap contracts to manage our fair value and cash flow exposures to changes in benchmark interest rates. The periodic net settlements of these interest rate swaps could either result in a pay or receive position dependent upon the associated benchmark interest rate compared to the associated contractual terms. See Risk Factors—"The planned phase out of LIBOR as a financial benchmark presents risks to the financial instruments originated or held by Signature Bank."

If the rate of interest we pay on our deposits and other borrowings increases more than the rate of interest we earn on our loans and other investments, our net interest income and, therefore, our earnings could be materially adversely affected. Our earnings could also be materially adversely affected if the interest rates on our loans and other investments fall more quickly than those on our deposits and other borrowings or if they remain low relative to the rates on our deposits and other borrowings. Furthermore, an increase in interest rates may negatively affect the market value of securities in our investment portfolio. Our fixed-rate securities, generally, are more negatively affected by these increases. A reduction in the market value of our portfolio will increase the unrealized loss position of our available-for-sale investments. Based upon our current interest rate swap strategy, a reduction in interest rates could also negatively impact the net settlement of our interest rate swaps and the corresponding net interest income.

Any of these events could materially adversely affect our results of operations or financial condition. For a discussion of our interest rate risk management process, see "Item 7A. Quantitative and Qualitative Disclosures About Market Risk."

The planned phase out of LIBOR as a financial benchmark presents risks to the financial instruments originated or held by Signature Bank.

The London Interbank Offered Rate ("LIBOR") is the reference rate used for many of our transactions, including our lending and borrowing and our purchase and sale of securities, as well as the derivatives that we use to manage risk related to such transactions. However, a reduced volume of interbank unsecured term borrowing coupled with recent legal and regulatory proceedings related to rate manipulation by certain financial institutions has led to international reconsideration of LIBOR as a financial benchmark. The United Kingdom Financial Conduct Authority ("FCA"), which regulates the process for establishing LIBOR, announced in July 2017 that the sustainability of LIBOR cannot be guaranteed. Accordingly, the FCA intends to stop persuading, or compelling, banks to submit to LIBOR after 2021. Until such time, however, FCA panel banks have agreed to continue to support LIBOR. It is impossible to predict what benchmark rate(s) may replace LIBOR or how LIBOR will be determined for purposes of financial instruments that are currently referencing LIBOR if and when it ceases to exist. The

Federal Reserve Board, in conjunction with the Alternative Reference Rates Committee, a steering committee comprised of large U.S. financial institutions, is considering replacing the U.S. dollar LIBOR with a new index calculated by short-term repurchase agreements, backed by U.S. Treasury securities ("SOFR"). Because of the difference in how it is constructed, SOFR may diverge significantly from LIBOR in a range of situations and market conditions. SOFR is observed and backward looking, which stands in contrast with LIBOR under the current methodology, which is an estimated forward-looking rate and relies, to some degree, on the expert judgment of submitting panel members. Given that SOFR is an overnight secured rate backed by government securities, it will be a rate that does not take into account bank credit risk or term (as is the case with LIBOR). SOFR is therefore likely to be lower than LIBOR and is less likely to correlate with the funding costs of financial institutions. The American Financial Exchange ("AFX") has also created the American Interbank Offered Rate ("Ameribor") as another potential replacement for LIBOR. Ameribor is calculated daily as the volume-weighted average interest rate of the overnight unsecured loans on AFX. Because of the difference in how it is constructed, Ameribor may diverge significantly from LIBOR in a range of situations and market conditions. It remains to be seen whether SOFR and/or Ameribor are accepted by financial markets and the Bank's counterparties and customers as a replacement benchmark rate for LIBOR. The uncertainty surrounding potential reforms, including with respect to factors such as the use of alternative, market-based reference rates, changes to the methods and processes used to calculate rates, the quality of the data upon which rates will be based, and how closely rates will track to LIBOR may limit the extent to which markets accept alternative rates, which may, in turn, have an adverse effect on the trading market for LIBOR-based securities, loan yields, and the amounts received and paid on derivatives instruments. In addition, the implementation of LIBOR reform proposals may result in increased compliance costs and operational costs, including costs related to continued participation in LIBOR.

We are vulnerable to illiquid market conditions, resulting in the potential for significant declines in the fair value of our investment portfolio.

In cases of illiquid or dislocated marketplaces, there may not be an available market for certain securities in our portfolio. For example, mortgage-related assets have experienced, and are likely to continue to experience, periods of illiquidity, caused by, among other things, an absence of a willing buyer or an established market for these assets, or legal or contractual restrictions on sale. Shifts in market conditions may create dislocations in the market for bank-collateralized pooled trust preferred securities and may limit other securities that we hold. Adverse market conditions that include bank failures could result in a significant decline in the fair value of these securities. We have in the past, and may in the future, be required to recognize the credit component of the additional credit related impairments as a charge to current earnings resulting from the decline in the fair value of these securities.

We primarily invest in mortgage-backed obligations and such obligations may be impacted by market dislocations, declining home values and prepayment risk, which may lead to volatility in cash flow and market risk and declines in the value of our investment portfolio.

Our investment portfolio largely consists of mortgage-backed obligations primarily secured by pools of mortgages on single-family residences. The value of mortgage-backed obligations in our investment portfolio may fluctuate for several reasons, including (i) delinquencies and defaults on the mortgages underlying such obligations, particularly if unemployment and under-employment rates were to return to elevated levels, (ii) falling home prices, (iii) lack of a liquid market for such obligations, and (iv) uncertainties in respect of government-sponsored enterprises such as the Federal National Mortgage Association ("Fannie Mae") or the Federal Home Loan Mortgage Corporation ("Freddie Mac"), which guarantee such obligations. Home values have declined significantly prior to and in the aftermath of the financial crisis. Although home prices have stabilized in many housing markets in recent years, if the value of homes were to materially decline, the fair value of the mortgage-backed obligations in which we invest may also decline. Any such decline in the fair value of mortgage-backed obligations, or perceived market uncertainty about their fair value, could adversely affect our financial position and results of operations.

In addition, when we acquire a mortgage-backed security, we anticipate that the underlying mortgages will prepay at a projected rate, thereby generating an expected yield. Prepayment rates generally increase as interest rates fall and decrease when rates rise, but changes in prepayment rates are difficult to predict. In light of recent historically low interest rates, many of our mortgage-backed securities have a higher interest rate than prevailing market rates, resulting in a premium purchase price. In accordance with applicable accounting standards, we amortize the premium over the expected life of the mortgage-backed security. If the mortgage loans securing the mortgage-backed security prepay more rapidly than anticipated, we would have to amortize the premium on an accelerated basis, which would thereby adversely affect our profitability.

Adverse developments in the residential mortgage market may adversely affect the value of our investment portfolio.

The residential mortgage market in the United States may experience a variety of difficulties related to changing economic conditions, including those relating to the COVID-19 pandemic, increases in unemployment and under-employment rates, heightened defaults, credit losses and liquidity concerns. Historically, economic disruptions, including those relating to recent international trade negotiations, have adversely affected the performance and fair value of many of the types of financial instruments in which we invest and similar future conditions may produce the same impact. Many residential mortgage-backed securities have been downgraded by rating agencies over the past decade. As a result of these difficulties and changed economic conditions, many companies operating in the mortgage sector failed and others faced serious operating and financial challenges during the credit-crisis. In the aftermath of the financial crisis, the Federal Reserve took certain actions in an effort to ameliorate market conditions; however, its ability to do so in the future may be limited by political, economic and legal factors and any such efforts may be ineffective. While the housing market has stabilized and economic conditions improved, as a result of these factors, among others, the market for these securities may be adversely affected for a significant period of time.

Adverse conditions in the residential mortgage market also negatively impacted other sectors in which the issuers of securities in which we invest operate, which adversely affected, and may continue to adversely affect, the fair value of such securities, including private collateralized mortgage obligations and bank-collateralized pooled trust preferred securities, in our investment portfolio.

If the U.S. agencies or U.S. government-sponsored enterprises were unable to pay or to guarantee payments on their securities in which we invest, our results of operations would be adversely affected.

A large portion of our investment portfolio consists of mortgage-backed securities and collateralized mortgage obligations issued or guaranteed by Fannie Mae or Freddie Mac and debentures issued by the Federal Home Loan Banks ("FHLBs"), Fannie Mae and Freddie Mac. Fannie Mae, Freddie Mac and the FHLBs are U.S. government-sponsored enterprises but their guarantees and debt obligations are not backed by the full faith and credit of the United States.

The economic crisis of 2008 to 2010, especially as it relates to the residential mortgage market, adversely affected the financial results and stock values of Fannie Mae and Freddie Mac and resulted in the value of the debt securities issued or guaranteed by Fannie Mae and Freddie Mac becoming unstable and relatively illiquid compared to prior periods. In recent years, Fannie Mae and Freddie Mac were able to overcome the market disruptions of the economic crisis and have been profitable since 2013. However, the future of Fannie Mae and Freddie Mac remains uncertain. Members of Congress have recently introduced bills that would reform the housing finance system and government-sponsored enterprises. Among these bills was a proposal to wind down Fannie Mae and Freddie Mac over a period of time, and to restrict the activities of these enterprises before the wind down. Alternatively, there have been proposals to privatize Fannie Mae and Freddie Mac. We are unable to predict whether these other proposals will be adopted, and, if so, what the effect of the adopted reform would be. U.S. debt ceiling and budget deficit concerns in recent years have increased the possibility of additional U.S. government shutdowns, credit-rating downgrades and economic slowdowns, or a recession in the United States. Although U.S. lawmakers have passed legislation to raise the federal debt ceiling on multiple occasions, ratings agencies have lowered or threatened to lower the long-term sovereign credit rating on the United States. In recent years uncertainty regarding the U.S. Federal budget has increased as the current Administration and Congress work on their future budget plans. Any further downgrades to the U.S. government's sovereign credit rating or its perceived creditworthiness could adversely affect the ability of the U.S. government to support the financial stability of Fannie Mae, Freddie Mac and the FHLBs.

Should the U.S. government contain, reduce or eliminate support for the financial stability of Fannie Mae, Freddie Mac and the FHLBs, the ability for those entities to operate as independent entities is questionable. Any failure by Fannie Mae, Freddie Mac or the FHLBs to honor their guarantees of mortgage-backed securities, debt or other obligations will have severe ramifications for the capital markets and the financial industry. Any failure by Fannie Mae, Freddie Mac or the FHLBs to pay principal or interest on their mortgage guarantees and debentures when due could also materially adversely affect our results of operations and financial condition.

The vast majority of our business operations and substantially all of our real estate collateral are concentrated in the New York metropolitan area, and a downturn in the economy and the real estate market of the New York metropolitan area, as well as changes in rent regulation laws, may have a material adverse effect on our business.

As of December 31, 2020, approximately 59.2% of the collateral for the loans in our portfolio consisted of real estate. Substantially all of the collateral is located in the New York metropolitan area. As a result, our financial condition and results of operations have been and may in the future be affected by the COVID-19 pandemic, changes in the economy and the real estate market of the New York metropolitan area, including policy changes enacted by local governments affecting multi-family borrowers, specifically the Housing Stability and Tenant Protection Act of 2019 which became effective in September 2019. The new rent regulation law repealed vacancy decontrol and high-income deregulation, reformed rent increases for capital improvements, and capped the maximum rent increase for rent-controlled tenants. In the late second and early third quarter of 2019, the Bank completed an assessment of the potential impact of this new rent regulation law on its existing multi-family borrowers and evaluated its current underwriting standards related to potential future multi-family borrowers and enacted risk rating changes, as deemed necessary. A prolonged period of economic recession or other adverse public health, economic or political conditions in the New York metropolitan area may result in an increase in nonpayment of loans, a decrease in collateral value, and an increase in our ACLLL.

In addition, our geographic concentration in the New York metropolitan area heightens our exposure to future terrorist attacks or other disasters, which may adversely affect our business and that of our clients and result in a material decrease in our revenues. Future terrorist attacks or other disasters cannot be predicted, and their occurrence can be expected to further negatively affect the U.S. economy generally and specifically the regional market in which we operate.

Since February 2019, when the Bank opened a full service branch office in San Francisco, CA, the Bank's first brick-and-mortar office on the West Coast, we have significantly increased our footprint and presence on the West Coast with openings of four new private client banking offices in Los Angeles and the onboarding of 18 private banking teams which consist of 76 banking professionals on the West Coast during 2020. The same economic risk factors that apply to the portion of our business concentrated in the New York metropolitan area also apply to our business operations on the West Coast. Our overall risk exposure will increase as our business operations in that region continue to expand.

Inflation or deflation could adversely affect our business and financial results.

Inflation can adversely affect us by increasing costs of capital and labor and reducing the purchasing power of our cash resources. In addition, inflation is often accompanied by higher interest rates, which may negatively affect the market value of securities in our investment portfolio. Current or future efforts by the government to stimulate the economy may increase the risk of significant inflation and its adverse impact on our financial condition and results of operations.

Alternatively, a significant period of deflation could cause a decrease in overall spending and borrowing levels. This could lead to a further deterioration in economic conditions, including an increase in the rate of unemployment and under-employment. Deflation is often accompanied by lower interest rates, which may lower the rate of interest we earn on our loans and may have a material adverse effect on our net interest income and earnings. Renewed declines in oil and gas prices could increase the risk of significant deflation, which would have an adverse effect on our financial condition and results of operations.

Strategic Risks Related to Our Business

We may be unable to successfully implement our growth strategy.

Since our initial public offering in 2004, we have experienced rapid and significant growth. Our total consolidated assets have grown from $3.36 billion at December 31, 2004 to $73.89 billion at December 31, 2020. We intend to continue to pursue our strategy for growth. There can be no assurance, however, that we will continue to experience such rapid growth, or any growth, in the future. Accordingly, our growth prospects must be considered in light of the risks, expenses and difficulties encountered by banking institutions pursuing growth strategies. In order to execute this strategy successfully, we must, among other things:

- assess market conditions for growth;
- build our client base;
- maintain credit quality;
- properly manage risks, including operational risks, credit risks, interest rate risks and compliance risks;
- attract sufficient core deposits to fund our anticipated loan growth;
- identify and attract new banking group directors and teams;
- identify and pursue suitable opportunities for opening new banking locations; and
- maintain sufficient capital to satisfy regulatory requirements.

Our ability to grow successfully will depend on our ability to execute these objectives, as well as on factors beyond our control, such as national and regional economic conditions and interest rate trends. Failure to manage our growth effectively could have a material adverse effect on our business, future prospects, financial condition or results of operations and could adversely affect our ability to successfully implement our growth strategy.

We may be unable to successfully integrate new business lines into our existing operations.

To further lay the necessary groundwork for future growth, we launched several new businesses and executed certain key initiatives since 2018, including the launch of a Fund Banking Division in October 2018, and our digital payments platform, Signet, in January 2019, which enables real-time payments between our commercial clients. In addition we announced our entry into venture banking in March 2019, and established our mortgage servicing banking initiative in July 2019 with the appointment of the Specialized Mortgage Banking Solutions team, specializing in providing treasury management product and services to residential and commercial mortgage servicers. After opening our flagship office in San Francisco in February 2019, which marked the commencement of our West Coast operations, the Bank has executed on our proven model by attracting new leadership for our West Coast initiative and onboarded a total of 18 teams in both San Francisco and the greater Los Angeles marketplace during 2020. Together with our San Francisco office, the Bank now has a total of 23 private banking teams, which consist of 76 banking professionals, on the West Coast as of December 31, 2020.

Although we continue to expend substantial managerial, operating and financial resources as our business grows, we may be unable to successfully continue the integration of these new business lines, and we may be unable to realize the expected revenue contributions. Moreover, we may not be as successful in managing new business lines as we have been for business lines with which we have more experience. We will be required to employ and maintain qualified personnel, and as our business expands into new and existing markets, we may be required to install additional operational and control systems. Any failure to successfully manage this integration may adversely affect our future financial condition and results of operations.

We compete with many larger financial institutions which have substantially greater financial and other resources than we have.

There is significant competition among commercial banking institutions in the New York metropolitan area and, also, on the West Coast where we recently opened our first full-service private client banking office in February 2019. We compete with bank holding companies, national and state-chartered commercial banks, savings and loan associations, consumer finance companies, credit unions, securities brokerage firms, insurance companies, mortgage banking companies, money market mutual funds, asset-based non-bank lenders and other financial institutions. Many of these competitors have substantially greater financial resources, lending limits and larger office networks than we do, and are able to offer a broader range of products and services than we can. Because we compete against larger institutions, our failure to compete effectively for deposit, loan and other clients in our markets could cause us to lose market share or slow our growth rate and could have a material adverse effect on our financial condition and results of operations.

The market for banking and brokerage services is extremely competitive and allows consumers to access financial products and compare interest rates and services from numerous financial institutions located across the United States. As a result, clients of all financial institutions, including those within our target market, are sensitive to competitive interest rate levels and services. Our future success in attracting and retaining client deposits depends, in part, on our ability to offer competitive rates and services. Competition with respect to the rates we pay on deposits relative to the rates we obtain on our loans and other investments may put pressure on our profitability. Our clients are also particularly attracted to the level of personalized service we can provide. Our business could be impaired if our clients believe other banks provide better service or if they come to believe that higher rates are more important to them than better service.

In addition, the financial services industry is undergoing rapid technological changes, with frequent introductions of new technology-driven products and services including internet services, cryptocurrencies and payment systems. In addition to improving the ability to serve clients, the effective use of technology increases efficiency and enables financial institutions to reduce long-term costs. These technological advancements also have made it possible for non-financial institutions, such as the “fintech companies” and marketplace lenders, to offer products and services that have traditionally been offered by financial institutions. Federal and state banking agencies continue to deliberate over the regulatory treatment of fintech companies, including whether the agencies are authorized to grant charters or licenses to such companies and whether it would be appropriate to do so in consideration of several regulatory and economic factors. The increased demand for, and availability of, alternative payment systems and currencies not only increases competition for such services, but has created a more complex operating environment that, in certain cases, may require additional or different controls to manage fraud, operational, legal and compliance risks.

As noted above, the Bank launched its proprietary commercial payments platform, Signet, in 2019. The platform utilizes a blockchain infrastructure that enables the Bank’s customers to make payments in U.S. dollars in real-time, without the assistance of third-party intermediaries, through an asset tokenization and redemption process. Our future success will depend, in part, upon our ability to continue to address the needs of our clients by using innovative technologies to provide products and services that will satisfy client demands for convenience and security, as well as to create additional efficiencies in our operations. New technologies, such as the blockchain and stablecoin technologies used by the Signet platform, could require us to spend more to modify or adopt our products to attract and retain clients or to match products and services offered by our competitors, including fintech companies. New technologies also expose us to additional operational, financial, and regulatory risks. Because many of our competitors have substantially greater resources to invest in technological improvements than we do, or, at present, operate in a less-burdensome regulatory environment, these institutions could pose a significant competitive threat to us.

Government intervention in the banking industry has the potential to change the competitive landscape.

Historically there has been significant government intervention in the banking industry. In response to the economic crisis of 2008, the federal government took extraordinary measures to stabilize the financial system, including through equity investments, liquidity facilities and guarantees. Although the Dodd-Frank Act limited the ability of the federal government to provide emergency assistance to individual financial institutions, it is possible that the federal government could take certain steps to intervene in the banking industry in order to stabilize the financial system in the event of future disruptions. The federal government’s past actions have affected the competitive landscape in certain respects. For example, clients may view some of our competitors as being “too big to fail,” meaning that such competitors may thereby benefit from an implicit U.S. government guarantee beyond that provided to banks generally. Any such intervention, or the perception of the possibility of such intervention, could adversely affect our competitive standing and profitability. Further, rulemaking and other administrative actions taken by the federal banking agencies in response to the COVID-19 pandemic have impacted the Bank’s operations and risk management. In addition, as a result of both the pandemic itself and the economic conditions relating to the pandemic, the needs of certain of our customers, and the preferred delivery of banking services, has been affected in certain respects. As a result of these dynamics, the Bank’s ability to compete for the business of certain customers also may be affected.

In addition, certain government programs introduced during the economic crisis may give rise to new competitors. For instance, non-bank lenders, some pursuing non-traditional models, which are not, at present, subject to regulatory capital limits or bank supervision, have become active competitors. Certain state regulatory agencies have adopted “regulatory sandboxes,” which provide for certain exemptions from licensing and other functional regulatory requirements for fintech companies that provide certain innovative financial products and services. In December 2016, the OCC announced that it would explore the possibility of using its chartering authority to grant certain fintech companies a special purpose national bank charter. In July 2018, the OCC adopted a policy statement providing that it would begin accepting applications for special purpose national bank charters from fintech companies which are engaged in the business of banking, but do not take deposits. The OCC’s authority to issue special purpose bank charters to non-bank fintech companies continues to be subject to ongoing litigation. Nevertheless, these developments are likely to result in increased competition for our clients’ banking business. Similarly, the FDIC introduced a bidding process for institutions that have been or will be placed into receivership by federal or state regulators and made the process open to existing financial institutions, as well as groups without pre-existing operations. This process and other programs like it that exist now or that may be developed in the future could give rise to a significant number of new competitors, which could have a material adverse effect on our business and results of operations.

We may not be able to acquire suitable client relationship groups or manage our growth.

A principal component of our growth strategy is to increase market penetration and product diversification by recruiting group directors and their teams. However, we believe that there is a limited number of potential group directors and teams that will meet our development strategy and other recruiting criteria. As a result, we cannot assure you that we will identify potential group directors and teams that will contribute to our growth. Even if suitable candidates are identified, we cannot assure you that we will be successful in attracting them, as they may opt instead to join our competitors.

Even if we are successful in attracting these group directors and teams, we cannot assure you that they will be successful in bringing additional clients and business to us. Furthermore, the addition of new teams involves several risks including risks relating to the quality of the book of business that may be contributed, adverse personnel relations and loss of clients because of a change of institutional identity. In addition, the process of integrating new teams could divert management time and resources from attention to existing clients. We or such directors or teams also may face litigation in some instances brought by former employers of these individuals relating to their separation from the former employer. We cannot assure you that we will be able to successfully integrate any new team that we may acquire or that any new team that we acquire will enhance our business, results of operations, cash flows or financial condition.

Provisions in our charter documents may delay or prevent our acquisition by a third party.

Our restated Certificate of Organization (as amended) and By-laws (as amended) contain provisions that may make it more difficult for a third party to acquire control of us without the approval of our Board of Directors. For example, our By-laws contain provisions that separate our Board of Directors into three separate classes with staggered terms of office and provisions that restrict the ability of shareholders to take action without a meeting. These provisions could delay, prevent or deter a merger, acquisition, tender offer, proxy contest or other transaction that might otherwise result in our stockholders receiving a premium over the market price for their common stock.

There are substantial regulatory limitations on changes in control of the Bank.

Federal law prohibits a company or a group of persons deemed to be “acting in concert” from, directly or indirectly, acquiring 25% or more (5% if the acquirer is a bank holding company) of any class of our voting stock or obtaining the ability to control in any manner the election of a majority of our directors or otherwise to direct the management or policies of our company without prior application to and the approval of the Board of Governors of the Federal Reserve System. Moreover, any individual or group of individuals or entities deemed to be acting in concert who acquires 10% or more of our voting stock or otherwise obtains control over Signature Bank would be required to file a notice with the FDIC under the Change in Bank Control Act and to receive a non-objection to such acquisition of control. Finally, any person or group of persons deemed to be acting in concert would be required to obtain approval of the DFS before acquiring 10% or more of our voting stock. See “Regulation and Supervision—Change in Control.” Accordingly, prospective investors need to be aware of and comply with these requirements, if applicable, in connection with any purchase of shares of our common stock. This may effectively reduce the number of investors who might be interested in investing in our stock and also limits the ability of investors to purchase us or cause a change in control.

Operational Risks Related to Our Business

We are vulnerable to downgrades in credit ratings for securities within our investment portfolio.

Although approximately 99.4% of our portfolio of investment securities was rated investment grade or better as of December 31, 2020, we remain exposed to potential investment rating downgrades by credit rating agencies of the issuers and guarantors of securities in our investment portfolio. A significant volume of downgrades would negatively impact the fair value of our securities portfolio, resulting in a potential increase in the unrealized loss in our investment portfolio, which could negatively affect our earnings. Rating downgrades of securities to below investment grade level and other events may result in impairment of such securities, requiring recognition of the credit component of the other-than-temporary impairment as a charge to current earnings.

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

Commercial loans represented approximately 99.7% of our total loan portfolio as of December 31, 2020, and our business plan calls for continued efforts to increase our assets invested in commercial loans. Our credit-rated commercial loans include commercial and industrial loans to our privately-owned business clients along with loans to commercial borrowers that are secured by real estate (commercial property, multi-family residential property, 1–4 family residential property, and acquisition, development and construction). Commercial loans generally involve a higher degree of credit risk than residential mortgage loans do, in part, to their larger average size and less readily-marketable collateral. In addition, unlike residential mortgage loans, commercial loans generally depend on the cash flow of the borrower's business to service the debt.

A significant portion of our commercial loans depend primarily on the liquidation of assets securing the loan for repayment, such as real estate, inventory and accounts receivable. These loans carry incrementally higher risk, because their repayment often depends solely on the financial performance of the borrower's business. In addition, the federal banking agencies, including the FDIC, have applied increased regulatory scrutiny to institutions with commercial loan portfolios that are fast growing or large relative to the institutions' total capital. For a discussion of supervisory issues associated with commercial real estate portfolio concentration, see "Regulation and Supervision—Other Regulatory Requirements."

For all of these reasons, increases in nonperforming commercial loans could result in operating losses, impaired liquidity and the erosion of our capital, and could have a material adverse effect on our financial condition and results of operations. Credit market tightening could adversely affect our commercial borrowers through declines in their business activities and adversely impact their overall liquidity through the diminished availability of other borrowing sources or otherwise.

As the size of our loan portfolio grows, the risks associated with our loan portfolio may be exacerbated.

Our ability to grow our loan portfolio safely depends on maintaining disciplined and prudent underwriting standards and ensuring that our banking teams follow those standards. As we grow our business and hire additional banking teams, the size of our loan portfolio grows, which can exacerbate the risks associated with that portfolio. Although we attempt to minimize our credit risk through certain procedures, including stress testing and monitoring the concentration of our loans within specific industries, we cannot assure you that these procedures will remain as effective when the size of our loan portfolio increases. This weakening of our standards for any reason, such as to seek higher yielding loans, or a lack of discipline or diligence by our employees in underwriting and monitoring loans, may result in an increase in charge-offs or underperforming loans, which could adversely affect our business.

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

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

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

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

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

Our Allowance for Credit Losses for Loans and Leases ("ACLLL") may not be sufficient to absorb actual losses.

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

In addition, bank regulatory agencies, as an integral part of their supervisory functions, periodically review our loan portfolio and related ACLLL. These regulatory agencies may require us to increase our provision for credit losses for loans and leases or to recognize further loan charge-offs based upon their judgments, which may be different from ours. In addition, changes to the accounting standards that govern our financial reporting related to our loans may result in unanticipated effects on the timing or amount of our loan losses. An increase in the ACLLL required by these regulatory agencies or the unanticipated recognition of losses on our loans could materially adversely affect our financial condition and results of operations.

We rely on the Federal Home Loan Bank of New York for secondary and contingent liquidity sources.

We utilize the FHLB of New York for secondary and contingent sources of liquidity. Also, from time to time, we utilize this borrowing source to capitalize on market opportunities to fund investment and loan initiatives. Our FHLB borrowings were approximately $2.84 billion at December 31, 2020. Because we rely on the FHLB for liquidity, if we were unable to borrow from the FHLB, we would need to find alternative sources of liquidity, which may not be available or may be available only at a higher cost and on terms that do not match the structure of our liabilities as well as FHLB borrowings do.

As a member of the FHLB, we are required to purchase capital stock of the FHLB as partial collateral and to pledge marketable securities or loans for our borrowings. At December 31, 2020, we held $407.36 million of FHLB stock. As of December 31, 2020, the Bank had pledged $10.45 billion of commercial real estate loans through a blanket assignment to secure borrowings from the FHLB to meet collateral requirements of $3.49 billion on FHLB borrowings. While not pledged, FHLB held also $351.4 million of securities as of December 31, 2020 as the custodian. These securities can be pledged towards future borrowings, as necessary.

We are dependent upon key personnel.

Our success depends to a significant extent upon the performance of certain key executive officers and employees, the loss of any of whom could have a material adverse effect on our business. Our key executive officers and employees include our Chairman, Scott A. Shay, our President and Chief Executive Officer, Joseph J. DePaolo, and our Vice-Chairman, John Tamberlane. Although we have entered into agreements with Messrs. Shay and DePaolo, we have not entered into an agreement with Mr. Tamberlane and we generally do not have employment agreements with our key personnel. We adopted an equity incentive plan and a change of control plan for key personnel in connection with the consummation of our initial public offering. Even though we are party to these agreements and sponsor these plans, we cannot assure you that we will be successful in retaining any of our key executive officers and employees.

Our business is built around group directors, who are principally responsible for our client relationships. A principal component of our strategy is to increase market penetration by recruiting and retaining experienced group directors, their groups, loan officers and other management professionals. Competition for experienced personnel within the commercial banking, specialty finance, brokerage and insurance industries is strong and we may not be successful in attracting and retaining the personnel we require. Our ability to develop new lines of business such as our Fund Banking Division and Signature Public Funding, and our ability to expand into new digital products and new geographic markets, are also dependent on our ability to attract and retain key personnel. We cannot assure you that our recruiting efforts will be successful or that they will enhance our business, results of operations or financial condition.

In addition, our group directors or other key professionals may leave us at any time and for any reason. They are not under contractual restrictions to remain with us and would not be bound by non-competition agreements or non-solicitation agreements if they were to leave us. If a number of our key group directors or other key professionals were to leave, our business could be materially adversely affected. We cannot assure you that such losses will not occur.

Our SBA division is also dependent upon relationships our SBA professionals have developed with clients from whom we purchase loans and upon relationships with investors in pooled securities. The loss of a key member of our SBA division team may lead to the loss of existing clients. We cannot assure you that we will be able to recruit qualified replacements with a comparable level of expertise and relationship base.

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

Our SBA business relies on the purchasing, pooling and selling of government guaranteed loans, in particular those guaranteed by the SBA. From time to time, the government agencies that guarantee these loans reach their internal limits and cease to guarantee loans for a period of time. In addition, these agencies may change their rules for loans or Congress may adopt legislation that would have the effect of discontinuing or changing the programs. If changes to the SBA program occur, the volumes of loans that qualify for government guarantees could decline. Levels of activity may also be impacted by temporary government shutdowns. Lower volumes of origination of government guaranteed loans may reduce the profitability of our SBA business.

We rely extensively on outsourcing to provide cost-effective operational support.

We make extensive use of outsourcing to provide cost-effective operational support with service levels consistent with large bank operations, including key banking, brokerage and insurance systems. For example, under the clearing agreement Signature Securities has entered into with National Financial Services, LLC (a Fidelity Investments company), National

Financial Services, LLC processes all securities transactions for the account of Signature Securities and the accounts of its clients. Services of the clearing firm include billing and credit extension and control, receipt, custody and delivery of securities. Signature Securities is dependent on the ability of its clearing firm to process securities transactions in an orderly fashion. In addition, Fidelity Information Services provides us with all our core banking applications. Our outsourcing agreements can generally be terminated by either party upon notice. Although we maintain contingency plans for the transitioning of outsourced activities to other third parties, the termination of some of our outsourcing agreements, including the agreements with National Financial Services, LLC and Fidelity Information Services, could result in a disruption of service that could, even if temporary, have a material adverse effect on our financial condition and results of operations.

Our third-party outsourcing relationships are subject to evolving regulatory requirements regarding vendor management. Federal banking guidance requires us to conduct due diligence and oversight in third party business relationships and to control risks in the relationship to the same extent as if the activity were directly performed by the Bank. In July 2016, the FDIC proposed new Guidance for Third Party Lending to set forth safety and soundness and consumer compliance measures FDIC-supervised institutions should follow when lending through a business relationship with a third party. In June 2017, the FDIC adopted supervisory guidance on model risk management which builds upon previously-issued risk management guidance and requires us to, among other things, validate third-party vendors and products in a manner consistent with FDIC supervisory expectations and our internal risk management protocols. If our regulators conclude that we are not exercising proper oversight and control over third-party vendors, or that third parties are not performing their services appropriately, then we may be subject to enhanced supervisory scrutiny or enforcement actions. These regulatory changes or enforcement actions could result in additional costs and a material adverse effect on our business and our ability to use third party services to receive cost-effective operational support.

Decreases in trading volumes or prices could harm the business and profitability of Signature Securities.

Declines in the volume of securities trading and in market liquidity generally result in lower revenues from our brokerage and related activities. The profitability of our Signature Securities business would be adversely affected by a decline in revenues because a significant portion of its costs are fixed. For these reasons, decreases in trading volume or securities prices could have a material adverse effect on our business, financial condition and results of operations.

Our ability to pay cash dividends or engage in share repurchases is restricted.

On July 18, 2018, the Bank declared its inaugural quarterly common stock cash dividend of $0.56 per share, or a total of $31.0 million, which was paid on August 15, 2018 to our common stockholders of record at the close of business on August 1, 2018. The Bank has declared and paid a quarterly cash dividend of $0.56 per share, or approximately $30.0 to $31.0 million each quarter from the third quarter of 2018 through the third quarter of 2020. On January 20, 2021, the Bank declared its fourth quarter 2020 cash dividend of $0.56 per share to be paid on or after February 12, 2021 to common stockholders of record at the close of business on February 1, 2021.

In addition, on October 17, 2018, Bank stockholders approved our common stock repurchase program which provides the Bank the ability to repurchase common stock from shareholders in the open market up to $500.0 million. Share buybacks are also subject to regulatory approval, which were received for the repurchase program of up to $500.0 million in November 2018. We received shareholder and regulatory approval to continue the program in 2019. On February 19, 2020, the Board of Directors approved an amendment to the stock repurchase program that restored the Bank's share repurchase authorization to an aggregate purchase amount of up to $500.0 million from the $220.9 million that was remaining under the original authorization as of December 31, 2019. The amended stock repurchase program was approved by the shareholders in April 2020. The Bank has suspended any future repurchases of common stock given the COVID-19 circumstances since the end of the first quarter of 2020. As a result, no common stock was repurchased by the Bank during the remainder of 2020. During the third quarter of 2020, we received regulatory approval to extend the repurchase of the $170.8 million remaining under the original authorization to September 30, 2021. We will seek separate regulatory approval for the additional $279.1 million approved under the amended authorization. To date the Bank has repurchased 2,689,544 shares of common stock for a total of $329.2 million, and the amount remaining under the amended authorization was $450.0 million at December 31, 2020.

Payments of dividends for our common and preferred stock will be subject to the prior approval by the FDIC if, after having paid a dividend we would be undercapitalized, significantly undercapitalized or critically undercapitalized, and by the DFS under certain conditions. Our ability to pay dividends and to buy back shares will also depend upon the amount of cash available to us from our subsidiaries. Restrictions on our subsidiaries' ability to make dividends or advances to us will tend to limit our ability to pay dividends to our shareholders. See "Regulation and Supervision—Restrictions on Dividends and Other Distributions."

The loss of our deposit clients or substantial reduction of our deposit balances could force us to fund our business with more expensive and less stable funding sources.

Over the past five years, our deposits have increased from $26.77 billion as of December 31, 2015 to $63.32 billion as of December 31, 2020. This growth has been driven by several factors, including many investors' desire for safer, more stable investments, such as bank deposits. Given our business model, our depositor base is more heavily weighted to larger uninsured deposits than many other banks. As of December 31, 2020, approximately 88% of our total deposits of $63.32 billion were not FDIC-insured.

We have traditionally obtained funds principally through deposits. The interest rates paid for borrowings generally are fixed and medium to long-term in nature and typically exceed the interest rates paid on deposits. Deposit outflows can occur for a number of reasons, including because clients may seek investments with higher yields, clients with uninsured deposits may seek greater financial security during prolonged periods of extremely volatile and unstable market conditions or clients may simply prefer to do business with our competitors, or for other reasons. If a significant portion of our deposits were withdrawn we may need to rely more heavily on more expensive borrowings and other sources of funding to fund our business and meet withdrawal demands, adversely affecting our net interest margin. The occurrence of any of these events could materially and adversely affect our business, results of operations or financial condition.

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

Kroll Bond Rating Agency, Fitch Ratings Inc. and Moody's Investors Service are the full-service rating agencies (the "Rating Agencies") that provide us with deposit and debt ratings which evaluate liquidity, asset quality, capital adequacy and earnings. The Rating Agencies continuously evaluate these ratings based on a number of factors, including standalone financial strength, as well as factors not entirely within our control, such as the Rating Agencies' respective proprietary rating methodology and assumptions and conditions affecting the financial services industry and markets generally. We may not be able to maintain our current ratings. Downgrades of our deposit and debt ratings could negatively impact our ability to access the capital markets and other sources of funds as well as the costs of those funds, and our ability to maintain certain deposits. This could affect our growth, profitability, and financial condition, including our liquidity.

We may not be able to raise the additional funding needed for our operations.

If we are unable to generate profits and cash flow on a consistent basis, we may need to arrange for additional financing to support our business. Although we have completed a number of successful capital raising transactions, including our 2021 public offering of 4,025,000 shares of our common stock, our 2020 issuances of $730.0 million aggregate principal amount of Noncumulative Perpetual Series A Preferred Stock and $375.0 million aggregate principal amount of Fixed-to-Floating Rate Subordinated Notes, our 2019 issuance of $200.0 million aggregate principal amount of Fixed-To-Floating Rate Subordinated Notes, our 2016 issuance of $260.0 million aggregate principal amount of Variable Rate Subordinated Notes, our 2016 public offering of 2,366,855 shares of our common stock and our 2014 public offering of 2,415,000 shares of our common stock, we cannot assure you that, if needed or desired, we would be able to obtain additional capital or financing on commercially reasonable terms or at all. Our failure to obtain sufficient capital or financing could have a material adverse effect on our growth, on our ability to compete effectively and on our financial condition and results of operations.

Our business may be adversely impacted by severe weather, acts of war or terrorism, public health issues and other external events.

Our primary markets are located near coastal waters, which could generate naturally occurring severe weather that could have a significant impact on our business. In addition, New York City remains a central target for potential civil unrest, acts of war or terrorism against the United States and other acts of violence or threats to national security and our operations and the operations of our vendors, suppliers and clients may be subject to disruption from a variety of causes, including work stoppages, financial difficulties, fire, earthquakes, flooding or other natural disasters. Moreover, a public health issue such as the COVID-19 pandemic or another major pandemic could adversely affect economic conditions. The United States and other countries have experienced, and may experience in the future, outbreaks of contagious diseases that affect public perception of health risk. In the event of a widespread, prolonged, actual or perceived outbreak of a contagious disease, our operations could be negatively impacted by a reduction in customer traffic, quarantines or closures of our offices and facilities, the decline in productivity of our key officers and employees or other factors. Such events could have a significant impact on our ability to conduct our business and could affect the ability of our borrowers to repay their loans, impair the value of the collateral securing our loans, and cause significant property damage, thus increasing our expenses and/or reducing our revenues. In addition, such events could affect the ability of our depositors to maintain their deposits with us, and adverse consequences may also result from corresponding disruption in the operations of our vendors, suppliers and clients, which could have a material effect upon our business. Although we have established disaster recovery policies and procedures, the occurrence of any such event could have a material adverse effect on our business which, in turn, could have a material adverse effect on our financial condition and results of operations. See "Risk Factors—The COVID-19 pandemic has adversely impacted our business and financial results, and the ultimate impact will depend on future developments, which are highly uncertain and cannot be predicted, including the scope and duration of the pandemic and actions taken currently or in the future by governmental authorities in response to the pandemic."

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

From time to time the FASB and the SEC change accounting regulations and reporting standards that govern our preparation of financial statements, and bank regulators often provide supervisory views and guidance regarding the implementation of these standards. In addition, the FASB, SEC and the bank regulators may revise their previous interpretations regarding existing accounting regulations and the application of these accounting standards. These changes in accounting regulations and reporting standards and revisions in accounting interpretations are out of our control and may have a material impact on our financial statements.

Negative public opinion could damage our reputation and adversely affect our earnings.

Reputational risk, or the risk to our earnings and capital from negative public opinion, is inherent in our business. Negative public opinion can result from the actual or perceived manner in which we conduct our business activities; our management of actual or potential conflicts of interest and ethical issues; and our protection of confidential client information. Our brand and reputation may also be harmed by actions taken by third parties that we contract with to provide services to the extent such parties fail to meet their contractual, legal and regulatory obligations or act in a manner that is harmful to our clients. If we fail to supervise these relationships effectively, we could also be subject to regulatory enforcement, including fines and penalties. Negative public opinion can adversely affect our ability to keep and attract clients and can expose us to litigation and regulatory action. We take steps to minimize reputation risk in the way we conduct our business activities and deal with our clients, communities and vendors but our efforts may not be sufficient.

FDIC insurance premiums fluctuate materially, which could negatively affect our profitability.

The FDIC insures deposit accounts at certain financial institutions, including Signature Bank. Under FDIC regulations, we are required to pay premiums to the Deposit Insurance Fund ("DIF") to maintain our deposit accounts' required insurance. After the passage of the Dodd-Frank Act, the FDIC adopted new rules that redefined how deposit insurance assessments are calculated. The FDIC utilizes a risk-based premium system in which an institution pays premiums for deposit insurance on the institution's average consolidated total assets minus average tangible equity. For large insured depository institutions, generally defined as those with at least $10 billion in total assets, the assessment rate schedules combine regulatory ratings, PCA capital evaluations, and financial measures into two scorecards, one for most large insured depository institutions and another for highly complex insured depository institutions, to calculate assessment rates. A highly complex institution is generally defined as an insured depository institution with more than $50 billion in total assets that is controlled by a parent company with more than $500 billion in total assets. Because of our organizational structure, Signature Bank is not viewed as "highly complex' and is not likely to be viewed as such in the near future. The assessment rate schedule includes an adjustment for significant amounts of brokered deposits applicable to large institutions that are either less than well capitalized or have a composite rating of "3," "4," or "5" under the Uniform Financial Institution Rating System. For such an institution, an assessment rate adjustment applies when its ratio of brokered deposits to domestic deposits is greater than 10%. If our regulatory ratings, PCA capital evaluations, financial measures, or levels of brokered deposits change in ways that indicate greater risk, our deposit insurance assessments could increase materially.

In March 2016, the FDIC adopted a final rule on deposit insurance assessment rates for large and small insured depository institutions, which took effect on June 30, 2016. The final rule imposes a surcharge on banks with at least $10 billion in total assets at an annual rate of four and one-half basis points applied to the institution's assessment base (with certain adjustments) in order to reach a DIF reserve ratio of 1.35% (which occurred as of September 30, 2018, thus saving the Bank approximately $3.5 million per quarter prospectively). See "Regulation and Supervision—Deposit Premiums and Assessments." Any further increase in assessment fees, whether due to the FDIC's assessment of our risk level, additional regulatory changes, or increases in our assessment base, could have a materially adverse effect on our results of operations and financial condition.

The soundness of other financial institutions could adversely affect us.

Financial services institutions are interrelated as a result of trading, clearing, counterparty or other relationships. We have exposure to many different industries and counterparties, and we routinely execute transactions with counterparties in the financial services industry, including broker-dealers, commercial banks, investment banks, mutual and hedge funds and other institutional clients. Many of these transactions expose us to credit risk in the event of default of our counterparty or client. In addition, our credit risk may be exacerbated when the collateral held by us cannot be realized upon or is liquidated at prices not sufficient to recover the full amount of the loan or derivative exposure due us. There can be no assurance that any such losses would not materially and adversely affect our results of operations.

Government and Regulation Risks Related to Our Business

We are subject to significant government regulation.

We operate in a highly-regulated environment and are subject to supervision and regulation by a number of governmental regulatory agencies, including, among others, the FDIC, the DFS, the Federal Reserve, the CFPB, the SEC and FINRA. In addition, we may be subject to inquiries or investigations conducted by the U.S. Department of Justice or State Attorneys General, either in connection with referrals made by our regulators or on an independent basis. As we expand our operations, we will become subject to regulation by additional states. Regulations adopted by our banking regulators are generally intended to provide protection for our depositors and our clients, rather than our shareholders, and govern a comprehensive range of matters relating to ownership and control of our shares, our acquisition of other companies and businesses, the activities in which we are permitted to engage, maintenance of adequate capital levels, and other aspects of our operations.

These regulatory agencies possess broad authority to prevent or remedy unsafe or unsound practices or violations of law. For example, bank regulators view certain types of clients as "high risk" clients under the Bank Secrecy Act, and other laws and regulations, and require enhanced due diligence and enhanced monitoring with respect to such clients. While we believe that we adequately perform such enhanced due diligence and monitoring with respect to our clients that fall within this category, if the regulators believe that our efforts are not adequate or that we have failed to identify suspicious transactions in such accounts, they could bring an enforcement action against us, which could result in bad publicity, fines and other penalties, and could have a material adverse effect on our business.

In addition, laws and regulations enacted over the last several years have had, and are expected to continue to have, a significant impact on the financial services industry. Some of these laws and regulations, including the Dodd-Frank Act, the Sarbanes-Oxley Act of 2002 and the USA PATRIOT Act of 2001, have increased and may in the future further increase our costs of doing business, particularly personnel and technology expenses necessary to maintain compliance with the expanded regulatory requirements.

The securities markets and the brokerage industry in which Signature Securities operates are also highly regulated. Signature Securities is subject to regulation as a securities broker and investment adviser, and many of the regulations applicable to Signature Securities may have the effect of limiting its activities, including activities that might be profitable. Signature Securities is registered with and subject to supervision by the SEC and FINRA and is also subject to state insurance regulation. In June 2019, the SEC adopted Regulation Best Interest, which, among other things, established a new standard of conduct for a broker-dealer to act in the best interest of a retail customer when providing investment advice about securities. The new regulation requires Signature Securities to review and possibly modify its compliance activities, including its policies, procedures and controls, which is causing us to incur certain additional costs. As a subsidiary of Signature Bank, Signature Securities is also subject to regulation and supervision by the DFS. See “Regulation and Supervision—Regulation of Signature Securities.” The securities industry has been subject to several fundamental regulatory changes, including changes in the rules of self-regulatory organizations such as the NYSE and FINRA. In the future, the industry may become subject to new regulations or changes in the interpretation or enforcement of existing regulations. We cannot predict the extent to which any future regulatory changes may adversely affect our business.

In addition, we are subject to ongoing examination by the FDIC, the DFS, the SEC, the CFPB, self-regulatory organizations and various state authorities. Our banking operations, sales practices, trading operations, record-keeping, supervisory procedures and financial position may be reviewed during such examinations to determine if they comply with the rules and regulations designed to protect clients and protect the solvency of banks and broker-dealers. Examinations may result in the issuance of a letter to us noting perceived deficiencies and requesting us to take corrective action. Deficiencies discovered through examination, customer complaints, or other means could lead to further investigation and the possible institution of administrative proceedings, which may result in the issuance of an order imposing sanctions upon us and/or our personnel, including our investment professionals. For example, the enforcement of fair lending laws has been an increasing area of focus for regulators, including the FDIC and the CFPB, and an examination or customer complaint could lead to an enforcement action in this area. See “Regulation and Supervision—Community Reinvestment Act and Fair Lending.”

Significantly, the enactment of the Economic Growth Act and the promulgation of its implementing regulations repealed or modified several important provisions of the Dodd-Frank Act. Among other things, the Economic Growth Act raises the total asset thresholds to $250 billion for Dodd-Frank Act annual company-run stress testing, leverage limits, liquidity requirements, and resolution planning requirements for bank holding companies, subject to the ability of the Federal Reserve to apply such requirements to institutions with assets of $100 billion or more to address financial stability risks or safety and soundness concerns.

Accordingly, the effect of banking legislation and regulations remains uncertain. The implementation, amendment, or repeal of federal banking laws or regulations may affect the banking industry as a whole, including our business and results of operations, in ways that are difficult to predict. See Risk Factors—“Recent financial services regulatory relief measures have not eliminated many of the aspects of the Dodd-Frank Act that have increased our compliance costs."

General regulatory sanctions that regulators may seek against a bank may include a censure, cease and desist order, monetary penalties or an order suspending us for a period of time from conducting certain or all of our operations. Sanctions against individuals may include a censure, cease and desist order, monetary penalties or an order restricting the individual’s activities or suspending the individual from association with us. In egregious cases, either we, our personnel, or both, could be expelled from a self-regulatory organization or barred from the banking industry or the securities industry, among other penalties.

We are subject to stringent regulatory capital requirements, which may adversely impact our return on equity, require us to raise additional capital, or constrain us from obtaining deposits, paying dividends or repurchasing shares.

As a state-chartered bank, we are subject to various regulatory capital requirements administered by state and federal regulatory agencies. Failure to meet minimum capital requirements can initiate certain mandatory—and possible additional discretionary—actions by regulators that, if undertaken, could have a direct material adverse effect on our financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, we must meet specific capital guidelines that involve quantitative measures of our assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. Our capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Signature Bank is subject to regulatory risk-based capital rules imposed by the FDIC. The FDIC’s rules implement the “Basel III” regulatory capital reforms and changes required by the Dodd-Frank Act. The FDIC rules include risk-based capital and leverage ratios and refine the definition of what constitutes “capital” for purposes of calculating those ratios. The initial minimum capital-level requirements, which were phased-in over a multi-year period, included the following: (i) a common equity Tier 1 risk-based capital ratio of 4.5%; (ii) an increase in the Tier 1 risk-based capital ratio minimum requirement from

4.0% to 6.0%; and (iii) a Tier 1 leverage ratio minimum requirement of 4.0%. The capital rules also establish a "capital conservation buffer" of 2.5% above the regulatory minimum capital requirements. The capital rules became fully implemented for all financial institutions on January 1, 2019, resulting in the following effective minimum ratios: (i) a common equity Tier 1 capital ratio (plus capital conservation buffer) of 7.0%, (ii) a Tier 1 capital ratio (plus capital conservation buffer) of 8.5%, and (iii) a total capital ratio (plus capital conservation buffer) of 10.5%. An institution will be subject to limitations on paying dividends, engaging in share repurchases and paying discretionary bonuses if its capital levels fall below the buffer amount. See "Regulation and Supervision—Capital and Related Requirements."

The application of more stringent capital requirements for Signature Bank could result in, among other things, lower returns on equity, requirements to raise additional capital, and regulatory actions such as limitations on our ability to pay dividends or repurchase shares, if we were to be unable to comply with such requirements. The impact of these requirements could also change the competitive landscape in which we seek deposits, lending opportunities, clients, and banking professionals and otherwise conduct our business.

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

To be categorized as "well capitalized" under the Act and, thus, subject to the fewest restrictions, we must (i) have a total risk-based capital ratio of 10.0% or greater; (ii) have a Tier 1 risk-based capital ratio of 8.0% or greater; (iii) have a common equity Tier 1 risk-based capital ratio of 6.5% or greater; (iv) have a leverage ratio of 5.0% or greater; and (v) not be subject to any written agreement, order, capital directive or prompt corrective action directive issued by the FDIC to meet and maintain a specific capital level. These capital requirements may limit our asset growth opportunities and restrict our ability to increase earnings.

Our failure to comply with our minimum capital requirements would have a material adverse effect on our financial condition and results of operations. See "Regulation and Supervision—Prompt Corrective Action and Enforcement Powers."

The Dodd-Frank Act may continue to affect our results of operations, financial condition or liquidity.

The Dodd-Frank Act made extensive changes to the laws regulating financial services firms. The Dodd-Frank Act also required significant rulemaking and mandates multiple studies that have resulted and may continue to result in additional legislative and regulatory actions that will affect the operations of the Bank.

Under the Dodd-Frank Act, federal banking agencies were required to draft and implement enhanced supervision, examination, and capital and liquidity standards for depository institutions. The enhanced requirements include changes to capital, leverage and liquidity standards and numerous other requirements. The Dodd-Frank Act also established the CFPB, and gave it broad authority, and permits states to adopt stricter consumer protection laws and enforce consumer protection rules issued by the CFPB.

In December 2013, federal regulators adopted a final rule implementing the "Volcker Rule" enacted as part of the Dodd-Frank Act. The Volcker Rule prohibits (subject to certain exceptions) banks and their affiliates from engaging in short-term proprietary trading in securities and derivatives and from investing in and sponsoring certain unregistered investment companies (including not only such things as hedge funds, commodity pools and private equity funds, but also a range of asset securitization structures that do not meet exemptive criteria in the final rules). Banks were required to conform their activities and investments to the final regulations' requirements by July 2015, but the Federal Reserve has exercised its authority to extend the divestiture period for pre-2014 investments to July 21, 2017. In October 2019, the federal banking agencies, the SEC and the CFTC adopted a final rule modifying the Volcker Rule's implementing regulations to impose certain simplified and streamlined compliance requirements. Notably, the final rule will reduce compliance requirements for firms that do not have significant trading assets and liabilities (i.e., less than $20 billion in trading assets and liabilities). The final rule became effective on January 1, 2020 and the compliance date for the final rule was January 1, 2021. See "Regulation and Supervision –The Volcker Rule."

We use brokered deposits to fund a portion of our activities and the loss of our ability to accept or renew brokered deposits could have an adverse effect on us.

We use brokered deposits to fund a portion of our activities. At December 31, 2020, $2.21 billion, or 3.49% of our total deposit account balances consisted of brokered deposits, an increase of $1.04 billion or 89.0% when compared to $1.17 billion at the end of the prior year. Acceptance or renewal of "brokered deposits" is regulated by the federal banking agencies, including the FDIC. If we do not maintain our regulatory capital above the level required to be "well-capitalized," then we will be limited in our ability to accept or renew deposits classified as brokered deposits unless we obtain a waiver from the FDIC and are at least "adequately" capitalized. In December 2020, the FDIC issued a final rule amending its brokered deposits regulation. The final rule establishes new standards for determining whether an person qualifies as a "deposit broker" (and therefore whether the placement of funds by the entity with a depository institution, or the entity's "facilitation" of the placement of deposits with the depository institution, would render such funds brokered deposits), and codifies a number of exceptions to that definition which previously had been addressed through FDIC staff advisory opinions and unpublished interpretations. The final rule also establishes new notice, application, monitoring and reporting requirements that apply in respect of certain deposit placement arrangements. The final rule is scheduled to take effect on April 1, 2021 and the full compliance date for the final rule is January 1, 2022. The Bank currently is evaluating the potential effects of the final rule on our business and we cannot at this time predict the extent to which the final rule will have a significant impact on our sources of funding and operations. See "Regulation and Supervision—Regulation of Brokered Deposits." If we are no longer able to accept or renew brokered deposits, we will need to replace that funding or reduce our assets.

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

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

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

The FDIC, as a supervisory matter, expects us to have governance, internal control, compliance, and supervisory programs consistent with our size and activities, and our consolidated assets totaled $73.89 billion as of December 31, 2020. As the Bank continues to grow, the FDIC will generally expect us to develop and implement enhanced governance, internal control, compliance, and supervisory programs, to implement select banking regulations that do not technically apply to an institution of our size or structure, and to incur the costs to implement, staff, and maintain those programs; however, the extent to which the FDIC's expectations may vary as a result of the increase in asset thresholds for a number of functional regulatory requirements imposed under the Dodd-Frank Act is uncertain. Meeting the FDIC's enhanced supervisory expectations could cause us to incur materially greater costs than comparably sized institutions with a different primary federal regulator and could prevent us from making profitable investments or from engaging in new activities.

Recent financial services regulatory relief measures have not eliminated many of the aspects of the Dodd-Frank Act that have increased our compliance costs.

The Economic Growth Act, enacted in 2018, represents modest reform to the regulation of the financial services industry primarily through certain amendments of the Dodd-Frank Act. However, many provisions of the Dodd-Frank Act that have increased our compliance costs, such as the Volcker Rule, remain in place. Certain of the provisions amended by the Economic Growth Act took effect immediately, while others are subject to ongoing joint agency rulemakings. It is not possible to predict when any final rules would ultimately be issued through any such rulemakings, and what the specific content of such rules will be. Although we expect to benefit from many aspects of this legislative reform, the legislation and any implementing rules that are ultimately issued could have adverse implications on the financial industry, the competitive environment, and our ability to conduct business. In addition, the federal banking agencies indicated through interagency guidance that the capital planning and risk management practices of institutions with total assets less than $100 billion would continue to be reviewed through the regular supervisory process, which may offset the impact of the Economic Growth Acts changes regarding stress testing and risk management.

Changes in the federal, state or local tax laws may negatively impact our financial performance.

We are subject to changes in tax law that could increase our effective tax rates. These law changes may be retroactive to previous periods and as a result could negatively affect our current and future financial performance. The short-and long-term impact of the TCJA on the economic conditions in the markets in which we operate, and in the United States as a whole, is uncertain, and any unfavorable change in the general business environment in which we operate could adversely affect our business, results of operation or financial condition. Similarly, the Bank's customers are likely to experience varying effects from both the individual and business tax provisions of the TCJA and such effects, whether positive or negative, may have a corresponding impact on our business.

Regulatory net capital requirements significantly affect and often constrain our brokerage business.

The SEC, FINRA, and various other regulatory bodies in the United States have rules with respect to net capital requirements for broker-dealers that affect Signature Securities. These rules require that at least a substantial portion of a broker-dealer's assets be kept in cash or highly liquid investments. Signature Securities must comply with these net capital requirements, which limit operations that require intensive use of capital, such as trading activities. These rules could also restrict our ability to withdraw capital from our broker-dealer subsidiary, even in circumstances where this subsidiary has more than the minimum amount of required capital. This, in turn, could limit our ability to pay dividends, repurchase shares, implement our business strategies and pay interest on and repay the principal of our debt. A change in these rules, or the imposition of new rules, affecting the scope, coverage, calculation, or amount of net capital requirements could have material adverse effects. Significant operating losses or any unusually large charge against net capital could also have material adverse effects.

The repeal of federal prohibitions on the payment of interest on demand deposits could increase our interest expense.

All federal prohibitions on the ability of financial institutions to pay interest on demand deposit accounts were repealed as part of the Dodd-Frank Act. As a result, some financial institutions have commenced offering interest on demand deposits to compete for clients. As of December 31, 2020, $18.76 billion, or 29.6%, of our total deposits were held in non-interest-bearing demand deposit accounts. Particularly to the extent that interest rates return to higher levels, our interest expense will increase and our net interest margin will decrease if we have to offer higher rates of interest on demand deposits than we currently offer to attract additional clients or maintain current clients, which could have a material adverse effect on our business, financial condition and results of operations.

We are subject to various legal claims and litigation.

From time to time, customers, employees and others that we do business with make claims and take legal action against us for various occurrences, including the performance of our fiduciary responsibilities. The outcome of these cases is uncertain. Regardless of whether these claims and legal actions are founded or unfounded, if such claims and legal actions are not resolved in a timely manner favorable to us, they may result in significant financial liability and/or adversely affect the market perception of us and our products and services, as well as impact customer demand for our products and services. Any financial liability or reputational damage may adversely affect our future financial condition and results of operations. Even if these claims and legal actions do not result in a financial liability or reputational damage, defending these claims and actions have resulted in, and will continue to result in, increased legal and professional services costs, which may be material in amount.

Our management of the risk of system failures or breaches of our network security is increasingly subject to regulation and could subject us to increased operating costs, as well as litigation and other liabilities.

The computer systems and network infrastructure we use could be vulnerable to unforeseen problems and cybersecurity threats. Our operations are dependent upon our ability to protect our computer equipment against damage from fire, power loss, telecommunications failure or other similar catastrophic events. Any damage or failure that causes an interruption in our operations could have a material adverse effect on our financial condition and results of operations. In addition, our operations are dependent upon our ability to protect our computer systems and network infrastructure against damage from physical break-ins, security breaches, hackers, viruses and other malware and other disruptive problems, including through coordinated attacks sponsored by foreign nations and criminal organizations to disrupt business operations and other compromises to data and systems for political or criminal purposes. These cybersecurity threats also exist at our third-party vendors, some of whom supply essential services to us such as loan servicers, providers of financial information, systems and analytical tools, and providers of electronic payment and settlement systems. Such computer break-ins, whether physical or electronic, and other disruptions could jeopardize the security of information stored in and transmitted through our computer systems and network infrastructure, which may result in significant liability to us and deter potential clients. Our cybersecurity procedures are increasingly subject to regulations administered and enforced by our regulators, which could result in elevated liability from these disruptions. See “Regulation and Supervision—Cybersecurity and Data Privacy.”

Although we, with the help of third-party service providers, have implemented and intend to continue to implement and enhance security technology and establish operational procedures to prevent such damage, there can be no assurance that these security measures will be successful in deterring or mitigating the effects of every cyber-threat that we face. In addition, advances in computer capabilities, new discoveries in the field of cryptography or other developments could result in a compromise or breach of the algorithms we and our third-party service providers use to protect client transaction data, other customer data and employee data. Any cyber-attack or other security breach involving the misappropriation, loss or other unauthorized disclosure of confidential customer or employee information could severely damage our reputation, erode confidence in the security of our systems, products and services, expose us to the risk of litigation and liability, disrupt our operations and have a material adverse effect on our business.

We carry specific cyber-insurance coverage, which would apply in the event of various breach scenarios, but the amount of coverage may not be adequate in any particular case. In addition, cyber-threat scenarios are inherently difficult to predict and can take many forms, some of which may not be covered under our cyber insurance coverage. Furthermore, the occurrence of a cyber-threat scenario could cause interruptions in our operations and result in the incurrence of significant costs, including those related to forensic analysis and legal counsel, each of which may be required to ascertain the extent of any potential harm to our customers, or employees, or damage to our information systems and any legal or regulatory obligations that may result therefrom. The occurrence of a cyber-threat may therefore have a material adverse effect on our financial condition and results of operations. Risks and exposures related to cybersecurity attacks are expected to remain high for the foreseeable future due to the rapidly evolving nature and sophistication of these threats, as well as due to the expanding use of Internet banking, mobile banking and other technology-based products and services by us and our clients. The Bank has significantly increased efforts to educate employees and clients on the topic. Clients can also be sources of cybersecurity risk to the Bank, particularly when their activities and systems are beyond the Bank’s own security and control systems. Although we expect that, where cybersecurity incidents are due to client failure to maintain the security of their own systems and processes, clients will generally be responsible for losses incurred, there can be no assurance that our relationship with the affected client (and other clients) will not be adversely affected.

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

Our business requires the collection and retention of large volumes of customer data, including personally identifiable information in various information systems that we maintain and in those maintained by third parties with whom we contract to provide data services. We also collect data regarding our employees, suppliers and other third-parties. We are subject to complex and evolving laws and regulations governing the privacy and protection of personal information of individuals (including customers, employees, suppliers and other third parties). For example, our business is subject to laws and regulations which, among other things: (i) impose certain limitations on our ability to share nonpublic personal information about our customers with nonaffiliated third parties; (ii) require that we provide certain disclosures to customers about our information collection, sharing and security practices and afford customers the right to “opt out” of any information sharing by us with nonaffiliated third parties (with certain exceptions); and (iii) require that we develop, implement and maintain a written comprehensive information security program containing appropriate safeguards based on our size and complexity, the nature and scope of our activities, and the sensitivity of customer information we process, as well as plans for responding to data security breaches. Various state and federal banking regulators and states, have also enacted data security breach notification requirements with varying levels of individual, consumer, regulatory or law enforcement notification in certain circumstances in the event of a security breach. Ensuring that our collection, use, transfer and storage of personal information complies with all applicable laws and regulations can increase our costs. Furthermore, we may not be able to ensure that all of our customers, suppliers, counterparties and other third parties have appropriate controls in place to protect the confidentiality of the information that they exchange with us, particularly where such information is transmitted by electronic means. If personal, confidential or proprietary information of customers or others were to be mishandled or misused, we could be exposed to litigation or regulatory sanctions under personal information laws and regulations. Concerns regarding the effectiveness of our measures to safeguard personal information, or even the perception that such measures are inadequate, could cause us to lose customers or potential customers for our products and services and thereby reduce our revenues. Accordingly, any failure or perceived failure to comply with applicable privacy or data protection laws and regulations may subject us to inquiries, examinations and investigations that could result in requirements to modify or cease certain operations or practices or in significant liabilities, fines or penalties, and could damage our reputation and otherwise adversely affect our operations and financial condition. Moreover, compliance with applicable regulations and mandates could add significantly to our operating expenses.

We may be responsible for environmental claims.

There is a risk that hazardous or toxic waste could be found on the properties that secure our loans. In such event, we could be held responsible for the cost of cleaning up or removing such waste, and such cost could significantly exceed the value of the underlying properties and adversely affect our profitability. Additionally, even if we are not held responsible for these cleanup and removal costs, the value of the collateralized property could be significantly lower than originally projected, thus adversely affecting the value of our security interest. Although we have policies and procedures that require us to perform environmental due diligence prior to accepting a property as collateral and an environmental review before initiating any foreclosure action on real property, there can be no assurance that this will be sufficient to protect us from all potential environmental liabilities associated with collateralized properties.

Climate change and related legislative and regulatory initiatives may result in operational changes and expenditures that could significantly impact our business.

The current and anticipated effects of climate change are creating an increasing level of concern for the state of the global environment. As a result, political and social attention to the issue of climate change has increased. In recent years, governments across the world have entered into international agreements to attempt to reduce global temperatures, in part by limiting greenhouse gas emissions. The United States government has rejoined the Paris Climate Agreement, the most recent international climate change accord, while the U.S. Congress, state legislatures and federal and state regulatory agencies are likely to continue to propose and advance numerous legislative and regulatory initiatives seeking to mitigate the effects of climate change. These agreements and measures may result in the imposition of taxes and fees, the required purchase of emission credits, and the implementation of significant operational changes. In addition, the federal banking agencies under the incoming Administration may address climate-related issues in their agendas in various ways, including by increasing supervisory expectations with respect to banks’ risk management practices, accounting for the effects of climate change in stress testing scenarios and systemic risk assessments, revising expectations for credit portfolio concentrations based on climate-related factors, and encouraging investment by banks in climate-related initiatives and lending to communities disproportionately impacted by the effects of climate change. Each of the above-described initiatives may require us to expend significant capital and incur compliance, operating, maintenance and remediation costs. Given the lack of empirical data on the credit and other financial risks posed by climate change, it is impossible to predict how climate change may impact our financial condition and operations; however, as a banking organization, the physical effects of climate change may present certain unique risks. For example, weather disasters, shifts in local climates and other disruptions related to climate change may adversely affect the value of real properties securing our loans, which could diminish the value of our loan portfolio. Such events may also cause reductions in regional and local economic activity that may have an adverse effect on our customers, which could limit our ability to raise and invest capital in these areas and communities, each of which could have a material adverse effect on our financial condition and results of operations.

The misconduct of employees or their failure to abide by regulatory requirements is difficult to detect and deter.

Employee misconduct could subject us to financial losses or regulatory sanctions and seriously harm our reputation. It is not always possible to deter employee misconduct, and the precautions we take to prevent and detect this activity may not be effective in all cases. Misconduct by our employees could include hiding unauthorized activities from us, improper or unauthorized activities on behalf of clients or improper use of confidential information.
Employee errors in recording or executing transactions for clients could cause us to enter into transactions that clients may disavow and refuse to settle. These transactions expose us to risks of loss, which can be material, until we detect the errors in question and unwind or reverse the transactions. As with any unsettled transaction, adverse movements in the prices of the securities involved in these transactions before we unwind or reverse them can increase these risks.

All of our securities professionals are required by law to be licensed with our subsidiary, Signature Securities, a licensed securities broker-dealer. Under these requirements, these securities professionals are subject to our supervision in the area of compliance with federal and applicable state securities laws, rules and regulations, as well as the rules and regulations of self-regulatory organizations such as FINRA. See “Regulation and Supervision—Regulation of Signature Securities.” The violation of any regulatory requirements by us or our securities professionals could jeopardize Signature Securities’ broker-dealer license or other licenses and could subject us to liability to clients.

We depend upon the accuracy and completeness of information about clients and other third parties and are subject to losses resulting from fraudulent or negligent acts on the part of our clients or other third parties.

We rely heavily upon information supplied by our clients and by third parties, including the information included in loan applications, property appraisals, title information and employment and income documentation, in deciding whether to extend credit or enter into other transactions with clients, as well as the terms of the credit. If any of the information upon which we rely is misrepresented, either fraudulently or inadvertently, and the misrepresentation is not detected prior to loan funding, the value of the loan may be significantly lower than we had expected, or we may fund a loan that we would not have funded or on terms that we would not have extended. Whether a misrepresentation is made by the loan applicant, a mortgage broker or another third party, we generally bear the risk of loss associated with the misrepresentation. A loan subject to a material misrepresentation is typically unable to be sold or subject to repurchase if sold prior to the detection of the misrepresentation. The sources of the misrepresentation are often difficult to locate and it is often difficult to recover any of the monetary losses we have suffered. Although we maintain a system of internal controls to mitigate against such occurrences and maintain insurance coverage for such risks that are insurable, we cannot assure you that we have detected or will detect all misrepresented information in our loan origination operations.

If the credit is extended to a business, we may rely on representations of clients as to the accuracy and completeness of that information and, with respect to financial statements, on reports of independent auditors. We may assume that the client’s audited financial statements conform with generally accepted accounting principles and present fairly, in all material respects, the financial condition, results of operations and cash flows of the customer. In addition, we may also rely on the audit report covering those financial statements. Our financial condition and results of operations could be negatively impacted to the extent we rely on financial statements that do not comply with generally accepted accounting principles or that are materially misleading.

The failure of our brokerage clients to meet their margin requirements may cause us to incur significant liabilities.

The brokerage business of Signature Securities, by its nature, is subject to risks related to potential defaults by our clients in paying for securities they have agreed to purchase and for securities they have agreed to sell and deliver. National Financial Services, LLC provides clearing services to our brokerage business, including the confirmation, receipt, execution, settlement, and delivery functions involved in securities transactions, as well as the safekeeping of clients’ securities and assets and certain client record keeping, data processing, and reporting functions. National Financial Services, LLC makes margin loans to our clients to purchase securities with funds they borrow from National Financial Services, LLC. We must indemnify National Financial Services, LLC for, among other things, any loss or expense incurred due to defaults by our clients in failing to repay margin loans or to maintain adequate collateral for those loans. Although we may employ certain mitigating tactics that could limit the extent of our loss exposure, we are nevertheless subject to the risks that are inherent in extending margin credit, especially during periods of rapidly declining markets.

The Bank faces risks related to the adoption of future legislation and potential changes in federal regulatory agency leadership, policies and priorities.

With a new Congress taking office in January 2021, Democrats have retained control of the U.S. House of Representatives, and have gained control of the U.S. Senate, albeit with a majority found only in the tie-breaking vote of Vice President Kamala Harris. However slim the majorities, though, the net result is unified Democratic control of the White House and both chambers of Congress, and consequently Democrats will be able to set the agenda both legislatively and in the Administration.

We expect Congress will devote substantial attention in 2021 to consumer protection matters, through greater oversight of the Consumer Financial Protection Bureau’s (“CFPB”) and the federal banking agencies’ efforts in this area. We also anticipate that Democratic-led Congressional committees will pursue greater oversight of so-called "shadow banking" activities, and will also pay substantial attention to oversight of the banking sector's role in providing coronavirus-related assistance to impacted businesses. As pertains specifically to depository institutions, the prospects for the enactment of major banking reform legislation in 2021 are unclear at this time. If anything, enactment of more targeted financial reform measures would appear more likely than major legislation, as such measures are more likely to achieve some level of bipartisan support. It is too early to know what any such legislation may be, however, as the relevant Congressional committees are still in the process of being organized for the new Congress and their respective agendas are in development.

In addition, although it is too early to know the details of the new administration's proposed economic policies and the full extent of this COVID-19 relief plans, there is a risk that the new administration could impose new or modified COVID-19 programs and restrictions, including new forbearance initiatives, place added pressure on state governments to impose more extensive business and personal activity restrictions and propose related fiscal and tax measures and/or revise or create new regulatory requirements that would apply to us, impacting our business, operations and profitability.

Moreover, the turnover of the presidential administration has produced, and likely will continue to produce, certain changes in the leadership and senior staffs of the federal banking agencies, the CFPB, CFTC SEC, and the Treasury Department. With few exceptions, the heads of those agencies and departments will change in 2021 pending Senate confirmation. In addition, the Board of Governors of the Federal Reserve and the FDIC Board of Directors may experience significant turnover within the next year to two years. These changes could impact the rulemaking, supervision, examination and enforcement priorities and policies of the agencies. Of note, it is anticipated that the CFPB, which has relaxed its enforcement approach in recent years, will return to a more robust enforcement approach under the new administration. The potential impact of any changes in agency personnel, policies and priorities on the financial services sector, including the Bank, cannot be predicted at this time.

The incoming Administration also may seek to withdraw or modify certain recently-adopted regulations relevant to our business. Promptly after taking office, President Biden issued an Executive Order instituting a "freeze" of certain recently finalized and pending regulations to allow for review by incoming Administration officials. As a result of this Executive Order, recently-adopted regulations may be subject to delays in implementation and substantive revision though further notice-and-comment rulemaking and, more broadly, agency rulemaking agendas may be disrupted. In addition, Congress may elect to use the Congressional Review Act to disapprove of and ultimately eliminate certain regulations that were reported to Congress in the prior 60 legislative days. Due to the limited election-year legislative schedule, the lookback period for purposes of this disapproval process extends to late summer of 2020. The Bank's operations, risk management and compliance processes may be impacted by the withdrawal or modification of certain regulations pursuant to these procedural processes.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our management believes that our current and planned offices are adequate for our current level of operations. Our corporate principal executive offices are located at 565 Fifth Avenue, New York, New York, 10017, in space leased by the Bank. As of December 31, 2020, we currently operate 36 private client offices throughout the metropolitan New York area, including those in Connecticut, as well as in California and North Carolina.

Signature Financial's principal executive offices and operations are located at 225 Broadhollow Road, Melville, New York 11747. Signature Securities Group Corporation's principal executive offices and operations are located at 1177 Avenue of the Americas, New York, New York 10036. Signature Public Funding Corp.'s principal executive offices and operations are located at 600 Washington Avenue, Towson, Maryland 21204.

All of our office properties are leased or contracted for use at various terms and rates. These leases or license agreements expire at various dates through 2035, and in many instances include modest annual escalation agreements and options to renew or extend at market rates and terms. For additional information on our lease commitments, see Note 23 to the Consolidated Financial Statements.

ITEM 3. LEGAL PROCEEDINGS

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

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

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

Market Information and Holders of Record

Our common stock is listed on the NASDAQ Global Select Market under the symbol "SBNY." As of December 31, 2020, 55,520,417 shares of our common stock were issued and 53,564,573 shares were outstanding.

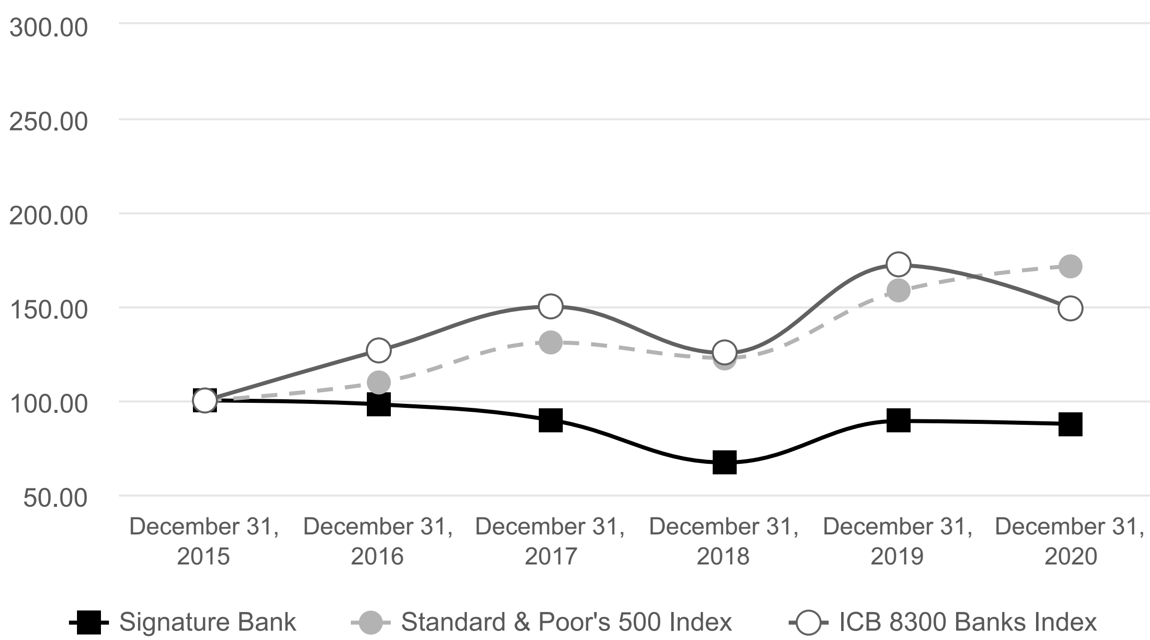
On December 31, 2020, the last reported sale price of our common stock was $134.23 and there were five holders of record of our common stock, including record holders on behalf of an indeterminate number of beneficial holders.

Equity Incentive Plan Information

The information set forth under the caption "Equity Incentive Plan Information" in our Proxy Statement for the Annual Meeting of Stockholders to be held on April 22, 2021 is incorporated herein by reference.

Performance Graph

The following graph compares the performance of our common stock with the performance of the Standard & Poor's 500 Index and the Industry Classification Benchmark ("ICB") 8300 Banks Index:



The performance period reflected below assumes that $100 was invested in our common stock and each of the indexes listed below on December 31, 2015. The performance of our common stock reflected below is not indicative of our future performance.

	December 31, 2015	December 31, 2016	December 31, 2017	December 31, 2018	December 31, 2019	December 31, 2020
Signature Bank	$ 100.00	97.93	89.50	67.03	89.07	87.52
Standard & Poor's 500 Index	100.00	109.54	130.81	122.65	158.07	171.53
ICB 8300 Banks Index	100.00	126.54	149.82	125.25	171.82	148.88

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

Unregistered Sales of Equity Securities

During the fourth quarter of 2020, we issued an aggregate of 6,026 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.

Dividends

The Bank has declared and paid a quarterly cash dividend of $0.56 per share, or a total of $30.0 million to $31.0 million each quarter beginning with the third quarter of 2018 through the fourth quarter of 2020. On January 20, 2021, the Bank declared its fourth quarter 2020 cash dividend of $0.56 per share to be paid on or after February 12, 2021 to common stockholders of record at the close of business on February 1, 2021. Any future determination to pay dividends will be at the discretion of our Board of Directors and will be dependent upon then existing conditions, including our financial condition and results of operations, capital requirements, contractual restrictions, business prospects and other factors that the Board of Directors considers relevant.

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

Share Repurchase Program

In 2018, the Bank’s stockholders and regulators approved the repurchase of common stock from the Bank’s shareholders in open market transactions in the aggregate purchase amount of up to $500 million. On February 19, 2020, the Board of Directors approved an amendment to the stock repurchase program that restored the Bank’s share repurchase authorization to an aggregate purchase amount of up to $500.0 million from the $220.9 million that was remaining under the original authorization as of December 31, 2019. The amended stock repurchase program was approved by the shareholders in April 2020. The Bank has suspended any future repurchases of common stock given the COVID-19 circumstances since the end of the first quarter of 2020. As a result, no common stock was repurchased by the Bank during the remainder of 2020. During the third quarter of 2020, we received regulatory approval to extend the stock repurchase of the $170.8 million remaining under the original authorization to September 30, 2021. We plan to seek separate regulatory approval for the additional $279.1 million approved under the amended authorization. To date, the Bank has repurchased 2,689,544 shares of common stock for a total of $329.2 million and the amount remaining under the amended authorization was $450.0 million at December 31, 2020.

ITEM 6. SELECTED FINANCIAL DATA

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

		At or for the years ended December 31,				
(dollars in thousands, except per share amounts)		**2020**	**2019**	**2018**	**2017**	**2016**
SELECTED OPERATING DATA						
Interest income	$	1,931,646	1,911,676	1,708,920	1,470,169	1,317,151
Interest expense		412,554	600,083	409,933	232,583	169,909
Net interest income before provision for credit losses		1,519,092	1,311,593	1,298,987	1,237,586	1,147,242
Provision for credit losses		248,094	22,636	162,524	263,297	155,774
Net interest income after provision for credit losses		1,270,998	1,288,957	1,136,463	974,289	991,468
Non-interest income:						
Net impairment losses on securities recognized in earnings		—	—	(16)	(633)	(427)
Total non-interest income (5)		75,248	61,715	50,555	49,912	51,299
Non-interest expense		614,054	529,269	486,278	435,066	376,771
Income before income taxes		732,192	821,403	700,740	589,135	665,996
Income tax expense (5)		203,833	234,917	194,306	206,526	273,910
Net income (5)	$	528,359	586,486	506,434	382,609	392,086
Preferred stock dividends		—	—	—	—	—
Net income available to common shareholders	$	528,359	586,486	506,434	382,609	392,086
PER COMMON SHARE DATA						
Earnings per common share - basic	$	10.00	10.87	9.29	7.09	7.34
Earnings per common share - diluted	$	9.96	10.82	9.25	7.03	7.29
Dividends per common share	$	2.24	2.24	1.12	—	—
BALANCE SHEET DATA						
Total assets (5)	$	73,888,344	50,591,809	47,341,538	43,099,042	39,033,172
Securities available-for-sale		8,890,417	7,143,864	7,301,604	6,953,719	6,335,347
Securities held-to-maturity		2,282,830	2,101,970	1,883,533	1,996,376	2,038,125
Loans held for sale		407,363	290,593	485,305	432,277	559,528
Loans and leases, net		48,324,799	38,859,634	36,193,122	32,416,580	28,829,670
ACLLL/Allowance for loan and lease losses (6)		508,299	249,989	230,005	195,959	213,495
Deposits		63,315,323	40,383,207	36,378,773	33,439,827	31,861,260
Borrowings		3,817,833	4,748,263	6,048,174	5,242,381	3,200,488
Shareholders' equity (5)		5,826,909	4,745,198	4,383,862	4,013,013	3,597,825

(Continued on the next page)

(dollars in thousands, except per share amounts)	At or for the years ended December 31, 2020	2019	2018	2017	2016
OTHER DATA					
Assets under management	$ 4,803,060	3,673,228	3,784,716	3,607,453	3,354,085
Average interest-earning assets	$ 59,685,372	48,382,997	44,434,158	40,174,810	36,004,958
Full-time employee equivalents	1,652	1,472	1,393	1,305	1,218
Private client offices	36	31	31	30	30
SELECTED FINANCIAL RATIOS					
Performance Ratios:					
Return on average assets (5)	0.87 %	1.19 %	1.12 %	0.94 %	1.08 %
Return on average common shareholders' equity (5)	10.75 %	12.85 %	12.06 %	10.05 %	12.10 %
Yield on average interest-earning assets	3.24 %	3.95 %	3.85 %	3.66 %	3.66 %
Yield on average interest-earning assets, tax-equivalent basis (1)	3.25 %	3.96 %	3.85 %	3.67 %	3.66 %
Average rate on deposits and borrowings	0.75 %	1.37 %	1.01 %	0.64 %	0.52 %
Net interest margin	2.55 %	2.71 %	2.92 %	3.08 %	3.19 %
Net interest margin, tax-equivalent basis (1)	2.56 %	2.72 %	2.93 %	3.09 %	3.19 %
Efficiency ratio (2)	38.51 %	38.54 %	36.03 %	33.79 %	31.44 %
Asset Quality Ratios:					
Net change-offs to average loans	0.06 %	0.01 %	0.38 %	0.92 %	0.52 %
ACLLL/ALLL to total loans (6)	1.04 %	0.64 %	0.63 %	0.60 %	0.74 %
ACLLL/ALLL to non-accrual loans (6)	422.98 %	435.86 %	211.69 %	59.94 %	135.49 %
Non-accrual loans to total loans	0.25 %	0.15 %	0.30 %	1.00 %	0.54 %
Non-performing assets to total assets	0.21 %	0.21 %	0.34 %	0.83 %	0.46 %
Capital and Liquidity Ratios:					
Tier 1 Leverage Capital Ratio (5)	8.55 %	9.55 %	9.66 %	9.67 %	9.56 %
Common Equity Tier 1 Risk-Based Capital Ratio (3) (5)	9.87 %	11.56 %	12.06 %	11.93 %	11.87 %
Tier 1 Risk-Based Capital Ratio (5)	11.20 %	11.56 %	12.06 %	11.93 %	11.87 %
Total Risk-Based Capital Ratio (5)	13.54 %	13.26 %	13.36 %	13.26 %	13.40 %
Average equity to average assets (5)	8.16 %	9.29 %	9.32 %	9.34 %	8.90 %
Average tangible equity to average tangible assets (4)(5)	6.94 %	9.20 %	9.22 %	9.28 %	8.85 %
Per common share data:					
Number of weighted average common shares outstanding	55,520	55,428	54,406	54,001	53,406
Book value per common share (5)	$ 95.56	88.66	79.65	72.99	65.88

(1) Based on the 21 percent U.S federal statutory tax rate for 2018 and after; and the 35 percent rate for 2017 and prior. 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.

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

(3) As part of the final rules implementing Basel III regulatory capital reforms, a new common equity Tier 1 risk-based capital ratio was added to existing minimum capital requirements as of January 1, 2015.

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

(5) Effective January 1, 2020, we changed our accounting policy for Low Income Housing Tax Credit ("LIHTC") investments from the equity method to the proportional amortization method as it was determined to be the preferable method. All applicable prior period amounts have been retroactively restated to conform to the new accounting policy.

(6) December 31, 2020 balance referenced as the allowance for credit losses on loans and leases ("ACLLL") as a result of the January 1, 2020 adoption of *ASU 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.*

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with "Selected Financial Data" and our Consolidated Financial Statements and related notes, each of which is included elsewhere in this Annual Report on Form 10-K. Some of the statements in the following discussion are forward-looking statements. See "Private Securities Litigation Reform Act Safe Harbor Statement."

Overview

We have grown to $73.89 billion in assets, $63.32 billion in deposits, $48.83 billion in loans, $5.83 billion in equity capital and $4.80 billion in other assets under management as of December 31, 2020.

We believe the growth in our profitability is based on several key factors, including:

- the significant growth of our interest-earning asset base each year;
- our ability to maintain and grow core deposits, a key funding source, which has resulted in increased net interest income from 2001 onward; and
- our ability to control non-interest expenses, which has improved our efficiency ratio to 38.51% for the year ended December 31, 2020, even after the increase in salaries and benefits from the significant hiring of 20 new private client baking teams, including two in New York, five in San Francisco, and 13 in the Greater Los Angeles marketplace.

An important aspect of our growth strategy is the ability to provide personalized, high quality service and to effectively manage a large number of client relationships throughout the metropolitan New York area, including those in Connecticut, as well as California and North Carolina. Since the commencement of our operations, we have successfully recruited and retained more than 643 experienced private client banking team professionals. We believe that our existing operations infrastructure will allow us to grow our business over the next few years both with respect to the size and number of client relationships, and geographically within the New York metropolitan area, as well as on the West Coast where we have significant client synergies without substantial additional capital expenditures.

Critical Accounting Policies

We follow financial accounting and reporting policies that are in accordance with U.S. generally accepted accounting principles ("GAAP"). On an ongoing basis, we evaluate our significant accounting policies and associated estimates applied in our consolidated financial statements. Some of these 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 allowance for credit losses ("ACL") for loans and leases in future periods, and the inability to collect on outstanding loans could result in increased loan losses.

Effective January 1, 2020, the allowance for credit losses ("ACL"), applying an expected credit loss approach as required under ASC 326, Credit Losses, is estimated using a combination of quantitative models and qualitative adjustments, both of which, may incorporate inputs, assumptions and techniques that involve a high degree of management judgment. The ACL represents the credit loss estimate under the new standard, replacing the Allowance for Loan and Lease Losses ("ALLL") under the legacy GAAP. See Note 2(g) for our accounting policies related to the ACLLL.

New Accounting Standards

(i) Not Yet Adopted

In August 2020, the FASB issued ASU 2020-08, *Codification Improvements to Subtopic 310-20. Receivables - Nonrefundable Fees and Other Costs.* The ASU provides clarification to the existing guidance regarding when an entity should evaluate the referenced guidance related to callable debt securities carried at a premium. This ASU will impact the amortization period for nonrefundable fees and other costs if the callable debt security has its amortized cost exceeding the amount repayable by the issuer at the next call date at the respective reporting date. The guidance is effective for fiscal years beginning after December 15, 2020 and early adoption is not permitted. The impact of this ASU to the Company's Consolidated Financial Statements is not expected to be material.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. The ASU provides companies with optional guidance to ease the potential burden associated with transitioning from reference rates that are expected to be discontinued, such as LIBOR. Specifically, the ASU provides guidance related to contract modifications, hedge accounting, and held-to-maturity (HTM) debt securities. The guidance also allows for a one-time election to sell and/or transfer debt securities classified as HTM to be made at any time after March 12, 2020. The ASU allows companies to apply the standard as of the beginning of the interim period that includes March 12, 2020 or any date thereafter.

On January 7, 2021, the FASB issued ASU 2021-01, an update to ASU 2020-04, which clarifies the scope of the optional relief for reference rate reform provided by ASC Topic 848. The ASU permits entities to apply certain of the optional practical expedients and exceptions in ASC 848 to the accounting for derivative contracts and hedging activities that may be affected by changes in interest rates used for discounting cash flows, computing variation margin settlements and calculating price alignment interest (the “discounting transition”). These optional practical expedients and exceptions may be applied to derivative instruments impacted by the discounting transition even if such instruments do not reference a rate that is expected to be discontinued. The ASU is effective immediately and an entity may elect to apply the amendments as of any date from the beginning of an interim period that includes or is subsequent to March 12, 2020 or on a prospective basis to new modifications from any date within an interim period that includes or is subsequent to January 7, 2021, up to the date that financial statements are available to be issued. We are currently evaluating the impact of these two ASUs related to the Reference Rate Reform. However, the impact to the Company's Consolidated Financial Statements is not expected to be material.

In January 2020, the FASB issued ASU 2020-01, *Investments-Equity Securities (Topic 321), Investments-Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815): Clarifying the Interactions between Topic 321, Topic 323, and Topic 815*. The new guidance amends the accounting for the measurement of certain options and forward contracts used to acquire equity securities. In addition, it requires a remeasurement of the equity investment immediately before or after its transition into and out of equity method accounting if the measurement alternative is applied prior to the transfer. The guidance is effective for fiscal years beginning after December 15, 2020. The impact of this ASU to the Company's Consolidated Financial Statements is not expected to be material.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 470), Simplifying the Accounting for Income Taxes*. The ASU eliminates certain exceptions related to the rate approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. It also clarifies and simplifies other aspects of the accounting for income taxes. The guidance is effective for fiscal years beginning after December 15, 2020. The Company is currently assessing the impact to its Consolidated Financial Statements; however, the impact is not expected to be material.

(ii) Recently Adopted

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820), Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement.* This ASU eliminates, and modifies certain disclosure requirements for fair value measurements. It also adds new disclosure requirements for Level 3 instruments, such as changes in unrealized gains and losses included in Other comprehensive income, the range and weighted average of significant unobservable inputs and narrative description of the measurement uncertainty. The guidance is effective for fiscal years beginning after December 15, 2019, but entities are permitted to early adopt either the entire standard or only the provisions that eliminate or modify the existing requirements. Retrospective transition is required for most amendments while others require prospective application, e.g., the new disclosure requirements related to Level 3 fair value measurements. The Company adopted this ASU as of January 1, 2020. The amendments on the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty are applied prospectively. The amendments that are to be applied retrospectively are not applicable to us. Beginning with our first quarter 2020 filing, the adoption of this standard does not have a material impact on our disclosures.

In June 2018, the FASB issued ASU 2018-07, *Compensation-Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting*. The standard simplifies the accounting for shared-based payments to nonemployees by aligning it with the accounting for share-based payments to employees, with certain exceptions. Equity-classified nonemployee awards will be measured on the grant date, rather than on the earlier of (1) the performance commitment date or (2) the date at which the nonemployee’s performance is complete. However, for equity-classified awards for which a measurement date has not been previously established upon adoption date, they are to be measured on the basis of their adoption-date fair-value. The Standard requires a cumulative-effect adjustment to retained earnings as of the beginning of the annual period of adoption. The Company adopted ASU 2018-07 as of January 1, 2019 with no impact to its Consolidated Financial Statements because the compensation expense recognized for eligible restricted stock awards to nonemployees was based on the shares' fair value measurement as of December 31, 2018 (and on January 1, 2019, the adoption date).

In February 2018, the FASB issued ASU 2018-02, *Income Statement –Reporting Comprehensive Income (Topic 220).* The standard provides entities with an option to reclassify tax effects stranded in accumulated other comprehensive income as a result of the Tax Cuts and Jobs Act enacted in December 2017 to retained earnings as compared to income tax expense. The new standard can be applied either (1) in the period of adoption or (2) retrospectively to each period in which the effect of the change in the federal income tax rate is recognized. The Company adopted ASU 2018-02 as of January 1, 2019 but made no election to reclassify the stranded OCI to retained earnings as permitted by the standard. Therefore, this standard had no impact on the Company's Consolidated Financial Statements. The Company will reclassify these stranded tax effects using the individual security approach. As securities with stranded effects mature or are sold, the associated amounts will be reclassified.

In March 2017, the FASB issued ASU 2017-08, *Receivables – Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities*. The standard shortens the amortization period for certain purchased callable debt securities held at a premium to the earliest call date. The guidance does not change the accounting for discount accretion. Subsequent to year-end December 31, 2018, the Company adopted ASU 2017-08, which impacted a very limited number of securities. We recognized additional amortization of $147,000 as a cumulative adjustment to retained earnings as of January 1, 2019.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments- Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("CECL")*, further amended by ASU 2019-04, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments*. Topic 326 is intended to improve financial reporting by requiring earlier recognition of credit losses on loans, held-to-maturity (HTM) securities, loan commitments and certain other financial assets and off-balance sheet exposures. It replaces the current incurred loss impairment model that recognizes losses when a probable threshold is met with a requirement to recognize lifetime expected credit losses immediately when a financial asset is originated or purchased. 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 in each subsequent period for changes in credit risk. The new CECL credit losses standard also expands the disclosure requirements regarding an entity's assumptions, models, and methods for estimating the ACL. Notably, public entities are 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). This guidance became effective for SEC filers that were not eligible to be smaller reporting companies for interim and annual periods beginning after December 15, 2019.

The Company adopted the above mentioned ASUs related to *Financial Instruments – Credit Losses (Topic 326)* as of January 1, 2020, using a modified retrospective approach. Upon adoption, the Bank recorded an increase in our Allowance for credit losses of $45.8 million, including $4.6 million related to unfunded commitments, or 18.2% as compared to that of December 31, 2019. The cumulative-effect adjustment to retained earnings for our change in the allowance for credit losses upon adoption reduced our capital and decreased our regulatory capital amounts and ratios. On March 27, 2020, the Federal Reserve, FDIC and OCC issued an interim final rule that delays the estimated impact on regulatory capital stemming from the implementation of CECL for a transition period of up to five years, and we elected to utilize this five-year transition period option.

Further amending the new credit losses standard, the FASB issued ASU 2019-05**,** *Financial Instruments—Credit Losses (Topic 326): Targeted Transition Relief* in May 2019 and ASU 2019-11, *Codification Improvements to Topic 326, Financial Instruments – Credit Losses* in November 2019*.* ASU 2019-05 provides entities that have certain instruments within the scope of Subtopic 326-20, *Financial Instruments—Credit Losses—Measured at Amortized Cost*, with an option to irrevocably elect the fair value option in Subtopic 825-10, *Financial Instruments—Overall*, applied on an instrument-by-instrument basis for eligible instruments, upon adoption of Topic 326. The fair value option election does not apply to held-to-maturity debt securities. This ASU had the same effective date as the new credit loss standard. We adopted this ASU in conjunction with the adoption of ASU 2016-13 with no election of the fair value option.

The amendments in ASU 2019-11 provide several narrow-scope changes to the new credit losses standard, including one requiring entities to include certain expected recoveries of the amortized cost basis in the allowance for credit losses for purchased credit-deteriorated assets (PCDs), transitions relief, disclosure related to accrued interest receivables, financial assets secured by collateral maintenance provisions, and others. The standard shares the same effective date as the new credit loss standard. We adopted this ASU in conjunction with the adoption of ASU 2016-13 and the impact of this update is included in the recorded amount upon adoption of Topic 326 above.

In February 2020, the FASB issued ASU 2020-03, *Codification Improvements to Financial Instruments*, which further amends ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments*. The ASU makes specific amendments to certain financial instruments guidance including a clarification that the contractual term used to estimate the loss for a net investment in a lease should be the "lease term." The ASU also states that when an entity regains control of financial assets sold, an allowance for credit losses should be recorded under ASC 326 for those assets.

This ASU has the same effective date as the new credit loss standard. We adopted this ASU guidance in conjunction with the adoption of ASU 2016-13.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which requires 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 replaces most existing lease accounting guidance and requires expanded quantitative and qualitative disclosures for both lessees and lessors. In July 2018, the FASB issued ASU 2018-11, *Leases – Targeted Improvements (Topic 842)*, which provides entities a transition option to initially apply the new leases standard at the effective date, e.g. January 1, 2019 for the Company, and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption without restating comparative periods presented in the financial statements. Further amending the new leases standard, the FASB issued ASU 2018-20 in December 2018 and ASU 2019-01, *Leases (Topic 842)*, in March 2019, to provide certain clarifications on lessor accounting. Specifically, ASU 2018-20 allows lessors to make an accounting policy election to not evaluate whether sales taxes and other similar taxes are lessor costs; it also requires lessors to exclude lessor costs paid directly by lessees to third parties on the lessor's behalf from variable payments but to include lessor costs that are reimbursed by the lessees in the measurement of variable lease revenue and the associated expense. ASU 2019-01, *Leases (Topic 842),* provides guidance on determining the fair value of the underlying asset by lessors that are not manufacturers or dealers, at its cost, less any volume or trade discounts, as long as there isn't significant amount of time between acquisition of the asset and lease commencement. In addition, ASU 2019-01 clarifies that lessors in the Scope of ASC 942*, Financial Services – Depository and Lending,* must classify principal payments received from sales-type and direct financing leases in investing activities in the statement of cash flows.

The Company adopted all above-mentioned ASUs related to *Leases (Topic 842)* as of their effective date, January 1, 2019*.* We elected the transition option as provided in ASU 2018-11 to initially apply the new leases standard upon adoption. In addition, we elected the transition practical expedient package which did not require reassessment of: 1) whether any contracts are or contain embedded leases; 2) the lease classification for any leases; and 3) whether initial direct costs meet the new definition as of the adoption date. From the lessee perspective, no embedded leases were identified. As such, upon adoption we recognized a Right of Use ("ROU') asset of $232.4 million and a lease liability of $247.1 million primarily related to existing real estate operating leases as of January 1, 2019. The ROU and lease liability recognition impact changed by a marginal amount from our Form 10-K disclosure for the year ended December 31, 2018. This was due to updated information received subsequent to our Form 10-K filing related to the timing of cash receipt of an estimated lease incentive.

From the lessor perspective, the related accounting is unchanged, except that certain initial direct costs are no longer eligible for capitalization. Additionally, for the Company's existing lessor leases modified following adoption and new leases executed after January 1, 2019, the classification of certain leases will change from direct financing to sales-type when the control is deemed to have transferred, i.e., the residual value is guaranteed solely by the lessee. This has no implications on the associated accounting, but impacts the associated disclosure. Therefore, the associated impact of this standard on the Consolidated Financial Statements as it relates to lessor contracts was minimal. See Note 23 to our Consolidated Financial Statements for further discussion.

In August 2018, the FASB issued ASU 2018-15, *Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40), Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*. This ASU aligns the requirements for capitalizing implementation costs in a Cloud Computing Arrangement service contract with the requirements for capitalizing implementation costs incurred for an internal-use software license. Implementation costs incurred by customers in a cloud computing arrangement are to be deferred and recognized over the term of the arrangement, if those costs would be capitalized by the customer in a software licensing arrangement under the internal-use software guidance. The Company early adopted this ASU as of September 30, 2018 with retrospective transition to capitalize implementation costs incurred for new systems, primarily related to loan operations. The impact to the Company is limited to financial statement presentation. Specifically, the capitalized asset and amortization expense in both the Consolidated Statement of Financial Condition and the Consolidated Statements of Income changed for new cloud based software. The capitalization of eligible implementation costs is recorded in the Consolidated Statement of Financial Condition in Other assets, instead of Premises and equipment, net. The associated amortization is recorded in Information technology expense instead of Other general and administrative expenses in the Consolidated Statement of Income. The impact of adoption to the Consolidated Financial Statements was immaterial.

In August 2017, the FASB issued ASU 2017-12**,** *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities,* which changes the recognition and presentation requirements of hedge accounting, including: eliminating the requirement to separately measure and report hedge ineffectiveness; and presenting all items that affect earnings in the same income statement line item as the hedged item. The ASU also provides new alternatives for applying hedge accounting to additional hedging strategies; measuring the hedged item in fair value hedges of interest rate risk; reducing the cost and complexity of applying hedge accounting by easing the requirements for effectiveness testing, hedge documentation and application of the critical terms match method; and reducing the risk of material error correction if a company applies the shortcut method inappropriately. The Company early adopted this ASU on April 1, 2018. The guidance did not have an impact on our derivatives on the date of adoption and thus there was no impact to the Consolidated Financial Statements through June 30, 2018. However, during the latter half of 2018, we entered into partial term fair value hedges to hedge certain fixed rate loans held for investment. These hedges are expected to be highly effective in offsetting changes in the fair value of the hedged loans. The related hedging relationships are designated as fair value hedges under the "last-of-layer" method, a new approach provided by ASU 2017-12. Gains and losses on derivatives instruments designated as fair value hedges, as well as changes in fair value on the hedged item, are recorded in Interest income for loans and leases in the Consolidated Statements of Income. See Note 22 to the Consolidated Financial Statements for further discussion.

In October 2018, the FASB issued ASU 2018-16**,** *Derivatives and Hedging (Topic 815): Inclusion of the Secured Overnight Financing Rate (SOFR) Overnight Index Swap (OIS) Rate as a Benchmark Interest Rate for Hedging Accounting Purposes.* The ASU adds the overnight index swap rate based on the Secured Overnight Financing Rate to the list of US benchmark interest rates in ASC 815 that are eligible to be hedged. This guidance is effective when an entity adopts the new hedging guidance in ASU 2017-12, which the Company early adopted on April 1, 2018. The new ASU had no impact to the Consolidated Financial Statements.

In April 2019, the FASB issued ASU 2019-04, Amendments to new standards on credit losses, derivatives and hedging, and financial instruments. Amendments related to *Topic 815*, *Derivatives and Hedging,* include providing entities the option to begin to amortize a fair value hedge basis adjustment before the fair value hedging relationship is discontinued. The basis adjustment should be fully amortized by the hedged item's assumed maturity date if such election is made. For entities that have adopted the amendments in ASU 2017-12 as of the issuance date of ASU 2019-04, the effective date is as of the beginning of the first annual period after the issuance of this ASU, which was January 1, 2020 for the Company. Given that we early adopted 2017-12, we had the option to either retrospectively apply all amendments in ASU 2019-04 as of the date we early adopted ASU 2017-12 (April 2018) or prospectively apply all amendments as of the date of adoption of ASU 2019-04. We elected to retrospectively apply the amendments in ASU 2019-04 related to derivative and hedging as of the date we early adopted 2017-12. However, since we did not make the election to begin amortization of fair value hedge basis adjustments prior to the hedging relationship being discontinued, the amendments issued in ASU 2019-04 related to derivatives and hedging had no impact to our Consolidated Financial Statements.

Results of Operations

The following is a discussion and analysis of our results of operations for the year ended December 31, 2020 compared to the year ended December 31, 2019 and for the year ended December 31, 2019 compared to the year December 31, 2018.

Year Ended December 31, 2020 Compared to Year Ended December 31, 2019

Net Income

Net income for the year ended December 31, 2020 was $528.4 million, or $9.96 diluted earnings per share, compared to $586.5 million, or $10.82 diluted earnings per share, for the year ended December 31, 2019. The decrease was primarily due to an increase of $225.5 million in the provision for credit losses predominantly attributable to the impact of COVID-19 on the U.S economy, and an increase of $84.8 million in non-interest expense primarily due to a rise of $54.1 million in salaries and benefits from the significant hiring of private client banking teams for the year ended December 31, 2020, versus the comparable period last year. This increase was partially offset by an increase of $207.5 million in net interest income, largely attributable to a decrease of $187.5 million in interest expense and a $13.5 million increase in non-interest income.

The returns on average common shareholders' equity and average total assets for the year ended December 31, 2020 were 10.75% and 0.87%, respectively, compared to 12.85% and 1.19% for the year ended December 31, 2019.

		Years ended December 31,	
(in thousands)		**2020**	**2019**
Interest income	$	1,931,646	1,911,676
Interest expense		412,554	600,083
Net interest income before provision for loan and lease losses		1,519,092	1,311,593
Provision for loan and lease losses		248,094	22,636
Non-interest income (1)		75,248	61,715
Non-interest expense		614,054	529,269
Income tax expense (1)		203,833	234,917
Net income (1)	$	528,359	586,486

(1) Effective January 1, 2020, we changed our accounting policy for Low Income Housing Tax Credit ("LIHTC") investments from the equity method to the proportional amortization method as it was determined to be the preferable method. All applicable prior period amounts have been retroactively restated to conform to the new accounting policy.

Net Interest Income

Net interest income is the difference between interest earned on assets and interest incurred on liabilities. The following table presents an analysis of net interest income by each major category of interest-earning assets and interest-bearing liabilities for the years ended December 31, 2020 and 2019:

	Years ended December 31,					
	2020			***2019***		
(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	$ 5,887,909	11,748	0.20 %	1,007,237	21,127	2.10 %
Investment securities	9,812,898	254,331	2.59 %	9,561,736	306,303	3.20 %
Commercial loans, mortgages and leases (1)	43,612,057	1,661,455	3.81 %	37,449,199	1,575,074	4.21 %
Residential mortgages and consumer loans	175,560	6,742	3.84 %	212,254	9,463	4.46 %
Loans held for sale	196,948	3,655	1.86 %	152,571	4,978	3.26 %
Total interest-earning assets	59,685,372	1,937,931	3.25 %	48,382,997	1,916,945	3.96 %
Non-interest-earning assets (2)	920,531			764,837		
Total assets	$ 60,605,903			49,147,834		
INTEREST-BEARING LIABILITIES						
Interest-bearing deposits						
NOW and interest-bearing demand	$ 8,783,053	67,948	0.77 %	4,297,419	82,180	1.91 %
Money market	23,924,076	191,353	0.80 %	19,103,463	299,874	1.57 %
Time deposits	2,132,466	38,048	1.78 %	2,498,190	58,676	2.35 %
Non-interest-bearing demand deposits	15,722,196	—	— %	12,155,929	—	— %
Total deposits	50,561,791	297,349	0.59 %	38,055,001	440,730	1.16 %
Subordinated debt	545,031	27,130	4.98 %	291,532	16,045	5.50 %
Other borrowings	3,804,585	88,075	2.31 %	5,516,093	143,308	2.60 %
Total deposits and borrowings	54,911,407	412,554	0.75 %	43,862,626	600,083	1.37 %
Other non-interest-bearing liabilities	750,691			685,008		
Preferred equity	29,112			—		
Common equity (2)	4,914,693			4,600,200		
Total liabilities and shareholders' equity	$ 60,605,903			49,147,834		
OTHER DATA						
Net interest income / interest rate spread (1)		1,525,377	2.50 %		1,316,862	2.59 %
Tax equivalent adjustment		(6,285)			(5,269)	
Net interest income, as reported		1,519,092			1,311,593	
Net interest margin			2.55 %			2.71 %
Tax-equivalent effect			0.01 %			0.01 %
Net interest margin on a tax-equivalent basis (1)			2.56 %			2.72 %
Ratio of average interest-earnings assets to average interest-bearing liabilities			108.69%			110.31%

(1) Presented on a tax-equivalent, non-GAAP, basis for municipal leasing and financing transactions using the U.S. federal statutory tax rate of 21 percent for the periods presented.

(2) Effective January 1, 2020, we changed our accounting policy for Low Income Housing Tax Credit ("LIHTC") investments from the equity method to the proportional amortization method as it was determined to be the preferable method. All applicable prior period amounts have been retroactively restated to conform to the new accounting policy.

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

	Year ended December 31, 2020 vs. 2019		
(in thousands)	**Change Due to Rate**	**Change Due to Volume**	**Total Change**
INTEREST INCOME			
Short-term investments	$ (111,752)	102,373	(9,379)
Investment securities	(60,018)	8,046	(51,972)
Commercial loans, mortgages, and leases (1)	(172,822)	259,203	86,381
Residential mortgages and consumer loans	(1,085)	(1,636)	(2,721)
Loans held for sale	(2,771)	1,448	(1,323)
Total interest income	(348,448)	369,434	20,986
INTEREST EXPENSE			
Interest-bearing deposits			
NOW and interest-bearing demand	(100,011)	85,779	(14,232)
Money market	(184,192)	75,671	(108,521)
Time deposits	(12,038)	(8,590)	(20,628)
Total interest-bearing deposits	(296,241)	152,860	(143,381)
Subordinated debt	(2,867)	13,952	11,085
Other Borrowings	(10,768)	(44,465)	(55,233)
Total interest expense	(309,876)	122,347	(187,529)
Net interest income	$ (38,572)	247,087	208,515

(1) Presented on a tax-equivalent, non-GAAP, basis for municipal leasing and financing transactions using the U.S. federal statutory tax rate of 21 percent for the periods presented.

Net interest income for the year ended December 31, 2020 was $1.52 billion, an increase of $207.5 million, or 15.8%, over the year ended December 31, 2019. The increase in net interest income for 2020 was largely driven by a $11.30 billion increase in average interest-earning assets, partially offset by a 71 basis point decrease in yield on interest-earning assets to 3.25%, when compared to the same period last year. Further contributing to this increase was a 62 basis point decrease in average cost of funds to 0.75% for the year ended 2020, partially offset by a $11.05 billion increase in average total deposits and borrowings compared to the same period last year. These same factors contributed to a 16 basis point decrease in net interest margin on a tax-equivalent basis to 2.56% for the year ended December 31, 2020, compared to 2.72% for the same period last year.

Total investment securities averaged $9.81 billion for the year ended December 31, 2020, compared to $9.56 billion for the year ended December 31, 2019. The overall yield on the securities portfolio for the year ended December 31, 2020 was 2.59%, a decrease when compared to 3.20% the same period last year, due to lower reinvestment yields and higher premium amortization as a result of the 2020 rate cuts by the Federal Reserve. Our portfolio primarily consists of high quality and highly-rated mortgage-backed securities, commercial mortgage-backed securities, and collateralized mortgage obligations issued by government agencies, government-sponsored enterprises, and private issuers. We mitigate extension risk through our overall strategy of purchasing relatively stable duration securities that, by their nature, have lower yields. At December 31, 2020, the baseline average duration of our investment securities portfolio was approximately 2.22 years, compared to 2.59 years at December 31, 2019.

Total commercial loans, mortgages and leases averaged $43.61 billion for the year ended December 31, 2020, an increase of $6.16 billion or 16.5% over the year ended December 31, 2019. The average yield on this portfolio decreased 40 basis points to 3.81% when compared to the year ended December 31, 2019, primarily due to decreased market rates. Prepayment penalty income was $29.7 million for the year ended December 31, 2020, compared to $14.8 million for the prior year. Our commercial real estate loans (including multi-family loans) normally have a term of ten years, with a fixed rate of interest in years one through five and a rate that either adjusts annually or is fixed for the five years that follow. Loans that prepay in the first five years generate prepayment penalties ranging from one to five percentage points of the then-current loan balance, depending on the remaining term of the loan. If a loan is still outstanding in the sixth year and the borrower selects the fixed rate option, the prepayment penalties typically reset to a range of one to five percentage points over years six through ten. It is difficult to predict the level of prepayment activity in future periods as it depends on market conditions, real estate values, the actual or perceived direction of market interest rates and the contractual repricing and maturity dates of commercial real estate loans.

We are an active participant in the SBA loan and SBA pool secondary market by purchasing, securitizing, and selling the guaranteed portions of SBA loans, most of which have adjustable rates and float at a spread to the prime rate. Once purchased, we typically warehouse the guaranteed loan for approximately 30 to 180 days and classify them as loans held for sale. From this warehouse, we aggregate like SBA loans by similar characteristics into pools for securitization to the secondary market. The timing of the purchase and sale of such loan pools drives the period-to-period fluctuations in average balances of loans held for sale, which averaged $196.9 million and $152.6 million for the years ended December 31, 2020 and 2019, respectively.

Average total deposits and borrowings increased $11.05 billion, or 25.2%, to $54.91 billion during the year ended December 31, 2020, compared to $43.86 billion for the previous year. Overall cost of funding was 0.75% during 2020, decreasing 62 basis points from 1.37% in 2019, primarily due to the decrease in market interest rates in 2020.

For the year ended December 31, 2020, average non-interest-bearing demand deposits were $15.72 billion, compared to $12.16 billion for the year ended December 31, 2019, an increase of $3.57 billion, or 29.3%. Non-interest-bearing demand deposits continue to comprise a significant component of our deposit mix, representing 29.6% of all deposits at December 31, 2020. Additionally, average NOW and interest-bearing demand and money market accounts totaled $32.71 billion for the year ended December 31, 2020, an increase of $9.31 billion, or 39.8%, over the year ended December 31, 2019. 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 decrease in the federal funds rate over the last year, our funding cost for money market accounts decreased to 0.80% for the year ended December 31, 2020 compared to 1.57% for the prior year. Our funding cost for NOW and interest-bearing demand accounts was 0.77% for the year ended December 31, 2020 compared to 1.91% for the year ended December 31, 2019.

Average time deposits, which are relatively short-term in nature, totaled $2.13 billion for the year ended December 31, 2020 and carried an average cost of 1.78% in 2020, down 57 basis points from 2.35% in 2019. Time deposits are offered to supplement our core deposit operations for existing or new client relationships, and are not marketed through retail channels.

For the year ended December 31, 2020, average total borrowings were $4.35 billion, compared to $5.81 billion for the previous year, a decrease of $1.46 billion or 25.1%. The decrease in average total borrowings, when compared to the previous year, was primarily attributable to a $1.05 billion prepayment in borrowings during the year, reflecting our continued ability to fund a large portion of our loan growth with deposits. At December 31, 2020 total borrowings represent approximately 5.7% of all funding liabilities, compared to 10.5% at December 31, 2019. The average cost of our total borrowings was 2.64% for 2020, down 11 basis points from 2.75% in 2019. The decrease in the average cost of borrowings is primarily due to the lower replacement rates for our Federal Home Loan Bank advances as a result of the recent rate cuts by the Federal Reserve in response to the COVID-19 pandemic.

Provision for Credit Losses

Our provision for credit losses was $248.1 million for the year ended December 31, 2020, compared to $22.6 million for the prior year, an increase of $225.5 million, or over 100%. The higher provision is primarily attributable to COVID-19 and its ongoing impact on the US economy and the related macroeconomic forecast, namely the increase in forecasted unemployment, as well as the significant decline in the commercial property price index value forecasts. During 2020, the portfolio mix of our loan growth has continued to shift from commercial real estate to fund banking. As fund banking loans generally possess stronger credit quality, as evident in the portfolio risk rating composition, a lower loss rate is ascribed. However, the positive impact on the provision due to this continued migration of portfolio mix during the twelve months ended December 31, 2020 was offset by the aforementioned impact of COVID-19.

Our ACLLL increased $258.3 million to $508.3 million at December 31, 2020 from $250.0 million at December 31, 2019, primarily attributable to COVID-19 and its ongoing impact on the US economy. The increase was also attributable to the Bank's adoption of CECL on January 1, 2020, which resulted in a $45.8 million, or 18.2% increase in our allowance for credit losses, including the impact of $4.6 million to our allowance for unfunded commitments. The allowance for credit losses for unfunded commitments is recorded in Accrued expenses and other liabilities. As of adoption on January 1, 2020, our ACLLL increased $41.2 million, or 16.5% compared to our ALLL as of December 31, 2019.

For additional information about the provision for credit losses and the ACLLL, see the discussion of asset quality and the ACLLL later in this report, as well as in Note 9 to our Consolidated Financial Statements.

The following table allocates our ACLLL based on our judgment of inherent losses in each respective portfolio category according to our methodology for allocating reserves:

	December 31,					
	2020			2019		
(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	$15,171,520	128,233	0.85 %	15,101,727	91,641	0.61 %
Commercial property	10,553,599	233,491	2.21 %	10,199,293	60,248	0.59 %
1-4 family residential property	494,680	14,366	2.90 %	506,515	2,844	0.56 %
Home equity lines of credit	82,553	3,328	4.03 %	105,379	2,324	2.21 %
Acquisition, development and construction loans	1,367,896	46,233	3.38 %	1,270,095	10,820	0.85 %
Other commercial loans:						
Specialty finance	5,043,106	53,969	1.07 %	4,596,932	38,092	0.83 %
Fund banking	11,237,465	3,605	0.03 %	4,421,961	21,085	0.48 %
Commercial industrial	3,034,047	24,395	0.80 %	2,863,967	22,687	0.79 %
PPP loans (1)	1,874,447	—	— %	—	—	— %
Taxi medallions	2,826	—	— %	6,897	—	— %
Other loans:						
Consumer	7,039	679	9.65 %	9,605	248	2.58 %
Total	$48,869,178	508,299	1.04 %	39,082,371	249,989	0.64 %

(1) Zero ACL for PPP loans due to government guarantee associated with the program.

Non-Interest Income

For the year ended December 31, 2020, non-interest income was $75.2 million, an increase of $13.5 million, or 21.9%, when compared with 2019. The increase was primarily attributable to a $13.5 million increase in fees and service charges due to the continued growth of our business, primarily Fund Banking, and a $4.4 million increase in net gains on sale of securities and loans. The increase was partially offset by a $1.1 million decrease in commissions, as well as a $1.9 million increase in our LIHTC tax credit investment amortization.

Effective January 1, 2020, the Bank adopted the proportional amortization method of accounting for its low-income housing tax credit investments. The related amortization for qualifying investments is now recorded as income tax expense instead of non-interest income. This change was retrospectively applied to prior period financial statements for comparability. The amortization associated with LIHTC investments that are not eligible for the proportional amortization method and other tax credit investments continues to be recognized as non-interest income. See Note 3 for additional discussion.

Non-Interest Expense

Non-interest expense increased $84.8 million, or 16.0%, to $614.1 million for the year ended December 31, 2020 from $529.3 million for the year ended December 31, 2019. The increase was primarily driven by an increase of $54.1 million in salaries and benefits mostly attributable to the significant hiring of 20 new private client banking teams during 2020, among which,18 were added in San Francisco and the Greater Los Angeles marketplace as we continued our West Coast expansion, as well as the increased compensation costs driven by the continued growth of our business. The increase was also attributable to an increase of $18.0 million in other general and administrative expenses, primarily as a result of $14.4 million in negative fair value adjustments related to repossessed New York City taxi medallions, compared to $2.2 million for the same period last year, as well as an increase of $6.3 million in information technology expenses due to the continued growth of our business. Further contributing to the overall increase was an increase of $6.8 million in penalty expenses primarily associated with the prepayment of $1.05 billion in borrowings during 2020.

Stock-Based Compensation

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

As of December 31, 2020, our total unrecognized compensation cost related to unvested restricted shares was $62.4 million which is expected to be recognized over a weighted-average period of 1.71 years. During the years ended December 31, 2020 and 2019, we recognized compensation expense of $55.0 million and $55.4 million, respectively, for restricted shares. The total fair value of restricted shares that vested during the years ended December 31, 2020 and 2019 was $29.5 million and $50.0 million, respectively.

Income Taxes

We recognized income tax expense for the year ended December 31, 2020 of $203.8 million reflecting an effective tax rate 27.8%, compared to $234.9 million for the year ended December 31, 2019 reflecting an effective tax rate of 28.6%. The decrease in the effective tax rate for the year ended December 31, 2020, was primarily due to an increase in low income housing and solar investment tax credits, as well as the impact of the increase in the provision for credit losses on pretax income compared to the same period last year. This decrease was partially offset by a $6.4 million discrete expense reflecting true-ups to our recently filed 2019 tax returns.

The effective tax rates for the year ended December 31, 2020 as compared to 2019 were impacted by the change of accounting policy for the low-income housing tax credit (“LIHTC”) investments effective January 1, 2020. The change was applied retrospectively for comparability. The accounting change resulted in increases in the provision for income taxes of $40.3 million and $36.2 million, respectively, for the years ended December 31, 2020 and 2019. See Note 3 to our Consolidated Financial Statements for further information.

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, fund banking, venture banking, and other 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 tables present the financial data for each reportable segment for the periods presented:

	Year ended December 31, 2020			
(in thousands)	**Commercial Banking**	**Specialty Finance**	**Eliminations (1)**	**Consolidated**
Net interest income	$ 1,390,993	128,099	—	1,519,092
Provision for (recovery of) credit losses	242,193	5,901	—	248,094
Total non-interest income	70,377	5,036	(165)	75,248
Total non-interest expense	562,485	51,734	(165)	614,054
Income (loss) before income taxes	656,692	75,500	—	732,192
Total assets	$ 73,990,855	5,385,312	(5,487,823)	73,888,344

(1) Eliminations related to intercompany funding.

	Year ended December 31, 2019			
(in thousands)	**Commercial Banking**	**Specialty Finance**	**Eliminations (1)**	**Consolidated**
Net interest income	$ 1,208,015	103,578	—	1,311,593
Provision for (recovery of) credit losses	10,366	12,270	—	22,636
Total non-interest income (2)	53,691	8,048	(24)	61,715
Total non-interest expense	489,875	39,418	(24)	529,269
Income (loss) before income taxes (2)	761,465	59,938	—	821,403
Total assets (2)	$ 50,733,632	4,861,690	(5,003,513)	50,591,809

(1) Eliminations related to intercompany funding.

(2) Effective January 1, 2020, we changed our accounting policy for Low Income Housing Tax Credit ("LIHTC") investments from the equity method to the proportional amortization method as it was determined to be the preferable method. All applicable prior period amounts have been retroactively restated to conform to the new accounting policy.

Commercial Banking

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

	Years ended December 31,	
(in thousands)	**2020**	**2019**
Net interest income	$ 1,390,993	1,208,015
Provision for (recovery of) credit losses	242,193	10,366
Total non-interest income (1)	70,377	53,691
Total non-interest expense	562,485	489,875
Income (loss) before income taxes (1)	656,692	761,465
Total assets (1)	$ 73,990,855	50,733,632

(1) Effective January 1, 2020, we changed our accounting policy for Low Income Housing Tax Credit ("LIHTC") investments from the equity method to the proportional amortization method as it was determined to be the preferable method. All applicable prior period amounts have been retroactively restated to conform to the new accounting policy.

Commercial Banking net interest income increased $183.0 million for the year ended December 31, 2020 to $1.39 billion, or 15.1%, when compared to the prior year. The increase in net interest income was largely driven by an increase in average interest-earning assets.

The provision for credit losses increased $231.8 million, or over 100%, to a $242.2 million reserve build for the year ended December 31, 2020, when compared to a $10.4 million reserve build for the same period last year. The increase was predominantly attributable to the effects of COVID-19 on the U.S. economy and the impact of the CECL adoption on January 1, 2020 on our overall methodology throughout 2020. For additional information about the provision for credit losses, see the discussion of asset quality and the ACL later in this report, as well as in Note 9 to our Consolidated Financial Statements.

Non-interest expense was $562.5 million for the year ended December 31, 2020, an increase of $72.6 million, or 14.8%, when compared to $489.9 million in the prior year. The increase was primarily attributable to an increase in salaries and benefits expense due to the addition of new private client banking teams, the significant hiring for the new national business initiatives, and an increase in compensation costs driven by the growth of our business. Further contributing is an increase in other general and administrative expense and information technology expenses, which were also attributable to the continued growth of our business.

The increase of $23.26 billion in total assets, or 45.8%, from $50.73 billion as of December 31, 2019 to $73.99 billion as of December 31, 2020 was primarily attributable to growth in our commercial and industrial portfolios, principally fund banking, as a result of significant deposit growth throughout 2020.

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.

		Years ended December 31,	
(in thousands)		**2020**	**2019**
Net interest income	$	128,099	103,578
Provision for (recovery of) credit losses		5,901	12,270
Total non-interest income		5,036	8,048
Total non-interest expense		51,734	39,418
Income (loss) before income taxes		75,500	59,938
Total assets	$	5,385,312	4,861,690

Specialty Finance net interest income was $128.1 million for the year ended December 31, 2020, an increase of $24.5 million when compared to $103.6 million for the same period last year. The increase is primarily attributable to the continued loan growth in our equipment lending portfolios.

The provision for credit losses decreased $6.4 million, or 51.9%, to $5.9 million for the year ended December 31, 2020 from $12.3 million for the year ended December 31, 2019. The decrease is primarily attributable to the absence of a 2019 increase in qualitative reserves associated with the deterioration in economic and business condition indices, partially offset by the impact of COVID-19 on the U.S. economy. For additional information about the provision for credit losses, see the discussion of asset quality and the ACL later in this report, as well as in Note 9 to our Consolidated Financial Statements.

Non-interest expense was $51.7 million for the year ended December 31, 2020, an increase of $12.3 million, or 31.2%, when compared to $39.4 million for the same period a year ago, the increase is primarily attributable to fair value adjustments related to repossessed NYC taxi medallions as a result of the decline in the related transfer prices during 2020.

The increase of $523.6 million in total assets, or 10.8%, from $4.86 billion as of December 31, 2019 to $5.39 billion as of December 31, 2020 was primarily attributable to the continued growth in our equipment lending portfolios in 2020.

Year Ended December 31, 2019 Compared to Year Ended December 31, 2018

Net Income

Net income for the year ended December 31, 2019 was $586.5 million, or $10.82 diluted earnings per share, compared to $506.4 million, or 9.25 diluted earnings per share, for the year ended December 31, 2018. The increase was primarily due to a decrease of $140.0 million in the provision for loan losses, nearly all attributable to the NYC taxi medallion portfolio. This overall increase was partially offset by an increase of $43.0 million in non-interest expense attributable to the significant hiring of new banking teams and a $40.6 million increase in income taxes as a result of higher earnings for the year ended December 31, 2019, compared to the same period last year.

The returns on average common shareholders' equity and average total assets for the year ended December 31, 2019 were 12.85% and 1.19%, respectively, compared to 12.06% and 1.12% for the year ended December 31, 2018.

	Years ended December 31,	
(in thousands)	**2019**	**2018**
Interest income	$ 1,911,676	1,708,920
Interest expense	600,083	409,933
Net interest income before provision for loan and lease losses	1,311,593	1,298,987
Provision for loan and lease losses	22,636	162,524
Non-interest income:		
Net impairment losses on securities recognized in earnings	—	(16)
Total non-interest income (1)	61,715	50,555
Non-interest expense	529,269	486,278
Income tax expense (1)	234,917	194,306
Net income (1)	$ 586,486	506,434

(1) Effective January 1, 2020, we changed our accounting policy for Low Income Housing Tax Credit ("LIHTC") investments from the equity method to the proportional amortization method as it was determined to be the preferable method. All applicable prior period amounts have been retroactively restated to conform to the new accounting policy.

Net Interest Income

Net interest income is the difference between interest earned on assets and interest incurred on liabilities. The following table presents an analysis of net interest income by each major category of interest-earning assets and interest-bearing liabilities for the years ended December 31, 2019 and 2018:

	Years ended December 31,					
	2019			***2018***		
(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	$ 1,007,237	21,127	2.10 %	463,799	8,925	1.92 %
Investment securities	9,561,736	306,303	3.20 %	9,392,563	299,697	3.19 %
Commercial loans, mortgages and leases (1)	37,449,199	1,575,074	4.21 %	33,972,459	1,383,531	4.07 %
Residential mortgages and consumer loans (1)	212,254	9,463	4.46 %	230,727	9,719	4.21 %
Loans held for sale	152,571	4,978	3.26 %	374,610	10,863	2.90 %
Total interest-earning assets	48,382,997	1,916,945	3.96 %	44,434,158	1,712,735	3.85 %
Non-interest-earning assets (2)	764,837			590,452		
Total assets	$ 49,147,834			45,024,610		
INTEREST-BEARING LIABILITIES						
Interest-bearing deposits						
NOW and interest-bearing demand	$ 4,297,419	82,180	1.91 %	3,661,849	52,426	1.43 %
Money market	19,103,463	299,874	1.57 %	17,878,509	207,690	1.16 %
Time deposits	2,498,190	58,676	2.35 %	1,648,433	29,132	1.77 %
Non-interest-bearing demand deposits	12,155,929	—	—	11,954,403	—	— %
Total deposits	38,055,001	440,730	1.16 %	35,143,194	289,248	0.82 %
Subordinated debt	291,532	16,045	5.50 %	257,748	14,573	5.65 %
Other borrowings	5,516,093	143,308	2.60 %	5,073,852	106,112	2.09 %
Total deposits and borrowings	43,862,626	600,083	1.37 %	40,474,794	409,933	1.01 %
Other non-interest-bearing liabilities	685,008			411,221		
Preferred equity	—			—		
Common equity (2)	4,600,200			4,138,595		
Total liabilities and shareholders' equity	$ 49,147,834			45,024,610		
OTHER DATA						
Net interest income / interest rate spread (1)		1,316,862	2.59 %		1,302,802	2.84 %
Tax equivalent adjustment		(5,269)			(3,815)	
Net interest income, as reported		1,311,593			1,298,987	
Net interest margin			2.71 %			2.92 %
Tax-equivalent effect			0.01 %			0.01 %
Net interest margin on a tax-equivalent basis (1)			2.72 %			2.93 %
Ratio of average interest-earnings assets to average interest-bearing liabilities			110.31 %			109.78 %

(1) Presented on a tax-equivalent, non-GAAP, basis for municipal leasing and financing transactions using the U.S. federal statutory tax rate of 21 percent for the periods presented.

(2) Effective January 1, 2020, we changed our accounting policy for Low Income Housing Tax Credit ("LIHTC") investments from the equity method to the proportional amortization method as it was determined to be the preferable method. All applicable prior period amounts have been retroactively restated to conform to the new accounting policy.

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

	Year ended December 31, 2019 vs. 2018		
(in thousands)	**Change Due to Rate**	**Change Due to Volume**	**Total Change**
INTEREST INCOME			
Short-term investments	$ 1,744	10,458	12,202
Investment securities	1,208	5,398	6,606
Commercial loans, mortgages, and leases (1)	49,952	141,591	191,543
Residential mortgages and consumer loans	522	(778)	(256)
Loans held for sale	554	(6,439)	(5,885)
Total interest income	53,980	150,230	204,210
INTEREST EXPENSE			
Interest-bearing deposits			
NOW and interest-bearing demand	20,655	9,099	29,754
Money market	77,954	14,230	92,184
Time deposits	14,527	15,017	29,544
Total interest-bearing deposits	113,136	38,346	151,482
Subordinated debt	(438)	1,910	1,472
Other Borrowings	27,947	9,249	37,196
Total interest expense	140,645	49,505	190,150
Net interest income	$ (86,665)	100,725	14,060

(1) Presented on a tax-equivalent, non-GAAP, basis for municipal leasing and financing transactions using the U.S. federal statutory tax rate of 21 percent for the periods presented.

Net interest income for the year ended December 31, 2019 was $1.31 billion, an increase of $12.6 million, or 1.0%, over the year ended December 31, 2018. The increase in net interest income for 2019 was largely driven by increases in average interest-earning assets. However, this increase was partially offset by an increase in average deposits of $2.91 billion for the year ended December 31, 2019. In addition, the average cost of funds increased by 36 basis points to 1.37% for the year ended December 31, 2019, compared to 1.01% in the prior year due to the higher interest rate environment and increased deposit competition. These same factors contributed to the 21 basis point decline in net interest margin on a tax-equivalent basis to 2.72% for the year ended December 31, 2019, when compared to the same period last year.

Total investment securities averaged $9.56 billion for the year ended December 31, 2019, compared to $9.39 billion for the year ended December 31, 2018. The overall yield on the securities portfolio for the year ended December 31, 2019 was 3.20%, slightly higher when compared to the 3.19% from previous year due to lower reinvestment yields and higher premium amortization as a result of the recent rate cuts by the Federal Reserve. Our portfolio primarily consists of high quality and highly-rated mortgage-backed securities, commercial mortgage-backed securities, and collateralized mortgage obligations issued by government agencies, government-sponsored enterprises, and private issuers. We mitigate extension risk through our overall strategy of purchasing relatively stable duration securities that, by their nature, have lower yields. At December 31, 2019, the baseline average duration of our investment securities portfolio was approximately 2.59 years, compared to 3.33 years at December 31, 2018.

Total commercial loans, mortgages and leases averaged $37.45 billion for the year ended December 31, 2019, an increase of $3.48 billion or 10.2% over the year ended December 31, 2018. The average yield on this portfolio increased 14 basis points to 4.21% when compared to the year ended December 31, 2018, primarily due to increased market rates. Prepayment penalty income was $14.8 million for the year ended December 31, 2019, compared to $28.7 million for the prior year. Our commercial real estate loans (including multi-family loans) normally have a term of ten years, with a fixed rate of interest in years one through five and a rate that either adjusts annually or is fixed for the five years that follow. Loans that prepay in the first five years generate prepayment penalties ranging from one to five percentage points of the then-current loan balance, depending on the remaining term of the loan. If a loan is still outstanding in the sixth year and the borrower selects the fixed rate option, the prepayment penalties typically reset to a range of one to five percentage points over years six through ten. It is difficult to predict the level of prepayment activity in future periods as it depends on market conditions, real estate values, the actual or perceived direction of market interest rates and the contractual repricing and maturity dates of commercial real estate loans.

We are an active participant in the SBA loan and SBA pool secondary market by purchasing, securitizing, and selling the guaranteed portions of SBA loans, most of which have adjustable rates and float at a spread to the prime rate. Once purchased, we typically warehouse the guaranteed loan for approximately 30 to 180 days and classify them as loans held for sale. From this warehouse, we aggregate like SBA loans by similar characteristics into pools for securitization to the secondary market. The timing of the purchase and sale of such loan pools drives the period-to-period fluctuations in average balances of loans held for sale, which averaged $152.6 million and $374.6 million for the years ended December 31, 2019 and 2018, respectively.

Average total deposits and borrowings increased $3.39 billion, or 8.4%, to $43.86 billion during the year ended December 31, 2019, compared to $40.47 billion for the previous year. Overall cost of funding was 1.37% during 2019, increasing 36 basis points from 1.01% in 2018, primarily due to the increase in market interest rates and increased deposit competition in 2019.

For the year ended December 31, 2019, average non-interest-bearing demand deposits were $12.16 billion, compared to $11.95 billion for the year ended December 31, 2018, an increase of $201.5 million, or 1.7%. Non-interest-bearing demand deposits continue to comprise a significant component of our deposit mix, representing 31.9% of all deposits at December 31, 2019. Additionally, average NOW and interest-bearing demand and money market accounts totaled $23.40 billion for the year ended December 31, 2019, an increase of $1.86 billion, or 8.6%, over the year ended December 31, 2018. 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 and the increase in the federal funds rate over the last year, our funding cost for money market accounts increased to 1.57% for the year ended December 31, 2019 compared to 1.16% for the prior year. Our funding cost for NOW and interest-bearing demand accounts was 1.91% for the year ended December 31, 2019 compared to 1.43%% for the year ended December 31, 2018.

Average time deposits, which are relatively short-term in nature, totaled $2.50 billion for the year ended December 31, 2019 and carried an average cost of 2.35% in 2019, up 58 basis points from 1.77% in 2018. Time deposits are offered to supplement our core deposit operations for existing or new client relationships, and are not marketed through retail channels.

For the year ended December 31, 2019, average total borrowings were $5.81 billion, compared to $5.33 billion for the previous year, an increase of $476.0 million or 8.9%. The increase in average total borrowings, when compared to the previous year, reflects funding needs as a result of our continued loan growth. Considering the significant deposit growth in the year, particularly the second half of the year, we expect this average balance to decline as we continue to fund a larger portion of our loan portfolio with deposits. At December 31, 2019 total borrowings represent approximately 10.5% of all funding liabilities, compared to 14.3% at December 31, 2018. The average cost of our total borrowings was 2.75% for 2019, up 49 basis points from 2.26% in 2018. The increase in the average cost of borrowings primarily reflects higher replacement rates for both matured and new term borrowings.

Provision and Allowance for Loan and Lease Losses

Our provision for loan and lease losses was $22.6 million for the year ended December 31, 2019, compared to $162.5 million for the prior year, a decrease of $139.9 million, or 86.1%, primarily due to the absence of significant charge-offs taken in the first quarter of last year related to a significant decline in the NYC taxi medallion collateral value. Since that time, we have experienced continued taxi medallion recoveries and relatively consistent collateral valuation attributable to the continued stabilization of the taxi medallion market, as well as continued successful paydown and payoff settlement negotiations with our borrowers.

Our ALLL increased $20.0 million to $250.0 million at December 31, 2019 from $230.0 million at December 31, 2018, primarily as a result of loan growth.

For additional information about the provision for loan and lease losses and the ALLL, see the discussion of asset quality and the ALLL later in this report, as well as in Note 9 to our Consolidated Financial Statements.

The following table allocates our ALLL based on our judgment of inherent losses in each respective portfolio category according to our methodology for allocating reserves:

	December 31,					
	2019			***2018***		
(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	$ 15,101,727	91,641	0.61 %	15,688,481	99,964	0.64 %
Commercial property	10,199,293	60,248	0.59 %	10,309,837	63,328	0.61 %
1-4 family residential property	506,515	2,844	0.56 %	620,486	3,424	0.55 %
Home equity lines of credit	105,379	2,324	2.21 %	116,272	2,035	1.75 %
Acquisition, development and construction loans	1,270,095	10,820	0.85 %	1,656,467	12,339	0.74 %
Other Loans:						
Specialty finance	4,596,932	38,092	0.83 %	4,050,321	22,925	0.57 %
Fund banking	4,421,961	21,085	0.48 %	647,927	2,618	0.40 %
Other commercial and industrial	2,863,967	22,687	0.79 %	3,207,240	21,714	0.68 %
New York City taxi medallions	6,897	—	— %	85,511	1,551	1.81 %
Consumer loans	9,605	248	2.58 %	9,038	107	1.18 %
Total	$ 39,082,371	249,989	0.64 %	36,391,580	230,005	0.63 %

Non-Interest Income

For the year ended December 31, 2019, non-interest income was $61.7 million, an increase of $11.2 million, or 22.1%, when compared with 2018. The increase was primarily attributable to a $4.1 million increase in gains on sale of loans, as well as a $7.4 million increase in other non-interest income revenue streams, such as foreign currency transaction gains and fees and service charges, and a $1.4 million increase in commissions due to the continued growth of our business. The increase was partially offset by an additional $1.2 million amortization of certain low income housing tax credit investments that were not eligible for the proportional amortization method.

Effective January 1, 2020, the Bank adopted the proportional amortization method of accounting for its low-income housing tax credit investments. The related amortization for qualifying investments is now recorded as income tax expense instead of noninterest income. This change was retrospectively applied to prior period financial statements for comparability. The amortization associated with LIHTC investments that are not eligible for the proportional amortization method and other tax credit investments continues to be recognized as non-interest income. See Note 3 for additional discussions.

Non-Interest Expense

Non-interest expense increased $43.0 million, or 8.8%, to $529.3 million for the year ended December 31, 2019 from $486.3 million for the year ended December 31, 2018. The increase was primarily driven by an increase of $33.0 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. This increase was also attributable to an increase of $8.5 million in occupancy and equipment cost as a result of our expanded real estate footprint and a $17.4 million total increase in information technology and depreciation and amortization expenses due to the continued growth of our business, as well as our continued investment in our information technology infrastructure. The increase is partially offset by a $4.5 million decrease in other general and administrative expenses principally due to the absence of fair value adjustments related to repossessed NYC taxi medallions recorded during the same period last year, as well as an increase in cash management and client related expenses from additional client activity as a result of our growth. Further offsetting the increase is a decrease of $12.8 million in FDIC assessment fees due to the discontinuance of mandated surcharges after the Deposit Insurance Fund (“DIF”) ratio exceeded the required ratio of 1.35% in the second half of 2018.

Stock-Based Compensation

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

As of December 31, 2019, our total unrecognized compensation cost related to unvested restricted shares was $73.0 million which is expected to be recognized over a weighted-average period of 1.77 years. During the years ended December 31, 2019 and 2018, we recognized compensation expense of $55.4 million and $52.6 million, respectively, for restricted shares. The total fair value of restricted shares that vested during the years ended December 31, 2019 and 2018 was $50.0 million and $62.4 million, respectively.

Income Taxes

We recognized income tax expense for the year ended December 31, 2019 of $234.9 million reflecting an effective tax rate 28.6%, compared to $194.3 million for the year ended December 31, 2018 reflecting an effective tax rate of 27.7%.

Effective January 1, 2020, the Bank adopted the proportional amortization method of accounting for its low-income housing tax credit investments. The related amortization for qualifying investments is now recorded as income tax expense instead of non-interest income. This change was retrospectively applied to prior period financial statements for comparability. The amortization associated with LIHTC investments that are not eligible for the proportional amortization method and other tax credit investments remains to be recognized as non-interest income. See Note 3 for additional discussions.

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 tables present the financial data for each reportable segment for the periods presented:

	Year ended December 31, 2019				
(in thousands)		**Commercial Banking**	**Specialty Finance**	**Eliminations (1)**	**Consolidated**
Net interest income	$	1,208,015	103,578	—	1,311,593
Provision for (recovery of) loan and lease losses		10,366	12,270	—	22,636
Total non-interest income (2)		53,691	8,048	(24)	61,715
Total non-interest expense		489,875	39,418	(24)	529,269
Income (loss) before income taxes (2)		761,465	59,938	—	821,403
Total assets (2)	$	50,733,632	4,861,690	(5,003,513)	50,591,809

(1) Eliminations related to intercompany funding.

(2) Effective January 1, 2020, we changed our accounting policy for Low Income Housing Tax Credit ("LIHTC") investments from the equity method to the proportional amortization method as it was determined to be the preferable method. All applicable prior period amounts have been retroactively restated to conform to the new accounting policy.

	Year ended December 31, 2018				
(in thousands)		**Commercial Banking**	**Specialty Finance**	**Eliminations (1)**	**Consolidated**
Net interest income	$	1,212,969	86,018	—	1,298,987
Provision for (recovery of) loan and lease losses		28,707	133,817	—	162,524
Total non-interest income (2)		46,015	4,564	(24)	50,555
Total non-interest expense		432,819	53,483	(24)	486,278
Income (loss) before income taxes (2)		797,458	(96,718)	—	700,740
Total assets (2)	$	47,571,070	4,357,754	(4,587,286)	47,341,538

(1) Eliminations related to intercompany funding.

(2) Effective January 1, 2020, we changed our accounting policy for Low Income Housing Tax Credit ("LIHTC") investments from the equity method to the proportional amortization method as it was determined to be the preferable method. All applicable prior period amounts have been retroactively restated to conform to the new accounting policy.

Commercial Banking

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

	Years ended December 31,	
(in thousands)	**2019**	**2018**
Net interest income	$ 1,208,015	1,212,969
Provision for (recovery of) loan and lease losses	10,366	28,707
Total non-interest income (1)	53,691	46,015
Total non-interest expense	489,875	432,819
Income (loss) before income taxes (1)	761,465	797,458
Total assets (1)	$ 50,733,632	47,571,070

(1) Effective January 1, 2020, we changed our accounting policy for Low Income Housing Tax Credit ("LIHTC") investments from the equity method to the proportional amortization method as it was determined to be the preferable method. All applicable prior period amounts have been retroactively restated to conform to the new accounting policy.

Commercial Banking net interest income remained relatively stable at $1.21 billion for the year ended December 31, 2019 with a decrease of $5.0 million, or 0.4%, when compared to the prior year. The decrease was primarily due to an increase in the cost of funds as a result of increased deposit competition, an increase in average borrowings, and an increase in borrowing replacement rates, as well as the impact of excess cash balances from significant deposit flows.

The provision for loan and lease losses decreased $18.3 million, or 63.9%, to a $10.4 million reserve build, compared to a $28.7 million reserve build in the prior year. This decrease was primarily due to a change in the loan growth mix compared to the same period last year. In 2019, fund banking loan growth was more significant due to the Bank’s strategy to increase floating rate assets and reduce its commercial real estate portfolio concentration. Based on historical loss experience and associated risk ratings, fund banking loans have a lower loss rate compared to commercial real estate loans and, therefore, the current year provision is lower than the prior year. Further contributing to this decrease was a decline in qualitative reserves primarily related to credit concentration factors due to the aforementioned reduction in commercial real estate concentration throughout 2019. For additional information about the provision for loan and lease losses, see the discussion of asset quality and the ALLL later in this report, as well as in Note 9 to our Consolidated Financial Statements.

Non-interest expense was $489.9 million for the year ended December 31, 2019, an increase of $57.1 million, or 13.2%, when compared to $432.8 million in the prior year. The increase was primarily attributable to an increase in salaries and benefits expense due to the addition of new private client banking teams and an increase in compensation costs driven by the growth of our business. Further contributing is an increase in occupancy and equipment costs, information technology expenses and other general and administrative expenses, which were also attributable to the continued growth of our business.

The increase of $3.16 billion in total assets, or 6.6%, from $47.57 billion as of December 31, 2018 to $50.73 billion as of December 31, 2019 was primarily attributable to growth in our fund banking loan portfolio, partially offset by a reduction in our commercial real estate loan portfolio in line with the Bank’s strategy to increase floating rate assets and reduce its commercial real estate concentration in 2019.

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.

	Years ended December 31,	
(in thousands)	**2019**	**2018**
Net interest income	$ 103,578	86,018
Provision for (recovery of) loan and lease losses	12,270	133,817
Total non-interest income	8,048	4,564
Total non-interest expense	39,418	53,483
Income (loss) before income taxes	59,938	(96,718)
Total assets	$ 4,861,690	4,357,754

Specialty Finance net interest income was $103.6 million for the year ended December 31, 2019, an increase of $17.6 million when compared to $86.0 million in the prior year. The increase is primarily attributable to the increase in interest income due to continued loan growth in our equipment leasing portfolios, as well as the increase in the business' overall asset yields.

The provision for loan and lease losses decreased $121.5 million, or 90.8%, to $12.3 million for the year ended December 31, 2019 from $133.8 million for the year ended December 31, 2018. The decrease was primarily due to a relatively stable NYC taxi medallion collateral value in 2019, compared to a significant decline in the related value during the first quarter of 2018. See the discussion of asset quality and the ALLL later in this report, as well as in Note 9 to our Consolidated Financial Statements.

Non-interest expense was $39.4 million for the year ended December 31, 2019, a decrease of $14.1 million, or 26.3%, when compared to $53.5 million for the same period a year ago, nearly all due to the absence of fair value adjustments related to repossessed taxi medallions as a result of the significant decline in taxi medallion values during the first quarter of 2018.

The increase of $503.9 million in total assets, or 11.6%, from $4.36 billion as of December 31, 2018 to $4.86 billion as of December 31, 2019 was primarily attributable to growth in our equipment leasing portfolios, partially offset by the sale of non-accrual taxi medallion loans and equipment loans in 2019.

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 on AFS securities are recorded in accumulated other comprehensive income (loss), net of tax, in shareholders' equity. A decline in fair value below amortized cost basis of an AFS security is assessed whether it is caused by credit-related or noncredit-related factors. Credit attributable losses are recognized as an allowance on the balance sheet with a corresponding adjustment to current earnings; while the non-credit related component is recognized in accumulated other comprehensive income (loss), net of tax. The total amount of impairment loss is limited to the difference between the security's amortized cost and fair value, i.e., the "fair value floor." Both the allowance and the adjustment to net income can be reversed if conditions change subsequently.

HTM securities are reviewed upon acquisition to determine whether it has experienced a more-than-insignificant deterioration in credit quality since its original issuance date, i.e., if they meet the definition of a purchased credit impaired asset ("PCDs"). No HTM securities were identified as PCDs as of December 31, 2020. As a result, our HTM securities are carried at cost and adjusted for amortization of premiums or accretion of discounts, which are periodically adjusted for estimated prepayments. Expected credit losses on HTM debt securities through the life of the financial instrument are estimated and recognized as an allowance on the balance sheet with a corresponding adjustment to current earnings. As of period end, substantially all of our HTM securities are guaranteed by the U.S. Government, issued by government sponsored entities (GSEs) or U.S. Government agencies, and have a 'zero loss assumption', leaving only a few HTM securities where a reserve is applicable. Subsequent favorable or adverse changes in expected cash flow will first decrease or increase the allowance for credit losses. If the change in expected cash flows has reduced the allowance to a level below zero, the accretable yield is adjusted on a prospective basis.

At December 31, 2020, our total securities portfolio was $11.17 billion and primarily consisted of mortgage-backed securities ("MBSs") and collateralized mortgage obligations ("CMOs") issued by U.S. Government agencies ($1.06 billion), government-sponsored enterprises ($7.88 billion), and private issuers ($624.3 million). As of December 31, 2020, 88.6% of our securities portfolio had a AAA credit rating, 94.1% had a credit rating of A or better, and 99.4% was rated investment grade or better. Overall, our securities portfolio had a weighted average duration of 2.22 years and a weighted average life of 4.01 years as of December 31, 2020. 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 December 31, 2020, the net unrealized gain on securities, net of tax effect, was $1.2 million as reflected in accumulated other comprehensive loss, compared to a net unrealized loss of $30.0 million at December 31, 2019 due to the prevailing interest rate environment. The fair value of our AFS securities is affected by several factors, including (i) credit spreads, (ii) the interest rate environment, (iii) unemployment rates, (iv) delinquencies and defaults on the mortgages underlying such obligations, (v) changes in interest rates resulting from expiration of the fixed rate portion of adjustable rate mortgages, (vi) changing home prices, (vii) market liquidity for such obligations, and (viii) uncertainties with respect to government-sponsored enterprises such as Fannie Mae and Freddie Mac, which guarantee many of the debt securities we own. The estimated effect of possible changes in interest rates on our earnings and equity is discussed in "Item 7A. Quantitative and Qualitative Disclosures About Market Risk."

We continue to closely monitor the securities in our investment portfolio, and other than those securities for which we have recorded credit losses, 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, the security's cost basis will be written down to its fair value through earnings. If there is an existing allowance for credit losses, the allowance will be written off against the security's amortized cost basis first with the remaining difference between the fair value and amortized cost recognized as a loss in earnings.

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

	December 31,					
	2020		**2019**		**2018**	
(in thousands)	**Amortized Cost**	**Fair Value**	**Amortized Cost**	**Fair Value**	**Amortized Cost**	**Fair Value**
AVAILABLE-FOR-SALE						
U.S. Treasury securities	$ 9,996	10,000	20,000	20,139	32,954	32,894
Residential mortgage-backed securities:						
U.S. Government Agency	118,573	120,321	40,662	41,335	44,196	43,707
Government-sponsored enterprises	1,737,726	1,762,593	1,399,324	1,409,745	1,558,689	1,513,294
Collateralized mortgage obligations:						
U.S. Government Agency	685,313	685,420	304,978	303,272	244,772	239,343
Government-sponsored enterprises	4,170,910	4,134,213	3,608,196	3,574,086	3,984,361	3,889,617
Private	622,062	622,962	632,662	633,706	478,399	470,132
Securities of U.S. states and political subdivisions:						
Municipal Bond - Taxable	97,040	99,262	9,883	10,058	6,692	6,554
Other debt securities:						
Commercial mortgage-backed securities	59,132	59,774	81,570	81,461	111,409	109,988
Single issuer trust preferred & corporate debt securities	878,229	892,399	498,241	506,037	450,305	444,324
Pooled trust preferred securities	20,650	17,819	20,621	20,591	20,675	20,928
Other (1)	492,078	485,658	570,357	543,434	554,354	530,823
Total available-for-sale (2)	$ 8,891,709	8,890,421	7,186,494	7,143,864	7,486,806	7,301,604
HELD-TO-MATURITY						
FHLB, FNMA and FHLMC Debentures	$ 49,951	50,027	—	—	—	—
Residential mortgage-backed securities:						
U.S. Government Agency	21,944	22,212	29,962	30,042	35,566	34,424
Government-sponsored enterprises	331,952	338,266	317,270	319,379	335,969	325,912
Collateralized mortgage obligations:						
U.S. Government Agency	224,373	224,732	165,757	164,058	178,851	173,139
Government-sponsored enterprises	1,605,650	1,637,301	1,534,876	1,542,352	1,264,876	1,241,933
Private	1,297	1,306	1,748	1,836	2,437	2,453
Other debt securities:						
Commercial mortgage-backed securities	—	—	4,371	4,345	17,570	17,542
Single issuer trust preferred & corporate debt securities	47,714	55,534	47,986	53,529	48,257	49,788
Other	—	—	—	—	7	7
Total held-to-maturity (3)	$ 2,282,881	2,329,378	2,101,970	2,115,541	1,883,533	1,845,198

(1) Amount includes $223.1 million, $208.7 million and $181.5 million related to AFS securities as of December 31, 2020, 2019 and 2018, respectively, resulting from the Company's securitization of the U.S. Government guaranteed portion of Small Business Administration ("SBA") loans. The guaranteed portion of SBA loans is backed by the full faith and credit of the US government. Therefore, no credit risk is deemed to be associated with this portfolio.

(2) Fair value amount excludes ACL related to AFS securities of $4,000 as of December 31, 2020, which is included in Securities available-for-sale in the Consolidated Statements of Financial Condition.

(3) Excludes ACL related to HTM securities of $51,000 as of December 31, 2020, which is included in Securities held-to-maturity in the Consolidated Statements of Financial Condition.

The following table presents the credit rating distribution of our securities portfolio as of December 31, 2020:

Credit Rating	Percentage of Portfolio
AAA	88.62 %
AA	2.34 %
A	3.09 %
BBB	5.38 %
Below BBB	0.57 %
Total	100.00 %

The following table provides the estimated change in fair value of our debt securities for various interest rate shocks as of December 31, 2020:

Interest Rate Shock	Estimated Fair Value Change
+ 100 basis points	(1.87)%
+ 200 basis points	(6.13)%
+ 300 basis points	(10.58)%
+ 400 basis points	(15.05)%

The following table presents the contractual maturity distribution and the weighted average yields of our combined AFS and HTM securities portfolios as of December 31, 2020. Due to prepayments of collateral underlying the securities, actual maturity may differ from contractual maturity.

(dollars in thousands)		Amortized Cost	Fair Value	Average Yield
Less than one year				
U.S. Treasury securities	$	—	—	— %
Mortgage-backed securities		—	—	— %
Collateralized mortgage obligations		—	—	— %
Other securities		57,365	57,543	1.74 %
Total	$	57,365	57,543	1.74 %
One year to less than five years				
U.S. Treasury securities		9,996	10,000	0.15 %
Mortgage-backed securities		1,609	1,662	3.67 %
Collateralized mortgage obligations		25,881	25,809	3.15 %
Other securities		376,394	389,693	2.71 %
Total	$	413,880	427,164	2.68 %
Five years to less than 10 years				
Debentures of FHLB, FNMA and FHLMC		49,951	50,027	1.01 %
Mortgage-backed securities	$	22,468	23,601	3.73 %
Collateralized mortgage obligations		294,808	296,031	2.22 %
Securities of U.S. states and political subdivisions		24,120	24,732	1.99 %
Other securities		509,029	514,865	2.90 %
Total	$	900,376	909,256	2.57 %
10 years and longer				
Mortgage-backed securities	$	2,186,118	2,218,129	2.42 %
Collateralized mortgage obligations		6,988,916	6,984,090	1.82 %
Securities of U.S. states and political subdivisions		72,920	74,530	2.11 %
Other securities		554,964	549,083	3.44 %
Total	$	9,802,918	9,825,832	2.05 %
All maturities				
U.S. Treasury securities	$	9,996	10,000	0.15 %
Debentures of FHLB, FNMA and FHLMC		49,951	50,027	1.01 %
Mortgage-backed securities		2,210,195	2,243,392	2.43 %
Collateralized mortgage obligations		7,309,605	7,305,930	1.84 %
Securities of U.S. states and political subdivisions		97,040	99,262	2.03 %
Other securities		1,497,752	1,511,184	2.98 %
Total	$	11,174,539	11,219,795	2.11 %

Loan Portfolio

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

	December 31,									
	2020		*2019*		*2018*		*2017*		*2016*	
(dollars in thousands)	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Mortgage loans:										
Multi-family residential property	$15,171,520	30.81 %	15,101,727	38.38 %	15,688,481	42.58 %	14,512,051	44.02 %	13,504,619	45.74 %
Commercial property	10,553,599	21.44 %	10,199,293	25.92 %	10,309,837	27.99 %	8,902,027	27.00 %	7,606,868	25.77 %
1-4 family residential property	494,680	1.00 %	506,515	1.29 %	620,486	1.68 %	621,377	1.88 %	529,228	1.79 %
Home equity lines of credit	82,553	0.17 %	105,379	0.27 %	116,272	0.32 %	133,268	0.40 %	148,094	0.50 %
Acquisition, development and construction loans	1,367,896	2.78 %	1,270,095	3.23 %	1,656,467	4.50 %	2,018,901	6.12 %	1,799,848	6.10 %
Other loans:										
Specialty finance	5,043,106	10.24 %	4,596,932	11.68 %	4,050,321	11.00 %	3,495,576	10.60 %	2,740,745	9.28 %
Fund banking	11,237,465	22.82 %	4,421,961	11.24 %	647,927	1.76 %	196,376	0.61 %	51,815	0.18 %
Other commercial and industrial	3,034,047	6.16 %	2,863,967	7.28 %	3,207,240	8.71 %	2,378,264	7.21 %	2,000,575	6.78 %
PPP loans	1,874,447	3.81 %	—	— %	—	— %	—	— %	—	— %
Taxi medallion	2,826	0.01 %	6,897	0.02 %	85,511	0.24 %	309,895	0.94 %	627,399	2.13 %
SBA guaranteed portion	365,962	0.74 %	263,171	0.67 %	442,078	1.20 %	387,012	1.17 %	502,240	1.70 %
Consumer	7,039	0.01 %	9,605	0.02 %	9,038	0.02 %	15,310	0.04 %	10,268	0.03 %
Sub-total / Total	49,235,140	100.00%	39,345,542	100.00%	36,833,658	100.00%	32,970,057	100.00%	29,521,699	100.00%
Premiums, deferred fees and costs	5,321		54,674		71,774		74,759		80,994	
Total	$49,240,461		39,400,216		36,905,432		33,044,816		29,602,693	

Total loans increased by $9.84 billion to $49.24 billion at December 31, 2020 from $39.40 billion at December 31, 2019. Our total loan-to-deposit ratio, excluding loans held for sale, decreased to 77.1% at December 31, 2020 from 96.8% at December 31, 2019.

Beginning in 2017, to better align with recent regulatory guidance, the Bank began using the acquisition, development and construction caption. Historically, only construction loans were reported within this line. The Bank reviewed its loan portfolio in 2017 to identify acquisition and development loans. Therefore, certain loans were reclassified from other categories and included with construction loans as acquisition, development and construction loans. These loans were also reclassified in the prior periods. The amount reclassified was $1.31 billion as of 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, such as implications from the COVID-19 pandemic, may result in an increase in nonpayment of loans, a decrease in collateral value, and an increase in our ACL.

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

At December 31, 2020, loans fully secured by cash and marketable securities represented 9.18% of outstanding loan balances. The SBA portfolio, consisting only of the guaranteed portion of the SBA loans, represented 0.74% of outstanding loan balances. Our fully unsecured loan portfolio represented 2.28% of our total outstanding loan portfolio at December 31, 2020, excluding PPP loans which are fully guaranteed by the U.S. Government. We generally limit unsecured lending for consumer loans to private clients who we believe possess ample net worth, liquidity and repayment capacity. The remainder of our loan portfolio is secured by real estate, company assets, personal assets and other forms of collateral.

In order to manage credit quality, we view the Bank's loan portfolio by various segments and classes of loans. For commercial loans, we assign individual credit ratings ranging from 1 (lowest risk) to 9 (highest risk) as an indicator of credit quality. These ratings are based on specific risk factors, including (i) historical and projected financial results of the borrower, (ii) market conditions of the borrower's industry that may affect the borrower's future financial performance, (iii) business experience of the borrower's management, (iv) nature of the underlying collateral, if any, and (v) history of the borrower's payment performance. See Note 8 to our Consolidated Financial Statements for the summary of our portfolio of commercial loans by credit rating as of December 31, 2020 and 2019.

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
December 31, 2020				
Residential mortgages	$	64,047	2,874	66,921
Home equity lines of credit		79,166	3,387	82,553
Other consumer loans		7,039	—	7,039
Total consumer loans	$	150,252	6,261	156,513
December 31, 2019				—
Residential mortgages	$	74,794	3,565	78,359
Home equity lines of credit		101,904	3,475	105,379
Other consumer loans		9,605	—	9,605
Total consumer loans	$	186,303	7,040	193,343

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

		As of December 31, 2020			
(in thousands)		Within One Year	One to Five Years	After Five Years	Total
Loan Type					
Commercial and industrial (1)	$	5,969,259	11,163,117	2,185,068	19,317,444
Acquisition, development and construction loans		665,441	545,937	156,518	1,367,896
Total	$	6,634,700	11,709,054	2,341,586	20,685,340

(1) Excludes PPP loans.

The following table presents commercial and industrial loans and acquisition, development and construction loans at fixed and variable rates contractually maturing after December 31, 2021:

(in thousands)		Fixed	Variable	Total
Loan Type				
Commercial and industrial (1)	$	5,682,623	7,665,562	13,348,185
Acquisition, development and construction loans		364,886	337,569	702,455
Total	$	6,047,509	8,003,131	14,050,640

(1) Excludes PPP loans.

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:

	December 31,				
(dollars in thousands)	**2020**	**2019**	**2018**	**2017**	**2016**
Nonaccrual assets:					
Loans					
Taxi medallions	$ 1,017	1,974	15,904	121,464	85,357
Other	76,243	46,457	13,868	13,297	15,086
Troubled debt restructured loans					
Taxi medallions	1,809	4,923	72,607	188,430	50,010
Other	41,103	4,001	6,273	3,727	7,125
Investment securities, at fair value	200	750	275	75	662
Other repossessed assets					
Taxi medallions	31,903	45,546	49,660	28,583	19,580
Other	2,563	1,283	1,939	250	53
Total nonperforming assets	$154,838	104,934	160,526	355,826	177,873
Accruing troubled debt restructured loans	$248,226	67,560	55,288	28,106	88,158
Accruing loans past due 90 days or more (1):					
Loans (2)	$ 2,343	2,300	7,833	6,331	55,951
Loans held for sale (3)	$ 3,411	—	922	37	795
Other taxi medallion loans 30-89 days past due maturity (4)	$ —	—	—	—	24,564
Asset Quality Ratios:					
Total nonaccrual loans to total loans	0.25%	0.15%	0.30%	1.00%	0.54%
Total nonperforming assets to total assets	0.21%	0.21%	0.34%	0.83%	0.46%
ALLL to nonaccrual loans	422.98%	435.86%	211.69%	59.94%	135.49%

(1) See Note 8 for full delinquency status of our loan portfolio.

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

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

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

Significant nonaccrual loans at December 31, 2020 consisted of nine commercial property loans for $80.0 million, 16 commercial and industrial relationships, comprised of 36 loans, totaling $21.9 million, four home equity lines of credit totaling $2.6 million, one multi-family loan totaling $4.1 million, and one commercial loan secured by a 1-4 family residential property totaling $1.4 million. Also included are $2.8 million in loans secured by taxi medallions (commercial and industrial loans), comprised entirely of Chicago medallions. Each nonaccrual loan is being actively managed by the Bank, and the ACL includes a specific allocation for each such loan, when appropriate.

Significant nonaccrual loans at December 31, 2019 consisted of one commercial real estate loan totaling $22.8 million, commercial and industrial loans totaling $16.5 million, home equity lines of credit totaling $2.6 million and commercial loans secured by 1-4 family residential property totaling $2.1 million. Other significant nonaccrual loans include $6.9 million in loans secured by taxi medallions (commercial and industrial loans), comprised of New York City medallion related loans totaling $586,000 and Chicago medallion related loans totaling $6.3 million. Each nonaccrual loan's ALLL includes a specific allocation for each such loan, when appropriate.

Nonaccrual investment securities at December 31, 2020 and December 31, 2019 consisted of one bank-collateralized pooled trust preferred AFS security totaling $200,000 and $750,000, respectively. This security was classified as nonperforming because of delinquent payments as a result of payment deferrals.

As of December 31, 2020, accruing loans past due 30 to 89 days were $234.9 million, an increase of $203.6 million compared to December 31, 2019. This increase is primarily due to processing and documentation delays given COVID-19 circumstances, such as a client who may be keeping alternative working arrangements resulting in the delay in providing signed documentation to renew a loan that is at maturity. As of January 31, 2021, $187.9 million are now current.

As of December 31, 2020, loans past due 90 days or more and accruing primarily consisted of $3.4 million of government-guaranteed SBA loans and three commercial and industrial loan totaling $1.1 million that were well secured and in process of collection. At December 31, 2019, loans past due 90 days or more and accruing included three commercial and industrial loans totaling $2.2 million that were well secured and in process of collection.

For economic reasons and to maximize the recovery of loans, we may work with borrowers experiencing financial difficulties and will consider modifications to a borrower's existing loan terms and conditions that we would not otherwise consider, commonly referred to as TDRs. Our TDRs consist of those loans where we modify the contractual terms of the loan, such as (i) a deferral of the loan's principal amortization through either interest-only or reduced principal payments, (ii) a reduction in the loan's contractual interest rate, (iii) principal forgiveness or (iv) an extension of the loan's contractual term. For a summary of our accounting methodologies relating to TDRs, see the Allowance for Credit Losses for Loans and Leases section of our Summary of Significant Accounting Policies in Note 2(g). Additionally, for a discussion of our TDRs and the related financial effects, see Note 9 to our Consolidated Financial Statements.

Our repossessed assets as of December 31, 2020 and December 31, 2019 totaled $34.5 million and $46.8 million, respectively. The decrease is primarily driven by the negative fair value adjustments due to the decline in NYC taxi medallion values totaling $11.7 million and the sale of approximately $5.7 million of repossessed assets during 2020. This decrease was offset by the repossession of underlying collateral related to other commercial and industrial loans totaling $5.2 million.

As of December 31, 2020 and December 31, 2019, repossessed assets included taxi medallions totaling $24.8 million and $32.4 million, respectively, that were sold to new borrowers with financing provided by the Bank. While these are legal sales to the new borrower, because they are Bank-financed and uncertainty exists regarding collectability, the repossessed assets cannot be derecognized. Ongoing principal and interest payments associated with these transactions continue to be collected and are recorded in Accrued expenses and other liabilities. As of December 31, 2020, $9.8 million of payments have been received to date leaving the remaining net exposure for these medallions at $15.0 million. In total, including both repossessed taxi medallions and loans, remaining taxi medallion portfolio net exposure totals $16.8 million in NYC and $7.8 million in Chicago.

COVID-19 Related Loan Modifications

As of December 31, 2020, total principal and interest deferrals significantly decreased to $1.31 billion, or 2.7% of the Bank's total loan portfolio from their peak level as of June 30, 2020. The positive trend is the result of the Bank's ability to work closely with its clients toward reasonable resolutions. The following table provides a breakdown of outstanding P&I deferrals by portfolio segment as of December 31, 2020:

		Principal and Interest Deferrals	
(dollars in millions)	**Portfolio Balance 12/31/2020**	**Deferral Balance**	**% of Loan Category**
Multi-family	$ 15,173	615	4.1 %
Retail	5,637	369	6.5 %
Office	3,930	150	3.8 %
Acquisition, Development, and Construction (ADC)	1,367	12	0.9 %
Industrial	574	3	0.5 %
Hotel	77	—	— %
Land	38	—	— %
Other	297	10	3.4 %
Total Commercial Real Estate	27,093	1,159	4.3 %
Fund Banking and Venture Banking	11,416	—	— %
Asset Based Lending	319	—	— %
Signature Financial	5,046	35	0.7 %
Other Commercial & Industrial	2,537	80	3.2 %
Total Commercial & Industrial	19,318	115	0.6 %
PPP Loans	1,874	—	— %
Consumer and Residential	584	37	6.3 %
Premium, deferred fees, and costs	(36)	—	— %
Total Loans	$ 48,833	1,311	2.7 %

Additionally, the Bank has made other COVID-19 related modifications totaling $3.22 billion, or 6.6% of total loans. These primarily include $2.87 billion of modified interest-only payment agreements.

Allowance for Credit Losses for Loans and Leases

Our ACL for funded loans and leases is established through a provision for credit losses for loans and leases charged to current earnings and an adjustment to the Allowance for credit losses for loans and leases. It represents management's estimate of current expected credit losses ("CECL") in the Company's loan and lease portfolio over its expected life. The ACL for loans and leases estimation is inherently subjective as it requires the use of a broad range of information including asset specific risk characteristics, information about past events and current conditions, as well as the macroeconomic forecast during the reasonable and supportable period, all of which are susceptible to potential significant revision as more information becomes available.

At December 31, 2020 and 2019, our ACL for loans and leases totaled $508.3 million and $250.0 million, respectively, which represents 1.04%, and 0.64% of total loans and leases (excluding loans held for sale), as of both period end dates, respectively. For a summary of our accounting methodologies relating to the ACL for loans and leases, see Note 2(g) for our accounting policies related to the ACLLL.

The provision for credit losses for loans and leases is a charge to earnings to maintain the ACL for loan and leases at a level consistent with management's assessment of the loan portfolio in light of past events, current economic conditions and the macroeconomic forecast during the reasonable and supportable period. For the years ended December 31, 2020, 2019, and 2018, we recorded provisions of $248.1 million, $22.6 million, and $162.5 million, respectively. The increase in provision for the year ended December 31, 2020 was predominantly attributable to COVID-19 and its impact on the U.S. economy, as well as the impact of CECL adoption on January 1, 2020 on our overall allowance estimate methodology. In recent quarters, the portfolio mix of our loan growth has continued to shift from commercial real estate to fund banking. As fund banking loans generally possess stronger credit quality, as evident in the portfolio risk rating composition, a lower loss rate is ascribed, which partially offset this increase. These provisions were made to reflect management's assessment of the current expected credit risk of losses relative to the growth of the portfolio. See Note 9 for additional information regarding the period over period provision for credit losses fluctuations.

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

	Credit-rated loans			Non-rated loans			
(in thousands)	Commercial Real Estate	1-4 Family Residential Property	Commercial & Industrial	Commercial	Residential Mortgages (1)	Consumer	Total
As of December 31, 2020							
ALLL:							
Individual evaluated for impairment (2)	$ 51,233	—	11,217	30	2,040	—	64,520
Collectively evaluated for impairment	356,723	13,137	65,969	4,755	2,517	678	443,779
Recorded investment in loans:							
Individual evaluated for impairment (2)	291,750	—	69,374	63	7,211	—	368,398
Collectively evaluated for impairment	26,801,265	427,759	21,073,732	48,722	142,263	7,039	48,500,780
As of December 31, 2019							
ALLL:							
Individual evaluated for impairment	$ —	—	6,997	—	2,399	—	9,396
Collectively evaluated for impairment	162,710	2,039	72,700	2,167	729	248	240,593
Recorded investment in loans:							
Individual evaluated for impairment	35,639	3,300	77,641	—	8,335	—	124,915
Collectively evaluated for impairment	26,535,476	424,856	11,750,421	61,695	175,403	9,605	38,957,456

(1) Includes home equity lines of credit.

(2) Includes reasonably expected TDRs.

The following table allocates our ACL for loans and leases to the respective portfolio categories and includes the percentage of loans in each category to total loans as of the dates indicated:

	December 31,									
	2020		2019		2018		2017		2016	
(dollars in thousands)	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Mortgage loans:										
Multi-family residential property	$ 128,233	25.23 %	91,641	36.66 %	99,964	43.46 %	82,554	42.13 %	63,855	29.91 %
Commercial property	233,491	45.94 %	60,248	24.10 %	63,328	27.53 %	53,283	27.19 %	38,761	18.16 %
1-4 family residential property	14,366	2.83 %	2,844	1.14 %	3,424	1.49 %	2,311	1.18 %	2,107	0.99 %
Home equity lines of credit	3,328	0.65 %	2,324	0.93 %	2,035	0.88 %	1,994	1.02 %	3,182	1.49 %
Acquisition, development and construction loans	46,233	9.10 %	10,820	4.33 %	12,339	5.36 %	15,844	8.09 %	11,966	5.60 %
Other loans:										
Specialty finance	53,969	10.62 %	38,092	15.24 %	22,925	9.97 %	17,952	9.16 %	20,634	9.66 %
Fund banking	3,605	0.71 %	21,085	8.43 %	2,618	1.14 %	666	0.34 %	102	0.05 %
Other commercial and industrial	24,395	4.80 %	22,687	9.08 %	21,714	9.44 %	21,219	10.83 %	14,423	6.76 %
Taxi medallion	—	— %	—	— %	1,551	0.67 %	—	— %	58,268	27.29 %
Consumer	679	0.13 %	248	0.10 %	107	0.05 %	136	0.07 %	197	0.09 %
Total	$ 508,299	100.00 %	249,989	100.00 %	230,005	100.00 %	195,959	100.00 %	213,495	100.00 %

Summary of Loan Loss Experience

The following table presents a summary by loan portfolio segment of our ACL for loans and leases, loan loss experience and provision for credit losses for the periods indicated:

		Years ended December 31,				
(dollars in thousands)		**2020**	**2019**	**2018**	**2017**	**2016**
Beginning balance - ALLL	$	249,989	249,989	230,005	195,959	213,495
CECL adoption (1)		41,183	—	—	—	—
Beginning balance - ACLLL	$	291,172	249,989	230,005	195,959	213,495
Charge-offs:						
Credit-rated commercial loans		(30,153)	(13,101)	(140,323)	(282,600)	(141,981)
Non-rated commercial loans		(1,232)	(2,813)	(797)	(1,148)	(1,041)
Residential mortgages		(39)	(4)	(641)	(571)	(151)
Consumer loans		(298)	(367)	(206)	(218)	(195)
Total charge-offs	$	(31,722)	(16,285)	(141,967)	(284,537)	(143,368)
Recoveries:						
Credit-rated commercial loans		3,021	13,013	12,822	2,954	5,152
Non-rated commercial loans		456	545	552	573	812
Residential mortgages		17	18	38	76	21
Consumer loans		41	57	77	101	81
Total recoveries	$	3,535	13,633	13,489	3,704	6,066
Net charge-offs		(28,187)	(2,652)	(128,478)	(280,833)	(137,302)
Provision		245,314	22,636	162,524	263,297	155,774
Ending balance - ACLLL/ALLL	$	508,299	249,989	230,005	195,959	213,495
Ratios:						
ACLLL/ALLL to total loans		1.04%	0.64%	0.63%	0.60%	0.74%
Net charge-offs to average loans		0.06%	0.01%	0.38%	0.92%	0.52%

(1) Amount represents a cumulative effect adjustment recorded on January 1, 2020 as a result of the adoption of ASU 2016-13*, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.*

Net charge-offs were $28.2 million for the year ended December 31, 2020, when compared to the charge-offs of $2.7 million for the same period last year. Significant charge-offs during the year ended December 31, 2020 primarily consisted of $12.5 million related to three commercial real estate loans, $3.9 million related to two multi-family loans and $6.2 million related to seven commercial and industrial loans.

Net Deferred Tax Asset (Liability)

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

	December 31,	
(in thousands)	**2020**	**2019**
DEFERRED TAX ASSETS		
Allowance for credit losses for loans and leases	$ 150,140	73,580
Operating lease liabilities	78,379	71,851
Depreciation - ordinary	—	20,046
Accrued compensation	32,310	1,567
Unearned compensation - restricted stock	10,688	12,035
Repossessed taxi medallion valuation reserve	11,521	8,928
Credit impairment of securities	3,146	3,451
Deferred loan fees, net	10,589	—
Other (1)	8,016	5,490
Total deferred tax assets recognized in earnings	$ 304,789	196,948
Net unrealized losses on securities available-for-sale	380	12,547
Net unrealized losses on securities transferred to held-to-maturity	5,426	6,211
Net unrealized losses on cash flow hedges	30,063	14,307
Total deferred tax assets	$ 340,658	230,013
DEFERRED TAX LIABILITIES		
Qualified lease assets	$ 111,042	153,684
Operating lease right-of-use assets	70,124	65,482
Change in accounting method (IRC section 481(a))	13,284	—
Depreciation - ordinary	9,986	—
Deferred rent	—	3,230
Prepaid expenses	1,227	1,101
Deferred loan fees, net	—	8,503
Other (1)	2,940	—
Total deferred tax liabilities recognized in earnings	$ 208,603	232,000
Net deferred tax assets (liability)	$ 132,055	(1,987)

(1) Effective January 1, 2020, we changed our accounting policy for Low Income Housing Tax Credit ("LIHTC") investments from the equity method to the proportional amortization method as it was determined to be the preferable method. All applicable prior period amounts have been retroactively restated to conform to the new accounting policy.

Deferred tax assets arise from expected future tax benefits attributable to temporary differences and carry-forwards. Deferred tax liabilities arise from expected future tax expense attributable to temporary differences. Temporary differences are defined as differences between the tax basis of an asset or liability and its reported amount in the financial statements that will result in taxable or deductible amounts in future years. Carry-forwards are defined as deductions or credits that cannot be currently utilized for tax purposes that may be carried forward to reduce taxable income or taxes payable in a future year.

As of December 31, 2020, we reported a net deferred tax asset driven primarily by our recognition of PPP related deferred loan fees and accrued compensation expense in our current taxable income, in addition to increases in our allowance for credit losses primarily due to the impact of COVID-19 on the U.S. Economy and the adoption of CECL, as well as a decrease in our bonus depreciation expense.

As of December 31, 2020 and 2019, stranded tax effects totaling $12.7 million and $14.1 million, respectively, as a result of the enactment of Tax Cuts and Jobs Act in December 2017, are included in accumulated other comprehensive income. We have elected not to adopt ASU 2018-02, *Income Statement – Reporting Comprehensive Income (Topic 220).* Therefore, the Company will recognize these stranded tax effects using the individual security approach. See the discussion of recently adopted new accounting standards in Item 7 for further details.

Deposits

Core deposits, which exclude time deposits and brokered deposits, increased $22.05 billion to $59.48 billion as of December 31, 2020 from $37.42 billion as of December 31, 2019. The increase is due to the development of recent initiatives into successful businesses, the addition of new private client banking teams, as well as additional deposits garnered by our existing private client banking teams.

See Item 1. Business – Part I Deposit Products for the composition of our deposit accounts as of December 31, 2020 and 2019.

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

	Years ended December 31,			
	2020		2019	
(dollars in thousands)	**Average Balance**	**Average Rate**	**Average Balance**	**Average Rate**
NOW and interest-bearing demand	$ 8,783,053	0.77%	4,297,419	1.91%
Money market	23,924,076	0.80%	19,103,463	1.57%
Time deposits	2132466	1.78%	2,498,190	2.35%
Non-interest-bearing demand deposits	15,722,196	—	12,155,929	—
Total deposits	$ 50,561,791	0.59%	38,055,001	1.16%

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

(in thousands)	**December 31, 2020**
Three months or less	$ 635,425
Over three months through six months	350,676
Over six months through one year	470,000
Over one year	253,483
Total (1)	$ 1,709,584

(1) Includes brokered time deposits of $80.0 million.

Borrowings

The following table presents information regarding our borrowings:

	At or for the year ended December 31,					
	2020		**2019**		**2018**	
(dollars in thousands)	**Amount**	**Weighted Average Rate (2)**	**Amount**	**Weighted Average Rate (2)**	**Amount**	**Weighted Average Rate**
Federal Home Loan Bank advances	$ 2,839,245	1.07 %	4,142,144	2.32 %	4,970,000	2.51 %
Repurchase agreements	150,000	1.92 %	150,000	2.93 %	150,000	2.93 %
Federal funds purchased	—	— %	—	— %	670,000	2.59 %
Subordinated debt (1)	835,000	4.43 %	460,000	4.79 %	260,000	5.30 %
Total borrowings	$ 3,824,245	1.84 %	4,752,144	2.55 %	6,050,000	2.65 %
Maximum total outstanding at any month-end	$ 5,389,245		7,093,364		6,187,000	
Average balance	$ 4,349,616		5,807,625		5,331,600	
Average rate		2.64 %		2.74 %		2.26 %

(1) Excludes $6.4 million, $3.9 million and $1.8 million of deferred issuance costs reported as a direct reduction to the subordinated debt carrying amount in the Consolidated Statements of Financial Condition as of December 31, 2020, 2019 and 2018, respectively.

(2) Includes the effect of hedge accounting from related cash flow hedges.

At December 31, 2020, our borrowings were $3.82 billion, or 5.7% of our funding liabilities, compared to $4.75 billion, or 10.5% of our funding liabilities, at December 31, 2019. The decrease in our borrowings, primarily reflects a $1.30 billion decrease in the use of FHLB borrowings during 2020, primarily due to the prepayment of borrowings as a result of the significant inflow of deposits reducing the need for external funding. 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 $171.7 million in Federal Home Loan Bank of New York (“FHLB”) capital stock as required collateral for our outstanding borrowing position with the FHLB. Based on our financial condition, our asset size, the available capacity under our repurchase agreement lines and 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 $9.76 billion at December 31, 2020.

On October 6, 2020, the Bank completed a public offering of $375.0 million aggregate principal amount of Fixed-to-Floating Rate Subordinated Notes due 2030 (the “Notes”). The Notes accrue interest at a fixed rate of 4.00% per annum for the first five years until October 2025. After this date and for the remaining five years of the Notes’ term, interest will accrue at a floating rate of three-month American Interbank Offered Rate ("AMERIBOR") plus 389 basis points. Additionally, during the floating 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, including to support our growth.

Additionally, on November 1, 2019, the Bank issued $200.0 million aggregate principal amount of Fixed-to-Floating Rate Subordinated Notes due November 1, 2029 (the “Notes”). The Notes accrue interest at a fixed rate of 4.125% for the first five years until November 2024. After this date and for the remaining five years of the Notes’ term, interest will accrue at a floating rate of LIBOR plus 255.9 basis points. Additionally, during the floating 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 repurchase our common stock.

In 2016, the Bank issued $260.0 million aggregate principal amount of Variable Rate Subordinated Notes due April 19, 2026 (the “Notes”) to institutional investors. The Notes accrue interest at a fixed rate of 5.30% for the first five years until April 2021. After this date and for the remaining five years of the Notes’ term, interest will accrue at a floating 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 continue to facilitate our continued growth.

Subordinated debt is reported in the Consolidated Statements of Financial Condition net of deferred issuance costs of $6.4 million related to the corresponding debt offerings.

The following table presents the maturity or re-pricing of our borrowings at December 31, 2020:

3 months or less	3-12 months	1-3 years	Over 3 years	Total (1)
$ 1,750,000	200,000	864,508	1,009,737	3,824,245

(1) Excludes $6.4 million of deferred issuance costs reported as a direct reduction to the subordinated debt carrying amount in the Consolidated Statements of Financial Condition.

Contractual Obligations

The following table presents our significant contractual obligations as of December 31, 2020, excluding operating leases disclosed in Note 23 to our Consolidated Financial Statements:

	Payments due by period				
(in thousands)	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
Borrowings (1)	$ 1,950,000	864,508	124,738	884,999	3,824,245
Investments in qualified affordable housing projects	40,910	90,169	30,340	19,714	181,133
Information technology contracts	16,007	1,080	—	—	17,087
Total contractual cash obligation	$ 2,006,917	955,757	155,078	904,713	4,022,465

(1) Excludes $6.4 million of deferred issuance costs reported as a direct reduction to the subordinated debt carrying amount in the Consolidated Statements of Financial Condition.

On April 19, 2016, the Bank issued $260.0 million aggregate principal amount of Variable Rate Subordinated Notes due April 19, 2026 to institutional investors. The Notes accrue interest at a fixed rate of 5.30% for the first five years until April 2021. After this date and for the remaining five years of the Notes' term, interest will accrue at a variable rate of LIBOR plus 3.92%. Additionally, during the variable interest rate period and at the Bank's option, the Notes can be prepaid by the Bank. Net proceeds from this offering were used for general corporate purposes and to facilitate our continued growth.

On November 1, 2019, the Bank completed a public offering of $200.0 million aggregate principal amount of Fixed-To-Floating Rate Subordinated Notes due November 1, 2029 (the "Notes"). The Notes accrue interest at a fixed rate of 4.125% for the first five years until November 2024. After this date and for the remaining five years of the Notes' term, interest will accrue at a floating rate of LIBOR plus 255.9 basis points. Additionally, during the floating rate period and at the Bank's option, the Notes can be prepaid by the Bank. Net proceeds from this offering will be used for general corporate purposes and the repurchase of common stock.

On October 6, 2020, the Bank completed a public offering of $375.0 million aggregate principal amount of Fixed-to-Floating Rate Subordinated Notes due 2030 (the "Notes"). The Notes accrue interest at a fixed rate of 4.00% per annum for the first five years until October 2025. After this date and for the remaining five years of the Notes' term, interest will accrue at a floating rate of three-month American Interbank Offered Rate ("AMERIBOR") plus 389 basis points. Additionally, during the floating 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, including to support our growth.

Off-Balance Sheet Arrangements

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

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

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

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

	December 31,	
(in thousands)	**2020**	**2019**
Unused commitments to extend credit	$ 11,607,572	4,988,650
Financial standby letters of credit	722,031	545,085
Commercial and similar letters of credit	19,313	9,859
Other	1,203	1,266
Total	$ 12,350,119	5,544,860

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. In addition, standby letters of credit are conditional commitments issued by us to guarantee the performance of our clients' obligations to a third party. Standby letters of credit are primarily used to support clients' business trade transactions and may require payment of a fee. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to clients. At December 31, 2020 and 2019, our reserves for losses on total unfunded commitments to extend credit totaled $8.0 million and $1.4 million, respectively. The increase is primarily due to the adoption of CECL on January 1, 2020, COVID related circumstances, as well as the continued growth of our fund banking business. These reserves are included in Accrued expenses and other liabilities.

We recognize a liability at the inception of the guarantee that is equivalent to the fee received from the client. This liability is amortized over the term of the guarantee on a straight-line basis. At December 31, 2020 and 2019, we had deferred revenue for commitment fees paid for the issuance of standby letters of credit in the amount of $1.6 million and $1.5 million, respectively. As of December 31, 2020 and 2019, we had commitments to sell loans totaling $8.8 million and $11.6 million, respectively.

For further discussion of our commitments and contingent liabilities, see Note 21 to our Consolidated Financial Statements.

Capital Resources

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

Basel III Requirements

On July 9, 2013, the FDIC approved final rules that substantially amended the regulatory risk-based capital rules applicable to Signature Bank, effective beginning January 1, 2015. The FDIC's final capital rules included new risk-based capital and leverage ratios, which where phased into effect over a multi-year period, and refine the definition of what constitutes "capital" for purposes of calculating those ratios. Full implementation of the capital rules for all institutions began on January 1, 2019. The 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. 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 was 1.875% for 2018 and is currently 2.500%. As the capital rules are now fully implemented, the following effective minimum capital ratios currently apply: (i) a common equity Tier 1 capital ratio (plus capital conservation buffer) of 7.0%, (ii) a Tier 1 capital ratio (plus capital conservation buffer) of 8.5%, and (iii) a total capital ratio (plus capital conservation buffer) 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 apply the countercyclical buffer only to "advanced approaches banks" (i.e., banking organizations with $250 billion or more in total assets or $100 billion or more in total consolidated assets and $75 billion or more in short-term wholesale funding, non-bank assets, off-balance sheet exposures, or cross-jurisdictional activities), 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." Based on our current capital composition and levels, we believe that we are in compliance with the requirements as set forth in the final rules as they are presently in effect.

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

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

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

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

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

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

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

The capital amounts and ratios presented in the following table demonstrate that we were "well capitalized" as of December 31, 2020:

	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)	$ 7,217,462	13.54 %	4,265,907	8.00 %	5,332,384	10.00 %
Tier 1 capital (to risk-weighted assets)	5,973,199	11.20 %	3,199,430	6.00 %	4,265,907	8.00 %
Common equity Tier 1 capital (to risk-weighted assets)	5,265,187	9.87 %	2,399,573	4.50 %	3,466,050	6.50 %
Tier 1 leverage capital (to average assets)	5,973,199	8.55 %	2,795,170	4.00 %	3,493,962	5.00 %

On March 27, 2020, the Federal Reserve, FDIC and OCC issued an interim final rule that delays the estimated impact on regulatory capital stemming from the implementation of CECL for a transition period of up to five years, and we elected to utilize this five-year transition period option.

During 2020, we continued to pay a quarterly common stock cash dividend of approximately $30.0 million to eligible common stockholders in February 2020, May 2020, August 2020, and November 2020, respectively. Additionally, on January 20, 2021, we declared a cash dividend of $0.56 per share, or a total of $30.1 million, payable on or after February 12, 2021 to common stockholders of record at the close of business on February 1, 2021. We also continued the stock repurchase program that was initiated in 2018 until it was suspended during the first quarter of 2020 - see *Recent Highlights* for more information. As a result, no common stock was repurchased by the Bank since March 2020.

Additionally, the Bank issued $375.0 million and $200.0 million of subordinated debt to institutional investors on October 6, 2020 and November 1, 2019, respectively, further strengthening our Tier 2 capital position.

In addition, as stated in *Recent Highlights*, on December 17, 2020, the Bank issued 5.00% Noncumulative Perpetual Series A Preferred Stock. Net proceeds, after underwriting discounts and expenses, were approximately $708.0 million. The public offering consisted of 29,200,000 depository shares, each representing A 1/40th interest in a share of the Series A Preferred stock, at a public offering price of $25.00 per depository share. The Series A Preferred Stock is redeemable at the option of the Bank, subject of all applicable regulator approves, on or after December 30, 2025. Net proceeds from this offering were used for general corporate purposes, including to support our growth.

The capital amounts and ratios presented in the following table demonstrate that we were “well capitalized” as of December 31, 2019:

	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)	$ 5,515,866	13.26 %	3,327,347	8.00 %	4,159,184	10.00 %
Tier 1 capital (to risk-weighted assets)	4,808,332	11.56 %	2,495,510	6.00 %	3,327,347	8.00 %
Common equity Tier 1 capital (to risk-weighted assets)	4,808,332	11.56 %	1,871,633	4.50 %	2,703,469	6.50 %
Tier 1 leverage capital (to average assets)	4,808,332	9.55 %	2,014,148	4.00 %	2,517,686	5.00 %

We have paid cash dividends to eligible common stockholders on a quarterly basis beginning in the third quarter of 2018. We also initiated a stock repurchase program in 2018 until it was suspended during the first quarter of 2020 due to COVID-19 circumstances– As a result, no common stock was repurchased since March 2020 – see *Recent Highlights* for more information.

Stress Testing

Prior to the second quarter of 2018, the Dodd-Frank Act required banks with total consolidated assets of more than $10 billion to conduct annual stress tests. However, the Economic Growth, Regulatory Relief, and Consumer Protection Act caused changes in the Dodd-Frank Wall Street Reform and Consumer Protection Act. Specifically, the Economic Growth Act raised the asset threshold for required Dodd-Frank Act Stress Tests (DFAST) from $10 billion to $100 billion and made the requirement “periodic” rather than “annual.” Due to these regulation changes, Signature Bank is no longer required to publicly file and report the results of annual company-run stress tests until the revised threshold is reached. However, the Bank will continue to perform capital stress testing on a situational and idiosyncratic basis, such as during our annual capital planning and budgeting processes, as well as to assess the impact of the COVID-19 pandemic.

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, preferred 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, recent preferred stock issuance in December 2020, as well as the 2019 and 2020 subordinated debt issuances.

Credit availability at the FHLB is based on our financial condition, our asset size and the amount of collateral we hold at the FHLB. At December 31, 2020, our FHLB borrowings totaled $2.84 billion with an average rate of 1.07% that mature by February 2025. We had no securities sold under repurchase agreements to the FHLB as of December 31, 2020. While not pledged, FHLB held $351.4 million of securities as custodian as of December 31, 2020. These securities can be pledged towards future borrowings, as necessary.

We also have repurchase agreement lines with several leading financial institutions totaling $1.73 billion. At December 31, 2020, we had $150.0 million of securities sold under repurchase agreements to one of these institutions. These borrowings have an average rate of 1.92% with $100.0 million maturing in August 2025 and the remaining $50.0 million maturing in August 2026.

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 $9.76 billion as of December 31, 2020.

The Bank has declared and paid a quarterly common stock cash dividend of $0.56 per share, or a total of approximately $30.0 to $31.0 million each quarter since the third quarter of 2018. On January 20, 2021, the Bank declared its fourth quarter 2020 cash dividend of $0.56 per share to be paid on or after February 12, 2021 to common stockholders of record at the close of business on February 1, 2021.

In addition, in 2018, the Bank’s stockholders and regulators approved the repurchase of common stock from the Bank’s shareholders in open market transactions in the aggregate purchase amount of up to $500 million. On February 19, 2020, the Board of Directors approved an amendment to the stock repurchase program that restored the Bank’s share repurchase authorization to an aggregate purchase amount of up to $500.0 million from the $220.9 million that was remaining under the original authorization as of December 31, 2019. The amended stock repurchase program was approved by the shareholders in April 2020. The Bank has suspended any future repurchases of common stock given the COVID-19 circumstances since the end of the first quarter of 2020. As a result, no common stock was repurchased by the Bank during the remainder of 2020. During the third quarter of 2020, we received regulatory approval to extend the stock repurchase of the $170.8 million remaining under the original authorization to September 30, 2021. We plan to seek separate regulatory approval for the additional $279.1 million approved under the amended authorization. To date, the Bank has repurchased 2,689,544 shares of common stock for a total of $329.2 million and the amount remaining under the amended authorization was $450.0 million at December 31, 2020.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

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

Interest Rate Risk Management

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

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

To effectively measure and manage interest rate risk, we use simulation analysis to determine the impact on net interest income under various hypothetical interest rate scenarios. Based on these simulations, we quantify interest rate risk and develop and implement appropriate strategies. At December 31, 2020, we used a simulation model to analyze net interest income sensitivity to both (i) a parallel shift in interest rates, in which the base market interest rate forecast was increased in quarterly increments over the first twelve months by 100, 200, 300 and 400 basis points, 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”).

The following table indicates the sensitivity of projected annualized net interest income to the interest rate movements described above at December 31, 2020

(dollars in thousands)	Adjusted Net Interest Income	Change from Base
Ramp scenario:		
Base	$ 1,616,079	— %
Up 100 basis points	1,678,224	3.9 %
Up 200 basis points	1,745,820	8.0 %
Up 300 basis points	1,799,738	11.4 %
Up 400 basis points	1,850,270	11.5 %
Shock scenario:		
Base	$ 1,616,079	— %
Up 100 basis points	1,736,856	7.5 %
Up 200 basis points	1,866,339	15.5 %
Up 300 basis points	1,974,979	22.2 %
Up 400 basis points	2,080,873	28.8 %

We also use a simulation model to measure the impact that hypothetical market interest rate changes will have on the net present value of assets and liabilities, which is defined as market value of equity. At December 31, 2020, 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.

The following table indicates the sensitivity of market value of equity at December 31, 2020 to the interest rate movements described above (base case market value of equity is $7.00 billion):

(dollars in thousands)	Sensitivity	Change from Base
Up 100 basis points	$ 1,026,773	14.7 %
Up 200 basis points	1,800,209	25.7 %
Up 300 basis points	2,376,034	33.9 %
Up 400 basis points	2,819,402	40.3 %

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

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

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

Management’s Report on Internal Control over Financial Reporting

The management of Signature Bank (the “Company”) is responsible for establishing and maintaining effective internal control over financial reporting. Our system of internal control is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company’s consolidated financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles.

Internal control over financial reporting includes procedures that pertain to the maintenance of records that, in reasonable detail, accurately reflect transactions and dispositions of assets; provide reasonable assurances that transactions are recorded to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures are made only in accordance with the authorization of management and the Board of Directors; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company’s assets that could have a material effect on our consolidated financial statements.

All internal control systems, no matter how well designed, have inherent limitations, including the possibility of human error and the circumvention of controls. Furthermore, because of changes in conditions, the effectiveness of internal control may vary over time. Accordingly, internal control over financial reporting may not prevent or detect misstatements on a timely basis. Since these limitations are known features of the financial reporting process, however, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

As of December 31, 2020, management evaluated the effectiveness of internal control over financial reporting based on the framework in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, management believes that the Company’s internal control over financial reporting as of December 31, 2020 is effective using these criteria.

The Company’s internal control over financial reporting as of December 31, 2020 has been audited by KPMG LLP, the independent registered public accounting firm that has also audited the Company’s consolidated financial statements as of and for the year ended December 31, 2020. The report of KPMG LLP on the effectiveness of the Company’s internal control over financial reporting is included below.

KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors
Signature Bank:

Opinion on Internal Control Over Financial Reporting

We have audited Signature Bank and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated statements of financial condition of the Company as of December 31, 2020 and 2019, the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2020, and the related notes (collectively, the consolidated financial statements), and our report dated March 1, 2021 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

KPMG LLP

New York, New York
March 1, 2021

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Incorporated by reference to Signature Bank's Proxy Statement for the Annual Meeting of Stockholders to be held April 22, 2021.

ITEM 11. EXECUTIVE COMPENSATION

Incorporated by reference to Signature Bank's Proxy Statement for the Annual Meeting of Stockholders to be held April 22, 2021.

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

Incorporated by reference to Signature Bank's Proxy Statement for the Annual Meeting of Stockholders to be held April 22, 2021.

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

Incorporated by reference to Signature Bank's Proxy Statement for the Annual Meeting of Stockholders to be held April 22, 2021.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Incorporated by reference to Signature Bank's Proxy Statement for the Annual Meeting of Stockholders to be held April 22, 2021.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

A. Financial Statements and Financial Statement Schedules

(1) The Consolidated Financial Statements of the Registrant are listed and filed as part of this report on pages F1- to F-66. The Index to the Consolidated Financial Statements appears on page F-1.

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

B. Exhibit Listing

Exhibit No.	Exhibit
3.1	Restated Organization Certificate (Incorporated by reference to Signature Bank's Quarterly Report on Form 10-Q for the period ended June 30, 2005.)
3.2	Certificate of Amendment to the Bank's Restated Organization Certificate with respect to Signature Bank's Fixed Rate Non-Cumulative Perpetual Preferred Stock, Series A, par value $0.01 per share (Incorporated by reference to Signature Bank's Current Report on Form 8-K filed on December 17, 2020.)
3.3	Certificate of Amendment to the Bank's Restated Organization Certificate. (Incorporated by reference from Annex A to the 2017 Definitive Proxy Statement on Schedule 14A, filed with the Federal Deposit Insurance Corporation on March 10, 2017.)
3.4	Amended and Restated By-laws of the Registrant. (Incorporated by reference to Signature Bank's Current Report on Form 8-K filed on January 23, 2018.)
3.5	Certificate of Amendment for the Bank's 5.000% Noncumulative Perpetual Series A Preferred Stock, par value $0.01 per share (Incorporated by reference to Signature Bank's Current Report on Form 8-K filed on December 17, 2020).
4.1	Specimen Common Stock Certificate (Incorporated by reference to Signature Bank's Registration Statement on Form 10 or amendments thereto, filed with the Federal Deposit Insurance Corporation on March 17, 2004.)
4.2	Description of Capital Stock.
4.3	Deposit Agreement, dated December 17, 2020, by and among Signature Bank, American Stock Transfer & Trust Company, LLC and the holders from time to time of the Depositary Receipts described therein (Incorporated by reference to Signature Bank's Current Report on Form 8-K filed on December 17, 2020).
4.4	Form of Depositary Receipt (Included in Exhibit 4.3 and incorporated by reference to Signature Bank's Current Report on Form 8-K filed on December 17, 2020).
10.1	Signature Bank Amended and Restated 2004 Long-Term Incentive Plan (Incorporated by reference from Annex A to the 2018 Definitive Proxy Statement on Schedule 14A, filed with the Federal Deposit Insurance Corporation on April 25, 2018.)
10.2	Amended and Restated Signature Bank Change of Control Plan (Incorporated by reference to Signature Bank's Current Report on Form 8-K, filed with the Federal Deposit Insurance Corporation on September 19, 2007.)
10.4	Networking Agreement, effective as of April 18, 2001, between Signature Securities and Signature Bank (Incorporated by reference to Signature Bank's Registration Statement on Form 10 or amendments thereto, filed with the Federal Deposit Insurance Corporation on March 17, 2004.)
10.13	Employment Agreement, dated March 22, 2004, between Signature Bank and Joseph J. DePaolo (Incorporated by reference to Signature Bank's Registration Statement on Form 10 or amendments thereto, filed with the Federal Deposit Insurance Corporation on March 17, 2004.)
14.1	Code of Ethics (Incorporated by reference from Signature Bank's 2004 Form 10-K, filed with the Federal Deposit Insurance Corporation on March 16, 2005.)
21.1	Subsidiaries of Signature Bank
31.1	Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

ITEM 16. Form 10-K Summary

Not applicable.

SIGNATURES

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

SIGNATURE BANK

By: /s/ JOSEPH J. DEPAOLO

Joseph J. DePaolo

President, Chief Executive Officer and Director

Date: March 1, 2021

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on March 1, 2021 by the following persons on behalf of the registrant in the capacities indicated.

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

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

KPMG

KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors
Signature Bank:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statements of financial condition of Signature Bank and subsidiaries (the Company) as of December 31, 2020 and 2019, the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2020, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2020, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated March 1, 2021 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Changes in Accounting Principles

As discussed in Note 2 to the consolidated financial statements, the Company has changed its method of accounting for the recognition and measurement of credit losses as of January 1, 2020 due to the adoption of ASC 326, *Credit Losses.*

As discussed in Note 2 to the consolidated financial statements, the Company has elected to change its method of accounting for Low Income Housing Tax Credit investments from the equity method of accounting to the proportional amortization method of accounting as of January 1, 2020.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

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

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Allowance for credit losses for loans and leases associated with the credit rated commercial real estate loan portfolio and the credit rated commercial and industrial loan portfolio that are collectively assessed

As discussed in Notes 2 and 9 to the Company's consolidated financial statements, the Company's total allowance for credit losses as of December 31, 2020 was $519.1 million, of which $422.7 million related to the allowance for credit losses for loans and leases collectively assessed (collectively assessed allowance) for the credit rated commercial real estate loan portfolio (CRE) and the credit rated commercial and industrial loan portfolio (C&I). Loans and leases that share similar credit risk characteristics, such as product type, collateral type, credit rating, vintage, asset size, etc., are grouped into respective pools for collective assessment, and as such make up the collectively assessed allowance. The collectively assessed allowance for credit rated CRE and C&I represents the Company's estimate of current expected credit losses in the loan and lease portfolio over its expected life, which is the contract term adjusted for expected prepayments and options to extend the contractual term that are not unconditionally cancellable by the Company. For the collectively assessed allowance for credit rated CRE, the Company uses a loan-level probability of default (PD) and loss given default (LGD) model. The attribute most significant to calculating the PD is the net operating income from the underlying collateral, which in turn, determines the debt service coverage ratio. The LGD is estimated using an updated loan to value ratio as of each reporting date. The related model multiplies each loan's derived macroeconomic adjusted PD, LGD and amortized cost to estimate the associated reserve at a loan level. The Company estimates the collectively assessed allowance for credit rated C&I either utilizing a vendor-based loss rate model or a lifetime loss rate model. The Company uses a model to develop the vendor-based loss rate, which projects reserves based primarily on the North American Industry Classification System code, the assigned risk rating and the associated term of the loan. The lifetime loss rate model utilizes a single loss rate based on historical net charge-offs. The vendor-based loss rate model multiplies each loan's derived macroeconomic adjusted loss rates and the amortized cost of each loan to estimate the associated reserve. For the remaining C&I loan portfolio segments, the expected lifetime credit losses are estimated at a loan level by multiplying the derived historical loss rates and amortized cost of each loan. The following key factors and assumptions are incorporated in the above-mentioned models utilized for the collectively assessed allowance for credit rated CRE and C&I: a historical loss period, which represents a full economic credit cycle utilizing internal loss experience, as well as industry and peer historical loss data; a single economic forecast scenario; a reasonable and supportable forecast period; a reversion period (except for certain C&I loan portfolio segments); and expected prepayment rates. Qualitative adjustments or model overlays may be recorded based on expert credit judgment in circumstances where, in the Company's view, inputs, assumptions, and/or modeling techniques do not capture all relevant risk factors.

We identified the assessment of the collectively assessed allowance for credit rated CRE and C&I as a critical audit matter. A high degree of audit effort, including specialized skills and knowledge, and subjective and complex auditor judgment was involved in the assessment of the collectively assessed allowance for credit rated CRE and C&I. Specifically, the assessment encompassed an evaluation of the collectively assessed allowance for credit rated CRE and C&I methodology, including the methods and models used to estimate (1) the PD, LGD, and vendor-based and lifetime loss rates and their significant assumptions, including the economic forecast scenario and macroeconomic factors, the reasonable and supportable forecast period, the reversion period, expected prepayment rates, and risk ratings on C&I, and (2) the qualitative adjustments. The assessment also included an evaluation of the conceptual soundness and performance of the PD, LGD, and loss rate models. In addition, auditor judgment was required to evaluate the sufficiency of audit evidence obtained.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls related to the Company's measurement of the collectively assessed allowance for credit rated CRE and C&I, including controls over the:

- development of the collectively assessed allowance for credit rated CRE and C&I methodology
- development of the PD, LGD, and loss rate models
- performance monitoring of the PD, LGD, and loss rate models
- identification and determination of the significant assumptions used in the PD, LGD, and loss rate models
- development of the qualitative adjustments
- analysis of the collectively assessed allowance for CRE and C&I results, trends, and ratios.

We evaluated the Company's process to develop the collectively assessed allowance for credit rated CRE and C&I by testing certain sources, the relevance and reliability of the data, factors, and assumptions that the Company used. In addition, we involved credit risk professionals with specialized skills and knowledge, who assisted in:

- evaluating the Company's collectively assessed allowance for the credit rated CRE and C&I methodology for compliance with U.S. generally accepted accounting principles
- evaluating judgements made by the Company relative to the development and performance monitoring of the PD, LGD, and loss rate models
- assessing the conceptual soundness and performance testing of the PD, LGD, and loss rate models by inspecting the model documentation to determine whether the models are suitable for their intended use
- evaluating the selection of the economic forecast scenario and macroeconomic factors by comparing it to the Company's business environment and relevant industry practices
- evaluating the length of the reasonable and supportable forecast period and reversion period, if applicable, by comparing them to specific portfolio risk characteristics and trends
- testing individual risk ratings for a selection of C&I loan borrower relationships by evaluating the financial performance of the borrower, sources of repayment, and any relevant guarantees or underlying collateral
- evaluating the methodology used to develop the qualitative adjustments and the effect of those adjustments on the collectively assessed allowance for credit rated CRE and C&I compared with relevant credit risk factors and consistency with credit trends and identified limitations of the underlying quantitative models.

We also assessed the sufficiency of the audit evidence obtained related to the collectively assessed allowance for credit rated CRE and C&I by evaluating:

- cumulative results of the audit procedures

- qualitative aspects of the Company’s accounting practices
- potential bias in the accounting estimate.

KPMG LLP

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

New York, New York
March 1, 2021

SIGNATURE BANK
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(dollars in thousands, except shares and per share amounts)	December 31, 2020	December 31, 2019
ASSETS		
Cash and due from banks	$ 12,208,997	702,277
Short-term investments	139,334	87,555
Total cash and cash equivalents	12,348,331	789,832
Securities available-for-sale (amortized cost $8,891,709 at December 31, 2020 and $7,186,494 at December 31, 2019); (allowance for credit losses $4 at December 31, 2020)	8,890,417	7,143,864
Securities held-to-maturity (fair value $2,329,378 at December 31, 2020 and $2,115,541 at December 31, 2019); (allowance for credit losses $51 at December 31, 2020)	2,282,830	2,101,970
Federal Home Loan Bank stock	171,678	231,339
Loans held for sale	407,363	290,593
Loans and leases	48,833,098	39,109,623
Allowance for credit losses for loans and leases	(508,299)	(249,989)
Loans and leases, net	48,324,799	38,859,634
Premises and equipment, net	80,274	66,419
Operating lease right-of-use assets	237,407	217,578
Accrued interest and dividends receivable	277,801	147,527
Other assets (1)	867,444	743,053
Total assets	$ 73,888,344	50,591,809
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits		
Non-interest-bearing	$ 18,757,771	13,016,931
Interest-bearing	44,557,552	27,366,276
Total deposits	63,315,323	40,383,207
Federal funds purchased and securities sold under agreements to repurchase	150,000	150,000
Federal Home Loan Bank borrowings	2,839,245	4,142,144
Subordinated debt	828,588	456,119
Operating lease liabilities	265,354	242,587
Accrued expenses and other liabilities	662,925	472,554
Total liabilities	68,061,435	45,846,611
Shareholders' equity		
Preferred stock, par value $.01 per share; 61,000,000 shares authorized, 730,000 shares issued and outstanding at December 31, 2020; and none issued and outstanding at December 31, 2019	7	—
Common stock, par value $.01 per share; 64,000.000 shares authorized; 55,520,417 shares issued and 53,564,573 outstanding at December 31, 2020; 55,427,631 shares issued and 53,519,644 outstanding at December 31, 2019	555	554
Additional paid-in capital	2,583,514	1,871,571
Retained earnings (1)	3,548,260	3,172,273
Treasury stock, 1,899,336 shares at December 31, 2020 and 1,907,987 shares at December 31, 2019	(232,531)	(233,570)
Accumulated other comprehensive loss	(72,896)	(65,630)
Total shareholders' equity	5,826,909	4,745,198
Total liabilities and shareholders' equity	$ 73,888,344	50,591,809

(1) Effective January 1, 2020, we changed our accounting policy for Low Income Housing Tax Credit ("LIHTC") investments from the equity method to the proportional amortization method as it was determined to be the preferable method. All applicable prior period amounts have been retroactively restated to conform to the new accounting policy.

See accompanying notes to Consolidated Financial Statements.

SIGNATURE BANK
CONSOLIDATED STATEMENTS OF INCOME

(dollars in thousands, except per share amounts)		*Years ended December 31,* 2020	2019	2018
INTEREST INCOME				
Loans held for sale	$	3,655	4,978	10,863
Loans and leases, net		1,661,912	1,579,268	1,389,435
Securities available-for-sale		186,569	227,535	224,012
Securities held-to-maturity		55,335	60,843	57,930
Other investments		24,175	39,052	26,680
Total interest income		1,931,646	1,911,676	1,708,920
INTEREST EXPENSE				
Deposits		297,349	440,730	289,248
Federal funds purchases and securities sold under agreements to repurchase		2,742	14,170	13,484
Federal Home Loan Bank borrowings		85,333	129,138	92,628
Subordinated debt		27,130	16,045	14,573
Total interest expense		412,554	600,083	409,933
Net interest income before provision for credit losses		1,519,092	1,311,593	1,298,987
Provision for credit losses		248,094	22,636	162,524
Net interest income after provision for credit losses		1,270,998	1,288,957	1,136,463
NON-INTEREST INCOME				
Commissions		13,441	14,504	13,120
Fees and service charges		46,397	32,926	28,553
Net gains on sales of securities		3,606	1,034	989
Net gains on sale of loans		12,651	10,836	6,738
Other-than-temporary impairment losses on securities:				
Total impairment losses on securities		—	—	(2)
Portion recognized in other comprehensive income (before taxes)		—	—	(14)
Net impairment losses on securities recognized in earnings		—	—	(16)
Other income (1)		(847)	2,415	1,171
Total non-interest income		75,248	61,715	50,555
NON-INTEREST EXPENSE				
Salaries and benefits		389,125	335,054	302,095
Occupancy and equipment		44,371	42,833	34,311
Information technology		43,217	36,961	25,732
FDIC assessment fees		13,742	12,432	25,256
Professional fees		18,286	14,689	13,698
Other general and administrative		105,313	87,300	85,186
Total non-interest expense		614,054	529,269	486,278
Income before income taxes		732,192	821,403	700,740
Income tax expense (1)		203,833	234,917	194,306
Net income	$	528,359	586,486	506,434
Preferred stock dividends		—	—	—
Net income available to common shareholders	$	528,359	586,486	506,434
PER COMMON SHARE DATA				
Earnings per common share - basic (1)	$	10.00	10.87	9.29
Earnings per common share - diluted (1)	$	9.96	10.82	9.25
Dividends per common share	$	2.24	2.24	1.12

(1) Effective January 1, 2020, we changed our accounting policy for Low Income Housing Tax Credit ("LIHTC") investments from the equity method to the proportional amortization method as it was determined to be the preferable method. All applicable prior period amounts have been retroactively restated to conform to the new accounting policy.

See accompanying notes to Consolidated Financial Statements.

SIGNATURE BANK
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	At or for the years ended December 31,		
(in thousands)	**2020**	**2019**	**2018**
Net income (1)	$ 528,359	586,486	506,434
Other comprehensive income, net of tax:			
Net unrealized gain (losses) on securities	43,787	157,305	(100,974)
Tax effect	(12,932)	(46,295)	25,533
Net of tax	30,855	111,010	(75,441)
Reclassification adjustment for net gains on sales included in net income	(3,606)	(1,034)	(989)
Tax effect	1,065	304	292
Net of tax	(2,541)	(730)	(697)
Amortization of net unrealized loss on securities transferred to held-to-maturity	2,730	2,720	2,266
Tax effect	(806)	(800)	(670)
Net of tax	1,924	1,920	1,596
Other-than-temporary gains (losses) on securities related to noncredit factors	—	—	14
Tax effect	—	—	(4)
Net of tax	—	—	10
Reclassification adjustment for other-than-temporary impairment losses on securities related to credit factors included in net income	—	—	16
Tax effect	—	—	(5)
Net of tax	—	—	11
Net unrealized losses on cash flow hedges	(83,673)	(45,311)	(3,302)
Reclassification adjustment for net (gains) losses included in net income	30,502	(1,878)	4
Tax effect	15,667	13,888	974
Net of tax	(37,504)	(33,301)	(2,324)
Total other comprehensive income (loss), net of tax	(7,266)	78,899	(76,845)
Comprehensive income, net of tax	$ 521,093	665,385	429,589

(1) Effective January 1, 2020, we changed our accounting policy for Low Income Housing Tax Credit ("LIHTC") investments from the equity method to the proportional amortization method as it was determined to be the preferable method. All applicable prior period amounts have been retroactively restated to conform to the new accounting policy.

See accompanying notes to Consolidated Financial Statements.

SIGNATURE BANK
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(in thousands)	Common stock	Preferred Stock	Additional paid-in capital	Retained earnings	Treasury stock	Accumulated other comprehensive loss	Total shareholders' equity
Balance at December 31, 2017 (3)	$ 550	—	1,809,642	2,267,260	(171)	(68,867)	4,008,414
Opening retained earnings adjustments (1)	—	—	—	(2,972)	—	1,183	(1,789)
Common stock issued	3	—	—	—	—	—	3
Restricted stock activity, net	1	—	51,989	—	171	—	52,161
Stock warrant activity, net	—	—	1,265	—	(869)	—	396
Common stock repurchased	—	—	—	—	(41,811)	—	(41,811)
Other	—	—	—	(3)	—	—	(3)
Net income (3)	—	—	—	506,434	—	—	506,434
Other comprehensive loss, net of tax	—	—	—	—	—	(76,845)	(76,845)
Dividends paid on common stock ($1.12 per share)	—	—	—	(62,005)	—	—	(62,005)
Balance at December 31, 2018 (3)	$ 554	—	1,862,896	2,708,714	(42,680)	(144,529)	4,384,955
Opening retained earnings adjustment (2)	—	—	—	(147)	—	—	(147)
Restricted stock activity, net	—	—	8,675	—	46,443	—	55,118
Common stock repurchased	—	—	—	—	(237,333)	—	(237,333)
Other	—	—	—	(3)	—	—	(3)
Net Income (3)	—	—	—	586,486	—	—	586,486
Other comprehensive income, net of tax	—	—	—	—	—	78,899	78,899
Dividends paid on common stock ($2.24 per share)	—	—	—	(122,777)	—	—	(122,777)
Balance at December 31, 2019 (3)	$ 554	—	1,871,571	3,172,273	(233,570)	(65,630)	4,745,198
Opening retained earnings adjustment (4)	—	—	—	(32,289)	—	—	(32,289)
Common stock issued	—	—	3,932	—	—	—	3,932
Preferred stock issued	—	7	708,011	—	—	—	708,018
Restricted stock activity, net	1	—	—	—	51,047	—	51,048
Common stock repurchased	—	—	—	—	(50,008)	—	(50,008)
Other	—	—	—	(5)	—	—	(5)
Net income	—	—	—	528,359	—	—	528,359
Other comprehensive income, net of tax	—	—	—	—	—	(7,266)	(7,266)
Dividends paid on common stock ($2.24 per share)	—	—	—	(120,078)	—	—	(120,078)
Balance at December 31, 2020	$ 555	7	2,583,514	3,548,260	(232,531)	(72,896)	5,826,909

(1) Effective January 1, 2018, we adopted changes in the accounting for sale of repossessed assets pursuant to ASU 2014-09 *(Amendments to Revenue from Contracts with Customers)* and ASU 2016-01 *(Amendments to Financial Instruments- Recognition and Measurement of Financial Assets).* Accordingly, we recorded a $3.0 million decrease to retained earnings that included a reclassification of $1.2 million of unrealized losses related to equity securities from accumulated other comprehensive loss to retained earnings as a cumulative-effect adjustment.

(2) Effective January 1, 2019, we adopted ASU 2017-08, *Receivables - Nonrefundable Fees and Other costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities.* Accordingly, we recognized additional amortization of $147,000 as a cumulative adjustment to retained earnings as of adoption date.

(3) Effective January 1, 2020, we changed our accounting policy for Low Income Housing Tax Credit ("LIHTC") investments from the equity method to the proportional amortization method as it was determined to be the preferable method. All applicable prior period amounts have been retroactively restated to conform to the new accounting policy. As a result, the balance of Retained earnings at December 31, 2019 was adjusted by a $24.6 million cumulative impact, net of tax.

(4) Amount represents a $32.3 million cumulative adjustment, net of tax, as a result of the adoption of ASU 2016-13, Financial Instruments- Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("CECL"), which became effective January 1, 2020.

See accompanying notes to Consolidated Financial Statements.

SIGNATURE BANK
CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)		Years ended December 31, 2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income (3)	$	528,359	586,486	506,434
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization		20,684	20,147	14,007
Provision for loan and lease losses		248,094	22,636	162,524
Provision for credit losses for available for sale securities		4	—	—
Net impairment losses on securities recognized in earnings		—	—	16
Net amortization/accretion of premium/discount		162,546	110,862	117,952
Stock-based compensation expense		54,994	55,358	52,566
Net gains on sales of securities and loans		(16,257)	(11,870)	(7,727)
Gain on trading activities		(217)	(62)	—
Deferred income tax (benefit) expense (3)		(117,128)	1,647	506
Purchases of loans held for sale		(1,778,627)	(1,361,314)	(1,892,916)
Proceeds from sales and principal repayments of loans held for sale		1,778,454	1,478,304	1,690,598
Purchases of securities held for trading		(98,980)	(39,117)	—
Proceeds from sales of securities held for trading		105,621	32,600	—
Net increase in accrued interest and dividends receivable		(130,274)	(5,698)	(24,759)
Net increase in other assets (1) (3)		(70,845)	(313,884)	(115,307)
Net increase in accrued expenses and other liabilities (2)		217,935	202,129	147,669
Net cash provided by operating activities		904,363	778,224	651,563
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of securities available-for-sale ("AFS")		(4,689,172)	(1,291,803)	(1,458,768)
Proceeds from sales of securities AFS		71,179	54,121	30,269
Maturities, redemptions, calls and principal repayments on securities AFS		2,692,520	1,334,860	1,030,451
Purchases of securities held-to-maturity ("HTM")		(743,560)	(341,132)	(113,067)
Maturities, redemptions, calls and principal repayments on securities HTM		545,011	294,466	213,202
Purchases of Federal Home Loan Bank stock		(69,395)	(659,688)	(1,404,732)
Proceeds from redemptions of Federal Home Loan Bank stock		129,056	693,226	1,367,775
Net increase in loans and leases		(9,779,156)	(2,685,469)	(3,942,777)
Net purchases of premises and equipment		(35,042)	(32,937)	(11,487)
Net cash used in investing activities		(11,878,559)	(2,634,356)	(4,289,134)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net increase in non-interest-bearing deposits		5,740,840	1,000,734	663,159
Net increase in interest-bearing deposits		17,191,276	3,003,700	2,275,787
Proceeds from the issuance of Federal Home Loan Bank borrowings		1,967,102	2,797,144	3,595,000
Repayment of Federal Home Loan Bank borrowings		(3,270,000)	(3,625,000)	(2,820,000)
Proceeds from the issuance of other borrowings		150,000	150,000	820,000
Repayment of other borrowings		(150,000)	(820,000)	(790,000)
Cash dividends paid on common stock		(120,078)	(122,777)	(62,005)
Proceeds from the issuance of subordinated debt, net		375,000	200,000	—
Payments of employee taxes withheld from stock-based compensation		(9,432)	(17,716)	(20,761)
(Repurchase) issuance of common stock		(50,008)	(237,333)	(41,808)
Net proceeds from issuance of preferred stock		708,018	—	—
Other		(20)	(243)	(12)
Net cash provided by financing activities		22,532,698	2,328,509	3,619,360
Net increase (decrease) in cash and cash equivalents		11,558,499	472,577	(18,211)
Cash and cash equivalents at beginning of year		789,832	317,255	335,466
Cash and cash equivalents at end of year	$	12,348,331	789,832	317,255
Supplemental disclosures of cash flow information:				
Interest paid during the year	$	425,604	601,534	402,717
Income taxes paid during the year, net	$	237,668	202,768	107,213
Non-cash investing activities:				
Transfer of loans to repossessed assets, at fair value	$	5,222	16,692	73,864
Excess servicing strips from the securitization of SBA loans	$	53,150	80,990	94,018
Right-of-use assets obtained in exchange for operating lease liabilities	$	237,407	239,838	—
Landlord provided improvement incentives	$	400	—	—

(1) Includes $24.9 million and $22.3 million of amortization of operating lease right-of-use assets for the years ended December 31, 2020 and 2019, respectively.

(2) Includes $22.0 million and $11.9 million accretion of operating lease liabilities for the years ended December 31, 2020 and 2019, respectively.

(3) Effective January 1, 2020, we changed our accounting policy for Low Income Housing Tax Credit ("LIHTC") investments from the equity method to the proportional amortization method as it was determined to be the preferable method. All applicable prior period amounts have been retroactively restated to conform to the new accounting policy.

See accompanying notes to Consolidated Financial Statements.

(1) Organization

Signature Bank (the “Bank” and together with its subsidiaries, the “Company,” “we,” or “us”) is a New York State chartered bank. On April 5, 2001, the Bank received its charter from the New York State Banking Department (now known as the New York State Department of Financial Services) and commenced business on May 1, 2001. The Bank currently operates 36 private client offices located throughout the New York metropolitan area, including Connecticut, as well as in California and North Carolina. Through its single-point-of-contact approach, the Bank's private client banking teams serve the needs of privately owned businesses, their owners and senior managers.

The Bank operates Signature Financial LLC (“Signature Financial”), a specialty finance subsidiary focused on equipment finance and leasing, transportation, taxi medallion, commercial marine, and national franchise financing and/or leasing. Additionally, through our Signature Public Funding Corporation (“Signature Public Funding”) subsidiary, the Bank provides a range of municipal finance and tax-exempt lending and leasing products to government entities throughout the country, including state and local governments, school districts, fire and police and other municipal entities. The Bank also operates Signature Securities Group Corporation (“Signature Securities”), a licensed broker-dealer and investment advisor offering investment, brokerage, asset management and insurance products and services.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation and Consolidation

The accompanying Consolidated Financial Statements of the Bank have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) and practices within the banking industry. These financial statements have been prepared to reflect all adjustments necessary to present fairly the financial condition and results of operations as of the dates and for the periods shown. All significant intercompany accounts and transactions have been eliminated in consolidation. Effective January 1, 2020, we changed our accounting policy for Low Income Housing Tax Credit ("LIHTC") investments from the equity method to the proportional amortization method as it was determined to be the preferable method. All applicable prior period amounts have been retroactively restated to conform to the new accounting policy. See Note 3 to our Consolidated Financial Statements for further discussion.

Certain reclassifications have been made to prior period financial statements to conform to the current period’s presentation. To better align with recent regulatory guidance, in 2017 the Bank began using the acquisition, development and construction loan caption. Within this document, the change only impacted the loan and lease loss provision by loan portfolio segment table in Note 9.

(b) Management’s Use of Estimates

The preparation of Consolidated Financial Statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Our significant estimates include the adequacy of the allowance for credit losses for loans and leases (“ACLLL” or the “allowance”).

Beginning January 1, 2020, the allowance for credit losses ("ACL"), applying an expected credit loss approach as required under ASC 326, *Credit Losses*, is estimated using a combination of quantitative models and qualitative adjustments, both of which, may incorporate inputs, assumptions and techniques that involve a high degree of management judgment. The ACL represents the credit loss estimate under the new standard, replacing the Allowance for Loan an Lease Losses ("ALLL") under the legacy GAAP. See 2(g) below for additional information.

(c) Cash and Cash Equivalents

For the purpose of presentation in the Consolidated Statements of Cash Flows, we have defined cash and cash equivalents to include cash and due from banks and short-term investments with original maturities of 90 days or less. Short-term investments may consist of federal funds sold, interest-bearing deposits with banks and money market mutual funds.

Cash and cash equivalents at December 31, 2020 consisted of cash and due from banks of $12.21 billion, interest-bearing deposits with banks of $101.6 million and money market mutual funds of $37.7 million. Cash and cash equivalents at December 31, 2019 consisted of cash and due from banks of $702.3 million, interest-bearing deposits with banks of $50.4 million and money market mutual funds of $37.1 million.

We are required by the Federal Reserve System to maintain non-interest bearing cash reserves equal to a percentage of certain deposits. The reserve requirement amounted to zero and $449.7 million for the periods that included December 31, 2020 and 2019, respectively.

(d) Securities Available-for-Sale and Securities Held-to-Maturity

The designation of a security as held-to-maturity (“HTM”) is made at the time of acquisition. Securities that we have the positive intent and ability to hold to maturity are classified as HTM and carried at amortized cost. Amortization of premiums and accretion of discounts are recognized using the level yield method.

Securities classified as available-for-sale (“AFS”) include debt securities that are carried at estimated fair value. Unrealized gains or losses on securities available-for-sale are included as a separate component of shareholders’ equity, net of tax effect. Amortization of premiums and accretion of discounts are recognized using the level yield method. Realized gains and losses on sales of securities are computed using the specific identification method and are reported in non-interest income.

A debt security, either AFS or HTM, is designated as nonaccrual if the payment of interest is past due and unpaid for 30 days or more. Once a security is placed on nonaccrual, accrued interest receivable is reversed and further interest income recognition is ceased. Since the nonaccrual policy results in a timely reversal of interest receivable, the Bank does not record an ACL on interest receivable. The security will not be restored to accrual status until the security has been current on interest payments for a sustained period, i.e., a consecutive period of six months or two quarters; and the Bank expects repayment of the remaining contractual principal and interest. However, if the security continues to be in deferral status, or the Bank does not expect to collect the remaining interest payments and the contractual principal, charge-off is to be assessed. Upon charge-off, the allowance is written off and the loss represents a permanent write-down of the cost basis of the security.

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

Beginning January 1, 2020, we evaluate AFS securities that experienced a decline in fair value below amortized cost for credit impairment. The Bank recognizes a credit impairment through earnings if we have the intent to sell the security, or it is more likely than not ("MLTN") that we will be required to sell the security before recovery of its amortized cost. If the Bank does not intend to nor would be required to sell the security prior to recovery of the amortized cost, the Bank evaluates whether a decline in fair value below amortized cost is due to credit-related or noncredit-related factors, such as interest rate risk, prepayment risk or liquidity risk. Credit attributable losses are recognized as an allowance for credit losses ("ACL") with a corresponding adjustment to current earnings; while the non-credit related component is recognized in Other comprehensive income (loss) (“OCI”) net of applicable taxes. The total amount of impairment loss is limited to the difference between the security’s amortized cost and fair value, i.e., the “fair value floor.” Both the allowance and the adjustment to net income can be reversed if conditions change subsequently.

Beginning January 1, 2020, the ACL on held-to-maturity debt securities is based on the security’s amortized cost, excluding interest receivable, and represents the portion of the amortized cost that the Bank does not expect to collect over the life of the security. The ACL on held-to-maturity debt securities is initially recognized upon acquisition of the securities, and subsequently remeasured on a recurring basis. HTM securities are reviewed upon acquisition to determine whether it has experienced a more-than-insignificant deterioration in credit quality since its original issuance date, i.e., if they meet the definition of a purchased credit impaired asset (“PCDs”). Non-PCD HTM securities are carried at cost and adjusted for amortization of premiums or accretion of discounts, which are periodically adjusted for estimated prepayments. Expected credit losses on HTM debt securities through the life of the financial instrument are estimated and recognized as an allowance for credit losses ("ACL") on the balance sheet with a corresponding adjustment to current earnings. Subsequent favorable or adverse changes in expected cash flow will first decrease or increase the allowance for credit losses. If the change in expected cash flows has reduced the allowance to a level below zero, the accretable yield is adjusted on a prospective basis.

Prior to January 1, 2020, we regularly evaluated both of our AFS and HTM securities to identify declines in fair value that are considered other-than-temporary ("OTTI") 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 was other-than-temporary include: (a) the length of time and extent to which the fair value had 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 was current on contractually-obligated interest and principal payments, and (d) whether we intended to sell or whether we would be MLTN required to sell these instrument before recovery of their cost basis. Once a debt security was deemed to be other-than-temporarily impaired, the investment was 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).

Equity securities, including FHLB stock, which are not quoted on an exchange and not considered to be readily marketable are recorded at cost, less impairment (if any).

(e) Loans Held for Sale

Loans originated and held for sale in the secondary market are carried at the lower of cost or estimated fair value. Net unrealized losses, if any, are recognized through a valuation allowance by charges to current earnings. Gains or losses resulting from sales of loans held for sale, net of unamortized deferred fees and costs, are recognized at the time of sale and are included in net gains on sales of loans on the Consolidated Statements of Income.

(f) Loans and Leases, Net

Loans are carried at the principal amount outstanding, less unearned discounts, net of deferred loan origination fees and costs and the ACLLL. Unearned income and net deferred loan fees and costs are accreted/amortized into interest income over the loan term on a basis that approximates the level yield method.

The accrual of interest income is generally discontinued at the time a loan becomes 90 days delinquent based on contractual terms. Other factors are also considered in determining whether a loan should be classified as nonaccrual, including whether the loan is to a borrower in an industry experiencing economic stress, whether the borrower is experiencing other issues such as inadequate cash-flow, or the nature of the underlying collateral and whether it is susceptible to deterioration in realizable value. In the case of commercial loans, residential mortgages, and home equity lines of credit, exceptions may be made if the loan has sufficient collateral value, based on a current appraisal, and is in process of collection. Additionally, an accruing loan that is modified as a troubled debt restructuring (“TDR”) may remain in accrual status if, based on a credit analysis, collection of principal and interest in accordance with the modified terms is reasonably assured, and the borrower demonstrated sustained historical repayment performance for a reasonable period prior to modification. In all cases, loans are placed on nonaccrual status or charged-off at an earlier date if collection of principal or interest is considered doubtful.

Once a loan is placed on nonaccrual status, our accounting policies are applied consistently, regardless of loan type. All interest previously accrued but not collected for loans that are placed on nonaccrual status is reversed against interest income. Payments received on nonaccrual loans are applied against the outstanding loan principal. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

(g) Allowance for Credit Losses ("ACL") for Loans and Leases

Beginning January 1, 2020, the ACL includes the allowance for credit losses associated with funded commercial and consumer loans and leases, as well as the reserve for unfunded lending commitments. The allowance for funded loans is established through a provision for loan and lease losses charged to current earnings and an adjustment to the ACLLL. The allowance for the unfunded portion is based on utilization assumptions and is established through a provision charged to Non-interest expense and is recorded in Accrued expenses and other liabilities. The ACL reserve including the ACLLL for the funded portion and the reserve for the unfunded portion, represents management’s estimate of current expected credit losses (“CECL”) in the Company’s loan and lease portfolio over its expected life, which is the contract term adjusted for expected prepayments and options to extend the contractual term that are not unconditionally cancellable by us. The ACLLL is initially recognized upon origination or purchase of the loans and leases, and subsequently remeasured on a recurring basis.

The expected life is comprised of two stages with stage one being the reasonable and supportable (‘RNS”) period that we can reasonably and supportably forecast future economic conditions to estimate expected credit losses; and stage two being the period subsequent to the RNS period, or the reversion period, for which the estimate of credit losses reverts to a long-term historical loss rate. During the RNS period, historical loss experience is to be adjusted for asset-specific risk characteristics, i.e., underwriting standards, portfolio mix or asset term; and for economic conditions, including both current conditions and reasonable and supportable forecasts of future conditions. During the reversion period, no adjustments are made to historical loss rate other than applicable asset specific risk characteristics.

Loans and leases that share similar credit risk characteristics, such as product type, collateral type, risk rating, vintage, asset size, etc., are grouped into respective pools for “collective assessment.” A loan or a lease that does not have similar risk characteristics with other loans/leases is subject to “individual assessment.” As of December 31, 2020, all loans are pooled for collective assessment, except for nonaccrual loans and troubled debt restructurings, which are individually assessed for ACLLL given the unique status of each individual loan.

Collectively Assessed Allowance

Our segmentation for collectively assessed loans and leases is comprised of two major categories, commercial loans and other, with “other” including consumer and residential loans. Commercial loans are grouped into two sub-segments: credit-rated and non-credit rated. Credit-rated commercial loans are further segregated into commercial real estate (“CRE”) and commercial and industrial (“C&I”) portfolios. The largest segment of our loan portfolio is comprised of credit-rated commercial loans, representing 99.0% of our total loan portfolio, excluding loans held for sale, as of December 31, 2020.

Credit-rated CRE loans are comprised of three sub-categories of loans: commercial property, multi-family and acquisition, development and construction (‘ADC”), while the rated C&I loans consist of nine sub-categories including specialty finance, fund banking, venture capital, owner-occupied, traditional C&I, commercial loans secured by 1-4 family real estate, asset based lending, other C&I, as well as personal loans for commercial use. In addition, we created a new component within each portfolio segment for the respective unfunded lending commitments to reflect our off balance sheet credit exposures.

Quantitative models with varying degrees of complexity are utilized for ACL estimation. The selection of models is based on the composition of the related portfolio segment, materiality of the portfolio, the availability of loan level versus pool level data, the chosen statistical modeling methodology, and how we manage the associated credit risks.

We estimate the ACLLL for our credit-rated CRE loans utilizing a loan-level probability of default (“PD”) and loss given default (“LGD”) model. PD represents the likelihood of default over the loan’s expected life. The attribute most significant to calculating the PD is the net operating income (NOI) from the underlying collateral, which in turn, determines the debt service coverage ratio (“DSCR”). The loss given default is an estimate of the severity of loss should a default occur, which is estimated using an updated Loan to Value (“LTV”) ratio as of each reporting date. The related CECL model multiplies each loan's derived macroeconomic adjusted PD, LGD and the amortized cost to estimate the associated reserve at a loan level.

Our C&I loans are either modeled using a vendor-based loss rate model or a lifetime loss rate model. The allowance for our specialty finance, traditional C&I and owner-occupied CRE loans is calculated using a vendor-based loss rate model which projects reserves based primarily on the North American Industry Classification System (NAICS) code, the assigned risk rating and the associated term of the loan. 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. The credit ratings are periodically reviewed to reflect changes in asset specific risk factors. The related CECL model multiplies each loan's derived macroeconomic adjusted loss rates and the amortized cost of each loan to estimate the associated reserve.

For our remaining C&I portfolio segments including fund banking, venture capital, non-rated commercial loans, as well as consumer loans, a lifetime loss rate methodology utilizing a single loss rate based on historical net charge-offs is applied for the reserve estimation due to their unique borrowing terms, lack of loss history or limited loss experience, as well as borrower and event specific events that impact credit risk. The expected lifetime credit losses for these C&I portfolios are estimated at a loan level by multiplying the derived historical loss rates and amortized cost of each loan. For all remaining smaller portfolio segments such as residential loans, a more simplified loss rate methodology which uses lifetime PD and LGD is applied for reserve estimation and considers loan level cash flows over the remaining contractual life. This related CECL model multiplies the estimated PD, LGD and amortized cost to calculate the associated reserve for each loan.

The following key factors and assumptions are incorporated in the above-mentioned models utilized for the ACLLL reserve under CECL:

- a historical loss period, which represents a full economic credit cycle utilizing internal loss experience, as well as industry and peer historical loss data;
- a single economic forecast scenario;
- an initial reasonable and supportable period of two years and a reversion period using a straight-line approach that extends through the shorter of one year or the end of the remaining contractual term, for all portfolios, except for certain C&I portfolios; these C&I portfolios incorporate a reasonable and supportable forecast of various macroeconomic variables such that each macroeconomic variable for the remaining contractual term will revert to a long-term expectation starting in years two to three, and will largely be completed within the first five years of the forecast, and
- expected prepayment rates based on our historical experience.

Forward-looking economic information primarily includes gross domestic product (“GDP”), unemployment rates, central-bank interest rates, and property price indices, which are used as inputs to the respective models of expected credit losses and the related ACL reserve. The Bank primarily uses external sources of information for economic forecasting. Our Economic Forecast Committee reviews, modifies as necessary, and approves macroeconomic forecast scenarios and variables to formulate management’s view of the most probable future direction of economic developments to be used in the ACLLL estimation process. At each reporting date, the allowance is determined using the latest available single forward-looking economic scenario, e.g., Moody's Baseline forecast. If the designated single forecast is not deemed to be incorporating certain idiosyncratic event(s) and the impact of such event(s), a qualitative adjustment may be recorded, to include an alternative upside or downside scenario and capture any uncertainty related to such event(s). Other qualitative adjustments or model overlays may also be recorded based on expert credit judgment in circumstances where, in the Bank’s view, the existing regulatory guidance, inputs, assumptions, and/or modelling techniques do not capture all relevant risk factors. The use of qualitative reserves may require significant judgment that may impact the amount of allowance recognized. Recurring qualitative adjustments are made to capture certain model limitations, such as the model’s lack of consideration for the liquidation of collateral for our specialty finance portfolio.

In addition, non-recurring qualitative loss factors that are not already incorporated in the modeling are also considered on a quarterly basis to determine applicability, and assess whether there are any risks not currently being captured in our respective quantitative models. The following lists non-recurring qualitative factors considered on a quarterly basis:

- The nature and volume of the entity’s financial asset(s) for certain applicable portfolio segment(s);
- The entity’s lending policies and procedures, including changes in lending strategies, underwriting standards, collection, write-off, and recovery practices, as well as knowledge of the borrower’s operations or the borrower’s standing in the community;
- The quality of the entity’s credit review system;
- The experience, ability, and depth of the entity’s management, lending staff, and other relevant staff;
- The environmental factors of a borrower and the areas in which the entity’s credit is concentrated, such as:
    1. Regulatory, legal, or technological environment to which the entity has exposure;
    2. Changes and expected changes in the general market condition of either the geographical area or the industry to which the entity has exposure;
    3. Changes and expected changes in international, national, regional, and local economic and business conditions and developments in which the entity operates, including the condition and expected condition of various market segments.

For C&I and specialty finance loans, significant risk rating changes are evaluated to determine the impact of loan review results on the respective model reserve calculation through a quantitatively supported qualitative adjustment. For all CRE loans, NOI and DSC information is analyzed at an industry level to determine whether there are any trends or risk factors not already addressed in our input information or by the model assumptions, including our macroeconomic forecast.

On a quarterly basis, or more frequently as deemed necessary, key factors and assumptions are reviewed and refreshed to ensure applicability, while the overall ACLLL methodology is reviewed at least annually.

Individually Assessed Allowance

When an individual loan no longer demonstrates the similar credit characteristics as other loans within its current segment, and does not share similar credit characteristics of any other segment(s), it is to be individually assessed for credit losses. This generally happens when a loan is placed on non-accrual, a troubled debt restructuring (“TDR”), or we are reasonably expecting to modify a loan in a TDR. A TDR is reasonably expected when the Bank has knowledge that the borrower is experiencing financial difficulties and has concluded that modification is the best course of action, which is generally evidenced by the approval of a credit offering memo (“COM’) for an identified problem loan.

For a reasonably expected TDR, we record a provision for impairment loss associated with TDRs, if any, based on the present value of expected future cash flows including the value of concessions made by the Bank, discounted at the original loan’s effective interest rate over the extended term based on the modification if the modification involves a term extension. If the loan is collateral dependent, for which repayment is expected to be derived substantially through the operation or sale of the collateral and where the borrower is experiencing financial difficulties, the ACLLL reserve is based on the fair value of the collateral less estimated costs to sell, if applicable, regardless if the repayment is expected substantially through the sale of the collateral or from the operation of collateral. At the time of restructuring, we determine whether a TDR loan should accrue interest based on the accrual status of the loan immediately prior to modification. Additionally, an accruing loan that is modified as a TDR may remain in accrual status if, based on a credit analysis, collection of principal and interest in accordance with the modified terms is reasonably assured, and the borrower demonstrated sustained historical repayment performance for a reasonable period prior to modification. A nonaccrual TDR loan will be returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured. Additionally, there should be a sustained period of repayment performance (generally a period of six months) by the borrower in accordance with the modified contractual terms. In years after the year of restructuring, the loan is not reported as a TDR loan if it was restructured at a market interest rate and it is performing in accordance with its modified terms. Other TDRs, however, are reported as such for as long as the loan remains outstanding. For all loans classified as a TDR, we recognize expected credit losses, 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.

The CARES Act and banking regulatory agencies provided relief related to TDR accounting as a result of the COVID-19 pandemic. Loans modified as a result of COVID-19 that were current as of December 31, 2019 are exempt from TDR classification under US GAAP. Additionally, banking regulatory agencies issued interagency guidance that COVID-19 related short-term modifications (i.e., six months or less) granted to borrowers that were current as of the loan modification program implementation date are not TDRs. The CARES Act guidance applied to modifications made between March 1, 2020 and the earlier of December 31, 2020 or 60 days after the end of the COVID-19 national emergency. In December 2020, the signing of the Consolidated Appropriations Act, 2021 extended this guidance to modifications made until the earlier of January 1, 2022 or 60 days after the end of the COVID-19 national emergency. The Bank applied this guidance in 2020.

Prior to January 1, 2020, the Bank followed ASC 450, *Contingencies*, for non-imparied loans and ASC 310-10-35, Receivables- Subsequent Measurement," for impaired loans to estimate its allowance for loan losses ("ALLL"). The ALLL was established through a provision for loan and lease losses charged to current earnings. It was maintained at a level estimated by management to absorb probable losses inherent in the loan portfolio and was 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 was inherently subjective and it required measures that were susceptible to significant revision as more information became available.

The ALLL was comprised of a general reserve and specific reserve. Our methodology to calculate the general reserve portion of the ALLL consisted of several components for the rated segments of our loan portfolio: first, we determined an ALLL based on quantitative loss factors for loans evaluated collectively for impairment. The quantitative loss factors were based primarily on historical loss rates by credit rating, after considering loan type, delinquency experience throughout the historical observation periods, and loss emergence periods. The quantitative loss factors applied in the methodology were periodically re-evaluated and adjusted to reflect changes in historical loss levels, historical observation periods, loss emergence periods, or other risks. Lastly, we allocated an ALLL based on qualitative loss factors dependent on both economic and portfolio-specific data that correlated with loan losses. These qualitative factors were intended to address developing external and environmental trends, and included 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.

Accrued Interest Receivable

We made an accounting policy election not to measure an ACL on accrued interest receivable ("AIR") because we write-off (or reverse) the uncollectible accrued interest receivable balance in a timely manner when the related loan is placed on nonaccrual status. However, as of December 31, 2020, we reserved $2.8 million on outstanding COVID-19 related deferrals' AIR due to the uncertainty of the ongoing impact of the pandemic. Specifically, AIR on COVID related deferrals has accumulated with no payment due to existing deferral agreements in place with these borrowers. Given the deferral of payments beyond a period that would typically be considered 'timely', a reserve on the AIR was deemed necessary to reserve for amounts that may be deemed uncollectible in a future period. To calculate this reserve, we utilized the same loss rates output from our models for each individual loan and applied these estimated loss rates to the corresponding AIR balance for each impacted loan. At December 31, 2020, the accrued interest receivable related to COVID-19 related deferrals was $79.5 million.

Management is primarily responsible for assessing the overall adequacy of the allowance on a quarterly basis. In addition, reserve adequacy was 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 was also assessed by our independent risk management function, which performs independent credit reviews and validations of the allowance models employed.

In addition, bank regulators, as an integral part of their supervisory functions, periodically review our loan portfolio and related ACLLL. These regulatory agencies may disagree with our methodology, which could result in changes to our current ACL estimates or processes and result in an increase to our provision for loan and lease losses or the recognition of further loan charge-offs based upon their judgments, which may be different from ours. An increase in the ACLLL as a result of these judgments could materially adversely affect our financial condition and results of operations.

(h) Charge-off of Uncollectible Loans

We charge off loans, or portions of loans, in the period that such loans, or portions thereof, are deemed uncollectible. For collateral-dependent loans in excess of $1.25 million, 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 $1.25 million, an individually assessed allowance is recorded when the carrying amount of the loan exceeds the discounted estimated cash flows using the loan’s original effective interest rate. In developing the estimated cash flows (or expected future receipt of principal and interest payments), weight is given to the evidence consistent with the extent to which it can be verified objectively. All information is considered, including qualitative 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 individually assessed allowance using estimated loss percentages based on the amount of time the loan has been impaired.

We may, periodically, recover funds related to a loan previously charged-off or related to previously recorded expenses (typically legal fee or insurance recoveries). In cases where the recovery is related to a loan previously charged-off, we first recover any principal charged-off and then make a determination on how the remaining funds, if any, should be applied. This determination is typically governed by legal stipulations of any related settlement agreements.

(i) Loan Origination and Commitment Fees, and Loan Origination Costs

Loan origination and commitment fees, and certain loan origination costs, are deferred and amortized into interest income on a basis that approximates the level yield method. Net commitment fees on revolving lines of credit are recognized in interest income on the straight-line method over the period the revolving line is active. Any fees or costs that are unamortized at the time a loan is paid off or a commitment is closed are recognized into income immediately.

(j) Securitizations

The Bank purchases, securitizes and sells the government-guaranteed portions of U.S. Small Business Administration (“SBA”) loans. When the Bank securitizes SBA loans, we may retain interest-only strips, which are generally considered residual interests in the securitized assets. These SBA interest-only strips are accounted for and classified as AFS securities. In addition, when sold, the SBA loans are removed from our Consolidated Statements of Financial Condition. Additionally, gains and losses upon sale of the securitized SBA loans depend, in part, on our allocation of the previous carrying amount of the loans to the retained interests. Previous carrying amounts are allocated in proportion to the relative fair values of the loans sold and interests retained. The Bank uses an internal valuation process to determine the fair value of its SBA interest-only strip securities. The fair value of the retained interest may decline due to prepayment risk and credit risk. However given that the guaranteed portions of the SBA loans are backed by the full faith and credit of the US government, the likelihood of the decline in fair value attributable to credit risk is approximately zero. As a result, subsequent decline in fair value of SBA interest-only strip securities is included in Other comprehensive income ("OCI") unless we have an intent to sell or it is MLTN we will be required to sell, in which case, the difference between the fair value and carrying amount is charged against earnings.

The excess of cash flows expected to be received over the amortized cost of the retained interests is recognized as interest income using the effective yield method.

(k) Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation and amortization. Depreciation of furniture, fixtures, and equipment is computed by the straight-line method over the estimated useful lives of the related assets. Furniture and fixtures are normally depreciated over seven years and equipment, computer hardware, and computer software are normally amortized over three years. Amortization of leasehold improvements is computed by the straight-line method over their estimated useful lives or the terms of the leases, whichever is shorter.

(l) Bank-Owned Life Insurance

The Bank has purchased life insurance policies on certain employees. These Bank-owned life insurance (“BOLI”) policies are carried at the amount that could be realized under our BOLI policies as of the date of the Consolidated Statements of Financial Condition and are included in Other assets. Increases in the carrying value are recorded as Other income in the Consolidated Statements of Income and insurance proceeds received are generally recorded as a reduction of the carrying value. The carrying value consists of cash surrender value of $65.6 million at December 31, 2020, and $65.1 million at December 31, 2019. There was no deferred acquisition cost as of December 31, 2020 and 2019. Our investment in BOLI generated income of $1.3 million, $1.5 million, and $1.6 million for the years ended December 31, 2020, 2019, and 2018, respectively.

(m) Repossessed Assets

Repossessed assets are comprised of any property (“other real estate” or “ORE”) or other asset acquired through loan restructurings, foreclosure proceedings, or acceptance of a deed-in-lieu of foreclosure. Repossessed assets are included in Other assets in the Consolidated Statements of Financial Condition and are carried at fair value, less estimated selling costs at the date of acquisition. Any valuation adjustments at the date of acquisition are recorded to the ACLLL. Following foreclosure, management periodically performs a valuation of the asset, and it is carried at the lower of the carrying amount or fair value, less estimated selling costs. Expenses incurred to maintain repossessed assets, unrealized losses resulting from write-downs after the date of acquisition, and realized gains and losses upon sale of the assets are included in other general and administrative expense and other losses, as appropriate. If a repossessed asset is subsequently contracted for sale and the transaction is financed by the Bank, to the extent uncertainty exists related to collectability of the financed amount at the time of sale, the repossessed asset will not be derecognized and all payments received will be recorded as a deposit liability until the uncertainty is resolved.

(n) Low Income Housing Tax Credit ("LIHTC") Investments

We have investments in limited liability entities that were formed to operate qualifying affordable housing projects, and other entities that make equity investments, provide debt financing or support community-based investments in tax-advantaged projects. Certain affordable housing investments qualify for credit under the Community Reinvestment Act (“CRA”), which requires regulated financial institutions to help meet the credit needs of the local communities in which they are chartered, particularly in neighborhoods with low or moderate incomes. These tax credit investments provide tax benefits to investors primarily through the receipt of federal and/or state income tax credits or tax benefits in the form of tax deductible operating losses or expenses. We invest as a limited partner and its ownership amount in each limited liability entity, which is considered a variable interest entity (“VIE”), varies. As a limited partner, the Bank is not the primary beneficiary (“PB”) as it does not meet the power criterion, i.e., it has no power to direct the activities of the VIE that most significantly impact the VIE’s economic performance and has no direct ability to unilaterally remove the general partner. Accordingly, the Bank is not required to consolidate these entities on its financial statements.

Effective January 1, 2020, the Company changed its accounting policy for LIHTC investments from the equity method to the proportional amortization method as it was determined to be the preferable method. See Note 3 for further details.

LIHTC investments are evaluated for potential impairment at least annually, or more frequently when events or conditions indicate that it is probable that we will not recover our investment. Potential indicators of impairment might arise when there is evidence that some or all tax credits previously claimed by the limited liability entities would be recaptured, or that expected remaining credits would no longer be available to the limited liability entities. If an investment is determined to be impaired, it is written down to its estimated fair value and the new cost basis of the investment is not adjusted for subsequent recoveries in value.

These investments are included within Other assets and any impairment loss would be recognized in Other income.

(o) Securities Sold Under Agreements to Repurchase

When we maintain effective control over the underlying securities, securities sold under agreements to repurchase are accounted for as financings (rather than as sales) and the obligations to repurchase securities sold are reflected as liabilities in the Consolidated Statements of Financial Condition at the amounts at which the securities will be subsequently repurchased. All of our agreements have been accounted for as financings through December 31, 2020. The dollar amount of securities underlying the agreements remains in the asset accounts, although the securities underlying the agreements are delivered to the counterparties who arranged the transactions. In certain instances, the counterparties may have sold, loaned, or disposed of the securities to other parties in the normal course of their operations, and have agreed to resell to us substantially similar securities at the maturity of the agreements.

(p) Income Taxes

Signature Bank files consolidated federal and combined New York State and New York City income tax returns with its subsidiaries, with the exception of Signature Preferred Capital, Inc. which files separately as a real estate investment trust for federal purposes. Additionally, there are state and local tax returns filed in various other jurisdictions on both a consolidated basis as well as a separate company basis.

Income tax expense consists of current and deferred income tax expense (benefit). Deferred income tax expense (benefit) is determined by recognizing deferred tax assets and liabilities for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and certain unused carry-forward deductions and credits. The realization of deferred tax assets is assessed and if necessary, a valuation allowance is provided to reduce the asset to the amount that will more likely than not be realized. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the year in which those temporary differences are expected to be recovered or settled and carry-forward deductions and credits are expected to be utilized. The effect on deferred tax assets and liabilities of a change in tax laws or rates is recognized in income tax expense in the period that includes the enactment date of the change.

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

(q) Stock-Based Compensation

For equity awards in exchange for employee services received, we recognize compensation expense for all stock-based compensation awards over the requisite service period with a corresponding credit to additional paid-in capital. For awards which have performance-based vesting conditions, recognition of stock-based compensation expense begins when the achievement of the performance conditions is probable. If the status of the recipient of an equity award changes from employee to non-employee and the vesting likelihood changes from improbable to probable, the modification is treated as a forfeiture of the old award and issuance of a new award. The full amount of compensation cost related to the new award will be measured under ASC 505-50, *Equity-Based Payments to Non-employees*, and recognized prospectively over the required requisite service period. Beginning January 1, 2019, nonemployee awards are recognized consistent with employee awards. Compensation expense is measured based on grant date fair value and is included in Salaries and benefits in our Consolidated Statements of Income.

(r) Earnings Per Common Share

Basic earnings per common share (“EPS”) is computed by dividing income available to common stockholders by the weighted average number of common shares outstanding for the year. Unvested stock awards with non-forfeitable rights to dividends, whether paid or unpaid, are considered participating securities and are included in the calculation of EPS using the two class method whereby net income is allocated between common stock and participating securities.

Diluted earnings per common share is computed by dividing income allocated to common stockholders for basic EPS, adjusted for earnings reallocated from participating securities, by the weighted average number of common shares outstanding for the period for the dilutive effect of unvested stock awards using the treasury stock method.

Diluted earnings per common share also includes the potential dilutive effect of stock options and warrants outstanding. The dilutive effect is calculated using the treasury stock method.

(s) Derivative Instruments and Hedging Activities

The Company utilizes derivative instruments as part of its asset/liability management strategies and to facilitate our client risk management needs. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether the Company has elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge of the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives designated and qualifying as a hedge of the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Derivatives may also be used to economically hedge the foreign currency exposures for foreign currency loans that were extended to certain borrowers.

Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk in a fair value hedge or the earnings effect of the hedged forecasted transactions in a cash flow hedge. The Company may also enter into derivative contracts that are intended to economically hedge certain of its risk, even though hedge accounting does not apply or the Company elects not to apply hedge accounting.

For derivatives designated and that qualify as cash flow hedges of interest rate risk, the gain or loss on the derivative is recorded in Accumulated other comprehensive income (loss) and subsequently reclassified into interest expense in the same period during which the hedged transaction affects earnings. Amounts reported in accumulated other comprehensive income related to derivatives will be reclassified to interest expense as interest payments are made on the Company's variable-rate liabilities.

For derivatives designated as fair value hedges, the gain or loss on the derivative as well as the offsetting loss or gain on the hedged item attributable to the hedged risk are recognized in interest income. On a quarterly basis, the Company assesses the effectiveness of each hedging relationship by comparing the changes in cash flows or fair value of the derivative hedging instrument with the changes in cash flows or fair value of the designated hedged item or transaction. If a hedging relationship is terminated due to ineffectiveness, and the derivative instrument is not re-designated to a new hedging relationship, the subsequent change in fair value of such instrument is charged directly to earnings. Derivatives not designated as hedges do not meet the hedge accounting requirements. Changes in fair value of derivatives not designated in hedging relationships are recorded directly in earnings. The Company calculates the credit valuation adjustments to the fair value of derivatives on a net basis by counterparty portfolio, as an accounting policy election under the provisions of ASU 2011-04, *Fair Value Measurement (Topic 820), Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*.

Additionally, in connection with negotiated credit facilities, we may obtain equity warrant assets giving us the right to acquire stock in primarily private, venture-backed companies in the technology and life science/healthcare industries. We account for equity warrant assets in these client companies as derivatives when they contain net settlement terms and other qualifying criteria under ASC 815, *Derivatives and Hedging*. In general, equity warrant assets entitle us to buy a specific number of shares of stock at a specific price within a specific time period. Substantially all of our warrant agreements contain net share settlement provisions, which permit us to receive at exercise a share count equal to the intrinsic value of the warrant divided by the share price (otherwise known as a "cashless" exercise). These equity warrant assets are recorded at fair value as derivative assets and reported as Other assets within our Consolidated Statements of Financial Condition at the time they are obtained. Any changes in fair value from the grant date fair value of equity warrant assets will be recognized as increases or decreases to Other assets on our balance sheet and as Other income within our Consolidates Statements of Income. When a portfolio company completes an IPO on a publicly reported market or is acquired, we may exercise these equity warrant assets for shares or cash. In the event of an exercise for common stock shares, the basis or value in the common stock shares is reclassified from a derivative asset to a nonmarketable equity security, which is also reported in Other assets. Changes in the fair value of the common stock shares is recorded as Other income within our Consolidated Statements of Income.

Derivative assets and liabilities are reported in Other assets and Other liabilities, respectively, within the Consolidated Statements of Financial Condition.

(t) Operating Leases

Operating lease expense for the Company's real estate leases is recognized in Non-interest expense on a straight-line basis over the term of the lease. The related lease assets and liabilities are recognized in Operating lease right-of-use assets and Operating lease liabilities, respectively, to reflect our right to use the underlying assets and contractual obligations associated with future rent payments. On a periodic basis, ROU assets are assessed for impairment. Impairment loss is recognized if the carrying amount of the ROU is not recoverable.

(u) Segment Reporting

The Bank is organized into two reportable segments representing our core businesses – Commercial Banking and Specialty Finance. To identify our reportable segments, management considers the financial information reviewed by the Chief Operating Decision Maker (CODM), our executive compensation structure, the Bank's internal operating structure, nature of products and services offered, how products and services are provided to our clients, and the nature of the regulatory environment, among other aspects pursuant to the relevant accounting guidance. The primary determinants of our reportable segments include our internal operating structure, the nature of products and services offered, and how products and services are provided to our clients.

(3) Change in Accounting Method

The Company has investments in limited liability entities that were formed to operate qualifying affordable housing projects, and other entities that make equity investments, provide debt financing or support community-based investments in tax-advantaged projects. Certain affordable housing investments qualify for credit under the Community Reinvestment Act ("CRA"), which requires regulated financial institutions to help meet the credit needs of the local communities in which they are chartered, particularly in neighborhoods with low or moderate incomes. These tax credit investments provide tax benefits to investors primarily through the receipt of federal and/or state income tax credits or tax benefits in the form of tax deductible operating losses or expenses. The Company invests as a limited partner and its ownership amount in each limited liability entity, which is considered a variable interest entity ("VIE"), varies. As a limited partner, the Company is not the primary beneficiary ("PB") as it does not meet the power criterion, i.e., it has no power to direct the activities of the VIE that most significantly impact the VIE’s economic performance and has no direct ability to unilaterally remove the general partner. Accordingly, the Company is not required to consolidate these entities on its financial statements.

Effective January 1, 2020, the Company changed its accounting policy for Low Income Housing Tax Credit ("LIHTC") investments from the equity method to the proportional amortization method as it was determined to be the preferable method. The proportional amortization method provides an improved presentation for the reporting of these investments by presenting the investment performance net of taxes as a component of income tax expense (benefit), which more fairly represents the underlying economics and provides users with a better understanding of the returns from such investments than the prior equity method. The cumulative effect of the change was recognized on January 1, 2020 with a charge to retained earnings of $24.6 million, which includes a reduction to the tax credit investments of approximately $25.3 million (within Other assets) and an increase to deferred tax assets of approximately $700,000 (within Other assets). All prior period amounts have been restated to conform to the new accounting policy.

The following table illustrates the changes for all comparative periods presented:

(In thousands)		**Increase/(Decrease)**
		December 31,2019
Other assets (1)	$	(24,625)
Retained earnings		(24,625)

(in thousands)		*Year ended December 31, 2019*	*Year ended December 31, 2018*	*Year ended December 31, 2017*
Non-interest income	$	33,767	27,277	13,871
Income tax expense		36,207	26,185	18,471
Net income (2)	$	(2,440)	1,092	(4,600)

(1) Amount includes a reduction of LIHTC investments of $25.3 million and an increase of deferred tax assets of $700,000.

(2) Amounts represent the impact to net income for the years ended December 31, 2019, 2018 and 2017, respectively, when switching from equity method to proportional method for qualifying LIHTC investments.

(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. This technique leverages observable inputs including quoted prices for similar assets, benchmark yield curves, and other market corroborated inputs. Most of our securities portfolio is priced using this method, and as such, these securities are classified as Level 2.

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

Markets for SBA interest-only strip securities are relatively inactive, with limited observable secondary market transactions. Our SBA interest-only strip securities are classified as other debt securities available-for-sale (“AFS”) and reported at fair value, with changes in fair value recognized in accumulated other comprehensive loss. The securities are valued using Level 3 inputs and had fair values of $215.8 million at December 31, 2020 and $182.6 million at December 31, 2019. 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. The Bank determined the inputs to the discounted cash flow model based on historical performance and information provided by brokers.

Fair value measurements of equity warrant assets of private portfolio companies are priced based on a Black-Scholes option pricing model to estimate the asset value by using stated strike prices, option expiration dates, risk-free interest rates and option volatility assumptions. Option volatility assumptions used in the Black-Scholes model are based on public market indices whose members operate in similar industries as companies in our private company portfolio. These equity warrants assets are included in the Level 3 fair value hierarchy.

Financial Instruments Measured at Fair Value on a Recurring Basis

The following tables present the assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2020 and 2019, classified according to the three-level valuation hierarchy:

(in thousands)		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Carrying Value
December 31, 2020					
ASSETS					
Securities available-for sale:					
U.S. Treasury securities	$	10,000	—	—	10,000
Residential mortgage-backed securities:					
U.S. Government agency		—	120,321	—	120,321
Government-sponsored enterprises		—	1,762,593	—	1,762,593
Collateralized mortgage obligations:					
U.S. Government agency		—	685,420	—	685,420
Government-sponsored enterprises		—	4,134,213	—	4,134,213
Private		—	617,885	5,077	622,962
Securities of U.S. states and political subdivisions:					
Municipal bonds - taxable		—	99,262	—	99,262
Other debt securities:					
Commercial mortgage-backed securities		—	59,774	—	59,774
Single issuer trust preferred & corporate debt securities		—	892,399	—	892,399
Pooled trust preferred securities		—	—	17,819	17,819
Other		—	269,874	215,784	485,658
Total securities available-for-sale (1)		10,000	8,641,741	238,680	8,890,421
Equity securities		—	23,154	—	23,154
Derivatives (2)		—	33,669	1,425	35,094
Total assets	$	10,000	8,698,564	240,105	8,948,669
LIABILITIES					
Derivatives (2)	$	—	7,573	481	8,054
Total liabilities	$	—	7,573	481	8,054

(1) Excludes ACL related to AFS securities of $4,000 as of December 31, 2020, which was included in Securities available-for-sale in the Consolidated Statements of Financial Condition.

(2) Level three derivative assets are associated with equity warrants obtained in connection with negotiating credit facilities and certain other services to acquire stock in primarily private, venture-backed companies in the technology and life science/healthcare industries. Level three derivative liabilities are associated with risk participation agreements.

(in thousands)		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Carrying Value
December 31, 2019					
ASSETS					
Securities available-for-sale:					
U.S. Treasury securities	$	20,139	—	—	20,139
Residential mortgage-backed securities:					
U.S. Government agency		—	41,335	—	41,335
Government-sponsored enterprises		—	1,409,745	—	1,409,745
Collateralized mortgage obligations:					
U.S. Government agency		—	303,272	—	303,272
Government-sponsored enterprises		—	3,574,086	—	3,574,086
Private		—	626,899	6,807	633,706
Securities of U.S. states and political subdivisions:					
Municipal bonds - taxable		—	10,058	—	10,058
Other debt securities:					
Commercial mortgage-backed securities		—	81,461	—	81,461
Single issuer trust preferred & corporate debt securities		—	506,037	—	506,037
Pooled trust preferred securities		—	—	20,591	20,591
Other		—	360,836	182,598	543,434
Total securities available-for-sale		20,139	6,913,729	209,996	7,143,864
Equity securities		—	22,282	—	22,282
Derivatives (1)		—	7,624	261	7,885
Total assets	$	20,139	6,943,635	210,257	7,174,031
LIABILITIES					
Derivatives (1)	$	—	1,107	207	1,314
Total liabilities	$	—	1,107	207	1,314

(1) Level three derivative assets are associated with equity warrants obtained in connection with negotiating credit facilities to acquire stock in primarily private, venture-backed companies in the technology and life science/healthcare industries. Level three derivative liabilities are associated with risk participation agreements.

Changes in Level 3 Fair Value Measurements

We recognize transfers between levels of the valuation hierarchy at the end of reporting periods. There were no transfers of assets between Level 1 and Level 2 during the years ended December 31, 2020 and 2019. 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 Assets (1)**	**Derivative Liabilities (2)**
Year ended December 31, 2020			
Beginning balance - Level 3	$ 209,996	261	(207)
Issuance of equity warrant assets	—	419	—
Exercise of equity warrant assets	—	(225)	—
Formation of SBA interest-only strip securities	53,151	—	—
Transfers into Level 3	—	—	—
Transfers out of Level 3	—	—	—
Total gains or (losses) (realized/unrealized):			
Included in earnings			
Non-interest income	—	970	(274)
Interest income	(38,730)	—	—
Included in other comprehensive income	14,263	—	—
Sale of AFS securities	—	—	—
Ending balance - Level 3	$ 238,680	1,425	(481)
Year ended December 31, 2019			
Beginning balance - Level 3	$ 183,250	—	(53)
Issuance of equity warrant assets	—	261	—
Formation of SBA interest-only strip securities	80,990	—	—
Transfers into Level 3	—	—	—
Transfers out of Level 3	—	—	—
Total gains or (losses) (realized/unrealized):			
Included in earnings			
Non-interest income	714	—	(154)
Interest income	(32,688)	—	—
Included in other comprehensive income	(7,296)	—	—
Sale of AFS securities	(14,974)	—	—
Ending balance - Level 3	$ 209,996	261	(207)

(1) Derivative assets are associated with equity warrants obtained in connection with negotiating credit facilities to acquire stock in primarily private, venture-backed companies in the technology and life science/healthcare industries.

(2) Derivative liabilities are associated with risk participation agreements.

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 loans, loans held-for-sale, repossessed assets, and certain long-lived assets.

The following table presents the assets that were measured at fair value on a non-recurring basis as of December 31, 2020 and 2019, classified according to the three-level valuation hierarchy:

(in thousands)	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Carrying Value
December 31, 2020				
Collateral-dependent loans:				
Commercial property	$ —	—	64,084	64,084
Multi-family residential property	—	—	4,147	4,147
Acquisition, development and construction	—	—	214	214
1-4 family residential property	—	—	277	277
Home equity lines of credit	—	—	1,099	1,099
Commercial and industrial (1)	—	—	16,650	16,650
Other repossessed assets	—	—	27,108	27,108
Total assets	$ —	—	113,579	113,579
December 31, 2019				
Collateral-dependent impaired loans:				
Commercial property	$ —			
1-4 family residential property	—	—	502	502
Home equity lines of credit	—	—	1,287	1,287
Commercial and industrial (1)	—	—	13,543	13,543
Other repossessed assets	—	—	29,220	29,220
Total assets	$ —	—	44,552	44,552

(1) Includes $8.2 million and $9.6 million of specialty finance loans as of December 31, 2020 and 2019, respectively.

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. To measure taxi medallion repossessed assets at fair value on a non-recurring basis, fair value is based on recent market transfer values including our own transactions.

Fair value adjustments for collateral-dependent loans are recorded through direct loan charge-offs and/or through a specific allocation of the ACLLL. During the years ended December 31, 2020, 2019, and 2018, we recorded fair value adjustments ((gain)/loss) on collateral-dependent loans totaling $30.4 million, $12.7 million, and $105.4 million, respectively. The current year adjustment was principally related to provisions related to two commercial property nonaccrual loans totaling $40.1 million.

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, recent observable market transfer prices. Fair value adjustments are reported through a valuation allowance against the asset. During the years ended December 31, 2020, 2019 and 2018, we recorded negative fair value adjustments of $14.4 million, $7.1 million, and $20.3 million, respectively, on repossessed assets. The increase in fair value adjustments for the year ended December 31, 2020 is primarily due to a decline in NYC taxi medallion collateral values in 2020 as compared to the prior year. In conjunction with the repossession of $2.7 million and $24.6 million in additional taxi medallions during the years ended December 31, 2020 and 2019, respectively, we recorded charge-offs to the ACLLL/ALLL totaling zero for both periods. See the Asset Quality section within Management’s Discussion and Analysis for additional information regarding repossessed assets in aggregate, including repossession activity.

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. Other factors, such as credit risk and liquidity risk are incorporated in the fair value measurement.

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, 84.9% of which mature within one year, had a carrying value and estimated fair value of $1.52 billion at December 31, 2020. 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)
December 31, 2020					
FINANCIAL ASSETS					
Cash and cash equivalents	$ 12,348,331	12,348,331	12,348,331	—	—
Securities available-for-sale (1)	8,890,417	8,890,421	10,000	8,641,741	238,680
Securities held-to-maturity (2)	2,282,830	2,329,378	—	2,329,378	—
Federal Home Loan Bank stock (3)	171,678	171,678	—	171,678	—
Loans held for sale	407,363	407,363	—	407,363	—
Loans and leases, net (4)	48,324,799	48,609,892	—	—	48,609,892
Equity securities (5)	23,154	23,154	—	23,154	—
Derivatives (6)	35,094	35,094	—	33,669	1,425
Total financial assets	$ 72,483,666	72,815,311	12,358,331	11,606,983	48,849,997
FINANCIAL LIABILITIES					
Deposits (7)	$ 63,315,323	63,324,507	—	63,324,507	—
Federal Home Loan Bank borrowings	2,839,245	2,951,242	—	2,951,242	—
Broker repurchase agreements	150,000	155,889	—	155,889	—
Subordinated debt	828,588	846,268	—	846,268	—
Derivatives	8,054	8,054	—	7,573	481
Total financial liabilities	$ 67,141,210	67,285,960	—	67,285,479	481
December 31, 2019					
FINANCIAL ASSETS					
Cash and cash equivalents	$ 789,832	789,832	789,832	—	—
Securities available-for-sale	7,143,864	7,143,864	20,139	6,913,729	209,996
Securities held-to-maturity	2,101,970	2,115,541	—	2,115,541	—
Federal Home Loan Bank stock (3)	231,339	231,339	—	231,339	—
Loans held for sale	290,593	290,593	—	290,593	—
Loans and leases, net (4)	38,859,634	39,068,387	—	—	39,068,387
Equity securities (5)	22,282	22,282	—	22,282	—
Derivatives (6)	7,885	7,885	—	7,624	261
Total financial assets	$ 49,447,399	49,669,723	809,971	9,581,108	39,278,644
FINANCIAL LIABILITIES					
Deposits (7)	$ 40,383,207	40,388,531	—	40,388,531	—
Federal Home Loan Bank borrowings	4,142,144	4,186,069	—	4,186,069	—
Broker repurchase agreements	150,000	150,288	—	150,288	—
Subordinated debt	456,119	465,848	—	465,848	—
Derivatives	1,314	1,314		1,107	207
Total financial liabilities	$ 45,132,784	45,192,050	—	45,191,843	207

(1) Fair value amount includes ACL related to AFS securities of $4,000 as of December 31, 2020, which is included in Securities available-for-sale in the Consolidated Statements of Financial Condition.

(2) Amortized cost amount excludes ACL related to HTM securities of $51,000 as of December 31, 2020, which is included in Securities held-to-maturity in the Consolidated Statements of Financial Condition.

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

(4) The estimated fair value measurements for loans and leases include adjustments related to market interest rates, and other factors such as credit risk and liquidity risk.

(5) Equity securities primarily represent Community Reinvestment Act ("CRA") qualifying closed-end bond fund investments which are included in Other assets on the consolidated statements of financial condition.

(6) Level three derivative assets are associated with equity warrants obtained in connection with negotiating credit facilities and certain other services to acquire stock in primarily private, venture-backed companies in the technology and life science/healthcare industries.

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

(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:

	December 31,							
	2020				*2019*			
(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	$ 9,996	4	—	10,000	20,000	139	—	20,139
Residential mortgage-backed securities:								
U.S. Government Agency	118,573	2,184	(436)	120,321	40,662	831	(158)	41,335
Government-sponsored enterprises	1,737,726	32,162	(7,295)	1,762,593	1,399,324	17,767	(7,346)	1,409,745
Collateralized mortgage obligations:								
U.S. Government Agency	685,313	4,001	(3,894)	685,420	304,978	1,701	(3,407)	303,272
Government-sponsored enterprises	4,170,910	37,094	(73,791)	4,134,213	3,608,196	18,657	(52,767)	3,574,086
Private	622,062	4,760	(3,860)	622,962	632,662	3,429	(2,385)	633,706
Securities of U.S. states and political subdivisions:								
Municipal Bond - Taxable	97,040	2,253	(31)	99,262	9,883	175	—	10,058
Other debt securities:								
Commercial mortgage-backed securities	59,132	1,040	(398)	59,774	81,570	637	(746)	81,461
Single issuer trust preferred & corporate debt securities	878,229	19,169	(4,999)	892,399	498,241	8,312	(516)	506,037
Pooled trust preferred securities	20,650	421	(3,252)	17,819	20,621	1,708	(1,738)	20,591
Other (1)	492,078	2,178	(8,598)	485,658	570,357	755	(27,678)	543,434
Total available-for-sale (2)	$8,891,709	105,266	(106,554)	8,890,421	7,186,494	54,111	(96,741)	7,143,864
HELD-TO-MATURITY								
FHLB, FNMA and FHLMC Debentures	$ 49,951	76	—	50,027	—	—	—	—
Residential mortgage-backed securities:								
U.S. Government Agency	21,944	317	(49)	22,212	29,962	183	(103)	30,042
Government-sponsored enterprises	331,952	7,764	(1,450)	338,266	317,270	4,092	(1,983)	319,379
Collateralized mortgage obligations:								
U.S. Government Agency	224,373	2,302	(1,943)	224,732	165,757	744	(2,443)	164,058
Government-sponsored enterprises	1,605,650	39,953	(8,302)	1,637,301	1,534,876	19,456	(11,980)	1,542,352
Private	1,297	9		1,306	1,748	88	—	1,836
Other debt securities:								
Commercial mortgage-backed securities	—	—	—	—	4,371	—	(26)	4,345
Single issuer trust preferred & corporate debt securities	47,714	7,820	—	55,534	47,986	5,543	—	53,529
Other	—	—	—	—	—	—	—	—
Total held-to-maturity (3)	$2,282,881	58,241	(11,744)	2,329,378	2,101,970	30,106	(16,535)	2,115,541

(1) Amount includes $223.1 million and $208.7 million related to AFS securities as of December 31, 2020 and 2019, respectively, resulting from the Company's securitization of the U.S. Government guaranteed portion of Small Business Administration ("SBA") loans. The guaranteed portion of SBA loans is backed by the full faith and credit of the US government. Therefore, no credit risk is deemed to be associated with this portfolio.

(2) Fair value amount excludes ACL related to AFS securities of $4,000 as of December 31, 2020, which is included in Securities available-for-sale in the Consolidated Statements of Financial Condition.

(3) Excludes ACL related to HTM securities of $51,000 as of December 31, 2020, which is included in Securities held-to-maturity in the Consolidated Statements of Financial Condition.

On January 1, 2020 we adopted the new credit losses standard which prescribes a separate impairment model for debt securities classified as AFS (carried at fair value) compared to HTM securities (carried at amortized cost). As HTM securities are carried at amortized cost, they are subject to the current expected lifetime credit loss ("CECL") model. Both models have removed the Other than Temporary Impairment ("OTTI") threshold as of January 1, 2020, as such we no longer consider the length of time fair value has been less than amortized cost and the magnitude of the decline in fair value when assessing impairment for securities.

Available-for-Sale Securities

The following table presents information regarding AFS securities, categorized by type of security and length of time that individual securities have been in a continuous unrealized loss position at December 31, 2020.

	Less than 12 months		12 months or longer		Total	
(in thousands)	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
December 31, 2020						
Available-for-Sale Securities						
Residential mortgage-backed securities:						
U.S. Government Agency	$ 50,408	(427)	360	(9)	50,768	(436)
Government-sponsored enterprises	454,594	(5,165)	65,645	(2,130)	520,239	(7,295)
Securities of U.S. states and political subdivisions:						
Municipal Bond - Taxable	5,609	(31)	—	—	5,609	(31)
Collateralized mortgage obligations:						
U.S. Government Agency	393,636	(2,732)	44,405	(1,162)	438,041	(3,894)
Government-sponsored enterprises	2,029,962	(38,700)	381,595	(35,091)	2,411,557	(73,791)
Private (1)	270,946	(3,124)	28,620	(736)	299,566	(3,860)
Other debt securities:						
Commercial mortgage-backed securities	4,680	(12)	15,323	(386)	20,003	(398)
Single issuer trust preferred & corporate debt securities	224,777	(3,336)	29,383	(1,663)	254,160	(4,999)
Pooled trust preferred securities	7,217	(444)	7,094	(2,808)	14,311	(3,252)
Other	36,617	(180)	198,233	(8,418)	234,850	(8,598)
Total AFS securities	$ 3,478,446	(54,151)	770,658	(52,403)	4,249,104	(106,554)

(1) As of December 31, 2020, a private CMO security that had been in an unrealized loss position for less than 12 months had an ACL totaling $4,000.

For AFS securities, the new credit losses standard requires us to determine whether a decline in fair value below amortized cost is due to credit-related or noncredit-related factors, such as interest rate risk, prepayment risk or liquidity risk. Credit attributable losses are recognized as an allowance in the Consolidated Statements of Financial Condition with a corresponding adjustment to current earnings; while the non-credit related component is recognized in Other comprehensive income (loss) ("OCI") net of applicable taxes. The total amount of impairment loss is limited to the difference between the security's amortized cost and fair value, i.e., the "fair value floor." Both the allowance and the adjustment to net income can be reversed if conditions change subsequently.

The total amount of AFS securities was $8.89 billion as of December 31, 2020, among which, $6.71 billion, or 75.5% were either U.S. Treasury or residential mortgage-backed securities ("RMBS") or collateralized mortgage obligations ("CMO") issued by either a U.S. Government agency or government sponsored entity ("GSE"). Historical events have shown the ability of the U.S. Government, as well as the GSEs, to honor their contractual obligations through financial crises. As a result, a zero reserve was applied since we do not believe the decline in fair value for these securities would be attributable to credit related factors. Therefore, changes in fair value for these securities for the period ended December 31, 2020 were recognized in OCI, net of taxes. We continue to evaluate this assumption on a quarterly basis when considering the potential for credit risk throughout the entire AFS portfolio.

The remaining $2.18 billion of AFS securities includes primarily private CMO, trust preferred and corporate debt securities which are subject to credit risks. In evaluating whether a reserve for potential credit losses is required for these securities, we follow a three step impairment analysis.

The first step is to determine whether the security's fair value is less than its carrying amount. If it is, the second step is to determine whether we intend to sell the security or if it is more likely than not ("MLTN") we will be required to sell the security before it recovers its value. If either is true, the unrealized loss will be charged through earnings. Any existing allowance for credit losses is considered and written off first and the amortized cost basis is written down to the security's fair value with any incremental impairment reported in earnings.

If there is no intent to sell the security and it is MLTN that we will not be required to sell the security, the final step is to evaluate whether the unrealized loss is attributable to credit related factors. For private CMO and CMBS debt securities, this evaluation is performed at an individual security level to assess collectability considering the Voluntary Prepayment Rate ("VPR"), Constant Default Rate ("CDR"), and Severity ("SEV"). For Single Issuer Trust Preferred and Corporate Debt Securities, key financial information is reviewed for each borrower to consider their adequacy of capital, liquidity, and credit quality measurements as well as the industry dynamic. If it is determined that a portion of the unrealized loss is attributable to credit risk, that portion will be charged through earnings, with the establishment of an allowance for credit losses or a reserve change recorded through earnings to adjust the prior period allowance for credit loss estimate to the current period estimate.

The impairment analysis performed following the aforementioned three steps did not identify any credit risk driven unrealized loss as of December 31, 2020 except for one private CMO AFS security that had been in a continuous loss position for less than 12 months, for which, $4,000 of the unrealized loss was charged against earnings and recognized as an allowance for credit losses during the year ended December 31, 2020. As of December 31, 2020, this is the only AFS security with an associated allowance for credit losses, totaling $4,000.

Held-to-Maturity Securities

Under the CECL model, all HTM securities are presumed to be exposed to credit losses immediately upon origination/ acquisition and in the subsequent periods through their expected life. At the date of acquisition, the HTM security is reviewed to determine whether it has experienced a more-than-insignificant deterioration in credit quality since its original issuance date. If yes, the security will be accounted as a purchase credit deteriorated asset ("PCD") with a balance sheet gross-up in both investments and allowance for credit losses on the date of purchase. No HTM securities were identified as a PCD as of December 31, 2020.

We held $2.28 billion of HTM securities as of December 31, 2020, among which, $2.23 billion, or 97.9% were issued by the U.S. Government or guaranteed by a GSE. Given the explicit and implicit U.S. Government backing, a zero credit loss assumption is applied to all U.S. government and agency HTM securities. For the remaining $49.0 million non-agency HTM securities that have a risk of loss, a lifetime loss method is used to estimate the allowance for credit losses ("ACL") based on the respective credit rating of each security at the reporting date. This approach includes applying a lifetime default rate (PD) to the carrying amount of the related security based on its respective risk rating and assuming 100% Loss Given Default ("LGD"). Specifically, the default rate used for calculating the estimated credit losses for non-agency HTM securities was an annual corporate default rate study by letter rating.

The following table represents the amortized cost and associated risk rating of non-agency HTM securities as of December 31, 2020 by year of origination:

(in thousands)		**2015 and Prior**
A or Above	$	86,723
BBB		10,943
Below BBB		1,297
Total (1)	$	98,963

(1) No HTM debt securities with credit risk exposure existing at December 31, 2020 had an issuance date after December 31, 2015.

The CECL adoption impact of $56,000 was charged to Retained earnings as of January 1, 2020 to reflect the expected lifetime credit loss on these non-agency HTM securities. Subsequent favorable or adverse changes in expected cash flow are assessed at each reporting period to adjust the allowance for credit losses. If the change in expected cash flows has reduced the allowance to a level below zero, the accretable yield is adjusted on a prospective basis.

For the year ended December 31, 2020, a release of ACL provision of $5,000 was recognized through net income. In addition, the Company did not recognize any charge-offs or recoveries during the year ended December 31, 2020. Further, there were no HTM debt securities past-due against their contractual payment obligations or placed on non-accrual as of December 31, 2020. As a result, the ending balance of the ACL reserve for HTM securities at December 31, 2020 was $51,000.

Nonaccrual & Charge-off

A debt security, either AFS or HTM, is designated as nonaccrual if the payment of interest is past due and unpaid for 30 days or more. Once a security is placed on nonaccrual, accrued interest receivable is reversed and further interest income recognition is ceased. The security will not be restored to accrual status until the security has been current on interest payments for a sustained period, i.e., a consecutive period of six months or two quarters; and the Bank expects repayment of the remaining contractual principal and interest. However, if the security continues to be in deferral status, or the Bank does not expect to collect the remaining interest payments and the contractual principal, charge-off is to be assessed. Upon charge-off, the allowance is written off and the loss represents a permanent write-down of the cost basis of the security.

As of December 31, 2020, one AFS security totaling $200,000 was on nonaccrual status and there were no charge-offs or recoveries related to AFS and HTM securities.

The tables below present the rollforward of the allowance for credit losses on AFS securities and HTM securities for the year ended December 31, 2020:

(in thousands)	AFS	HTM
Year ended December 31, 2020		
Beginning balance	$ —	—
Cumulative effect from change in accounting policies (1)	—	56
Balance, beginning of period, adjusted	—	56
Provision for (release of) credit losses	4	(5)
Charge-offs	—	—
Recoveries	—	—
Ending Balance	$ 4	51

(1) Amount represents a cumulative effect adjustment recorded on January 1, 2020 as a result of the adoption of ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326)*: Measurement of Credit Losses on Financial Instruments.

Other-than-temporary Impairment

Prior to January 1, 2020, we assessed both AFS and HTM securities using the other-than-temporary threshold which was based on the length of time within which the credit related impairment has occurred. We estimated the portion of other-than-temporary impairment loss attributable to credit using a discounted cash flow model that considered credit enhancement and structural protection. The estimation of cash flow incorporated numerous assumptions including default rates, severity estimates, recovery rates, prepayment speeds and structural enhancement characteristics. Assumptions may have varied based upon the specific underlying characteristics and collateral profiles of the underlying securities. Specifically, assumptions were determined based upon collateral vintage, borrower characteristics, geographical data and payment performance. Market data and third-party inputs were utilized to validate assumptions. Subsequent assessments may have resulted in additional estimated credit losses on previously impaired securities. These additional estimated credit losses were 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 Collateralized Mortgage Obligations ("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, as applicable. Based on this review, we assumed that certain bank issuers on our watch list would default and others would cure in the future. Utilizing our assumptions, we then discounted the cash flows to assess the amount of credit loss.

During the twelve months ended December 31, 2019, we recognized no other-than-temporary impairment losses on debt securities.

The following table presents information regarding AFS securities, categorized by type of security and length of time that individual securities had been in a continuous unrealized loss position at December 31, 2019. Unrealized losses on other-than-temporarily impaired securities included noncredit impairments recorded in other comprehensive income (loss).

	Less than 12 months		*12 months or longer*		*Total*	
(in thousands)	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
December 31, 2019						
Temporarily-impaired securities						
U.S. Treasury securities	$ —	—	3,000	—	3,000	—
Residential mortgage-backed securities:						
U.S. Government Agency	358	(1)	10,461	(157)	10,819	(158)
Goverment-sponsored enterprises	9,426	(14)	449,995	(7,332)	459,421	(7,346)
Collateralized mortgage obligations:						
U.S. Government Agency	89,353	(517)	84,644	(2,890)	173,997	(3,407)
Goverment-sponsored enterprises	866,716	(8,531)	1,370,955	(43,795)	2,237,671	(52,326)
Private	215,096	(1,036)	105,585	(1,125)	320,681	(2,161)
Securities of U.S. states and political subdivisions:						
Other debt securities:						
Commercial mortgage-backed securities	18,316	(69)	27,533	(677)	45,849	(746)
Single issuer trust preferred & corporate debt securities	15,963	(194)	28,953	(322)	44,916	(516)
Pooled trust prefrred securities	—	—	3,614	(937)	3,614	(937)
Other	330,448	(1,583)	189,044	(26,095)	519,492	(27,678)
Total temporarily-impaired securities	$ 1,545,676	(11,945)	2,273,784	(83,330)	3,819,460	(95,275)
Other-than-temporarily impaired securities						
Collateralized mortgage obligations:						
Government-sponsored enterprises	$ —	—	354	(441)	354	(441)
Private	1,764	(8)	2,407	(216)	4,171	(224)
Other debt securities:						
Pooled trust preferred securities	3,908	(323)	750	(478)	4,658	(801)
Total other-than-temporarily impaired securities	$ 5,672	(331)	3,511	(1,135)	9,183	(1,466)
Total temporarily-impaired and other-than-temporarily impaired securities	$ 1,551,348	(12,276)	2,277,295	(84,465)	3,828,643	(96,741)

The following table presents information regarding HTM securities, categorized by type of security and length of time that individual securities had been in a continuous unrealized loss position at December 31, 2019. Unrealized losses on other-than-temporarily impaired securities included noncredit impairments recorded in other comprehensive income (loss).

	Less than 12 months		*12 months or longer*		*Total*	
(in thousands)	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
December 31, 2019						
Temporarily-impaired securities						
Mortgage-backed securities:						
U.S. Government Agency	$ —	—	2,095	(103)	2,095	(103)
Goverment-sponsored enterprises	26,344	(36)	106,287	(1,947)	132,631	(1,983)
Collateralized mortgage obligations:						
U.S. Government Agency	38,684	(247)	81,959	(2,196)	120,643	(2,443)
Goverment-sponsored enterprises	359,943	(3,446)	269,681	(8,534)	629,624	(11,980)
Other debt securities:						
Commercial mortgage-backed securities	4,345	(26)	—	—	4,345	(26)
Total temporarily-impaired and other-than-temporarily impaired securities	$ 429,316	(3,755)	460,022	(12,780)	889,338	(16,535)

Gross realized gains on sales of AFS securities were $3.61 million, $3.62 million and $18,000, respectively, for the years ended December 31, 2020, 2019 and 2018. Gross realized losses on sales of AFS securities were zero and $8,000 for the years ended December 31, 2020 and 2019, and $11,000 for the year ended December 31, 2018.

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

	December 31, 2020	
(in thousands)	**Amortized Cost**	**Fair Value**
AVAILABLE-FOR-SALE (1)		
Due in one year or less	$ 57,365	57,543
Due after one year through five years	377,719	388,606
Due after five years through ten years	745,298	752,608
Due after ten years	7,711,327	7,691,660
Total available-for-sale debt securities	$ 8,891,709	8,890,417
HELD-TO-MATURITY (2)		
Due in one year or less	$ —	—
Due after one year through five years	36,161	38,559
Due after five years through ten years	155,078	156,648
Due after ten years	2,091,591	2,134,171
Total held-to-maturity debt securities	$ 2,282,830	2,329,378

(1) Fair value amount includes ACL related to AFS securities of $4,000 as of December 31, 2020.

(2) Amortized cost amount includes ACL related to HTM securities of $51,000 as of December 31, 2020.

We use securities as collateral for debtor-in-possession deposit accounts in excess of FDIC insurance limits, clients' treasury tax and loan deposits, public deposits, securities sold under agreements to repurchase and borrowings from the Federal Home Loan Bank of New York. As of December 31, 2020 and 2019, the Bank did not have any securities pledged with the FHLB. However, the carrying value of securities held by the FHLB as custodian totaled $351.4 million and $539.5 million, respectively. These securities were not pledged and can be used to pledge towards future borrowings, as necessary.

(6) Federal Home Loan Bank Stock

As a member of the Federal Home Loan Bank ("FHLB") of New York, Signature Bank is required to maintain a specified minimum investment in the FHLB's Class B capital stock. The minimum stock investment requirement is the sum of the membership stock purchase requirement, determined on an annual basis at the end of each calendar year, and the activity-based stock purchase requirement, determined on a daily basis.

At December 31, 2020 and 2019, Signature Bank was in compliance with the FHLB's minimum investment requirement with stock investments of $171.7 million and $231.3 million, respectively, carried at cost on the Consolidated Statements of Financial Condition. Collateral pledged for outstanding FHLB borrowings at December 31, 2020 and 2019 included $127.8 million and $186.4 million of FHLB capital stock, respectively.

FHLB stock is evaluated for impairment at least annually, or more frequently when events or conditions indicate that we will not recover the par value of the stock. In performing the impairment analysis, we evaluate, among other things, (i) the FHLB's earnings performance, including the significance of any decline in net assets of the FHLB as compared to the regulatory capital amount of the FHLB, (ii) the commitment by the FHLB to make dividend payments, and (iii) the liquidity position of the FHLB. We do not consider this security to be impaired at December 31, 2020.

(7) Loans Held for Sale

Loans held for sale at December 31, 2020 and 2019 were $407.36 million and $290.6 million, respectively. Gains on sales associated with the securitization of pooled loans and sale of mortgage loans for the years ended December 31, 2020, 2019 and 2018 amounted to $8.8 million, $4.8 million and $4.9 million, respectively.

We are an active participant in the SBA loan and SBA pool secondary market by purchasing, securitizing, and selling the guaranteed portions of SBA loans. Most SBA loans have adjustable rates and float at a spread over prime and reset monthly or quarterly. The guaranteed portions of SBA loans are backed by the full faith and credit of the U.S. Government and therefore carry a 0% risk weight for regulatory capital purposes.

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

(8) Loans and Leases, Net

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

(in thousands)		December 31, 2020	December 31, 2019
Mortgage loans:			
Multi-family residential property	$	15,171,520	15,101,727
Commercial property		10,553,599	10,199,293
1-4 family residential property		494,680	506,515
Home equity lines of credit		82,553	105,379
Acquisition, development and construction loans		1,367,896	1,270,095
Total mortgage loans		27,670,248	27,183,009
Commercial & industrial loans:			
Specialty finance		5,043,106	4,596,932
Fund banking		11,237,465	4,421,961
Other commercial and industrial		3,034,047	2,863,967
PPP loans		1,874,447	—
Taxi medallions		2,826	6,897
Consumer		7,039	9,605
Total other loans		21,198,930	11,899,362
Net deferred fees and costs		(36,080)	27,252
ACL/ALLL (1)		(508,299)	(249,989)
Net loans	$	48,324,799	38,859,634

(1) December 31, 2020 balance referenced as the allowance for credit losses on loans and leases ("ACL") as a result of the January 1, 2020 adoption of *ASU 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.*

As of December 31, 2020 and 2019, commercial and industrial loans include overdrafts of commercial deposit accounts totaling $39.4 million and $54.2 million, respectively, and other consumer loans include overdrafts of personal deposit accounts totaling $3.2 million and $4.7 million, respectively.

In order to manage credit quality, we view the Bank's loan portfolio by various segments and classes of loans. For commercial loans, we assign individual credit ratings ranging from 1 (lowest risk) to 9 (highest risk) as an indicator of credit quality ("credit-rated commercial loans"). These ratings are based on specific risk factors including (i) historical and projected financial results of the borrower, (ii) market conditions of the borrower's industry that may affect the borrower's future financial performance, (iii) business experience of the borrower's management, (iv) nature of the underlying collateral, if any including the ability of the collateral to generate sources of repayment, and (v) history of the borrower's payment performance. These specific risk factors are then utilized as inputs in our credit models to determine the associated allowance for credit loss. 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 CRE loan portfolio by risk rating and year of origination as of December 31, 2020:

(in thousands)	2020	2019	2018	2017	2016 & Prior	Revolving Loans	Revolving Loans Converted to Term	Total
December 31, 2020								
Commercial loans secured by real estate:								
Multi-family residential property								
Pass (Rating 1-6)	$3,986,436	1,905,241	2,544,387	1,446,613	3,312,582	65,854	—	13,261,113
Special Mention (Rating 7)	670,305	149,580	166,840	293,289	286,126	—	—	1,566,140
Substandard (Rating 8)	317,007	—	15,133	9,356	2,771	—	—	344,267
Doubtful (Rating 9)	—	—	—	—	—	—	—	—
Total multi-family residential property	$4,973,748	2,054,821	2,726,360	1,749,258	3,601,479	65,854	—	15,171,520
Commercial property								—
Pass (Rating 1-6)	$2,043,501	1,354,115	1,393,484	1,220,489	2,846,857	16,558	—	8,875,004
Special Mention (Rating 7)	331,125	132,880	149,027	133,568	556,803	1,684	—	1,305,087
Substandard (Rating 8)	249,703	47,238	20,737	8,712	47,118	—	—	373,508
Doubtful (Rating 9)	—	—	—	—	—	—	—	—
Total commercial property	$2,624,329	1,534,233	1,563,248	1,362,769	3,450,778	18,242	—	10,553,599
1-4 family residential property								—
Pass (Rating 1-6)	$ 85,102	55,847	66,371	61,713	121,402	7,073	—	397,508
Special Mention (Rating 7)	7,058	—	6,349	2,595	14,248	—	—	30,250
Substandard (Rating 8)	—	—	—	—	—	—	—	—
Doubtful (Rating 9)	—	—	—	—	—	—	—	—
Total 1-4 family residential property	$ 92,160	55,847	72,720	64,308	135,650	7,073	—	427,758
Acquisition, development and construction								—
Pass (Rating 1-6)	$ 696,915	176,349	137,748	70,915	34,344	172,296	—	1,288,567
Special Mention (Rating 7)	33,846	—	6,585	7,699	30,771	—	—	78,901
Substandard (Rating 8)	—	—	—	—	428	—	—	428
Doubtful (Rating 9)	—	—	—	—	—	—	—	—
Total acquisition, development and construction	$ 730,761	176,349	144,333	78,614	65,543	172,296	—	1,367,896
Total commercial loans secured by real estate	$8,420,998	3,821,250	4,506,661	3,254,949	7,253,450	263,465	—	27,520,773
Commercial loans secured by real estate:						—	—	—
Current period gross charge-offs	$ —	—	—	—	(3,921)	—	—	(3,921)
Current period recoveries	—	—	—	—	—	—	—	—
Current period net charge-offs	$ —	—	—	—	(3,921)	—	—	(3,921)

The following table summarizes our C&I loan portfolio by risk rating and year of origination as of December 31, 2020:

(in thousands)	2020	2019	2018	2017	2016 & Prior	Revolving Loans	Revolving Loans Converted to Term	Total
December 31, 2020								
Commercial and industrial loans:								
Specialty finance								
Pass (Rating 1-6)	$1,811,835	1,367,275	754,010	550,901	294,772	—	—	4,778,793
Special Mention (Rating 7)	970	6,446	38,675	11,607	437	—	—	58,135
Substandard (Rating 8)	42,217	69,600	36,491	33,475	24,395	—	—	206,178
Doubtful (Rating 9)	—	—	—	—	—	—	—	—
Total specialty finance	$1,855,022	1,443,321	829,176	595,983	319,604	—	—	5,043,106
Fund banking								
Pass (Rating 1-6)	$ 344	5,420	—	—	—	11,231,701	—	11,237,465
Special Mention (Rating 7)	—	—	—	—	—	—	—	—
Substandard (Rating 8)	—	—	—	—	—	—	—	—
Doubtful (Rating 9)	—	—	—	—	—	—	—	—
Non-rated	—	—	—	—	—	—	—	—
Total fund banking	$ 344	5,420	—	—	—	11,231,701	—	11,237,465
Taxi medallion								
Pass (Rating 1-6)	$ —	—	—	—	—	—	—	—
Special Mention (Rating 7)	—	—	—	—	—	—	—	—
Substandard (Rating 8)	—	—	28	—	2,798	—	—	2,826
Doubtful (Rating 9)	—	—	—	—	—	—	—	—
Total taxi medallion	$ —	—	28	—	2,798	—	—	2,826
Other commercial and industrial:								
Pass (Rating 1-6)	$ 450,481	275,894	297,755	209,634	375,957	1,188,804	4,314	2,802,839
Special Mention (Rating 7)	60,809	11,927	22,607	5,510	7,326	6,280	—	114,459
Substandard (Rating 8)	11,911	9,664	2,102	18,953	2,872	22,461	—	67,963
Doubtful (Rating 9)	—	—	—	—	—	—	—	—
Non-rated	43,043	1,839	1,198	201	436	2,069	—	48,786
Total other commercial and industrial	$ 566,244	299,324	323,662	234,298	386,591	1,219,614	4,314	3,034,047
Paycheck Protection Program (1)								
Pass (Rating 1)	$1,874,447	—	—	—	—	—	—	1,874,447
Special Mention (Rating 7)	—	—	—	—	—	—	—	—
Substandard (Rating 8)	—	—	—	—	—	—	—	—
Doubtful (Rating 9)	—	—	—	—	—	—	—	—
Non-rated	—	—	—	—	—	—	—	—
Total Paycheck Protection Program	$1,874,447	—	—	—	—	—	—	1,874,447
Total commercial and industrial loans	$4,296,057	1,748,065	1,152,866	830,281	708,993	12,451,315	4,314	21,191,891
Commercial and industrial loans:								—
Current period gross charge-offs	$ (200)	—	—	—	(4)	—	—	(204)
Current period recoveries	4	—	—	—	—	—	—	4
Current period net charge-offs	$ (196)	—	—	—	(4)	—	—	(200)

1) All PPP loans are rated 1 and there is no allowance associated with them as a result of the associated U.S. Government guarantee.

The following table summarizes our portfolio of commercial loans by risk rating as of December 31, 2019:

(in thousands)	*Pass* Rating 1-6	*Special Mention* Rating 7	*Substandard* Rating 8	*Doubtful* Rating 9	Non-rated	Total
December 31, 2019						
Commercial loans secured by real estate:						
Multi-family residential property	$ 14,919,099	69,488	113,140	—	—	15,101,727
Commercial property	9,959,566	154,041	85,686	—	—	10,199,293
1-4 family residential property	428,156	—	—	—	—	428,156
Acquisition, development and construction loans	1,218,555	14,684	36,856	—	—	1,270,095
Commercial and industrial loans:	—	—	—	—	—	
Specialty finance	4,529,724	27,595	39,613	—	—	4,596,932
Fund banking	4,421,649	—	—	—	312	4,421,961
Commercial and industrial	2,745,662	1,172	55,750	—	61,383	2,863,967
Taxi medallions	—	—	6,897	—	—	6,897
Total commercial loans	$ 38,222,411	266,980	337,942	—	61,695	38,889,028

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 consumer loan portfolio by year of origination as of December 31, 2020:

(in thousands)	2020	2019	2018	2017	2016 & Prior	Revolving Loans	Revolving Loans Converted to Term	Total
December 31, 2020								
Consumer loans (1):								
Residential mortgages	$ —	—	—	—	66,921	—	—	66,921
Home equity lines of credits	—	—	—	—	82,553	—	—	82,553
Consumer loans	3,245	113	174	84	3,423	—	—	7,039
Total consumer loans	$ 3,245	113	174	84	152,897	—	—	156,513
Consumer loans								—
Current period gross charge-offs	$ —	—	—	—	—	—	—	—
Current period recoveries	1	—	—	—	—	—	—	1
Current period net charge-offs	$ 1	—	—	—	—	—	—	1

(1) Consumer loans are not risk rated.

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

(in thousands)		Performing	Nonperforming	Total
December 31, 2020				
Residential mortgages	$	64,047	2,874	66,921
Home equity lines of credit		79,166	3,387	82,553
Other consumer loans		7,039	—	7,039
Total consumer loans	$	150,252	6,261	156,513
December 31, 2019				
Residential mortgages	$	74,794	3,565	78,359
Home equity lines of credit		101,904	3,475	105,379
Other consumer loans		9,605	—	9,605
Total consumer loans	$	186,303	7,040	193,343

Loans to related parties include loans to directors and their related companies and our executive officers that are made in the ordinary course of business. Related party loans totaled $3.2 million and $465,000 at December 31, 2020 and 2019, respectively, and all related party loans are current as to payments.

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

(in thousands)		Past Due 30-89 Days	Past Due 90+ Days	Total Past Due	Current	Total Loans	Loans Past Due 90+ Days & Accruing	Non-accruing Loans
December 31, 2020								
Commercial loans								
Loans secured by real estate:								
Multi-family residential property	$	152,403	4,146	156,549	15,014,971	15,171,520	—	4,146
Commercial property		52,496	21,341	73,837	10,479,762	10,553,599	—	79,355
1-4 family residential property		50		50	427,708	427,758	—	—
Acquisition, development and construction loans		4,800	428	5,228	1,362,668	1,367,896	—	428
Commercial and industrial loans:								
Specialty finance		16,611	5,263	21,874	5,021,232	5,043,106	219	14,694
Fund banking		6,801		6,801	11,230,664	11,237,465	—	—
Commercial and industrial		17,199	6,275	23,474	4,885,020	4,908,494	1,130	12,462
Taxi medallions			2,798	2,798	28	2,826	—	2,826
Consumer loans								
Residential mortgages		80	3,868	3,948	62,974	66,922	994	2,874
Home equity lines of credit		86	3,387	3,473	79,080	82,553	—	3,387
Consumer loans		659		659	6,380	7,039	—	—
Total	$	251,185	47,506	298,691	48,570,487	48,869,178	2,343	120,172
December 31, 2019								
Commercial loans								
Loans secured by real estate:								
Multi-family residential property	$	—	—	—	15,101,727	15,101,727	—	—
Commercial property		29,858	—	29,858	10,169,435	10,199,293	—	22,754
1-4 family residential property		—	—	—	428,156	428,156	—	—
Acquisition, development and construction loans		—	—	—	1,270,095	1,270,095	—	—
Commercial and industrial loans:								
Specialty finance		16,135	7,860	23,995	4,572,937	4,596,932	—	15,530
Fund banking		—	—	—	4,421,961	4,421,961	—	—
Commercial and industrial		13,915	5,888	19,803	2,844,164	2,863,967	2,187	5,134
Taxi medallions		18	6,517	6,535	362	6,897	—	6,897
Consumer Loans								
Residential mortgages		611	3,678	4,289	74,070	78,359	113	3,565
Home equity lines of credit		—	3,475	3,475	101,904	105,379	—	3,475
Consumer loans		627	—	627	8,978	9,605	—	—
Total	$	61,164	27,418	88,582	38,993,789	39,082,371	2,300	57,355

Nonaccrual loans at December 31, 2020 and 2019 totaled $120.2 million and $57.4 million, respectively. The increase in nonaccrual loans was primarily attributable to the addition of seven commercial property loans totaling $64.5 million and 47 commercial and industrial loans totaling $23.5 million. The increase was partially offset by the payoffs and receipt of payments on nonaccrual loans totaling $14.1 million, the repossession of equipment totaling $2.9 million, the repossession of taxi medallions totaling $1.6 million, and charge-offs totaling $11.5 million.

There were no commitments at December 31, 2020 and 2019 to lend additional funds on nonaccrual loans. For further discussion, see Note 9 to our Consolidated Financial Statements.

As of December 31, 2020, loans past due 90 days or more and accruing primarily consisted of $3.4 million of government-guaranteed SBA loans and three commercial and industrial loan totaling $1.1 million that were well secured and in process of collection. At December 31, 2019, loans past due 90 days or more and accruing included three commercial and industrial loans totaling $2.2 million that were well secured and in process of collection.

As of December 31, 2020 and 2019, the Bank held residential consumer mortgage loans in the process of foreclosure totaling of $4.9 million and $5.7 million, respectively. Due to COVID-19 circumstances, all foreclosures that were in process remain suspended as of December 31, 2020. The Bank will proceed with any of their outstanding foreclosure processes when the suspension is lifted. The Bank did not hold any foreclosed residential real estate at either December 31, 2020 or 2019.

Other repossessed assets as of December 31, 2020 and 2019 totaled $34.5 million and $46.8 million, respectively. The December 31, 2020 and 2019 repossessed asset balances principally consist of taxi medallions. Included in the December 31, 2020 and 2019 balances are $24.8 million and $32.4 million of taxi medallions that have been legally sold and financed by the Bank, respectively. Despite having been legally sold, due to uncertainty regarding collectability, these repossessed assets cannot be derecognized. Since these are active legal loans, however, the Bank continues to receive principal and interest payments which further reduce our overall taxi medallion exposure.

As of December 31, 2020 and 2019, the Bank had pledged $10.45 billion and $7.82 billion, respectively, of commercial real estate loans through a blanket assignment to secure borrowings from the Federal Home Loan Bank ("FHLB") to meet collateral requirements of $3.49 billion and $4.35 billion, respectively, on 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, such as implications from the COVID-19 pandemic, may result in an increase in nonpayment of loans, a decrease in collateral value, and an increase in our ACLLL.

(9) Allowance for Credit Losses

The table below presents a breakdown of our ACL and ALLL by financial instrument type as of the dates indicated:

(in thousands)		December 31, 2020 (1)	December 31, 2019
ACL/ALLL related to loans and leases	$	508,299	249,989
ACL/ALLL related to unfunded commitments		7,951	1,426
ACL/ALLL related to accrued interest receivable (3)		2,784	—
ACL/ALLL related to AFS debt securities (2)		4	—
ACL/ALLL related to HTM debt securities (2)		51	—
Total ACL/ALLL	$	519,089	251,415

(1) December 31, 2020 balance referenced as the allowance for credit losses on loans and leases ("ACL") as a result of the January 1, 2020 adoption of *ASU 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.*

(2) Amount represents ACL related to investment securities. See Note 5 for further discussion.

(3) Included in Accrued interest and dividends receivable in the consolidated statements of financial condition. See Note 2(g) for further discussion.

The table below presents a summary by loan portfolio segment of our ACL for loans and leases (ACLLL), loan loss experience, and provision for credit losses for loans and leases for the periods indicated:

	Credit-rated loans			Non-rated loans			
(in thousands)	Commercial Real Estate	1-4 Family Residential Property	Commercial & Industrial	Commercial	Residential Mortgages	Consumer	Total
For the year ended December 31, 2020							
Beginning balance - ALLL	$ 162,710	2,039	79,697	2,167	3,128	248	249,989
CECL adoption (1)	32,778	4,334	725	484	2,728	134	41,183
Beginning balance - ACLLL	$ 195,488	6,373	80,422	2,651	5,856	382	291,172
Provision (Release)	$ 225,117	6,764	11,247	2,910	(1,277)	553	245,314
Charge-offs	(12,649)	—	(17,504)	(1,232)	(39)	(298)	(31,722)
Recoveries	—	—	3,021	456	17	41	3,535
Ending balance - ACLLL	$ 407,956	13,137	77,186	4,785	4,557	678	508,299
For the year ended December 31, 2019							
Beginning balance - ALLL	$ 175,631	2,534	47,613	1,195	2,925	107	230,005
Provision (Release)	(12,921)	(495)	32,172	3,240	189	451	22,636
Charge-offs	—	—	(13,101)	(2,813)	(4)	(367)	(16,285)
Recoveries	—	—	13,013	545	18	57	13,633
Ending balance - ALLL	$ 162,710	2,039	79,697	2,167	3,128	248	249,989
For the year ended December 31, 2018							
Beginning balance - ALLL	$ 151,680	1,521	38,285	1,553	2,784	136	195,959
Provision (Release)	24,469	1,013	136,311	(113)	744	100	162,524
Charge-offs	(518)	—	(139,805)	(797)	(641)	(206)	(141,967)
Recoveries	—	—	12,822	552	38	77	13,489
Ending balance - ALLL	$ 175,631	2,534	47,613	1,195	2,925	107	230,005

(1) Amount represents a cumulative effect adjustment recorded on January 1, 2020 as a result of the adoption of *ASU 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.*

On January 1, 2020, the Bank adopted CECL, which resulted in a $45.8 million, or 18.2% increase in our allowance for credit losses, including the impact of $4.6 million to our allowance for unfunded commitments. The allowance for credit losses for unfunded commitments is recorded in Accrued expenses and other liabilities. As of adoption, our ACLLL increased $41.2 million, or 16.5% compared to our ALLL at December 31, 2019. The increase at adoption is the result of estimating credit losses over a loan's full expected life under CECL rather than a point in time estimate of incurred losses to date under legacy GAAP.

Further contributing to the overall increase in our ACLLL for the year ended December 31, 2020 was a $248.1 million provision for credit losses for loans and leases, predominantly attributable to the impact of COVID-19 on the U.S. Economy. Since 2019, the portfolio mix of our loan growth has continued to shift from commercial real estate to fund banking. As fund banking loans generally possess stronger credit quality, as evident in the portfolio risk rating composition, a lower loss rate is ascribed.

However, due to the COVID-19 pandemic, our provision for the year 2020 reflects an updated economic forecast inclusive of the pandemic and the related macroeconomic impact on our portfolio segments and their material concentrations which more than offset the expected reserve reduction due to portfolio mix. The economic forecast throughout 2020 has included the assumption of record low interest rates and the significant decline in property index values through our two year reasonable and supportable forecast period. In particular, the commercial property price index specific to our geographic concentration in the greater NYC region declined significantly for office, retail and industrial properties. While more stable, the multi-family property index also incorporates forecasted COVID-19 related deterioration. These themes are consistent in our December 31, 2020 forecast.

Our current forecast as of year end anticipates elevated levels of unemployment through 2021, with Gross Domestic Product ("GDP") growth returning to strong levels beginning in mid-2021. GDP growth is predicted to be at a sub-2.0% level in the first quarter of 2021, followed by elevated GDP growth levels in the 3.5% to 4% range through 2022. The forecast also contains peak unemployment levels slightly above 7% in mid-2021, followed by a consistent improving trend through 2022, ending at approximately 5.5%. These unemployment and GDP growth forecast trends are highly correlated with the expected timing of the COVID-19 vaccine being widely available. Included in the year end macroeconomic forecast is also the impact of the U.S. Government stimulus approved in December 2020. Any changes in the forecast for the commercial property price index, unemployment and GDP, or any changes in our borrowers' debt service coverage ratios due to the implications of the COVID-19 pandemic, could have a significant impact on our provision levels in the future.

The following table presents our ACLLL and outstanding balances by loan portfolio segment as of December 31, 2020, following the adoption of CECL, as well as the ALLL and outstanding loan balances by loan portfolio segment as of December 31, 2019, prior to the adoption of CECL:

	Credit-rated loans			Non-rated loans			
(in thousands)	Commercial Real Estate	1-4 Family Residential Property	Commercial & Industrial	Commercial	Residential Mortgages (1)	Consumer	Total
As of December 31, 2020							
ACLLL:							
Individually evaluated (2)	$ 51,233	—	11,217	30	2,040	—	64,520
Collectively evaluated	356,723	13,137	65,969	4,755	2,517	678	443,779
Recorded investments in loans:							
Individually evaluated (2)	291,750	—	69,374	63	7,211	—	368,398
Collectively evaluated	$26,801,265	427,759	21,073,732	48,722	142,263	7,039	48,500,780
As of December 31, 2019							
ALLL:							
Individually evaluated for impairment	$ —	—	6,997	—	2,399	—	9,396
Collectively evaluated for impairment	162,710	2,039	72,700	2,167	729	248	240,593
Recorded investments in loans:							
Individually evaluated for impairment	35,639	3,300	77,641	—	8,335	—	124,915
Collectively evaluated for impairment	$26,535,476	424,856	11,750,421	61,695	175,403	9,605	38,957,456

(1) Includes home equity lines of credit.

(2) Includes reasonably expected TDRs, if any.

A loan is individually evaluated for impairment 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, and it does not share similar risk characteristics with other loans that also have an asset specific risk exposure. Loans individually evaluated for impairment include modified or reasonably expected to be modified in a TDR, collateral-dependent loans, as well as, risk-rated loans that have been placed on nonaccrual status. In determining whether a loan is individually assessed for impairment, 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 individually evaluated for impairment if it is past due maturity and is not well-secured and in the process of collection. In years subsequent to the TDR designation, we do not consider the restructured loan as impaired if it was restructured at a market rate and continues to perform in accordance with the modified terms. Other TDRs, however, are reported as such for as long as the loan remains outstanding.

To encourage institutions to work with impacted borrowers, the CARES Act and banking regulatory agencies have provided relief from TDR accounting. COVID-19 related modifications that were current as of December 31, 2019 are exempt from TDR classification under US GAAP. Additionally, banking regulatory agencies issued interagency guidance that COVID-19 related short-term modifications (i.e., six months or less) granted to clients that were current as of the loan modification program implementation date are not TDRs. The CARES Act guidance applies to modifications made between March 1, 2020 and the earlier of December 31, 2020 or 60 days after the end of the COVID-19 national emergency. In December 2020, the signing of the Consolidated Appropriations Act, 2021 extended this guidance to modifications made until the earlier of January 1, 2022 or 60 days after the end of the COVID-19 national emergency. For past due status, the CARES Act also provides for lenders to continue to report loans in the same delinquency bucket they were in at the time of modification. The Bank has applied this guidance related to modifications during 2020.

As a result of COVID-19, we have received an increased number of payment relief requests. As of December 31, 2020, we have provided certain borrowers with three to six month payment deferrals for COVID-19 related modifications since early second quarter of 2020. We also extended the payment deferral to certain borrowers when the initial deferral period expired in the latter half of 2020.

As of December 31, 2020, total principal and interest deferrals declined to $1.31 billion, or 2.7% of total loans. This primarily includes loans secured by commercial real estate totaling $1.16 billion and commercial and industrial loans totaling $115.1 million. Additionally, $3.22 billion, or 6.6% of total loans is comprised of other COVID-19 related modifications, including $2.87 billion of modified interest-only payments. All of these other modified loans are making some form of interest or principal payment. As of December 31, 2020, all but five modifications totaling $123.3 million are accounted for in accordance with the CARES Act. This compares to a high of $11.08 billion in total deferrals, or 24.5% of total loans, as of June 30, 2020.

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

	December 31, 2020				*December 31, 2019*			
(in thousands)	**Unpaid Principal Balance**	**Recorded Investment**	**Related Allowance**	**Average Carrying Value**	**Unpaid Principal Balance**	**Recorded Investment**	**Related Allowance**	**Average Carrying Value**
With no related allowance recorded:								
Commercial loans secured by real estate:								
Commercial property	$ —	—	—	12,117	22,754	22,754	—	4,551
Multi-family residential property	4,147	4,147	—	829	—	—	—	—
Acquisition, development and construction loans	—	—	—	86	—	—	—	—
Commercial and industrial loans	51,142	9,169	—	11,113	13,871	12,200	—	36,583
Residential mortgages	1,396	1,396	—	1,680	2,106	2,106	—	1,742
With an allowance recorded:								
Commercial loans secured by real estate:								
Commercial property	91,306	79,355	15,271	26,650	—	—	—	—
Acquisition, development and construction loans	428	428	214	425	—	—	—	—
1-4 family residential property	—	—	—	—	—	—	—	360
Commercial and industrial loans	21,062	20,812	9,548	15,045	15,866	15,361	6,070	18,649
Residential mortgages	1,796	1,478	739	1,460	1,459	1,459	729	1,537
Home equity lines of credit	3,429	3,387	1,016	3,560	3,475	3,475	1,216	3,472
Total:								
Commercial loans secured by real estate	95,881	83,930	15,485	40,107	22,754	22,754	—	4,911
Commercial and industrial loans	72,204	29,981	9,548	26,158	29,737	27,561	6,070	55,232
Residential mortgages	3,192	2,874	739	3,140	3,565	3,565	729	3,279
Home equity lines of credit	3,429	3,387	1,016	3,560	3,475	3,475	1,216	3,472
Total nonaccrual loans (1)	$174,706	120,172	26,788	72,965	59,531	57,355	8,015	66,894

(1) There were no nonaccrual loans accounted for on cash basis for the years ended 2020, 2019, and 2018. Therefore, no interest income was recognized on these loans during the respective periods.

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 restructured loans ("TDRs"). Our TDRs consist of those loans where we modify the contractual terms of the loan, such as (i) a deferral of the loan's principal amortization through either interest-only or reduced principal payments, (ii) a reduction in the loan's contractual interest rate, (iii) principal forgiveness or (iv) an extension of the loan's contractual term. In response to the COVID-19 pandemic, the CARES Act and banking regulatory agencies have provided relief from TDR accounting for modifications and borrowers that meet certain conditions. We applied this guidance during 2020. See further discussion earlier in this Note.

The following table presents loans that were classified as TDRs during the years ended December 31, 2020, 2019 and 2018. The pre-modification balances represent the recorded investment immediately prior to modification, and the post-modification balances represent the recorded investment as of the dates indicated:

	December 31, 2020			*December 31, 2019*			*December 31, 2018*		
(dollars in thousands)	**Number of Loans (1)**	**Pre-Modification Balance (1)**	**Post-Modification Balance (1)**	**Number of Loans**	**Pre-Modification Balance**	**Post-Modification Balance**	**Number of Loans**	**Pre-Modification Balance**	**Post-Modification Balance**
Commercial loans secured by real estate:									
Commercial property	5	$ 141,349	$ 141,349	—	—	—	—	—	—
Multi-family residential property	3	85,401	85,401	—	—	—	1	9,644	9,628
1-4 family residential property	1	1,498	1,396	1	3,300	3,300	—	—	—
Commercial and industrial loans:									
Other commercial and industrial	6	9,815	10,108	7	25,465	23,087	14	28,619	27,730
Specialty finance	2	2,685	2,441	2	1,835	1,655	8	7,610	6,152
Taxi medallions	—	—	—	—	—	—	94	21,371	14,728
Consumer loans:									
Home equity lines of credit	—	—	—	1	336	335	1	1,029	1,002
Total	17	$ 240,748	$ 240,695	11	30,936	28,377	118	68,273	59,240

(1) Excludes reasonably expected TDRs.

The following table summarizes how the TDRs loans recorded for the years ended December 2020, 2019 and 2018 were modified:

(in thousands)	Term Extension	Term Extension with Other Concession (1)	Deferred Principal Amortization	Deferred Principal Amortization with Other Concession (1)	Rate Reduction	Total
December 31, 2020 (2)						
Commercial loans secured by real estate:						
Commercial Propery	$ 19,000	—	34,923	87,426	—	141,349
Multi-family residential property	—	70,000	9,996	5,405	—	85,401
1-4 family residential property	—	—	1,396	—	—	1,396
Commercial and industrial loans:						
Other commercial and industrial	4,464	336	5,000	308	—	10,108
Specialty finance	1,504	—	937	—	—	2,441
Consumer loans:						
Home equity lines of credit	—	—	—	—	—	—
Total	$ 24,968	70,336	52,252	93,139	—	240,695
December 31, 2019						
Commercial loans secured by real estate:						
1-4 family residential property	$ —	3,300	—	—	—	3,300
Commercial and industrial loans:						
Other commercial and industrial	9,077	13,530	—	480	—	23,087
Specialty finance	—	—	—	1,655	—	1,655
Consumer loans:						
Home equity lines of credit	—	—	—	335	—	335
Total	$ 9,077	16,830	—	2,470	—	28,377
December 31, 2018						
Commercial loans secured by real estate:						
1-4 family residential property	$ 9,628	—	—	—	—	9,628
Commercial and industrial loans:						
Commercial and industrial	21,161	776	—	5,793	—	27,730
Specialty finance	—	3,823	—	2,329	—	6,152
Taxi medallions	—	14,728	—	—	—	14,728
Consumer loans:						
Home equity lines of credit	—	—	—	1,002	—	1,002
Total	$ 30,789	19,327	—	9,124	—	59,240

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

(2) Excludes reasonably expected TDRs.

As of December 31, 2020 and 2019, our ACLLL and ALLL for TDRs totaled $53.0 million and $2.2 million, respectively. No loans that were modified as a TDR within the previous 12 months subsequently defaulted on payments for the periods ended December 31, 2020 and 2019.

As of December 31, 2020, we have provided certain borrowers with principal and interest, or interest-only, payment deferrals due to the impact of COVID-19. Due to the guidance applied from the CARES Act and interagency guidance issued by banking regulatory agencies, loans meeting the applicable criteria have not been classified as TDRs as discussed earlier in this document. Management will continue to evaluate each modification to determine whether it is a TDR based on the facts and circumstances associated with the modification.

(10) Premises and Equipment

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

	December 31,	
(in thousands)	**2020**	**2019**
Lease improvements	$ 86,269	90,436
Furniture, fixtures and equipment	115,713	91,227
	201,982	181,663
Less accumulated depreciation and amortization	(121,708)	(115,244)
Premises and equipment, net	$ 80,274	66,419

Depreciation and amortization expense totaled $20.7 million, $20.1 million and $14.0 million for the years ended December 31, 2020, 2019 and 2018, respectively.

(11) Deposits

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

	December 31,	
(in thousands)	**2020**	**2019**
Non-interest-bearing demand	$ 18,461,971	12,941,981
NOW and interest-bearing demand	11,825,113	5,108,254
Money market	29,189,903	19,372,921
Time deposits	1,627,309	1,790,373
Brokered deposits (1)	2,211,027	1,169,678
Total deposits	$ 63,315,323	40,383,207

(1) Includes non-interest bearing deposits of $296.0 million and $74.9 million as of December 31, 2020 and 2019 respectively.

The aggregate amounts of time deposits including brokered time deposits in denominations of $100,000 or more at December 31, 2020 and 2019 were $1.71 billion and $2.26 billion, respectively. Time deposit accounts with balances of $250,000 or more totaled $1.49 billion and $1.65 billion at December 31, 2020 and 2019, respectively.

At December 31, 2020, the scheduled maturities of time deposits are as follows:

(in thousands)	**Amount**
2021	$ 1,515,393
2022	238,652
2023	14,083
2024	3,586
2025	12,180
Total time deposits (1)	$ 1,783,894

(1) Includes brokered time deposits of $80.0 million.

At December 31, 2020 and 2019, we had approximately $57.2 million and $41.7 million, respectively, in deposits held by our directors and their related interests.

(12) Incentive Savings Plan

We have a 401(k) program under which employees may make personal contributions by means of payroll deductions of up to 60% of all eligible pre-tax earnings or the maximum allowable under income tax regulations. Participants age 50 and over are permitted to make an additional “catch-up” contribution each year, subject to limits set by the Internal Revenue Service. We match 100% of the first 3% of base compensation a participant contributes to the plan and 50% of the next 4% of base compensation contributed. The sum of the employer contributions and employee contributions are also limited by income tax regulations. Our contributions, included in salaries and benefits expense, were $7.6 million, $6.8 million and $6.0 million, respectively, for the years ended December 31, 2020, 2019 and 2018.

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

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

	December 31,	
(dollars in thousands)	**2020**	**2019**
Federal Funds Purchased		
Year-end balance	$ —	$ —
Maximum amount outstanding at any month end	$ 370,000	$ 1,136,000
Average outstanding balance	$ 3,402	$ 399,715
Weighted-average interest rate paid	0.62 %	2.58 %
Weighted-average interest rate at year end	— %	— %
Securities Sold Under Agreements to Repurchase		
Year-end balance	$ 150,000	$ 150,000
Maximum amount outstanding at any month end	$ 150,000	$ 150,000
Average outstanding balance	$ 150,000	$ 150,000
Weighted-average interest rate paid	1.81 %	2.56 %
Weighted-average interest rate at year end	1.92 %	2.93 %

During the years ended December 31, 2020, 2019, and 2018, we recorded interest expense on federal funds purchased and securities sold under agreements to repurchase with brokers totaling $2.7 million, $14.2 million, and $13.5 million, respectively. The federal funds purchased throughout each year were generally overnight transactions. We had zero federal funds purchased at both December 31, 2020 and 2019. As of December 31, 2020, we had repurchase agreements with brokers accounted for as secured borrowings totaling $150.0 million, among which $100.0 million was expected to mature in August 2025 and the remaining $50.0 million was expected to mature in August 2026. As of December 31, 2019, we had repurchase agreements with brokers accounted for as secured borrowings totaling $150.0 million with an expected maturity date of August 2023.

At December 31, 2020, securities with a fair value of $164.6 million and a carrying value of $163.9 million were pledged to meet our collateral requirement of $162.0 million on repurchase agreements with brokers. At December 31, 2019, securities with a fair value of $169.1 million and a carrying value of $167.6 million were pledged to meet our collateral requirement of $162.0 million on repurchase agreements with brokers.

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 December 31, 2020, all repurchase agreements were collateralized with government-sponsored enterprise securities.

(14) Federal Home Loan Bank Borrowings

As a member of the Federal Home Loan Bank (“FHLB”) of New York, we are required to acquire and hold shares of capital stock in the FHLB in an amount at least equal to 1.0% of the aggregate principal amount of our unpaid residential mortgage loans and similar obligations at the beginning of each year, 4.5% of our borrowings from the Federal Home Loan Bank, or 0.3% of assets, whichever is greater. As of December 31, 2020, we were in compliance with this requirement.

As of December 31, 2020 and 2019, our FHLB borrowings only include advances. While historically we have also had securities sold under repurchase agreements with FHLB, we had no such agreement outstanding as of December 31, 2020 and 2019.

The following table provides a summary of FHLB borrowings at or for the years ended:

	December 31,	
(dollars in thousand)	**2020**	**2019**
FHLB Advances		
Year-end balance	$ 2,839,245	$ 4,142,144
Maximum amount outstanding at any month end	$ 4,409,245	$ 5,547,364
Average outstanding balance	$ 3,651,182	$ 4,966,378
Weighted-average interest rate paid	1.50 %	2.56 %
Weighted-average interest rate at year end	1.07 %	2.32 %

During the years ended December 31, 2020, 2019, and 2018, interest expense recorded on FHLB borrowings totaled $54.8 million, $127.3 million, and $92.6 million, respectively.

As of December 31, 2020, $10.45 billion of commercial real estate loans pledged through a blanket assignment were available to meet collateral requirements of approximately $3.49 billion on FHLB borrowings. As of December 31, 2019, $7.82 billion of commercial real estate loans pledged through a blanket assignment were available to meet collateral requirements of approximately $4.35 billion on FHLB borrowings.

FHLB advances as of December 31, 2020 have contractual maturities as follows:

(in thousands)	**Amount**	
2021	$ 1,950,000	(1)
2022	705,507	
2023	159,000	
2024	—	
2025	24,738	
Total FHLB advances	$ 2,839,245	

(1) This includes short duration borrowings totaling $1.75 billion that were extended to 5 years with cash flow hedging strategies. Specifically, when considering hedge accounting, $500.0 million were extended to May 2022, $200.0 million to December 2023, and the remaining $1.0 billion to March 2024. See Note 22 for additional information.

At December 31, 2020, there are no long-term FHLB advances that are callable by the FHLB for redemption prior to their maturity date.

(15) Subordinated Debt

On April 19, 2016, the Bank issued $260.0 million aggregate principal amount of Variable Rate Subordinated Notes due April 19, 2026 (the “Notes”) to institutional investors. The Notes accrue interest at a fixed rate of 5.30% for the first five years until April 2021. After this date and for the remaining five years of the Notes’ term, interest will accrue at a variable rate of LIBOR plus 3.92%. Additionally, during the variable interest rate period and at the Bank’s option, the Notes can be prepaid by the Bank. Net proceeds from this offering were used for general corporate purposes and to facilitate our continued growth.

On November 1, 2019, the Bank completed a public offering of $200.0 million aggregate principal amount of Fixed-To-Floating Rate Subordinated Notes due November 1, 2029 (the “Notes”). The Notes accrue interest at a fixed rate of 4.125% for the first five years until November 2024. After this date and for the remaining five years of the Notes’ term, interest will accrue at a floating rate of LIBOR plus 255.9 basis points. Additionally, during the floating rate period and at the Bank’s option, the Notes can be prepaid by the Bank. Net proceeds from this offering will be used for general corporate purposes and the repurchase of common stock.

On October 6, 2020, the Bank completed a public offering of $375.0 million aggregate principal amount of Fixed-To-Floating Rate Subordinated Notes due October 15, 2030 (the “Notes”). The Notes accrue interest at a fixed rate of 4.00% per annum for the first five years until October 2025. After this date and for the remaining five years of the Notes’ term, interest will accrue at a floating rate of three-month AMERIBOR plus 389 basis points. Net proceeds from this offering will be used for general corporate purposes, including to support our growth.

Subordinated debt was reported in the Consolidated Statements of Financial Condition net of deferred issuance costs of $6.4 million and $3.9 million as of December 31, 2020 and 2019, respectively.

(16) Income Taxes

Provision for Income Taxes

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

		Years ended December 31,	
(in thousands)	**2020**	**2019**	**2018**
Income tax expense (benefit) reported in net income:			
Federal			
Current expense	$ 224,683	138,249	121,025
Deferred income tax expense (benefit)	(87,120)	18,564	6,957
Total federal	$ 137,563	156,813	127,982
State and local			
Current expense	$ 96,278	95,021	72,775
Deferred income tax expense (benefit)	(30,008)	(16,917)	(6,451)
Total state and local	$ 66,270	78,104	66,324
Total			
Current expense	$ 320,961	233,270	193,800
Deferred income tax expense (benefit)	(117,128)	1,647	506
Total income tax expense reported in net income (1)	$ 203,833	234,917	194,306
Income tax expense (benefit) reported in shareholders' equity:			
Unrealized gains (losses) on securities	$ 12,952	46,791	(25,146)
Unrealized losses on cash flow hedges	(15,756)	(13,888)	(974)
Total income tax expense (benefit) reported in shareholders' equity	$ (2,804)	32,903	(26,120)
Total income taxes	$ 201,029	267,820	168,186

1) Effective January 1, 2020, we changed our accounting policy for Low Income Housing Tax Credit ("LIHTC") investments from the equity method to the proportional amortization method as it was determined to be the preferable method. All applicable prior period amounts have been retroactively restated to conform to the new accounting policy.

Deferred Tax Assets and Liabilities

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

	December 31,	
(in thousands)	**2020**	**2019**
DEFERRED TAX ASSETS		
Allowance for credit losses for loans and leases	$ 150,140	73,580
Operating lease liabilities	78,379	71,851
Depreciation - ordinary	—	20,046
Accrued compensation	32,310	1,567
Unearned compensation - restricted stock	10,688	12,035
Repossessed taxi medallion valuation reserve	11,521	8,928
Credit impairment of securities	3,146	3,451
Deferred loan fees, net	10,589	—
Other (1)	8,016	5,490
Total deferred tax assets recognized in earnings	$ 304,789	196,948
Net unrealizable losses on securities available-for-sale	380	12,547
Net unrealizable losses on securities transferred to held-to-maturity	5,426	6,211
Net unrealized losses on cash flow hedges	30,063	14,307
Total deferred tax assets	$ 340,658	230,013
DEFERRED TAX LIABILITIES		
Qualified lease assets	$ 111,042	153,684
Operating lease right-of-use assets	70,124	65,482
Change in accounting method (IRC section 481(a))	13,284	—
Depreciation - ordinary	9,986	—
Deferred rent	—	3,230
Prepaid expenses	1,227	1,101
Deferred loan fees, net	—	8,503
Other (1)	2,940	—
Total deferred tax liabilities recognized in earnings	208,603	232,000
Net deferred tax assets (liability)	$ 132,055	(1,987)

(1) Effective January 1, 2020, we changed our accounting policy for Low Income Housing Tax Credit ("LIHTC") investments from the equity method to the proportional amortization method as it was determined to be the preferable method. All applicable prior period amounts have been retroactively restated to conform to the new accounting policy.

At December 31, 2020, after considering all available positive and negative evidence, management concluded that a valuation allowance for deferred tax assets was not necessary because it is more likely than not that these tax benefits will be fully realized. While we continue to monitor the need for a valuation allowance prospectively, we do not expect a valuation allowance will be required based upon projected profitability and taxable income in the carry-back period. Net deferred tax assets are included in Other assets in our Consolidated Statements of Financial Condition.

Effective Tax Rate

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

	Years ended December 31,					
	2020		***2019***		***2018***	
(dollars in thousand)	**Expense (Benefit)**	**Rate**	**Expense (Benefit)**	**Rate**	**Expense (Benefit)**	**Rate**
Statutory federal income tax expense	$ 153,760	21 %	172,495	21 %	147,155	21 %
State and local income taxes, net of federal income tax benefits	52,353	7 %	61,702	8 %	52,396	7 %
Amortization of low income housing investments	40,285	6 %	36,206	4 %	26,185	4 %
Tax losses on low income housing investments	(9,184)	(1)%	(6,277)	(1)%	(5,865)	(1)%
Deduction limitation of FDIC premiums	2,886	*	2,611	*	4,959	1 %
Nondeductible compensation	1,995	*	2,897	*	3,514	1 %
Low income housing federal tax credits and other credits	(47,763)	(7)%	(36,196)	(4)%	(32,621)	(5)%
Stock based compensation	2,729	*	766	*	(2,373)	*
Tax exempt income	(4,039)	(1)%	(3,376)	*	(2,503)	*
Other items, net	10,811	3 %	4,089	1 %	3,459	*
Effective income tax expense (1)	$ 203,833	28 %	234,917	29 %	194,306	28 %

1) Effective January 1, 2020, we changed our accounting policy for Low Income Housing Tax Credit ("LIHTC") investments from the equity method to the proportional amortization method as it was determined to be the preferable method. All applicable prior period amounts have been retroactively restated to conform to the new accounting policy.

*- Less than 1%.

Unrecognized Tax Benefits

As of December 31, 2020, the Company had $15.7 million of unrecognized gross tax benefits. Gross tax benefits do not reflect the federal tax effect associated with state tax amounts. The total amount of net unrecognized tax benefits at December 31, 2020 that would have affected the effective tax rate, if recognized, was $12.0 million.

The following table summarizes changes in the liability for unrecognized gross tax benefits for the years ended December 31, 2020, 2019 and 2018:

		Years ended December 31,		
(in thousands)		**2020**	**2019**	**2018**
Uncertain tax position at beginning of year	$	15,155	7,128	5,382
Additions for tax positions relating to current-year operations		1,948	2,122	1,746
Additions for tax positions relating to prior tax years		—	5,905	—
Subtractions for tax positions relating to prior tax years		(1,420)	—	—
Reductions in balance due to settlements		—	—	—
Uncertain tax positions at end of year	$	15,683	15,155	7,128

Our policy is to recognize interest and penalties on income taxes in income tax expense. During the years ended December 2020, 2019, and 2018, we recognized income tax expense attributed to interest and penalties of $2.2 million, $1.9 million and $243,000, respectively. Accrued interest and penalties on tax liabilities were $5.7 million and $3.0 million, respectively, at December 31, 2020 and 2019.

The Company and its subsidiaries are subject to income tax by federal, state, and local government taxing authorities and file tax returns in many tax jurisdictions. The Company's New York State, New York City, and New Jersey tax returns are currently under examination for tax years 2015 through 2017. For our federal and most state and local income tax returns, we remain subject to examination for tax years 2017 and after. The Company does not currently believe there is a reasonable possibility of any significant change to our total unrecognized tax benefits within the next twelve months.

(17) Preferred Stock

On December 17, 2020, the Bank issued 5.00% Noncumulative Perpetual Series A Preferred Stock. Net proceeds, after underwriting discounts and expenses, were approximately $708.0 million. The public offering consisted of 29,200,000 depository shares, each representing a 1/40th interest in a share of the Series A Preferred Stock, at a public offering price of $25.00 per depository share. The Series A Preferred Stock is redeemable at the option of the Bank, subject to all applicable regulatory approvals, on or after December 30, 2025. At December 31, 2020, the Bank was authorized to issue 61,000,000 shares of preferred stock, par value $0.01 per share, of which, 730,000 shares were issued and outstanding. Each share of preferred stock has a liquidation preference of $1,000.

Dividends on shares of the Series A Preferred Stock are non-mandatory and noncumulative. Dividend payment dates will be the 30th day of March, June, September and December of each year, commencing on March 30, 2021.

(18) Equity Incentive Plan

We have an equity incentive plan designed to assist us in attracting, retaining, and motivating officers, employees, directors, and/or consultants and to provide us and our subsidiaries and affiliates with incentives directly related to increases in our shareholder value. Activity related to the equity incentive plan for the years ended December 31, 2020 and 2019 is summarized as follows:

	Year ended December 31,	
	2020	**2019**
Share available for future awards at beginning of the year	1,080,696	1,317,949
Restricted stock		
Granted	(545,030)	(446,324)
Forfeited	51,680	28,939
Share sold to cover minimum tax withholdings upon vesting	123,515	180,132
Shares available for future awards at end of the year	710,861	1,080,696

Restricted Stock

The following table summarizes information regarding outstanding grants of restricted stock for the years ended December 31, 2020 and 2019:

	2020		***2019***	
	Shares	**Weighted Average Grant Price**	**Shares**	**Weighted Average Grant Price**
Outstanding at beginning of the year	853,906	$ 133.89	832,888	$ 141.34
Granted	545,030	88.91	446,324	125..87
Vested	(401,610)	134.26	(396,367)	135.23
Forfeited	(51,680)	92.72	(28,939)	141.97
Outstanding at end of the year	945,646	$ 110.30	853,906	$ 133.89

As of December 31, 2020, our total unrecognized compensation cost related to unvested restricted shares was $62.4 million, which is expected to be recognized over a weighted-average period of 1.71 years. During the years ended December 31, 2020, 2019 and 2018, we recognized compensation expense of $55.0 million, $55.4 million, and $52.6 million, respectively, for restricted shares. The total fair value of restricted shares that vested during the years ended December 31, 2020, 2019 and 2018 were $29.5 million, $50.0 million, and $62.4 million, respectively.

(19) Accumulated Other Comprehensive Loss

The following table presents information regarding items reclassified out of Accumulated Other Comprehensive Loss ("AOCL") for the years ended December 31, 2020 and 2019:

(in thousands)	Year ended December 31, 2020		2019	
Details about AOCI	**Amount Reclassified Out of AOCL**		**Amount Reclassified Out of AOCL**	**Affected Line Item in the Consolidated Statement of Income**
Net unrealized gains on AFS securities	$	3,606	1,034	Net gains on sales of securities
		(1,065)	(304)	Income tax expense
Total reclassification, net of tax	$	2,541	730	
Net Unrealized losses on derivatives (cash flow hedges)				
Reclassification, before tax	$	(30,502)	(1,878)	Interest expense - FHLB borrowings
		8,972	553	Income tax expense
Total reclassification net of tax	$	(21,530)	(1,325)	

The following table presents changes in AOCL, net of tax, for the years ended December 31, 2020 and 2019:

(in thousands)		AFS Securities	HTM Securities Transferred from AFS	Cash Flow Hedges	Total
For the year ended December 31, 2020					
Balance at December 31, 2019	$	(24,833)	(6,584)	(34,213)	(65,630)
Net change in unrealized gain (loss)		30,855	—	(58,958)	(28,103)
Amortization of net unrealized loss on securities transferred to HTM		—	—	—	—
Amounts reclassified out of AOCI		(2,541)	1,924	21,454	20,837
Net current period other comprehensive income (loss)	$	28,314	1,924	(37,504)	(7,266)
Balance at December 31, 2020	$	3,481	(4,660)	(71,717)	(72,896)
For the year ended December 31, 2019					
Balance at December 31, 2018	$	(133,701)	(8,504)	(2,324)	(144,529)
Net change in unrealized gain (loss)		109,598	—	(30,564)	79,034
Amortization of net unrealized loss on securities transferred to HTM		—	1,920	—	1,920
Amounts reclassified out of AOCI		(730)	—	(1,325)	(2,055)
Net current period other comprehensive income (loss)	$	108,868	1,920	(31,889)	78,899
Balance at December 31, 2019	$	(24,833)	(6,584)	(34,213)	(65,630)

The related tax effects allocated to debt securities and cash flow hedges in AOCL as of December 31, 2020 and 2019 are as follows:

(in thousands)		Gross Amount	Tax Component	Net of Tax
December 31, 2020				
Unrealized loss on AFS and HTM securities (1)	$	19,658	(18,479)	1,179
Unrealized loss on cash flow hedges		101,780	(30,063)	71,717
Balance at December 31, 2020	$	121,438	(48,542)	72,896
December 31, 2019				
Unrealized loss on AFS and HTM securities (1)	$	61,853	(31,848)	(30,005)
Unrealized loss on cash flow hedges		50,486	(14,861)	(35,625)
Balance at December 31, 2019	$	112,339	(46,709)	(65,630)

(1) Includes amortization of net unrealized loss securities transferred to HTM.

(20) Earnings Per Common Share

Basic earnings per common share ("EPS") is computed by dividing income available to common stockholders by the weighted average number of common shares outstanding for the period. Unvested stock awards with non-forfeitable rights to dividends, whether paid or unpaid, are considered participating securities and are included in the calculation of EPS using the two class method whereby net income is allocated between common stock and participating securities. Diluted earnings per common share is computed by dividing income allocated to common stockholders for basic EPS, adjusted for earnings reallocated from participating securities, by the weighted average number of common shares outstanding for the period for the dilutive effect of unvested stock awards using the treasury stock method.

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

		December 31,		
(in thousands, expect per share amounts)		**2020**	**2019**	**2018**
Net Income (1)	$	528,359	586,486	506,434
Preferred stock dividends		—	—	—
Net income available to common shareholders	$	528,359	586,486	506,434
Less: Dividends paid on and earnings allocated to participating securities		1,725	1,913	914
Earnings applicable to common stock	$	526,634	584,573	505,520
Common and common equivalent shares:				
Weighted average common shares outstanding		52,641	53,774	54,406
Weighted average common equivalent shares		258	237	260
Weighted average common and common equivalents shares		52,899	54,011	54,666
Basic earnings per common share (1)	$	10.00	10.87	9.29
Diluted earnings per common share (1)	$	9.96	10.82	9.25

(1) Effective January 1, 2020, we changed our accounting policy for Low Income Housing Tax Credit ("LIHTC") investments from the equity method to the proportional amortization method as it was determined to be the preferable method. All applicable prior period amounts have been retroactively restated to conform to the new accounting policy.

For the years ended December 31, 2020, 2019 and 2018, we did not have any options or warrants outstanding. Therefore, neither of these types of share-based payment awards were excluded from the computation of diluted earnings per share in the respective period.

Restricted stock units ("RSUs") whose issuance is contingent upon the satisfaction of certain performance and market conditions are included in the computation of diluted EPS if all necessary conditions have been satisfied by the end of the reporting period. Otherwise, the number of contingently issuable shares included in diluted EPS is the number of shares, if any, that would be issuable based on current period earnings and period-end market price, and if the result would be dilutive. These contingently issuable shares are included in the computation of diluted EPS as of the beginning of the period or as of the date of the contingent stock agreement, if later. For the year ended December 31, 2020, average dilutive potential common shares associated with these contingently issuable RSUs were not included in the diluted share count because they were anti-dilutive. For the years ended 2019 and 2018 there were no shares whose issuance was contingent on the satisfaction of performance or market conditions.

(21) Commitments and Contingent Liabilities

In the normal course of business, we have various outstanding commitments and contingent liabilities that are not reflected in the accompanying Consolidated Financial Statements. For information on our lease commitments, see Note 23 to the Consolidated Financial Statements.

(a) Information Technology Services Contracts

On May 20, 2016, we entered into a Master Agreement for the Provision of Hardware, Software and/or Services (the "Agreement") with Fidelity Information Services, Inc. ("Fidelity"). Under the terms of the agreement, Fidelity provides us with hardware, software and account processing services related to our core banking applications. Particularly, Fidelity supplies us with enterprise banking services, core data processing services and managed operations services. Fidelity also provides implementation and training services for the software and hardware provided under the Agreement. We have the right to terminate the Agreement upon a change of control of us, or a failure by Fidelity to meet the terms of the Agreement, subject to certain penalties.

The required payments under the terms of the Agreement, as well as other information technology contracts, at December 31, 2020 are as follows:

(in thousands)		Amount
2021	$	16,007
2022		1,080
2023		—
2024		—
2025		—
Thereafter		—
Total	$	17,087

(b) Financial Instruments with Off-Balance Sheet Arrangements

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

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

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

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

		December 31,	
(in thousands)		2020	2019
Unused commitments to extend credit	$	11,607,572	4,988,650
Financial standby letters of credit		722,031	545,085
Commercial and similar letters of credit		19,313	9,859
Other		1,203	1,266
Total	$	12,350,119	5,544,860

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. In addition, standby letters of credit are conditional commitments issued by us to guarantee the performance of our clients' obligations to a third party. Standby letters of credit are primarily used to support clients' business trade transactions and may require payment of a fee. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to clients. At December 31, 2020 and 2019, our reserves for losses on total unfunded commitments to extend credit totaled $8.0 million and $1.4 million, respectively. The increase is primarily due to the adoption of CECL on January 1, 2020, COVID related circumstances, as well as the continued growth of our fund banking business. These reserves are included in Accrued expenses and other liabilities.

We recognize a liability at the inception of the guarantee that is equivalent to the fee received from the client. This liability is amortized over the term of the guarantee on a straight-line basis. At December 31, 2020 and 2019, we had deferred revenue for commitment fees paid for the issuance of standby letters of credit in the amount of $1.6 million and $1.5 million, respectively.

As of December 31, 2020 and 2019, we had commitments to sell loans totaling $8.8 million and $11.6 million, respectively.

(d) Litigation

In the normal course of business, the Bank has been named as a defendant in various legal actions. In the opinion of management, after reviewing such claims with legal counsel, resolution of these matters will not have a material adverse impact on our financial condition, results of operations or liquidity.

(22) Derivative Instruments and Hedging Activities

The Company enters into derivative financial instruments to manage exposures that arise from business activities that result in the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates. The Company's derivative financial instruments are used to manage differences in the amount, timing, and duration of the Company's known or expected cash receipts and its known or expected cash payments principally related to the Company's floating rate borrowings and fixed-rate loan portfolio.

Cash Flow Hedges of Interest Rate Risk

The Company's objective in using interest rate derivatives is to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish this objective, the Company primarily uses interest rate swaps as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount.

For derivatives designated and that qualify as cash flow hedges of interest rate risk, the gain or loss on the derivative is recorded in Accumulated other comprehensive income (loss) and subsequently reclassified into interest expense in the same period during which the hedged transaction affects earnings.

In 2018 and 2019, the Company entered into interest rate swaps to hedge the interest rate risk in the cash flows on the hedged forecasted issuance of fixed-rate borrowings. The total notional amount associated with these cash flow hedges was $1.75 billion as of December 31, 2020. Based on the Company's current plans and intentions, it is probable that the hedged forecasted transactions will occur.

The following table presents the effect of cash flow hedge accounting on Accumulated other comprehensive income (loss) for the years ended December 2020, 2019 and 2018.

	Year ended December 31,		
	2020	**2019**	**2018**
(in thousands)			
Amount of (gain) loss reclassified from accumulated other comprehensive loss to interest expense	$ 83,673	(1,878)	4
Amount of gain (loss) recognized in other comprehensive (loss) income	(30,502)	(48,609)	(3,302)

Gains (losses) included in the Consolidated Statements of Income related to interest rate derivatives designated as cash flow hedges during the year ended December 31, 2020 was $(83.7) million, compared to $1.9 million and $(4,000) for the years ended December 31, 2019, and 2018, respectively. Amounts reported in Accumulated other comprehensive income (loss) related to derivatives will be reclassified to interest expense as interest payments are made on the Company's variable-rate liabilities. Based upon current market conditions, the Company estimates that an additional $38.8 million will be reclassified as an increase to interest expense in the next twelve months.

Fair Value Hedges of Interest Rate Risk

The Company is exposed to changes in the fair value of certain prepayable fixed-rate assets due to changes in benchmark interest rates. The Company uses interest rate swaps to manage its exposure to changes in fair value on these instruments attributable to changes in the designated benchmark interest rate. Interest rate swaps designated as fair value hedges involve the payment of fixed-rate amounts to a counterparty in exchange for the Company receiving variable-rate payments over the life of the agreements without the exchange of the underlying notional amount. Gain or loss on the derivative as well as the offsetting loss or gain on the hedged item attributable to the hedged risk are recognized in Interest income for Loans and leases, net.

In 2018, the Company entered into interest rate swaps with a total notional of $650.0 million to hedge certain fixed-rate commercial real estate loans. During 2020, $200.0 million of these interest rate swaps matured in September 2020, leaving $450.0 million outstanding at December 31, 2020. For the year, the fixed-rate payment related to the net settlement of these interest rate swaps was in excess of the floating rate received. As such, Interest income from Loans and leases was reduced by $12.8 million, $3.1 million, and $850,000, for the years ended December 31, 2020, 2019 and 2018, respectively.

As of December 31, 2020 and 2019, the following amounts were recorded on the balance sheet related to cumulative basis adjustments for fair value hedges.

(in thousands)	December 31, 2020		
Line Item in the Consolidated Statements of Financial Condition in Which the Hedge Item is Included	**Carrying Amount of the Hedged Assets**		**Cumulative Amount of Fair Value Hedging Adjustments included in the Carrying Amounts of the Hedged Assets**
Loans and leases (1)	$	439,963	(10,037)

(1) These amounts include the amortized cost basis of closed portfolios used in designated hedging relationships in which the hedged item is the last layer expected to be remaining at the end of the hedging relationship. At December 31, 2020, the amortized cost basis of the closed portfolios used in these hedging relationships was $709.4 million; the cumulative basis adjustment associated with these hedging relationships was $10.0 million; and the amount of the designated items was $440.0 million.

(in thousands)	December 31, 2019		
Line Item in the Consolidated Statements of Financial Condition in Which the Hedge Item is Included	**Carrying Amount of the Hedged Assets**		**Cumulative Amount of Fair Value Hedging Adjustments included in the Carrying Amounts of the Hedged Assets**
Loans and leases (1)	$	638,461	(11,539)

(1) These amounts include the amortized cost basis of closed portfolios used in designated hedging relationships in which the hedged item is the last layer expected to be remaining at the end of the hedging relationship. At December 31, 2019, the amortized cost basis of the closed portfolios used in these hedging relationships was $1.43 billion; the cumulative basis adjustment associated with these hedging relationships was $11.5 million; and the amount of the designated items was $638.5 million.

Non-designated Hedges

From time to time, the Bank has entered into risk participation agreements with external lenders where they are sharing their risk of default on the interest rate swaps on participated loans. We either pay or receive a fee depending on the participation type. Risk participation agreements are credit derivatives not designated as hedges. Credit derivatives are not speculative and are not used to manage interest rate risk in assets or liabilities. Changes in the fair value in credit derivatives are recognized directly in earnings.

The Bank also executes interest rate swaps with customers to facilitate their respective risk management strategies. These swaps with customers are simultaneously offset by swaps that the Bank executes with a third party, such that the Bank minimizes its net risk exposure resulting from such transactions. As the swaps associated with this program do not meet the strict hedge accounting requirements, changes in the fair value of both the customer swaps and the offsetting swaps are recognized directly in earnings.

The Bank also enters into foreign current swaps and forwards to economically hedge our foreign currency loans. Additionally, in connection with negotiating credit facilities, we may obtain equity warrant assets giving us the right to acquire stock in private, venture-backed companies in the technology and life science/healthcare industries.

The following table presents the fair value of the Company's derivative financial instruments, as well as their classification on the Consolidated Statement of Financial Condition at December 31, 2020 and December 31, 2019 respectively:

	Fair Values of Derivative instruments			
	Assets Derivatives		Liability Derivatives	
(in thousands)	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
December 31, 2020				
Derivatives designated as hedging instruments				
Interest Rate Contracts	Other Assets	$ 2,611	Other Liabilities	$ —
Total derivatives designated as hedging instruments		$ 2,611		$ —
Derivatives not designated as hedging instruments				
Interest Rate Contracts	Other Assets	$ 29,271	Other Liabilities	$ 74
Other Contracts (1)	Other Assets	3,212	Other Liabilities	7,980
Total derivatives not designated as hedging instruments		$ 32,483		$ 8,054
December 31, 2019				
Derivatives designated as hedging instruments				
Interest Rate Contracts	Other Assets	$ 1,380	Other Liabilities	$ —
Total derivatives designated as hedging instruments		$ 1,380		$ —
Derivatives not designated as hedging instruments				
Interest Rate Contracts	Other Assets	$ 5,594	Other Liabilities	$ 106
Other Contracts (1)	Other Assets	911	Other Liabilities	1,208
Total derivatives not designated as hedging instruments		$ 6,505		$ 1,314

(1) Other contracts include risk participation agreements, foreign exchange contracts and venture capital related equity warrants.

We centrally clear our derivatives with our third party counterparties through the Chicago Mercantile Exchange ("CME") by posting required initial and variation margins. CME legally characterizes variation margin payments for centrally cleared derivatives as settlements of the derivatives' exposures rather than collateral. As a result, the variation margin payment and the related derivative instruments are considered a single unit of account for accounting and financial reporting purposes. The Bank's clearing agent for interest rate and derivative contracts centrally cleared through the CME settles the variation margin daily with the CME; therefore, those interest rate derivative contracts the Bank clears though the CME are reported at a fair value of approximately zero at December 31, 2020.

The effect of gain or (loss) from derivatives designated as fair value hedges on the Consolidated Statements of Income for the years ended December 31, 2020, 2019 and 2018 were as follows:

	Year ended December 31,		
(in thousands)	**2020**	**2019**	**2018**
Derivative - interest rate swaps:			
Interest income	$ (10,057)	(11,602)	(4,746)
Hedged item - loans:			
Interest income	10,037	11,539	4,695
Net effect on Interest Income	$ (20)	(63)	(51)

The following table presents the effect of derivatives not designated as hedging instruments on the Consolidated Statements of Income for the years ended December 31, 2020, 2019 and 2018:

		Year ended December 31,		
(in thousands)		**2020**	**2019**	**2018**
Derivatives Not Designated as Hedging Instruments under Subtopic 815-20	**Location of Gain or (Loss) Recognized in income on Derivative**	**Amount of Gain or (Loss) Recognized in Income on Derivatives**		
Interest Rate Contracts	Other Income / (expense)	$ (786)	(156)	(17)
Other Contracts (1)	Other Income / (expense)	(6,168)	7,361	182
Total		$ (6,954)	7,205	165

(1) Other contracts include risk participation agreements, foreign exchange contracts and venture capital related equity warrants.

The gain (loss) of $(6.2) million, $7.4 million and $182,000, related to other contracts for the year ended December 31, 2020, 2019 and 2018, respectively, principally relates to income recognized on foreign currency swaps and forwards used to economically hedge our foreign currency loans. When considering the related foreign currency loan revaluation for the year, there was a net gain (loss) of approximately $(520,000), $540,000 and zero for the year ended December 31, 2020, 2019 and 2018, respectively.

(23) Leases

As lessee, the Bank has operating leases primarily consisting of real estate related arrangements. As lessor, all of the Bank's leases are equipment leases financed by Signature Financial ("SF"), the Bank's specialty finance subsidiary.

Lessee Leasing Arrangements

We determine if an arrangement is a lease at inception. None of our identified leases meet the criteria of financing leases as of December 31, 2020, and therefore all are accounted for as operating leases. These leases are typically long term and contain renewal options at a rate comparable to the fair market rent upon renewal. Most of our leases do not have early termination options. However, those that do contain varying degrees of economic penalty should the termination option be exercised.

Real estate operating leases are included in Operating lease right-of-use assets ("ROU") and Operating lease liabilities in our Consolidated Statements of Financial Condition. The ROU assets represent our right to use the underlying asset for the lease term and the lease liabilities represent our obligation to make lease payments arising from the lease. The ROU assets and liabilities are recognized at lease commencement and are primarily based on the present value of lease payments over the lease term. The Bank uses our incremental borrowing rate ("IBR") at lease commencement as the discount rate for initial measurement of the lease liability. The IBR is the interest rate the Bank would have to pay to borrow on a collateralized basis over a similar term and for an amount equal to the lease payments in a similar economic environment.

Lease expense is recognized on a straight-line basis over the lease term except for the contracts with outstanding landlord provided lease incentives as of lease commencement date. For these leases, the monthly straight-line expense is reduced ratably by the amount of lease incentives over the term of the lease. As the Bank elected the practical expedient to not separate non-lease and associated lease components as lessee, to the extent that an operating lease has both lease and non-lease components, they are combined and all contract consideration is allocated to the single lease component.

The following table presents our lease cost and other information related to our operating leases for the periods presented:

		Year ended December 31,	*Year ended December 31,*
(dollar in thousands)		**2020**	**2019**
Operating lease cost	$	33,152	32,744
Total lease cost	$	33,152	32,744
Other information			
Cash paid for amount included in the measurement of operating lease liabilities (1)	$	29,796	21,639
Right-of-use assets obtained in exchange of new operating lease liabilities	$	44,729	7,395

	December 31, 2020	**December 31, 2019**
Weighted average remaining lease-term - operating leases (in years)	10	11
Weighted-average discount rate - operating lease	3.14 %	3.44 %

(1) Cash paid for amounts included in the measurement of operating lease liabilities are net of landlord provided lease incentives of zero and $4.2 million for the years ended December 31, 2020 and 2019, respectively.

The following table presents the remaining maturity of lease liabilities as of December 31, 2020, as well as the reconciliation of undiscounted lease payments to the discounted operating lease liabilities as recognized in the Consolidated Statements of Financial Condition:

(in thousands)		
Years Ending December 31,		
2021 (1)	$	21,185
2022		36,397
2023		36,305
2024		30,841
2025		28,668
Thereafter		162,945
The undiscounted operating lease payments	$	316,341
Less: present value adjustments		50,987
Operating lease liabilities	$	265,354

(1) Net of $12.8 million of landlord provided lease incentives that are expected to be received in 2021.

Lessor Leasing Arrangements

Signature Financial offers a variety of financing and leasing products, including equipment, transportation, commercial marine and national franchise leasing through direct and indirect funding by leveraging our capital markets and third party funding groups and partnering with banks who own leasing companies, independent finance companies, equipment vendors and investment institutions.

The standard leases are typically repayable on a level monthly basis with terms ranging from 24 to 120 months. At the end of the lease term, the lessee usually has the option to return the equipment, to renew the lease or purchase the equipment at the then fair market value (“FMV”) price or at a bargain purchase price. For leases with a FMV renewal/purchase option, the relevant residual value assumptions are based on the estimated value of the leased asset at the end of lease term, including evaluation of key factors, such as, the estimated remaining useful life of the leased asset, its historical secondary market value including history of the lessee executing the FMV option, overall credit evaluation and return provisions.

Signature Financial’s strategy is to acquire the leased asset at fair market value and provide funding to the respective lessee at acquisition cost, less any volume or trade discounts, as applicable. Therefore, there is generally no selling profit or loss to recognize or defer at inception of lease. The only element of profit is from financing charges. As of December 31, 2020, Signature Financial has no equipment leases classified as operating leases. Therefore, their leases are either accounted for as sales type or direct financing leases.

The following table presents the components of lease income for the year ended December 31, 2020:

(In thousands)		
Interest income on lease receivables	$	39,601
Interest income from accretion of unguaranteed residual assets		4,367
Total lease income (1)	$	43,968

(1) Included in Interest income - Loans and leases, net within the Consolidated Statements of Income.

At December 31, 2020, the carrying value of our net investment in leases was $1.13 billion. The components of net investment in sales-type and direct financing leases, including the carrying amount of lease receivable, as well as the unguaranteed residual asset were as follows:

(In thousands)		
Net investments in lease - lease payments receivable	$	984,611
Net investment in the lease - unguaranteed residual assets		142,824
Total net investments in leases	$	1,127,435

The following table presents the remaining maturity analysis of the undiscounted lease receivables as of December 31, 2020, as well as the reconciliation to the total amount of receivables recognized in the Consolidated Statements of Financial Condition:

(in thousands)		
Years Ending December 31,		
2021	$	316,608
2022		251,860
2023		188,257
2024		127,977
2025		75,639
Thereafter		60,511
The undiscounted operating lease payments	$	1,020,852
Less: present value adjustments		106,583
Lease receivable recognized	$	1,127,435

(24) Regulatory Capital

As a New York state-chartered bank, we are subject to various regulatory capital requirements administered by state and federal regulatory agencies. Failure to meet minimum capital requirements can initiate certain mandatory—and possible additional discretionary—actions by regulators that, if undertaken, could have a direct material adverse effect on our financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, we must meet specific capital guidelines that involve quantitative measures of our assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. Our capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

As of December 31, 2020 and 2019, we met all capital adequacy requirements to which we were subject. Additionally, the most recent notification from the Federal Deposit Insurance Corporation categorized us as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the Bank's category.

The capital amounts and ratios presented in the following table demonstrate that we were "well capitalized" as of December 31, 2020:

	Actual		*Required for Capital Adequacy Purposes*		*Required to be Well capitalized*	
(dollar in thousands)	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
Total capital (to risk-weighted assets)	$ 7,217,462	13.54 %	4,265,907	8.00 %	5,332,384	10.00 %
Tier 1 capital (to risk-weighted assets)	5,973,199	11.20 %	3,199,430	6.00 %	4,265,907	8.00 %
Common equity Tier 1 capital (to risk-weighted assets)	5,265,187	9.87 %	2,399,573	4.50 %	3,466,050	6.50 %
Tier 1 leverage capital (to average assets)	5,973,199	8.55 %	2,795,170	4.00 %	3,493,962	5.00 %

The capital amounts and ratios presented in the following table demonstrate we were "well capitalized" as of December 31, 2019:

	Actual		*Required for Capital Adequacy Purposes*		*Required to be Well capitalized*	
(dollar in thousands)	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
Total capital (to risk-weighted assets)	$ 5,515,866	13.26 %	3,327,347	8.00 %	4,159,184	10.00 %
Tier 1 capital (to risk-weighted assets)	4,808,332	11.56 %	2,495,510	6.00 %	3,327,347	8.00 %
Common equity Tier 1 capital (to risk-weighted assets)	4,808,332	11.56 %	1,871,633	4.50 %	2,703,469	6.50 %
Tier 1 leverage capital (to average assets)	4,808,332	9.55 %	2,014,148	4.00 %	2,517,686	5.00 %

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

Dividends

Payments of dividends on our common stock and our Series A Preferred Stock are subject to the prior approval of the DFS and of the FDIC. Under New York law, we are prohibited from declaring a dividend so long as there is any impairment of our capital stock. In addition, we would be required to obtain the approval of the DFS if the total of all our dividends declared in any calendar year would exceed the total of our net profits for that year combined with retained net profits of the preceding two years, less any required transfer to surplus or a fund for the retirement of any preferred stock. We would also be required to obtain the approval of the FDIC prior to declaring a dividend if after paying the dividend we would be undercapitalized, significantly undercapitalized, or critically undercapitalized. See “—Prompt Corrective Action and Enforcement Powers.” In addition, the FDIC has stated that excessive dividends can negate strong earnings performance and result in a weakened capital position and that dividends generally can be disbursed, in reasonable amounts, only after losses are eliminated and necessary reserves and prudent capital levels are established.

The Bank has declared and paid a quarterly common stock cash dividend of $0.56 per share, or a total of approximately $30.0 to $31.0 million each quarter, since the third quarter of 2018. On January 20, 2021, the Bank declared its fourth quarter 2020 common stock cash dividend of $0.56 per share to be paid on or after February 12, 2021 to common stockholders of record at the close of business on February 1, 2021.

In addition, in October 2018, the Bank’s stockholders approved our common stock repurchase program which provides the Bank the ability to repurchase common stock from shareholders in the open market up to an amount of $500.0 million. Share buybacks are also subject to regulatory approvals, which were received for the repurchase program of up to $500.0 million in November 2018. We received shareholder and regulatory approval to continue the program in 2019.

On February 19, 2020, the Board of Directors approved an amendment to the stock repurchase program that restored the Bank’s share repurchase authorization to an aggregate purchase amount of up to $500.0 million from the $220.9 million that was remaining under the original authorization as of December 31, 2019. The amended stock repurchase program was approved by the shareholders in April 2020. The Bank has suspended any future repurchases of common stock given the COVID-19 circumstances since the end of the first quarter of 2020. As a result, no common stock was repurchased by the Bank during the remainder of 2020. In September 2020, we received regulatory approval to extend the repurchase of the $170.8 million remaining under the original authorization to September 30, 2021. We plan to seek separate regulatory approval for the additional $279.1 million approved under the amended authorization. To date, the Bank has repurchased 2,689,544 shares of common stock for a total of $329.2 million and the amount remaining under the amended authorization was $450.0 million at December 31, 2020.

Any future determination to pay dividends or buy back shares will be at the discretion of our Board of Directors and will be dependent upon then-existing conditions, including our financial condition and results of operations, capital requirements, commercial real estate concentration, contractual restrictions, business prospects and other factors that the Board of Directors considers relevant.

(25) 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, fund banking, venture banking, commercial and industrial lending, and commercial deposit gathering activities.

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

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

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

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

		At or for the years ended December 31,		
(in thousands)		**2020**	**2019**	**2018**
Commercial Banking				
Interest income	$	1,803,548	1,808,098	1,622,902
Interest expense		412,554	600,083	409,933
Provision for (recovery of) credit losses		242,193	10,366	28,707
Non-interest income (1)		70,377	53,691	46,015
Non-interest expense		562,485	489,875	432,819
Income (loss) before income taxes (1)	$	656,693	761,465	797,458
Total assets (1)	$	73,990,855	50,733,632	47,571,070
Specialty Finance				
Interest income	$	197,142	182,023	146,700
Interest expense		69,044	78,445	60,682
Provision for (recovery of) credit losses		5,901	12,270	133,817
Non-interest income		5,036	8,048	4,564
Non-interest expense		51,734	39,418	53,483
Income (loss) before income taxes	$	75,499	59,938	(96,718)
Total assets	$	5,385,312	4,861,690	4,357,754

(1) Effective January 1, 2020, we changed our accounting policy for Low Income Housing Tax Credit ("LIHTC") investments from the equity method to the proportional amortization method as it was determined to be the preferable method. All applicable prior period amounts have been retroactively restated to conform to the new accounting policy.

The following table provides reconciliations of net interest income, provision for (recovery of) credit 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 years ended December 31,		
(in thousands)	**2020**	**2019**	**2018**
Net interest income:			
Commercial Banking	$ 1,390,993	1,208,015	1,212,969
Specialty Finance	128,099	103,578	86,018
Consolidated	$ 1,519,092	1,311,593	1,298,987
Provision for (recovery of) credit losses:			
Commercial Banking	$ 242,193	10,366	28,707
Specialty Finance	5,901	12,270	133,817
Consolidated	$ 248,094	22,636	162,524
Non-interest income:			
Commercial Banking (2)	$ 70,377	53,691	46,015
Specialty Finance	5,036	8,048	4,564
Eliminations	(165)	(24)	(24)
Consolidated	$ 75,248	61,715	50,555
Non-interest expenses:			
Commercial Banking	$ 562,485	489,875	432,819
Specialty Finance	51,734	39,418	53,483
Eliminations	(165)	(24)	(24)
Consolidated	$ 614,054	529,269	486,278
Income (loss) before income taxes:			
Commercial Banking (2)	$ 656,693	761,465	797,458
Specialty Finance	75,499	59,938	(96,718)
Consolidated	$ 732,192	821,403	700,740
Total assets:			
Commercial Banking (2)	$ 73,990,855	50,733,632	47,571,070
Specialty Finance	5,385,312	4,861,690	4,357,754
Eliminations (1)	(5,487,823)	(5,003,513)	(4,587,286)
Consolidated	$ 73,888,344	50,591,809	47,341,538

(1) Eliminations related to intercompany funding.

(2) Effective January 1, 2020, we changed our accounting policy for Low Income Housing Tax Credit ("LIHTC") investments from the equity method to the proportional amortization method as it was determined to be the preferable method. All applicable prior period amounts have been retroactively restated to conform to the new accounting policy.

(26) Quarterly Data (unaudited)

(Dollar in thousands, except per share amounts)		March 31	June 30	September 30	December 31
2020 QUARTER					
Interest income	$	479,814	481,782	481,492	488,558
Interest expense		131,551	94,649	92,779	93,575
Net interest income	$	348,263	387,133	388,713	394,983
Provision for credit losses		66,823	93,008	52,664	35,599
Net interest income after provision for credit losses	$	281,440	294,125	336,049	359,384
Non-interest income (1)		14,180	12,664	24,213	24,191
Non-interest expense		143,967	151,873	160,563	157,651
Income before income taxes	$	151,653	154,916	199,699	225,924
Income tax expense (1)		52,067	37,702	61,149	52,915
Net income (1)	$	99,586	117,214	138,550	173,009
Preferred stock dividends		—	—	—	—
Net income available to common shareholders	$	99,586	117,214	138,550	173,009
Earnings per common share - basic (1)	$	1.89	2.22	2.62	3.28
Earnings per common share - diluted (1)	$	1.88	2.21	2.62	3.26
2019 QUARTER					
Interest income	$	465,564	480,661	484,055	481,396
Interest expense		146,573	154,373	156,036	143,101
Net interest income	$	318,991	326,288	328,019	338,295
Provision for loan and lease losses		6,309	5,408	1,164	9,755
Net interest income after provision for credit losses	$	312,682	320,880	326,855	328,540
Non-interest income (1)		13,931	17,039	14,716	16,029
Non-interest expense		125,063	131,888	134,295	138,023
Income before taxes	$	201,550	206,031	207,276	206,546
Income tax expense (1)		58,097	58,730	59,158	58,932
Net income (1)	$	143,453	147,301	148,118	147,614
Preferred stock dividends		—	—	—	—
Net income available to common shareholders	$	143,453	147,301	148,118	147,614
Earnings per common share - basic (1)	$	2.64	2.71	2.75	2.78
Earnings per common share - diluted (1)	$	2.63	2.71	2.74	2.76

(1) Effective January 1, 2020, we changed our accounting policy for Low Income Housing Tax Credit ("LIHTC") investments from the equity method to the proportional amortization method as it was determined to be the preferable method. All applicable prior period amounts have been retroactively restated to conform to the new accounting policy.

(27) Subsequent Events

In February 2021, the Bank completed a public offering of 3,500,000 shares of our common stock. The Bank also granted the underwriters an option to purchase an additional 525,000 shares. In total, all 4,025,000 shares were issued and sold by the Bank and the net proceeds from this offering were $709.0 million. The net proceeds from this offering will be used for general corporate purposes and to facilitate our continued growth.

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PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

A. Financial Statements and Financial Statement Schedules

(1) The Consolidated Financial Statements of the Registrant are listed and filed as part of this report on pages F-1 to F-66. The Index to the Consolidated Financial Statements appears on page F-1.

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

B. Exhibit Listing

Exhibit No.	Exhibit
3.1	Restated Organization Certificate (Incorporated by reference to Signature Bank's Quarterly Report on Form 10-Q for the period ended June 30, 2005.)
3.2	Certificate of Amendment to the Bank's Restated Organization Certificate with respect to Signature Bank's Fixed Rate Non-Cumulative Perpetual Preferred Stock, Series A, par value $0.01 per share (Incorporated by reference to Signature Bank's Current Report on Form 8-K filed on December 17, 2020.)
3.3	Certificate of Amendment to the Bank's Restated Organization Certificate. (Incorporated by reference from Annex A to the 2017 Definitive Proxy Statement on Schedule 14A, filed with the Federal Deposit Insurance Corporation on March 10, 2017.)
3.4	Amended and Restated By-laws of the Registrant. (Incorporated by reference to Signature Bank's Current Report on Form 8-K filed on January 23, 2018.)
3.5	Certificate of Amendment for the Bank's 5.000% Noncumulative Perpetual Series A Preferred Stock, par value $0.01 per share (Incorporated by reference to Signature Bank's Current Report on Form 8-K filed on December 17, 2020).
4.1	Specimen Common Stock Certificate (Incorporated by reference to Signature Bank's Registration Statement on Form 10 or amendments thereto, filed with the Federal Deposit Insurance Corporation on March 17, 2004.)
4.2	Description of Capital Stock.
4.3	Deposit Agreement, dated December 17, 2020, by and among Signature Bank, American Stock Transfer & Trust Company, LLC and the holders from time to time of the Depository Receipts described therein (Incorporated by reference to Signature Bank's Current Report on Form 8-K filed on December 17, 2020).
4.4	Form of Depositary Receipt (Included in Exhibit 4.3 and incorporated by reference to Signature Bank's Current Report on Form 8-K filed on December 17, 2020).
10.1	Signature Bank Amended and Restated 2004 Long-Term Incentive Plan (Incorporated by reference from Annex A to the 2018 Definitive Proxy Statement on Schedule 14A, filed with the Federal Deposit Insurance Corporation on April 25, 2018.)
10.2	Amended and Restated Signature Bank Change of Control Plan (Incorporated by reference to Signature Bank's Current Report on Form 8-K, filed with the Federal Deposit Insurance Corporation on September 19, 2007.)
10.4	Networking Agreement, effective as of April 18, 2001, between Signature Securities and Signature Bank (Incorporated by reference to Signature Bank's Registration Statement on Form 10 or amendments thereto, filed with the Federal Deposit Insurance Corporation on March 17, 2004.)
10.13	Employment Agreement, dated March 22, 2004, between Signature Bank and Joseph J. DePaolo (Incorporated by reference to Signature Bank's Registration Statement on Form 10 or amendments thereto, filed with the Federal Deposit Insurance Corporation on March 17, 2004.)
14.1	Code of Ethics (Incorporated by reference from Signature Bank's 2004 Form 10-K, filed with the Federal Deposit Insurance Corporation on March 16, 2005.)
21.1	Subsidiaries of Signature Bank
31.1	Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

EXHIBIT 21.1

SUBSIDIARIES OF SIGNATURE BANK

As of March 1, 2021, Signature Bank has the following significant subsidiary:

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

EXHIBIT 31.1

CERTIFICATION

I, Joseph J. DePaolo, certify that:

1. I have reviewed this annual report on Form 10-K of Signature Bank for the fiscal year ended December 31, 2020;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the Examining Committee of the registrant's Board of Directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 1, 2021

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

EXHIBIT 31.2

CERTIFICATION

I, Vito Susca, certify that:

1. I have reviewed this annual report on Form 10-K of Signature Bank for the fiscal year ended December 31, 2020;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the Examining Committee of the registrant's Board of Directors (or persons performing the equivalent functions):
    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 1, 2021

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

EXHIBIT 32.1

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

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

The Annual Report on Form 10-K for the year ended December 31, 2020 (the "Form 10-K") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 1, 2021

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

Dated: March 1, 2021

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

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

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